Raiffeisen
Investiční společnost

Commentary on the Financial Markets

10/26

September surprised the stock markets with its stability, despite the pressure of rising bond yields and interest rate hikes.

Statistics show that September is usually the weakest month for the S&P 500, which has lost an average of 1.34% over the past decade. This year, however, the S&P 500's decline has been only a modest 0.45%, while the global MSCI World index has fallen by 1.26%.

The main drivers of uncertainty were higher oil prices, rate hikes by the Fed and the ECB, and rising yields on ten-year US Treasury bonds, which exceeded the 5% mark. In addition, there is still relatively strong geopolitical uncertainty. Nevertheless, volatility in the markets, as measured by the VIX index, fell below the long-term average to around 16 at the end of the month, which indicates relative calm for investors.

In terms of sectors, technology excelled with growth of 6.6% and the communications sector, which maintained stability. On the other hand, utilities (-7.3%), real estate (-7.1%) and financials (-6.6%) lost the most, reflecting the sensitivity of these sectors to rising interest rates and market uncertainty.

The Fed expected to raise the base rate from 3.75% to 4% in September, with the market not ruling out another hike by the end of the year. The ECB also proceeded to raise the deposit rate to 2.5%, while the CNB is keeping the repo rate at 3.75% with the expectation of further growth. These steps reflect the efforts of central banks to tame possible higher inflation.

Rising oil prices are pushing up government bond yields – the German ten-year bond has risen above 3.6%, the Czech bond to 5.3% and the US bond is also around 5.3%, the highest level since 2002.

In October, it will be crucial to monitor the results of companies for the third quarter of 2026, which could give the stock another boost. The earnings of companies in the S&P 500 index are expected to grow by a strong 29.1% year-on-year. **The current valuation of the index, with a P/E of around 18.9, is slightly below long-term averages, indicating some attractiveness of the market. In addition, a better-than-expected personal consumption deflator at the end of September signals a possible decrease in pressure on further rate hikes.**

Statistically, in terms of performance, we are in for more favorable months. For example, November is one of the most successful months of the year, which may give investors further optimism. Nevertheless, risks in the form of inflation concerns, rising energy prices, potentially higher rates, and geopolitical uncertainties persist and may hinder further growth. Overall, however, September showed that even in an environment of rising rates and geopolitical challenges, stock markets can remain surprisingly resilient.

Transactions in RIS funds

Following the relatively strong decline in bond prices across the markets we monitored and after evaluating it as an interesting buying opportunity, we repeatedly made purchases in September. In terms of volumes, it is not surprising that the highest amounts were invested in Czech government bonds. The increase in positions by more than CZK 500 million concerned bonds maturing in 2032 and 2033, with the yield on these bonds exceeding 5% p.a. at the time of purchase. Corporate debt was also not left out, we participated in the primary issue of four-year SFI Finance bonds (Pillow Pojišťovna) and on the secondary market we bought euro bonds of the Polish bank PKO with a maturity in 2030. The equity portfolios of RIS funds were also busy, with adjustments made at the level of regional and especially sectoral allocation. Newly invested in the dynamically developing area of humanoids was made through an ETF fund comprising companies whose products and services are focused on this area. From short-term positions, we can mention active trading with the VanEck Gold Miners ETF fund focused on global gold miners and with shares of the arms company CSG on the Amsterdam Stock Exchange.

Investment Strategy

We continue to overweigh stocks over bonds. Regionally, we ovberweigh North America, the Pacific and Emerging Markets, and Europe underweights. In sectors, we overweigh growth sectors such as technology, communications, industrials and finance. We also include relatively new industries, such as humanoids and quantum computing. We buy longer bonds on market declines; we consider current yields of around 5% to be attractive. Overall, we maintain a longer duration for both koruna and dollar bonds, while we remain slightly underweighted in duration for euro bonds.

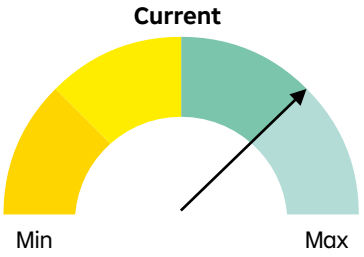
We wish you a lot of success in the next period!

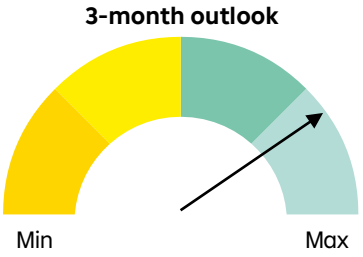


Michal Ondruška
CIO, Member of the Board

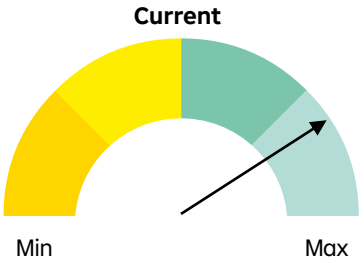
Investment Strategy Summary

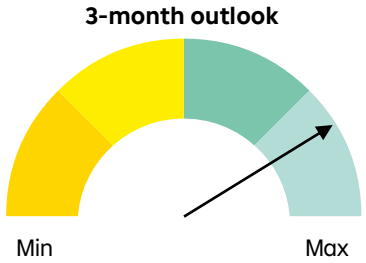
Tactical Allocation
Overweighting of stocks in portfolios



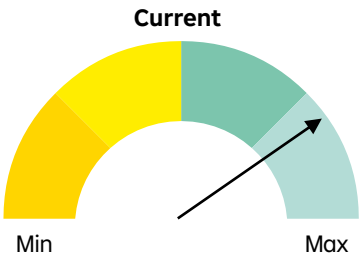


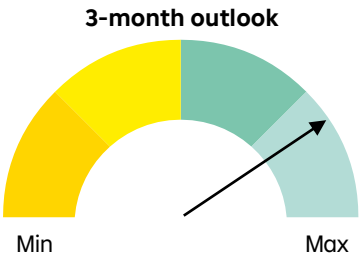
Interest Rate Risk
Average duration of bonds



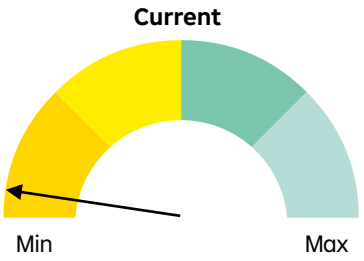


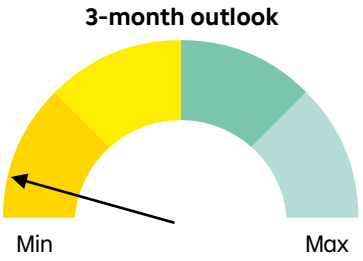
Credit Risk
Share of corporate bonds





Currency Risk
Unhedged positions in foreign currency





source: Raiffeisen investiční společnost, a. s., as of October 2nd, 2026

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