KFH Capital Monthly Insights

Capital Market Outlook & Updates

September 2026

Capital Market Insights & Outlook

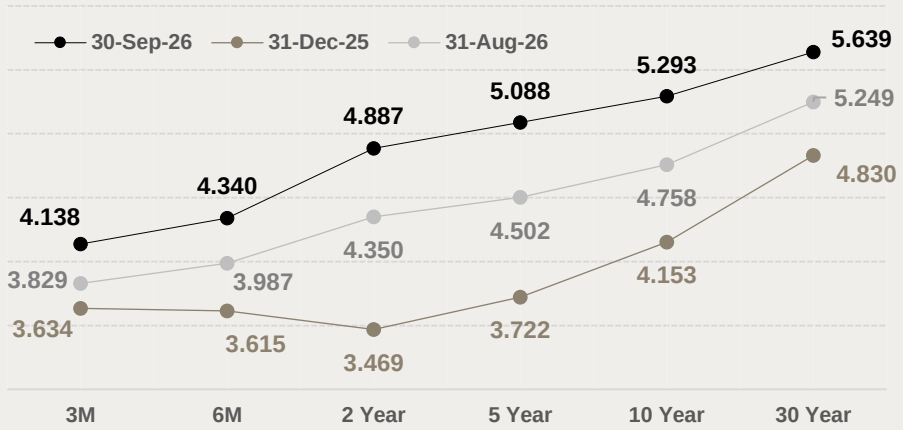
Key Market Themes: Elevated bond yields; Inflation and earnings growth for Q32026

Factor	View	Comments / Notes
Bond Yields	High Risk, High Impact	The US Treasury Yield Curve movement during the month can be explained as a bearish flattening of the curve; bearish for the sharp rise of 50-60bps in the short to medium maturity (2Y-10Y) on a monthly basis. On a Year to Date (YTD) basis the average rise in yields have been close to 130bps as the same maturity period. The flattening of the curve is due to the medium-term maturity yields rising faster compared to the long tenor yields. Note the above phenomenon is not unique to US it has been observed across developed economies bond markets. The UK 10Y Gilts traded over 5% first time since 2007; the UK 2Y Gilts closed at 4.8% levels last seen during 2008-2009. What is driving the yields: The surge in 2Y Yields means the markets are pricing in higher rates for longer; the 2Y is the most sensitive to the policy rate movement. The surge in 5Y yields is a leading indicator that the markets are pricing firmer inflation expectations. The 10Y Yield is the frequently used benchmark yield for new bond issuance pricing; corporate borrowings; project financing; valuations; Real Estate, thus the surge is directing towards expectations of tighter financial conditions. Impact of Rising Yields: The subsequent impact is both on Public and Private sector. The Public sector impact is the rising cost of debt on government budgets. Thus, the impact of higher bond yields is channeled through flagging of fiscal position. Recent Fitch reports on the government debt rollovers between 2026-2027 states 40% of the total US Debt is to be refinanced during the period. The Private sector impact is more on the Investments / Capex Cycle and discretionary household spending
Capital Markets Outlook	Neutral to Negative	Returns on equities have been soft on a monthly basis as markets and broad macroeconomics face multiple headwinds which include geopolitics; elevated yields; higher inflation expectations; monetary policy direction and most recent is the earnings growth during Q32026. Will markets continue to be resilient and hold its ground or likely witness a significant correction in the short to medium term depends on how the above factors playout. Macroeconomics are driven by the prospects of the US-Iran conflict, if it drags on for the remainder of the year, which is the consensus we are likely to witness sticky inflation supported by oil supply shocks and further compounded by the rise in agricultural prices. The outlook for the headline global inflation has revised upwards to 4.2-4.3% from earlier estimates of 4.0% as per Fitch reports. Equities though resilient face multiple pressure points like interest rate hikes; Q32026 earnings announcements which can drive market volatility; sustained higher yields which can initiate asset reallocation. Gold prices to remain under pressure in short term impacted by higher US Policy Rates; strong USD and higher Yields .

