OCTOBER, 2026

Will the Bond Market Retire the French Pension?

On May 24, 1889, Germany's parliament passed the world's first national old-age pension. It was Otto von Bismarck's idea, and only partly a generous one: he hoped a modest state pension would take some of the wind out of the socialists' sails. Benefits began at age 70. Given that few German workers of the era lived that long, it was also rather affordable.[1]

Bismarck was onto something. A pension is not just a check; it is confidence. People who know they will be supported in old age spend and invest rather than hoard, and that keeps money moving through the economy.

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> Social contracts are written for the population of their day. Populations change; the contracts rarely do.

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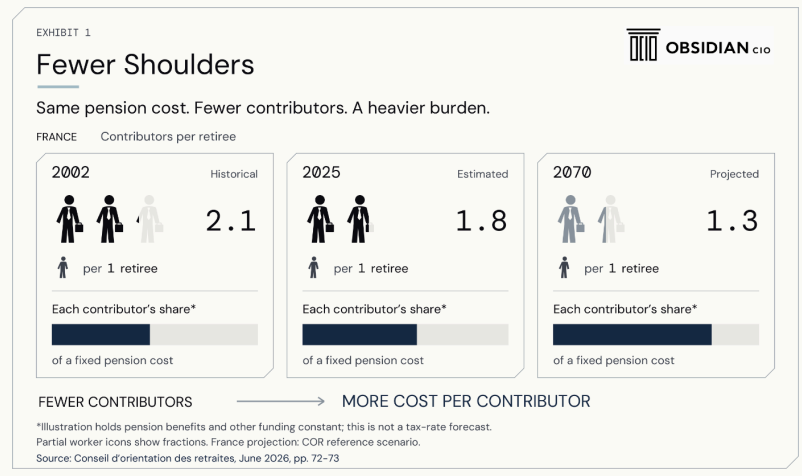
[1] SSA, Otto von Bismarck and The German Precedent; Deutschlandmuseum, The Origin of Statutory Retirement Insurance (May 24, 1889).

Fast forward to France today. Where Bismarck's pension began at 70, France's begins just under 63, after the latest attempt to raise the age to 64 was put on hold. A 60-year-old can now expect to live to about 86, and France has about 1.8 workers paying in for every retiree in 2025, on its way to roughly 1.3 by 2070.[2] A pension paired with a longer life is a wonderful thing for retirees, but it comes at a growing cost to the French workforce. What happens when yesterday's promises outlive today's math?

The Squeeze from Both Ends

Most Western retirement systems, including our own Social Security, are pay-as-you-go: today's workers fund today's retirees, on the promise that tomorrow's workers will do the same for them. The trouble is that these systems are now squeezed from both ends. Fewer babies mean fewer future workers; in 2025, France recorded more deaths than births for the first time since World War II.[3] Longer lives mean each retiree collects for far longer than the system was designed for. And because retirees, unlike children, are supported mainly by the government rather than by their families, an aging society moves the bill onto the public balance sheet.[4]

Americans can see the same squeeze on their own pay stubs. Since 1960, the number of workers per Social Security beneficiary has roughly halved, while the payroll tax that funds it has roughly doubled.[5]



[2] COR, Rapport annuel 2026 (pp. 71–72): 1.8 contributors per retiree in 2025; 1.3 projected in 2070. INSEE, Life Expectancy at Various Ages (2025): at 60, 27.9 further years for women and 23.9 for men; simple average implies age 85.9. Service Public, Legal Retirement Age (Aug. 2026): 62 years 9 months for Jan. 1963–Mar. 1965 births; later cohorts rise to 64.

[3] INSEE, Bilan démographique 2025 (Jan. 13, 2026).

[4] David N. Weil, Population Aging, NBER Working Paper 12147 (2006; author's version hosted by Brown University).

[5] SSA, 2026 Trustees Report, Table IV.B4 and Social Security Tax Rates. Workers per beneficiary: 5.1 (1960), 2.6 (2026 projection). Combined employee/employer OASDI rate: 6% and 12.4%; excludes Medicare.

A Fork in the Road

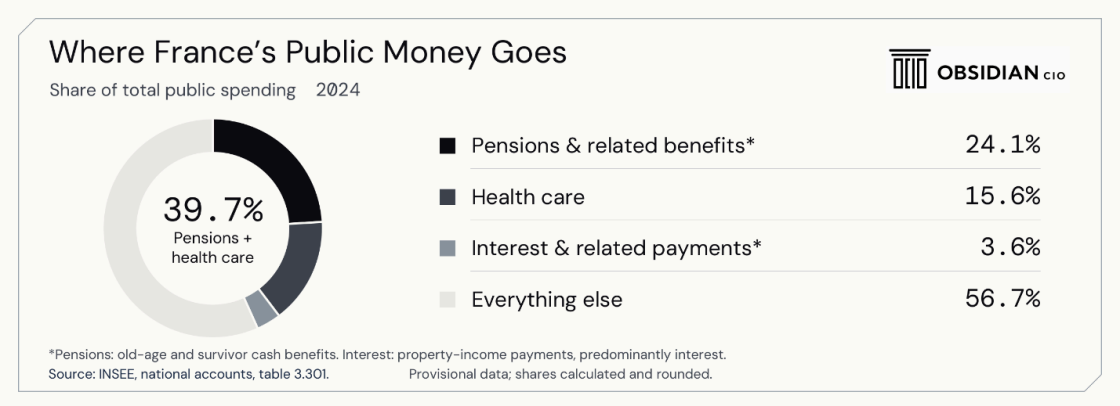
Every aging country eventually reaches the same fork. It can try to:

- **Increase revenue:** Raise taxes or grow fast enough to keep pace with the rising bill.
- **Cut spending:** Trim government programs, including rewriting the social contract with later retirement or smaller benefits.

