

Market Viewpoints

by Manish Singh – Chief Investment Officer

September 2026 – October 2026



Equities have continued to advance despite elevated oil prices, Trump's trade policies, military conflicts, geopolitical uncertainty, a strong US dollar, higher interest rates and persistent inflation.

Summary

Investors traditionally turn to bonds for certainty, capital preservation and protection against equity-market volatility. Yet duration risk, inflation and currency fluctuations can undermine each of these objectives. The past five years have delivered a powerful reminder that earning a predictable coupon does not necessarily translate into preserving wealth, particularly in real terms.

The global economy remains resilient, although the investment environment is becoming increasingly complex. The US continues to demonstrate robust demand alongside persistent inflationary pressures. September's Consumer Price Index (CPI) report reinforced this tension, with headline inflation accelerating to 3.7% year on year, up from 3.4% in August and above market expectations of 3.6%. This

marked the 66th consecutive month of inflation exceeding 2%, highlighting the challenge facing the Federal Reserve as it balances price stability with economic growth.

Meanwhile, the next major constraint on the AI investment boom may have less to do with technological capability or demand and more to do with access to capital. CoreWeave's recent share-price weakness illustrates the financing pressures confronting capital-intensive AI infrastructure providers. The challenge is straightforward: revenues are contracted for future delivery, while the substantial costs of constructing data centres and acquiring GPUs must be funded upfront. I would not be surprised to see Nvidia extend further financial support to CoreWeave, potentially through debt instruments with attached warrants. Such an arrangement could ease CoreWeave's funding pressures while reinforcing Nvidia's broader AI infrastructure ecosystem. The implications extend beyond any single company, raising important questions about financing, profitability and the sustainability of AI-related capital expenditure.

Against this backdrop, the current equity bull market is celebrating its fourth anniversary. Depending on your perspective and, more importantly, your portfolio positioning, the past four years have been either exceptionally rewarding or a series of missed opportunities. Equities have continued to advance despite elevated oil prices, Trump's trade policies, military conflicts, geopolitical uncertainty, a strong US dollar, higher interest rates and persistent inflation. Few would have predicted such resilience against this combination of economic and political challenges.

Yet four years into the rally, the S&P 500 continues to demonstrate remarkable strength. For investors, however, the more relevant question is no longer how far equities have already risen, but whether the conditions supporting this bull market can sustain further gains, and where the next opportunities may emerge.

Bonds: Safe from Default, but Not from Inflation

Regular readers will know that I have consistently made the case for equities since launching this newsletter more than 15 years ago. My preference has never been to take risk indiscriminately, but to pursue equity returns through disciplined risk management and carefully structured downside protection. This is why structured equity notes have frequently featured in my investment approach.

And there is another way to think about them: As an alternative to conventional bonds for investors seeking a degree of downside protection without giving up all the potential for equity-linked returns.

Consider the chart below from Gavekal Research.

