Wealth Management

bluebox

INVESTMENT NEWS & VIEWS

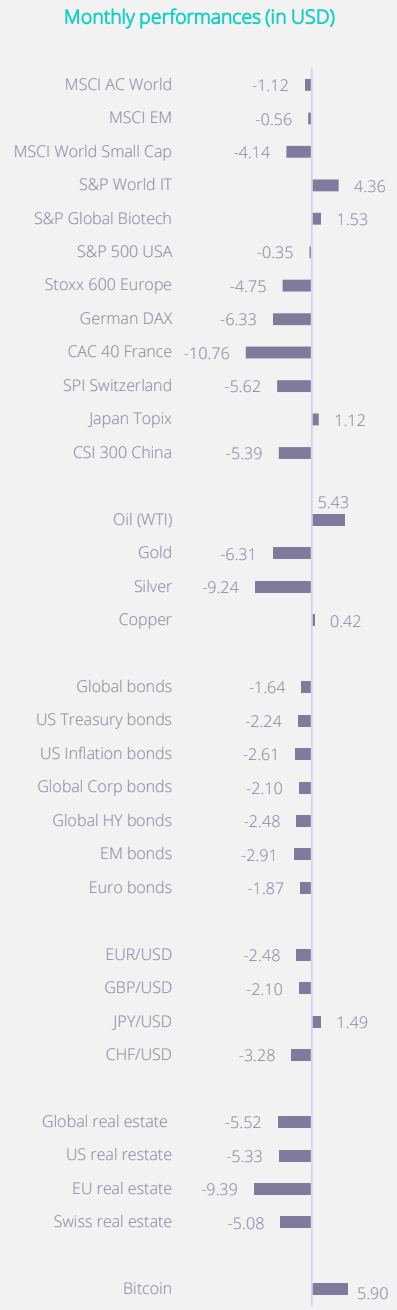
September 2026

Gilles Prince
Chief Investment Officer

NEED TO KNOW

- In September, the Fed, ECB and BoJ raised policy rates; the SNB held steady.
- Energy prices increased, lifting inflation expectations. Energy equities nonetheless posted negative returns, pressured by President Trump's reported threat to ban diesel exports.
- US economic data surprised to the upside, confirming economic resilience.
- All equity sectors declined except AI-related industries. Broad indices closed roughly flat; dispersion remained elevated.

SCORECARD (In %, USD)



Source: Bloomberg, BlueBox

LAST MONTH

Following the summer recess, September proved challenging across most asset classes. Dispersion and volatility prevailed, with the technology sector again offering the only meaningful refuge.

The market narrative has centred on interest rates since late summer. Long-dated sovereign yields rose sharply in September, with the US 10-year Treasury yield increasing from 4.75% to 5.28%. The move was global and, in some cases, concerning given local fiscal dynamics. In France, the 10-year OAT yield reached 4.85%, widening the spread over the German 10-year Bund to around 130 basis points, levels not seen since the eurozone sovereign debt crisis of 2012. In this environment, broad **bond indices declined by roughly 2% for the month and are only marginally positive year to date, while remaining under pressure.**

Macroeconomic data releases broadly supported the case for a resilient economy. US quarter-on-quarter GDP surprised to the upside at 2.2%, while both manufacturing and services PMIs advanced comfortably into expansion territory in September. On the inflation front, the PCE price index, the Fed's preferred gauge, edged down by 0.3 percentage points to 3%. However, this apparent improvement was largely methodological: the Bureau of Economic Analysis revised its calculation approach in its annual review, with an estimated −0.3 percentage-point impact, implying that underlying inflationary pressures have not materially eased.

