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Monthly Market Recap

September 2026

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From the Investment Committee

September is known in markets for its "seasonality." Since 1950, it is the worst month for S&P 500 performance, posting an average return of -0.6%. Between 1950 and 2025, there have been more months where S&P 500 performance has been negative than positive.

September of 2026 was no exception to this streak, starting the month off with renewed tensions between the US and Iran, which caused a spike in oil prices. Then, the Bureau of Labor Statistics (BLS) shared its August jobs report reflecting an addition of 162,000 jobs and a steady unemployment rate of 4.1%.

The combination of higher oil prices and a resilient labor market led the market to quickly adjust its expectations for the month's Federal Reserve meeting. Odds shifted from a near 50-50 chance at the beginning of the month to an almost 100% chance of a rate hike heading into the meeting. Federal Reserve Chairman Kevin Warsh was teed up to raise rates, and the committee ultimately voted unanimously to institute a 0.25% increase in the Federal Funds Rate. After the meeting, the general consensus shifted to the beginning of a new rate hike cycle.

All things considered, the stock market weathered this relatively well, buoyed by the conclusion of a blowout second-quarter earnings season. The earnings growth in the second quarter is reported at 52% for the S&P 500. This is the highest earnings growth rate for the index since Q2 of 2021 during the rebound from the pandemic, continuing an unusually strong year for earnings.

In this environment, earnings are increasing but stocks are remaining relatively flat, which is important for the market's price/earning ratio. This multiple has compressed because earnings have been so strong and prices have yet to follow suit. September may have been broadly negative, but on a YTD basis, relevant equity asset classes remain up double digits.

While stocks were steady for the month, bonds experienced a significant selloff. Interest rates rose across all sectors to reflect forecasted future Fed rate hikes. In the last week of September, the 10-year Treasury yield rose above 5%, touching levels not seen since 2006. Inflation expectations have risen as well, with the market implying that when inflation moderates, it will average around 2.6% over the long run. This is not welcome news, but it is far from fatal right now. One thing we pay close attention to within the bond market is credit spreads for corporate bonds over Treasuries. Essentially, this measures the market's broad interpretation of economic risk in the system. As of now, those spreads have remained well behaved, meaning "this is not a credit event at this time," in the words of Head of Fixed Income Chris Gunster.

Equities have held strong so far, but it is important to keep in mind that October is also known to be a volatile month, especially heading into a midterm election. The bar for earnings remains extremely high after the previous two quarters of upside surprises, so our guard remains up. Earnings growth is generally correlated with higher stock prices, so even if we remain guarded in the short term, we remain optimistic over the long term. Within fixed income, this volatility has presented significant opportunities, which we have been taking advantage of via tax-loss harvesting.

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Key Takeaways

Equity Markets Slide In September

- The S&P 500 finished the month -0.3%. US mid-cap and small-cap stocks were down -4.2% and -5.3% respectively, reflecting more impact from the increase in interest rates.
- International developed stocks finished the month -3.1%, while emerging market stocks finished the month -0.7%.
- Despite a negative month across the board, all of the above indexes are up 10% on a YTD basis, with emerging markets leading the way, up 21.5%.

Volatility in Global Energy Markets

- With no clear end in sight, the war in Iran continues to drive volatility in global energy markets.
- The Russia-Ukraine war also sparked concern in global energy markets after energy infrastructure was targeted in recent attacks.
- Oil prices rose in September, finishing the month at ~$90/barrel. The peak for the month was $105.

Fed Hikes Rates With More On The Horizon

- In a unanimous decision, the Federal Reserve increased interest rates by 0.25% in September.
- The dot plot, a forward-looking estimate from Fed officials about the future path of interest rates, also implied at least one more hike in 2026.
- The 2-year Treasury yield finished the month at 4.91% as the market began to price in the beginning of an interest rate hiking cycle over the next few years.

A Tough Month for Bonds

- Bond markets posted one of the worst monthly returns since 1990.
- A combination of higher oil and diesel prices, increased corporate and municipal bond issuance, and market expectations for a series of rate hikes through the balance of this year and into next year drove interest rates to highs not seen since 2009.
- The municipal bond market was hit particularly hard, posting the third-worst monthly return since 1990.

