

September 2026

Demarche Dashboard

A Flash Report on Markets and the Economy



Data and Commentary for the Period Ended 09/30/2026

Global Overview

September brought pressure across global financial markets as higher interest rates, persistent inflation, and rising energy costs weighed on investor sentiment. U.S. equity performance masked considerable weakness beneath the surface, with small-cap and cyclical stocks particularly challenged while technology remained resilient. Fixed income also declined as the Fed tightened policy, treasury yields moved higher, and high yield credit spreads widened. Internationally, European economic activity improved despite accelerating inflation and energy pressures, while Japan raised rates amid firmer growth and wages. Asian manufacturing benefited from continued AI and semiconductor demand, particularly in China, Taiwan, and South Korea. Meanwhile, disruptions to global refining capacity drove diesel prices sharply higher, adding another source of inflationary pressure despite improving crude oil supplies and coordinated releases from strategic reserves.

U.S. Markets & Economy

Domestically, equities were challenged in September as rising interest rates and a hawkish tone from the Fed tightened financial conditions and created a valuation headwind to close out Q3. The S&P 500 declined by 0.4%, although the incremental headline decline understated broader weakness across the index. Approximately 60% of constituents ended the month at least 20% below their previous highs, including 182 companies trading more than 35% below their highs. Technology and communication services were the only sectors to post positive returns during the month, with their strong performance helping support the headline index return despite the average S&P 500 sector declining 3.1%. Similarly, economic indicators weakened in September. The ISM Manufacturing PMI remained largely unchanged at 54.5, compared to 54.6 in August, while initial jobless claims edged lower to 197,000 from 199,000. Most notably, consumer confidence fell sharply to 81.9 from 88.6, reaching its lowest level in 12 years. Smaller-cap and more cyclically sensitive companies were among the most impacted by the environment, with the Russell 2000 Growth, Russell 2000 Value, and Russell 2000 declining 5.3%, 5.2%, and 5.3%, respectively. Within large cap, the Russell 1000 Growth was the sole positive performer, returning 2.2% compared to declines of 0.7% for the Russell 1000 and 3.1% for the Russell 1000 Value.

Fixed income offered little diversification benefit during the month, as rising interest rates and widening credit spreads resulted in losses alongside equities. The Federal Reserve raised its benchmark interest rate by 25 basis points to a target range of 3.75% to 4.00% at its September meeting. Treasury yields subsequently increased across the curve, particularly within intermediate maturities, as the three- and five-year yields each rose 60 basis points. Credit markets also deteriorated, particularly within high yield, where spreads widened to 312 basis points from 263 basis points. In comparison, investment grade spreads remained relatively narrow, increasing to 84 basis points from 80 basis points. Against this backdrop, the Bloomberg U.S. Aggregate and Bank of America U.S. High Yield indexes declined 2.6% and 2.5%, respectively.

