BANQUE
ERIC STURDZA

MONTHLY NEWSLETTER
SEPTEMBER 2026

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1. EDITORIAL
DEBT CONCERN

Anyone who followed the economic news this August – even from the comfort of their deckchair – would have found it hard to miss this warning regarding debt. 'Concerns about debt' would have been a more accurate way of putting it, as three specific concerns were coming to the fore simultaneously: those regarding US public debt, those regarding the debts and liabilities of the technology sector, and finally, regarding the French debt…

In France, the yield on 10-year government bonds broke through the 4% mark, and the spread against Germany returned to the highest levels seen since the last snap elections (around 85 basis points). A sense of déjà vu, albeit with a new twist: the vociferous claims of political (and sometimes financial!) scribblers arguing that all that was needed to resolve the debt problem was to "burn" or "freeze" part of the debt issued by the French state. There are still many months to go before the next presidential election; We can safely bet that the 'Lépine Prize' for unimplementable measures will continue in full swing… The France-Germany spread is not going to stabilise any time soon.

Across the Atlantic, as outstanding government debt passes above 40 trillion, long-term rates are rising and nervousness is spreading at both the Fed and the Treasury. There is dissent among Fed members, who appear divided over future interest rate rises, and an unexpected move by Scott Bessent (Treasury Secretary), who on August 19th announced a

G1 : AVERAGE CDS SPREAD FOR HYPESCALERS* (GREY, LEFT-HAND SCALE) VS SILICON DATA TOKEN (RED, RIGHT-HAND SCALE)

Source: Markit, Silicon Data, BES, December 2025 to August 2026 **Hyperscalers: Oracle, Microsoft, Meta, Amazon, Alphabet* doubling of 'long-term' bond purchases (i.e. 10- to 30-year bonds). The announcement had only a very fleeting effect on US debt levels; yields on 10- and 30-year bonds remained at high levels. Is it that fateful figure of 40 trillion? Is it the fact that 20% of tax revenue is now used solely to service the interest on US debt? The fact remains that, despite inflation figures that are not particularly alarming, long-term rates are rising inexorably. It is now the budget deficit, translated into debt, that is worrying the market more than inflation figures. Whilst historically the market has often reacted to monetary policy, it is now more concerned with fiscal policy – so no surprise to see Scott Bessent at the helm!

Finally, market participants have also taken stock of the technology sector's future debts and liabilities over the summer. Beyond the debt issued, it is 'take-or-pay' contracts that are sending the figures soaring. These commitments made by companies such as OpenAI to secure infrastructure projects are not, strictly speaking, debts but as time goes on, they are becoming just that. Adding up the debts and commitments made by Anthropic and OpenAI alone brings the total to nearly 1,000 billion… A glance at the trend in token prices (future revenues) compared with that of credit default swap spreads for companies linked to artificial intelligence, clearly reveals the unease felt by debt holders who are suddenly concerned that revenue growth will not be sufficient to cover future commitments.

Three fixed income markets, three very distinct sources of concern, and the first effects are already being felt: pressure on US debt has already triggered a sharp rally in gold and Bitcoin. Elsewhere, the effects are still manageable, but watch out… Carville (a US politician close to Bill Clinton) was spot on; he witnessed the effects of the 1993 rate hike that would ultimately reshape US fiscal policy, and he lived through those periods where – to use an Anglo-Saxon expression – 'the tail wags the dog'. His quote has gone down in history: "I used to think that if there was reincarnation, I wanted to come back as the president or the pope or as a .400 baseball hitter. But now I would like to come back as the bond market. You can intimidate everybody."* One can only agree and add that the adage applies just as much to the public sector as to the private sector.

