

September 13, 2026

## Opportunity Amidst Higher Yields

Risk assets remained resilient in August, supported by strong corporate earnings and continued optimism around AI investment, even as US Treasury (USTs) yields inched higher. Longer dated UST yields revisited levels last seen before the global financial crisis as investors weighed heavy government borrowing, persistent inflation concerns and significant AI-related financing needs. The US Treasury announced that it would double the size of its buybacks of longer dated securities to support market liquidity. The move briefly calmed the long end, but the relief was short-lived as yields resumed their move higher. Markets were not pricing an imminent downturn but were demanding compensation for uncertainty and the risks associated with holding longer dated bonds. Meanwhile, oil prices remained firm amid uncertainty in the Middle East, while gold benefited from ongoing concerns.

## Numbers Behind the Narrative

US economic data remained more resilient than markets had anticipated. The August employment report showed nonfarm payrolls increasing by 162k, well above expectations of 55k and the strongest gain since March, while prior month revisions added a further 55k jobs. The unemployment rate held steady at 4.1%, while labor force participation rebounded to 61.6%, pointing to improved labor supply. Wage pressures remained relatively contained, with average hourly earnings rising 0.3% MoM and annual growth easing to 3.1% from 3.2%, suggesting that stronger hiring has not translated into a renewed acceleration in costs. It remains possible that some of August's strength is revised away; however, the broader trend appears firmer than expected.

Inflation, however, continued to provide little comfort to policymakers. Headline CPI rose 0.4% MoM and remained unchanged at 3.4% YoY in August, while core CPI increased 0.3% MoM (vs. 0.2% consensus). Similarly, core PCE, the Federal Reserve's preferred inflation gauge, rose 0.2% MoM and 3.3% YoY in July, indicating that underlying price pressures are moderating only gradually. Broader activity indicators also remained firm, with the flash composite PMI rising to 56 from 54.5, led by the services sector, while manufacturing remained in expansionary territory. Overall, the latest releases reinforced the view that the US economy remains on a solid footing, supporting the case for the Federal Reserve to maintain a cautious approach to policy.

## Central Bank Watch

Globally, monetary policy expectations have become more hawkish in recent months. Fed Chair Kevin Warsh's Jackson Hole speech reinforced this shift, signalling a willingness to tighten policy if inflation is not moving toward the 2% target "clearly and at sufficient speed." While Warsh stressed that his remarks reflected "a discipline, not a decision" and were not intended as a signal of an imminent policy action, the speech nevertheless underscored the Fed's focus on persistent inflation risks.

Against a backdrop of resilient economic growth and above target inflation, markets have increasingly priced the possibility of further policy tightening. The ECB has already delivered a 25bp rate hike on 10 September, while the BoJ is also expected to tighten policy at its 18 September meeting. The combination of resilient growth, persistent inflation and policy uncertainty has pushed term premium higher. The front end of the UST curve has become increasingly responsive to inflation and labor market releases, while the long end remains exposed to fiscal supply and term premium risks. Markets are currently pricing in ~50bps of cumulative Federal Reserve rate hikes by year-end.

**#1 MENA Asset  
Manager investing in  
Asian G3 bonds for 2025  
by The Asset Magazine**

### Quote of the Month

**"Successful investing is not about  
predicting the future; its is about  
preparing for it."**

**Anonymous**

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Treasury yields finished marginally higher despite the Treasury's announcement of increased long-dated buybacks. The 2-year, 5-year and 10-year UST yields closed the month at 4.34%, 4.50% and 4.75%, respectively. Yields continued to inch higher post month end, driven by rising Brent prices and growing expectations of further policy tightening, with the 30-year UST yield reaching 5.35%, its highest level since 2007. Since the beginning of the year, the Treasury curve has undergone a significant bear flattening, with front-end yields rising by more than 85bps, while the long end has increased by ~40-60bps. Chair Warsh's Jackson Hole remarks triggered a more pronounced repricing at the front end of the curve as markets increased the probability of additional Fed rate hikes. Heavy bond supply, including issuance linked to AI infrastructure spending, also contributed to upward pressure on longer-dated yields.

