

Blackfriars Multi-Asset MPS Insights: September 2026

September was defined by a synchronised rise in government bond yields and the return of central-bank tightening. The Federal Reserve, European Central Bank and Bank of Japan each raised rates by 25 basis points, while the Bank of England held at 3.75% on a 6–3 vote. The MSCI World Index fell 1.2% in US-dollar terms and the MSCI Emerging Markets Index 0.7%, although a 2.1% fall in sterling against the US dollar cushioned returns for GBP-based investors. Leadership narrowed sharply: the S&P 500 slipped 0.3% while the Nasdaq Composite rose 1.9%, and the equal-weight S&P 500 fell 4.8%.

The month's central tension was between resilient activity data and an energy-driven inflation shock. Brent crude rose roughly 14% and traded above US$100 per barrel after tanker attacks near the Strait of Hormuz and the mid-month shutdown of Saudi Arabia's East-West pipeline. At the same time, flash PMIs surprised to the upside: the US composite reached 58.4, its highest since July 2021, and the euro-area composite hit a 41-month high of 53.1. Strong growth and higher fuel costs together pushed markets to price a renewed hiking cycle across developed economies.

Government bonds sold off globally. The Bloomberg Global Treasury Index fell 1.4% in US-dollar-hedged terms and its yield moved above 4% for the first time since 2007. The US 10-year Treasury yield rose 54 basis points to 5.29%, the German 10-year Bund yield rose about 26 basis points to 3.59% and the UK 10-year gilt yield rose about 36 basis points to 5.42%. Credit offered little protection: global investment-grade bonds returned −2.1% and global high yield −2.5% in hedged US-dollar terms, as high-yield spreads widened by around 42 basis points to 314 basis points.

Blackfriars Asset Management Limited: is the manager, with a team of cross-asset portfolio managers led by Anastasia Levashova, PhD, supported by the Investment team & committee.

Learn here more about our investment team.



Anastasia Levashova, PhD
Portfolio Manager, Blackfriars AM

Growth & Inflation

- Economic data released during September were stronger than expected. In the United States, August non-farm payrolls rose by 162,000, well ahead of consensus, with June and July revised up by a combined 55,000 and the unemployment rate steady at 4.1%. August retail sales rose 1.2%, reversing July's decline, and second-quarter GDP growth was revised up to 2.2% from 1.5%. The S&P Global flash composite PMI climbed to 58.4 from 56.0, with services at 58.7 and manufacturing at 57.0. Consumer confidence, however, fell to 81.9, its lowest reading since 2014, as fuel prices weighed on sentiment.
- US inflation data were mixed. August headline CPI rose 0.4% month on month and 3.4% year on year, driven by a 3.9% rise in gasoline, while core CPI rose 0.3% on the month and slowed to 2.4% year on year, its lowest since March 2021. Producer prices accelerated to 5.4% year on year from 4.7%. At month end, August core PCE inflation eased to 3.0% from 3.3%, softening expectations for an immediate follow-up hike. In Europe, final euro-area HICP for August was 3.2%, slightly below the 3.3% flash estimate, with energy inflation at 14.3% and core easing to 2.4%. UK CPI inflation rose to 3.1% in August from 2.9%, its first reading above 3% since March, with motor fuels the largest upward contribution.

Central Banks

- **Federal Reserve:** On 16 September, the FOMC voted 12–0 to raise the federal funds target range by 25 basis points to 3.75–4.00%, its first increase since July 2023. Chair Kevin Warsh cited stronger growth, insufficient progress on inflation and geopolitically driven commodity prices. The median dot now places the year-end rate at 4.1%, implying one further hike in 2026. Softer core PCE data at month end lowered the market-implied probability of an October hike to around 40%.
- **ECB:** On 10 September the ECB raised its key rates by 25 basis points, lifting the deposit facility rate to 2.50%. President Lagarde highlighted upside inflation risks from energy while acknowledging growing downside risks to growth. The 10-year Bund yield rose about 26 basis points to 3.59%, its highest in more than 15 years.
- **Bank of England:** On 17 September the MPC held Bank Rate at 3.75% by a 6–3 vote, with three members favouring a rise to 4%. The Bank also paused gilt sales for six months and halted sales of long-dated gilts, acknowledging that its selling had added to upward pressure on yields. Markets moved to price a November rate rise as highly likely.
- **Bank of Japan:** On 18 September the BoJ raised its policy rate by 25 basis points to 1.25%, the highest in more than three decades. The 7–2 vote included two dissents in favour of holding, and the decision was read as less hawkish than expected. The 10-year JGB yield rose about 11 basis points to 3.06%, a level last seen in 1996.