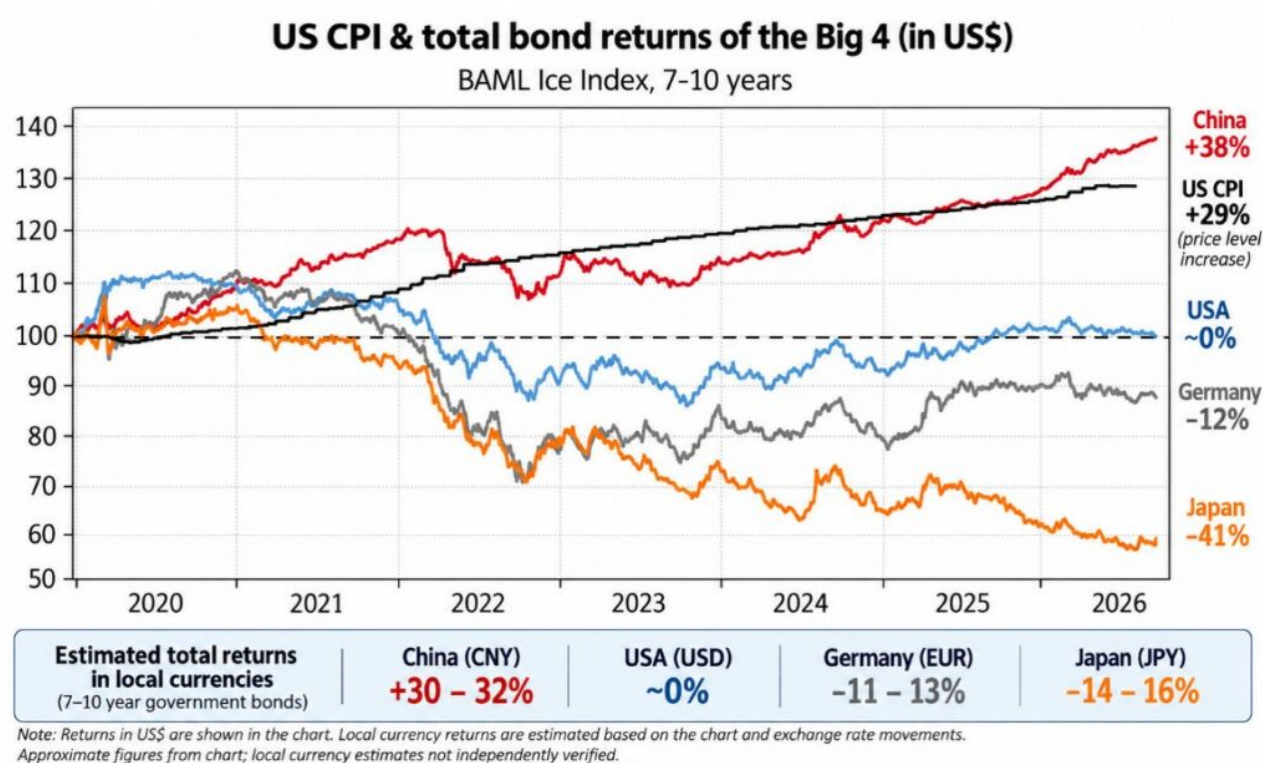
Since 2020, US consumer prices have risen by approximately +28-29%. Yet 7-10-year US government bonds, measured in US dollars, have delivered virtually no cumulative return. German government bonds have lost around -12%, while Japanese government bonds have lost more than -40%.

Only Chinese government bonds have comfortably outpaced US inflation in this comparison, returning approximately +37-38%.

Japan's severe dollar-denominated loss was amplified by yen depreciation. In local currency, the loss was materially smaller, but still negative. Germany's result was broadly similar in euros and dollars, while

China's bonds delivered a positive return in renminbi as well as dollars.

The conclusion is important: Protecting your capital from default is not the same as protecting its purchasing power. A bond may repay every dollar promised and still leave an investor materially poorer in real terms.



Source: Gavekal Research/Macrobond, Crossbridge Capital

Investors often buy bonds for certainty, capital preservation and protection against equity market volatility. But duration risk, inflation and currency movements can undermine all three. The experience of the past five years has been a powerful reminder that receiving your coupons does not guarantee that your wealth has been preserved in real terms.

This is why I have long argued that the statement “equities are risky” needs qualification. Equities certainly carry risk. But risk is not determined by the asset class alone; it also depends on the price you pay, what you own, how you structure the investment, your time horizon and how you manage the downside.

A diversified portfolio of equities, held without leverage and combined with an appropriate degree of downside protection, can offer a very different risk-return profile from an unprotected equity position. Structured equity notes can be one way of implementing that approach, allowing investors to participate in specified equity-market outcomes while incorporating contractual protection features, subject to their terms.

The point is not that bonds have no place in a portfolio, or that equities are always superior. It is that safety should be measured by the outcome you achieve, not simply by the label attached to an asset.

After more than 15 years of advocating a disciplined, risk-managed approach to equities, my conviction remains unchanged: it is not enough to ask how much risk an investment carries. We should also ask what risk we are taking by avoiding it.

Moving on to the economy.

The global economy remains resilient, but the investment environment is becoming more complicated.

Energy-market disruption is renewing inflation concerns, central banks are reluctant to declare victory over price pressures, and elevated government borrowing is pushing up the cost of capital. At the same time, (some) doubts are emerging about how much of the enormous investment in AI infrastructure will translate into sustainable profits.

The IMF's latest outlook puts global growth at +3.1% for 2026, while warning that geopolitical shocks, high borrowing requirements, and depleted policy buffers could test the economy's resilience.

