Market Commentary & Outlook September 2026

Summary

- **Rising global bond yields** were the dominant market theme during September and weighed heavily on both equities and fixed income.
- **Australian equities** declined as higher discount rates outweighed generally resilient earnings outcomes.
- **Small-cap equities** underperformed due to higher financing costs and weaker risk appetite**.**
- **Global bond markets** delivered **negative** returns as inflation concerns resurfaced.
- **Listed property securities** were among the **weakest** asset classes due to their sensitivity to rising yields.
- **Oil prices surged** above US$100 per barrel amid renewed Middle East tensions.
- **Gold** moved lower as rising bond yields increased the opportunity cost of holding gold.
- **Japan and emerging markets** were relative bright spots internationally.

Market Overview

September proved challenging for investors as rising global bond yields became the dominant force across financial markets. Renewed concerns regarding inflation, higher energy prices and the prospect of further monetary tightening pushed government bond yields to multi-year highs across most developed economies. While corporate earnings and economic growth remained generally resilient, higher discount rates weighed on equity valuations, particularly in interest rate-sensitive sectors. Australian equities declined during the month, while fixed income markets experienced another period of negative returns. Commodities were mixed with Brent crude surging 10.9% in September whilst gold fell 5.8%.

Australian Equities

Australian equities delivered modest, but positive returns.

- **S&P/ASX 200, down 2.4%.** Australian equities declined during September as higher bond yields and tightening financial conditions weighed on market sentiment. While energy and resource stocks benefited from stronger commodity prices, weakness across financials, consumer discretionary and listed property sectors more than offset these gains. Investors also became increasingly concerned that the Reserve Bank of Australia may need to maintain a restrictive policy stance for longer amid persistent inflation pressures.
- **Australian small caps, down 2.4%** Smaller companies remained particularly sensitive to rising funding costs, weaker consumer confidence and slowing economic momentum. Growth-oriented sectors and more leveraged businesses were among the weakest performers during the month.

Global Equities

- **Global equities** delivered positive returns in unhedged Australian dollar terms during September despite rising bond yields and renewed inflation concerns. Currency movements provided a meaningful boost to Australian investors, while ongoing strength in US technology companies and resilient corporate earnings helped support broader equity markets. Although higher discount rates remained a headwind, economic activity across most major economies continued to demonstrate resilience.

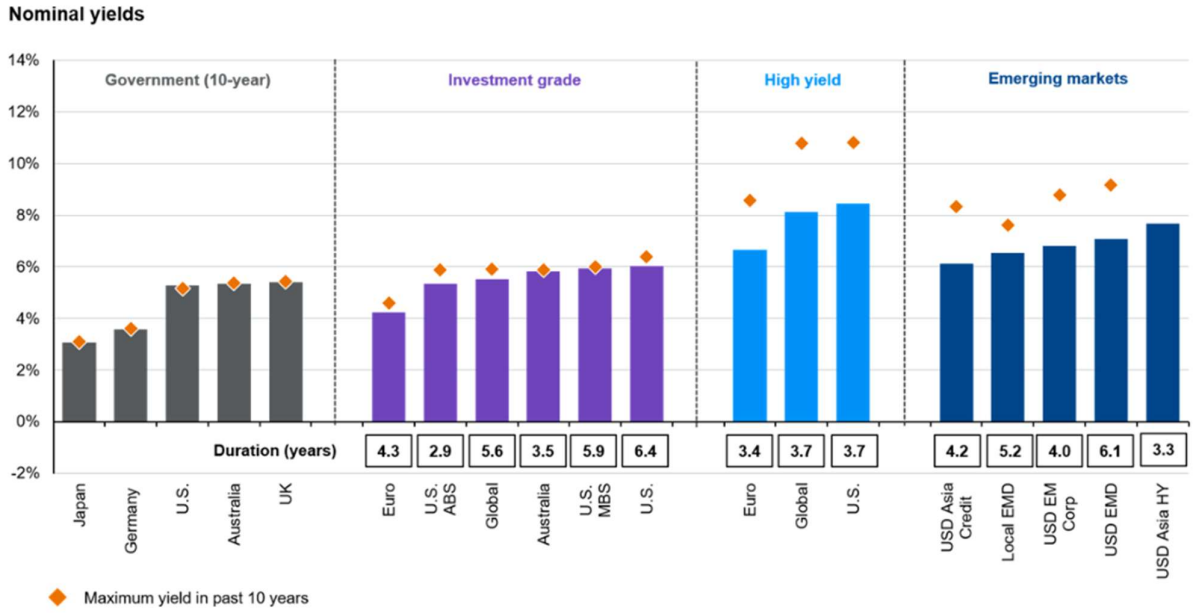
- **Currency-hedged global equities** underperformed their unhedged counterparts as the benefit from foreign currency appreciation was removed. Rising global bond yields continued to place pressure on equity valuations, particularly in interest rate-sensitive sectors, although technology-related companies remained relatively resilient.
- **Emerging market equities** were among the stronger-performing global equity segments during September. Improving sentiment towards China, supportive policy settings and continued strength in Asian technology supply chains helped drive gains despite a backdrop of rising developed-market bond yields. Emerging markets outperformed several developed market regions during the month.

