Global Matters Weekly

21 September 2026

Back to basics

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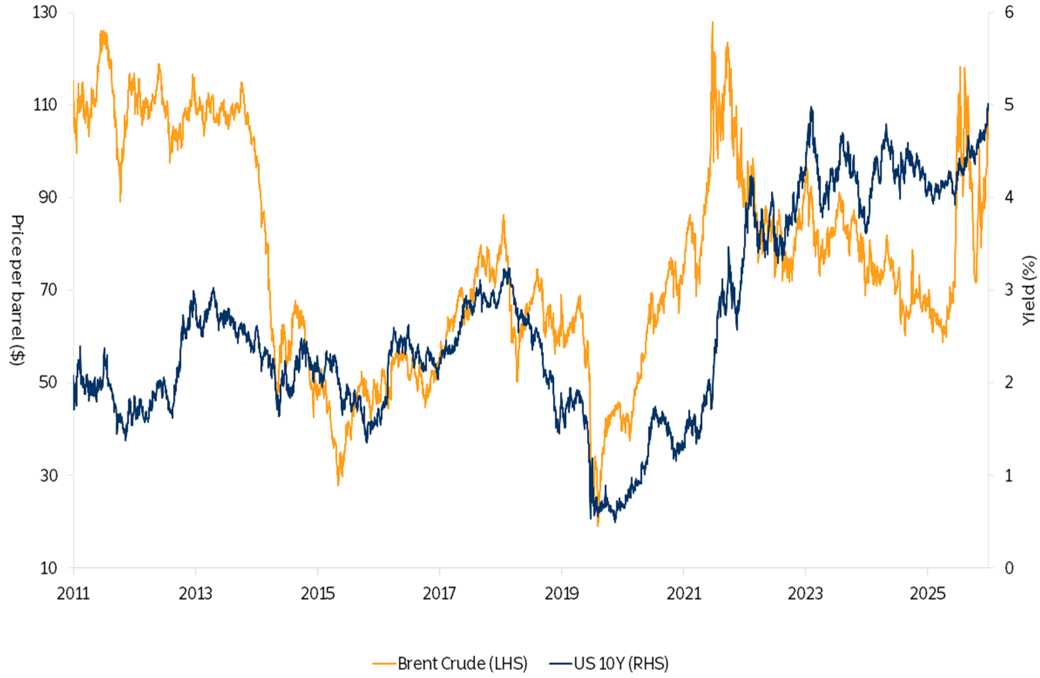

Source: Momentum Global Investment Management, Bloomberg Finance L.P. Data as at 17 September 2026.

What does the chart show?

This chart shows the US 10-year Treasury yield, which has risen above 5% for the first time since 2023 (and closed at its highest level in 19 years), and the oil price, which has climbed towards $110 per barrel amid renewed geopolitical tensions and concerns over supply disruption in the Middle East. While artificial intelligence continues to attract significant attention from investors, movements in bond yields and energy prices have remained important drivers of asset market returns. Technology shares have been under pressure, reflecting a combination of factors. Higher bond yields have weighed on valuations by increasing the discount rate applied to future earnings, while ongoing debate about the opportunities and risks associated with artificial intelligence has also contributed to investor uncertainty. Meanwhile, government bond prices have fallen as investors reassess the outlook for inflation and interest rates following the Fed's latest rate increase. Higher oil prices have added to concerns that inflationary pressures could prove more persistent than previously expected.

Why this is important

Markets often become captivated by transformative themes and breakthrough technologies. However, shorter-term market performance is often shaped by changes in economic conditions, inflation expectations and interest rates. A 5% Treasury yield raises the hurdle rate against which all assets are measured. When investors can earn relatively attractive returns from government bonds, riskier assets need to offer greater compensation for the additional uncertainty they carry. This can be particularly challenging for sectors where valuations depend heavily on future growth expectations. Meanwhile, oil prices approaching $110 per barrel matter because energy remains a key input across the global economy. Higher energy costs can feed through to transportation, manufacturing and household spending, increasing the risk that inflation remains elevated. The Fed's latest rate increase reflects concerns that inflationary pressures may prove more persistent than previously expected.

Recent market movements highlight the continuing importance of macroeconomic fundamentals. Changes in interest rates, inflation expectations and energy prices remain key drivers of financial conditions and can have a significant influence on asset prices. For investors, this serves as a reminder that even during periods of rapid technological change, economic fundamentals remain central to market behaviour.

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