The US economy is showing an uncomfortable combination of resilient demand and persistent price pressures. September's ISM services survey eased to 54.9 from 55.4, but new orders remained strong at 59.8 and the prices-paid index rose to 74.0, its highest level since July 2022.

The Fed raised its target rate by 25 basis points to +3.75-4% at its September meeting. The policy debate is now whether to wait for clearer evidence that inflation is contained or tighten further if price pressures persist.

Markets and the Economy

The September CPI report was the focus for markets this week, with headline inflation rising to +3.7% year on year from +3.4% in August, above the +3.6% consensus.

This marks the 66th consecutive month that headline CPI has remained above the Fed's +2% target. Yet the current streak pales in comparison with the two longer episodes of above-target inflation, lasting 129 and 242 months respectively, which together spanned February 1966 to October 1997- with only a ten-month interruption.

These were hardly disastrous decades for equities: over the entire period, including the months when inflation dipped below +2%, the S&P 500 rose more than ninefold, delivering an annualised gain of approximately +7.5%, broadly in line with its long-run historical return.

US CPI Year-over-Year (%) - Oct 2016 to Sep 2026



Source: Bloomberg

White House NEC Director Kevin Hassett called the core inflation print “a blip,” attributing the headline acceleration to energy, and said more data is needed before the Fed acts and Fed Vice Chair Michelle Bowman reiterated she sees no urgent need for further rate hikes, noting the Fed has “some time to wait and see.”

The latest report does, however, complicate the near-term outlook. Monthly headline CPI rose +0.6%, driven largely by a +9.1% jump in gasoline prices, while core CPI increased +0.3% month on month and +2.6% year on year, both firmer than expected.

The distinction matters: An energy-driven spike may prove temporary, but persistent core inflation would make it harder for the Fed to ease policy.

The historical lesson is not that inflation is harmless, but that inflation above +2% does not automatically spell trouble for equities. The more important questions are whether price pressures broaden, how the Fed responds, and whether corporate earnings can continue to support valuations.

The next bottleneck in the AI buildout may not be demand or technology, but the cost and availability of financing. CoreWeave’s share-price weakness and reports of its borrowing costs reaching yields of around 15% highlight the growing pressure on capital-intensive neoclouds as competition for funding intensifies.

The business faces a classic cash-flow mismatch: revenues are contracted for future delivery, while the costs of building data centres and acquiring GPUs must be funded today. I wouldn’t be surprised if Nvidia provides further financial support to CoreWeave, potentially through bonds with attached warrants. Such

a move could ease funding pressure on CRWV while strengthening the broader AI infrastructure ecosystem.

Ultimately, who provides the bridge financing? Likely candidates include hyperscalers and semiconductor companies – the very players that need this capacity.

Yes, the circularity is obvious, but it shouldn't distract us from the underlying economics.

Neoclouds effectively provide hyperscalers with additional AI computing capacity without requiring them to own all the infrastructure on their own balance sheets, giving the latter a commercial incentive to help their partners scale.

The bigger questions remain: Is demand for AI real? And will we return to working and using software as we did before AI?

My answers are yes to the first and no to the second. The AI buildout is therefore not merely a technology story; it is increasingly a financing story. The critical question is whether future cash flows will justify today's enormous capital commitments — and who will fund the gap in the meantime.

Some big birthday wishes are in order this month as the current bull market celebrates its fourth birthday.

Depending on your perspective, this bull market has been either remarkably resilient or downright oblivious. It has powered ahead despite a formidable quadruple threat: elevated oil prices, Trump's trade war and real war, geopolitical tensions, a strong dollar, rising interest rates and above target inflation. Yet here we are, four years on, with the S&P 500 having delivered an impressive rally.

The current bull now joins the ranks of some legendary predecessors, most notably the 12-year rally from 1987 to 2000 and the 11-year bull market from 2009 to 2020. The table below compares the performance of the current bull market during its first four years with that of the eight previous bull markets that lasted at least four years.

4+ years of S&P 500 Bull Market (October 2022- present)



But the more interesting question is not how far from the market has already climbed. How much further could it go?

History offers an encouraging, if nuanced, answer.