For France, raising revenue is a tall order. It already collects the second-highest share of its economy in taxes among developed countries (far above the U.S.), and it still borrows every year.[6] Growth, meanwhile, has been tepid at best. The economy shrank in the first quarter of this year and stalled in the second, and both France's statistics agency and its central bank now expect just 0.4% growth for 2026.[7]

That leaves spending cuts, and the biggest line items are tied to age. Pensions alone take about a quarter of all French public spending, more than €400 billion a year. Add health care, which skews heavily toward older people, and the two together approach roughly 40%.[8] Any serious cut has to touch them.

French politics has struggled to do so. The 2023 reform raising the retirement age to 64 was pushed through without a final vote in the National Assembly. Then, after two prime ministers in a row fell over budgets, it was put on hold to keep a third government standing.[9]



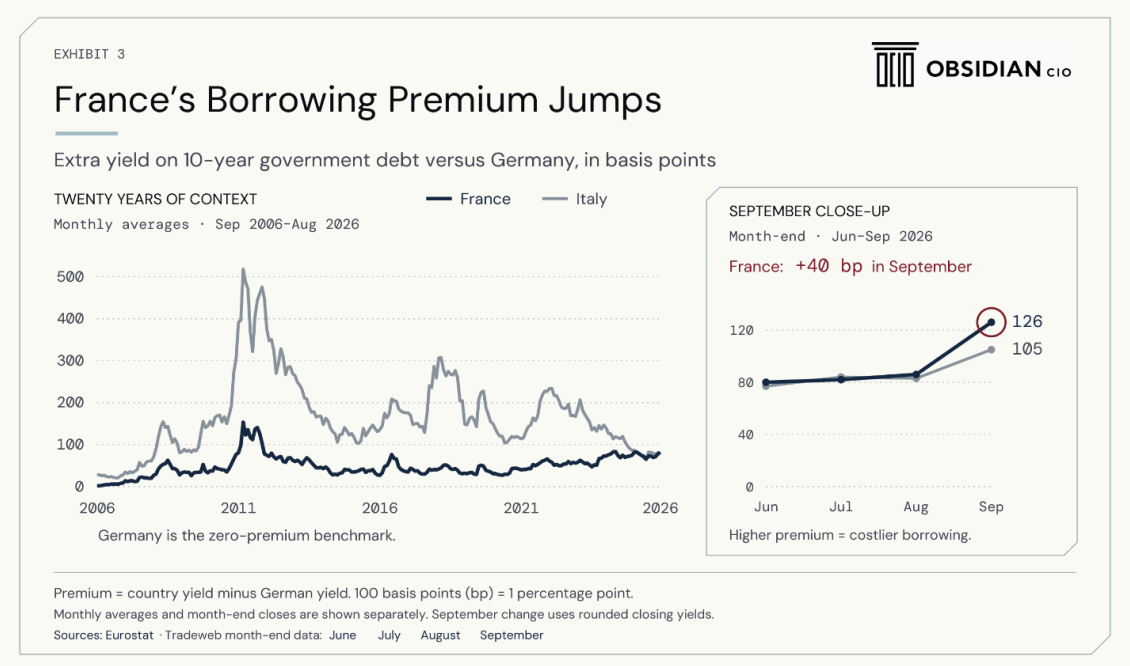
[6] OECD, Revenue Statistics 2025, Table 1.1. Tax/GDP in 2024: France 43.5% (second among OECD countries); U.S. 25.6%.
[7] INSEE, Q2 2026 National Accounts (Aug. 28) and September 2026 Economic Outlook; Banque de France, September 2026 Projections. Q1 GDP −0.2%; Q2 0.0%; both forecast 0.4% growth for 2026.
[8] COR, Rapport annuel 2026 (p. 9): pensions €422bn, 24.3% of public spending in 2025. INSEE, Public Expenditure by Function in 2024 (Feb. 2026): health €261bn, about 16%. Roughly 40% combined is an approximation using adjacent years, not a single-year accounting total.
[9] Reuters, Pension Reform Passed Without Assembly Vote (Mar. 16, 2023) and Lecornu Survives No-Confidence Votes (Oct. 16, 2025), via Investing.com.

That paralysis carries a cost of its own, because a pension's benefit depends on believing in it. French households now save about 17% of their income, well above pre-pandemic levels, and economists point to political and budget uncertainty as part of the reason.[10] When people doubt the promise, they act as if it has already been broken: they save more and spend less.

When the Market Decides

Politicians can postpone a decision. Lenders cannot be made to wait forever.

In November 2011, at the height of the euro crisis, Italy paid about twice as much as France to borrow for ten years.[11] This September, France paid more than Italy. The extra yield investors demand to hold French debt instead of German debt has reached its highest level since 2012.[12] In plain terms, the market no longer treats France like a traditional core euro-area borrower.



