September 2026

MONTHLY MARKET INSIGHTS

Key takeaways:

- Equity markets had a positive August, with the S&P 500 returning 2.62% and international markets keeping pace.[1]
- Chairman Warsh struck a hawkish tone in his first Jackson Hole address by focusing on sticky inflation, which pushed the odds of a September rate hike above 50%.[2]
- With most US companies having reported, the earnings catalyst that supported markets through the summer is behind us. Attention now turns back to the more challenging macro environment just as equities enter September, historically the weakest month of the year.

After two months of sideways price action, equity markets resumed their climb, with strong returns across most major geographies. The S&P 500 finished August up 2.62%. Small caps lagged but stayed positive, with the Russell 2000 up 0.86%. International markets broadly kept pace with the US: the ACWI ex-US index gained 2.40%, Japan's Nikkei added 2.83%, and Europe's STOXX trailed at 1.17%.[3]

The month's strongest sector returns came from an unusual pair. Energy rose 6.48% and Technology 6.19%, two sectors that have shown the lowest monthly correlation of any pair in the index over the past five years. Leadership from both sectors in the same month says something about how idiosyncratic August's drivers were.

Crude prices and energy stocks appreciated as the conflict in the Middle East remained unresolved. August opened with the Trump Administration pointing to progress toward a long-term settlement with Iran, but that progress stalled, leading to an escalation in military action. The US launched targeted strikes on Iranian assets near the Strait of Hormuz, and Iran retaliated, marking the first direct exchange between the two in weeks.[4] With the conflict now in its seventh month, markets are repricing the equity risk premium across the energy complex as the odds of a durable resolution fade.

Despite escalating geopolitical tensions that usually result in investors de-risking, technology was the month's other big winner. The sector was carried by another strong Nvidia earnings report and a broad resurgence in software. The market had soured on software earlier in the year on fears that AI would render much of the category obsolete. Several of the leaders have instead shown resilience and positioned themselves as beneficiaries of the AI buildout. Salesforce finished the month up 39.95% on strong earnings and an aggressive buyback program, a signal that fears of near-term obsolescence in enterprise CRM were premature. ServiceNow was another standout, returning 33.5% for the month.[5] Its enterprise automation platform had drawn scrutiny from investors who expected AI agents to capture the automation workflow, but so far, the incumbent platforms appear to be building those AI solutions themselves and selling them as the path to an agentic future.

1. Bloomberg.
2. Polymarket.
3. Bloomberg.
4. Harui, Ronnie. "Oil Prices Rise as Renewed U.S.-Iran Fighting Deepens Hormuz Supply Risks." The Wall Street Journal, Dow Jones & Company, 7 Sept. 2026, www.wsj.com/finance/commodities-futures/oil-prices-rise-as-renewed-u-s-iran-fighting-deepens-hormuz-supply-risks-3a35f63a.
5. Bloomberg.

Positioning amplified the fundamental story. Coming into August, hedge fund books were heavily tilted toward semiconductors and hardware, the consensus favorites of the AI capex trade, with the long side funded in many cases by shorts in software names viewed as structurally impaired. The pairing had become one of the more crowded trades in the market, and it left little room for error. Strong software earnings and a fading momentum factor were enough to break the trade, lifting the most heavily-shorted software names while deleveraging weighed on semis and hardware.

As investor attention turns to the macro, interest rates are a key risk. Yields continued to move up across the curve, with the 2-year and 10-year closing the month at 4.35% and 4.75% respectively.[6] The continued march up in rates, especially at the long end of the curve, led to an unexpected announcement from the US Treasury. Treasury Secretary Scott Bessent announced they would be doubling the size of the long-term bond buyback program from $2 billion to $4 billion.[7] The announcement provided short term relief to bonds with yields dropping across the curve, yet by month-end, yields were back to the high levels seen before the announcement.

Fed Chairman Kevin Warsh was the other focal point with his first speech at Jackson Hole. Jackson Hole has historically served as an opportunity for the Fed Chairman to share the framework informing the latest thinking at the Fed. Warsh placed the focus of his first keynote on inflation, taking a hawkish stance and stating that the level of inflation remains concerning. While Warsh has long been critical of forward guidance as a policy tool, his refusal to offer a path did not stop markets from drawing their own conclusions. Prediction markets took the speech as a sign of the Fed being more willing to hike in September than previously anticipated. Heading into the event, odds of a rate hike sat at 31% but spiked to over 50% immediately following his speech.[8]

As we approach the end of the third quarter, we remain cautiously constructive, though the backdrop that carried markets through the summer is changing. Most US corporates have now reported earnings, putting what was a great earnings quarter behind us and removing that potential catalyst until third quarter earnings season, which is still a couple of months away.[9] To date, markets have largely been able to ignore heightened geopolitical tensions and rising rates, however these will likely reach a breaking point. If rates continue to march higher across the curve, it will likely spark a rotation out of equities and pressure valuations. Lastly, we are entering a period of weaker seasonality. September is historically the weakest month for the S&P 500, and the only month with more negative than positive readings dating back to 1928. Midterm elections have historically added to the seasonal weakness as political uncertainty surrounding the elections tends to hurt performance in September and October, before bouncing for the end of the year.[10] While these seasonal concerns do not change our long-term view, they do raise the odds of elevated volatility over the coming months. Against that backdrop, we continue to lean on long-term investment principles and the benefits of diversification.

6. Bloomberg.

7. U.S. Department of the Treasury. "Treasury Announces Increased Sizes of Nominal Long-End Liquidity Support Buybacks Beginning September 9." U.S. Department of the Treasury, 19 Aug. 2026, home.treasury.gov/news/press-releases/sb0607.

8. Polymarket.

9. Rubner, Scott. "September Setup: The Asymmetry Has Changed." Citadel Securities, 31 Aug. 2026, www.citadelsecurities.com/news-and-insights/global-market-intelligence/september-setup/.

10. Id.

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