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Asset Class Performance

Equities

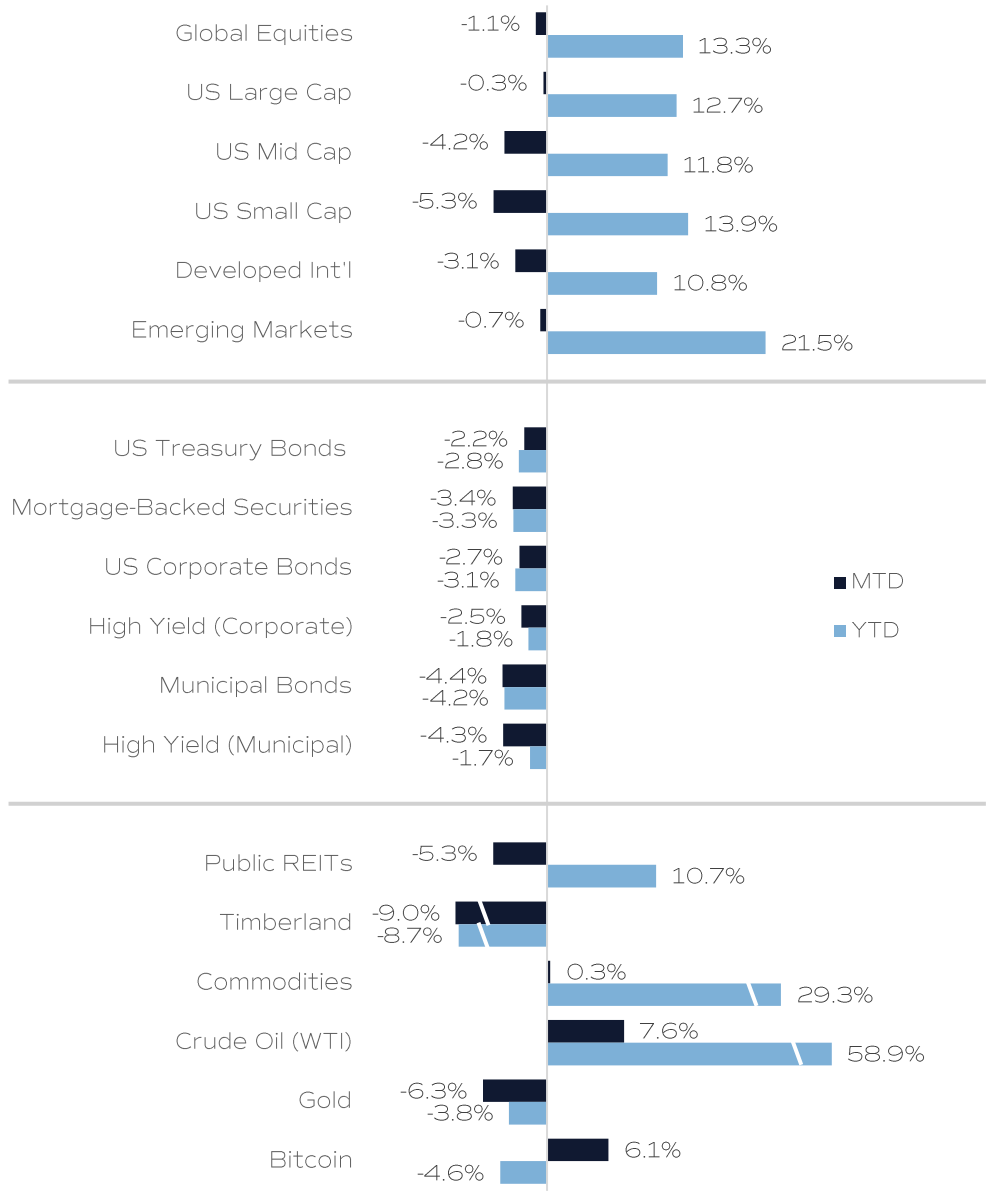
- US equities finished largely unchanged in September as investors balanced resilient economic data, expectations for Federal Reserve policy, and ongoing geopolitical uncertainty.
- Both developed international and emerging markets underperformed US equities driven by large-cap growth stocks.

Fixed Income

- Treasury yields moved significantly higher in September as Treasury rates reached highs not seen in decades.
- The move higher in rates was enough to push a vast majority of fixed-income returns into the red YTD.
- The sectors hit hardest on the month were municipal bonds and mortgage-backed securities (MBS).

Real Assets

- A strained housing market, due to increasing interest rates and some oversupply of timber in the US South, caused Timberland to underperform.
- Crude oil continued to be the best performer YTD because of supply disruptions caused by the ongoing conflict in the Middle East.



Source: Bloomberg as of September 30, 2026.

