



ALBERT E SHARP

INVESTMENT MANAGEMENT & STOCKBROKING

Market Commentary

September 2026

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Monthly returns and summary

Index	Portfolio Benchmark Risk Level	30/09/2026	1 Month	3 Months	1 Year	3 Years	5 Years
ARC Cautious	Low Risk	226.45	-0.7%	-0.0%	+6.8%	+18.1%	+11.2%
ARC Balanced	Medium Risk	301.54	-0.6%	+0.6%	+9.2%	+28.4%	+20.6%
ARC Steady Growth	Medium High Risk	375.44	-0.5%	+0.9%	+9.8%	+33.8%	+25.7%
ARC Equity Risk	High Risk	455.59	-0.4%	+1.5%	+10.1%	+39.0%	+29.9%

Source: Figures based on ARC estimates.

Index	Region / Asset Class	30/09/2026	1 Month	3 Months	1 Year	3 Years	5 Years
UK 100	UK	10606.00	-2.0%	1.0%	14.0%	39.4%	49.7%
UK All Share	UK	5728.41	-2.0%	1.7%	13.8%	38.8%	41.1%
Dow Jones Ind Avg	US	50906.05	-4.3%	-2.7%	9.9%	51.9%	50.4%
S&P 500 Index	US	7651.54	-0.5%	2.0%	14.9%	78.4%	77.6%
Nikkei 225	Japan	66753.72	0.7%	-4.7%	48.2%	109.5%	126.6%
MSCI Europe Ex UK	Europe	250.12	-2.7%	-2.2%	13.5%	40.1%	37.6%
MSCI Asia Ex Japan	Asia	1131.81	-0.6%	-1.0%	29.5%	87.2%	41.3%
MSCI Emg Mkts (£)	Emg Mkts	1063.47	1.5%	-0.5%	31.1%	75.6%	55.7%
MSCI World Index (£)	Global	4902.65	-1.3%	1.6%	14.3%	71.8%	63.1%
UK Conventional	Gilts	3100.24	-1.2%	-2.5%	0.6%	7.1%	-19.9%
UK Index-linked	Gilts	3712.12	-0.3%	-1.2%	2.2%	0.0%	-35.3%
UK Real Estate Investment Trusts	Property	1957.67	-5.8%	-2.6%	6.7%	6.8%	-29.6%
WTI Crude (\$/Barrel)	Oil	90.42	5.4%	30.1%	42.5%	-0.4%	20.5%
Gold Spot \$/Oz	Commodities	4157.41	-6.3%	3.7%	8.4%	124.9%	136.6%
£1 = US\$	Currencies	1.3265	-2.1%	0.0%	-1.2%	8.7%	-1.6%
£1 = €	Currencies	1.1707	0.4%	0.8%	2.2%	1.5%	0.6%
£1 = Yen	Currencies	208.81	-3.5%	-3.1%	4.6%	14.6%	39.3%

Source: Bloomberg. NB: Price returns only, excluding dividends

Index	Region / Asset Class	30/09/2026	1 Month	3 Months	1 Year	3 Years	5 Years
UK Investment Companies	Diversified	15,690.44	0.0%	2.3%	15.0%	42.8%	13.5%
Latest Weighted Average Discount			-11.2%				
12 Month Weighted Average Discount			-12.0%				

Source: Bloomberg, Refinitiv. NB: Price returns only, excluding dividends

General Comments

September proved a challenging month for broad financial markets, with performance highly concentrated in AI-related technology while much of the wider equity market struggled. Investors rotated away from more economically sensitive and non-AI areas of the market, leaving many sectors lagging behind the narrow group of technology names that continued to benefit from enthusiasm around artificial intelligence.

Renewed disruption in the Middle East and concerns over energy supply pushed crude prices higher, reigniting inflation worries globally. This in turn put pressure on government bond markets, with yields rising across major developed economies as investors reassessed the outlook for inflation and central bank policy.

Currency markets reflected the same broader themes. The US dollar strengthened as higher yields improved its relative attraction, while the Japanese yen also appreciated, supported by its traditional safe-haven appeal and expectations around monetary policy.

UK Commentary

The UK economy presented a mixed picture over the month, balancing encouraging growth against mounting fiscal pressures. Long-dated government borrowing costs climbed sharply, with 10-year gilt yields touching 5.42% and 30-year yields approaching 5.95%, marking their highest levels since 2007 and 1998 respectively.

