Market update

September 2026

September was marked by a synchronized resumption of monetary tightening across the major developed economies. Against a backdrop of activity regaining traction and more broad-based inflationary pressures, the Federal Reserve raised rates for the first time since 2023, a move followed by the European Central Bank and the Bank of Japan. Long-term US yields rose for the seventh consecutive month and reached their highest level since 2007, with similar moves in Germany and Japan. Despite evident discomfort with fiscal expansion and with the volume of bond issuance, both public and private, it is noteworthy that this rise has been absorbed mostly by real yields, with breakeven inflation relatively stable. This suggests the market does not see a risk of fiscally driven loss of control over inflation. What emerges instead is an environment of strong growth, credible central banks and greater competition for global savings, which translates into a higher real cost of capital, now reinforced by monetary policy itself. In the Middle East, attacks on energy facilities in Saudi Arabia and the failure of another attempt at a US–Iran agreement drove a sharp rise in oil prices, even as output in the region approached pre-conflict levels.

In markets, the environment was negative for global fixed income and more selective for equities. A combination that has appeared frequently throughout the year repeated itself: a simultaneous rise in AI- and technology-related equities, oil, long-term yields and the dollar. When this pattern sets in, global equities more broadly and capital-intensive, financing-dependent sectors lag behind. September was no exception: while the large technology companies advanced, broad developed-market indices declined, and gold and silver gave back a meaningful part of their August gains. Brazil was the main positive highlight of the month: equities, rates and the currency decoupled from the external move, driven by a repricing of the electoral outlook.

International

In the US, the data reinforced the perception of an economy accelerating at the margin. Household consumption showed vigorous growth in the third quarter, retail sales surprised to the upside and leading activity indicators reached their highest level in several years, also supported by AI-related investment. The labor market showed some moderation in job creation and a slight increase in unemployment, without undermining the overall reading of

strength. On inflation, core consumer prices came in above expectations. Methodological revisions to the index tracked by the Fed, in turn, smoothed its path over the past year, but without bringing it close to target.

In this context, the Fed raised rates by 0.25 percentage point, unanimously, and began signaling another hike before year-end. The main surprise came from the 2027 projections, which no longer point to cuts and instead indicate rates holding steady at a higher level. Kevin Warsh described the decision as a withdrawal of stimulus in the face of a resilient economy and broad-based inflation. Subsequent speeches showed broad alignment around continued tightening, although some members would prefer a pause at the next meeting. In equities, higher yields weighed on the sectors most sensitive to the cost of capital, such as financials and companies tied to data center infrastructure. In contrast, the large technology companies, with strong balance sheets and robust cash generation, stood out once again, leaving the broad index practically flat.

In Europe, activity also surprised to the upside, with leading indicators at their highest level in about three years. At the same time, the rise in oil and natural gas prices ahead of winter rekindled concerns about the bloc's energy dependence and about pass-through to consumer tariffs. The ECB raised rates and, contrary to what was expected in August, signaled that the cycle is not over yet. It also revised its projections upward and stressed that inflation should remain above target for an extended period.

On the fiscal front, doubts about the French budget and the country's political fragility weighed on its bonds, pushing the spread over Germany to its widest level since the European debt crisis. The region's equity markets fell more sharply than US equities, pressured by higher yields and the smaller weight of technology in their indices.

In Asia, China maintained its dual-economy pattern: industrial production surprised to the upside, supported by external demand and the technology sectors, while consumption, investment and credit remained weak. Even so, official communication did not signal meaningful stimulus, and the meeting between Xi Jinping and Donald Trump brought little progress on the trade agenda. Chinese equities declined over the month.

In Japan, the central bank raised rates to their highest level in three decades, but the decision drew dissenting votes, reflecting the government's growing political influence over monetary policy. The proposed cut to the consumption tax adds fiscal uncertainty and pressure on long-dated bonds. The yen strengthened and Japanese equities ended the month slightly higher.

Brazil

In Brazil, the data reinforced the slowdown in activity. Industry, services and retail indicators pointed to modest growth, with little momentum in consumption. Credit showed further signs of deterioration, with rising delinquencies and judicial recovery filings and greater caution among banks in extending credit. On inflation, the August IPCA came in below expectations. The September preview (IPCA-15), despite pressure on the headline index, showed underlying services and tradable goods in line with forecasts. In this context, the Central Bank cut the Selic rate by 0.25 percentage point and repeated its previous communication, without signaling next steps, but

acknowledging more clearly the domestic slowdown and its concern over household credit. The market began to assign a higher probability to another cut in November, although the end of the Itaipu bonus and the effect of El Niño on food prices should push current inflation higher in the coming weeks.