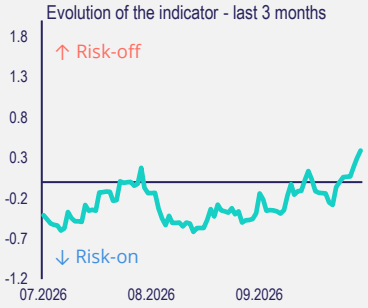
Equity indices also struggled, with most finishing the month down or flat. More technology-concentrated benchmarks, such as the S&P 500 and the MSCI Emerging Markets Index, were roughly flat, as technology and communication services were the only sectors posting positive returns in September. Dispersion was elevated, with more highly leveraged sectors underperforming most sharply in response to higher rate levels. In Europe, France's political and fiscal situation weighed on local equities, with the CAC 40 now negative year to date.

Gold surrendered almost all of its August gains, pressured by a stronger US dollar and higher real rates. Nevertheless, we continue to view the fundamental backdrop as supportive over the medium term. Bitcoin has increasingly been perceived as an alternative to bonds and equities, with its rebound continuing; in September, it was among the few asset classes posting positive returns and offering welcome diversification. Oil and distillates advanced for the month but retreated from recent highs, as unconfirmed reports regarding a potential US ban on diesel exports under President Trump introduced additional volatility.

Heightened political and geopolitical uncertainty, combined with significant moves in key market drivers, has blurred investors' visibility. We maintain our current asset-allocation stance: a preference for technology within equities and short duration within fixed income.

RISK INDICATOR

The Bluebox risk indicator went into stress territory towards the end of the month. The situation in the Middle East, higher energy prices, or fast interest rates increases are pushing market and credit risk higher. It is noteworthy that sentiment risk has also been increasing, while liquidity risk remains at average levels. Our risk-based strategy initiated a deleveraging towards the end of the month.



The BlueBox Global Risk Indicator summarizes 20 market variables such as implied volatilities, implied correlations, or credit spreads into a normalized index. A positive number indicates a higher-than-average risk level, i.e. market stress. Low levels are indicators of normally behaving markets, while strongly negative readings (←1) correspond to market complacency. The indicator is global and can be compared to a speedometer of financial markets. Please contact us for further information.

THE VIEWS

Are interest rates out of control ?

The rise in long-term interest rates observed since the beginning of the year accelerated in September. Bond yields with long maturities rose significantly in the United States, Canada, France, the United Kingdom, Germany, Japan and even Switzerland. Bond markets, particularly long-duration assets, are under pressure, while the implied interest-rate volatility index (MOVE) has risen above 100%, a level not seen since March. To date, the increase in interest-rate volatility has had a limited contagion effect on other asset classes, such as equities, as implied equity-market volatility (VIX) remains close to its lows. However, as has repeatedly been observed in recent years, there is a point at which the level and pace of rising interest rates can unsettle equity investors.

Several factors may explain this significant increase in rates. The most frequently cited is the **United States' fiscal position and debt burden**. The country's USD 40 trillion debt and 5.8% fiscal deficit are raising concerns ahead of the 2027 federal budget, which has yet to be approved and is unlikely to reduce the deficit materially. Politically, this may be the Republicans' last opportunity to pass a budget before losing their majority in Congress. Overall, investors appear to believe that they are not being sufficiently compensated for assuming this credit risk over the long term.

The rise in yields is also supported by **resilient economic activity**. Recent GDP and manufacturing PMI data highlight the strength of the US economy despite the energy and supply-chain shocks triggered by the war in Iran. With nominal economic growth of 6.3%, a 5.2% yield on 10-year US Treasury bonds does not appear excessive and may even have further room to rise.

Higher energy prices have also contributed to **rising inflation expectations** and are frequently cited as another cause of higher interest rates. However, long-term inflation expectations remain relatively well anchored at around 2.5%, as investors continue to believe in central banks' ability to combat inflation decisively. This should limit the risk of a disorderly rise in interest rates and may provide an upper bound.