International Markets & Economy

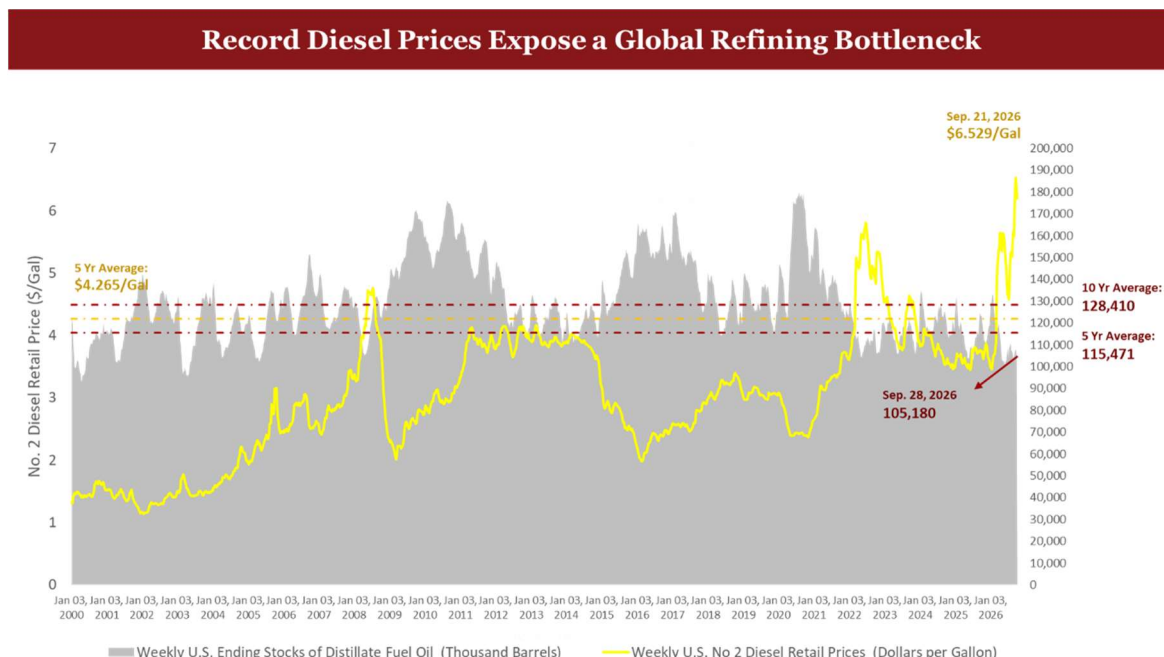
Euro-area activity strengthened unexpectedly in September despite the energy shock, with the Composite PMI rising to 53.1, its highest since April 2023, while Manufacturing PMI reached 52.9, the strongest since May 2022. However, CPI accelerated to 3.8% from 3.2% in August, leaving the region with stronger growth but greater inflationary pressure following two ECB rate increases earlier in 2026. Germany's services PMI rebounded to 52.9 from 49.7, supported by exports, defense, and infrastructure spending, while inflation accelerated to 3.3%. France's Composite PMI recovered to 51.1, but inflation rose to 3.4%, while higher debt-service costs and widening sovereign spreads remained headwinds. Japan's second-quarter GDP was revised higher to an annualized 1.4%, while improving real wages gave

the BOJ greater confidence to raise its policy rate 25 basis points to 1.25%, its highest level in 31 years. The MSCI EAFE Index declined 3.1% in September, primarily reflecting higher energy prices and sovereign yields. China's Manufacturing PMI returned to expansion at 50.1, supported by AI-related industrial demand, although weak consumption and investment continued to weigh on the domestic economy. Manufacturing activity also strengthened in Taiwan and South Korea, supported by semiconductor demand and global AI infrastructure spending. South Korean exports rose 83.5% year-over-year to a record \$120.9 billion, led by semiconductor shipments. The MSCI Emerging Markets Index declined 0.6 % as strong AI-related manufacturing and export demand partially offset a stronger dollar and higher oil prices.

In the News

U.S. retail diesel prices reached a record \$6.53 per gallon on September 21st, nearly \$3 higher than a year earlier, before settling at approximately \$6.38 by month-end. Unlike previous oil price shocks driven primarily by crude supply disruptions, the current diesel shortage reflects a significant loss of global refining capacity. Middle Eastern diesel exports declined more than 50% to approximately 800,000 barrels per day (bpd) between March and August as military attacks damaged refineries and disrupted shipping. Russia, historically the world's second-largest diesel exporter, also extended its export ban through October following repeated Ukrainian attacks on refining infrastructure. Combined diesel exports from Russia and the Persian Gulf have declined by approximately two-thirds from 2025 levels. Despite recovering crude availability, refining constraints remain significant. Gulf crude shipments recovered to 91% of pre-war levels in September, while refined product exports remained at only 60%. U.S. refineries operated near 95% capacity during the third quarter, while strong overseas demand contributed to domestic distillate inventories falling 13% below their five-year seasonal average. Europe also faces structural constraints following years of declining refining capacity and increased dependence on imported fuels. Elevated diesel prices have broader inflationary implications given the fuel's importance to transportation, agriculture, construction, and industrial production. In response, G7 countries agreed to release 100 million barrels of crude oil and refined products from strategic reserves. However, emergency inventories cannot permanently replace damaged refining capacity. Until capacity recovers and inventories rebuild, elevated diesel prices could remain a persistent source of inflationary pressure despite improving crude oil availability.