Amidst this market turbulence, the Bank of England held its benchmark interest rate steady at 3.75% in a split 6-3 decision. To ease pressure on public debt, policymakers announced a strategic overhaul of their quantitative tightening programme, temporarily pausing active sales of long-dated gilts.

Meanwhile, economic activity showed surprising resilience, with gross domestic product expanding by 0.4% in July, bolstered by momentum in the technology, software, and artificial intelligence sectors. However, persistent headline inflation at 3.1% (driven primarily by petrol, energy, and transport costs) continues to squeeze household budgets as record diesel prices reached nearly £2 per litre at forecourts.

At the Labour Party Conference Andy Burnham unveiled a new "Your First Home" equity loan scheme aiming to revitalise housebuilding (arguably through supporting prices), while proposing future modifications to the state pension Triple Lock from 2030 to help fund social care.

Elsewhere, high-street retailer Next secured a landmark victory in the Employment Appeal Tribunal regarding store and warehouse pay differentials.

North America Commentary

Economic momentum across North America remained robust, even as financial conditions tightened significantly. In a pivotal policy shift, the Federal Reserve delivered its first interest rate increase since July 2023, raising its benchmark rate by a quarter-point to a range of 3.75%-4.00%. Chair Kevin Warsh cited ongoing concerns over sticky inflation, particularly as producer prices accelerated and domestic diesel prices soared past \$6 per gallon due to global supply disruptions.

Fixed-income markets reacted dramatically, pushing 10-year Treasury yields to 5.28% and 30-year yields to 5.63%, which represent their highest respective levels since 2007 and 2002. An expanded \$6 billion government debt buyback initiative introduced by Treasury Secretary Scott Bessent failed to stem the bond sell-off, as investors demanded higher compensation amidst a national debt burden approaching \$40 trillion.

Despite rising borrowing costs, real-economy indicators painted a picture of surprising strength. Nonfarm payrolls surged by 162,000 in August, comfortably surpassing consensus estimates, while unemployment held steady at 4.1%, and business activity accelerated to a five-year high, led by expansion in the services sector.

Corporate America continued to be dominated by the artificial intelligence wave. Semiconductor giant Nvidia announced an unprecedented \$150 billion expansion to its share buyback programme, while AI start-up Anthropic reported positive operating income ahead of a prospective public listing.

Elsewhere, ride-hailing pioneer Uber announced 3,300 corporate job cuts to redirect capital into autonomous robotaxi fleets, and Apple unveiled its flagship folding iPhone Duo starting at \$1,999.

Europe Commentary

Facing an uptick in headline inflation to 3.2% (driven by a mid-teens percentage surge in energy costs), the European Central Bank raised its key deposit rate by 25 basis points to 2.50%. ECB President Christine Lagarde described the decision as straightforward, warning that Middle Eastern hostilities would keep price pressures elevated heading into winter. European natural gas prices surged above €75 per megawatt-hour as regional storage reserves stood at just 67% of capacity heading into winter.

Despite these headwinds, business sentiment surveys offered a pleasant surprise; Eurozone composite PMI expanded to a three-year high of 53.1, underpinned by strong service sector activity in Germany, France, and Italy.

Political volatility continued as Germany's right-wing AfD party secured a breakthrough victory in Saxony-Anhalt regional elections, and Sweden's general election ended in a dead heat between competing political blocs.

Asia Pacific Commentary

The Bank of Japan executed its second interest rate hike in three months, raising its policy rate by a quarter-point to 1.25%, which is its highest level in more than thirty years. However, a split 7–2 board vote caused investors to view the decision as less hawkish than anticipated, leading the yen to weaken initially towards 157 per US dollar. Japanese 10-year government bond yields climbed to a multi-decade high of 3.10% and the nation's trade deficit widened to ¥1.11 trillion as soaring global fuel costs inflated import bills, despite strong demand for domestic semiconductor manufacturing equipment.