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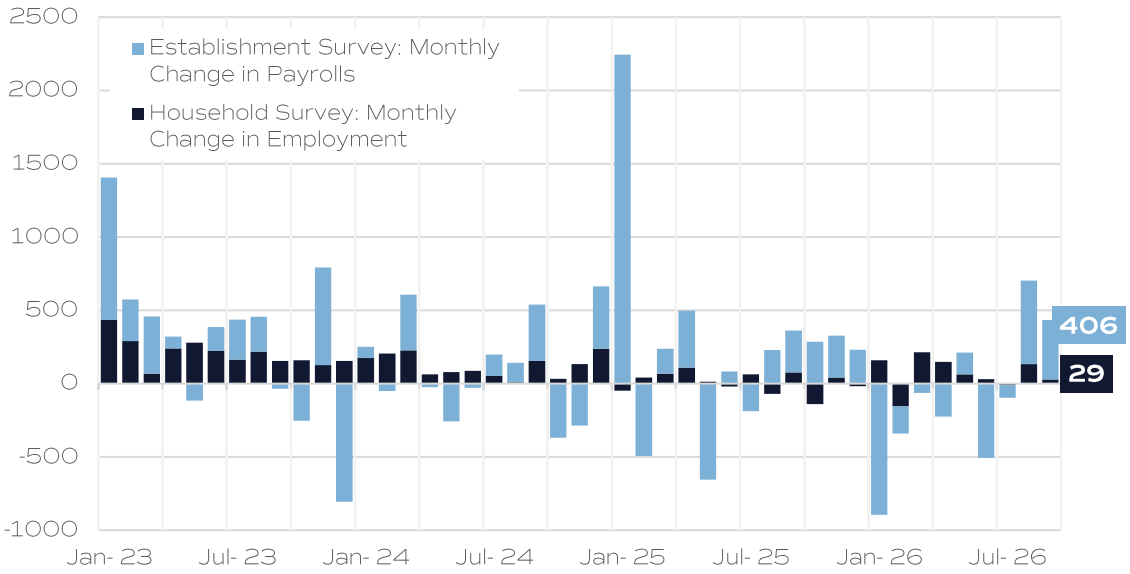
Macroeconomic Overview

	Year End 2025 %	Recent Period %	Prior Period %	YTD Change %
GDP (YoY Change)**	2.00	2.20	2.00	0.20
Conference Board - LEI*	(0.20)	(0.10)	0.20	0.10
Unemployment Rate*	4.40	4.10	4.10	(0.30)
CPI (YoY Change)*	2.70	3.40	3.40	0.70
CPI ex. Food & Energy*	2.60	2.40	2.50	(0.20)
PCE*	2.87	3.01	2.98	0.14
Effective Fed Funds Rate	3.64	3.63	3.63	(0.01)
10-Year U.S. Treasury	4.17	5.29	4.80	1.12

- As widely expected, the Fed raised rates by 25 basis points in September. Markets are still looking for 3-4 additional hikes through next year, but market expectations around hikes are highly volatile and data dependent.
- Yields continued to rise in September, which adds to potential market volatility going forward. However, during the month, equity markets took the increasing yields in stride.
- Normally, positive stock markets and rising yields don't go together, but this may be partially explained by the dramatic increase in earnings. While the stock market has held up, there has been some multiple compression, which has been masked by improvements in earnings (the PE multiple denominator).

Change in Employment Versus Payrolls



Source: Bloomberg as of September 30, 2026.

- The most recent jobs (payroll) numbers were weaker than expected, but some of that is tied to seasonality. Interestingly enough, the household survey, which can be quite volatile, showed a strong uptick.
- Employment strikes us as fairly healthy, which is good for the economy but also lessens the likelihood of the Fed cutting rates anytime soon.
- Rising yields, a hawkish Fed, and stocks near all-time highs heading into midterm elections are a recipe for volatility. We would view this volatility, if it materializes, opportunistically for long-term investors.

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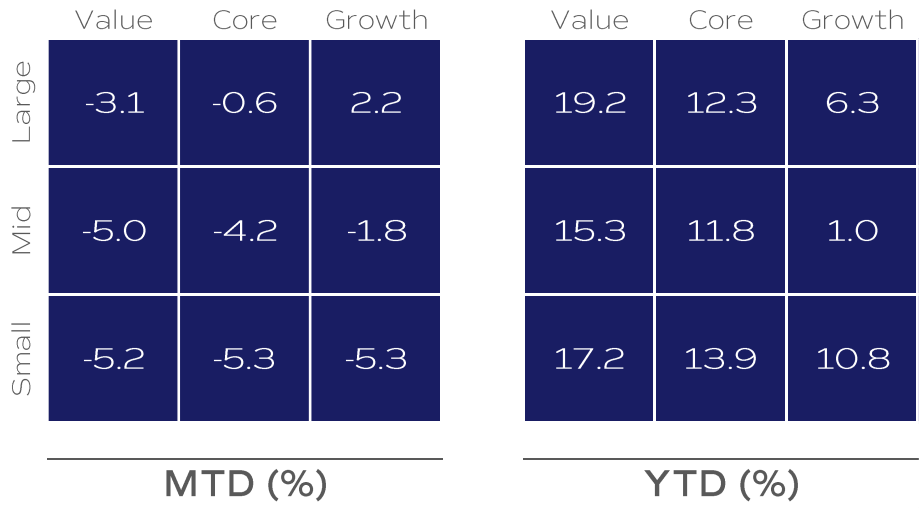
US Equity Markets

