Market Review – September 2026

Corporate earnings support global equity markets

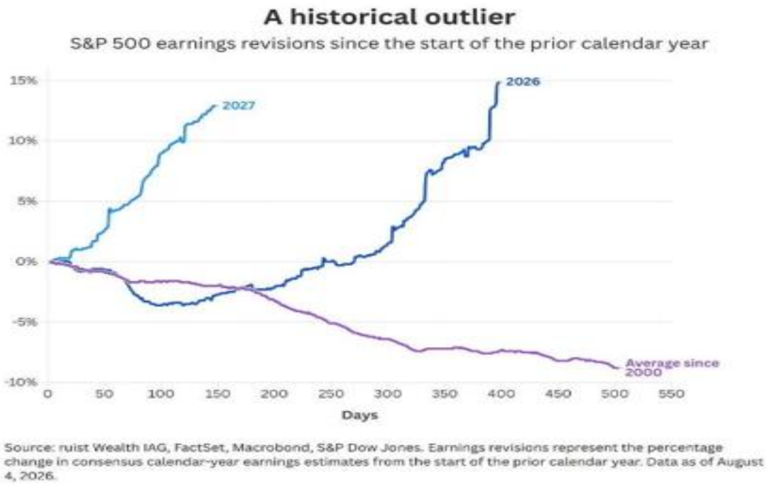
Global equities rose during August, supported by exceptionally strong corporate earnings and resilient economic activity. This occurred despite unresolved tensions in the Middle East and a further increase in longer-term interest rates.

The global second quarter earnings season has been significantly stronger than expected and remains an important support for equity markets.

In the United States, more than 90% of S&P 500 companies have reported results, with approximately 87% exceeding earnings expectations. Consensus earnings growth has risen to around 33% year-on-year, well above expectations at the beginning of the reporting season. Technology and energy companies have led the improvement, while continued investment in artificial intelligence infrastructure has supported growth across parts of the technology supply chain, including semiconductor manufacturers such as Nvidia and networking and connectivity companies such as Cisco and Broadcom.

As a result, earnings expectations for 2026 and 2027 have been revised higher, as outlined in the graph below.

Strong US earnings season



Source: Topdowncharts.com

Encouragingly, the strength of the US earnings season has spread beyond a small group of large technology companies. All eleven S&P 500 sectors are reporting revenue growth, while 45% of companies have recently outperformed the index, the highest proportion since 2022. This suggests US equity market performance is becoming less dependent on a narrow group of companies than it was earlier in the year.

International Equities

Global sharemarkets[1] rose 2.3% in August. There was strong performance across markets including the US, Japan and Germany. Emerging markets also delivered strong performance outcomes. Global sharemarket performance was supported by resilient economic data and strong corporate earnings.

Strong earnings have also been evident outside the United States. European companies have generally reported better-than-expected results, while Japanese corporate earnings growth has also remained strong. Estimates for the MSCI World Index indicate earnings growth of approximately 38% year-on-year, highlighting that the improvement in corporate profitability has been broader than the United States alone.

As shown in the graph below, the proportion of countries with negative year-on-year corporate earnings growth has declined in 2026.

The strength of global earnings and the momentum behind the AI infrastructure build was highlighted by Nvidia's earnings result. Nvidia delivered another strong result, with sales increasing 106% and earnings rising 110%. The result reflected continued demand for the advanced computer chips used to develop and operate AI applications. Major technology companies continued to increase spending on cloud computing, data centres, networking and power infrastructure, supporting growth across semiconductor manufacturers and other businesses involved in the technology supply chain.
While Nvidia's result reinforced the strength of demand for AI infrastructure, the scale of planned investment also kept attention focused on whether future revenues will justify the capital being invested.

Australasian Equities

New Zealand's sharemarket[2] gained 1.7% in August, taking the 12 month return to 8.4%. Supporting the market during the month was positive economic data and corporate earnings updates.

The New Zealand reporting season was stronger than expected. Median earnings per share increased 21%, ahead of the 16% forecast. Of the 31 companies reporting, 15 exceeded earnings expectations, seven were in line and nine missed. The quality of the earnings season was also reflected in dividends and company outlooks. For the 2027 financial year there were 12 dividend upgrades and four downgrades. Thirteen companies provided more positive outlook commentary than in May, compared with five that became more negative. Channel Infrastructure, Heartland Group, Scales, Fletcher Building and Summerset were among the companies delivering stronger results.

In relation to the economy, domestic economic indicators continued to improve through August. Manufacturing and services surveys were consistent with annual economic growth of around 2%, while consumer confidence and business surveys remained consistent with economic recovery.

Top performers for the month included Gentrack (+31.0) Sky Network Television (+12.3%), Hallenstein Glassons (+12.2%), whilst Westpac (-8.1%), Kathmandu (-6.6%), and Air New Zealand (-6.0%) performed the worst.