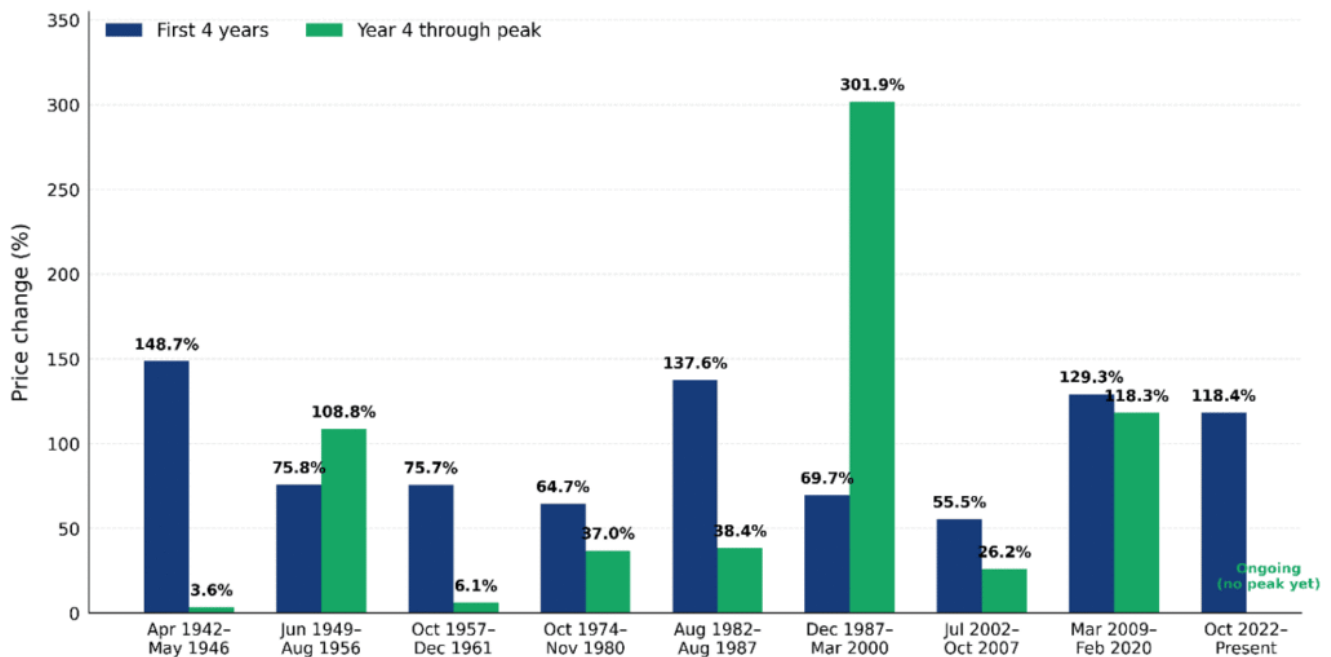
Looking at the performance of the eight previous bull markets from their fourth anniversary to their eventual peak, the best of the rally was already behind most of them: in six out of eight cases, gains from the four-year mark to the peak were smaller than those achieved during the first four years.

There were, however, two spectacular exceptions. The bull markets of 1949-1956 and 1987-2000 both delivered another 100% or more after their fourth anniversaries. The 2009-2020 bull market also ultimately gained more than 100% beyond its fourth anniversary, demonstrating just how long and powerful a rally can become.

Across the eight completed bull markets, the median gain from the fourth anniversary to the eventual peak was +37.7%. Only two recorded additional gains of less than +25%.

In other words, the strength of a bull market during its first four years has told us remarkably little about how much further it has left to run.

S&P 500 Bull Markets Lasting 4+ Years First Four Years vs. Year 4 Through Peak



Source: Bespoke Investment Group, Crossbridge Capital

Of course, historical averages are not forecasts. Every bull market has its own economic, monetary and valuation backdrop. The current rally must still contend with above target inflation, high interest rates, geopolitical uncertainty, and the question of whether earnings growth – particularly from AI-related investment, can justify and underpin more upside.

But history does challenge one common investor instinct: Selling simply because markets have risen for several years.

The bull market deserves its birthday cake. Whether it gets another slice depends on the fundamentals. But if history is any guide, turning four is no reason to assume the party is over.