**James Carville, May 29th 2009, Bloomberg – Bond Vigilantes Confront Obama as Housing Falters*

2. FIXED INCOME
A TRICKY "BACK TO SCHOOL"

Pressure on rates

The Fed has been less credible since Kevin Warsh took to the helm of the institution, and the markets appear to doubt its genuine determination to combat inflation. This is what has driven up long-term rates. The bleeding seems to have stopped thanks to interventions by the Treasury under the leadership of Scott Bessent (intervention on the yen, 30-year bond buy-back). In our view, a rate rise at the end of July would, paradoxically, have triggered a softening in long-term rates, as market participants would have been relieved to see that the Fed's determination to manage the inflationary surge remained intact. US debt, which has reached $40 trillion, is making headlines, but we believe the problem lies elsewhere. What worries us most is the explosion in debt among US tech and AI companies. Some CDS spreads for hyperscalers are approaching high-yield levels. The enormous financing needs in this sector could trigger a correction in equity markets and credit spreads.

Jackson Hole: so what?

The markets were expecting some clarification, or even an admission of fault, from Kevin Warsh following his disappointing start in the job. Instead of clarification, we were treated to a confirmation: Warsh is hammering home his point and giving the bond market the finger. Clearly, the slope of the yield curve and the level of long-term rates are not his concern. So much for the Fed's third mandate! This means that, despite pressure from the Trump camp, rates could rise again soon.

If the Fed raises its rates, the sooner the better. A Fed concerned about inflation, which raises its key rates just once as a one-off measure to avoid being forced to embark on a cycle of multiple hikes because it failed to react in time, offers two advantages. Firstly, the markets breathe a sigh of relief; the Fed is finally tackling the problem head-on, which is bearish for long-to-medium-term rates as war on inflation has been declared. Secondly, higher rates on 6–12-month maturities enable the Treasury to attract more investors. Consequently, Operation Twist can be implemented through larger issues of T-bills to finance buy-backs of long-term bonds.

In summary

Long-term rates are at a 20-year high; credit spreads are at historically low levels; and some distortions in the short-term TIPS market are offering exceptional investment opportunities in 18-month real rates. These are currently the three pillars of our investment strategy in our global aggregate mandates.

3. EQUITIES

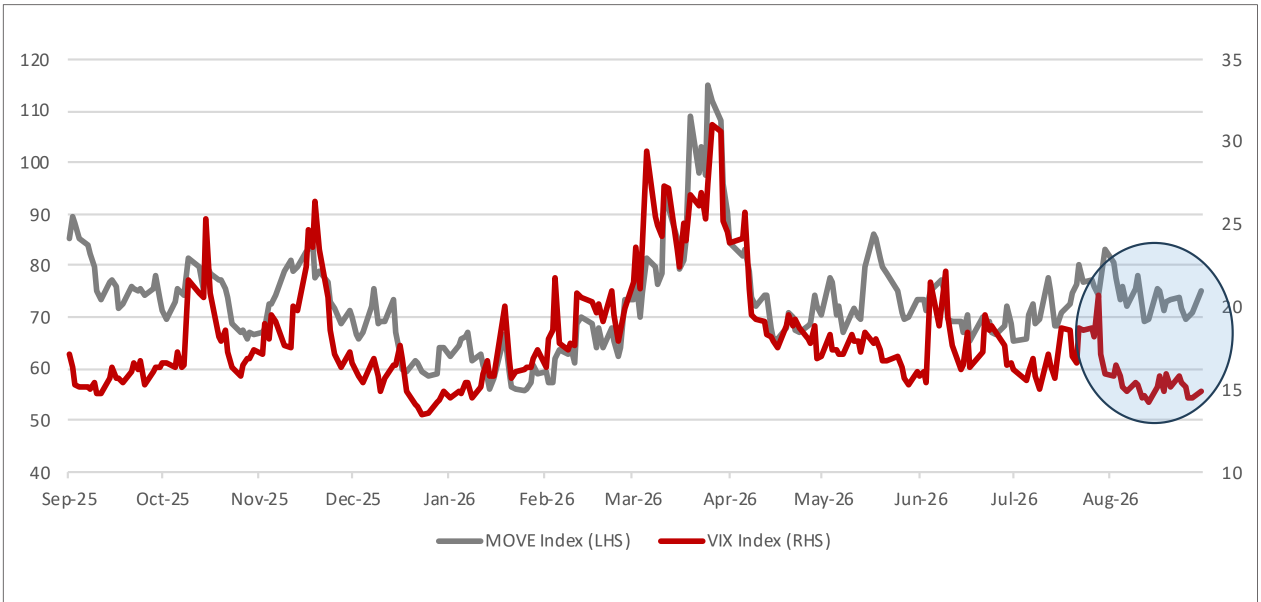
A HEATWAVE ON THE MARKETS?

