

NEWSLETTER

FROM 31 AUGUST TO 30 SEPTEMBER 2026 · 31 DAYS

September in one page

BOTTOM LINE

- The conflict's supply risk remains: crude moving through Hormuz is supported by a naval arrangement, not secured by a settlement.
- Europe continues to bear the cost mainly through energy. Crude flows have recovered, but LNG and refined fuels remain restricted; these marginal supplies continue to influence the gas and diesel prices Europe pays.
- Investors pay through interest rates: the ECB tied its rise to the conflict, and borrowing costs rose in euros and, more steeply, in dollars.
- The US–Iran bargaining has narrowed to who moves first: Iran wants sanctions relief before conceding, while renewed US bombing is reported to be expected after the November midterms.

WHAT IT MEANS

The oil price has stayed high mainly because the crude came back through routes that are costly, slow and exposed to attack, while the stocks drawn down over seven months of lost supply have not been rebuilt.

The routes are costly because both sides of the conflict shape them.

MARKETS OVER THE MONTH

Brent crude	+14.4%	US 10Y yield	+51 bp → 5.26%	Euro-area 10Y	+27 bp → 3.61%
US high yield	+45 bp → 308 bp	Dollar index	+2.0%	EUR/USD	-2.1% → \$1.1355
Gold	-6.6%	Euro Stoxx 50	-2.4%	S&P 500	-0.5%

From the market table in the full newsletter: change over the month, yields and the spread to 29 September, the rest to 30 September.

WHAT WE WATCH TO EARLY NOVEMBER

The base case to early November is that crude keeps moving, attacks keep shipping costs high, and the oil price stays well above its level at the start of September.

The alternative, a phased US–Iran agreement before the elections, would be expected to lower shipping costs and the oil price with them.

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The full newsletter follows from page 2: what happened this month, the analysis, the historical parallel, what it means for investors and businesses, and the market table.

What happened this month, the analysis, the historical parallel, what it means for investors and businesses, and the market table.

STRATEGOS

READING THE WORLD
POSITIONING THE PORTFOLIO

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2. Europe continues to bear the cost mainly through energy. Crude flows have recovered, but LNG and refined fuels remain restricted; these marginal supplies continue to influence the gas and diesel prices Europe pays.
3. Investors pay through interest rates: the ECB tied its rise to the conflict, and borrowing costs rose in euros and, more steeply, in dollars.
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What happened this month

EVENT RECORD · FINANCIAL AND GEOPOLITICAL

FINANCIAL

Central banks raised rates; yields rose

The ECB raised its deposit rate to 2.50% on 10 September, according to the ECB, tying the rise to the conflict. The Federal Reserve raised its target range to 3.75–4.00% on 16 September, citing inflation and activity, its Chair adding geopolitics, and the Bank of Japan followed on 18 September. To 29 September, the US 10-year Treasury yield rose 51 bp to 5.26% and the euro-area 10-year 27 bp to 3.61%; bond prices fell, more in dollars than in euros.

Oil rose; European gas changed little

Brent, the global oil benchmark, rose 14.4% over the month and is 70.1% higher this year. European gas changed little over the month and is about two and a half times its level at the end of last year. For businesses, gas, freight and insurance costs stayed high.

Crude returns through Hormuz; LNG and refined fuels do not

Iran has disrupted passage through the Strait of Hormuz since the conflict began in February; the United States escorts shipping and blockades Iran's ports. Kpler data reported by CNBC show crude through the strait at its pre-conflict level, about 13.5 million barrels a day, in the week to 28 September. Refined products ran at about a fifth of normal, and Qatar's LNG force majeure to Asia and Europe runs through November.

Saudi pipeline to the Red Sea attacked, partly restored

Drones launched from Iraq struck Saudi Arabia's East-West pipeline, and the Houthis took Yemen's coast near the Bab el-Mandeb strait. Saudi Arabia sent some exports back towards the Gulf. Yanbu, its Red Sea port, resumed loadings on a partly repaired pipeline; Kpler says the pre-attack rate could take another month (Reuters).

US–Iran talks: the order of steps is the main sticking point

President Trump rejected Iran's seven-day plan; the United States replied through Qatari mediators. The Wall Street Journal reports President Trump expects renewed bombing after the 3 November midterms.

