MITCHELL
INTERNATIONAL WEALTH

MARKET COMMENTARY

07 September 2026

MARKETS RISE DESPITE HAWKISH SIGNALS

STRONG CORPORATE EARNINGS AND CONTINUED ENTHUSIASM FOR TECHNOLOGY HELPED TO SUSTAIN RISK APPETITE

Attention in August focussed on renewed conflict between the US and Iran alongside the US Treasury's decision to expand its long-dated bond-buyback operations – interpreted by investors as support for market liquidity at a time when the US faces substantial refinancing needs.

US equities extended their advance, despite periods of bond-market volatility, as strong corporate earnings and continued enthusiasm for technology helped to sustain risk appetite through much of the month.

The rally lost some momentum towards month-end as the escalation of US-Iran military activity increased concerns about energy prices, inflation and disruption around the Strait of Hormuz.

European equities were less robust as global government-bond yields moved higher, inflation concerns resurfaced and geopolitical uncertainty increased. The UK market proved relatively more resilient than several continental European indices, helped in part by its greater exposure to energy and defensive sectors.

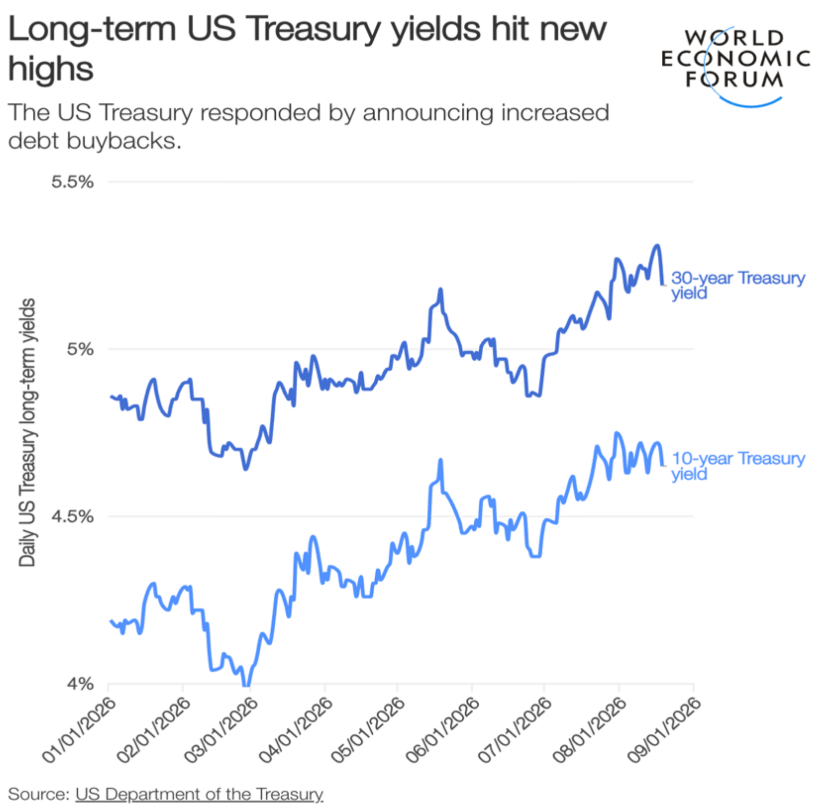
The headline moves in US government bonds understated the volatility beneath the surface. The 10-year Treasury yield ended August close to where it began, but yields fell initially as investors focused on weaker economic data and the Treasury's expanded buyback programme, before rising again after Chair Warsh's Jackson Hole remarks.
Warsh did not explicitly commit the Fed to a September rate rise. However, he made clear that policymakers would need to act if they were not satisfied that underlying inflation was returning to target. Markets responded by sharply increasing the implied probability of a quarter-point increase at the September meeting – from roughly 35% before the speech to around 55–60% afterwards.

Commodities were among the strongest areas of the market. Brent crude rose on renewed US-Iran tensions. Gold also performed strongly, rising by around 10% over the month. Central banks added a net 288.9 tonnes of gold in the second quarter of 2026 – 62% more than a year earlier and the strongest second-quarter total on record. China has been identified as a large buyer.

Bitcoin recorded its best monthly performance since late 2024 reflecting continued institutional participation through spot bitcoin ETFs and renewed investor interest in so-called debasement trades – assets perceived as potential hedges against currency dilution, fiscal expansion or persistently high inflation.