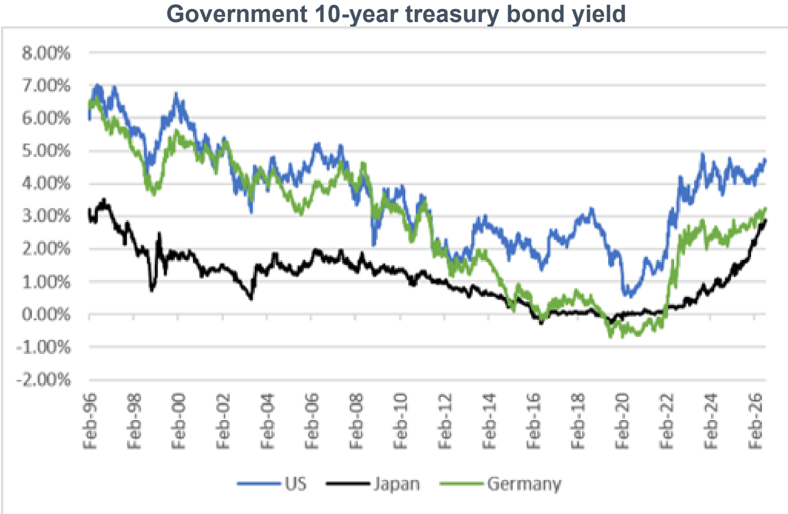
Australian equities[3] rose 1.5% during August, with the Australian sharemarket supported by a positive earnings season. Corporate earnings reporting confirmed a recovery in profits after three years of declines. Consensus earnings growth for the 2026 financial year was 11.6%, but around 5.3% excluding mining and energy. Around 67% of companies reported higher earnings than a year earlier and 59% increased dividends. Healthcare and selected retail and property companies produced encouraging results, while banks, consumer companies and housing-related businesses were more mixed.

Among the better-performing companies in August included CSL (+39.4%), Newmont (31.0%) and Xero (+18.4). GPT Group (-8.6%), National Australia Bank (-6.5%), and Qantas (-5.3%) were amongst the worst performing.

Fixed income and cash markets

The Bloomberg Global Aggregate Bond Index (New Zealand dollar hedged) was flat in August. A notable feature of August was the continued rise in longer-term government bond yields. US 10-year Treasury yields remained around 4.6% to 4.7%, while long-dated European and Japanese government bond yields moved towards multi-decade highs. Importantly, this occurred despite softer inflation outcomes and weaker US economic data, highlighting that investors remain focused on longer-term inflation risks and the additional compensation required for lending money over extended periods. Increased issuance by corporates, including large technology companies, has also placed upward pressure on longer-term interest rates.

Government 10-year treasury bond yield



Source: Bloomberg, Shaw and Partners

Softer US employment and inflation data early in the month reduced expectations for US Fed interest rate hikes. However, Chair Kevin Warsh's Jackson Hole speech emphasised that underlying inflation had not improved sufficiently and that financial conditions were not restrictive. This, along with a strong US employment report, has led markets to increase the probability of Fed interest rate rises

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Elsewhere, the Reserve Bank of Australia left its cash rate unchanged at 4.35% but maintained a bias toward further interest rate increases. The Bank of Japan also retains a bias towards lifting interest rates, while further European Central Bank interest rate increases are anticipated.

New Zealand's fixed income market[4] recorded small gains in August. Local long-term interest rates rose on global sentiment.
The Reserve Bank of New Zealand (RBNZ) increased the Official Cash Rate (OCR) by 25 basis points to 2.75% in early September. The RBNZ indicated that further rate hikes may be required. The RBNZ projections imply a likely pause in interest rate increases in October of this year, followed by an increase in December.
Official Cash Rate

The RBNZ emphasised downside risks to economic activity, higher unemployment and the uneven nature of the economic recovery, while maintaining its expectation that inflation will return to the target band by mid-2027. It noted that annual inflation had increased to 4.1% in the June quarter, largely because of higher fuel prices associated with the Middle East conflict, but that most measures of core inflation remained within the 1% to 3% target range.
Overall, the RBNZ conveyed that interest rates are stimulatory at current levels and that it remains appropriate to remove this stimulus gradually over time to ensure inflation returns sustainably to the midpoint of its target range.

Conclusion

August was another month in which global markets demonstrated resilience despite higher long-term interest rates, elevated energy prices and ongoing geopolitical tensions. Strong company earnings, improving business activity and resilient economic growth helped support investor confidence. Inflation remains above central bank targets in many regions, but there are increasing signs that underlying price pressures are becoming more manageable.

While uncertainty around inflation, interest rates and global events is likely to remain, continued economic growth, healthy corporate profitability and ongoing business investment provide reasons for confidence in the economic outlook.

As always, and particularly during periods of heightened uncertainty, we encourage investors to focus on their longer-term goals, remain patient during short-term market fluctuations and maintain a portfolio aligned with their objectives and risk tolerance.

1 MSCI ACWI Index in local currencies
2 S&P NZX 50 gross index
3 S&P ASX 200 total return Index
4 Bloomberg NZ Bond Composite 0+ Yr Index

Indices for Key Markets

As at 31 August 2026	1 Month	3 Months	6 Months	1 Year	3 Years p.a.	5 Years p.a.
S&P/NZX 50 Index	1.7%	5.3%	1.8%	8.4%	7.2%	1.8%
S&P/ASX 200 Index (AUD)	1.5%	4.5%	0.3%	4.4%	11.2%	7.8%
MSCI ACWI Index (Local Currency)	2.3%	1.9%	10.1%	22.8%	20.2%	11.7%
MSCI ACWI Index (NZD)	2.0%	3.1%	11.1%	22.0%	20.7%	14.8%
S&P/NZX 90 Day bank bill Total Return	0.2%	0.6%	1.3%	2.7%	4.2%	3.7%