In markets, the election began to set prices. Over the month, polls showed Flávio Bolsonaro gaining traction and Lula's lead narrowing. As a result, investors began to assign a higher probability to a change in government and to a fiscal adjustment from 2027 onward. The outcome was a significant decoupling from the external environment. While long-term yields rose in developed economies, the Brazilian curve rallied significantly across all tenors. The real was virtually flat, in contrast to the depreciation of other Latin American currencies. The Ibovespa, in turn, posted a strong gain, among the best performances globally, led by financials and the return of foreign inflows. Among local asset classes, fixed-rate and long-dated inflation-linked bonds led, even as the government accelerated fiscally costly measures to recover its approval ratings. The first round, held in early October, confirmed the trend in the polls, with Flávio finishing ahead of Lula. We assign a very low probability to a reversal in the runoff, which shifts attention to the next steps: the announcement of economic policy guidelines, the composition of the economic team and the handling of the recent conflicts with the Judiciary.

September thus deepened the divergence between the external and domestic scenarios. Abroad, resilient growth, persistent inflation and central banks back in tightening mode raise the bar for risk assets and, in particular, for countries with fragile fiscal fundamentals. In Brazil, the slowdown in activity opens room for lower rates, and the prospect of a change in economic policy supported a strong recovery in local assets. Risk premia, however, remain elevated, and the continuation of this improvement will depend on the quality and credibility of the signals that emerge after the runoff.

Asset class performance

Global

Asset	1m	3m	6m	12m	24m	36m
Commodities						
WTI crude oil	**7.90%**	35.84%	9.86%	86.26%	97.02%	70.72%
Gold	**-6.28%**	3.15%	-10.81%	7.23%	54.51%	118.94%
Bloomberg Commodity Index	**0.61%**	16.19%	6.79%	40.64%	53.13%	54.60%
Bloomberg Dollar Index	**1.97%**	-0.22%	0.34%	1.60%	-0.26%	-3.66%
Equity indices						
S&P 500	**-0.35%**	2.30%	17.85%	15.74%	36.11%	85.58%
Nasdaq Composite	**1.86%**	2.47%	24.41%	18.54%	47.68%	103.20%
MSCI ACWI ex-US	**-2.65%**	-0.09%	13.50%	17.37%	33.48%	63.05%
S&P 500 sectors						
Communication services	**4.26%**	3.48%	11.88%	11.26%	49.46%	111.60%
Consumer discretionary	**-5.91%**	-5.24%	3.37%	-5.78%	12.56%	42.97%
Consumer staples	**-3.53%**	-2.43%	-2.70%	3.38%	1.44%	23.81%
Energy	**-2.79%**	16.48%	0.14%	38.34%	39.64%	36.08%
Financials	**-7.28%**	-0.48%	8.07%	-0.93%	17.82%	60.92%
Health care	**-1.03%**	6.03%	14.82%	20.93%	9.32%	30.82%
Industrials	**-4.50%**	-9.91%	3.19%	8.21%	23.21%	64.80%
Information technology	**4.42%**	7.06%	40.89%	29.49%	65.02%	150.11%
Materials	**-6.93%**	-3.19%	-1.61%	8.24%	1.65%	24.91%
Real estate	**-6.70%**	-6.32%	0.79%	-1.04%	-6.57%	22.55%
Factors (US)						
Volatility	**0.06%**	7.17%	8.35%	8.91%	15.76%	16.39%
Growth	**0.53%**	0.89%	4.56%	2.62%	5.46%	5.72%
Size	**0.68%**	7.14%	7.09%	7.29%	13.65%	16.17%
Dividend	**0.06%**	3.42%	2.99%	4.64%	1.71%	3.34%
Value	**-1.04%**	2.34%	0.18%	4.60%	5.18%	4.95%
Momentum	**2.84%**	-1.96%	3.53%	7.19%	17.02%	26.99%
Themes						
SPDR S&P Global Natural Resources	**-5.24%**	9.89%	0.24%	28.40%	37.35%	47.09%
iShares U.S. Infrastructure	**-5.89%**	-12.31%	-3.07%	6.06%	21.49%	58.95%
iShares Exponential Technologies	**0.79%**	0.93%	22.92%	25.21%	49.01%	74.53%
Global X AI & Technology	**1.34%**	-0.69%	39.62%	32.05%	75.70%	143.13%
iShares Semiconductor	**11.34%**	-11.20%	73.21%	110.41%	149.17%	266.36%
Fixed income						
US TIPS	**-2.61%**	-3.24%	-2.37%	-1.99%	1.73%	11.69%
US investment grade	**-2.72%**	-3.94%	-2.59%	-2.30%	1.25%	15.70%
US Aggregate	**-2.61%**	-3.51%	-2.87%	-1.84%	0.99%	12.67%
US Treasuries	**-2.24%**	-3.04%	-2.72%	-1.89%	0.13%	9.86%
US high yield	**-2.52%**	-1.82%	0.60%	1.41%	8.92%	26.07%

Asset	1m	3m	6m	12m	24m	36m
Emerging markets (USD)	**-2.91%**	-3.46%	-0.17%	0.86%	7.83%	26.09%
Cash (USD)	**0.31%**	0.94%	1.87%	3.83%	8.57%	14.62%

Total returns in US dollars.

