

Market Watch

September 2026

Rising Bond Yields to Multi-Decade Highs

The Global Bond market was weaker over September as government bond yields rose sharply across major economies, pushing long-term sovereign yields to multi-decade highs and resulting in negative returns for government bonds. Higher energy prices, widening fiscal deficits, substantial AI-related debt issuance, and stronger-than-expected economic data contributed to a sharp rise in government bond yields across major markets. The Bloomberg Global Treasuries Index yield surpassed 4% for the first time since 2007, while long-dated U.S. Treasury yields climbed to their highest levels since 2002. The European, German and Japanese government bonds yield also experienced the same trends.

The Australian bond markets experienced a challenging month in September as government bond yields rose amid persistent inflationary pressures, a more restrictive monetary policy outlook and broader weakness across global fixed income markets. The RBA raised the cash rate by 0.25% to 4.60%, reinforcing expectations that interest rates may remain elevated for longer. From an investment perspective, the higher yield environment has improved the prospective income available from Australian fixed income, but the combination of above-target inflation, a hawkish RBA and elevated global rate volatility suggests that headwinds haven't fully dissipated. Against this backdrop, active management with an approach focused on managing duration risk, maintaining credit quality and capturing attractive carry remains appropriate as investors enter the final quarter of 2026.

Global equity markets declined in September, reflecting heightened investor caution amid rising energy prices, higher interest rates and increasing bond yields, driven by escalating geopolitical tensions in the Middle East and its implications for global energy supplies and inflation. US equities were relatively resilient, supported by strong corporate earnings expectations and continued investment in artificial intelligence (AI) by major companies such as Alphabet, Amazon, Microsoft and Nvidia. However, sentiment was tempered by the US Federal Reserve's 0.25% interest rate increase in response to persistently elevated inflation. Meanwhile, European, Chinese and Indian markets recorded losses as investors grappled with geopolitical uncertainty, energy-related risks and further monetary policy tightening by central banks in Japan and Europe.

The Australian share market retreated sharply in September, driven by broad-based sector weakness. Technology stocks continued their disappointing run, declining -10% over the month, while the larger Resources sector fell approximately -5% as gold and iron ore prices softened. Consumer Discretionary companies also faced headwinds due to persistent inflationary pressures, higher oil prices, and elevated interest rates, all of which clouded the outlook for household consumption. Against this challenging backdrop, the Health Care sector was a standout performer, rising +4%.

Global listed property and infrastructure markets came under pressure in September as rising bond yields, higher energy prices and ongoing geopolitical uncertainty weighed on investor sentiment and the appeal of fixed-income assets. Listed property securities were particularly impacted, with higher financing costs and valuation pressures contributing to underperformance. Listed infrastructure assets also faced challenges from the higher interest rate environment; however, long-term structural growth drivers, including increasing electricity demand, investment in energy networks and the expansion of data centres to support AI, continued to underpin the sector's outlook.

The AUD/USD fell from approx. US\$0.72 at the beginning of September to US\$0.69 by month-end, as stronger US yields and a firmer US dollar outweighed support from Australia's higher interest rates.

Economics:

U.S.

- The U.S. unemployment rate rose to 4.2% in September, slightly above market expectations.
- Interest rates were raised by 0.25% to 4.00% as expected, marking the first rate hike since 2023.

Domestic

- Australia's headline inflation rate reached 4.0% in the 1 year to August 2026, The Reserve Bank of Australia (RBA) increased the cash rate by 0.25% to 4.60% at the September meeting.
- In August, Australia's seasonally adjusted unemployment rate increased to 4.6%, slightly above market expectations.

Major Asset Class Performance

Asset classes	1 Mth %	1 Yr %	3 Yrs (p.a.) %	5 Yrs (p.a.) %
Australian Shares	-2.4%	2.7%	11.4%	7.7%
Australian Small Companies	-2.3%	-6.7%	10.4%	2.2%
Global Shares (unhedged)	1.9%	11.3%	18.9%	12.5%
Global Shares (hedged)	-0.7%	17.7%	21.0%	11.3%
Global Small Companies (unhedged)	-0.9%	10.4%	15.1%	8.4%
Global Emerging Markets (unhedged)	2.4%	23.1%	21.0%	9.8%
Global Listed Property (hedged)	-5.4%	4.3%	9.0%	0.7%
Listed Infrastructure (hedged)	-4.8%	4.8%	12.1%	5.8%
Australian Fixed Income	-0.9%	-0.4%	3.6%	0.0%
International Fixed Income	-1.7%	-0.6%	3.6%	-0.5%
Cash	0.4%	4.1%	4.2%	3.3%

Source: Lonsec iRate, Rhombus Advisory, 30 September 2026.

Indices used: Australian Shares: S&P/ASX 200 Accumulation Index, Australian small companies: S&P/ASX Small Ordinaries Accumulation Index, Global shares (unhedged): MSCI World ex Australia Net Total Return (in AUD), Global shares (hedged): MSCI World ex Australia Hedged AUD Net Total Return Index; Global small companies (unhedged): MSCI World Small Cap Net Total Return USD Index (in AUD); Global emerging markets (unhedged): MSCI Emerging Markets EM Net Total Return AUD Index; Global listed property (hedged): FTSE EPRA/NAREIT Developed Index Hedged in AUD Net Total Return; Listed Infrastructure (hedged): FTSE Global Core Infrastructure 50/50 NR Index (AUD Hedged) Cash: Bloomberg AusBond Bank Bill Index; Australian fixed income: Bloomberg AusBond Composite 0+ Yr Index; International fixed income: Bloomberg Barclays Global Aggregate Total Return Index Hedged AUD

Please note: Past performance is not indicative of future performance.

Currency markets

Exchange rates	At close on 30/9	1 Mth change %	1 Yr change %	3 Yrs change %
AUD/USD	0.6977	-2.64%	5.68%	8.04%
AUD/GBP	0.5267	-0.43%	7.16%	-0.32%
AUD/Euro	0.6150	-0.52%	9.31%	0.72%
AUD/Yen	109.47	-4.43%	11.81%	13.64%

Source: Reserve Bank of Australia, Lonsec iRate, Rhombus Advisory, 30 September 2026.

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