	MTD %	YTD %	1 Yr %
Technology	4.47	28.38	30.20
Communications Services	4.33	4.48	12.06
S&P 500	*(0.35)*	*12.73*	*15.72*
Health Care	(0.89)	10.15	23.02
Energy	(2.72)	40.28	42.42
Consumer Staples	(3.26)	5.98	5.99
Industrials	(4.42)	8.54	9.48
Consumer Discretionary	(5.82)	(5.82)	(5.15)
Utilities	(5.91)	(5.65)	(6.97)
Real Estate	(6.14)	5.31	2.29
Materials	(6.74)	8.82	10.04
Financials	(7.16)	(1.43)	0.55



Best

- ***Technology*** was the best-performing sector for the month, gaining nearly 4.5% versus a 0.35% decline for the S&P 500. Continued AI enthusiasm, semiconductor strength, and robust hyperscaler investment helped Technology outperform the broader market in September.

Worst

- ***Financials*** was the worst-performing sector, declining 7.16%. Much of this can be attributed to the Fed's rate hike and a flatter yield curve putting pressure on expectations for bank profitability. In the wealth management and brokerage space, AI disruption concerns continued to weigh on investor expectations.

- Large-cap was the best-performing capitalization this month across all styles of investment. In addition, large-cap growth was the only capitalization style with positive returns across the US equity market. Once again, much of this can be attributed to continued outperformance from large Technology names.

- International stock returns underperformed relative to US markets. Developed international markets struggled greatly on the month, falling over 3%. Emerging market returns were a bit more muted, falling 0.7%. Meanwhile, the S&P 500 was essentially flat, posting 0.35% on the month.

Source: Bloomberg as of September 30, 2026.

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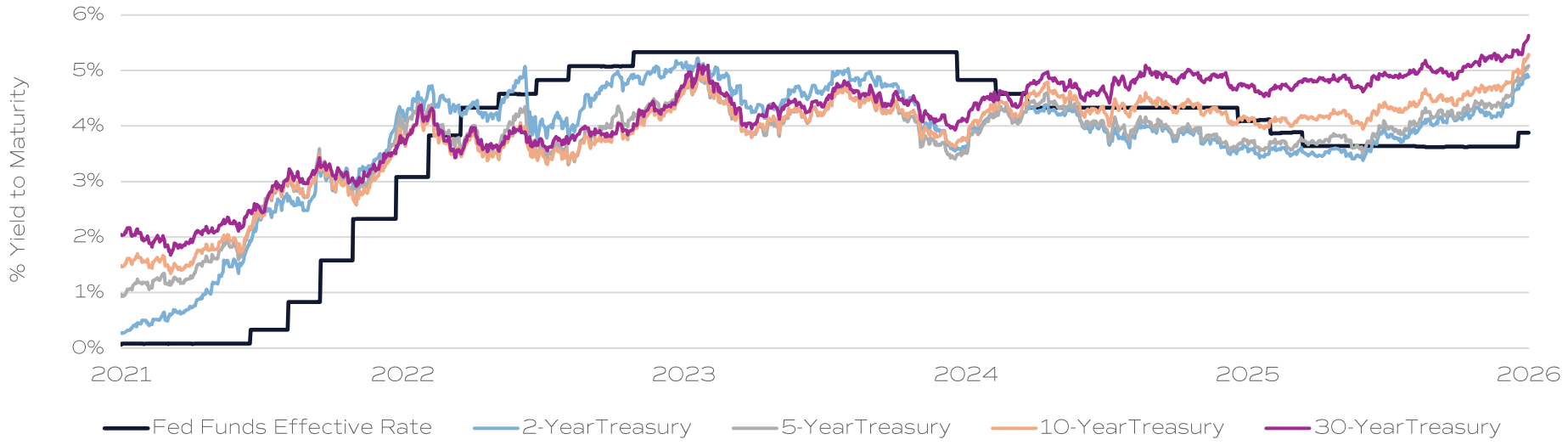
Fixed Income

Fed Funds Rate & Treasury Yields



Worst Monthly Municipal Bond Market Returns Since 1990

Month	Total Return	Coupon Return	Price Return
9/30/2008	-5.09%	0.40%	-4.69%
2/29/2008	-4.97%	0.39%	-4.58%
9/30/2026	-4.74%	0.38%	-4.36%
3/31/1994	-4.54%	0.47%	-4.07%
9/30/2022	-4.19%	0.35%	-3.84%
11/30/2016	-4.07%	0.34%	-3.73%
3/31/2020	-3.95%	0.32%	-3.63%
7/31/2003	-3.89%	0.39%	-3.50%
3/31/2022	-3.57%	0.33%	-3.24%
9/29/2023	-3.29%	0.36%	-2.93%

Source: Bloomberg as of September 30, 2026.

