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World markets review – Third quarter 2026

Equities

Global equities rose modestly amid resilient corporate earnings and strength in energy and software companies. Among developed markets, U.S. and Japanese stocks delivered the strongest returns, while European equities declined. Emerging markets also lagged as concerns about the sustainability of AI-related spending weighed on sentiment. Overall, the MSCI All Country World Index (ACWI) climbed about 2%.

The energy sector posted the strongest gains, supported by higher oil prices amid supply disruptions related to the conflict in the Middle East. In contrast, utilities fell sharply as rising bond yields pressured dividend-oriented investments. Industrials also declined, partly reflecting tariff-related cost pressures.

Equity index returns (%)	Sep 2026		3Q 2026		YTD 2026	
	U.S. dollar	Local currency	U.S. dollar	Local currency	U.S. dollar	Local currency
S&P 500	–0.3	–0.3	2.3	2.3	12.7	12.7
MSCI ACWI	–1.1	–0.7	1.6	1.2	13.0	13.6
MSCI ACWI ex USA	–2.4	-1.3	0.5	-0.5	14.2	15.7
MSCI World	–1.2	–0.8	1.9	1.8	11.8	12.4
MSCI Emerging Markets	–0.6	–0.4	-0.4	-2.9	23.4	23.1
MSCI EAFE	0.1	-1.7	0.8	0.6	10.3	12.4
MSCI Europe	-4.6	-2.3	-1.6	-0.7	6.0	9.5
MSCI Pacific	–0.3	-0.8	5.5	3.0	19.2	18.4

Source: RIMES. Returns are cumulative.

Fixed income

Bond markets declined as rising energy prices and persistent inflation reinforced expectations for tighter monetary policy from major central banks. The U.S. Federal Reserve (Fed), European Central Bank and Bank of Japan each raised their benchmark interest rates by 25 basis points (bps), pushing government bond yields higher and prices lower. The 10-year U.S. Treasury yield rose throughout the quarter, reaching its highest level in nearly two decades.

In foreign exchange markets, the U.S. dollar strengthened against a basket of major currencies, as gains against the euro and Swiss franc narrowly outweighed weakness against the Japanese yen. The ICE U.S. Dollar Index advanced 0.3% for the quarter, extending its gains for the year.

Fixed income index returns (%)	Sep 2026	3Q 2026	YTD 2026
Bloomberg U.S. Aggregate	-2.6	-3.5	-2.9
Bloomberg Global Aggregate	–2.4	-2.5	–2.7
Bloomberg U.S. Corp IG	-2.7	-3.9	-3.1
Bloomberg U.S. Corp HY	-2.5	-1.8	0.1
JPM EMBI Global Diversified	-3.3	-3.9	-0.7
JPM GBI-EM Global Diversified	-2.1	-0.9	0.6

Exchange rates (% change vs. USD)	Sep 2026	3Q 2026	YTD 2026
Euro	–2.2	–0.7	–3.3
Japanese yen	1.6	–3.4	–0.2
British pound	2.0	0.1	–1.2
Canadian dollar	–2.4	–0.1	–3.5
Australian dollar	–2.9	0.4	4.3
Swiss franc	–3.2	–3.4	–5.1

Source: RIMES. Cumulative returns in USD.

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North America

U.S. equities advanced, buoyed by strong corporate earnings and sustained investor enthusiasm for AI. Energy was the top sector, as oil prices continued to rise amidst the ongoing conflict between the U.S. and Iran. Information technology and healthcare also contributed, while utilities and industrials lagged. The S&P 500 Index returned about 2% for the quarter, reaching all-time highs in August.

The U.S. Federal Reserve (Fed) raised its benchmark interest rate by 25 bps to a range of 3.75%–4.00% in September, the first hike in nearly three years. Fed Chair Kevin Warsh stated the decision was aimed at returning inflation to the central bank's 2% objective. Further monetary tightening may be likely, with Fed policy projections showing 16 of 18 policymakers expect at least one additional 25-bp rate increase by the end of the year.