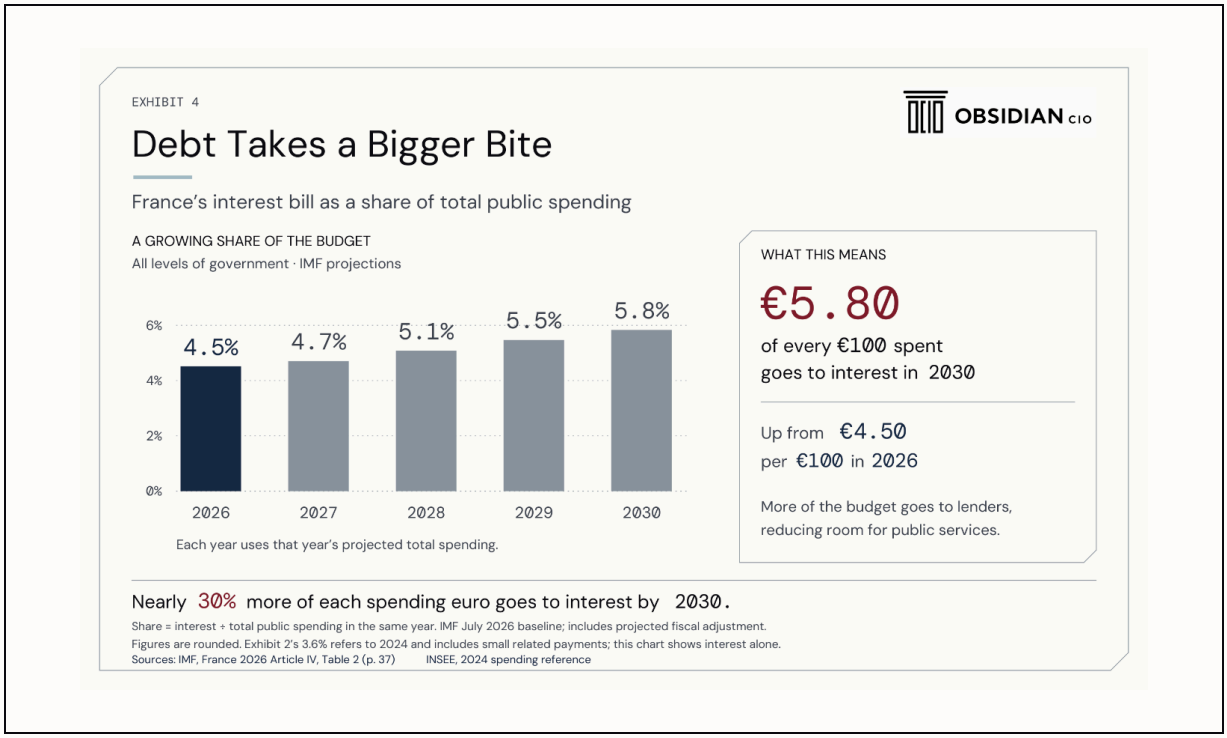
[10] INSEE, Q2 2026 National Accounts (Aug. 28): saving rate 17.2% of gross disposable income. Banque de France, December 2025 Projections, household-consumption section, on political uncertainty and elevated saving.

[11] OECD via St. Louis Fed FRED, 10-year government yields: Italy and France. November 2011 monthly averages: 7.06% and 3.41%, respectively.

[12] Tradeweb, Government Bond Update—September 2026: month-end 10-year yields, France 4.84%, Italy 4.63%, Germany 3.58%. Reuters, French Market Stress Indicators (Sept. 25, 2026; via AOL), confirms the widest French–German spread since 2012.

Bond markets have forced decisions before. In 2022, a British budget built on unfunded tax cuts sent U.K. borrowing costs soaring, and Prime Minister Liz Truss was gone within seven weeks.[13] Lenders, it turns out, get a vote too.

France's interest bill shows what is at stake. A finance-ministry-commissioned report projects annual interest costs rising from €78 billion in 2026 to €124 billion in 2030 under unchanged policy—equivalent to an estimated increase from about 4.5% to roughly 6% of total public spending. That leaves less room for public services and investment unless taxes or borrowing rise. Because debt rolls over gradually, higher rates continue feeding into the bill.[14]



The danger is that the process feeds itself, much like inflation. Once people expect prices to rise, they behave in ways that make prices rise. Debt can spiral the same way:

- **Interest crowds out everything else:** Every euro spent on interest is a euro not spent on schools, defense or pensions, which makes the remaining budget cuts that much deeper.
- **Lenders demand more:** As the debt grows, investors ask for a bigger premium to keep lending, which pushes the interest bill higher still.

[13] Reuters, Liz Truss Resigns After Six Weeks as UK Prime Minister (Oct. 20, 2022; via Euronews).

[14] Agence France Trésor estimates in French Senate, PLF 2026—Engagements financiers de l'État. A persistent 100-basis-point rise across the yield curve adds €3.2bn, €23.5bn and €33.5bn to annual State-debt interest after 1, 5 and 9 years, respectively.

- **Cuts can shrink the economy:** Slashing spending to reassure lenders can slow growth, and a smaller economy makes the same debt look bigger. During the euro crisis, IMF economists found that austerity hurt growth far more than forecasters had expected.[15]

Past a certain point, that loop is very hard to escape, and it tends to end in one of two places: a bailout or a default.

No Printing Press

Here is where France differs from the U.S., the U.K., and Japan. Those countries borrow in currencies they print. In a pinch, they can let inflation or a weaker currency quietly shrink what they owe: the "soft default" we discussed in May 2025, when we recalled FDR devaluing the dollar in 1933 and Nixon ending its convertibility into gold in 1971. It is painful, and it punishes savers, but the checks still clear.

France gave up that option when it adopted the euro. Its currency is managed in Frankfurt, not Paris. Economist Paul De Grauwe warned back in 2011 that this leaves euro members in a position closer to emerging markets: without their own central bank to fall back on, markets can push them toward default.[16] Greece learned that the hard way. In 2012, it carried out the largest sovereign debt restructuring in history.[17]