Market Performance

- **Equities:** Global equities eased, with the MSCI World Index down 1.2% and the MSCI Emerging Markets Index down 0.7% in US-dollar terms; year to date they remained up 12.1% and 23.5% respectively. The S&P 500 fell 0.3% and the Nasdaq Composite rose 1.9%, while the STOXX Europe 600 fell 2.4% in euros and the FTSE All-Share 1.9% in sterling. In Japan, the TOPIX slipped 0.3% in yen terms while the Nikkei 225 gained 1.2%; the MSCI AC Asia Pacific ex Japan Index fell 0.9% in US dollars.
- **Bonds:** Sovereign markets sold off as energy prices, fiscal deficits, heavy AI-related issuance and strong data pushed yields higher. The Bloomberg Global Treasury Index fell 1.4% on a hedged basis. US 10-year yields ended at 5.29% after briefly topping 5.3% for the first time since 2002; the 30-year reached 5.64%. Bund yields rose to 3.59% and 10-year gilt yields to 5.42%, with the 30-year gilt at 5.95%, its highest since 1998.
- **Credit:** Global investment-grade corporate bonds returned −2.1% and global high yield −2.5% in hedged US-dollar terms. Global investment-grade spreads widened about 5 basis points to 85 basis points, while high-yield spreads widened about 42 basis points to 314 basis points. Emerging-market sovereign spreads were broadly unchanged at 218 basis points.
- **Commodities:** Brent crude rose 14% (to above US$100 per barrel) as attacks on Gulf shipping and Saudi infrastructure revived supply concerns; WTI rose about 5%. Gold fell around 6.6% and silver around 9.3%, reversing part of August's gains, as the US Dollar Index rose 2.0% and real yields climbed.

Regional Market Overview

United States

- US equity returns were highly concentrated. The S&P 500 fell 0.3% (+12.7% year to date) while the Nasdaq Composite rose 1.9% (+16.1% year to date). Information Technology (+4.5%) and Communication Services (+4.3%) were the only sectors to advance; Financials (−7.2%), Materials (−6.7%) and Real Estate (−6.1%) led the declines. The equal-weight S&P 500 fell 4.8%, lagging the cap-weighted index by 4.5 percentage points, and the Russell 2000 fell 5.3%, its steepest monthly decline in more than a year.



- Growth outperformed value decisively: the Russell 1000 Growth Index rose 2.2% while the Russell 1000 Value Index fell 3.1%. Semiconductors and AI infrastructure led, with Oracle reporting 121% growth in cloud infrastructure revenue. On 14 September AI shares fell sharply after leading AI developers called for a coordinated slowdown in frontier-model development, before recovering part of the losses. Higher Treasury yields kept rate-sensitive and smaller companies under pressure.

Eurozone

- The STOXX Europe 600 fell 2.4% in euros, ending a five-month winning streak, and 4.7% in US dollars as the euro weakened 2.5% against the dollar. Germany and France led the declines. Energy (+3.0%) and Technology (+2.0%) were the only sectors to rise, while Autos & Parts (−8.1%), Real Estate (−7.1%) and Financial Services (−7.1%) were the weakest.
- Activity data held up: the euro-area flash composite PMI rose to 53.1, a 41-month high, and German factory orders rose for a second consecutive month. The ECB's hike and the rise in the 10-year Bund yield to 3.59% weighed on rate-sensitive sectors.

United Kingdom

- UK equities fell less than continental Europe, helped by energy exposure: the FTSE All-Share declined 1.9% and the MSCI UK Index 2.0% in sterling. Sterling fell about 2.1% against the US dollar, which supported the sterling value of overseas assets.
- The domestic picture was mixed. July GDP grew 0.4%, well ahead of expectations, but employment fell by 26,000 in August, unemployment held at 4.9% and the flash composite PMI slipped to a three-month low of 51.7. CPI inflation of 3.1%, a 10-year gilt yield of 5.42% and fiscal uncertainty ahead of the 28 October Budget kept borrowing costs central to the outlook for property, smaller companies and consumer-exposed assets.