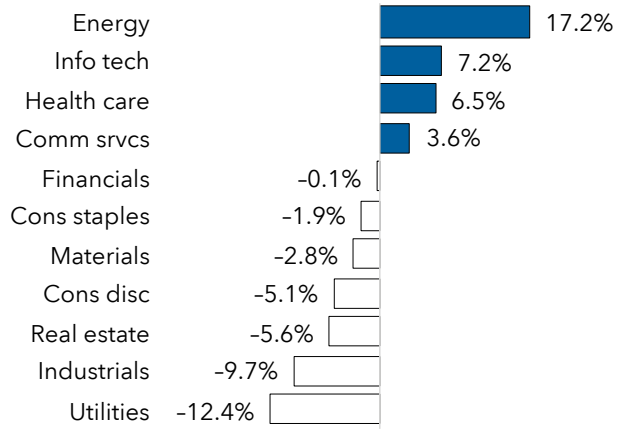
U.S. economic growth slowed in the second quarter, with gross domestic product (GDP) rising at an annual rate of 2.2%, compared with 2.5% in the first quarter. Inflation remained elevated, with the Consumer Price Index increasing 3.4% year-over-year in August, unchanged from July. The unemployment rate held at 4.1% in both July and August, near its lowest level in the past year.

Energy advanced 17.2%, the only sector to post double-digit gains in the quarter. Oil and gas producers ExxonMobil and Chevron were among the top contributors, as constrained oil flows through the Strait of Hormuz and several key pipelines pushed oil prices higher. "Magnificent 7" stocks Microsoft, Nvidia, Apple, Meta and Amazon also contributed.

Utilities stocks fell, dropping 12.4% as inflation concerns and a rise in U.S. Treasury yields weighed on returns. Industrials also lagged, with Caterpillar among the biggest detractors. A broad sell-off across many semiconductor manufacturers, including Applied Materials, Broadcom, Micron and Intel, detracted from results, although Micron's fourth-quarter earnings report, which was released on the final day of the quarter, exceeded expectations.

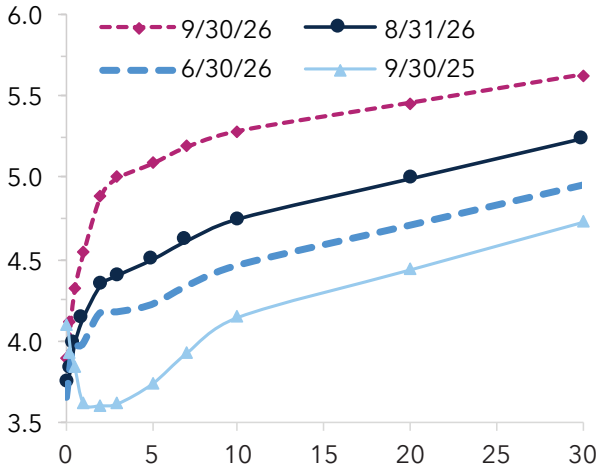
U.S. bonds fell, with the Bloomberg U.S. Aggregate Index declining 3.51%. The yield curve steepened, with two-year Treasury yields rising 71 bps to 4.89% and 10-year Treasury yields rising 82 bps to 5.29%. In U.S. credit markets, investment-grade bonds (rated BBB/Baa and above) and high-yield debt weakened. Spreads to Treasuries increased by 6 bps to 80 bps for investment grade and by 41 bps to 311 bps for high yield.

S&P 500 total returns (3Q 2026)



Source: RIMES.

U.S. Treasury yield curve



Source: Bloomberg. The x-axis represents Treasury maturities (years). The y-axis represents the U.S. Treasury yield (%).

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Europe

European equities moved lower as rising bond yields and persistent inflation concerns weighed on market sentiment. Energy shares surged on higher oil prices, while weakness in technology stocks dragged on the broader market. Economic activity improved, with private-sector growth accelerating to its strongest pace in more than three years. Overall, the MSCI Europe Index fell about 2%.

The European Central Bank (ECB) raised its key policy rate by 25 bps to 2.50% in September, marking its second hike this year. The decision came amid elevated inflation risks, as renewed shipping disruptions through the Strait of Hormuz tightened global supplies. Euro area inflation was estimated at 3.8% in September from 3.2% in August and is projected to average 3.0% in 2026. Given the uncertain outlook, policymakers noted that future policy adjustment will be guided by incoming economic data and risk assessments.

