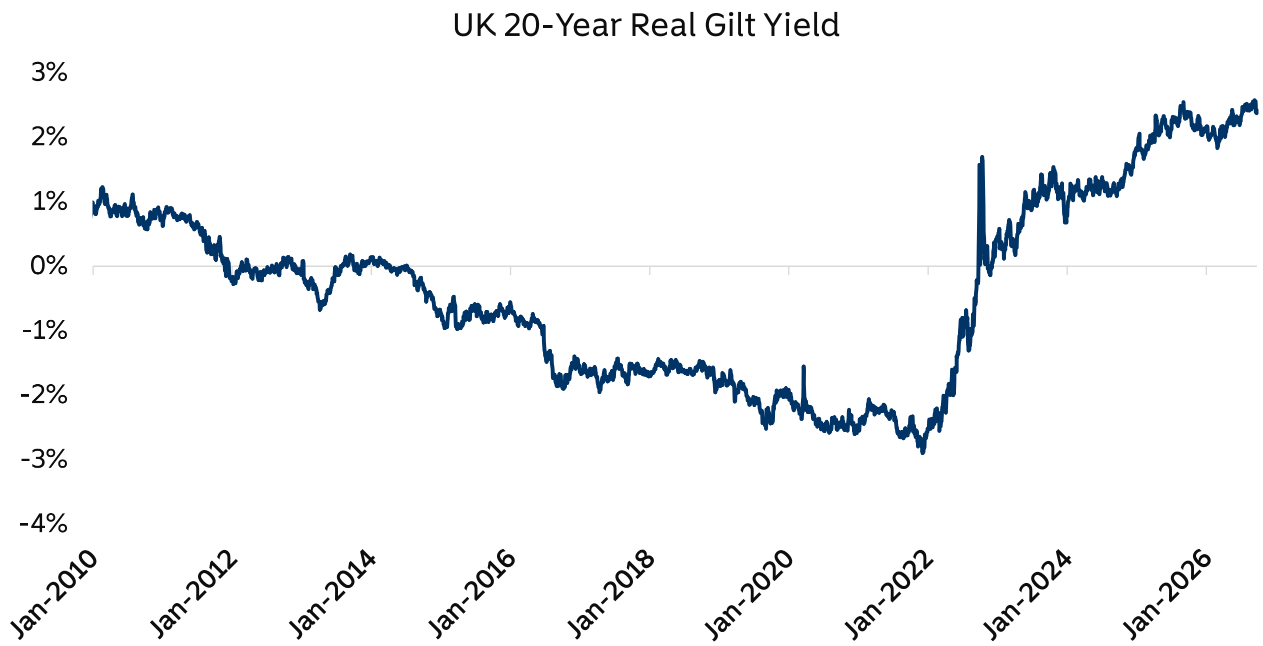
Chart of the Week

28 September 2026



Source: Bloomberg Finance L.P., data as at 22 September 2026.

Higher for Longer, For Longer?

Jonathan Adamson, CFA
Investment Consultant

What does the chart show?

The UK 20-year real gilt yield, the real return on long-dated index-linked government debt relative to RPI inflation, has risen from around -2.5% during the pandemic era to roughly +2.4% today, near its highest sustained level in more than two decades.

Short-term rates are heavily influenced by the Bank of England, while long-dated real yields reflect expectations for future real rates, alongside bond supply, investor demand and the premium investors require for long-term debt. They're a useful guide to where real rates may settle, though not a pure measure of the economy's "neutral" rate.

The key development over the past year has not been further sharp increases, but persistence. Despite shifting Bank of England rate expectations, real yields have stayed close to their post-2022 highs. This appears consistent with markets assigning a lower probability to a return to the ultra-low real-rate environment of the 2010s, though higher term premia (due to gilt market supply/demand dynamics) and other factors are also contributing.

Why is it important?

Higher real yields have implications across almost every asset class. For bond investors, they mean more attractive starting returns. For equity investors, a higher discount rate reduces the present value of future earnings, pressuring valuations, particularly for growth-oriented companies. For pension schemes and other long-term investors, higher real yields can reduce the present value of long-dated liabilities, though the net impact depends on how assets and liabilities are structured.

More broadly, the question is shifting from "when will rates fall? "to" where will they ultimately settle?" If the 2010s prove to have been the exception rather than the norm, the equilibrium level of rates could be materially higher than many investors became accustomed to.

***Bottom line:** The real story may not be "higher for longer," but "higher for longer than expected." If today's elevated real yields reflect a lasting shift rather than a temporary dislocation, assumptions built around the exceptionally low yields of the 2010s may need revisiting across asset valuations, pension liabilities and portfolio construction.*

Weekly market update

Week ending 25 September 2026

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Markets balanced resilient activity and strong technology investment against a renewed rise in sovereign yields and volatile energy prices. Diversification remained important as regional growth, inflation and policy risks continued to diverge.

US

- Business surveys pointed to rapid expansion but also stronger input-cost pressures and supply bottlenecks, reinforcing concerns that inflation could remain persistent.
- Treasury yields rose sharply as resilient data, hawkish Federal Reserve commentary and weak government debt auctions strengthened expectations of further policy tightening.
- Large technology and semiconductor companies remained supported by enthusiasm for artificial intelligence, although delays to a major data-centre project highlighted financing, power and execution risks.
- Improving prospects for US-Iran negotiations reduced some energy-supply fears late in the week, but oil-price volatility continued to influence inflation expectations and bond markets.