Despite traditionally unfavourable seasonal trends during the summer months, August 2026 will go down in history as one of the hottest – but also one of the best – months for stock markets this year. The leading global equity index rose by 2.7%, driven by a rebound in major US stocks (S&P 500 +2.6%) and, in particular, technology mega-caps (Nasdaq 100 +4.2%). South Korean (KOSPI +3%) and Taiwanese (TWSE +7%) shares also benefited from renewed interest in the theme of Artificial Intelligence (AI).

Once again this month, the overarching theme in the financial markets remains artificial intelligence (AI) and the ongoing cycle of massive AI-related investment. Spending on data centres is expected to peak at nearly $600 billion* this year, a figure that is fuelling both investor enthusiasm and fears. The earnings season has, moreover, continued to highlight what some analysts have termed the 'capex wall': Meta, despite a 28% rise in revenue, saw its share price fall by nearly 8% after announcing an upward revision of its capital expenditure to $130–145 billion, whilst Apple (which investors had criticised for being too cautious on the topic of AI) snatched the crown of the world's largest market capitalisation from Nvidia. Market sentiment has shifted: having rewarded growth at any cost in recent years, it is now the quality and sustainability of that growth – debt levels and profitability – that make the difference. Some technology-related stocks have in fact, paid a heavy price for these heightened expectations, with sharp corrections over the last two months for ARM, SK Hynix and Oracle.

The other major event of the month was the Jackson Hole symposium (27th-29th August), the setting for Kevin Warsh's very first speech as Chair of the Fed. Far from providing the clarity the markets had ex-

G2 : MOVE** INDEX (LEFT-HAND SCALE) VS. VIX INDEX (RIGHT-HAND SCALE)



Source : Bloomberg, Banque Eric Sturdza, Septembre 2025-Août 2026 ***MOVE - Merrill Option Volatilitx Estimate* pected, Warsh deliberately avoided any form of forward guidance, preferring to reaffirm his commitment to the 2% inflation target whilst noting that underlying trends had 'not improved significantly'. This more hawkish tone and greater focus on inflation is still struggling to win over the markets, as evidenced by the spike in long-term rates, which have reached levels not seen for 20 years. Whilst the effects have so far remained limited and confined mainly to the bond markets, the warning is serious enough to require the intervention of a second 'firefighter' by the name of Scott Bessent, the US Secretary of the Treasury.

The other key factor of the month was the volatility of energy commodities, which contributed to the rebound in equity markets at the start of the month as tensions around the Strait of Hormuz eased and Brent crude fell to around USD 80 per barrel, before the announcement at the end of the month that strikes against Iran had resumed triggered a surge in oil prices and a slight pullback in equity markets. It should also be noted that the geopolitical easing in early August, combined with the release of reassuring US inflation figures (CPI at 3.4%, PPI down to 4.7% in July), enabled the indices to set one record after another. This relative lull in the equity markets is also evident in the VIX (the S&P 500's implied volatility index); the 'fear' index ended the month below 15% and showed a growing and unsettling divergence from the MOVE index, the barometer of risk in the bond markets.

In conclusion, August 2026 confirms the trend of recent months, namely equity markets broadly driven by exceptional earnings growth, thanks in particular to AI companies, but are now taking a more selective approach given the scale of the announced AI investments. The signals coming from the bond markets call for caution and also point towards a more selective approach.