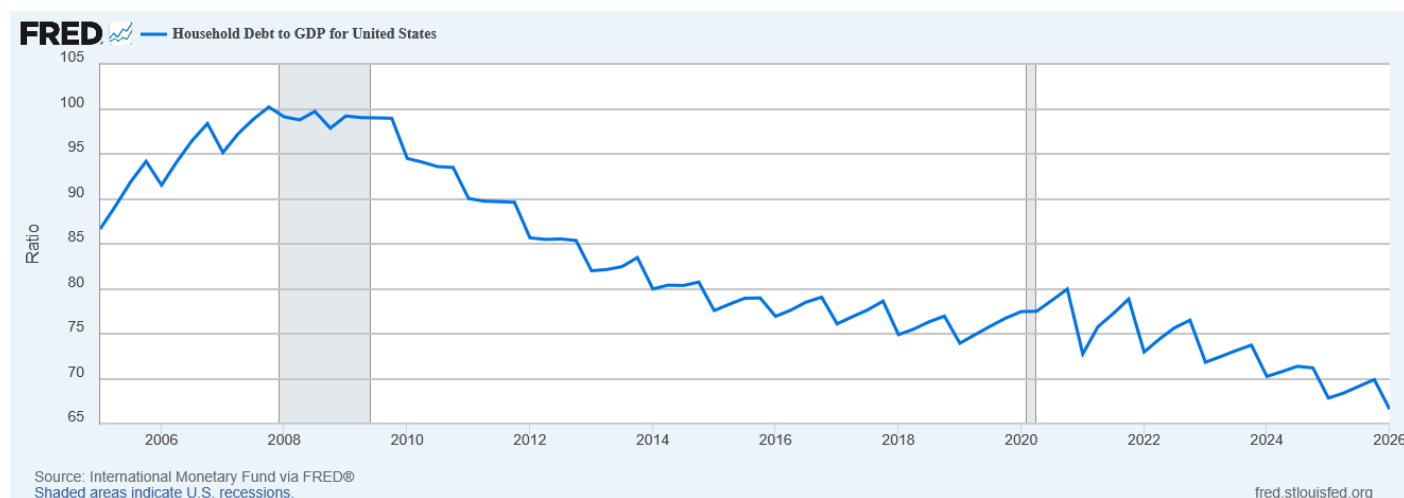
Across equity markets, technology-heavy hubs outperformed. Taiwan's Taiex benchmark touched record highs and South Korea's Kospi advanced, driven by surging revenues among key memory chipmakers. Highlighting the immense capital requirement of the sector, technology conglomerate SoftBank completed a record-breaking \$10 billion high-yield bond offering to finance founder Masayoshi Son's ambitious AI infrastructure projects.

Meanwhile, fast-fashion retailer Shein, which had been linked to a potential London listing, endured a volatile debut in Hong Kong, with its shares falling by as much as 10% on the first day of trading.

Emerging Market Commentary

In China, export growth accelerated by around a quarter year-on-year, propelled by global appetite for technology inputs, electronic goods, and semiconductor components. This lifted China's year-to-date trade surplus past \$805 billion, even as domestic retail sales and property sector data remained sluggish. The People's Bank of China maintained a cautious stance, leaving its benchmark loan prime rates unchanged.

Geopolitical dynamics provided a brief moment of respite when Washington and Beijing agreed to a landmark "30-for-30" trade framework covering \$60 billion in non-sensitive goods, lowering tariffs on items ranging from agricultural products to medical devices. Finally, escalation in Middle Eastern military strikes briefly drove oil above \$107 per barrel before diplomatic discussions offered hope of stabilising shipping corridors.

Chart of the month – US Household Debt to GDP

We have focused extensively in recent commentaries on rising government debt and its sustainability as interest rates increase. This month, bond yields in most developed markets reached levels not seen for decades, with government debt-to-GDP ratios also remaining close to record highs.

The legacy of the Global Financial Crisis continues to shape the economic landscape, almost two decades on. Governments have significantly expanded their balance sheets and maintained substantial fiscal support, but households may be in a considerably stronger position.

US household debt has fallen from around 100% to below 70% of GDP. Strong equity and wider market performance has allowed households to participate in substantial gains, strengthening their balance sheets and improving the overall debt outlook.

While we continue to monitor government debt markets closely, it is important to consider the wider economic context.

Investment Team's thoughts

September saw risk-off sentiment across most markets, with the notable exception of companies linked to AI. The rapid development of this technology continues to generate significant volatility in both directions, and we expect this to persist. Meanwhile, yields across fixed-income markets have risen substantially. While higher yields warrant caution in some areas, they are also creating attractive opportunities for our clients to achieve compelling risk-adjusted returns.

We are particularly focused on how these themes may intersect as hyperscalers and other AI companies assume a greater role in debt markets, seeking to finance the infrastructure required to support the sector's continued expansion.

As we enter the final quarter of the year and await the "new" government's first Budget, we continue to see a range of opportunities amid ongoing market volatility.

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