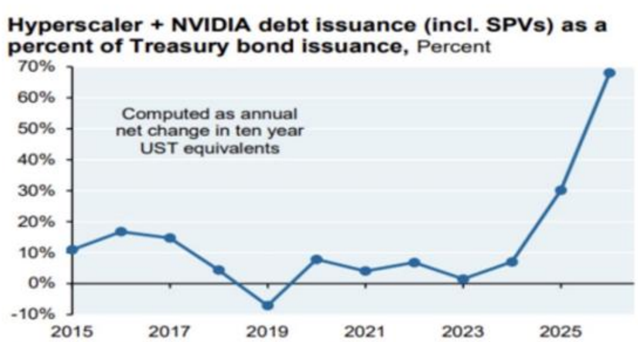
ENR Market Outlook

September 2026

Global Markets

- **Global Bond Market Rout in 2026**. The bond market is in the process of interest rate normalization after more than 15 years of central bank quantitative easing (QE) and other backdoor shenanigans to suppress interest rates. The yield on the 10-year Treasury is now 4.81%, the highest since 2007. The highest yield point since 2006 was 5.15%. In 1994, the national debt was well under $5 trillion. Now it's over $40 trillion, and climbing;

- **Most Risk Assets Still Appreciating**. What is truly amazing is the incredible resilience of stock markets and other risk assets since the onset of this yield surge in July (see 10-year T-bond chart above). Even Bitcoin is finally rallying. The S&P 500 is only 1.9% off its all-time high. The ongoing Persian Gulf war is exacerbating inflationary pressures as oil prices resume their upward march. Other commodities are also rallying with the Reuters/Jefferies CRB Index at its highest level since the financial crisis in 2008. The selloff in global bond markets deepened on September 2, reflecting investor angst over inflation and government debt levels that stand to inflict fresh pain on consumers and businesses. A deluge of bond sales from big tech companies aggressively raising money to fund the AI boom is adding to the pressure on bonds;
- **Yields Surge**. Japan's 10-year yield hit 3% for the first time since 1996 as the rout hit bond prices, driving up yields, in major economies around the globe. Yields hit their highest in 15 years in Germany and their highest since 2008 in the UK. In the U.S., the 10-year yield is at 4.81%, putting it in range of its highest level since 2023. Part of the bond market's malaise lies in the massive amount of hyperscalers' corporate bond issuance over the past 12-18 months (see chart below). Treasury favors an orderly yen recovery. Japan holds almost $1.2 trillion in Treasury securities -- more than any foreign country;



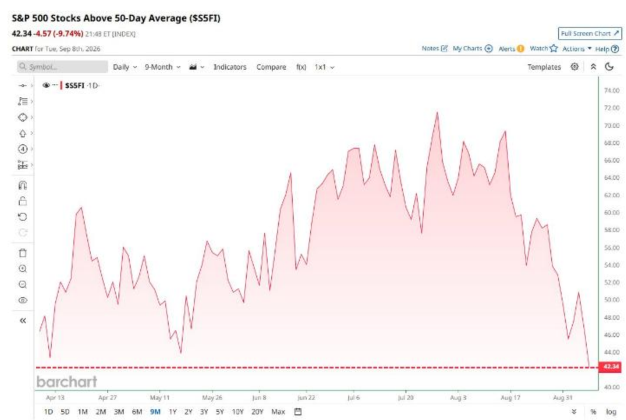
Source: Bloomberg, JPMAM, August 31, 2026

