

The third quarter of 2026 was once again marked by a turbulent environment. After the hopes raised in June by the agreement between the United States and Iran, the resumption of hostilities quickly brought the Middle East and oil back to the forefront of investors' concerns. The Strait of Hormuz and, more broadly, the Red Sea and the Bab el-Mandeb Strait once again became major flashpoints for global energy supplies. Every threat or incident triggered a rapid rise in oil prices, while each prospect of renewed negotiations prompted an equally significant easing. This volatility revived inflation concerns and complicated the task facing central banks.

In the United States, the Federal Reserve (Fed) adopted a firmer stance. With the fight against inflation remaining a priority against the backdrop of a still-resilient economy, the Fed ultimately raised interest rates by 0.25 percentage points in September, taking the target range to 3.75%–4%. This was its first increase since 2023. The decision was widely anticipated but its unanimous nature and the firm stance displayed by Fed Chairman Kevin Warsh reassured the markets about the central bank's credibility. Despite Donald Trump's repeated calls for lower interest rates, the Fed clearly reaffirmed its independence. A further rate hike remains possible before the end of 2026 if inflation fails to slow sufficiently.

In the run-up to the November 3 midterm elections, the US political backdrop is adding another significant source of uncertainty. All seats in the House of Representatives and one-third of those in the Senate will be contested, with control of Congress for the final two years of Donald Trump's term at stake. The result could therefore significantly influence his ability to pursue his economic, fiscal and trade policies.

In Europe, the European Central Bank (ECB) also continued to tighten monetary policy. After an initial hike in June, it raised its deposit rate again in September, to 2.5%. Rising energy prices are keeping inflation under pressure, and economists now see the possibility of a further 0.25 percentage-point increase in December. ECB President Christine Lagarde reiterated that the outlook remained highly uncertain, with upside risks to inflation as well as downside risks to growth.

This new monetary backdrop was particularly visible in the bond markets. In the United States, the yield on 10-year government bonds exceeded 5%, reaching its highest level since 2007, while yields also rose in Europe. Persistent inflation, rising energy prices and concerns over public finances have led investors to demand a higher risk premium. The large volume of new bond issuance, including debt issued to finance massive investment in artificial intelligence (AI), also added to the pressure on long-term interest rates.

Despite this less favourable backdrop, equity markets once again proved remarkably resilient. In the United States, the S&P 500 and Nasdaq reached new highs, supported by strong corporate earnings and continued enthusiasm for AI. Investment in data centres, semiconductors and digital infrastructure continues to grow at an exceptional pace.

This trend has not, however, been entirely smooth. Technology stocks have experienced several episodes of high volatility as investors questioned the future profitability of the huge sums being committed to AI. High valuations are also making markets far less forgiving. For the time being, however, strong earnings growth has enabled the major US indices to withstand the increase in the cost of capital.

European markets also held up well, albeit against a more mixed backdrop. Valuations remain generally more reasonable than in the United States, but rising interest rates, higher energy costs and concerns over public finances weighed on some markets, particularly France.

In commodities, oil remained the principal barometer of geopolitical risk, fluctuating sharply in response to developments in the Middle East. At the end of the quarter, the absence of any de-escalation between Washington and Tehran and the continued disruption in the Strait of Hormuz kept oil prices elevated, up 61.1% since the start of the year. Markets continue to hope for a resumption of negotiations but now seem to be factoring in more lasting disruptions to oil supply. Gold delivered a more mixed performance, weighed down by rising interest rates and falling 3.8% since the beginning of 2026. The dollar, meanwhile, regained support as the Fed tightened policy, rising 3.5% over the year to date.

The third quarter served as a reminder that the return of expensive money is changing the landscape. Equity markets have so far held up well thanks to robust earnings and the momentum surrounding artificial intelligence, but persistently high interest rates, volatile oil prices and weaker public finances call for greater selectivity. In this still-uncertain environment, a balanced and diversified approach, with a focus on high-quality assets, remains more important than ever.

Performance of the main markets in 2026

	September 2026	2026 YTD
EURO STOXX 50	-2,35%	8,25%
STOXX Europe 600	-2,49%	7,21%
BEL 20	-3,91%	10,39%
S&P 500	-0,45%	11,77%
S&P 500 Equal Weight	-5,18%	8,57%
NASDAQ 100	3,23%	20,43%
NIKKEI 225	0,67%	32,61%
HANG SENG	-3,73%	-3,97%
MSCI EMERGING	-0,84%	21,40%
MSCI WORLD	-1,31%	10,66%

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