Chart of the Month



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Capital Markets Overview

		TRAILING			ANNUALIZED			
		1-Mo	3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr
Broad Market	MSCI World NR USD	(1.19)	1.88	11.75	15.24	21.40	11.89	12.81
	Bloomberg US Agg Bond TR USD	(2.61)	(3.51)	(2.91)	(1.84)	4.06	(0.64)	1.14
	Russell 3000 TR USD	(0.84)	1.41	12.42	15.13	22.26	12.64	14.73
	DJ Industrial Average TR USD	(4.12)	(2.34)	7.19	11.50	17.01	10.58	13.10
	NASDAQ Composite PR USD	1.86	2.47	15.57	18.54	26.66	13.20	17.59
	MSCI EAFE NR USD	(3.05)	0.81	10.33	15.69	18.40	9.32	9.07
	FTSE Treasury Bill 3 Mon USD	0.32	0.97	2.86	3.91	4.71	3.88	2.50
	Bloomberg Commodity TR USD	0.61	16.19	32.87	40.64	15.63	11.27	7.85
Domestic Equities	S&P 500 TR USD	(0.35)	2.30	12.75	15.74	22.89	13.79	15.33
	S&P MidCap 400 TR	(4.22)	(6.36)	9.88	11.69	14.54	8.03	10.47
	S&P SmallCap 600 TR USD	(5.57)	(7.93)	14.08	16.02	14.81	6.22	9.83
	Russell 1000 TR USD	(0.65)	1.80	12.30	15.01	22.48	13.01	15.04
	Russell 1000 Growth TR USD	2.16	0.92	6.30	7.50	24.26	13.66	18.16
	Russell 1000 Value TR USD	(3.13)	2.61	19.27	23.81	20.07	11.92	11.43
	Russell Mid Cap TR USD	(4.17)	(3.00)	11.84	12.02	17.20	8.04	11.17
	Russell Mid Cap Growth TR USD	(1.85)	(5.84)	1.01	(2.73)	15.36	4.92	11.86
	Russell Mid Cap Value TR USD	(4.96)	(1.98)	15.25	16.89	17.50	9.26	9.93
	Russell 2000 TR USD	(5.25)	(7.23)	13.71	16.20	17.72	6.34	9.84
	Russell 2000 Growth TR USD	(5.31)	(9.39)	10.71	12.05	17.55	4.72	9.90
	Russell 2000 Value TR USD	(5.20)	(4.91)	16.96	20.77	17.93	7.80	9.40
International Equities	MSCI ACWI Ex USA NR USD	(2.38)	0.48	14.22	20.00	20.54	9.55	9.25
	MSCI EAFE NR USD	(3.05)	0.81	10.33	15.69	18.40	9.32	9.07
	MSCI EAFE Growth NR USD	(3.31)	(2.53)	6.38	8.36	13.90	4.33	7.81
	MSCI EAFE Value NR USD	(2.80)	4.27	14.32	23.26	22.98	14.32	10.06
	MSCI Japan NR USD	1.48	5.96	22.67	26.64	21.44	9.78	9.57
	MSCI AC Asia Ex Japan NR USD	(0.30)	(0.36)	25.75	31.14	25.61	9.38	9.76
	MSCI Europe NR USD	(4.56)	(1.65)	6.03	12.61	17.52	9.48	9.16
	MSCI United Kingdom NR USD	(3.95)	1.90	8.22	15.79	18.89	12.51	8.60
	MSCI EAFE Small Cap NR USD	(2.79)	2.89	10.76	13.73	18.22	5.77	8.05
	MSCI EM NR USD	(0.56)	(0.37)	23.38	29.22	24.09	8.94	9.09
Fixed Income	Bloomberg US Govt/Credit TR USD	(2.40)	(3.32)	(2.85)	(1.98)	3.86	(0.78)	1.21
	Bloomberg US Govt/Credit Interm TR USD	(1.66)	(1.88)	(1.49)	(0.31)	4.31	0.83	1.71
	Bloomberg US Govt/Credit Long TR USD	(4.75)	(7.75)	(7.04)	(7.06)	2.46	(5.39)	(0.23)
	ICE BofA US High Yield TR USD	(2.49)	(1.81)	0.04	1.39	7.94	3.56	4.95
	JPM EMBI Global Diversified TR USD	(3.34)	(3.86)	(0.67)	2.59	9.70	1.92	2.90
	Morningstar LSTA US LL TR USD	0.21	1.95	3.29	4.55	7.03	6.19	5.38
	FTSE WGBI NonUSD USD	(2.35)	(2.03)	(2.83)	(3.30)	3.13	(4.20)	(1.76)
	Bloomberg Gbl Agg Ex USD TR USD	(2.21)	(1.64)	(2.52)	(2.97)	3.54	(2.90)	(0.92)
REITs	FTSE Nareit All REITs TR	(6.08)	(6.66)	6.86	3.97	10.04	1.75	4.97
	Wilshire US REIT TR USD	(5.27)	(6.22)	10.36	8.50	12.88	4.26	5.61