- **Bessent Takes on Speculators**. No stranger to leveraged trading, Treasury Secretary Scott Bessent has recently 'drawn the line' on Japanese yen weakness and fresh concerted central bank intervention. Bessent served under hedge fund mavens George Soros and Stan Druckemiller – arguably two of the greatest macro traders of all-time. He's warned Treasury speculators against betting on higher Treasury yields as the U.S. Treasury recently increases its buyback operation (like Operation Twist under Janet Yellen). Bessent declared "I am the House Now,' inferring Treasury will take on speculators vis-à-vis intervention. Will it work? Without meaningful fiscal reform, attempts to suppress yields will undermine Treasury's regular and predictable approach, raise the term premium, and ultimately push long-term borrowing costs even higher. This is just a band-aid;
- **September Blues**. The worst month of the stock-market calendar is here. The Dow Jones Industrial Average has declined an average 1.1% in the ninth month of the year, according to data dating back to the 19th century. So far, the market is barely down 2% from its all-time high;
- **AI Spending**. The AI infrastructure buildout continues to support nonresidential construction. Data center construction surged 57.2% year-over-year in July, extending its powerful multi-year uptrend. Average electricity costs in the U.S. have risen the last five years, according to the Bureau of Labor Statistics and *The Wall Street Journal*. Despite a growing backlash in several states against the AI buildout, the job creation and capital spending underway to support said infrastructure is colossal. Total U.S. corporate bond issuance reached about $1.7 trillion through July – approximately 27% above last year's pace and on track to exceed $2 trillion for the first time;
- **Canadian Consumers Struggling.** More than 12 times Canada's GDP, the United States dwarfs economic output from its second largest trading partner. As the trade war deepens and both countries continue to escalate barbs, Canada is getting by – but barely. Recent personal income data is bearish. The only positive development this summer is the Canadian dollar rallying above $0.70 cents to the USD. Despite strong job numbers in July, 37,523 Canadian consumers filed for insolvency in Q2, up 7% year-over-year and the highest for any quarter since 2009. And the share of residential mortgages now in arrears has risen in the past year to a decade-high and is slightly above Q1 2008 levels. The median loan-to-income ratio for first-time home buyers finished 2025 at a nosebleed high of 372%, according to *Rosenberg Research* in Toronto;
- **Housing Crisis Deepens in Europe.** The lack of affordable housing remains a key concern across many advanced economies, not only the United States, Canada and Australia. Portugal and Spain are struggling with some of the EU's worst housing crises, as immigration-driven population growth, bureaucracy and high construction costs combine to create severe property shortages. Lisbon, London, Barcelona, Madrid and Milan rank as the top five European cities where rent for a one-bedroom apartment is the highest proportional to income. In Lisbon, that figure is almost 110% of income and more than 75% in London, Barcelona, Madrid and Milan;
- **Booming Stockholm Markets Threatened by Wealth Taxes.** Sweden risks its world-leading status as a home to start-ups and vibrant equity markets if the leftwing opposition wins this weekend's elections, according to Jacob Wallenberg, one of Scandinavia's most prominent industrialists. Tabled proposals include new taxes on overall wealth, inheritance, banks and higher levies on savings. A tax on billionaires has also been proposed. On a per capita basis, Stockholm has more tech unicorns than anywhere outside Silicon Valley. This includes companies worth more than $1 billion like global brands Spotify and Klarna. The Stockholm Stock Exchange has attracted more IPOs in the last ten years than France, Germany, Holland and Spain combined, according to *The Financial Times*. Founded in 1863, the SSE tracks the 30 most-traded stocks;
- **Chinese Robot IPO Soars 600%**. Shares in humanoid robot company Unitree surged more than 600% in late August in its $50 billion Shanghai debut. The frenzy in technology investing (and speculation) resonates way beyond Wall

Street. South Korea, Taiwan and China have all seen incredible share price gains on some tech stocks. Unitree in China was 5,500 times oversubscribed.

Global Equities

- **Resilience**. Stocks worldwide barely began a correction in September with Big Tech holding firm and investors rotating once again within the technology sector (software to semiconductors). Until the largest constituent stocks in the index break, markets will continue to trade sideways. The S&P 500 is down 2.5% from its high;
- **Repeat Coming?** The only other five times we faced a simultaneous crushing oil and bond yield shock of this magnitude were in 1980, 1990, 2000, 2008, and 2022 — four landed the U.S. economy in recession, and all five coincided with bear markets in risk-assets that shocked the bullish consensus, says David Rosemberg of *Rosenberg Research* in Toronto. Let's see if the AI boom is going to prove strong enough to compensate this time around (as the $2 trillion of fiscal stimulus checks did in 2022-2023);
- **Market Breadth Contracting**. Only 42% of S&P 500 stocks are trading above their 50-day moving average, the weakest breadth in five months (see chart). Earlier this year, rotation saw investors sell technology and other growth stocks for value-based equities and defensive sectors like consumer staples, utilities and health care. That has not repeated so far in September. Energy, however, has been a superb trade all year with the **Energy Select Sector SPDR Fund** (XLE) up 42%, leading all 11 stock-market sectors in the S&P 500;



