



Five things you need to know from September

Jasper Thornton-Boelman
Investment Director

Our September market update covers UK and US interest rates, rising debt, AI developments, diesel prices and the outlook for UK economic growth. Here's our key five updates:

1. UK and US borrowing hit all-time highs

UK borrowing reached £13.8bn in August, almost a fifth higher than the year before, according to figures published by the Office for National Statistics (ONS) in September. This was £3.5bn higher than forecasters expected.

The interest the UK government pays on its debt rose to £8.8bn, the highest level since records began in 1997. And US debt now stands at over \$40tn, with 30-year and 10-year Treasury yields reaching their highest levels since 2004 and 2007 respectively.

Bonds around the world have seen selloffs, partly due to investor sentiment towards governments. This has also been linked to the huge scale of investment in AI infrastructure, which has increased competition for lending.

Borrowing is now very expensive for both the UK and US. In the UK, this means the Chancellor's October Budget will be under significant pressure.

And at the end of the month, the International Monetary Fund (IMF) warned both the UK and US to bring their spiralling debt costs under control. Governments and central banks will need to take tough measures to achieve this.

2. AI slowdown

Anthropic boss Dario Amodei, developer of the popular large language model Claude, led calls for a slowdown in the pace of AI development. He was joined by Elon Musk and OpenAI boss Sam Altman in a rare show of tech-boss collaboration.

In his essay, 'We Must Pace the Frontier', Amodei warned that AI development had accelerated at a 'drastically faster' rate over the summer, primarily driven by AI's growing ability to self-develop new code. Around 80-90% of Claude's code is now generated automatically, by Claude itself. As AI's capabilities grow, so do the risks, including the potential for rogue 'AI agents' to disrupt or take over large portions of the internet.

President Trump rejected calls for greater oversight, arguing that the only oversight needed was a 'capable president'.

AI stocks nevertheless sold off. Investors fear any sort of slowdown in development, which could hamper future growth in the sector. We've also seen OpenAI, Anthropic, and other AI-related companies delay their plans to list on the stock market on the back of this.

3. Interest rates in the UK and US

In the US, the Fed raised interest rates by 0.25%, despite repeated calls from the President for lower rates. Fed Chairman Kevin Warsh was clear, saying inflation “is too high and has been for too long”. Officials believe the US economy is strengthening, with consumer spending, capital investment, and the labour market proving resilient. This has allowed policymakers to focus on bringing inflation under control.

In the UK, the BoE held rates in September. While the inflation outlook is similar to the US, other economic indicators are far more mixed. The domestic labour market remains relatively subdued, with pay growth at a six-year low and the fewest new job vacancies since 2021. Policymakers will continue to walk a tightrope as they look to rein in pricing pressures without doing undue damage to the UK’s fragile economy.

4. Diesel prices reach record highs

The ongoing war in Iran has pushed diesel prices to record levels, with prices now above £2 per litre. This is higher than in June 2022 after Russia’s invasion of Ukraine. Petrol prices are also rising.

The UK government is concerned that the US could restrict diesel exports to bring domestic prices down, which would push UK prices even higher. Americans are feeling the pinch too, with betting markets showing Democratic victories in states where diesel prices are highest ahead of the midterm elections.

Diesel doesn’t just affect you at the pump; it’s vital for logistics and could impact the cost of goods and services. It also impacts agriculture, and with harvest time in full swing, it could greatly impact farmers. These are all things that could ramp up inflation.

5. UK growth under the radar

The UK economy expanded by 0.4% in July, according to the ONS. With no growth previously predicted, the stronger than expected figures show the UK’s resilience to the war in Iran. But growth is predicted to slow in the coming months.

Businesses involved in AI appear to have boosted growth, but the warm weather and World Cup may have impacted activity.

We’ll be watching growth forecasts closely in October as the Chancellor prepares to deliver the Budget.

Name	1m	3m	YTD	1yr	3yr
FTSE Actuaries UK Conventional Gilts All Stocks	-0.19	-2.53	-2.43	0.59	7.10
IA Sterling Corporate Bond	-1.20	-2.08	-0.98	1.43	17.25
IA Global High Yield Bond	-0.94	-1.72	1.03	2.36	17.77
FTSE All Share	-1.88	2.44	9.83	16.84	53.93
FTSE USA	1.68	2.27	13.84	16.52	69.04
FTSE World Europe ex UK	-2.92	-2.55	7.51	14.47	52.39
FTSE Japan	3.30	5.30	23.06	26.83	62.666
FTSE Asia Pacific ex Japan	0.76	-0.33	23.29	27.94	71.52
FTSE Emerging	0.13	1.46	11.96	14.08	53.30

Source: FE Analytics, GBP total return (%) to last month end

Parmenion

Investment Management

Registered Office: Aurora,
Counterslip, Bristol, BS1 6BX.

Website: www.parmenion.co.uk

Parmenion Investment Management is a trading name of Parmenion Capital Partners LLP which is authorised and regulated by the Financial Conduct Authority. FCA Number 462085. Registered in England and Wales OC322243.

Important information: This article is for financial professionals only. Any information contained within is of a general nature and should not be construed as a form of personal recommendation or financial advice. Nor is the information to be considered an offer or solicitation to deal in any financial instrument or to engage in any investment service or activity. Parmenion accepts no duty of care or liability for loss arising from any person acting, or refraining from acting, as a result of any information contained within this article. All investment carries risk. The value of investments, and the income from them, can go down as well as up and investors may get back less than they put in. Past performance is not a reliable indicator of future returns.

Version date: 01/10/2026