

Market Perspectives

September 2026



Fed rate hike and higher interest rates across the curve send most markets lower in September.

Index	MTD	QTD	YTD	2025	2024	2023
S&P 500	-0.35	2.30	12.75	17.88	25.02	26.29
Dow Jones Industrial Average	-4.12	-2.34	7.19	14.92	14.99	16.18
Russell 2000	-5.25	-7.23	13.71	12.81	11.54	16.93
NASDAQ Composite	1.93	2.61	16.09	21.14	29.57	44.64
Europe, Australia, & Far East (EAFE)	-3.01	0.88	10.81	31.89	4.35	18.85
MSCI Emerging Markets	-0.50	-0.24	23.73	34.36	8.05	10.27
Bloomberg Barclays U.S. Aggregate Bond	-2.61	-3.51	-2.91	7.30	1.25	5.53
Bloomberg Barclays U.S. Corporate High Yield	-2.52	-1.82	0.10	8.62	8.19	13.45

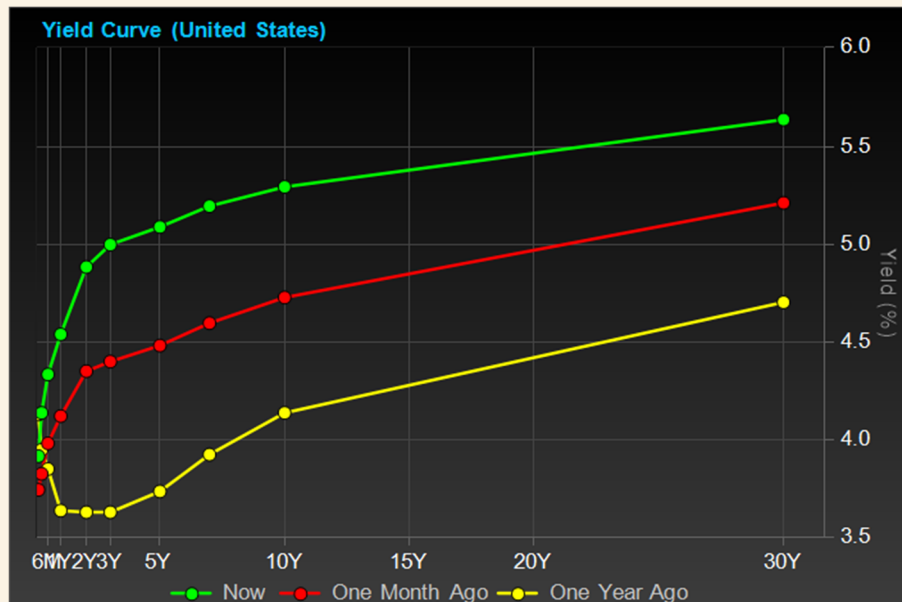
As of 09.30.2026; Returns in percent

FINANCIAL MARKET PERFORMANCE

US equities finished mostly lower in September. The S&P 500 dropped by 0.35%, while the Russell 2000 fell 5.25%. The equal-weight S&P 500 fell 5.2% and lagged the cap-weighted benchmark by 450 bp. The Russell 2000 suffered its biggest monthly pullback since March of 2025. While the S&P 500 fell less than 0.5%, five sectors were down more than 5.5%, with Financials, Materials, Real Estate and Utilities off more than 6%. The Nasdaq Composite, however, bucked the trend by gaining 1.93% in September, as Technology and Communication Services stocks rose.

Foreign stocks also fell during the month, with the EAFE index falling 3.01% and the Emerging Markets index declining by 0.50%. A rally in the US dollar, along with a rise in global long-term bond yields, were headwinds for foreign markets.

Bond prices declined as interest rates rose sharply during the month (see chart below). The yield on the 2-year note was up 55 bp to 4.89%, the yield on the 10-year note jumped 55 bp to 5.30%, and the yield on the 30-year bond increased 38 bp to 5.62%. This increase was a function of a number of factors, including the potential for additional Fed rate hikes, falling demand for US Treasuries due to the worsening fiscal state of the US government, and “crowding out” as bond investors increasingly opt to buy corporate debt rather than Treasuries. As a result, the Bloomberg US Aggregate Bond index posted a loss of 2.61% in September, while High Yield Bonds fell 2.52%.