- **No Surprise Here: Stock Pickers Perform Poorly**. It's conventional wisdom over the past 35 years that most actively managed money managers can't beat the stock market. Just 27% of actively managed U.S. large-cap equity funds beat their benchmark passive-fund alternatives in the 12-months ended June 30, according to *Morningstar* and *The Wall Street Journal*. And that's above average. *Over the last decade, just 13% of active managers outpaced the benchmark.* Making the challenge harder over the last several years is the huge concentration risk in the broader market; the S&P 500's 10 largest companies represent 40% of its value. Many professional advisors don't like concentrating portfolio risk to the same degree, and therefore run the risk of trailing the market. According to *S&P Global*, 91% to 93% of active large-cap managers underperformed the S&P 500 over the long haul.

Fixed Income & Credit

- **Markets Increasingly Focused on Global Deficits**. The U.S. federal budget deficit widened to $432 billion in July, the largest monthly shortfall since March 2021, bringing the 12-month deficit up to $2 trillion. Long-term U.S. Treasury yields have been rising partly in response to increased government debt supply. The 10-year Treasury yield rose to its highest level since 2007, while the 30-year rose to its highest level since 2001. Higher long-term yields reflect several additional factors besides the federal budget deficit. One is a higher neutral interest rate, driven by strong AI-related demand for capital at a time when structural forces such as population aging and immigration restrictions are weighing on national saving. Long-term yields have also been supported by economic resilience and increased debt issuance by hyperscalers to finance AI-related investments. To be fair, the United States isn't the only nation harboring crippling deficits. Debt levels are the same or worse on a comparative debt-to-GDP level in the UK, France, Italy, Japan and many other countries;
- **Weak GDP Pushes China's Bond Yield to Lowest in Year.** While the rest of the world generally struggles with accelerating inflation and surging oil prices, China is facing deflation. China's ten-year government bond yield hit 1.70% on September 10 – the lowest level since July 2025;
- **Corporate Defaults Hit 9%.** The extra yield or spread paid by companies rated Triple-C (CCC) or lower has climbed to 10.53%, up from 8.08% a year ago. Default actions, the majority by companies with rock-bottom credit ratings, are up 9% this year compared to 2025 to $40.1 billion and are expected to increase further in 2027, according to *JPMorgan*. Default actions include both payment defaults and distressed transactions. This contrasts with the investment-grade sector where strong earnings and economic growth have boosted strong demand for corporate bonds;
- **Norway, other Countries Reduce Treasury Holdings.** The world's largest sovereign wealth fund, the Norges Bank Investment Management, is considering a reduction of its bond holdings to 50% from 70% currently. The move could reduce its size of U.S. Treasury holdings by about $80 billion. Norway's sovereign wealth fund manages $2.4 trillion. Other countries paring T-bonds over the past year include China, Japan, Brazil, India and Switzerland, according to *CNBC, Newsweek* and *Reuters*. Countries that have bolstered their holdings include the UK, Belgium and Ireland.

Currencies

- **Bessent Boosts Japanese Yen.** Following Treasury Secretary Bessent's coordinated Japanese yen intervention last month, the yen has surged off a 30-year low, up 6.3% from 163.87 to the dollar. The yen has been a pillar of the carry trade. The carry trade involves investors borrowing in the currency of a place where interest rates are low and using it to invest in a currency where rates are higher. The yen has been a popular funding currency in recent years because of its comparatively low rates. That is changing. Markets are possibly bracing for a disorderly unwinding of the carry trade. According to *Bank of America*, the 'short yen' position remains one of the world's top three favorite trades;
- The **ENR Global Currency Sandwich** has gained 4.54% since our last update in early August, mainly due to strong gold prices, and to a lesser extent, silver. YTD, the basket is down 1.93%. Though both metals have softened in September, some currencies have rallied, namely those in Canada, Latin America and Asia.

European units have largely remained in a trading range, despite the ECB's rate hike this week. The best performing currency in the basket this year is the Singapore dollar, up 1.7%;

- **The ENR Global Currency Sandwich** includes six securities: gold (or IAU/GLD), silver (or SLV/PSLV), the Swedish krona, the Swiss franc, the Polish zloty and the Singapore dollar equally weighted.