Year-to-date return

Commodities



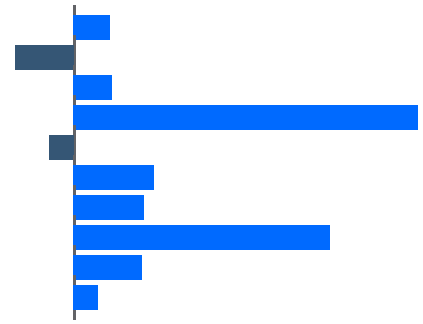
WTI crude oil	97.54%
Gold	-4.45%
Bloomberg Commodity Index	32.87%
Bloomberg Dollar Index	1.33%

Equity indices



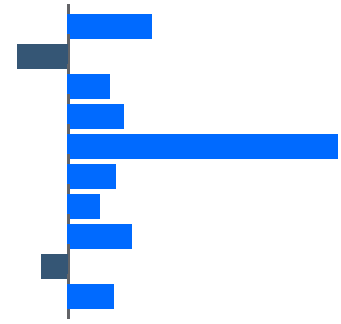
S&P 500	12.75%
Nasdaq Composite	15.57%
MSCI ACWI ex-US	12.11%

S&P 500 sectors



Communication services	3.94%
Consumer discretionary	-6.29%
Consumer staples	4.12%
Energy	37.43%
Financials	-2.53%
Health care	8.75%
Industrials	7.63%
Information technology	27.85%
Materials	7.54%
Real estate	2.74%

Factors (US)



Volatility	9.12%
Earnings	-5.41%
Growth	4.65%
Size	6.04%
Trading	29.42%
Dividend	5.30%
Value	3.40%
Momentum	7.05%
Leverage	-2.80%
Profitability	5.09%

Themes



SPDR S&P Global Natural Resources	20.45%
iShares U.S. Infrastructure	5.87%
iShares Exponential Technologies	20.12%

Fixed income



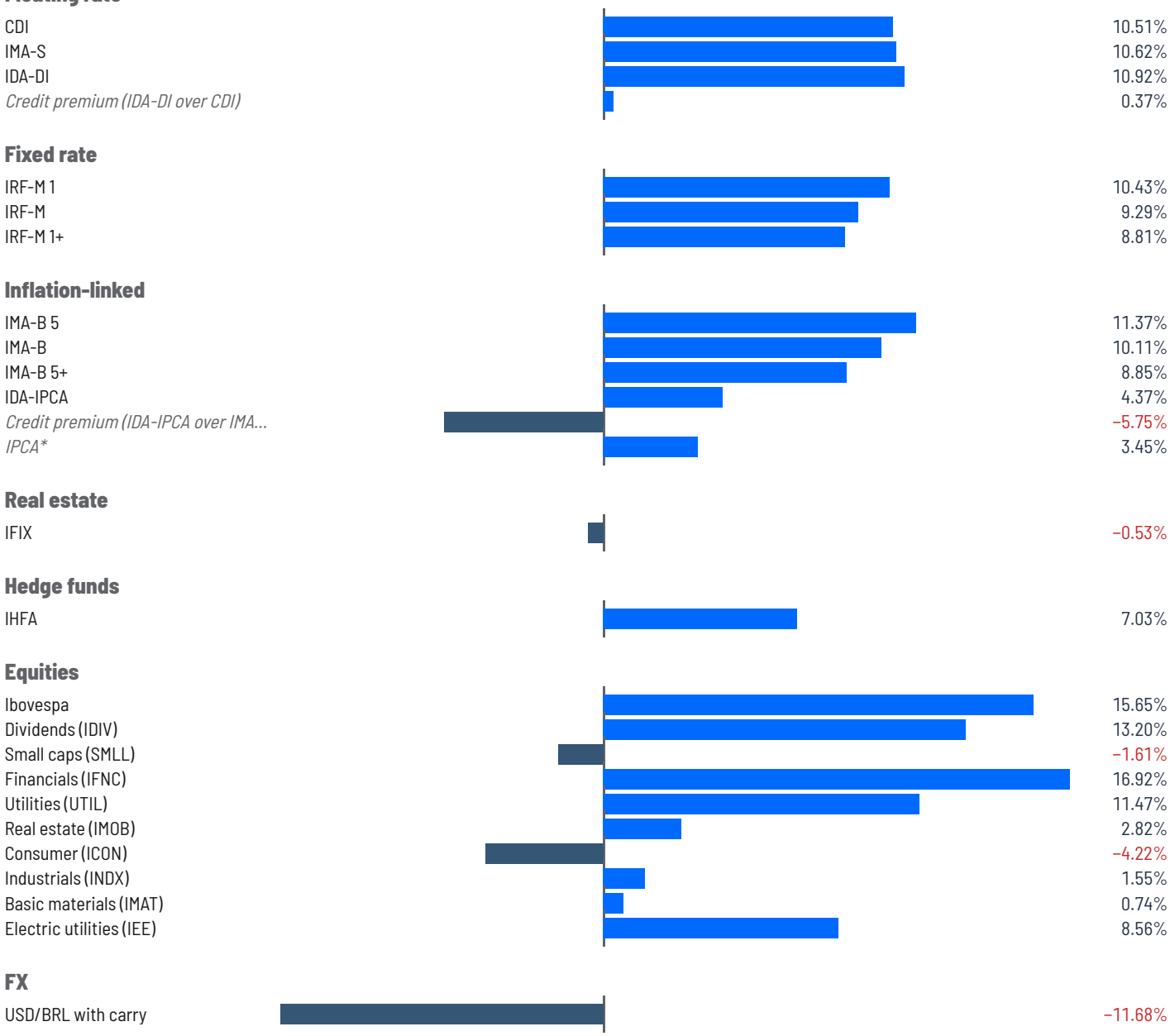
US TIPS	-2.12%
US investment grade	-3.11%
US Aggregate	-2.91%
US Treasuries	-2.77%
US high yield	0.10%
Emerging markets (USD)	-1.51%
Cash (USD)	2.80%