UK

- September business surveys showed the private sector still expanding, although softer services activity and intensifying price pressures underlined the economy's difficult growth-inflation trade-off.
- Consumer confidence weakened as households anticipated higher energy costs, while retail surveys indicated falling sales and a sharp reduction in orders placed with suppliers.
- Fiscal scrutiny remained elevated after international institutions called for stronger control of spending and debt, keeping gilt-market sensitivity to the October Budget firmly in focus.
- Bank of England officials signalled that persistent energy costs could make rate rises more likely, even though evidence of broader second-round inflation effects remained limited.

Europe

- German political uncertainty increased after poor state-election results for the governing CDU, although the immediate implications for federal policy and large listed companies appeared limited.
- Germany's economy was expected to lose momentum in the third quarter as transport disruption, subdued consumption and weaker export support offset earlier resilience.
- Euro-area policymakers warned that renewed oil and gas pressures could keep inflation above target for longer, sustaining the possibility of additional monetary tightening.
- European equities were pulled between higher bond yields and changing energy prices, with growth-sensitive sectors under pressure while defensives and selected financials proved more resilient.

Rest of the World/Asia

- The People's Bank of China kept its main lending rate unchanged, signalling continued reliance on targeted support rather than a broad new easing cycle.
- The US-China summit produced few concrete outcomes beyond a two-month extension of the trade truce, leaving technology restrictions, rare-earth supplies and strategic competition unresolved.
- China's exposure to disrupted Middle East energy flows remained a global concern, although alternative suppliers, inventories and domestic demand management continued to cushion the immediate impact.
- Japanese equities retained support from corporate governance reform, domestic policy and investment linked to artificial intelligence and advanced manufacturing, despite pressure from higher global yields.

Weekly market data

Week ending 25 September 2026

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Asset Class / Region	Currency	Cumulative returns			
		Week ending 25 September	Month to date	YTD 2026	12 months
Developed Markets Equities					
United States	USD	1.2%	0.8%	13.8%	18.2%
United Kingdom	GBP	0.2%	-1.1%	10.6%	20.2%
Continental Europe	EUR	0.8%	-1.8%	9.8%	18.0%
Japan	JPY	0.9%	-0.7%	22.6%	32.6%
Asia Pacific (ex Japan)	USD	1.2%	0.3%	25.3%	30.1%
Australia	AUD	-0.7%	-3.8%	2.3%	2.1%
Global	USD	0.9%	-0.1%	13.0%	18.0%
Emerging Markets Equities					
Emerging Europe	USD	-0.3%	-0.4%	26.9%	38.4%
Emerging Asia	USD	1.8%	1.5%	28.8%	34.4%
Emerging Latin America	USD	-1.1%	-0.1%	15.0%	26.0%
BRICs	USD	-0.9%	-3.8%	-9.5%	-11.2%
China	USD	-0.6%	-4.4%	-11.7%	-16.9%
MENA countries	USD	-1.0%	-2.7%	-0.2%	-3.5%
South Africa	USD	-2.3%	-5.8%	-0.9%	17.1%
India	USD	-0.7%	-4.5%	-16.1%	-12.9%
Global emerging markets	USD	1.3%	0.9%	25.2%	31.4%
Bonds					
US Treasuries	USD	-0.7%	-1.8%	-2.2%	-1.3%
US Treasuries (inflation protected)	USD	-0.8%	-2.2%	-1.8%	-1.6%
US Corporate (investment grade)	USD	-1.0%	-2.0%	-2.1%	-1.1%
US High Yield	USD	-0.9%	-1.9%	0.7%	2.2%
UK Gilts	GBP	-0.6%	-1.0%	-2.3%	1.1%
UK Corporate (investment grade)	GBP	-0.5%	-1.2%	-1.1%	1.8%
Euro Government Bonds	EUR	-0.5%	-2.0%	-3.1%	-2.4%
Euro Corporate (investment grade)	EUR	-0.3%	-1.6%	-1.4%	-1.0%
Euro High Yield	EUR	-0.5%	-1.5%	0.3%	0.9%
Global Government Bonds	USD	-0.6%	-1.7%	-2.3%	-2.1%
Global Bonds	USD	-0.8%	-2.2%	-2.7%	-1.7%
Global Convertible Bonds	USD	0.1%	-0.6%	13.4%	15.8%
Emerging Market Bonds	USD	-1.3%	-2.5%	-1.4%	1.5%
Property					
US Property Securities	USD	-0.8%	-4.3%	10.9%	10.5%
Australian Property Securities	AUD	-0.1%	-5.6%	-18.4%	-20.7%
Global Property Securities	USD	-0.8%	-4.2%	3.2%	4.7%
Currencies					
Euro	USD	-0.7%	-1.9%	-2.9%	-2.4%
UK Pound Sterling	USD	-1.0%	-2.3%	-1.6%	-0.7%
Japanese Yen	USD	-0.3%	1.6%	-0.3%	-4.7%
Australian Dollar	USD	-1.3%	-1.9%	5.4%	7.4%
South African Rand	USD	-0.3%	-1.3%	1.6%	7.0%
Swiss Franc	USD	-0.7%	-2.4%	-4.2%	-3.3%
Chinese Yuan	USD	-0.2%	0.1%	4.1%	6.3%
Commodities & Alternatives					
Commodities	USD	-0.8%	2.7%	45.5%	48.0%
Agricultural Commodities	USD	0.7%	-3.2%	17.8%	15.3%
Oil	USD	0.4%	15.3%	71.4%	50.3%
Gold	USD	-2.2%	-3.3%	-0.8%	14.8%

Source: Bloomberg Finance L.P. Past performance is not indicative of future returns.

For more information, please contact:
Distribution Services

E: distributionservices@momentum.co.uk
T: +44 (0)207 618 1829

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