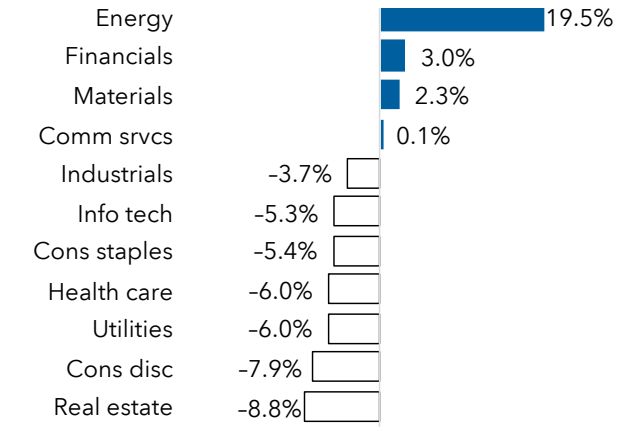
Eurozone private-sector activity moved further into expansion, with the S&P Global Flash Eurozone Composite PMI rising to 53.1 in September from 52.0 in August. This growth was primarily supported by new orders and momentum across both manufacturing and services. The region's economy expanded by 1.2% year over year in the second quarter, up from 0.6% in the previous quarter. Consumer spending, investment and exports helped drive the improvement. Labor market conditions remained resilient, with the seasonally adjusted unemployment rate holding steady at 6.4% in July.

Energy stocks generated the biggest gains, rising more than 19%, driven by strong earnings growth and margin expansion. Shares of Shell advanced 23%, supported by solid second-quarter results and ongoing share buybacks. TotalEnergies rose 12% on optimism surrounding its planned overseas projects. Financials also climbed 3% amid higher interest rates and robust credit quality. Shares of HSBC gained 5%.

Technology and consumer discretionary stocks declined as calls from major AI developers to slow advanced model training weighed on sector sentiment, while tighter household budgets pressured discretionary spending. Shares of ASML lost 8%, while chipmaker Infineon fell 28%. Among consumer names, luxury leader LVMH dropped 20% as demand softened in key markets, particularly China.

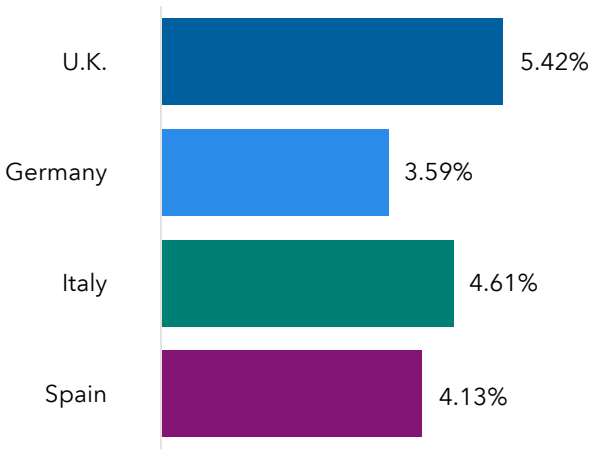
In fixed income markets, European bonds declined as yields reached multi-year highs amid rising government debt and higher inflation. The yield on Germany's 10-year Bund rose 73 bps to 3.59%, while the yield on France's 10-year note increased 121 bps to 4.86%. Spain's 10-year yield climbed 79 bps to 4.13%. In currency markets, the euro lost 0.7% against the dollar.

MSCI Europe total returns (3Q 2026)



Source: RIMES. Returns are in USD.

10-year government bond yields



Source: Bloomberg. As of September 30, 2026.

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Asia-Pacific

Japanese equities advanced, supported by solid corporate earnings and ongoing government reforms. The MSCI Japan Index gained approximately 6%, with energy and financials leading returns. Conversely, the information technology and real estate sectors lagged. The yen appreciated 3.4% against the U.S. dollar on expectations of further Bank of Japan (BoJ) policy normalization.