Risk assets remained resilient despite higher Treasury yields. The S&P 500 gained 2.6% in August while the Nasdaq advanced 3.9%, supported by continued optimism around AI-related spending and resilient corporate earnings. Credit markets absorbed a heavy supply calendar well, with spreads remaining broadly stable despite what was reportedly the busiest August on record for bond issuance. High-yield spreads tightened between ~10-20bps during the month, reflecting continued investor demand and confidence in the economic backdrop. Performance across fixed income indices was generally positive, with the JPM Asia IG Index returning 0.33%, the JPM MECI GCC Index delivering 0.85% and the US Corporate Index returning 0.43% during August.

## The Final Word

**Sharp rise in global bond yields has created one of the most attractive entry points for fixed income investors.** Since the beginning of the year, UST yields have risen by 50-120bps across the curve, with markets currently pricing in ~93bps of cumulative Fed rate hikes through end-2027 (~3.7 rate hikes). As a result, high-quality investment grade bonds are offering compelling all-in yields. We remain constructive on high-quality fixed income and continue to prefer investment grade credit. For investors seeking attractive income, liquidity and resilient credit quality, current yields provide a rare opportunity to lock in returns. **The opportunity is here today, and we believe the time to lock in these yields is now.**

### FI Conventional Portfolio

A diversified portfolio of USD denominated securities, primarily Investment grade, both in the Middle East & North Africa (MENA) region and globally. The portfolio aims to achieve a steady level of interest income with moderate capital appreciation.

**BBB+**

Avg. Portfolio Rating

**3.63**

Modified Duration

**5.65%**

Yield to Maturity

#### Managed Account Performance – August 31, 2026

|                           | 1M    | 3M    | YTD   | 1Y    | 3Y     | 5Y     | ITD     |
|---------------------------|-------|-------|-------|-------|--------|--------|---------|
| FI Conventional Portfolio | 0.57% | 0.41% | 1.77% | 4.16% | 21.73% | 19.90% | 106.49% |
| Benchmark <sup>1</sup>    | 0.55% | 0.20% | 1.16% | 3.42% | 19.46% | 9.11%  | 76.27%  |

### Global Sukuk Fund

A US Dollar denominated Shariah compliant open-ended fund that that will invest in a diversified portfolio of Sukuks globally. The Fund aims to achieve a high level of income with moderate capital growth. The fund targets a semi-annual dividend payout.

**BBB+**

Avg. Portfolio Rating

**3.97**

Modified Duration

**5.84%**

Yield to Maturity

#### Managed Account Performance – August 31, 2026

|                         | 2025  | 1M    | 3M     | YTD   | 1Y    | ITD   |
|-------------------------|-------|-------|--------|-------|-------|-------|
| Sukuk Fund <sup>2</sup> | 7.90% | 0.99% | 0.78%  | 1.25% | 3.61% | 9.80% |
| Benchmark <sup>3</sup>  | 7.59% | 0.75% | -0.03% | 0.51% | 2.31% | 8.27% |

Notes: The QIC Global Sukuk Fund is managed by QIC Islamic Asset Management LLC, an affiliate company of QIC Asset Management LLC (company registration no. 00602), which is also authorized and regulated by the Qatar Financial Centre Regulatory Authority (QFCRA). (1) \*Blended benchmark- Pre 2023: JPM MECI GCC (JCADGCTR) Index (60%) & JPM Asia (JACIIGTR) Index (20%) & US Bloomberg Aggregate (LBSTRUU) Index (20%), 2023 onwards the benchmark is changed to reflect a change in the mandate and duration requirements of the portfolio: Bloomberg Eurodollar Global Aggregate (I02953US) Index (35%), Bloomberg EM USD Aggregate 1-3 (I12885US) Index (25%), Bloomberg EM USD Aggregate EMEA (I13292US) Index (20%), Bloomberg Intermediate US Aggregate (LC08TRUU) Index (20%). (2) Assumes reinvestment of dividends. (3) Dow Jones Sukuk Total Return ex-Reinvestment DJSUKTXR Index

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