** Source: Gartner*

5. PERFORMANCES

EQUITIES	31.08.2026	CURRENT	1M	3M	6M	YTD	2025	2024	2023	2022	2021
US	DOW JONES	53 186	1,3%	4,2%	8,6%	10,7%	13,0%	12,9%	16,2%	-6,9%	20,9%
	S&P 500	7 686	2,6%	1,4%	11,7%	12,3%	16,4%	23,3%	26,3%	-18,1%	28,7%
	S&P500 EW	8 872	1,9%	5,1%	7,0%	14,3%	9,3%	10,9%	13,8%	-11,5%	29,6%
	NASDAQ 100	29 457	4,2%	-2,9%	18,0%	16,7%	20,2%	24,9%	55,1%	-32,4%	27,5%
	RUSSELL 2000	2 956	0,9%	1,3%	12,3%	19,1%	11,3%	10,0%	16,9%	-20,5%	14,8%
EUROPE	STOXX 600	651	0,3%	4,0%	2,7%	9,9%	16,7%	6,0%	16,6%	-9,9%	25,8%
	FTSE 100	10 824	-0,4%	4,0%	-0,8%	9,0%	21,5%	5,7%	7,7%	4,6%	18,4%
	CAC 40	8 335	-2,1%	1,8%	-2,9%	2,3%	10,4%	-2,2%	20,1%	-6,7%	31,9%
	DAX	26 258	2,5%	4,6%	3,9%	7,2%	23,0%	18,8%	20,3%	-12,3%	15,8%
	SWISS MARKET	14 286	-0,4%	5,5%	1,9%	7,7%	14,4%	4,2%	7,1%	-14,3%	23,7%
EM & ASIA	MSCI Asia ex Japan	1 139	3,2%	-2,0%	8,9%	24,6%	29,3%	9,8%	3,6%	-21,5%	-6,4%
	TOPIX	4 156	3,8%	5,0%	5,5%	21,9%	22,4%	17,7%	28,3%	-2,5%	12,8%
	HANG SENG	25 567	-1,2%	1,5%	-4,0%	-0,2%	27,8%	17,7%	-10,5%	-12,6%	-11,8%
	CSI 300	4 625	0,8%	-5,5%	-1,8%	-0,1%	17,7%	14,7%	-9,1%	-19,8%	-3,5%
SECTORS	Communication Services	165,7	-0,1%	-8,0%	-0,8%	-0,6%	30,9%	32,6%	44,0%	-37,6%	13,4%
	Consumer Discretionary	494,9	0,1%	-2,3%	1,7%	-1,6%	7,4%	20,4%	33,6%	-34,0%	17,1%
	Consumer Staples	313,9	-1,3%	1,8%	-7,2%	5,6%	6,4%	3,5%	0,1%	-8,0%	10,8%
	Energy	367,0	4,1%	9,9%	12,4%	37,3%	9,8%	-0,4%	-0,7%	41,1%	35,1%
	Finance	255,0	1,0%	11,2%	11,7%	10,4%	26,1%	23,8%	13,1%	-12,4%	25,1%
	Healthcare	423,6	3,6%	10,2%	2,1%	6,0%	13,2%	-0,1%	2,4%	-6,6%	18,3%
	Industrials	560,5	-0,6%	0,8%	-1,9%	12,2%	23,0%	32,2%	52,3%	-31,3%	15,1%
	Information Technology	1201,1	6,1%	-0,3%	29,5%	23,4%	23,4%	11,7%	21,2%	-14,6%	29,1%
	Materials	468,1	9,5%	2,7%	-1,8%	18,1%	23,4%	-7,5%	11,7%	-13,7%	12,9%
	Real Estate	1114,8	-2,2%	-0,6%	-4,2%	5,8%	3,7%	-0,6%	6,8%	-27,1%	25,9%
	Utilities	203,5	-3,4%	-3,4%	-9,6%	2,1%	21,7%	10,0%	-2,5%	-7,0%	7,1%