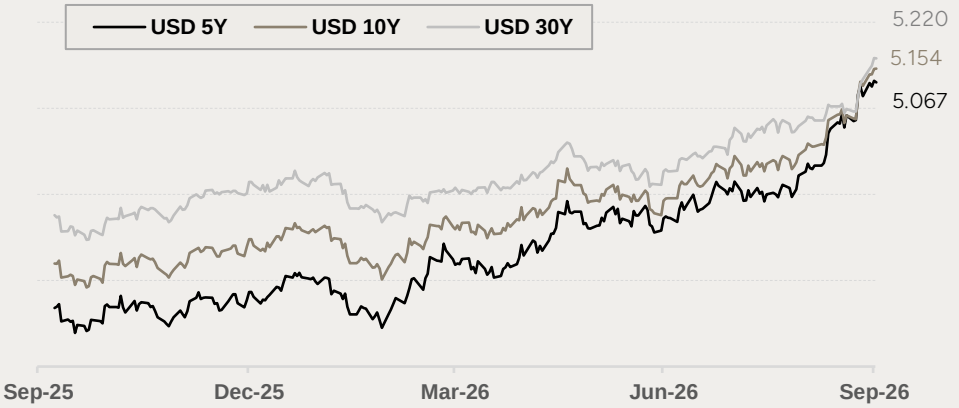
Global Benchmark Yields

Benchmark Yields continue to move upwards key driver being higher inflation expectations; fiscal concerns and the Middle East Conflict.

US Treasury Yield Curve (%)

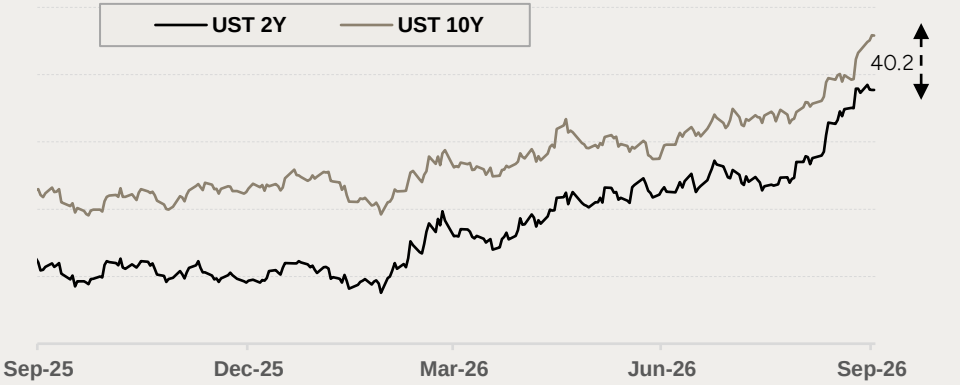


US Mid-Swaps Yield (%)



- There has been a sharp movement in the yields on a monthly basis; in reference to the US Treasury Yield Curve the movement has been prominent in the belly area (i.e. 2Y; 5Y and the 10Y) or Medium Maturities. The 2Y Yields have moved 53bps; while the 5Y and 10Y have crossed over the 5% mark. The 5Y has moved 59bps while the 10Y has moved 54bps during the same period
- The above is a bearish flattening of the yield curve which indicates higher for longer rates; inflation expectations to be higher; fiscal concerns and higher risk premium. The bond yield rising is the bearish part; while the rise of the short to medium term yields compared to the long tenor yields is the flattening part

10Y-2Y Spread (bps)



Source: Refinitiv, Year-to-Date (YTD) as of September 30, 2026

Equity Markets Update

Global Equities have been soft on a monthly basis but continue to remain resilient despite headwinds.

Global Equities: Expect volatility

Markets so far have absorbed the US –Iran conflict; the interest rate hikes on the back of strong earnings growth and sustained AI related Capex cycle.

