

Marketline September 2026

Stocks:

Stocks turned mixed in September and volatility picked up – all in keeping with September’s poor reputation with investors. The Dow declined 4.3% and the S&P inched down 0.5%, but the Nasdaq notched a gain of 1.9%. These results synchronize nicely with the way these indices are constructed: the Dow is only about 17% weighted to technology – its largest “holding” is Goldman Sachs – while the S&P comes in at 37%, and the Nasdaq Composite sits at 56%. So if tech is going to rise all by itself, we’ll see it in two indices, but not all three.

Foreign stock indices ended the month on a down note: the Canadian exchange dropped 2.9%; Europe’s FTSE was off about 2.0%; and Mexico corrected by 1.9%, continuing a struggle that commenced in June.

As we noted last month, many stocks are treading water while interest rates increase, particularly in the housing and apparel sectors. Artificial Intelligence – which concerns a large portion of the US population for various reasons – continues to carry both the market (the Nasdaq is reaching a new all-time high as I write this) and our economy. Higher rates have not yet clipped technology stocks in any serious way. In about two weeks, third quarter earnings reports will begin flowing across the tape, and we’ll know how well companies are operating in this environment.

While we’re hovering around recent highs – despite a slight downturn in September – it’s worth asking: are stocks cheap? Or expensive? As you can imagine, everybody and his brother has come out with valuation measures – the Shiller CAPE ratio, the Buffett Indicator, or simply the trailing PE/forward PE are just four of these. Most of these ratios compare stock prices to earnings or – in the case of the Buffett Indicator – to total economic output. Only the forward PE can be said to be anywhere near a reasonable price, and even that, at about 19, is on the high side. Unfortunately, attempting to time the market based on expensiveness has been a historically futile exercise: stocks can stay expensive and rise even higher for years after we first think prices are stretched. What is true, however, is that buying high usually results in below-average returns over the next decade. That doesn’t mean investing is hopeless; it’s more of a cautionary note to incorporate for planning purposes. At our firm, we’ve been forecasting long-term stock returns at around 7% to 8% from today, rather than the historical average of 10%. That’s not a disaster; but it may be realistic.

Bonds:

We could do with a little less excitement in the bond market. Rates surged around the world – especially in France where the political landscape promises no relief from budget issues that are already fraught. Here, our long Treasury bond reached a yield of 5.63% and the two-year came in at 4.89%. Gosh, only a few months ago, the two-year was just over 4%, and the thirty-year sat below 5%. So this move has been rapid, to say the least.

Other markets have moved in tandem. Were you fond of 6% corporate bonds fifteen years ago? No problem, some corporates are even breaching 7% at this point. Did you appreciate 5% tax-free in 2011? We’re there again. If you’re seeking higher income to meet inflated expenses, well, it’s being handed to you on a platter. Whether the rising-rate trend continues is another issue, but if 5% tax free will fund your lifestyle, now is a good time to start capturing that.

Rising rates may have been sparked by higher oil prices, but the understory was already smoldering: the countries experiencing the largest increases in interest rates are the ones with the worst balance sheets and income statements – ie, they have high debts, low reserves and assets, and are accumulating even more in the way of deficits every single day. While the headlines are saturated with oil prices, diesel prices, the Iran war, other inflation figures have abated – grocery prices are up 2.2%, rents are down 0.4%, and cars cost just 1.9% year over year – so it’s not just inflation causing the bond market rout. Is this the moment the “bond vigilantes” show up to force fiscal responsibility? We don’t know yet, but if so, we could be looking at higher yields in a few months.

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