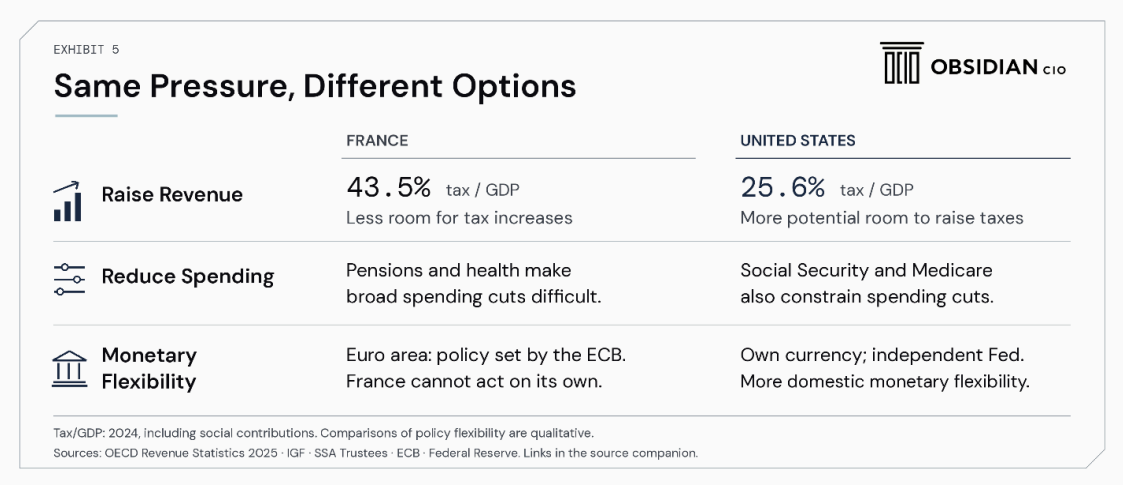
Won't the European Central Bank simply step in? It has before. In 2012, ECB President Mario Draghi pledged to do "whatever it takes" to preserve the euro, and borrowing costs across southern Europe fell sharply in the months that followed.[18] Today's backstop is conditional: the ECB considers fiscal compliance, corrective action, debt sustainability and other criteria. France remains under an excessive-deficit procedure, although EU authorities currently judge that it has taken effective action.[19] Help is not impossible, but it would likely come with strings attached. And those are the very hard choices France has been avoiding.

[15] Olivier Blanchard and Daniel Leigh, Growth Forecast Errors and Fiscal Multipliers, IMF Working Paper 13/1 (Jan. 2013).
[16] Paul De Grauwe, The Governance of a Fragile Eurozone, CEPS Working Document 346 (May 2011).
[17] IMF, Sovereign Debt Restructuring—Recent Developments, Public Information Notice 13/61 (May 23, 2013), on Greece's 2012 restructuring.
[18] ECB, Mario Draghi, London Remarks (July 26, 2012) and December Press Conference (Dec. 6, 2012), on subsequent declines in sovereign yields.
[19] ECB, Transmission Protection Instrument (July 2022); Council of the EU, France Recommendation, recital 7 (2026). France's EDP is held in abeyance following the June assessment of effective action; an EDP alone does not bar TPI eligibility.

An Uneven Ride

In summary, aging is not a crisis in itself. Longer lives are one of humanity's great achievements. But the bill is arriving at an awkward moment. The world is awash in debt, approximately $365 trillion, and long-term borrowing costs in most major economies, including the U.S., Japan, the U.K. and France, are at their highest in 15 years or more.[20]

We believe it will be an uneven ride. Countries with few levers left, perhaps France, are likely to feel it first. The U.S. has far more room to maneuver: our taxes are low by developed-world standards, which leaves room to raise revenue if we choose to; people from around the world still want to come here and work; we borrow in the world's reserve currency; and Americans hold more than $51 trillion in retirement savings that is invested rather than simply promised.[21] None of that makes us immune, since our own Social Security math is moving in the same direction. But it does mean we have choices.



For investors, the takeaway is simple: debt levels matter, and bond markets can be volatile. A government's borrowing cost is the foundation for nearly every other price in its economy. When lenders demand a premium from the state, that premium works its way into mortgages, business loans and, ultimately, what investors will pay for stocks.

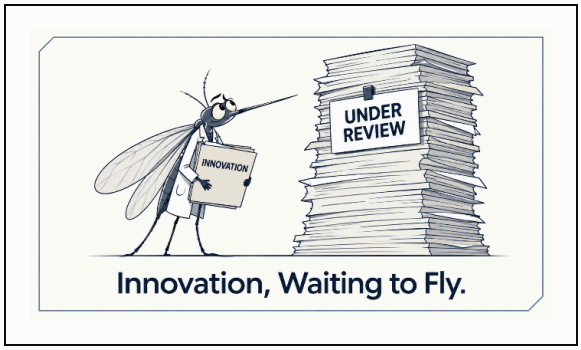
[20] IIF, Global Debt Monitor (H1 2026), cited by Martin Wolf, Is the World Really Drowning in Debt? (Financial Times, republished in The Irish Times, Oct. 1, 2026): approximately $365tn across public and private sectors. OECD, Interim Economic Outlook—September 2026, para. 9 and Figure 6.

[21] OECD, Revenue Statistics 2025; ICI, Q2 2026 Retirement Market Data (Sept. 17): $51.2tn at June 30. Gallup, Desire to Move Permanently to U.S. at New Low (Apr. 23, 2026): U.S. remains the leading desired destination; survey measures migration preference, not employment intent.

The adjustment will be uneven, which is why we pair diversification with understanding—knowing which governments stand behind what you own and how much room they have to maneuver. On that score, the U.S. remains better positioned than most, which supports our recommended tilt toward American assets. Ultimately, demographics set the bill, politics decides who pays it, and the bond market enforces the deadline.

Deep Thought: Itching for Progress

The screwworm is about as nasty as nature gets. It's a fly that lays eggs in open wounds so its larvae can eat livestock alive. In the 1960s, the USDA beat it by releasing sterilized males (the females mate, nothing hatches), saving ranchers close to $800 million a year. In June, it reappeared in Texas.[22]



In 2010, Oxitec sought approval for a genetically engineered version of that trick. Its target was a mosquito that spreads dengue. As Maya Rosen details in her excellent Works in Progress piece, "Mosquitoes Are a Choice," what followed was more than fifteen years of regulatory hot potato.[23] The USDA passed it to the FDA, which considered altered DNA a drug. The FDA passed it to the EPA, which treats it as a pesticide. Is a mosquito a drug? A pesticide? Livestock? Limited field trials were eventually allowed, but full commercial approval was still pending when Rosen's article appeared.[24] Meanwhile, nearly 4,000 cases of dengue were reported in U.S. states and D.C. in 2024, which was almost five times the 2010–2023 annual average.