Japan

- Japanese equities were mixed: the TOPIX fell 0.3% in yen terms but rose 1.2% in US dollars, while the Nikkei 225 gained 1.2% in yen, supported by semiconductor and technology shares. The yen rose 1.5% against the dollar over the month.
- The BoJ's hike to 1.25% and the rise in 10-year JGB yields to 3.06% weighed on rate-sensitive companies. Core CPI eased to 1.7% in August from 1.8%, and the flash composite PMI fell to a four-month low of 52.5 while remaining in expansion territory.

China, Asia ex-Japan and Emerging Markets

- The MSCI AC Asia Pacific ex Japan Index fell 0.9% and the MSCI Emerging Markets Index 0.7% in US-dollar terms, though both remain up around 24% year to date. AI-linked markets again led: Taiwan rose 3.9% and South Korea 2.2%. The MSCI China Index fell 4.6% on weak retailsales, investment and property data; policymakers announced targeted fiscal and monetary easing on 29 September.
- Energy importers struggled as oil rose and the dollar strengthened: India fell 7.1% and Indonesia 7.6%. South Africa fell 9.0% as precious metals reversed, while Brazil rose 3.2% and Poland 1.1%. The MSCI EM Latam Index declined 0.3%, with Mexico down 6.8%.

Asset-Class & Instrument-Level Market Overview:

Government Bonds

- September tested the duration component of portfolios. The Bloomberg Global Treasury Index fell 1.4% in hedged US-dollar terms (−1.6% year to date). The US curve shifted sharply higher, with 3- and 5-year yields up about 60 basis points; the 2-year rose about 54 basis points to 4.89% and the 2s10s spread ended little changed at 41 basis points after briefly narrowing to around 20. Supply concerns added to the move: Norway's sovereign wealth fund manager proposed cutting US Treasury holdings by around US$80 billion, and an expanded Treasury buyback programme fell short of market hopes.
- Outside the US, 10-year gilt yields rose about 36 basis points to 5.42% and Bund yields about 26 basis points to 3.59%, while China's 10-year yield ended near a record low at 1.68%. Short-maturity bonds held up better than long duration as curves repriced for renewed tightening.

Corporate Credit

- Corporate credit declined as higher government yields combined with wider spreads. The Bloomberg Global Aggregate Corporate Index fell 2.1% and the Bloomberg Global High Yield Index 2.5%, both hedged to US dollars. US investment-grade corporates returned −2.7% and US high yield −2.5%. US high-yield spreads widened about 50 basis points to 311 basis points; investment-grade spreads moved only about 2 basis points wider to 80. Heavy AI-related issuance added supply, with hyperscaler bond issuance reaching about US$182 billion year to date.

Global Fixed Income

- Higher Treasury yields drove losses in emerging-market debt: the J.P. Morgan EMBI Global Diversified Index fell 3.3%, even though sovereign spreads were broadly unchanged at 218 basis points. The US Dollar Index rose 2.0%, with sterling down about 2.1%, the euro about 2.5% and the Australian dollar about 3.1%; only the yen gained among major currencies.

Equities

- Equity returns narrowed by style, size and sector. The Russell 1000 Growth Index rose 2.2% against a 3.1% fall for value, and large caps outpaced small caps by around 5 percentage points. Technology was the only broad source of gains, with leadership in the AI trade moving towards semiconductors, memory and AI infrastructure. Taiwan and South Korea benefited, while rate-sensitive sectors such as real estate, financials and materials each fell more than 6% in the US.

Real Assets and Commodities

- Real assets were divided by their inflation linkage. Brent crude rose about 14% as attacks on Gulf shipping and the closure of Saudi Arabia's East-West pipeline tightened supply, and shortages in diesel, jet fuel and LNG kept energy costs elevated. Gold fell around 6.6% and silver around 9.3% as the dollar and real yields rose. Listed real estate was among the weakest sectors as higher discount rates and refinancing costs weighed on valuations.

