

Q3 2026

Market Review

Equity Markets

The third quarter was kinder to the index than to the average stock. While the USA 500 rose 2.3% since the end of June, almost the entire gain came from the Mag 7 (+11.1%), whereas the equal-weighted USA 500 (-1.9%) lost ground.

Elsewhere, the picture was mixed. In dollar terms, Europe 600 (-1.5%) and the Swiss 30 (-5.5%) fell, whereas Japan (+4.5%) and the UK 100 (+1.9%) gained.

Bonds

Bonds had a difficult quarter. The US ten-year yield climbed from 4.5% to 5.3%, its highest level since 2007, as oil kept inflation at 3.4% and the Fed - as we had anticipated in June - raised rates on September 16 for the first time since 2023, a week after the ECB. US and euro bonds both lost 3.5% since June, and even high yield (-2.2%) could not escape. In our view, a yield above 5% is the first real competition equities have faced since the financial crisis. It also explains why stocks made so little headway despite excellent earnings.

Currencies / Precious Metals

As it turned out, our June expectation of a well-supported dollar needed patience. Over the summer the greenback weakened on the joint US-Japanese yen intervention and the Treasury's surprise plan to buy back long-dated debt. However, the hawkish Fed brought it back in September, and the greenback ended the quarter roughly where it had started. The yen (+3.3%) held its gains after the Bank of Japan raised its rate to 1.25% on September 18, whereas the Swiss franc lost 3.3% against the dollar and 2.5% against the euro, with the SNB staying at zero.

Gold, meanwhile, had its moment: according to the World Gold Council, the 13% rally in August was the third-best month in twenty-five years. Rising yields and a firmer dollar then pushed it to a seven-week low in late September. The way we read it, the August rally was a vote of no confidence in the Treasury market, and September was the Fed's reply.

Geopolitics and Current Topics – Hormuz and the midterms

As it turned out, the tentative peace we reported in June lasted barely into July: the ceasefire with Iran collapsed on July 8 after attacks on tankers in the Strait of Hormuz. Houthi strikes on Saudi oil installations pushed Brent back above \$100 per barrel in September, and the strait remains closed after Washington rejected Iran's seven-day plan to reopen it. For markets, energy remains the channel that matters - and the one that politics could reverse within weeks.

On trade, duties of up to 12.5% replaced the temporary 10% tariff on July 24, Switzerland at the top of that range. Not to mention the midterm elections on November 3: Bank of America's Michael Hartnett reckons investors have shrugged off the election risk and calls a split Congress "gridlock = goldilocks". We are a little less relaxed than he is - a divided Congress and a \$40 trillion federal debt is not our idea of goldilocks.

Ameliora Positioning at Quarter-End

In the third quarter we reduced consumer staples in favour of gold miners in the strategy mandates. Equities are weighted neutral, bonds underweight with shorter maturities, precious metals (gold and silver) overweight.

Market Data

in USD as per September 30, 2026

Equities	Q3%	YTD%
World	+1.4	+12.9
USA 500	+2.3	+12.7
USA 500 Equal Weighted	-1.9	+10.0
USA Mag 7 Index	+11.1	+9.2
USA Tech 100	+0.6	+21.0
Europe 600	-1.5	+6.0
Europe 50	-1.3	+7.2
Swiss 30	-5.5	+1.8
Germany 40	+0.2	-0.8
France 40	-5.5	-2.8
UK 100	+1.9	+8.0
Asia 50	+0.4	+46.3
Japan	+4.5	+21.4

Bonds	Q3%	YTD%
Global Aggregate (unhedged)	-2.5	-2.7
U.S. Aggregate	-3.5	-2.9
Pan Euro Aggregate (EUR)	-3.5	-2.2
Euro Aggregate (EUR)	-3.8	-2.5
Swiss Bonds (CHF)	-1.7	-1.0
Global High Yield	-2.2	-0.1

Interest Rates	in %
U.S. 3 months	4.1
U.S. 10 years	5.3
Euroland 3 months	2.7
Euroland 10 years	3.6

Commodities	Q3%	YTD%
BB Commodity Index	+15.1	+29.3
Gold oz	+3.4	-3.9
Silver oz	+2.0	-15.4
Platinum oz	+9.1	-17.3
WTI Crude Oil	+35.5	+90.9
Copper	+4.7	+13.6

Currencies		Q3%	YTD%
US Dollar Basket	101.45	+0.3	+3.2
EUR in USD	1.1330	-0.8	-3.5
CHF in USD	1.1965	-3.3	-5.2
GBP in USD	1.3265	+0.0	-1.6
JPY in USD	157.41	+3.3	-0.4

Economies

GDP Growth Estimate	2026%
USA	2.2
Euroland	0.9
Global	3.0

Inflation	12M%
USA	3.4
Euroland	3.2
Switzerland	1.0

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Current Investment Themes

Semiconductor sector

The bottleneck has moved from computing power to memory. Memory has become the largest and fastest-growing segment, and capacity for the current year is practically sold out. That shifts the profits along the value chain: the memory makers currently earn more than the GPU designers, while memory is becoming the largest cost block in an AI server. Demand is intact and the supply response is late: the hyperscalers keep investing, and new capacity arrives only late in the decade. Supportive for prices in the short term, a cycle risk in the medium term.

Mining – Gold

Consolidation at a high level: well below the January record, clearly above a year ago, with US interest rates rising again. Record margins and record cash flow: the gap between the gold price and production costs has never been wider, and the producers are paying out rather than buying at the top of the cycle. The valuation lags: the sector still trades at a clear discount to the broad market despite the structural jump in cash generation.

Mining – Copper

New highs, partly driven by trade policy: tariff expectations and shifts in inventories support the price, and that part is reversible. Supply is the binding constraint: falling ore grades, long lead times and outages at large mines limit any response to price signals. AI infrastructure is the new marginal demand: data centres and grid expansion are copper-intensive and largely insensitive to price. The chip sector works through power and plant construction, not through the chip itself.

Outlook 4th quarter and beyond

The fourth quarter opens with three open questions: oil, the Fed and the election. Chairman Warsh did not mince his words at his September press conference: "The plain fact is that inflation is too high and has been for too long." Accordingly, the Fed's own projections point to one more increase this year and no cuts next year. A ceasefire that reopened Hormuz would lower oil, inflation expectations and yields in a single move – in our view still the most powerful catalyst on the table.

Corporate profits remain the counterweight. Analysts still expect the profits of the USA 500 companies to grow 29% in the third quarter and 15% next year, and the reporting season opens on October 13. Veteran strategist Ed Yardeni put it well: "Either development would normally be enough to break a global bull market in stocks. Neither has so far. That's because corporate earnings keep climbing." Until the election, however, we expect interest rates rather than earnings to set the tone: with the ten-year above 5%, equities need every bit of that profit growth to justify today's valuations.

Not to mention the Treasury market itself, with federal debt above \$40 trillion and interest costs of more than \$1 trillion a year. This remains the risk we watch most closely, and we will keep you informed as the picture evolves.

We wish our readers golden autumn days filled with joy and inspiration. As always, please don't hesitate to contact us with any questions you may have.

Ameliora Wealth Management Ltd.

Investment Office

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