USD - US dollar priced index TR - Total Return PR - Price Return LCL - Local Currency Priced Index NR - Return includes reinvested net dividends

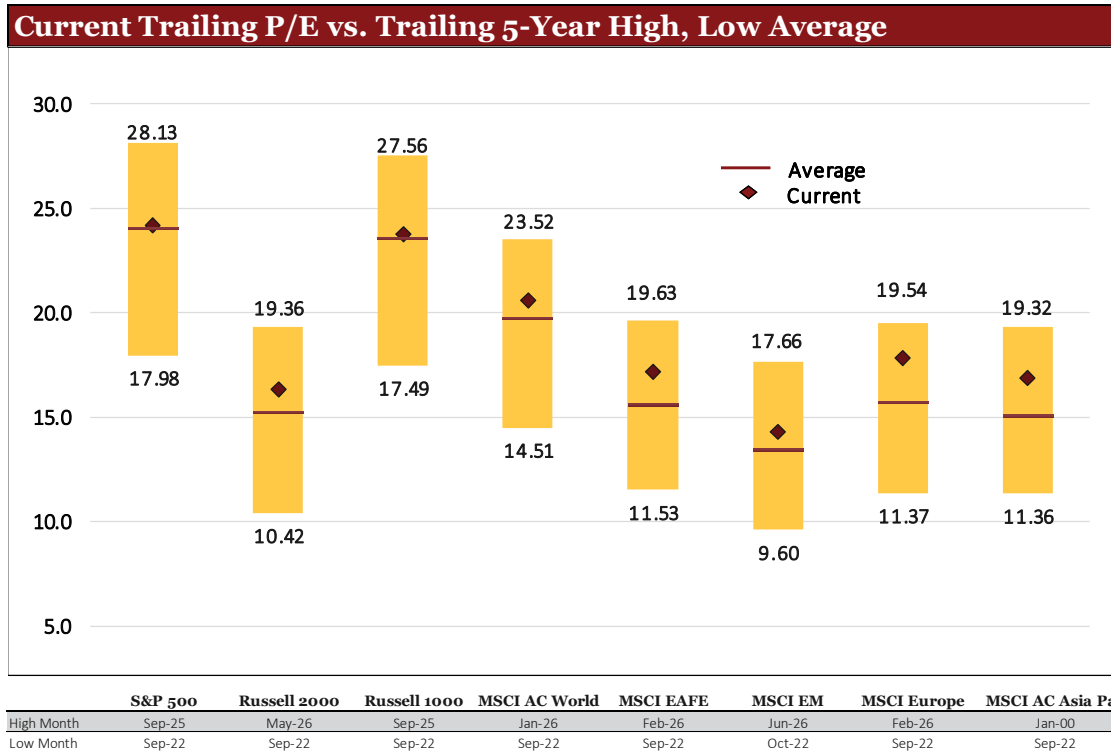
Source: Morningstar

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Source: Morningstar; Data as of 09/30/2026