Portfolio Implications

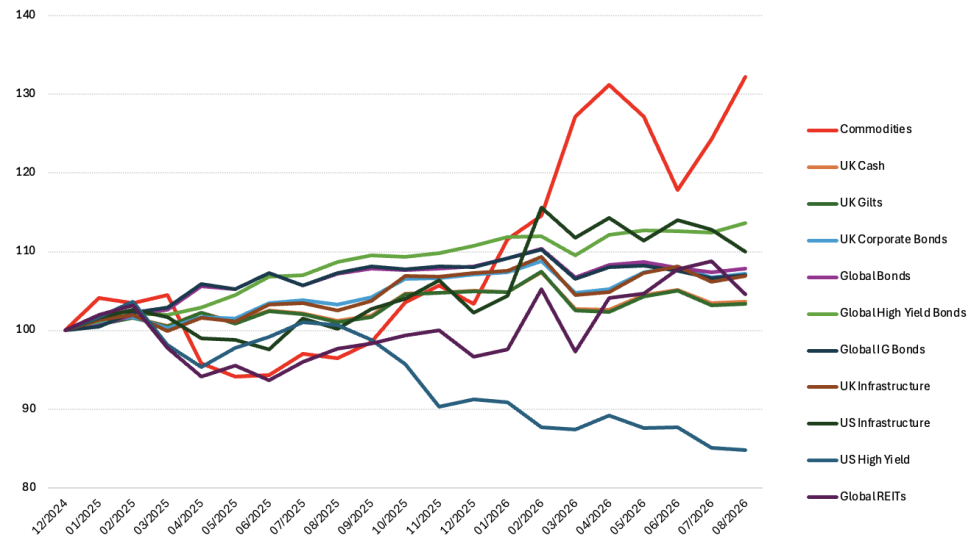
- For diversified Blackfriars MPS portfolios, September showed the cost of duration and concentration risk. Long-dated sovereign bonds and credit both lost value as yields rose, so bonds behaved as a source of income rather than a hedge for equities. Higher starting yields, with US 10-year Treasuries above 5.2% and gilts above 5.4%, now provide a larger income cushion for future returns. Short- and intermediate-maturity, high-quality bonds remain preferable to long duration while central banks are tightening.
- The principal risks entering October are further energy-driven inflation, additional rate rises from the Fed and the Bank of England, and the fiscal outlook ahead of the UK Budget on 28 October. Equity gains have narrowed to AI-linked technology, leaving portfolios exposed if that trade weakens. Portfolio construction should therefore retain exposure to structural growth while balancing it with value, quality income, short-to-intermediate duration and real assets that can respond to inflation. Sterling weakness has been a tailwind for unhedged overseas holdings and remains an important source of return variation.

Asset-Class & Instrument-Level Performance*:

Asset Class	1m	3m	YTD	6m	1y	5y
UK Cash	0%	-1%	-1%	-3%	2%	-22%
UK Gilts	0%	-1%	-2%	-4%	2%	-24%
UK Corporate Bonds	1%	0%	0%	-2%	4%	-5%
Global Bonds	1%	-1%	0%	-2%	1%	-8%
Global High Yield Bonds	1%	1%	3%	2%	5%	18%
Global IG Bonds	0%	-1%	-1%	-3%	0%	-11%
UK Infrastructure	1%	0%	0%	-2%	4%	-12%
US Infrastructure	-3%	-1%	8%	-5%	10%	19%
US High Yield	0%	-3%	-7%	-3%	-16%	-8%
Global REITs	-4%	0%	8%	-1%	7%	-8%
Commodities	6%	4%	28%	15%	37%	50%

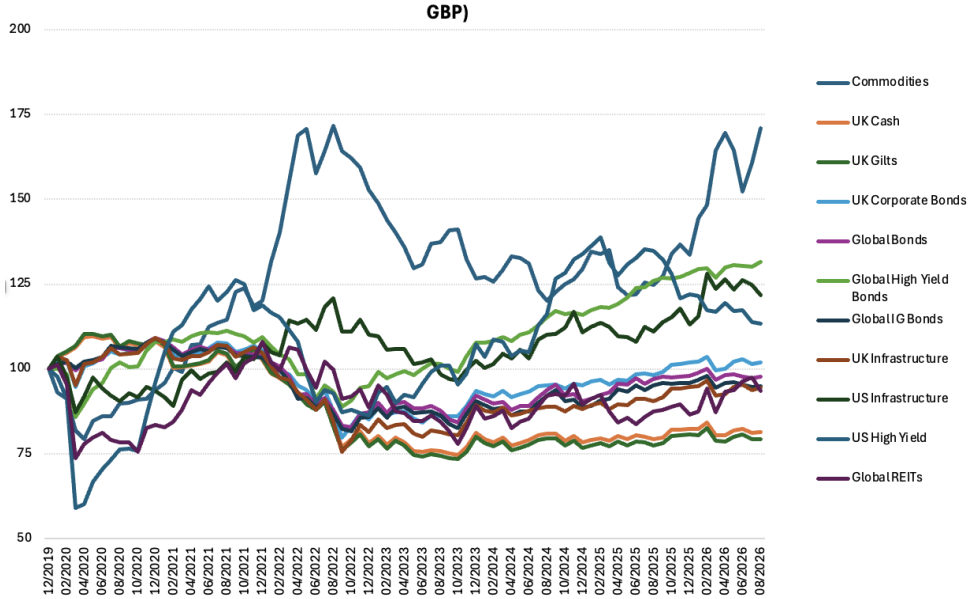
Source: Blackfriars AM, Bloomberg. Data as of 31/08/2026. All in GBP.