- The move higher in interest rates for September was notable, pushing bond market returns decidedly negative.
- Bond investors pulled back as inflation fears driven by higher oil prices, along with record bond issuance, weighed on interest rate outlooks.
- Markets closed the month pricing in four more rate hikes through the balance of this year and next.
- Of note, the municipal bond market posted the third-worst monthly return since 1990, and other sectors were not immune to the selloff.

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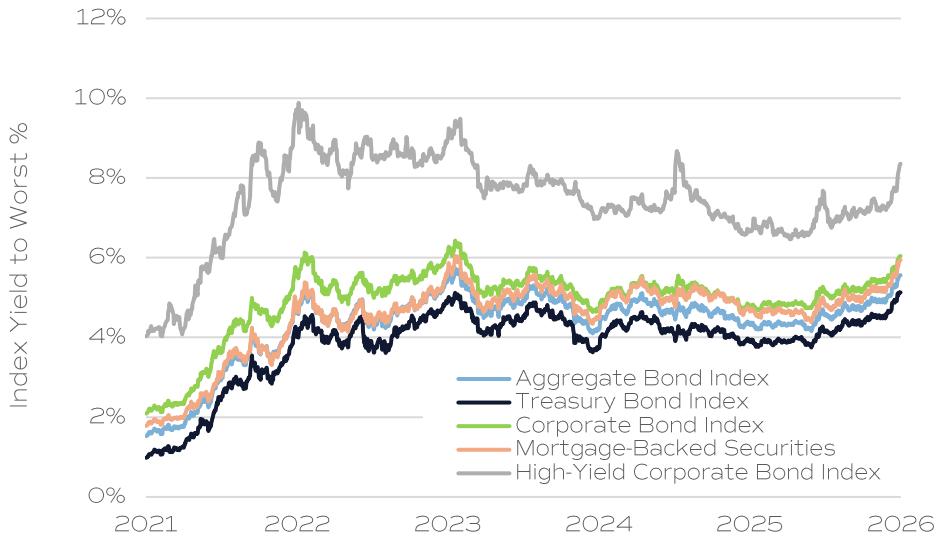
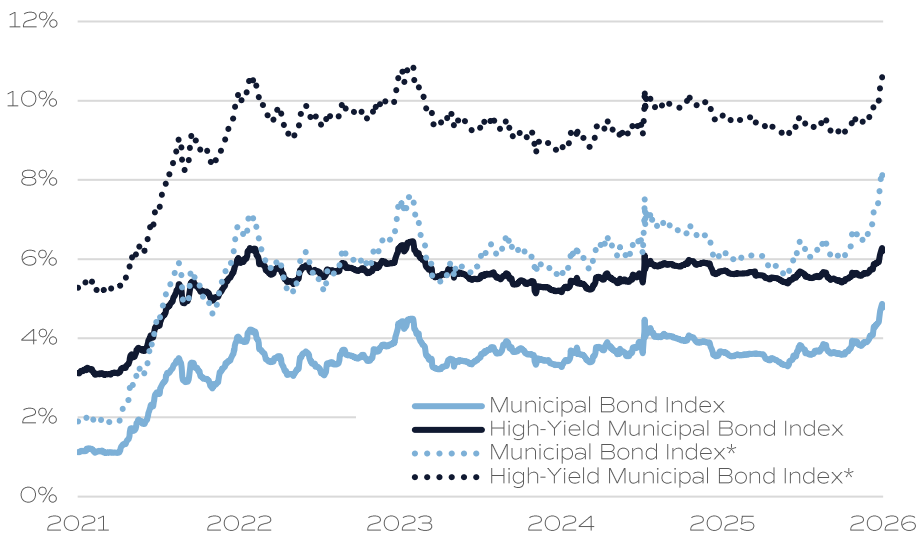
Fixed Income Yields