Economic Indicators

	GDP			Unemployment Rate	Interest Rates	Exchange Rates ³ per US \$		Inflation ²
	Latest ¹	2026 ¹	2027 ¹	(Most recently available)	Sovereign Bonds, 10 Year	Current	1 Year Ago	(Most recently available)
United States	2.20	1.95	1.80	4.20	5.31	-	-	2.40
China	0.90	4.54	4.25	5.30	1.70	6.70	7.12	1.00
Japan	0.40	0.61	0.75	2.50	3.10	157.25	147.97	1.70
United Kingdom	0.50	0.86	1.06	4.90	5.44	1.33	1.34	2.60
Euro Area	0.60	0.83	1.19	6.40	4.06	1.13	1.17	2.50
Germany	0.30	0.66	1.12	6.40	3.55	1.13	1.17	2.40
France	0.00	0.65	0.82	8.30	4.92	1.13	1.17	1.10
Italy	0.20	0.53	0.57	6.20	4.73	1.13	1.17	1.50
Canada	0.80	1.16	1.69	6.40	3.99	1.42	1.39	2.40
India	1.80	6.27	6.40	5.00	7.20	95.51	88.32	2.40
Mexico	1.40	0.81	1.79	3.00	9.63	17.32	18.34	3.88
Brazil	0.50	1.55	2.06	5.30	14.17	5.07	5.33	4.52

Sources: (Most recently available data) St. Louis Federal Reserve, The Wall Street Journal, OECD, Trading Economics

1. Latest GDP is seasonally adjusted annualized rate. 2026 & 2027 is forecasted data from OECD

2. In terms of Core CPI

3. Euro Area and U.K. exchange rates quoted in market standard format (USD/Non-USD currency)

4. Germany, France, and Italy currency exchange rates are taken at the Euro Area exchange rates

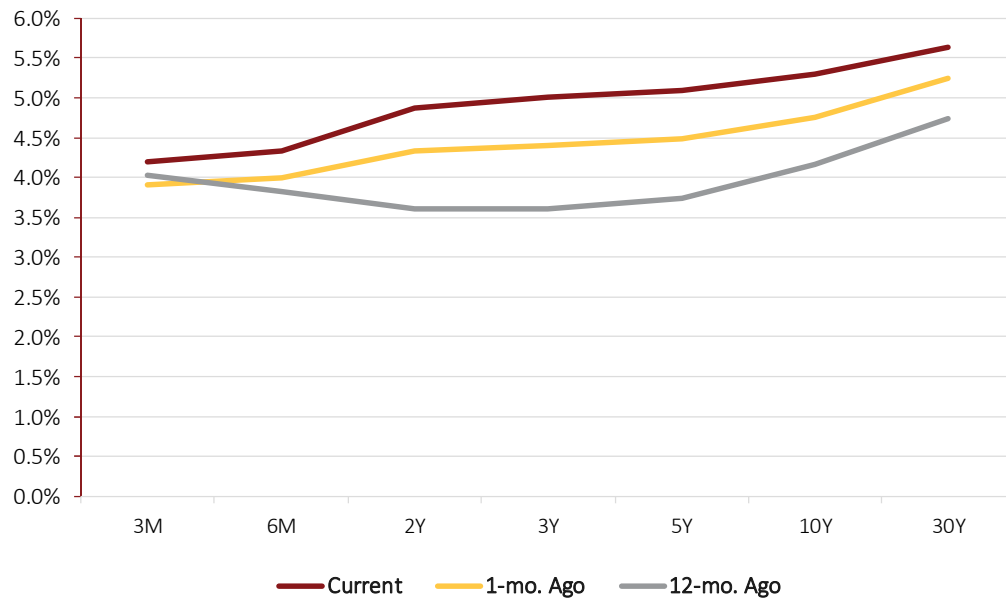
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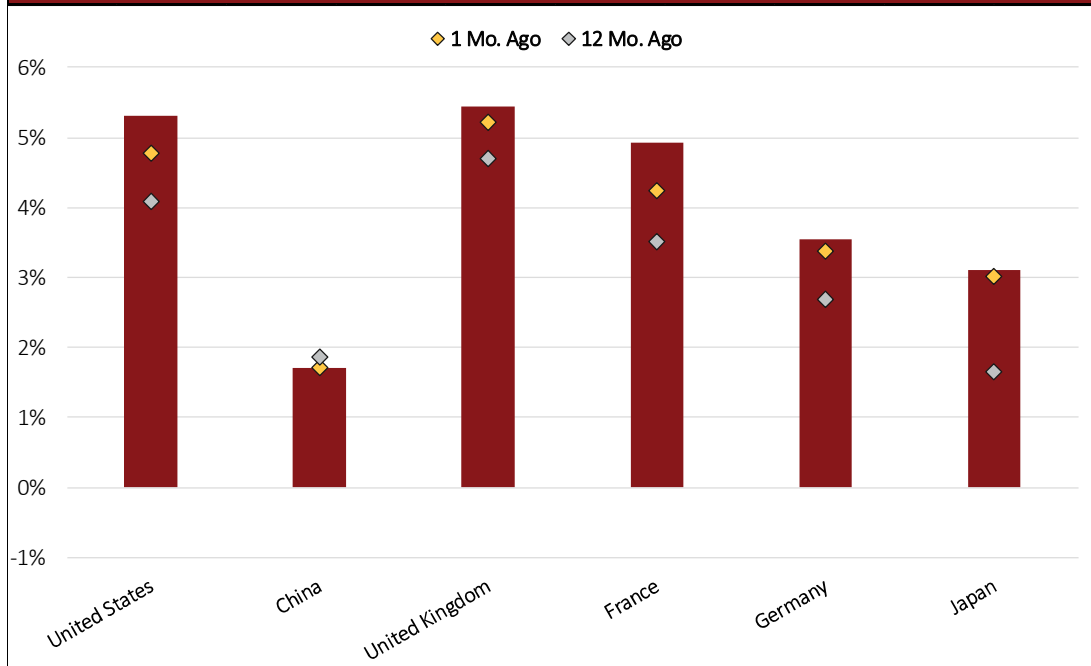
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U.S. Treasury Yield Curves