Regulation is necessary — these are living things released into the wild. But fewer sick workers and healthier herds are exactly the productivity gains that drive long-term growth. The exciting part is that we already have powerful tools to reduce mosquito populations and local disease transmission. This is innovation in action, and the payoff could be a more productive economy, more efficient markets and, best of all, fewer bites!

[22] USDA APHIS, New World Screwworm: Historical Economic Impact, January 2025, p. 1 ($796 million in annual producer benefits estimated in 1996, not adjusted for inflation); and USDA Confirms Presence of New World Screwworm in the United States, June 3, 2026.

[23] Maya Rosen, "Mosquitoes Are a Choice," Works in Progress, September 28, 2026. A fabulous read on how much good biotech is stuck in the regulatory queue. Dengue figures: CDC, "Increase in Travel-Associated and Locally Acquired Dengue Cases — United States, 2024," MMWR, May 14, 2026. Of 3,798 cases, 3,693 were travel-associated and 105 locally acquired; the 2010–2023 annual average was 828.

[24] FDA, Mosquito-Related Products; EPA, Emerging Mosquito Control Technologies. Oxitec's experimental-use permit allowed testing through April 30, 2024; it was not commercial registration. The pending commercial-approval status is as reported in Rosen's September 28, 2026 article.

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Talking Points – September 2026

MONTHLY MARKET RECAP

Equity markets were mixed in September: the Nasdaq advanced 1.93%, while the S&P 500 and Dow declined 0.35% and 4.12%, respectively. International equities also fell, with developed markets outside the U.S. losing more than emerging markets. Treasury yields rose sharply across the curve, including increases of roughly half a percentage point in the 2-year and 10-year maturities. Inflation and Fed policy expectations, the ongoing U.S.-Iran conflict, and shifts in AI sentiment continued to shape market performance. The month's biggest development was the Fed's decision to raise benchmark interest rates by 25 basis points. Rising yields and expectations for further tightening remained headwinds, as did the Middle East conflict, while AI sentiment was mixed.

Expectations for Fed rate hikes strengthened early in the month after August's jobs report showed nearly three times as many jobs as expected, easing recent concerns about labor market weakness. August CPI and Core CPI met expectations, with core inflation declining slightly, but hotter-than-expected PPI underscored persistent inflationary pressures. On September 16, the Fed raised benchmark rates to 3.75%–4.00%, its first increase since July 2023. While the decision was expected, markets welcomed the unanimous 12–0 vote as reassurance that policymakers were aligned. Chairman Kevin Warsh nevertheless maintained a hawkish tone, stating that inflation was too high and had been for too long. The updated dot plot reinforced that stance, with all officials forecasting at least one additional hike before year-end.

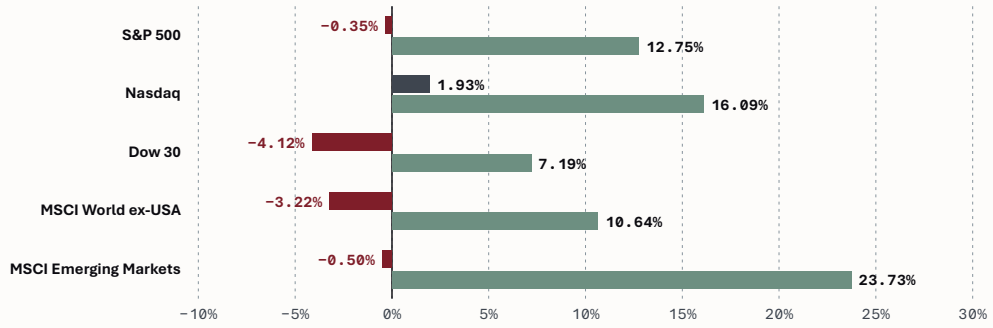
Yields rose under pressures beyond the Fed's September decision. Elevated energy costs complicated the inflation outlook, while large government fiscal deficits and record corporate borrowing to fund AI-related capex heightened concerns about borrowing costs and bond supply. Limited forward guidance from Warsh left markets uncertain about the pace of further tightening. The Treasury Department's expanded bond buybacks repeatedly fell short of expectations, beginning with a $6 billion announcement that disappointed investors. A weak 5-year Treasury auction added to the pressure later in the month. Similar pressures emerged overseas, where the ECB raised rates and the Bank of Japan lifted its benchmark rate to a 30-year high. Late in September, better-than-expected August PCE and Core PCE offered some reassurance on inflation. Markets, however, focused more on the upward revision to second-quarter GDP growth from 1.5% to 2.2%, which pushed yields higher.

The conflict in the Middle East continued to drive volatility across equity, bond, and energy markets. The U.S. and Iran exchanged increasingly aggressive attacks over the holiday weekend, with Iran targeting U.S. warships and prompting more intense U.S. strikes. Reports that President Trump's advisors believed the conflict could continue through the remainder of his term heightened concerns over prolonged disruption to global energy supplies. Oil prices subsequently approached $110 per barrel after an Iranian drone strike forced Saudi Arabia to shut down a key pipeline. Energy prices later eased somewhat as assessments suggested the damage was less severe than initially feared, while pipeline testing raised hopes that flows could resume. Sentiment improved further when reports indicated that U.S. and Iranian negotiators were making progress during talks in New York. That optimism again faded after Trump said the U.S. would reject a proposed agreement that included reopening the Strait of Hormuz.