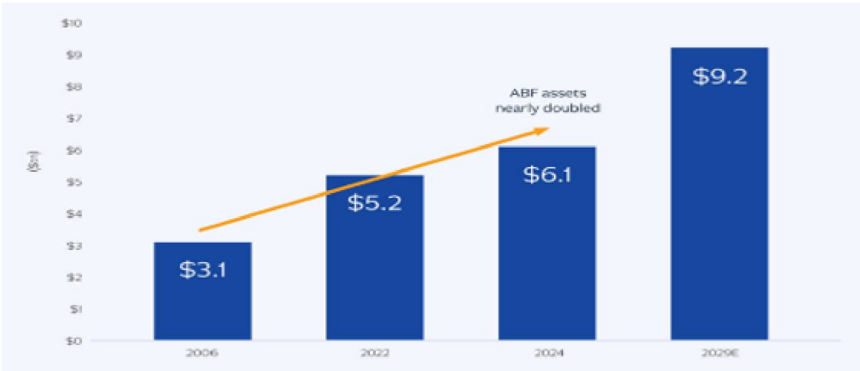
The Treasury's decision to increase the maximum size of its bond-buyback operations was one factor cited by market participants, as it encouraged a looser-liquidity narrative and contributed to short-covering in parts of the market.

CENTRAL BANKS ADDED A NET 288.9 TONNES OF GOLD IN THE SECOND QUARTER OF 2026



ASSET-BACKED FINANCE GAINS GROUND AS BANKS STEP BACK

EXHIBIT 2: ABF is a Fast-Growing Market with Room to Run



Source: Integer Advisors and KKR Credit research estimates based on latest available data as of March 31, 2024, sourced from country-specific official/trade bodies as well as company reports. Represents the private financial assets originated and held by non-banks based globally, related to household (including mortgages) and business credit. Excludes loans securitized or sold to government agencies and assets acquired in the capital markets or through other secondary/syndicated channels.

BANKS HAVE BECOME MORE SELECTIVE IN ASSET-INTENSIVE LENDING

Institutional investors are increasingly moving part of their private-credit allocations from corporate direct lending into asset-backed finance (ABF). Direct lending typically means lending to a single company. By contrast, ABF is secured against diversified pools of assets such as consumer loans, trade receivables, mortgages or equipment leases. This can retain the floating-rate income that made direct lending attractive during the recent period of higher interest rates, while reducing reliance on the prospects of any one borrower.

Banks have become more selective in asset-intensive lending, creating space for private capital, and ABF can create opportunities for specialist managers to earn attractive returns from well-structured transactions. Demand is also being supported by insurers, which need long-term and predictable cash flows to meet future policyholder commitments. This is particularly relevant in the UK, where pension schemes continue to transfer liabilities to insurers through bulk-annuity transactions.

For investors, ABF can provide useful diversification within private credit, but it is not risk-free. Outcomes depend on the quality of the underlying loans, the legal protections in place and the expertise of the manager responsible for underwriting and monitoring the assets.

THE RISE OF PREDICTION MARKETS AS A MARKET-INTELLIGENCE TOOL

Prediction markets have moved rapidly from a crypto-focused niche towards the financial mainstream. Trading volumes across platforms such as Kalshi and Polymarket rose sharply during the first half of 2026, reflecting growing interest in markets that allow participants to express a view on the likelihood of elections, policy decisions, economic data or other real-world events. The underlying attraction is straightforward: prices provide a real-time, crowd-sourced estimate of the probability of an outcome.

The clearest sign of institutional interest is Intercontinental Exchange's decision to commit up to $2 billion to Polymarket, becoming the exclusive distributor of its probability data to institutional capital markets via a new "Signals and Sentiment" feed launched in February 2026. The move was heralded by Polymarket CEO Shayne Coplan as “a major step in bringing prediction markets into the financial mainstream.”

PRICES PROVIDE A REAL-TIME, CROWD-SOURCED ESTIMATE OF THE PROBABILITY OF AN OUTCOME

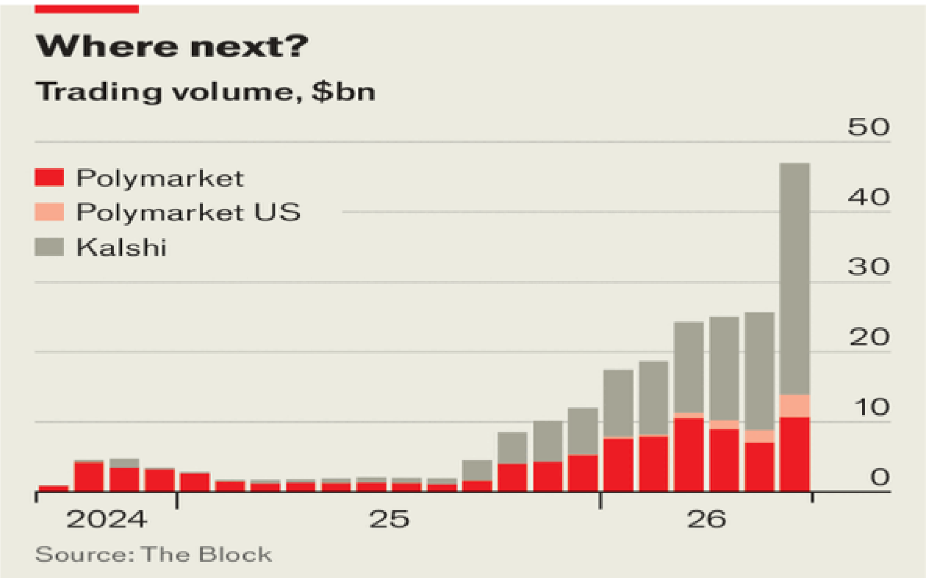
So far, most of Wall Street is engaging through data-led institutional participation rather than direct wagering. Kalshi's institutional trading volumes grew roughly 800% over six months to an annualised $178 billion, but the participants driving that growth are largely quantitative and market-making firms which seek cross-platform arbitrage opportunities rather than taking directional bets on election or economic outcomes. Major financial firms are exploring investment, trading and data opportunities but adoption remains constrained by shallow liquidity in many contracts and a fragmented regulatory landscape.