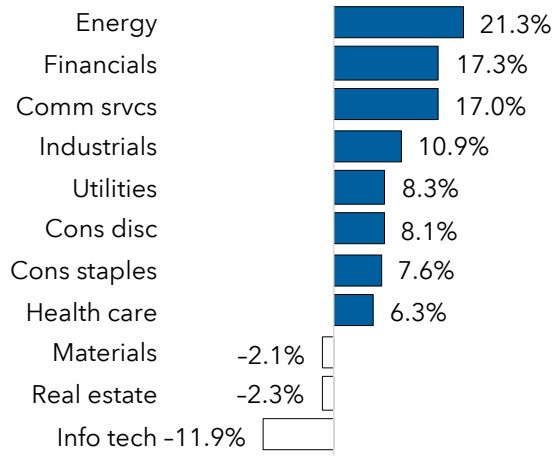
The BoJ raised its key rate to a 31-year high. The central bank hiked its policy rate by 25 basis points (bps) to 1.25% in September, in a bid to prevent inflation from overshooting its 2% target. Core inflation, which excludes fresh food but includes energy, rose 1.7% year-over-year in August, easing slightly from 1.8% in July. Against this backdrop, Japanese government 10-year bond yields climbed to a 30-year high, amid persistent price pressures and expectations of further monetary tightening.

The Japanese economy stayed resilient. Despite external macroeconomic headwinds, Japan's second-quarter gross domestic product (GDP) growth was revised to 1.4% from an initial estimate of 1.1%, driven by improving business investment. Despite easing, private-sector activity remained in expansion territory. The S&P Global Japan Purchasing Managers' Index (PMI) dropped to 54.1 in September from 54.9 in August. Exports surged 19.3% year-on-year in August, aided by robust chip-related shipments and higher non-ferrous metal prices. Meanwhile, human resources technology firm Recruit Holdings was among the leading contributors, with record first-quarter profits and an upgraded full-year earnings guidance. Conversely, semiconductor manufacturer Kioxia Holdings retreated amid concerns over the sustainability of AI-related demand and the outlook for memory-chip supply and pricing.

Australian stocks rose. The healthcare and energy sectors led gains, while the information technology and consumer discretionary sectors declined the most. Australia's economy expanded 2.1% in the second quarter, exceeding forecasts. Meanwhile, the Reserve Bank of Australia raised its key interest rate to the highest level in 15 years, citing high inflation and geopolitical tensions. The bank increased its policy rate 25 bps to 4.6% in September, signaling further hikes if necessary. The S&P Global Australia Manufacturing Purchasing Managers' Index fell to 49.6 in September from 52.0 in August due to weakening export demand and rising costs linked to the Middle East conflict. Elsewhere, biotech firm CSL's stock gained following a U.S. drug-pricing deal. The Australian dollar traded close to flat against the greenback.

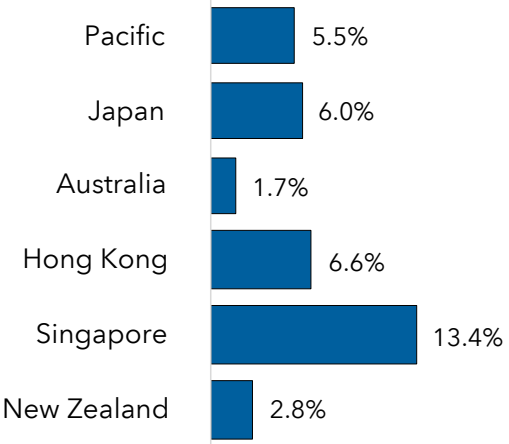
Hong Kong shares advanced, driven by strong demand for technology, AI-related and AI-infrastructure stocks. The city's GDP grew 4.3% year-on-year in the second quarter, underpinned by resilient domestic demand and improved business activity. The S&P Global Hong Kong SAR PMI fell to 49.5 in August from 51.0 in July, as weaker demand and higher prices weighed on output and new orders.

MSCI Japan total returns (3Q 2026)



Source: RIMES. Returns are in USD.

MSCI Pacific total returns (3Q 2026)



Source: RIMES. Returns are in USD.

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Emerging markets

Emerging markets (EM) equities were nearly flat during the quarter, lagging many developed markets. Stocks in Taiwan, China and Latin America advanced, while South Korean equities declined sharply amid rising concerns over the risks of AI development. Overall, the MSCI Emerging Markets Index fell 0.37%.