The third-quarter earnings season unofficially kicked off this Tuesday with the big-bank Goldman Sachs, JP Morgan, Citi, Wells Fargo reporting.

The earnings were mixed, but broadly supported by strong capital-markets activity.

- Goldman Sachs was the standout, with EPS of \$17.01 versus \$12.86 expected, driven by a 72% surge in equities trading revenue and a 21% rise in investment-banking fees
- Citi also beat expectations, with net income up around +40%, supported by growth in services, wealth management, and investment banking, although credit-card profitability weakened
- Wells Fargo narrowly beat on EPS at \$1.87, but revenue and net interest income missed forecasts, highlighting pressure on traditional banking margins
- JPMorgan disappointed on headline earnings, with reported EPS of \$5.57 affected by \$658m in

securities losses, despite strong equity trading and investment-banking performance

Overall, trading and dealmaking are providing a significant earnings tailwind, but deposit costs, consumer credit quality and the sustainability of trading revenues remain key risks.

For the third-quarter earnings, analysts are painting a rosy picture.

FactSet estimates S&P 500 earnings will grow +29.6% year on year in Q3, marking a third consecutive quarter of growth above 25%, well ahead of the +12.6% average quarterly growth rate cited over the past decade.

Corporate guidance is equally upbeat: A record 72 companies have issued positive earnings preannouncements, against just 44 negative ones, below the 10-year average of 57.

Analysts have raised the expected growth rate from +26.7% at the start of the quarter, with technology and energy among the key drivers. The optimism is striking -but how broad and sustainable is it when so many rests on a handful of sectors?

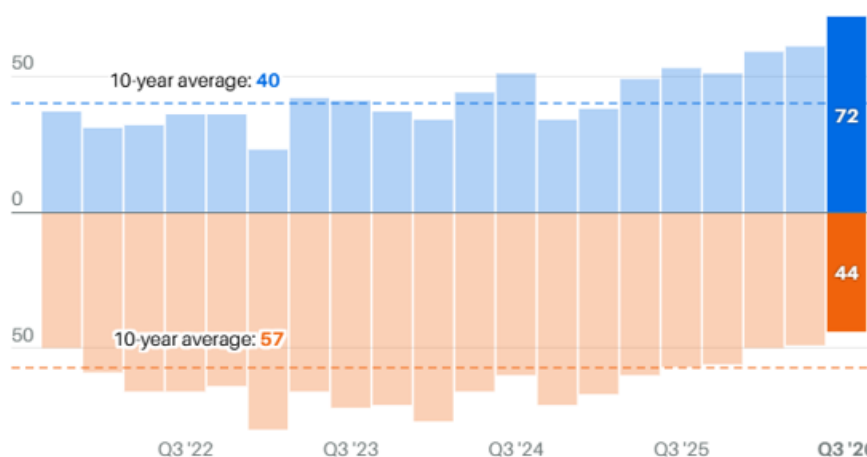
We will find out over the next couple of quarters.

Record-Breaking Optimism

A record 72 S&P 500 companies have issued Q3 earnings forecasts above Wall Street's estimate, far above the 10-year average.

Number of companies issuing EPS guidance

■ Positive guidance ■ Negative guidance



Source: FactSet

Source: Factset/WSJ

Markets are trading nervously, increasingly at the mercy of headlines rather than fundamentals.

On Monday, speaking at the DBS Asia Future Forward conference in Singapore, Broadcom CEO Hock Tan argued that investors were misreading OpenAI's fundamentals by reacting to short-term data points rather than its longer-term potential.

Tan bluntly stated that the market had misinterpreted the company, OpenAI, because its underlying fundamentals remained strong. Investors who sell based on a single short-term data point, he argued, are “essentially no different from people gambling in a casino.”

Tan was defending OpenAI against negative interpretations of its revenue outlook. Yet the remarks were spun into a broader warning about AI, adding to nervous sentiment and his “casino” analogy was directed at investors setting extreme expectations without fully understanding what they were buying – not a blanket dismissal of AI or its investment potential. Yet the remarks were spun into a broader warning about AI, adding to nervous sentiment.

On Tuesday, South Korea’s tech-heavy KOSPI fell -5.5%, while Samsung Electronics dropped -7.4% and SK Hynix -10%

In headline-driven markets, nuance is often the first casualty, and volatility the immediate consequence.