Brazil

Asset	1m	3m	6m	12m	24m	36m
Floating rate						
CDI	**1.08%**	3.43%	6.86%	14.48%	29.70%	44.04%
IMA-S	**1.06%**	3.43%	6.89%	14.63%	30.13%	44.77%
IDA-DI	**1.01%**	3.58%	8.08%	14.72%	30.90%	49.88%
Credit premium (IDA-DI over CDI)	***-0.07%***	*0.14%*	*1.14%*	*0.21%*	*0.92%*	*4.05%*
Fixed rate						
IRF-M 1	**1.09%**	3.56%	6.92%	14.36%	29.43%	42.73%
IRF-M	**2.09%**	4.03%	6.77%	12.98%	26.66%	37.36%
IRF-M 1+	**2.41%**	4.15%	6.65%	12.40%	25.17%	34.77%
Inflation-linked						
IMA-B 5	**2.01%**	4.59%	7.22%	14.80%	25.35%	35.92%
IMA-B	**3.15%**	5.79%	6.92%	13.88%	20.58%	27.35%
IMA-B 5+	**3.82%**	6.51%	6.41%	12.87%	16.64%	20.88%
IDA-IPCA	**0.48%**	2.79%	2.32%	5.49%	17.49%	30.08%
Credit premium (IDA-IPCA over IMA-B)	***-2.05%***	*-2.28%*	*-4.43%*	*-7.73%*	*-4.45%*	*-1.18%*
*IPCA**	***-0.32%***	*-0.09%*	*2.05%*	*4.22%*	*9.57%*	*14.21%*
Real estate						
IFIX	**-0.20%**	-1.97%	-2.98%	4.62%	13.59%	16.65%
Hedge funds						
IHFA	**2.20%**	3.65%	6.98%	10.46%	25.99%	36.21%
Equities						
Ibovespa	**5.03%**	8.32%	-0.60%	27.42%	41.36%	59.86%
Dividends (IDIV)	**4.45%**	5.80%	-1.68%	23.10%	37.44%	64.21%
Small caps (SMLL)	**5.23%**	3.11%	-6.96%	1.01%	11.67%	7.48%
Financials (IFNC)	**10.56%**	12.19%	4.72%	24.66%	51.04%	77.92%
Utilities (UTIL)	**6.34%**	0.52%	-3.04%	25.40%	63.45%	90.51%
Real estate (IMOB)	**4.58%**	-0.91%	-6.48%	7.18%	49.52%	56.94%
Consumer (ICON)	**5.59%**	1.09%	-8.45%	-0.09%	6.93%	6.62%
Industrials (INDX)	**0.04%**	4.27%	0.24%	16.48%	17.24%	48.85%
Basic materials (IMAT)	**-3.21%**	6.63%	-1.40%	18.81%	7.16%	10.86%
Electric utilities (IEE)	**6.27%**	4.29%	0.68%	22.96%	48.73%	56.35%
FX						
USD/BRL with carry	**-0.87%**	-1.87%	-4.46%	-11.28%	-20.05%	-16.99%

*Projected value for the latest month

Year-to-date return



Source: Bloomberg, Tera.