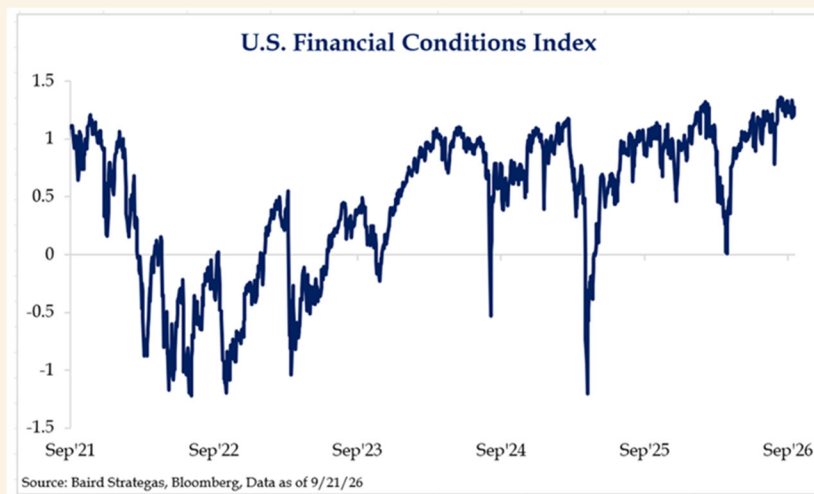
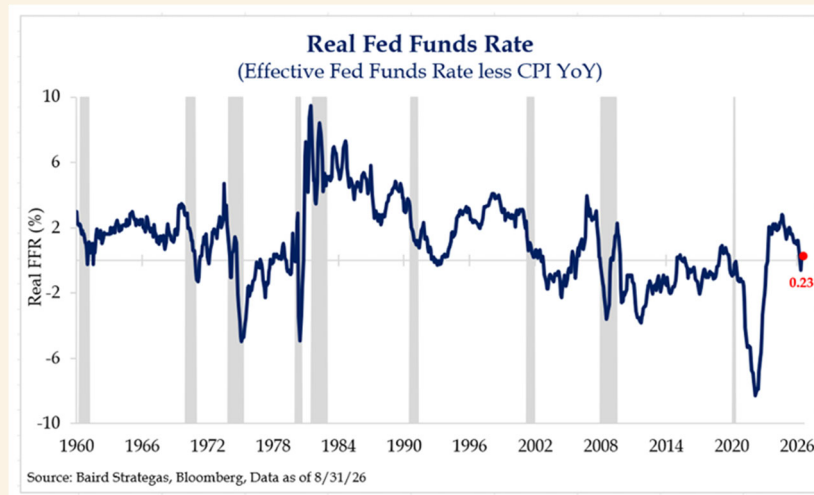


Source: FactSet As of 09.30.26

The US dollar rose in concert with long-term bond yields, gaining 2.1%. Gold fell 6.6% after jumping 9%+ in the prior month. WTI crude rallied 5.4%, its third straight monthly gain, as limited diplomatic gains were seen in the ongoing war in Iran.