Source: Federal Reserve Bank; Data as of 09/31/2026

10-Year Sovereign Yields



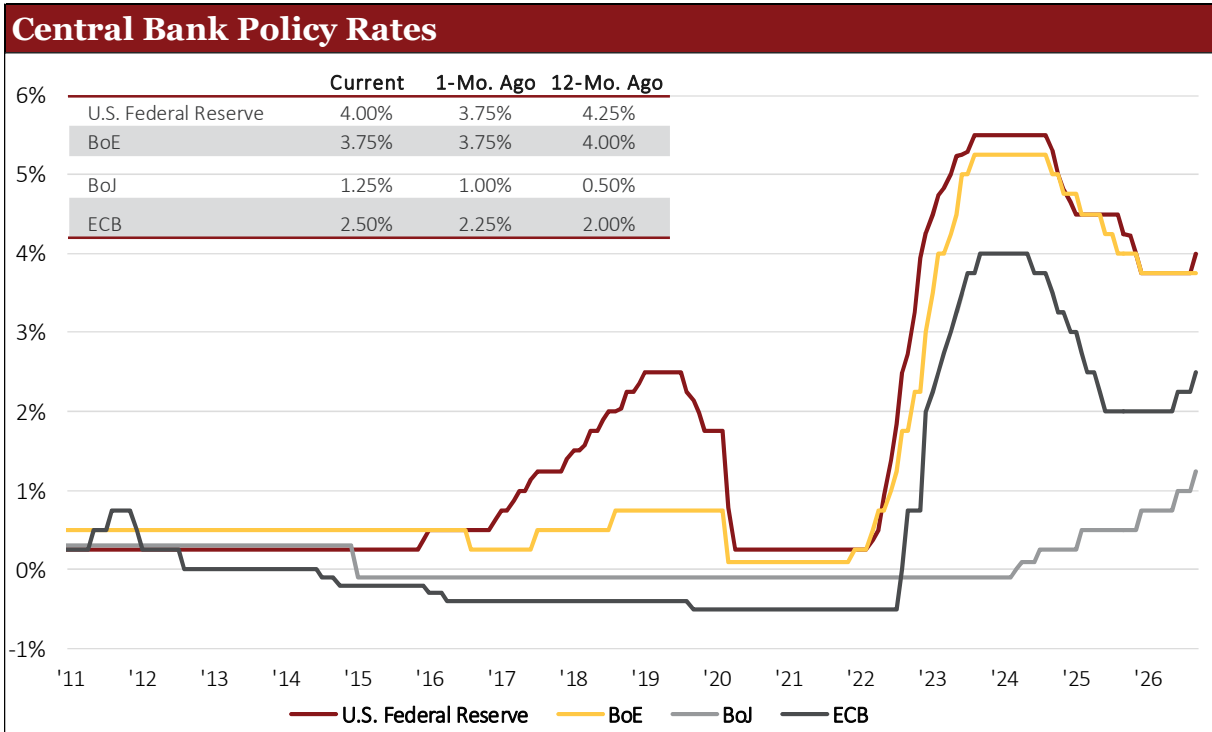
Source: Trading Economics; Data as of 09/31/2026