Commodities

- **Jeffrey Currie on Commodities**. On September 8, Jeffrey Currie, co-founder and director of *1947 Oil & Gas* and a former Goldman Sachs commodity strategist, posted the follow9ing on X. I'm a big fan of Mr. Currie. He has a deep insight into energy and commodities markets and correctly called the 2000s commodity super-cycle dominated by Chinese consumption:
- *'We're in a critical situation right now - there's no easy fix to a lack of refinery capacity, a lack of strategic reserves and products, and now-depleted crude reserves. A route to partial normalization would be looking to China to release spare refining capacity, which seems to be happening, but a return to full normalization is unlikely any time soon. This will shape the broader commodity and macro-economic outlook. All other commodities are dirt and diesel: we saw all-time highs in copper yesterday, record-high diesel last week - we're going to see more highs across the non-energy complex…The bottom line: this is a crisis not only caused by the Strait of Hormuz. Chokepoints from the Red Sea to the Black Sea grain corridor, the Rhine River, the Russian interior, the Panama Canal - weather, war and policymaking - have combined to create a crisis that has no easy way out. The energy crisis is here: it has arrived and it's showing in the product prices, not in crude.'*

- **Bull Market in Tanker Revenues**. Earnings for supertankers sailing on the benchmark Middle East-to-China route are at a record of nearly $800,000 a day. Meanwhile, for the US Gulf to Asia run, charterers have been offering very large crude carriers at a record lump-sum fee of $29.5 million — close to $15 per barrel without considering additional war risks or fees for unexpected delays, according to Bloomberg. Also, at $6 per gallon, U.S. diesel prices now trade at record highs;
- **Energy Stocks Dominate in 2026**. Forget technology for a minute. The top performing S&P 500 sector this year is the energy complex, up 42% (XLE), and far outpacing the Mag-7, up only 7% (MAGS). Refineries are at full capacity everywhere. The U.S. 3-2-1 crack spread – a widely followed industry benchmark that measures the value of turning three barrels of crude oil into two barrels of gasoline and one barrel of diesel – surged above $70 in July. It's typically trading in the teens. Russian refinery output has dropped to its lowest level in

more than two decades following a barrage of Ukrainian drone attack this summer on refining infrastructure. Russia has temporarily banned diesel exports, according to *Kpler* data and *The Wall Street Journal*.

Model Portfolio

- The **ENR Market Outlook Portfolio** gained an equal-weighted 5.7% over the past four weeks, ending September 9th. That's way ahead of all major global benchmarks. Big winners over the past month are **Salesforce** (+37.8%), **Wheaton Precious Metals** (+36.8%), **Newmont Corp**. (+32.7%), **Cameco Corp**. (+15.6%), and **SLB-Schlumberger** (+15%);

- I'm downgrading the energy space in September to HOLD because of the huge summer rally. We remain bullish on the sector. Energy stocks are heavily overbought. Energy accounts for 3.4% of the S&P 500's market capitalization against 4.8% of its forward earnings, and trades at 13.8 times forward earnings, the cheapest of the 11 sectors;

- This month we're buying Munich-based **Bayerische Motoren Werke AG** or BMW (OTC-BMWKY). One of the world's leading iconic car companies, BMW stock has been crushed over the past 12 months due to shrinking profit margins and a weakening Chinese car market. BMW's China sales plunged 30% in Q2 as domestic auto companies like BYD have gained market share. From its German listed shares price all-time high of €112.80 in April 2024, BMW is down 44.4%;

- BMW is cutting costs, including 8,000 layoffs in Europe, and expects capital expenditure to fall to about €4.5 billion this year. The German luxury-car maker is a leader in electric-vehicle technology with its Neue Klasse platform. A new all-electric iX3 sport-utility vehicle with about 400 miles of range is hitting U.S. dealerships this summer with a price tag as low as $61,000;
- BMW is exceptionally cheap. Investors aren't giving the company credit for its strong position in the U.S. and Europe auto markets and an impeccable balance sheet. The Munich-based company could announce greater capital returns to shareholders -- including a boost in its targeted dividend payout ratio from the current 30% to 40% to the 40% to 50% range.
- BMW is buying back more than €1 billion of stock annually -- nearly 3% of the market value -- but it has the wherewithal to get more aggressive in the way that General Motors has done. Lower capex would help enable that;
- Best Buys in September are **BMW**, **Berkshire Hathaway Class B**, **Northrop Grumman**, **iShares MSCI China A ETF** and **Wisdom Tree India Earnings Fund**.