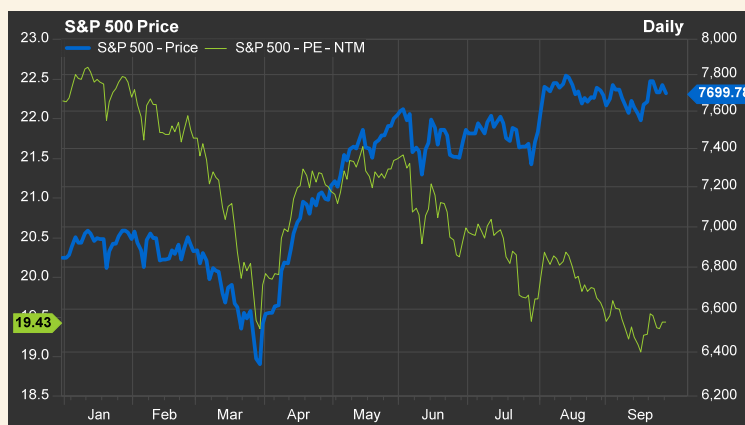
PERFORMANCE DRIVERS

- Interest rates, oil prices and inflation, as well as sentiment around AI continued to be the key drivers of the market in September. The most notable development seemed to be the big increase in bond yields, which weighed particularly heavily on rate-sensitive pockets of the equity market. Oil rallied again on renewed kinetic activity in the Middle East and the lack of any meaningful diplomatic traction, with an outsized focus on elevated product prices, particularly diesel. The Fed's first rate hike in more than three years triggered hawkish takeaways (and post-FOMC Fedspeak leaned hawkish). The AI trade outperformed as new model momentum and agentic proliferation offset high-profile calls for frontier model growth pacing and buildout scrutiny. Growth data ran hotter and inflation metrics stickier.
- There were multiple drivers behind a big increase in bond yields that saw 2-year Treasury yields hit the highest level in two years, 5-year yields above 5% for first time since 2007, and 10- and 30-year yields to the highest since 2002. Some of the initial focus revolved around oil/diesel strength, hot PPI inputs, an underwhelming Treasury buyback announcement/operation, and the lack of US fiscal discipline.
- As the month progressed, the focus shifted to the hawkish takeaways from the Fed's rate hike and related commentary. In addition to raising the rate to a range of 3.75% to 4.0%, the Fed signaled a desire to raise the rate again before year end. Chairman Warsh noted that this rate hike was removing some of the accommodation resulting from one of the three rate cuts the Fed engineered in 2025. As can be seen below, neither the new Fed Funds rate nor Financial Conditions are restrictive today, meaning the Fed has justification to raise rates again this year.



- The US-Iran conflict stretched into its seventh month in September with no real sign of any credible/sustainable diplomatic off-ramp. Both Brent and WTI crude held above \$100 a barrel while the jump in diesel prices (above \$6 a gallon in the US and up ~55% since the conflict began) grabbed even more attention given the potential negative spillover effects for global growth. Kinetic activity between the US and Iran picked up early in the month, while Houthi advances around strategic Red Sea sites were a key area of focus mid-month, particularly with the closure of Saudi Arabia's East-West pipeline. However, the pipeline was restored to roughly half of its capacity late in the month.
- Technology stocks, specifically Semis and memory, were among the best performers in September. Outperformance came despite a big mid-month selloff triggered by a call for a pacing of frontier capability growth from Anthropic CEO Dario Amodei (several other prominent AI leaders agreed with the message). There were a number of tailwinds for the AI trade, including new model enthusiasm, led by OpenAI's GPT-6. Cheaper frontier models also came with a largely positive spin for the compute narrative. And one of the biggest AI stories revolved around the momentum behind Muse, the personal AI assistant from Meta, which helped shift some focus beyond frontier model training to the next layers of agentic proliferation and the broader, steadier source of demand for chips, memory and cloud capacity.

- Companies in the Technology and Communications Services sectors have been big drivers of the stellar corporate earnings growth this year, currently estimated at 33%. As a result, despite rising stock prices, the forward P/E multiple has actually declined this year, making stocks more attractive on a valuation basis.