However; we continue with our view that markets are to remain range bond; volatile and vulnerable as they lack any fundamental triggers. Factors like the sharp rise in Bond Yields which reduce the relative attractiveness of equities as an asset class can initiate asset reallocation and trigger a correction

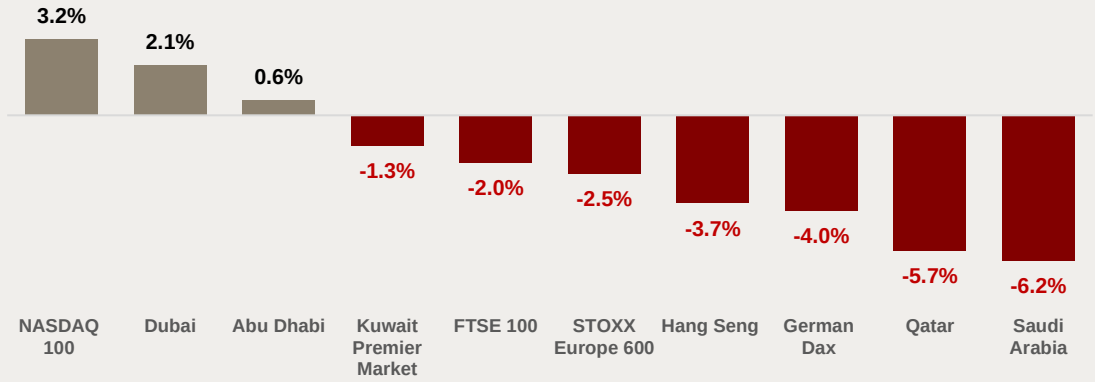
An additional factor would be the Q32026 earnings growth. If the earnings expectations remain intact one can expect further upward move in the markets. Nonetheless; Risk assets continue to be in the overbought zone on a technical basis.

GCC Indices have been muted on a monthly basis

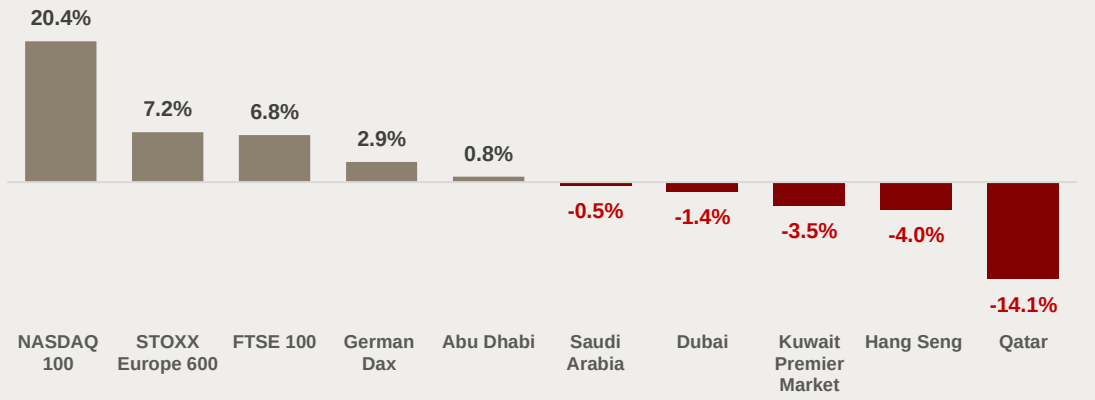
The regional equities continue to remain volatile with potential downside risks amid the changing geopolitical events. Much depends on the regional conflict, with the near-term resolution of the conflict diminishing regional equities will continue to remain volatile with higher downside risks.