AI sentiment fluctuated throughout September. Snowflake's better-than-expected earnings provided an early boost, with growing AI adoption offering evidence that investment in the technology was translating into stronger financial results. Sentiment weakened mid-month after leaders of several major AI companies proposed slowing development to allow regulations and safeguards to catch up, raising questions about the pace of future advancement. Later in the month, strong early reviews of Meta's new AI agent helped lift AI-related stocks and raised expectations for another recurring revenue stream beyond advertising. Markets continued to welcome evidence of tangible financial benefits from AI while remaining sensitive to concerns surrounding its rapid development.

> The Fed opted to raise interest rates in September and signaled that additional hikes over the near term were likely. Market performance continues to be driven by inflation and Fed policy expectations, the ongoing U.S.-Iran conflict, and shifts in AI sentiment.

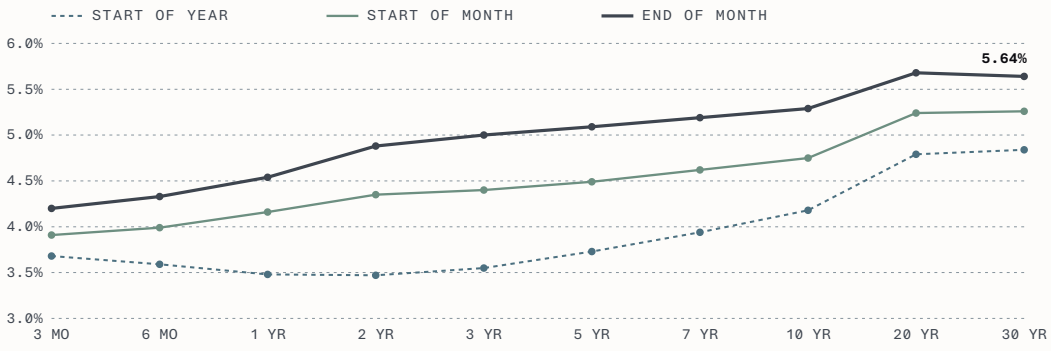
EQUITY INDICES: SEPTEMBER 2026 RETURNS



	S&P 500	NASDAQ	DOW 30	MSCI WORLD EX-USA	MSCI EMERGING MARKETS
Monthly returns	−0.35%	1.93%	−4.12%	−3.22%	−0.50%
YTD returns	12.75%	16.09%	7.19%	10.64%	23.73%

Index returns through September 30, 2026. Source: Obsidian CIO, September 2026.

TREASURY YIELDS: SEPTEMBER 2026



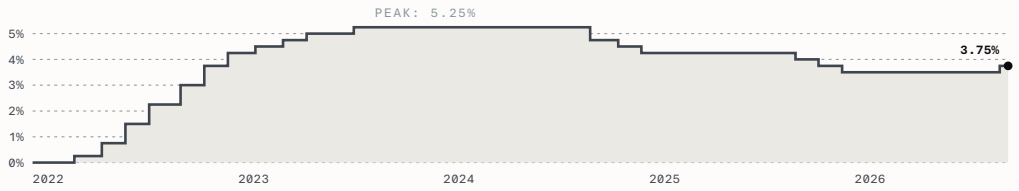
Start-of-year, start-of-month, and end-of-month yields. Source: Obsidian CIO, September 2026. End-of-month values read from the source chart (±0.02%).

FED INTEREST RATE DECISIONS: SINCE START OF HIKING CYCLE

MEETING	HIKE/CUT	TARGET RANGE
Start of 2022	–	0.00% – 0.25%
3/16/2022	+0.25%	0.25% – 0.50%
5/4/2022	+0.50%	0.75% – 1.00%
6/15/2022	+0.75%	1.50% – 1.75%
7/27/2022	+0.75%	2.25% – 2.50%
9/21/2022	+0.75%	3.00% – 3.25%
11/2/2022	+0.75%	3.75% – 4.00%
12/14/2022	+0.50%	4.25% – 4.50%
2/1/2023	+0.25%	4.50% – 4.75%
3/22/2023	+0.25%	4.75% – 5.00%
5/3/2023	+0.25%	5.00% – 5.25%
6/14/2023	0.00%	5.00% – 5.25%
7/26/2023	+0.25%	5.25% – 5.50%
9/20/2023	0.00%	5.25% – 5.50%
11/1/2023	0.00%	5.25% – 5.50%
12/13/2023	0.00%	5.25% – 5.50%
1/31/2024	0.00%	5.25% – 5.50%
3/20/2024	0.00%	5.25% – 5.50%
5/1/2024	0.00%	5.25% – 5.50%
6/12/2024	0.00%	5.25% – 5.50%
7/31/2024	0.00%	5.25% – 5.50%
9/18/2024	−0.50%	4.75% – 5.00%
11/7/2024	−0.25%	4.50% – 4.75%
12/18/2024	−0.25%	4.25% – 4.50%
1/29/2025	0.00%	4.25% – 4.50%
3/19/2025	0.00%	4.25% – 4.50%
5/7/2025	0.00%	4.25% – 4.50%
6/18/2025	0.00%	4.25% – 4.50%
7/30/2025	0.00%	4.25% – 4.50%
9/18/2025	−0.25%	4.00% – 4.25%
10/29/2025	−0.25%	3.75% – 4.00%
12/10/2025	−0.25%	3.50% – 3.75%
1/28/2026	0.00%	3.50% – 3.75%
3/18/2026	0.00%	3.50% – 3.75%
4/29/2026	0.00%	3.50% – 3.75%
6/17/2026	0.00%	3.50% – 3.75%
7/29/2026	0.00%	3.50% – 3.75%
9/16/2026	+0.25%	3.75% – 4.00%

Hikes shown with a plus sign, cuts in the negative color. Source: Federal Reserve (FOMC statements); compiled by Obsidian CIO.