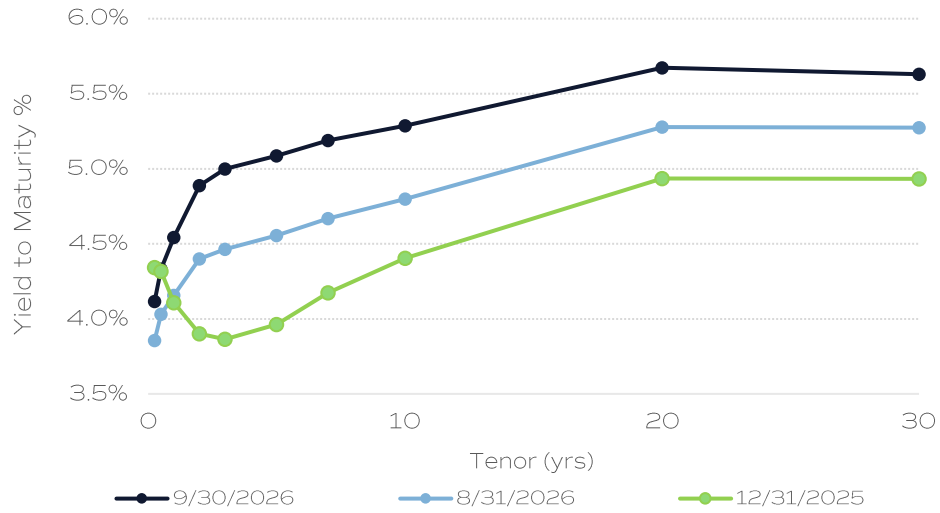
Taxable Bond Indexes Yield to Worst



*Tax-Exempt Bond Indexes Yield to Worst**



US Treasury Yield Curves



- Higher interest rates across all sectors is both a positive and a negative for investors. The obvious price decline, while painful, does provide the opportunity to increase future income through reinvesting coupon and maturities at higher yields.
- We believe bond markets now offer very attractive yields, particularly the investment-grade municipal bond and high-yield municipal bond markets. While bond market volatility may continue, the after-tax yields, for those investors in the highest tax brackets, are near highs not seen in many years.
- Today's higher yields also offer a strong tailwind for returns going forward, as they act as a cushion to help mitigate future negative price movements.

Source: Bloomberg, Bloomberg BVAL as of September 30, 2026. *Tax-equivalent yield. Assumes a federal income tax rate of 37% and Medicaid surtax of 3.8%.

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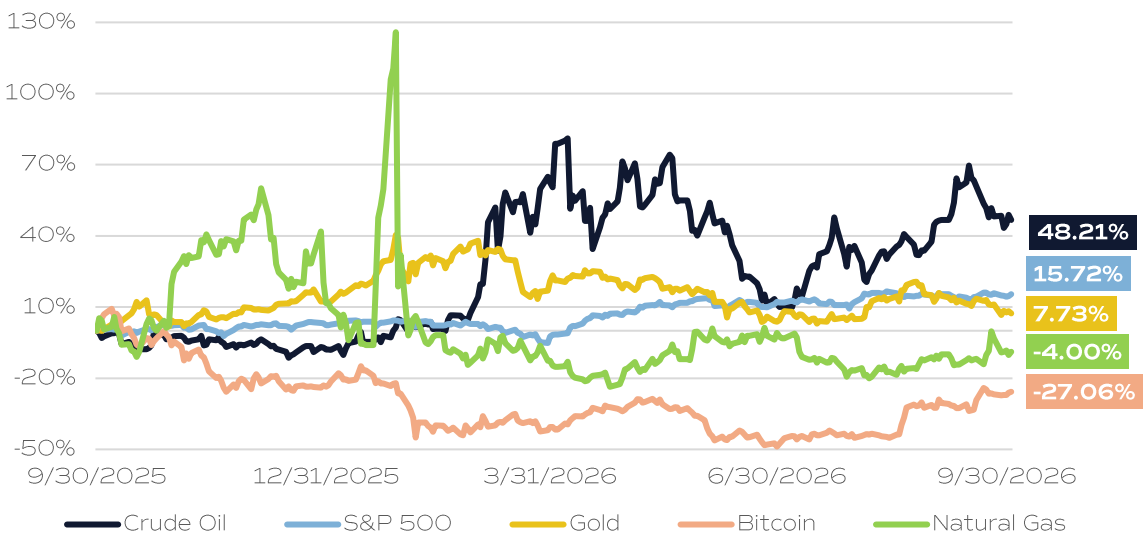
Real Assets

	Price USD	MTD %	YTD %	1 Yr %
Real Assets				
FTSE NAREIT	788.99	-5.29%	10.72%	8.98%
FTSE NAREIT - Timberland	101.68	-15.47%	-15.95%	-19.92%
Bloomberg Commodity Index	141.78	0.30%	29.26%	35.51%
Crude Oil (WTI) [bbl.]	90.42	7.57%	58.85%	48.21%
Natural Gas [MMBtu]	3.02	4.26%	-16.91%	-4.00%
Copper [MT]	14,410.00	0.81%	15.99%	40.33%
Gold [oz.]	4,157.41	-6.31%	-3.75%	7.73%
Silver [oz.]	60.43	-9.24%	-15.68%	29.54%
Bitcoin	83,621.23	6.05%	-4.59%	-27.06%
Ethereum	2,681.09	8.43%	-9.96%	-36.10%

- Real Assets saw mixed results in September. Crypto was positive and continued to recoup some of its losses from earlier in the year, while assets like Timberland, Gold, and Silver were negative.
- Timberland was the month's worst performer and remains a poor performer YTD thanks to a strained housing market fueled by higher interest rates and oversupply issues in the US South, which anchored stumpage prices.
- Crude oil prices marched higher, driven by continued supply chain bottlenecks and stalled negotiations to end the Iran war.