Majority of the GCC equities underperformed on a monthly basis with the exception of UAE markets. Regional geopolitical risk was the trigger for the underperformance of regional markets; what followed was foreign capital outflow

Global Equity Markets Performance – Month to Date (MTD)



Global Equity Markets Performance – Year to Date (YTD)*

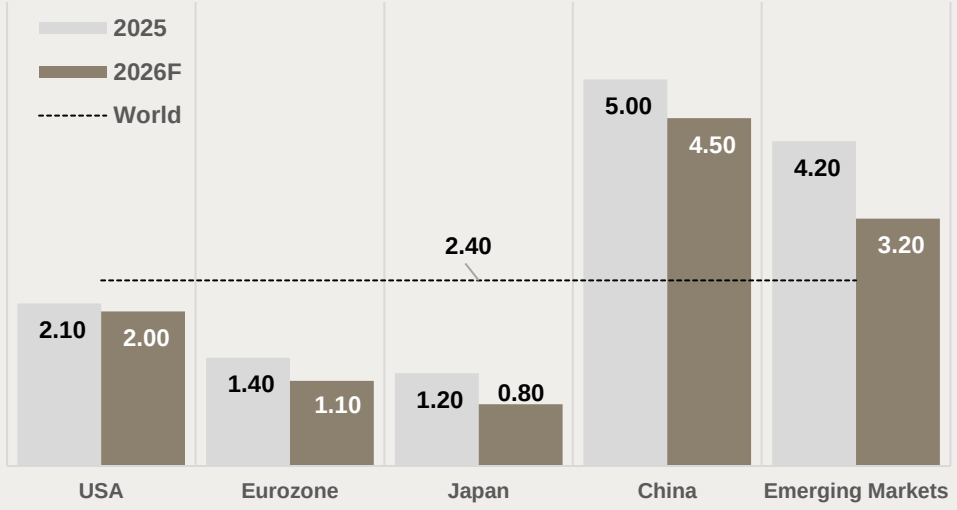


Source: Refinitiv; *Index Closing as of September 30, 2026

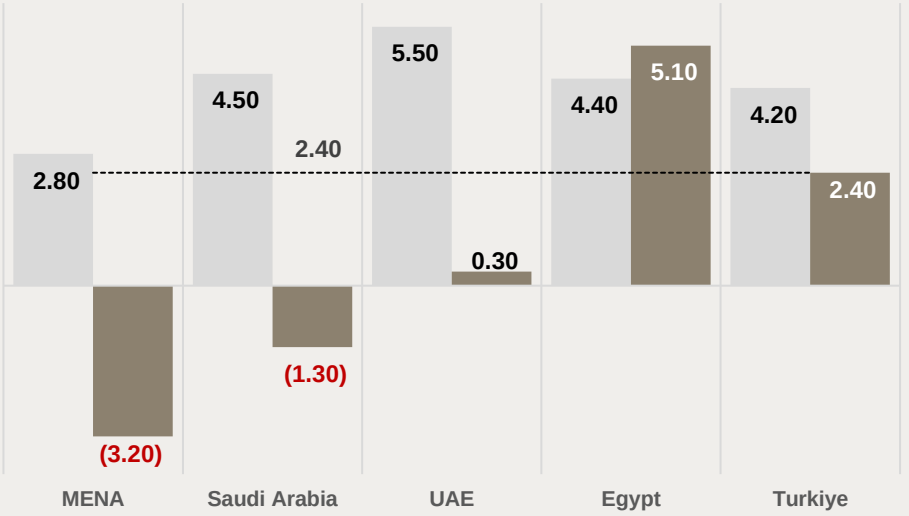
Macroeconomic Overview

Global Growth to remain at 2.4% despite sustained high oil prices and rise in interest rates as macroeconomic backdrop remains challenging.

Real GDP Growth (%) - Global



Real GDP Growth (%) – MENA Region



- Key challenges or downside risks include sticky inflation; supported by sustained higher oil prices coupled with increase in agriculture prices. Thus, we are looking a tighter monetary policy impacting GDP growth negatively.
- The other factor that is likely to impact growth to the downside is sustained higher bond yields. Higher yields to impact consumer spending, Investments and lower government spending. Elevated Yields to impact government economic stimulus as it drives higher interest expense and larger deficits.