Fixed Income & Commodities

September was a negative month for most fixed income indices:

- **Australia**: Australian fixed income markets experienced another difficult month as government bond yields moved materially higher. Inflation concerns, elevated commodity prices and expectations of a potential further RBA rate increase led investors to demand higher yields, resulting in negative bond returns.
- **Global**: Global fixed income markets were similarly challenged. Rising sovereign yields across the United States, Europe and Australia drove negative returns across government and investment-grade bond markets. Concerns around fiscal deficits, inflation persistence and central bank policy were major drivers of performance.
- **Oil** was once again one of the strongest-performing asset classes. Renewed tensions in the Middle East pushed Brent crude above US$100 per barrel and reignited concerns regarding global energy supply disruptions. The resulting increase in inflation expectations contributed to rising bond yields globally.

Gold fell during September as the opportunity cost of holding a non-yielding asset weighed on the price as global bond yields moved higher.



Source: Bloomberg L.P., FactSet, ICE BofA, J.P. Morgan Asset Management. J.P. Morgan Guide to the Markets – Australia. Data as of 30 September 2026.

Fixed income yields: The graph above highlights the yield available across the fixed income market spectrum from very low risk government bonds all the way through to high yield emerging Asia bonds. There is a range of income on offer in government bonds, credit markets, including investment grade and high yield, and in emerging market debt. Being constrained to one sector of the market limits the return and income potential.

Property and Infrastructure

- **Global listed infrastructure.** Global listed infrastructure declined during September as the sharp rise in global government bond yields outweighed the sector's traditionally defensive characteristics. While energy infrastructure assets benefited from higher oil prices and inflation-linked revenues, weakness across utilities, airports and regulated infrastructure assets more than offset these gains. The increase in long-term discount rates placed pressure on valuation multiples across the asset class despite generally resilient operating fundamentals.
- **Global listed real estate.** Global listed real estate was among the weaker-performing growth-oriented asset classes during September. Rising government bond yields and expectations of a prolonged period of restrictive monetary policy increased financing costs and reduced the relative attractiveness of property yields. While underlying property fundamentals remained broadly stable across industrial, residential and logistics sectors, higher discount rates placed pressure on valuations and investor sentiment.
- **Australian listed property** declined during September as a sharp rise in bond yields weighed heavily on property valuations and investor sentiment. Despite generally resilient operating fundamentals and stable occupancy trends across many property sectors, higher financing costs and increasing discount rates created a challenging backdrop for A-REITs. The sector's performance highlighted its continued sensitivity to changes in interest rate expectations and long-term bond yields**.**

Outlook and Positioning

Entering the final quarter of 2026, markets are increasingly being driven by the interaction between resilient economic growth and rising long-term bond yields rather than changes in official cash rates alone. Corporate earnings across most major markets have remained robust, labour markets continue to exhibit strength and investment in artificial intelligence, digital infrastructure and industrial capacity remains supportive of economic activity. However, investors are also grappling with a world of structurally higher government borrowing, elevated fiscal deficits and inflation that remains above central bank targets across many developed economies. This has contributed to a significant rise in bond yields, creating valuation headwinds for both fixed income and rate-sensitive equity sectors.

For Australian investors, the outlook remains constructive but increasingly nuanced. While higher rates are creating pressure on valuations, they are also improving prospective returns from income-generating assets and reinforcing the importance of fundamental earnings growth. The Australian economy continues to demonstrate resilience despite higher borrowing costs, supported by a strong labour market, ongoing infrastructure investment and favourable commodity prices. Internationally, we continue to see opportunities in global equities, particularly where earnings growth remains strong and valuations remain reasonable. However, we expect market leadership to broaden beyond the narrow group of mega-cap technology companies that have dominated returns in recent years. Overall, periods of volatility are likely to persist, but we believe diversified portfolios remain well positioned to navigate this environment.

Benchmark Returns

Period Ended: 30 September 2026	1 Month %	3 Months %	6 Months %	1 Year %	3 Years % (pa)	5 Years % (pa)	10 Years % (pa)
Australian Shares							
S&P/ASX 100	-2.43	1.48	5.78	3.56	11.44	8.16	9.35
S&P/ASX 200	-2.42	1.33	5.43	2.68	11.40	7.68	9.04
S&P/ASX Small Ordinaries	-2.43	-0.53	2.77	-6.74	10.41	2.18	6.10
International Shares							
MSCI ACWI ex-Australia AUD	1.92	1.18	15.11	11.33	18.85	12.48	13.54
MSCI ACWI ex-Australia AUD (Hedged)	-0.66	1.39	16.70	13.45	17.72	21.00	11.32
MSCI Emerging Markets AUD	2.43	-0.79	21.67	23.10	21.03	9.76	10.13
Australian Cash and Bonds							
Bloomberg AusBond Bank	0.36	1.11	2.20	4.06	4.23	3.34	2.26
Bloomberg AusBond Composite Index	-0.86	-1.51	1.10	-0.40	3.56	0.00	1.52
International Bonds							
Bloomberg Global Aggregate AUD (Hedged)	-1.66	-2.42	-1.00	-0.57	3.58	-0.52	1.08
Global Listed Infrastructure							
FTSE Developed Core Listed Infrastructure 50/50 AUD (Hedged)	-5.66	-7.29	-4.87	3.91	12.07	5.94	6.37
Property							
S&P/ASX 200 A-REIT	-1.76	-8.38	4.21	-14.04	9.41	2.98	5.02
FTSE EPRA Nareit Developed AUD (Hedged)	-5.32	-6.12	2.13	2.90	8.68	0.53	2.43

Source: Morningstar Direct

Important Information

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