In the US, prediction markets have gained greater legitimacy as federal regulators have asserted jurisdiction over event contracts. In the UK, the position is less straightforward. The Gambling Commission generally views these products as betting, while the FCA’s rules can apply where products resemble financial instruments. UK platforms such as Betfair Predicts and Matchbook Predictions are therefore developing within existing gambling-exchange licences, rather than under a dedicated financial-markets regime.

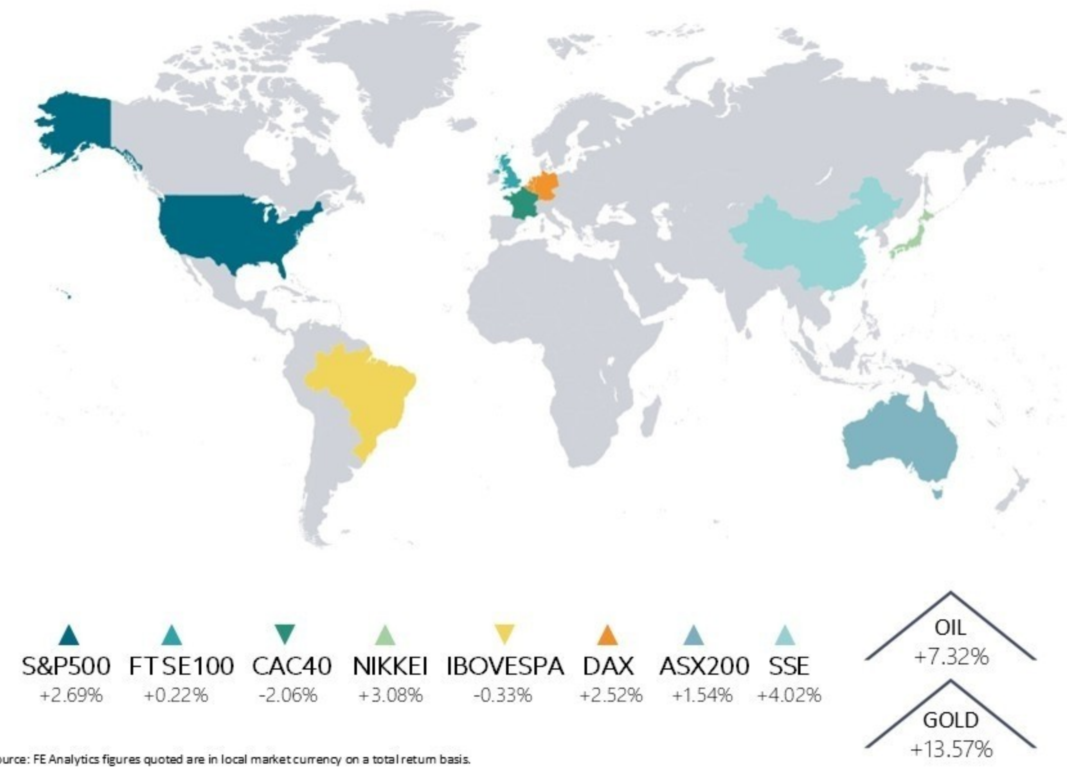
There are also clear integrity concerns. Research from Columbia Law identified more than 210,000 potentially suspicious Polymarket trades between February 2024 and February 2026. These trades achieved a near-70% win rate and were estimated to have generated $143 million in profit, underlining the risk that prices may sometimes reflect access to non-public information rather than collective judgement.

For UK and European institutions, the most practical near-term use is likely to be as a source of market intelligence rather than a direct investment market. Prediction-market probabilities can offer timely signals on elections, policy decisions and economic events, but limited liquidity, uncertain regulation and questions over market integrity mean they should be treated as one input among many rather than a standalone trading or forecasting tool.

ADOPTION REMAINS CONSTRAINED BY SHALLOW LIQUIDITY IN MANY CONTRACTS AND A FRAGMENTED REGULATORY LANDSCAPE



GLOBAL MARKET RETURNS - AUGUST 2026



Source: FE Analytics figures quoted are in local market currency on a total return basis.

MITCHELL
INTERNATIONAL WEALTH

IMPORTANT INFORMATION