Source: Fitch Solutions, f=forecasted, e=expected

- The GCC macroeconomics continue to be driven by the prospects of the US-Iran conflict. As per consensus prospects of the near-term deal between the two countries is fading. The widely held view is that the negotiations are likely to enter into Q12027 from earlier expectations of Q42026
- As per recent Fitch the outlook is modestly growth-positive in the near term, but increasingly inflation-negative with the balance of risks tilted toward slower growth and tighter-for-longer monetary policy.

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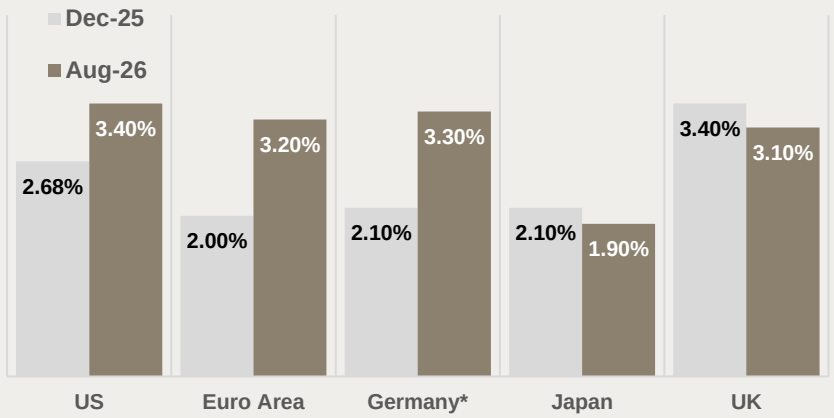
Consumer Price Inflation & Central Banks' Rates Monitor

Inflation risks compound with increase in oil prices along with broad increase in agricultural prices

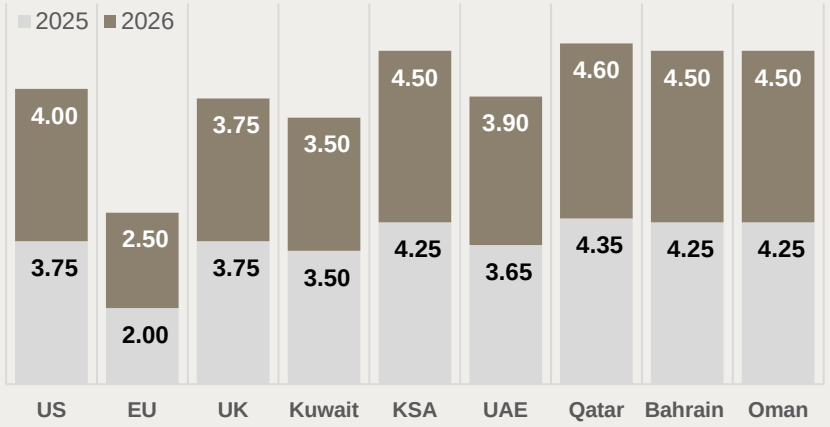
Consumer Price Index (CPI)



- Inflation prints for the month of August have been on the higher side primarily due to higher energy prices. The outlook for inflation remains to the upside supported by higher energy related prices coupled with increase in agricultural products as well.
- During the month the US Fed raised the federal fund rates range by 25bps to 3.75-4.00%, the first during 2026. Whie the ECB also raised its deposit facility rates by the same to 2.50% from earlier 2.25%.
- The Federal Open Market Committee (FOMC) participants assessment of appropriate monetary policy "Dot Plot" forecasts higher for longer rates for 2026 and 2027. Of the total 18 participants 12 (66.67%) of them believe the appropriate monetary policy for 2026 is 4.00-4.25% range; while another 4 (22.2%) indicate the policy range to 4.25-4.50%. Thus, the US Fed participants believe 25-50bps rate hike for 2026

*Source: Refinitiv; CPI: Consumer Price Inflation; *for the month of September 2026;*