Analysis

Crude flows through the Strait of Hormuz were back near their pre-conflict level by late September, on one widely cited measure from the shipping-data firm Kpler, yet the oil price did not fall back with them. When lost supply returns, the price that rose on its loss usually falls. Brent, the global oil benchmark, instead ended September well above its level at the start of the month, as the chart below shows. Why has the price not followed the flows?

The oil price has stayed high mainly because the crude came back through routes that are costly, slow and exposed to attack, while the stocks drawn down over seven months of lost supply have not been rebuilt. Demand does not explain it, because the International Energy Agency (IEA) expects world oil demand to fall this year. Three costs of the new routes stand out. The first is war-risk insurance, the cover a shipowner buys against acts of war, which cost 6% to 9% of a vessel's value per passage through Hormuz in late September, against at most 0.25% before the conflict, according to Reuters and the broker Marsh. The second is the ship itself, because hiring a supertanker from the Middle East to China cost a

record daily rate in late September. The third is time and capacity. Much of the Gulf's crude now leaves by ship-to-ship transfer in the Gulf of Oman, where one transfer takes nearly ten days instead of five to seven, according to the tanker-tracking firm Vortexa. The transfer areas and the pipelines that avoid the strait are close to their limits. Oil kept longer at sea also slows the rebuilding of stocks, whose fall the US Energy Information Administration (EIA) gives as the reason prices remain high. These costs are consistent with a high price, although no source measures the share of each.

The routes are costly because both sides of the conflict shape them. The United States protects a shipping lane along Oman's coast, and Saudi and Emirati crude that their own pipelines cannot carry moves through it, often after a ship-to-ship transfer. Iran keeps passage costly and uncertain, and attacks on tankers continued to the end of September. Iran's leaders have tied the safety of the region's oil exports to Iran's own ability to sell oil. Because the United States blockades Iran's own crude exports, Iran does not collect the

higher price. Keeping passage costly and uncertain therefore appears intended to give Iran leverage in the talks over sanctions.

The conflict reaches financial markets through this energy price. The ECB tied its September rate rise to the conflict, and borrowing costs rose in both the

euro area and the United States, more in dollars. The dollar's rise against the euro made oil more expensive still for European buyers, as the section on investors and businesses explains.

Brent peaked at \$108.75 on 15 September and ended the month at \$103.53, about 5% below its peak and well above its start

— Brent crude, US dollars a barrel



Brent stayed high through the month even as crude flows through Hormuz recovered.

Source: Yahoo Finance (BZ=F). Daily readings, 31 August 2026 to 30 September 2026.

Outlook. The base case to early November is that crude keeps moving, attacks keep shipping costs high, and the oil price stays well above its level at the start of September. This is more likely than not, because Iran demands sanctions relief first and the United States is reported to look past the 3 November elections. The alternative, a phased US–Iran agreement before the elections, would be expected to lower shipping costs and the oil price with them. The view would change if insurers cut war-risk rates and transfer queues shorten, or if an attack on the escorted lane cut crude flows again.

The market record

22 OF 22 INSTRUMENTS · YEAR TO DATE FROM THE 2025 CLOSE

INSTRUMENT	LEVEL	PERIOD	YTD
EQUITIES			
S&P 500	7,651.54	-0.5%	+11.8%
Nasdaq 100	30,408.50	+3.2%	+20.4%
Euro Stoxx 50	6,269.02	-2.4%	+8.2%
FTSE 100	10,606.00	-2.0%	+6.8%
Hang Seng	24,613.27	-3.7%	-4.0%

FIXED INCOME & CREDIT

US 10Y Treasury yield	5.26%	+51 bp	+108 bp
Euro-area 10Y yield (AAA curve)	3.61%	+27 bp	+66 bp
US 2Y Treasury yield	4.89%	+55 bp	+142 bp
Euro-area 2Y yield (AAA curve)	3.21%	+35 bp	+110 bp
US 10Y real yield (TIPS)	2.91%	+47 bp	+98 bp
10Y breakeven inflation (US)	2.36%	+5 bp	+11 bp
US high-yield spread	308 bp	+45 bp	+27 bp
US investment-grade spread	84 bp	+4 bp	+5 bp

INSTRUMENT	LEVEL	PERIOD	YTD
CURRENCIES			
Dollar index (DXY)	101.45	+2.0%	+3.2%
EUR/USD (ECB reference rate)	1.1355	-2.1%	-3.4%
GBP/USD	1.3233	-2.3%	-1.7%