One-Year Performance of Notable Real Assets



Source: Bloomberg as of September 30, 2026.

- Real Assets tend to be a volatile asset class, which is why picking the right asset, and time horizon, matters. This chart depicts the tumultuous nature of Gold, Crude Oil, Natural Gas, Bitcoin, and S&P 500 returns over the last year.
- Crude oil, for example, was the best performer during this period, up roughly 48% and driven almost entirely by the Iran war. However, when viewed in the context of a longer 3- and 5-year period, crude oil has materially underperformed the broader US equity markets.
- In contrast, Bitcoin was down about 27% over the last year but was up almost 50% annualized over the longer 3-year period.

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Financial Markets Performance

	Price USD	MTD %	QTD %	YTD %	1 Yr %	3 Yr %	5 Yr %
Global Equity							
MSCI ACWI	1,134.77	-1.10%	1.67%	13.35%	17.17%	22.22%	12.10%
U.S. Equity							
S&P 500	7,651.54	-0.35%	2.30%	12.73%	15.72%	22.84%	13.76%
Russell 1000	4,155.76	-0.65%	1.79%	12.28%	14.99%	22.44%	12.99%
Russell Mid Cap	4,251.59	-4.17%	-3.00%	11.84%	12.01%	17.17%	8.03%
Russell 2000	2,796.86	-5.25%	-7.19%	13.87%	16.36%	17.74%	6.34%
International Equity							
MSCI ACWI ex US	472.01	-2.39%	0.51%	14.59%	20.44%	21.09%	10.18%
MSCI EAFE	3,125.70	-3.02%	0.88%	10.81%	16.24%	18.97%	10.01%
MSCI Europe	212.18	-4.72%	-1.59%	6.52%	13.03%	18.20%	10.20%
MSCI Japan	2,528.49	1.48%	6.04%	22.96%	26.91%	21.82%	10.11%
MSCI Emerging Markets	1,704.87	-0.65%	-0.40%	23.49%	29.40%	24.53%	9.37%
Global Fixed Income							
Bloomberg U.S. Aggregate	2,280.45	-2.61%	-3.51%	-2.91%	-1.84%	4.05%	-0.64%
Bloomberg Gov't/Credit	2,635.53	-2.40%	-3.32%	-2.85%	-1.98%	3.85%	-0.78%
Bloomberg US Treasury Total Return	2,367.53	-2.25%	-3.04%	-2.77%	-1.89%	3.18%	-1.05%
Bloomberg US Corporate Total Return	3,434.77	-2.72%	-3.94%	-3.11%	-2.30%	4.98%	-0.46%
Bloomberg US Corporate High Yield	2,917.47	-2.52%	-1.82%	0.10%	1.41%	8.02%	3.60%
Bloomberg Global Aggregate	487.92	-2.38%	-2.46%	-2.67%	-2.44%	3.81%	-1.86%
Bloomberg Municipal Bond Index	1,334.35	-4.36%	-6.35%	-4.18%	-2.68%	2.88%	-0.21%
Bloomberg High Yield Municipal Bond Index	361.45	-4.31%	-5.55%	-1.69%	-0.56%	5.36%	0.56%
Bloomberg Municipal Bond Index	1,334.35	-4.36%	-6.35%	-4.18%	-2.68%	2.88%	-0.21%
Bloomberg High Yield Municipal Bond Index	361.45	-4.31%	-5.55%	-1.69%	-0.56%	5.36%	0.56%

Source: Bloomberg as of September 30, 2026.

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Tactical Views

Asset Class	Underweight		Neutral		Overweight
Cash		●			
Equities				●	
US Large Cap				●	
US Mid Cap			●		
US Small Cap			●		
Developed Int'l		●			
Emerging Markets				●	
Fixed Income				●	
US Government		●			
MBS		●			
Corporates				●	
TIPS					○
Taxable High Yield				●	
Municipals				●	
Muni High Yield					○
Developed Int'l		●			
Emerging Markets				●	
Real Assets			●		
Commodities				●	
Timberland			●		
Private Real Estate			●		

Alternatives			●		
Hedge Funds			●		
Private Equity				○	
Private Debt		●			
Infrastructure				○	

Equity Sectors	Underweight		Neutral		Overweight
Energy			●		
Healthcare		●			
Consumer Discretionary				○	
Industrials				○	
Technology				○	
Communications			●		
Financials				○	
Real Estate			●		
Utilities		●			
Materials			●		
Consumer Staples		●			

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When referencing asset class returns or statistics, the following indices are used to represent those asset classes, unless otherwise notes. Each index is unmanaged, and investors can not actually invest directly into an index:

TIPS: Bloomberg Global Inflation-Linked: U.S. TIPS Total Return Index Unhedged

Municipals 5-Year: Bloomberg Municipal Bond 5 Year (4-6) Total Return Index Unhedged USD

Core Bond: Bloomberg US Aggregate Total Return Index USD

High Yield Municipals: Bloomberg Muni High Yield Total Return Index Value Unhedged USD

High Yield: Bloomberg US Corporate High Yield Total Return Index USD

U.S. Long Duration: Bloomberg US Aggregate Government & Credit - Long

Foreign Bond: Bloomberg Global Aggregate ex-USD Total Return Index Value USD (50/50 blend of hedged and unhedged)

Real Assets: S&P Real Assets

U.S. Large Cap: Russell 1000 Total Return Index

U.S. Small Cap: Russell 2000 Total Return Index

International Developed: MSCI EAFE Net Total Return USD Index

Emerging Markets: MSCI Emerging Markets Net Total Return USD Index

U.S. Equity REITs: FTSE Nareit Equity REITs Total Return Index USD

Commodities: Bloomberg Commodity Total Return Index

Hedge Funds: Hedge Fund Research HFRI Fund of Funds Composite Index

Foreign Bond: Bloomberg Global Aggregate x USD Total Return Unhedged

U.S. Core Bond: Bloomberg U.S. Aggregate Total Return Index USD

U.S. High Yield: Bloomberg US Corporate High Yield Total Return Index USD

U.S. MBS: Bloomberg U.S. MBS (30Y) Total Return Index

U.S. All Cap: Russell 3000 Total Return Index

U.S. Large Cap: Russell 1000 Total Return Index

U.S. Small Cap: Russell 2000 Total Return Index

US Value: Russell 3000 Value Total Return Index

US Growth: Russell 3000 Growth Total Return Index

Int'l Developed All Cap: MSCI EAFE IMI Net Total Return USD Index

Int'l Developed Large Cap: MSCI EAFE Large Cap Net Total Return USD Index

Int'l Developed Small Cap: MSCI EAFE Small Cap Net Total Return USD Index

Int'l Developed Value: MSCI EAFE Value Net Total Return USD Index

Int'l Developed Growth: MSCI EAFE Growth Net Total Return USD Index

EM All Cap: MSCI Emerging Markets IMI Net Total Return USD Index

EM Large Cap: MSCI Emerging Markets Large Cap Net Total Return USD Index

EM Small Cap: MSCI Emerging Markets Small Cap Net Total Return USD Index

EM Value: MSCI Emerging Markets Value Net Total Return USD Index

EM Growth: MSCI Emerging Markets Growth Net Total Return USD Index

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Material Risks & Limitations

Fixed Income securities are subject to interest rate risks, the risk of default and liquidity risk. U.S. investors exposed to non-U.S. fixed income may also be subject to currency risk and fluctuations.

Cash may be subject to the loss of principal and over longer period of time may lose purchasing power due to inflation.

Domestic Equity can be volatile. The rise or fall in prices take place for a number of reasons including, but not limited to changes to underlying company conditions, sector or industry factors, or other macro events. These may happen quickly and unpredictably.

International Equity can be volatile. The rise or fall in prices take place for a number of reasons including, but not limited to changes to underlying company conditions, sector or industry impacts, or other macro events. These may happen quickly and unpredictably. International equity allocations may also be impact by currency and/or country specific risks which may result in lower liquidity in some markets.

Real Assets can be volatile and may include asset segments that may have greater volatility than investment in traditional equity securities. Such volatility could be influenced by a myriad of factors including, but not limited to overall market volatility, changes in interest rates, political and regulatory developments, or other exogenous events like weather or natural disaster.

Private Equity involves higher risk and is suitable only for sophisticated investors. Along with traditional equity market risks, private equity investments are also subject to higher fees, lower liquidity and the potential for leverage that may amplify volatility and/or the potential loss of capital.

Private Credit involves higher risk and is suitable only for sophisticated investors. These assets are subject to interest rate risks, the risk of default and limited liquidity. U.S. investors exposed to non-U.S. private credit may also be subject to currency risk and fluctuations.

Private Real Estate involves higher risk and is suitable only for sophisticated investors. Real estate assets can be volatile and may include unique risks to the asset class like leverage and/or industry, sector or geographical concentration. Declines in real estate value may take place for a number of reasons including, but are not limited to economic conditions, change in condition of the underlying property or defaults by the borrow.

Marketable Alternatives involves higher risk and is suitable only for sophisticated investors. Along with traditional market risks, marketable alternatives are also subject to higher fees, lower liquidity and the potential for leverage that may amplify volatility or the potential for loss of capital. Additionally, short selling involved certain risks including, but not limited to additional costs, and the potential for unlimited loss on certain short sale positions.