Central Banks Rates



Economic Calendar

October 2026						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
27	28	29	30	01	02	03
04	05	06	07	08	09	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

Oct 02: Consumer Price Inflation - Eurozone
Oct 02: Non – Farm Payrolls - US
Oct 05: Consumer Price Inflation - Türkiye
Oct 14: Consumer Price Inflation - US
Oct 21: Consumer Price Inflation - UK
Oct 28: Federal Reserve Meeting - US
Oct 29: European Central Bank Meeting
Oct 30: Bank of Japan Meeting

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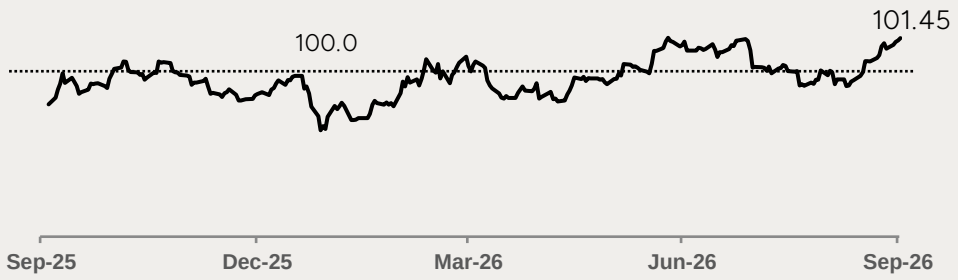
Commodities and Forex Overview

The commodity complex had a mixed performance on a month-on-month basis with energy prices remain top performers.

- Sustained supply side risks coupled with depleting inventories have driven energy prices higher. The average price for the Brent Crude during the month of September was USD 102 per barrel which is an increase of 15.83% over the previous month average price of USD 88 per barrel. The outlook on oil over the short to medium term remains neutral as the surge in crude prices was primarily supply driven as demand continues to remain uncertain.
- Gold underperformed as it closed with a decline of 6.22% on a monthly basis as it reacted to the US Fed rate hike and a firm USD. With the recent US Fed outlook indicating further increase in federal fund target range precious metal prices are likely to remain under pressure
- Industrial metals have underperformed on a monthly basis as the demand side remains fragile. Prices find support as supply side risks remain high

US Dollar Index Strengthens 3.18% on a Year-to-Date basis



Oil & Gas	Last	MTD	3M	YTD
NYMEX (USD Per Barrel)	90.42	5.43%	30.10%	57.47%
Brent Crude (USD Per Barrel)	103.53	14.41%	41.98%	70.14%
DME Oman Crude (USD Per Barrel)	117.08	11.80%	82.25%	90.59%
Natural Gas (USD MMBTU)	3.03	3.10%	-7.60%	-17.91%
LNG - ASIA (USD MMBTU)	25.85	11.42%	68.40%	169.27%
Precious Metals	**Last**	**MTD**	**3M**	**YTD**
Gold (USD Ozs)	4,155.60	-6.22%	3.30%	-3.93%
Silver (USD Ozs)	60.10	-9.25%	1.04%	-14.31%
Base Metals	**Last**	**MTD**	**3M**	**YTD**
Aluminum (USD/Tonne)	3,169.5	-2.24%	2.72%	5.81%
Alu Alloy (USD/Tonne)	3,200.0	0.00%	-8.83%	27.54%
Copper (USD/Tonne)	14,410.0	0.81%	7.74%	15.99%
Tin (USD/Tonne)	53,927.0	-2.35%	4.57%	32.97%
Zinc (USD/Tonne)	3,829.5	-1.38%	7.83%	22.84%
Lead (USD/Tonne)	1,873.5	-1.68%	-0.08%	-6.84%
Nickel (USD/Tonne)	15,928.0	-5.53%	-2.20%	-4.31%
Rolled Steel (CNY/Tonne)	2,929.9	-1.28%	-1.72%	-5.35%

Source: Refinitiv, YTD as of September 30, 2026

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