For 17 years, Qatar was the world’s largest LNG exporter. Then the US took the #1 spot in 2023 and has since widened the gap dramatically.

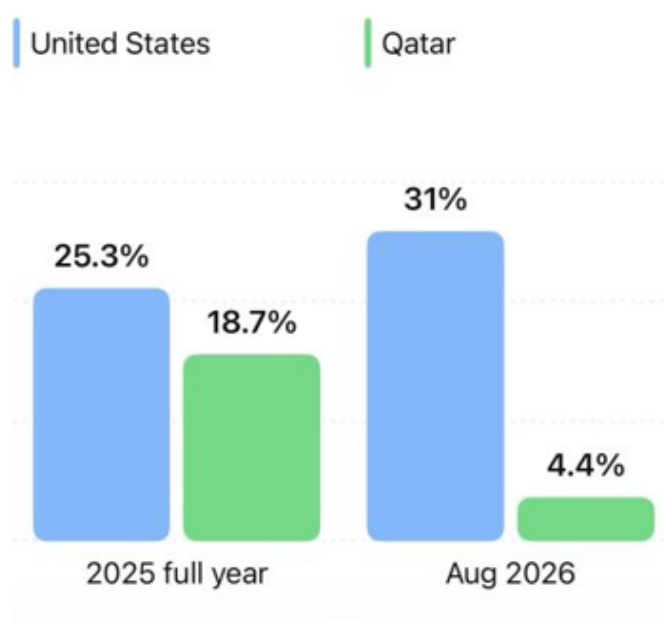
In 2025, the US accounted for 25% of global LNG exports versus 19% for Qatar.

Then came the Iran war.

In August, US LNG accounted for roughly 31% of global exports, while Qatar’s share collapsed to around 4%, as the war and the closure of the Strait of Hormuz disrupted Qatari shipments.

America’s LNG dominance is becoming a major geopolitical advantage. Energy security is geopolitics.

LNG exports: The US has pulled dramatically ahead of Qatar in LNG exports



Source: Kpler data, Energy Institute

The November 3 US midterms are shaping up to be a significant test of Donald Trump's US presidency.

Democrats have opened a lead of around 9 percentage points in the generic congressional ballot, while Trump's approval rating has fallen to the high 30s.

Cost-of-living pressures, energy prices, and voter frustration with the administration are weighing on Republicans. Democrats appear well positioned to challenge for control of the House, while the Senate contest remains more finely balanced, with several Republican-held seats becoming competitive.

For markets, the key question is whether a Democratic victory in the House – potentially both chambers – would constrain Trump's policy agenda.

A divided Congress could complicate the passage of tax, spending, and fiscal legislation, while intensifying political scrutiny of the administration.

Republicans retain a substantial fundraising advantage, and national polling does not necessarily translate into seat gains, particularly in the Senate, where state-level dynamics matter more. With just over two weeks to go, the election adds another source of uncertainty for investors already navigating inflation, interest rates, and geopolitical risk.

However, here is an important seasonality chart that you must look at besides the earnings expectation data I laid out above. Historically, the S&P 500 has averaged a +6.6% gain in the fourth quarter of US midterm election years- the strongest of the four stages of the presidential cycle.

It is an encouraging seasonal tailwind, but not a forecast: interest rates, earnings and valuations will ultimately matter more than the electoral calendar.

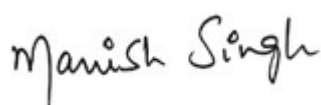
That said, midterm years such as 2018 and 2022 saw significant market weakness, driven largely by monetary tightening and broader macroeconomic headwinds.

This time, however, we may have passed the most aggressive phase of monetary tightening, while resilient corporate earnings have helped underpin equity valuations.

If inflation comes down, and earnings growth holds up, the historical tendency for midterm-year markets to strengthen in Q4 could provide an additional tailwind – though much will depend on the trajectory of interest rates and realised earnings growth.

For tailored strategies, stock-specific ideas, or structured solutions, please reach out to your relationship manager.

Best wishes,

A handwritten signature in black ink that reads "Manish Singh". The script is fluid and cursive, with the first name "Manish" and last name "Singh" clearly distinguishable.

Manish Singh, CFA