COMMODITIES

Gold (\$/oz)	4,186.70	-6.6%	-3.6%
Silver (Oct 2026 contract) (\$/oz)	60.10	-9.6%	-
Brent crude (\$/bbl)	103.53	+14.4%	+70.1%
WTI crude (Nov 2026 contract) (\$/bbl)	90.42	+7.6%	-
Copper (Oct 2026 contract) (\$/lb)	6.56	-0.9%	-
Wheat (Dec 2026 contract) (US\$/bushel)	675.8	-12.7%	-

All figures and levels are as of 30 September 2026, except US 10Y Treasury yield, Euro-area 10Y yield (AAA curve), US 2Y Treasury yield, Euro-area 2Y yield (AAA curve), US 10Y real yield (TIPS), US high-yield spread and US investment-grade spread (29 September 2026). Year to date is measured from each instrument's last 2025 close. Commodity prices are futures contract prices, not spot prices. Year-to-date changes for futures compare the front-month contract at each date.

What this means for investors and businesses

KEY TAKEAWAYS

Interest rates: A two-year government bond yield is a proxy for the expected path of central-bank rates, meaning a market price that reflects that path. It is not a forecast of what the central bank will do, nor the probability of any particular rate rise.

Energy: For a European business, gas at its current level keeps energy costs high into winter.

The dollar: Over the month the dollar index rose 2.0% and the euro fell 2.1% to \$1.1355, so each dollar was worth more euros. For a holder of unhedged dollar assets, that lifted their value in euros. For a buyer paying in euros, it raised the cost of dollar-priced energy.

Credit: The US high-yield spread, the extra yield weaker companies pay over Treasuries, widened 45 bp over the month to 308 bp, 40 bp of it in the five sessions to 29 September, while investment-grade spreads barely moved. Weaker US borrowers pay more; the month's data do not identify why.

Borrowing and financing New fixed-rate euro borrowing is priced off the euro-area government yield curve, whose two-year yield rose to 3.21% by 29 September. The rise came partly before the ECB's increase, partly on the day and in the following days, and eased slightly at the month's end. Dollar borrowers faced a steeper rise, and at the month's end US yields alone kept rising: the gap between US and euro-area two-year yields widened to 168 bp.

What this means for portfolios

Bonds When yields rise, the prices of existing bonds fall. The US 10-year yield combines the real yield and the breakeven rate, the inflation compensation investors demand, which is not a forecast of inflation. In September the breakeven rose only 5 bp, so the fall in US bond prices came mostly from higher real interest rates.

Currency The euro's decline initially reflected broad dollar strength: the dollar rose against both the euro and sterling. But the move does not fit a simple flight-to-safety explanation, because US yields rose rather than fell. From mid-September, the widening gap between US and euro-area yields was also consistent with euro weakness.

This is not investment advice or a recommendation.

Equities The S&P 500 ended the month 0.5% lower while the Nasdaq 100 rose 3.2%, so US gains were concentrated in large technology stocks. The Euro Stoxx 50 fell 2.4%; energy exposure, interest rates and sector mix are all possible drivers of Europe's lag, and the data do not single one out.

Gold It pays no interest, so higher real yields increase the opportunity cost of holding it. Gold fell 6.6% over the month as real yields rose, a pattern more consistent with the rate move than with gold acting as protection against the conflict.

Historical parallel

MECHANISM-LEVEL PARALLELS • NOT MARKET OR MACROECONOMIC COMPARISONS

THE SECOND OIL SHOCK, 1978-82

The second oil shock is the same situation in one respect. In 1979 Iran's revolution cut Iranian oil output, and that Gulf supply shock, like September's, met rising policy rates.

Four things differ. In 1979 net imports were 43% of US petroleum consumption; in 2025 the United States was a net exporter (US Energy Information Administration). Direct exposure has moved to Europe and Japan. US consumer inflation was 11.8% in August 1979 and 3.4% in August 2026 (Bureau of Labor Statistics, 12-

month change). In 1979 markets had no measure of inflation compensation; today one exists and barely moved in September. The mechanism is different today. In 1979 Iranian output was lost. Today the risk is to a route, the Strait of Hormuz. Crude volumes through the strait have come back without a settlement, supported by the naval arrangement described in the Analysis.

The parallel cannot show where rates go, whether inflation reaches 1979 levels, or how long the conflict lasts.

IMPORTANT INFORMATION

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