CURRENCIES & COMMODITIES	**31.08.2026**	**CURRENT**	**1M**	**3M**	**6M**	**YTD**	**2025**	**2024**	**2023**	**2022**	**2021**
CURRENCIES	EUR-USD	1,162	0,8%	-0,4%	-1,6%	-1,1%	13,1%	-6,2%	3,1%	-5,9%	-6,9%
	EUR-CHF	0,939	0,9%	3,1%	3,4%	0,9%	-0,9%	1,2%	-6,1%	-4,6%	-4,0%
	USD-CHF	0,808	0,1%	3,5%	5,1%	2,0%	-12,3%	7,8%	-9,0%	1,3%	3,1%
	USD-JPY	159,7	1,5%	0,3%	2,4%	1,9%	0,3%	11,5%	10,5%	13,9%	11,5%
	USD INDEX	99,43	-0,5%	0,5%	1,9%	1,1%	-9,1%	7,1%	-2,1%	8,2%	7,0%
COMMODITIES	Gold	4437,38	9,7%	-2,3%	-15,9%	2,7%	65,3%	27,2%	13,1%	-0,3%	-4,2%
	Silver	66,58	15,6%	-11,6%	-29,0%	-7,1%	132,4%	21,5%	-0,7%	2,8%	-13,6%
	WTI Crude Oil	85,76	1,3%	-1,8%	28,0%	49,4%	-21,0%	0,1%	-10,7%	6,7%	59,1%
	Copper	14 446	4,4%	6,2%	8,7%	16,0%	37,4%	2,2%	0,9%	-14,1%	25,7%
FIXED INCOME	**31.08.2026**	**CURRENT**	**1M**	**3M**	**6M**	**YTD**	**2025**	**2024**	**2023**	**2022**	**2021**
RATES	US 10 year gvt	4,75	0,00	0,07	0,21	0,14	-42 bps	69 bps	0 bps	237 bps	60 bps
	German 10 year gvt	3,32	0,04	0,13	0,26	0,16	53 bps	34 bps	-54bps	275 bps	39 bps
BONDS	Global Aggregate USD hdg.	609,8	0,1%	-0,5%	-1,4%	0,2%	4,6%	3,4%	7,1%	-11,2%	-1,4%
	Global Aggregate EUR hdg.	217,8	0,0%	-0,9%	-2,2%	-0,9%	2,5%	1,7%	4,7%	-13,3%	-2,2%
	Global Aggregate CHF hdg.	156,5	-0,2%	-1,5%	-3,5%	-2,4%	0,3%	-1,0%	2,5%	-13,7%	-2,5%
	US Treasuries	2421,9	0,3%	-0,5%	-2,2%	-0,5%	6,1%	0,6%	4,1%	-12,5%	-2,3%
	US IG Corporates	3531,0	0,4%	-1,1%	-1,8%	-0,4%	7,5%	2,1%	8,5%	-15,8%	-1,0%
	US High Yield	2992,9	1,0%	1,0%	2,0%	2,7%	8,2%	8,2%	13,4%	-11,2%	5,3%
	Euro Government	242,4	-0,6%	-1,8%	-3,0%	-1,0%	0,3%	2,0%	7,1%	-18,2%	-3,4%
	Euro IG Corporates	266,1	-0,2%	-0,8%	-1,2%	0,1%	2,8%	4,7%	8,2%	-13,6%	-1,0%
	Euro High Yield	513,0	0,5%	0,8%	1,2%	2,1%	4,6%	9,1%	12,8%	-11,1%	4,2%
	EM USD Aggregate	1406,9	0,7%	0,0%	-0,1%	1,4%	10,9%	6,6%	9,1%	-15,3%	-1,7%

Source: Bloomberg, 31.08.2026

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Sent to press on 31/08/2026

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