The health care and energy sectors were the best-performing sectors, rising 14% and 11%, respectively. China's WuXi Biologics was among the top contributors, rising 62%. Brazil's Petrobras shares surged 34% as higher Brent crude oil prices boosted expectations for higher cash flows. In contrast, the industrials and information technology sectors declined 6% and 5%, respectively. South Korea's SK Hynix and Samsung Electronics, along with Taiwan's YAGEO, lagged the most amid caution over elevated AI-related valuations.

Chinese stocks climbed about 4%, supported by AI-driven growth and optimism around U.S.-China trade talks. Alibaba Group and Lenovo were among the top contributors to the MSCI EM Index. Alibaba benefited from enthusiasm for its cloud business and AI offerings, while Lenovo gained on robust earnings and AI infrastructure demand. China's exports jumped 25% year-over-year in August, while the official NBS manufacturing PMI improved to 50.1 in September from August's 49.8. The People's Bank of China kept its key lending rates unchanged for the 16th straight month in September.

Indian equities fell approximately 6% in the third quarter despite solid economic growth and a renewed pickup in foreign inflows. India's GDP expanded 7.8% year over year in the quarter ended in June, which Prime Minister Narendra Modi called a "herculean feat," given rising oil prices and global uncertainty. Meanwhile, inflation stayed elevated, with CPI rising to 4.8% in August from 4.5% in July, driven by higher energy costs.

The MSCI Latin America Index gained about 4%, driven by rising equities in Brazil and Colombia. Brazilian equities rose about 8% amid a backdrop of attractive valuations, a weaker U.S. dollar and easing interest rates. Colombian shares surged 17% following the election of President Abelardo de la Espriella in June. Meanwhile, Mexican equities remained subdued amid trade concerns and a weak peso.

Developing market currencies were mixed against the U.S. dollar. The South Korean won and the Colombian peso led gains, while the Turkish lira and Chilean peso were among the biggest decliners.

Emerging markets debt (EMD) posted mixed returns. EM local-currency government debt slipped 0.9% in dollar terms, as measured by the J.P. Morgan GBI-EM Global Diversified Composite Index. U.S. dollar denominated debt fell 3.9% in dollar terms, as measured by the J.P. Morgan EMBI Global Diversified Index. Brazilian local-currency bonds advanced 4.2% while Polish local-currency debt 4.8%. ■

3Q 2026 total returns (%)

Equity indexes	(USD)
MSCI Emerging Markets	-0.4
MSCI Brazil	8.2
MSCI China	3.7
MSCI India	-5.6
MSCI Mexico	-5.0
MSCI South Africa	1.1
MSCI Korea	-9.6
MSCI Saudi Arabia	-0.6
MSCI Taiwan	4.8
MSCI Thailand	-5.1

Fixed income / currency	USD debt (USD)	Local debt (USD)	Local debt (Local)	Exchange rate (vs. USD)
JPM EMBI Global Div	-3.9	---	---	---
JPM GBI-EM Global Div	---	-0.9	-0.3	---
Brazil	-3.1	4.2	4.1	0.1
China	-1.8	2.2	1.0	1.2
Indonesia	-4.0	2.2	2.2	0.0
Malaysia	-5.6	-1.4	-1.3	-0.1
Mexico	-4.6	-3.1	-0.3	-2.9
Poland	-5.5	-4.8	-2.8	-2.1
South Africa	-4.2	-0.8	-0.7	0.0
Turkey	-2.5	1.2	6.4	-4.8

Source: RIMES. Cumulative returns.

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S&P Global purchasing manager indexes (PMIs) track business trends across both manufacturing and service sectors for various countries. The indexes are based on data collected from companies and follow variables such as sales, new orders, employment, inventories and prices. The **S&P Global Flash Eurozone Composite PMI, S&P Global Japan PMI, S&P Global Australia Manufacturing PMI and S&P Global Hong Kong SAR PMI** provide similar information about the eurozone, Japan, Australia, and Hong Kong.

J.P. Morgan Emerging Markets Bond Index (EMBI) Global Diversified and related country-specific indexes track total returns for U.S. dollar-denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, eurobonds. **J.P. Morgan Government Bond Index – Emerging Markets (GBI-EM) Global Diversified** and related country-specific indexes cover the universe of regularly traded, liquid fixed-rate, domestic currency emerging market government bonds to which international investors can gain exposure.

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