UK & Global Money Markets, Debt, Infra, REIT, Commodity Performance (01/2025 - 08/2026, GBP)



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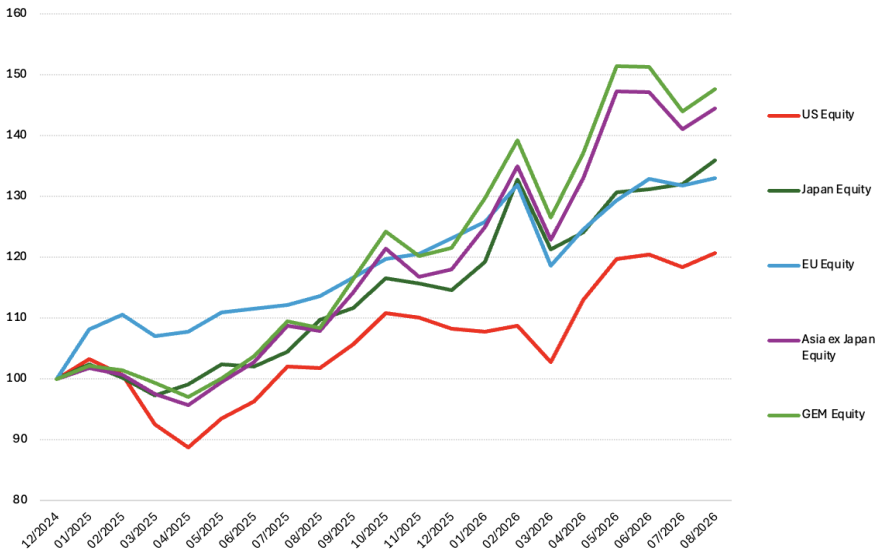
Source: Blackfriars AM, Bloomberg. Data as of 31/08/2026. All in GBP.

Asset-Class & Instrument-Level Performance*:

Asset Class	1m	3m	YTD	6m	1y	5y
US Equity	2%	1%	12%	11%	19%	73%
Japan Equity	3%	4%	19%	3%	24%	48%
EU Equity	1%	3%	8%	1%	17%	36%
Asia ex Japan Equity	2%	-2%	22%	7%	34%	36%
GEM Equity	3%	-3%	22%	6%	36%	33%

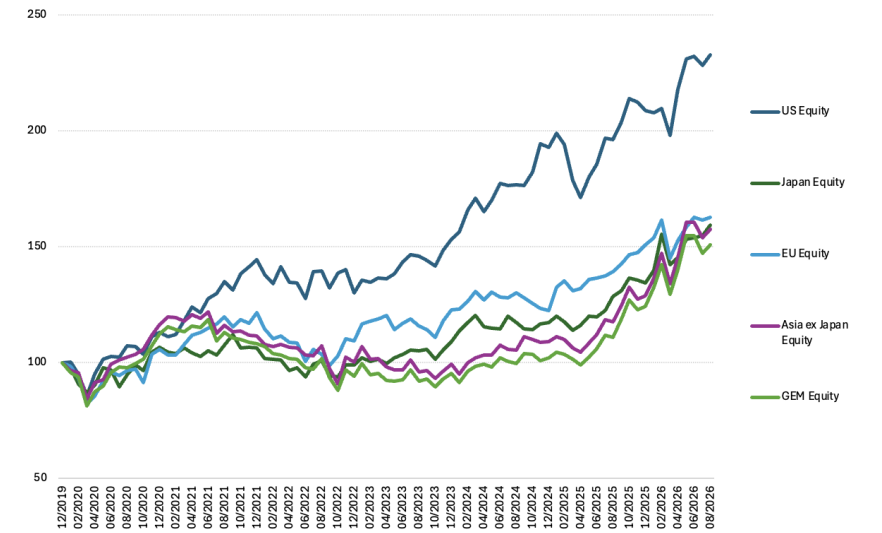
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Global Equity Markets Performance* (01/2025 - 08/2026, GBP)



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Global Equity Markets Performance* (01/2020 - 08/2026, GBP)



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