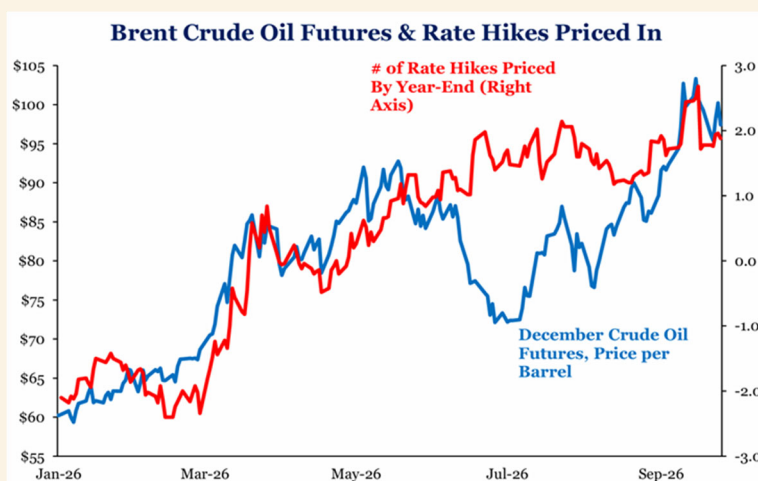


Source: Fact Set As of 09.30.2026

- Key data released in September tended to run hotter and played into multiple market narratives. In terms of the August metrics, nonfarm payrolls increased 162K, well ahead of the ~55K consensus (although the September jobs report showed a meager gain of only 29K jobs and an increase in the unemployment rate to 4.2%), ISM services hit a six-month high with business activity at its best level since November 2022, and core retail sales jumped 1.4%, much better than the 0.5% expected. On the inflation front, ISM services prices paid rose to 72.6, the highest in over four years, while PPI inputs feeding PCE inflation also came in firmer than expected

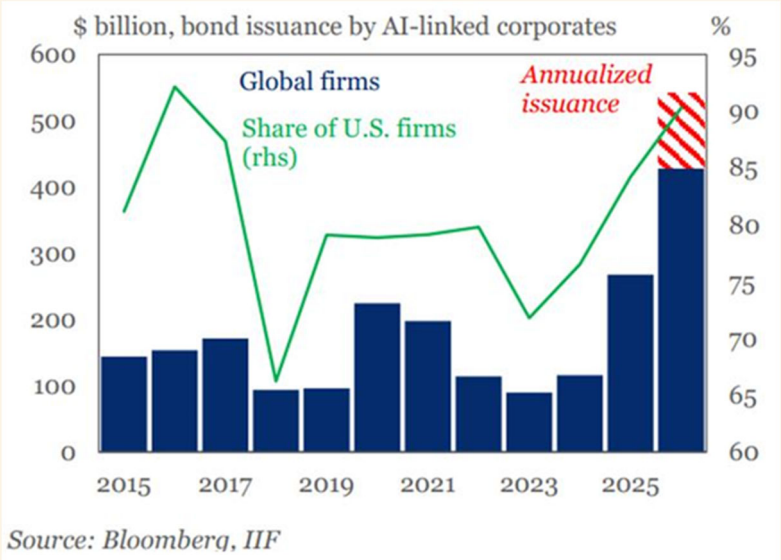
THE BEARISH NARRATIVE

At this point, it feels as if an end to the war in Iran and a full reopening of the Strait of Hormuz and other Mideast commodity transit lines would go a long way to removing most of the potential headwinds the market faces today. Under that scenario, we'd expect oil prices to fall, inflationary pressures to abate, expectations for Fed rate hikes to decline, and short-term interest rates to fall. As far as the Fed is concerned, the chart below demonstrates how important oil prices are for decisions around Fed policy.

