

Clearstead Market Minute

September 2026



September was a volatile month for financial markets as investors weighed resilient economic growth and solid corporate earnings against rising geopolitical tensions, higher energy prices, and a sharp increase in long-term interest rates. U.S. Treasury yields reached their highest levels in nearly two decades amid persistent inflation concerns and expectations for tighter monetary policy. Although equities remained relatively resilient due to strong earnings and continued enthusiasm for AI-related investments, market volatility increased as the month progressed.

Domestic Equity

U.S. large caps were only modestly lower in September, but that masked broad underlying weakness. Gains were concentrated in Technology (+4.5%) and Communication Services (+4.3%), while the remaining nine sectors declined. As a result, market leadership remained exceptionally narrow, with the equal-weight S&P 500 falling 4.8%, while small- and mid-caps (Russell 2000 and Russell Midcap) lost 5.3% and 4.2%, respectively. The steepest declines came from cyclical, including Financials (-7.2%) and Materials (-6.7%), as well as traditionally rate-sensitive sectors such as Real Estate (-6.1%) and Utilities (-5.9%). Meanwhile, software companies, which have lagged for much of the year, rebounded as concerns over AI-driven disruption to the sector eased.

	September	YTD '26
S&P 500	(0.3%)	12.7%
S&P 500 Equal Weight	(4.8%)	10.0%
Russell 1000 Growth	2.2%	6.3%
Russell 1000 Value	(3.1%)	19.3%
Russell Mid Cap	(4.2%)	11.8%
Russell 2000	(5.3%)	13.7%

International Equity

International markets also declined in September, with the tech-light MSCI EAFE (developed markets) falling 3.0%, while the tech-heavy MSCI EM Index lost 0.7%. Emerging markets were supported by gains in Korean (MSCI Korea +2.2%) and Taiwanese equities (MSCI Taiwan +3.9%), both heavily exposed to AI-related companies. Despite a constructive summit between Presidents Xi and Trump that may improve future trade relations, Chinese equities (MSCI China) fell 4.6% during the month. Meanwhile, Indian equities (MSCI India), which are sensitive to rising energy prices, declined 7.1%. In contrast, Brazilian equities (MSCI Brazil +3.2%) rallied ahead of the country's closely contested presidential election in early October.

	September	YTD '26
MSCI ACWI ex USA IMI (USD)	(2.4%)	13.8%
MSCI Europe (USD)	(4.6%)	6.0%
MSCI Japan (USD)	1.5%	22.7%
MSCI Pacific ex Japan (USD)	(4.3%)	11.6%
MSCI EM (USD)	(0.6%)	23.4%
MSCI China (USD)	(4.6%)	(11.9%)

Rates & Credit

Fixed income markets declined in September as stronger economic data, persistent inflation, and higher-for-longer rate expectations pushed Treasury yields sharply higher. The 10-year Treasury yield rose roughly 54 basis points to 5.29%, driving broad weakness across duration-sensitive sectors. Importantly, the selloff was driven more by rising interest-rate risk than deteriorating credit fundamentals, with longer-duration Treasuries and investment-grade bonds bearing the brunt of the decline while shorter-duration, securitized, and floating-rate sectors proved more resilient. Municipal bonds were a notable laggard as yields climbed to their highest levels in more than a decade, with tax-loss selling and fund outflows adding technical pressure to an already challenging rate environment.

	September	YTD '26
10 Yr Treasury	(3.7%)	(5.3%)
Bloomberg US Agg Bond	(2.6%)	(2.9%)
Bloomberg Interm Corp	(2.0%)	(1.6%)
Bloomberg Govt/Credit 1-3 Yr	(0.6%)	0.6%
Bloomberg US High Yield	(2.5%)	0.1%
Bloomberg Muni 1-10 Yr	(3.4%)	(3.1%)

Diversifying Strategies

Hedged strategies declined modestly in September amid elevated volatility, rising interest rates, and weaker global equity markets. Macro strategies were the strongest performers, as trend-followers benefited from a stronger U.S. dollar and rising oil prices. Equity hedge strategies declined as weakness in U.S. and European equities weighed on fundamental managers, while relative value strategies were pressured by higher rates and volatility. Event-driven strategies posted more modest declines amid weakness in special situations and merger arbitrage.

	September	YTD '26
HFRX Global Hedge Fund	(0.4%)	3.9%
HFRX Equity Hedge	(1.0%)	6.8%
HFRX EH: Equity Market Neutral	0.2%	(0.3%)
HFRX Event Driven	(0.1%)	2.2%
HFRX Relative Value Arbitrage	(1.2%)	0.5%
HFRX Macro/CTA	1.3%	7.1%

Real Assets & Other

September highlighted a growing divergence across real assets. Energy markets moved higher as renewed supply disruptions and ongoing tensions in the Middle East pushed oil prices higher, while industrial metals weakened amid concerns that tighter financial conditions could slow global demand. Gold retraced a portion of its earlier gains as a stronger U.S. dollar and rising Treasury yields reduced the appeal of non-income-producing assets. Higher yields also weighed on REITs and infrastructure equities, which remained under pressure as investors adjusted to a higher-for-longer interest rate environment. Bitcoin advanced during the month, supported by continued demand for alternative assets despite a more challenging backdrop for risk-sensitive markets.

	September	YTD '26
BB Commodity/Industrial Metals	(1.6%)	11.2%
BB Commodity/Energy	10.1%	86.3%
BB Commodity/Gold	(6.3%)	(4.4%)
MSCI US REIT	(5.3%)	10.4%
FTSE Global Core Infra 50/50	(5.4%)	3.9%
US Dollar	2.0%	3.2%
Bitcoin	6.0%	(4.7%)

DISCLOSURES: Return Source: Morningstar Direct and HFRI. International indexes are net USD. Bitcoin performance is represented by iShares Bitcoin Trust ETF returns as proxy. Returns assume the reinvestment of dividends and interest. Information provided in this article is general in nature, is provided for informational purposes only, and should not be construed as investment advice. The views expressed by the author are based upon the data available at the time the article was written. Any such views are subject to change at any time based on market or other conditions. Clearstead disclaims any liability for any direct or incidental loss incurred by applying any of the information in this article. All investment decisions must be evaluated as to whether it is consistent with your investment objectives, risk tolerance, and financial situation. The performance data shown represent past performance. Past performance is not an indicator of future results. Current performance data may be lower or higher than the performance data presented.