Finally, **sovereign bonds are facing competition** from creditworthy corporate issuers offering higher yields, such as hyperscalers. Corporate bond issuance has been substantial in 2026, and strong demand has allowed the market to absorb this supply, potentially at the expense of US Treasury demand. In addition, foreign central banks continue **to diversify their reserve assets**, replacing US Treasury bonds with assets such as gold. This trend has accelerated since February, when the war in Iran began. Conversely, some jurisdictions where many hedge funds are domiciled, including the Cayman Islands, Bermuda or the United Kingdom, have recently increased their holdings of US Treasury bonds. Replacing "strong hands" with fast-money investors is likely to generate additional volatility.

Unfortunately, the Federal Reserve has limited influence over long-term interest rates. For instance, the only way to reduce long-term US bond yields would be to curb economic growth through a significant increase in its policy rate. Given the current US economic and political environment, we believe that entering a new tightening cycle is however unlikely. Nevertheless, we do not believe that long-term interest rates are likely to rise rapidly to excessively high levels. Momentum and volatility could push yields higher by year-end, but we expect the adjustment to remain orderly. It is worth noting that, at some point, higher yields should naturally attract bond investors once they consider the compensation sufficient for the risks involved. **The time for investors to reconsider long-duration bonds is approaching; however, in our view, it is still too early.**

CONTACT

Blue Box Wealth Management S.A.
36, Boulevard Helvétique
1207 Geneva
Switzerland
info@blueboxwm.com
www.blueboxwm.com

IMPORTANT INFORMATION

This is a marketing communication issued by Blue Box Wealth Management S.A. (hereinafter "BlueBox"). It is not intended for distribution, publication, or use in any jurisdiction where such distribution, publication, or use would be unlawful, nor is it aimed at any person or entity to whom it would be unlawful to address such a marketing communication.

This marketing communication is provided for information purposes only. It does not constitute an offer or a recommendation to subscribe, to purchase, sell or hold any security or financial instrument. It contains the opinions of BlueBox, as at the date of issue. These opinions and the information contained herein do not take into account an individual's specific circumstances, objectives, or needs. No representation is made that any investment or strategy is suitable or appropriate to individual circumstances or that any investment or strategy constitutes personalized investment advice to any investor. Tax treatment depends on the individual circumstances of each person and may be subject to change in the future. BlueBox does not provide tax advice. Therefore, you must verify the above and all other information provided in the marketing communication or otherwise review it with your external tax advisors. Some investment products and services, including custody may be subject to legal restrictions or may not be available worldwide on an unrestricted basis.

The information and analysis contained herein are based on sources considered to be reliable. BlueBox makes its best efforts to ensure the timeliness, accuracy, and completeness of the information contained in this marketing communication. Nevertheless, all information and opinions as well as the prices, market valuations and calculations indicated herein may change without notice. Investments are subject to a variety of risks. Before entering into any transaction, an investor should consult his/her investment advisor and, where necessary, obtain independent professional advice in respect of risks, as well as any legal, regulatory, credit, tax, and accounting consequences. Past performance is no guarantee of current or future returns, and the investor may receive back less than he/she invested. The value of any investment in a currency other than the base currency of a portfolio is subject to foreign exchange rate risk. These rates may fluctuate and adversely affect the value of the investment when it is realized and converted back into the investor's base currency. The liquidity of an investment is subject to supply and demand. Some products may not have a well-established secondary market or in extreme market conditions may be difficult to value, resulting in price volatility and making it difficult to obtain a price to dispose of the asset.

United States: Neither this document nor any copy thereof may be sent, taken into, or distributed in the United States of America, any of its territories or possessions or areas subject to its jurisdiction, or to or for the benefit of a United States Person. For this purpose, the term "United States Person" shall mean any citizen, national or resident of the United States of America, partnership organized or existing in any state, territory or possession of the United States of America, a corporation organized under the laws of the United States or of any state, territory or possession thereof, or any estate or trust that is subject to United States Federal income tax regardless of the source of its income.

This marketing communication may not be reproduced (in whole or in part), transmitted, modified, or used for any public or commercial purpose without the prior written permission of BlueBox.

© 2025 BlueBox Wealth Management – all rights reserved.