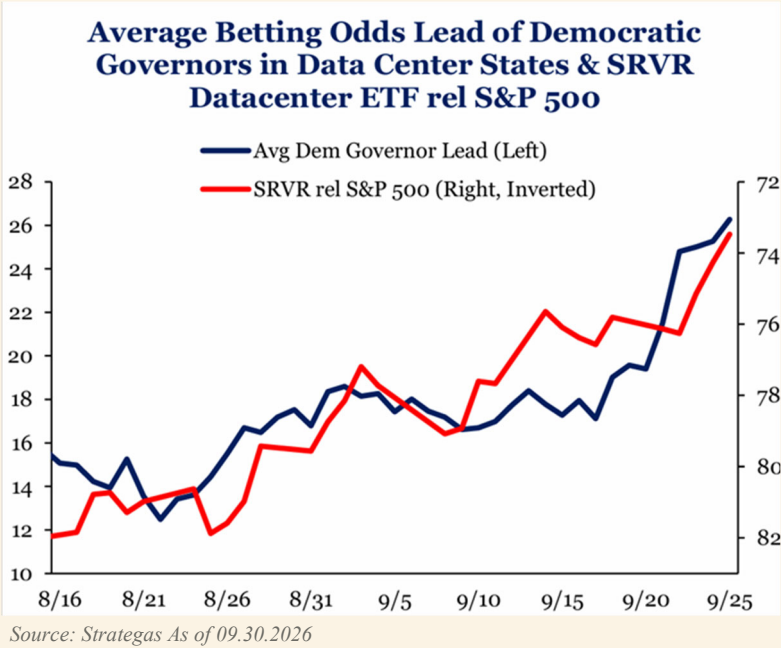


Source: Strategas As of 09.30.26

As far as the AI trade is concerned, a key fear is that the significant investment companies have been making in AI and related technologies will not be sustainable. And if these investments decline, it will have a negative impact on US GDP and corporate earnings growth. The first chart below demonstrates how much debt US firms are having to incur in order to fund these investments (because corporate cash flow is insufficient).



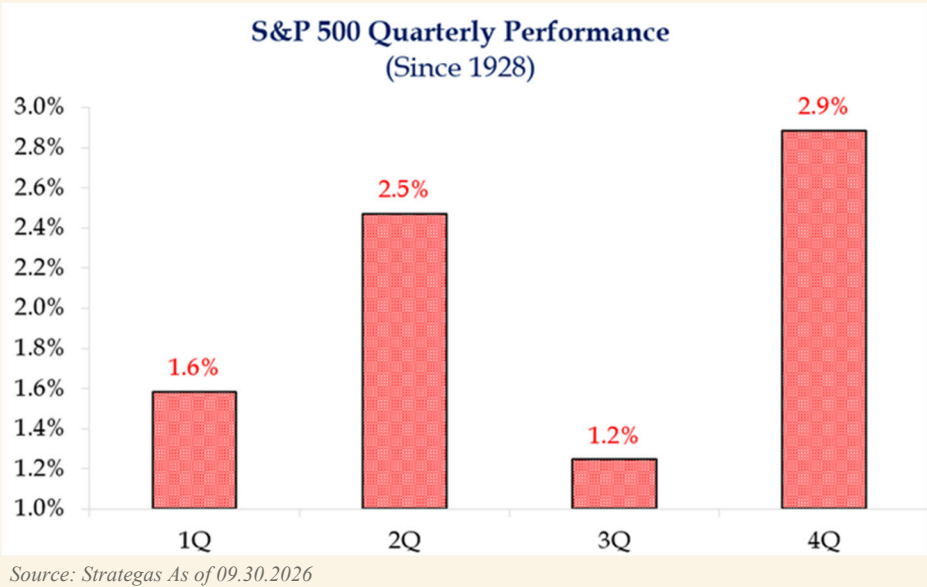
The chart below displays the impact politics are having on data center development in a mid-term election year, as Republicans are now seen as pro-data center while Democrats have become anti-data center development.