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Security	Listed	Symbol	Entry Price	Date	Current Yield	Current Price	Gain/ Loss	Advice
Bayerische Motoren Werke AG ADR	OTC	BMWKY	$24.68	Sep 8/26	6.89%	$24.68	NEW	BUY
Northrop Grumman Corporation	NYSE	NOC	$548.67	Jun 9/26	1.84%	$518.58	-5.03%	BUY
iShares MSCI China A ETF	CBOE	CNYA	$34.42	Dec 29/25	1.79%	$35.17	2.46%	BUY
WisdomTree India Earnings Fund	NYSE	EPI	$32.42	Mar 3/23	0.00%	$42.68	32.20%	BUY
Berkshire Hathaway*	NYSE	BRK.B	$197.73	Aug 5/19	0.00%	$505.83	155.82%	BUY
Apple Inc*	NASDAQ	AAPL	$23.20	May 9/16	0.34%	$316.22	1298.75%	HOLD
Newmont Corporation*	NYSE	NEM	$17.99	Dec 31/15	0.81%	$127.09	672.85%	HOLD
Wheaton Precious Metals	NYSE	WPM	$22.78	Jun 5/19	0.48%	$155.11	596.71%	HOLD
HSBC Holdings plc	LSE	HSBA	£4.74	Nov 9/22	3.11%	£15.42	356.89%	HOLD
Alphabet Inc.*	NASDAQ	GOOGL	$104.65	May 5/23	0.25%	$338.36	225.12%	HOLD
Hochtief AG	XETRA	HOT	€ 154.30	Apr 1/25	1.17%	€ 446.80	220.33%	HOLD
Cameco Corporation	NYSE	CCJ	$38.55	Sep 5/24	0.17%	$101.97	165.25%	HOLD
iShares Russell Top 200 Value Index	NYSE	IWX	$52.46	Jan 2/18	1.36%	$112.08	136.96%	HOLD
ConocoPhillips*	NYSE	COP	$67.56	Sep 29/21	2.49%	$135.04	120.68%	HOLD
Zurich Insurance Group	VTX	ZURN	CHF 411.20	Oct 4/22	4.40%	CHF 590.80	105.12%	HOLD
Microsoft Corporation*	NYSE	MSFT	$256.72	Jul 5/22	0.74%	$493.95	96.91%	HOLD
AbbVie Inc	NYSE	ABBV	$140.24	Nov 30/23	2.75%	$248.78	90.20%	HOLD
Nestlé SA*	VTX	NESN	CHF 65.15	Dec 7/16	3.73%	CHF 80.39	86.99%	HOLD
Rio Tinto Group	NYSE	RIO	$64.71	Apr 2/24	4.48%	$103.83	72.66%	HOLD
Energy Select Sector SPDR	NYSE	XLE	$43.37	Feb 7/23	2.37%	$64.77	69.66%	HOLD
iShares Global Clean Energy ETF	NASDAQ	ICLN	$11.37	Apr 1/25	1.06%	$18.31	63.89%	HOLD
Vanguard Small Cap Value Index Fund	NYSE	VBR	$157.50	Oct 2/23	1.76%	$244.64	61.87%	HOLD
The Southern Company	NYSE	SO	$66.47	Dec 7/21	3.37%	$88.99	53.17%	HOLD
Lazard Global Listed Infrastructure Portfolio	NASDAQ	GLIFX	$14.04	Aug 4/20	4.17%	$18.31	50.73%	HOLD
Invesco DB Commodity Index Tracking Fund	AMEX	DBC	$23.00	Dec 9/25	2.38%	$32.40	44.10%	HOLD
iShares MSCI Hong Kong ETF	NYSE	EWH	$18.35	Nov 5/24	4.51%	$22.93	34.79%	HOLD
Salesforce, Inc.	NYSE	CRM	$192.95	Mar 2/26	0.69%	$249.12	29.57%	HOLD
The Health Care Select Sector SPDR Fund	AMEX	XLV	$131.65	Jun 2/25	1.49%	$167.13	29.35%	HOLD
SLB N.V.	NYSE	SLB	$49.59	Aug 3/26	2.05%	$57.10	15.74%	HOLD
Mondelez International, Inc.*	NASDAQ	MDLZ	$58.69	Feb 2/26	3.25%	$61.63	6.71%	HOLD

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