TARGET FED FUNDS RATE: LOWER BOUND



Lower bound of the target range, 2022–2026. Source: Federal Reserve; compiled by Obsidian CIO.

FED RATE PROBABILITIES: SEPTEMBER 2026

AS OF	HIKE	HOLD	CUT	HIKE 50BPS	HIKE 25BPS	CUT 25BPS	CUT 50BPS
9/18/2026	**55.40%**	44.60%	0.00%	0.00%	55.40%	0.00%	0.00%
9/25/2026	**64.20%**	35.80%	0.00%	0.00%	64.20%	0.00%	0.00%
10/2/2026	22.70%	**77.30%**	0.00%	0.00%	22.70%	0.00%	0.00%

FULL-YEAR 2026 FORECAST

AT LEAST 1 HIKE · 85.0% · HOLD · 15.0% · AT LEAST 1 CUT · 0.0%



2 HIKES | 1 HIKE | HOLD

MORE THAN 2 HIKES: 0.0% · AT LEAST 1 CUT: 0.0% (1 CUT 0.0% · 2 CUTS 0.0% · MORE THAN 2 CUTS 0.0%)

Market-implied probabilities for the October 28 FOMC meeting, weekly through 10/2/2026, and the full-year 2026 path. Source: Obsidian CIO, September 2026.

AUGUST INFLATION: CPI AND PCE, YEAR OVER YEAR

CPI (Y/Y)	AUGUST	VS. EXPECTED	VS. JULY
CPI	**3.4%**	3.4%	3.4%
Core CPI	**2.4%**	2.4%	2.5%

PCE (Y/Y)	AUGUST	VS. EXPECTED	VS. JULY
PCE	**3.4%**	3.7%	3.4%
Core PCE	**3.0%**	3.3%	3.0%

August readings against consensus expectations and the July print, as printed in the source exhibit. Source: Obsidian CIO, September 2026.

Obsidian Sentiment Summary 2026

2026	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP
Fed	Mildly Bearish	Neutral	Neutral	Neutral	Neutral	Mildly Bearish	Bearish	Bearish	Mildly Bearish
Interest Rate Decisions	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral
Commentary	Mildly Bearish	Neutral	Mildly Bearish	Mildly Bearish	Neutral	Bearish	Bearish	Bearish	Bearish
Fed Independence	Mildly Bearish	Neutral	Neutral	Neutral	Neutral	Neutral	Mildly Bearish	Neutral	Mildly Bullish
Economic Data	Mildly Bullish	Mildly Bullish	Mildly Bearish	Mildly Bearish	Mildly Bearish	Mildly Bearish	Mildly Bearish	Mildly Bullish	Mildly Bearish
Inflation	Bullish	Mildly Bullish	Neutral	Mildly Bearish	Bearish	Mildly Bearish	Bullish	Mildly Bullish	Mildly Bearish
Employment/Labor Market	Neutral	Mildly Bullish	Bearish	Neutral	Bullish	Bearish	Mildly Bearish	Bullish	Neutral
GDP	Neutral	Neutral	Neutral	Neutral	Mildly Bearish	Bearish	Neutral	Neutral	Neutral
Consumer Spending	Neutral	Mildly Bearish	Neutral	Neutral	Mildly Bearish	Neutral	Mildly Bearish	Neutral	Mildly Bearish
Consumer Sentiment	Neutral	Neutral	Mildly Bearish	Bearish	Bearish	Mildly Bearish	Neutral	Neutral	Neutral
Housing/Real Estate	Neutral	Mildly Bullish	Mildly Bullish	Neutral	Neutral	Neutral	Mildly Bearish	Neutral	Mildly Bearish
Global Events/News	Mildly Bearish	Mildly Bearish	Bearish	Bullish	Mildly Bullish	Neutral	Bearish	Bearish	Mildly Bearish
China	Neutral	Neutral	Mildly Bearish	Neutral	Mildly Bullish	Neutral	Bearish	Mildly Bearish	Mildly Bullish
Middle East	Bearish	Bearish	Bearish	Bullish	Bullish	Mildly Bullish	Bearish	Bearish	Bearish
Russia	Neutral	Neutral	Mildly Bearish	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral
South America	Mildly Bullish	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral
Europe	Mildly Bearish	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	Mildly Bearish
Japan	Neutral	Neutral	Neutral	Neutral	Neutral	Mildly Bearish	Mildly Bearish	Neutral	Neutral
US Politics/Government	Mildly Bearish	Mildly Bullish	Neutral	Neutral	Neutral	Mildly Bearish	Mildly Bearish	Mildly Bearish	Mildly Bearish
Tariffs	Mildly Bearish	Bullish	Mildly Bearish	Neutral	Mildly Bearish	Mildly Bearish	Mildly Bearish	Mildly Bearish	Mildly Bearish
Economic Policy	Mildly Bearish	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral
Market Trends	Mildly Bearish	Bearish	Mildly Bearish	Neutral	Mildly Bullish	Mildly Bearish	Mildly Bearish	Mildly Bullish	Mildly Bullish
Earnings	Mildly Bearish	Neutral	Neutral	Mildly Bullish	Bullish	Mildly Bearish	Mildly Bullish	Mildly Bullish	Mildly Bullish
AI/Chips	Mildly Bearish	Bearish	Neutral	Mildly Bullish	Bullish	Mildly Bearish	Bearish	Bullish	Mildly Bullish
Private Credit	Bearish	Bearish	Bearish	Mildly Bearish	Neutral	Bearish	Neutral	Mildly Bearish	Mildly Bearish
Energy Prices	Mildly Bearish	Bearish	Bearish	Mildly Bearish	Mildly Bearish	Mildly Bullish	Bearish	Bearish	Bearish
Metals/Critical Minerals	Mildly Bullish	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral
Crypto	Mildly Bearish	Neutral	Mildly Bearish	Neutral	Neutral	Bearish	Neutral	Bullish	Bullish

Monthly read of the drivers behind market sentiment, January through September 2026. Source: Obsidian CIO, September 2026.