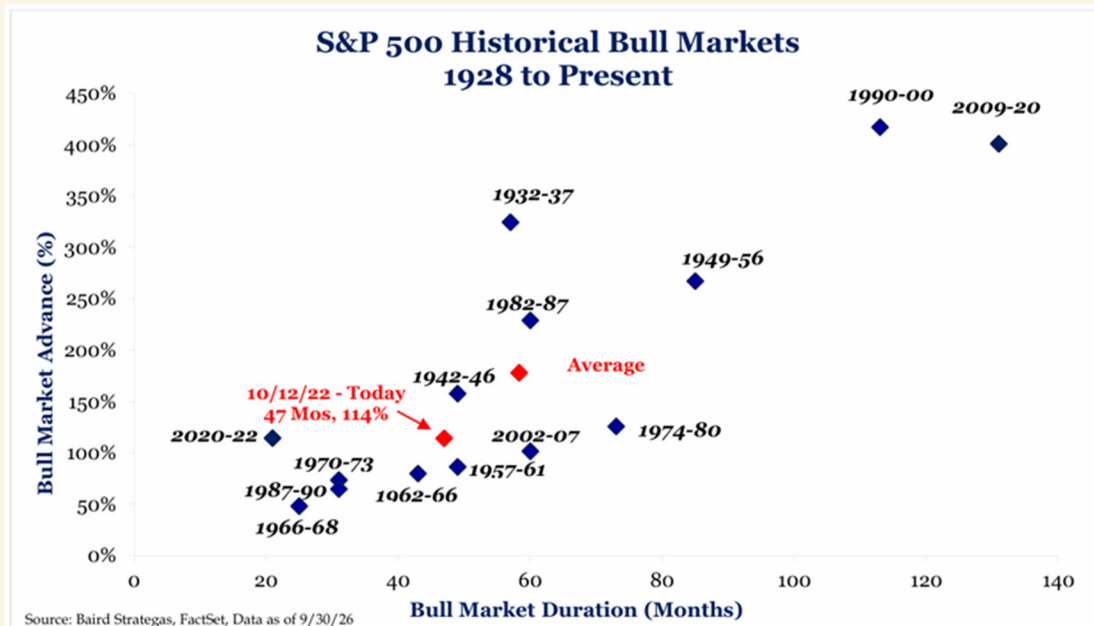
And if it was in question, the chart below demonstrates how dependent the S&P 500 has become on the AI trade.



A key takeaway is that an end to the Iran conflict could have a positive impact on the markets. It's also important to remember that the 4th quarter has historically been the best quarter of the year for stocks.



The current Bull Market still has yet to achieve the average duration or magnitude of all bull markets since 1928.



WHAT TO EXPECT & INVESTMENT PORTFOLIO IMPLICATIONS

The variance in performance among asset classes this year again demonstrates the need for diversification and a patient long-term approach. In addition, we still believe alternative strategies such as private equity and private credit offer excellent diversification and return enhancement to an investor's portfolio. These strategies can also carry meaningful risks, including limited liquidity, higher fees, leverage, and less frequent valuation, and they are not suitable for every investor.

Thank you for your support of Turtle Creek. We are committed to helping the families we serve meet their long-term financial goals. Please contact us if you have any questions or thoughts about this market update or if we can help in any way.



Turtle Creek Wealth Advisors, LLC ("Turtle Creek") offers investment advisory services and is registered with the U.S. Securities and Exchange Commission ("SEC"). SEC registration does not constitute an endorsement of the advisory firm by any regulatory authority, nor does it indicate that the advisory firm has attained a particular level of skill or ability. All content available in this commentary is general in nature, not directed or tailored to any particular person, and is for informational purposes only. Neither this commentary nor any of its content is offered as investment advice and should not be deemed as investment advice or a recommendation to purchase or sell any specific security. The information contained herein reflects the opinions and projections of Turtle Creek as of the date hereof, which are subject to change without notice at any time. Turtle Creek does not represent that any opinion or projection will be realized. The information contained herein has been obtained from sources considered reliable, but neither Turtle Creek nor any of its advisers, officers, managers, or affiliates represents that the information presented in this commentary is accurate, current, or complete, and such information is subject to change without notice. The information contained [in this commentary does not purport to be a complete description of the securities, markets, or developments referred to in this material. Any performance information must be considered in conjunction with applicable disclosures. Past performance is not a guarantee of future results. Neither this commentary nor its contents should be construed as legal, tax, or other advice. Individuals are urged to consult with their own tax or legal advisors before entering into any advisory contract. Any investment is subject to risks, including the possible loss of principal. Individual investor's results will vary. Investing involves risk, and you may incur a profit or loss, including the entire loss of investment, regardless of the strategy selected. In appropriate cases, certain family office services will be provided by Turtle Creek Family Office Services, LLC, a wholly owned subsidiary of Turtle Creek Wealth Advisors, LLC.