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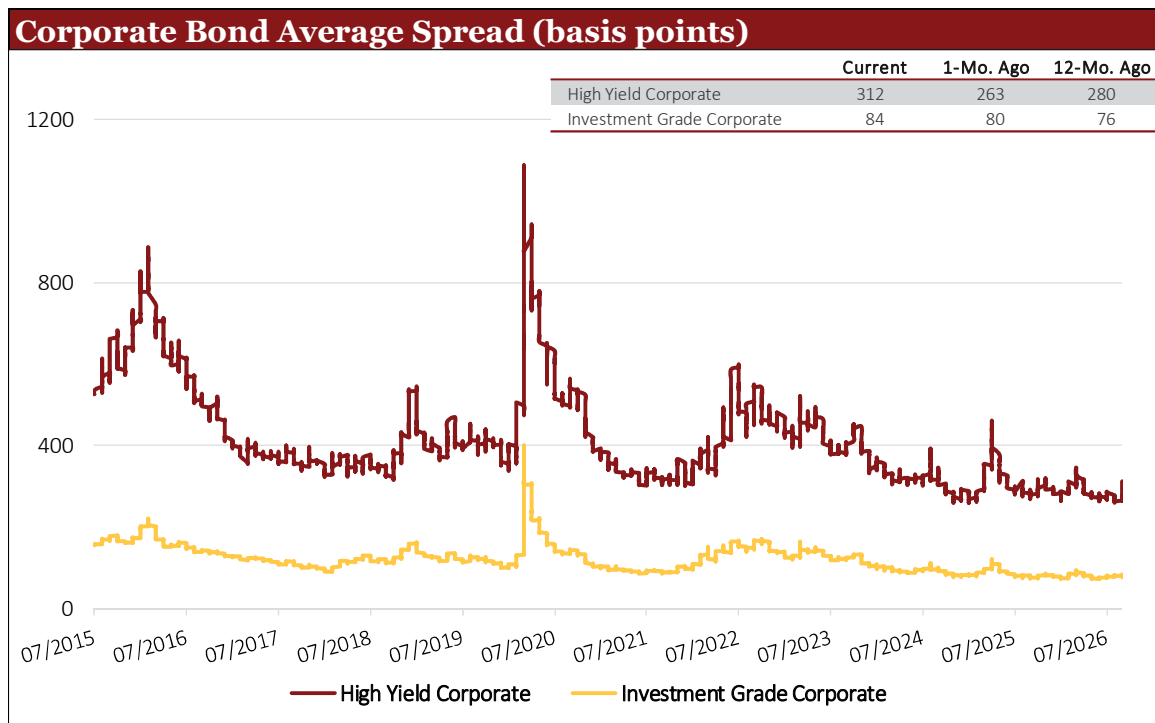
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Source: Federal Reserve Bank, Bank of England, European Central Bank, Trading Economics; Data as of 09/01/2026



Source: Federal Reserve Bank, Bank of America; Data as of 09/30/2026