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INVESTOR INSIGHT

A look at the markets by RSMR

RSMR

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Welcome to the latest edition of our 'Investor Insight' which provides high-level commentary on the global markets and how these might be affecting your investments.

The global economy: What's going on?

Markets face renewed pressure as higher energy prices and interest rates return to focus.

The third quarter of 2026 reminded investors that markets rarely move in a straight line. While global equity markets continued to make progress during July and August, volatility returned in September as tensions between the US and Iran escalated, pushing oil prices back above \$100 per barrel. Despite these challenges, the global economy has remained surprisingly resilient and recession fears have largely been avoided.

A major influence on markets during the quarter was the ongoing disruption to energy supplies. Renewed conflict in the Middle East kept pressure on global oil markets and contributed to higher fuel prices. This renewed inflation concern led many central banks to adopt a more cautious approach, with several moving interest rates higher.

The US economy continues to lead among developed markets as consumer spending remains healthy, employment levels are robust, and corporate earnings have been particularly strong. Technology-related investment has been a key driver of growth, especially spending linked to artificial intelligence infrastructure.

Inflation remains a key consideration for investors. In the UK, inflation rose to 3.1% in August, while the Bank of England left interest rates unchanged at 3.75%, although further increases remain possible if energy prices stay elevated. Similar concerns have led central banks in Europe, Japan and the US to adopt a more hawkish stance.

Artificial intelligence remains one of the dominant themes driving markets. While some artificial intelligence-related shares experienced setbacks during the quarter, corporate investment in the technology remains substantial and continues to support economic growth and earnings expectations.

Overall, the global economy continues to grow despite higher energy costs, rising bond yields and geopolitical uncertainty. Strong corporate earnings and resilient economic activity have helped markets absorb these challenges.



“Artificial intelligence remains one of the dominant themes driving markets.”



The asset classes – a quick round-up

EQUITY MARKETS

The UK economy continues to expand modestly, supported by the services sector. However, rising energy costs have created additional pressure on households and businesses. The forthcoming Budget and the direction of interest rates are likely to remain important factors for investor sentiment. UK equities performed reasonably well for much of the quarter, although rising government bond yields created headwinds later in September.

The US remained one of the strongest-performing major economies as strong business activity, resilient consumers and impressive corporate earnings continued to support markets. Technology companies involved in artificial intelligence development and infrastructure remained key drivers of returns, although investors became more cautious towards some semiconductor companies during September.

European markets delivered mixed performance with economic growth remaining positive and

corporate earnings generally supportive. However, higher energy prices and rising interest rates created additional challenges with European equities continuing to trade at lower valuations than many US counterparts.

Japan remained one of the stronger developed markets as continued corporate governance reforms, improving shareholder returns and exposure to the artificial intelligence supply chain continued to attract investors.

Emerging markets experienced a modest setback during the quarter, although remain ahead of developed markets for the year. Returns continue to be heavily influenced by technology and semiconductor companies, particularly in Taiwan and South Korea. China remained a weaker area due to slowing economic growth and softer consumer demand.

FIXED INTEREST

Bond markets faced a difficult quarter as investors adjusted to the prospect of higher interest rates and persistent inflation pressures. Government bond yields rose sharply across the UK, US and Europe, creating short-term challenges for bond investors. However, higher yields now provide significantly more attractive income opportunities than have been available for many years.

Corporate bonds remained relatively resilient, supported by healthy company balance sheets and low default rates. Although risks remain, many areas of the bond market now offer more attractive long-term opportunities than they have done in recent years.

ALTERNATIVE INVESTMENTS

Alternative investments continued to provide valuable diversification benefits. Infrastructure remained supported by long-term trends including electrification, energy security and growing demand for data centres. Although higher interest rates created some short-term valuation pressure, long-term fundamentals remain attractive.

Commercial property delivered modest returns, supported by rental income, while selective areas of the market continue to benefit from strong demand. Commodity markets remained dominated by developments in energy markets, while gold continued to provide diversification benefits during periods of uncertainty.

RSMR Global round-up

- Global equities remained broadly resilient despite higher energy prices and geopolitical tensions.

- Rising oil prices and renewed Middle East tensions increased inflation concerns.

- Central banks in the US, Europe and Japan raised interest rates during the quarter.

- The US economy continued to demonstrate strong growth and corporate profitability.

- UK inflation rose to 3.1% in August with increased expectations of future interest rate rises.

- Emerging markets remained supported by technology and artificial intelligence-related opportunities despite recent weakness.

- Bond markets experienced significant volatility as yields moved higher.

- Artificial intelligence remained a major driver of investment activity and market performance.



“Rising oil prices and renewed Middle East tensions increased inflation concerns.”



“ The encouraging news is that global economy has remained resilient despite a significant energy shock.”

SO, WHAT'S NEXT?

The outlook for the remainder of 2026 remains constructive, although investors should expect further periods of volatility. The key factors influencing markets are likely to be energy prices, inflation, interest rate decisions and the strength of corporate earnings.

The encouraging news is that the global economy has remained resilient despite a significant energy shock. Employment levels remain healthy, company profits continue to grow, and many regions are still benefiting from investment linked to artificial intelligence and digital infrastructure.

There are still risks to monitor with developments in the Middle East remaining particularly important, as any

resolution could have a significant impact on inflation, interest rates and investor confidence. Investors will also continue to watch whether current levels of artificial intelligence-related investment can be maintained and whether earnings growth remains strong enough to support valuations.

History suggests that successful investing is rarely about reacting to short-term headlines. Maintaining a diversified portfolio, focusing on long-term objectives and avoiding excessive concentration in any single investment theme remains one of the most effective ways to navigate uncertain markets.

While challenges remain, higher bond yields, resilient economic growth and continuing corporate profitability provide reasons for cautious optimism as we move towards the end of 2026.

About RSMR

Independent specialist research.

RSMR was formed in 2004 to meet a growing demand from financial advisers for specialist and impartial investment research.

The RSMR team is made up of individuals with expertise from across all areas of the financial industry – from asset management, strategy and fund research through to business development, strategic planning and market research.

We are best known within the financial industry for our 'R' fund ratings – this rating is given to

investment funds that meet our stringent research criteria. We don't limit ourselves to just looking at performance – we also look carefully at the people, processes and capabilities that are required to make effective investment decisions.

We work in partnership with your financial adviser, providing the benefit of our broad industry insight and rigorous research. This quarterly market summary is designed as a 'snapshot' of the more thorough and lengthy commentary that we provide to your adviser on a quarterly basis.

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