Key Topics/Items for September

BEARISH

- Treasury yields rising sharply to start the month, with the 2-year yield moving above 4.39% and the 10-year above 4.79% intraday (its highest level since January 2025)
- Elevated energy costs, large government fiscal deficits, and limited forward guidance from Fed Chairman Kevin Warsh contributing to continued upward pressure on global bond yields
- Corporate borrowers issuing record amounts of debt to fund AI-related capex, increasing bond supply and adding upward pressure on yields in an already stressed market
- The U.S. and Iran exchanging increasingly aggressive attacks over the holiday weekend, with Iran targeting U.S. warships and prompting more intense U.S. strikes (pushing energy prices higher)
- Reports suggesting that President Trump's advisors believed the conflict with Iran could continue through the remainder of his term, intensifying concerns over prolonged disruptions to global energy markets and pushing energy prices and yields higher
- Oil prices rising to nearly $110 per barrel after an Iranian drone strike forced Saudi Arabia to shut down a key oil pipeline, raising concerns over another disruption to global energy supplies
- AI/chip stocks declining after leaders of several major AI companies proposed slowing development to allow regulations and safeguards to catch up with the technology's rapid advancement
- President Trump stating that the U.S. would reject a proposed agreement that included reopening the Strait of Hormuz, reversing some of the optimism generated by reports of progress in negotiations the week prior

MILDLY BEARISH

- The yield on 10-year Japanese government bonds reaching its highest level since 1996 amid elevated energy costs, concerns over a potentially record-sized government budget, and growing expectations for a Bank of Japan rate hike
- Blackstone's flagship private credit fund, BCRED, receiving redemption requests for 10% of outstanding shares and limiting redemptions to its usual 5% level (the third consecutive quarter in which requests exceeded that limit)
- Cliffwater seeing investors attempt to redeem 16% of outstanding shares from one of its flagship funds, highlighting continued redemption pressure across private credit
- August PPI coming in hotter than expected, showing a pickup in inflation
- The Treasury Department announcing $6 billion in expanded bond buybacks, falling short of expectations after Treasury Secretary Scott Bessent had suggested a larger effort to help temper rising long-term yields
- The ECB announcing another increase in benchmark interest rates, citing inflation that had remained above target amid continued energy market disruptions related to the Middle East conflict
- JPMorgan forecasting that eight of nine developed-market economies would raise interest rates before the end of 2026, highlighting the broad pressure on central banks to address elevated inflation
- The Japanese yen continuing to strengthen as markets increasingly priced in a Bank of Japan rate hike
- Canada's retaliatory tariffs on certain U.S. goods and industries officially taking effect, with rates reaching as high as 50% following the breakdown in trade negotiations
- Fed Chairman Kevin Warsh stating that "inflation is too high and has been for too long," while suggesting that inflation could be lowered without hurting the labor market

- The Fed's updated dot plot showing all officials forecasting at least one additional rate hike in 2026, reinforcing expectations for further tightening before year-end
- The Treasury Department's latest bond buyback plan falling short of market expectations, pushing Treasury yields higher and contributing to selling pressure in equities
- A 5-year Treasury auction attracting weaker-than-expected demand, adding to the upward pressure on yields
- The Commerce Department revising its estimate of second-quarter U.S. GDP growth up to 2.2% from 1.5%, pushing yields higher and contributing to selling pressure in equities

NEUTRAL

- August's jobs report showing that the U.S. economy added almost triple the number of jobs expected, easing recent concerns over labor market weakness and reinforcing expectations for a 25-basis-point hike at the Fed's September meeting
- August CPI and Core CPI coming in line with expectations, with headline inflation unchanged from the month prior and core inflation declining slightly
- The Fed raising benchmark interest rates by 25 basis points at its September meeting, in line with market expectations
- The Bank of Japan raising benchmark interest rates to a 30-year high, with a muted initial market reaction as the decision had been widely expected
- The New York Fed President cautioning that the Fed should "not rush" to raise rates further, with Treasury yields continuing to rise as markets appeared to favor additional hikes sooner rather than later
- August PCE and Core PCE coming in below expectations, although markets focused more heavily on the stronger GDP reading released the same day

MILDLY BULLISH

- Fed Governor Christopher Waller indicating that he would support holding interest rates steady if August inflation data justified it, helping equities recover some early-week losses and pushing Treasury yields lower
- Snowflake reporting better-than-expected quarterly earnings driven by growing adoption of AI, providing evidence that its AI initiatives were translating into stronger financial results
- Energy prices easing after a more detailed assessment suggested that damage to the Saudi pipeline might be less severe than initially feared
- The Bank of England holding benchmark interest rates steady despite growing expectations for additional rate hikes across developed markets
- Saudi Arabia beginning tests on its recently shut-down oil pipeline, raising hopes that flows could restart as soon as the following week
- Reports suggesting that U.S. and Iranian negotiators were making progress during talks in New York, easing pressure on energy prices and helping equities recover despite limited clarity on the details

BULLISH

- The Fed's rate decision receiving unanimous support in a 12–0 vote, surprising markets that had expected one or two dissenters and providing reassurance that policymakers were aligned
- Several mid-size and large banks offering reassuring commentary on consumer spending during their earnings reports, noting that higher prices had shifted spending habits but consumers were still spending
- Cryptocurrencies and crypto-related stocks rallying after new regulations allowed exchanges to offer tokenized stocks
- The U.S. and China extending their tariff truce through January 10, 2027, giving both sides additional time to negotiate a broader trade agreement
- Meta's new AI agent receiving strong early reviews from users, lifting AI-related stocks and raising expectations that the product could provide another recurring revenue stream beyond advertising

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