

Novum Partners: Biweekly Market Update

Volatility Now, Catalysts Ahead: Setting Up for a Pivotal Q4

September 6, 2026

Last 2 weeks performance

World Equity Indices

	% TR USD	% TR Local
MSCI World	-0.5%	-0.5%
S&P 500	-0.1%	-0.1%
S&P 500 Equal Weighted	-1.4%	-1.4%
Mag 7 Index	2.2%	2.2%
Russell 2000	-2.1%	-2.1%
Euro Stoxx 50	-2.3%	-1.5%
CSI 300 Index	-1.4%	-1.5%
Hang Seng Index	-2.4%	-2.4%
Nikkei 225	-2.4%	-2.5%
MSCI Asia	-0.9%	-0.9%
MSCI Latam	4.6%	4.6%
MSCI EM	-1.2%	-1.2%

S&P 500 Sectors

	% TR USD
S&P 500 Info Tech	1.4%
S&P 500 Comm. Serv	0.5%
S&P 500 Health Care	-0.9%
S&P 500 Financials	0.3%
S&P 500 Cons Discr.	-2.3%
S&P 500 Energy	2.0%
S&P 500 Real Estate	-2.9%
S&P 500 Materials	-1.0%
S&P 500 Industrials	-4.1%
S&P 500 Cons Staples	-0.4%
S&P 500 Utilities	-0.2%

Key Thematic Indices

	% TR USD	% TR Local
ARK Innovation ETF	-3.3%	-3.3%
Software ETF	0.0%	0.0%
Memory ETF	-2.5%	-2.5%
Semiconductors ETF	-3.6%	-3.6%
Momentum ETF	-1.6%	-1.6%
GS Cyclical	-3.1%	-3.1%
BBG Defensive Sectors	-0.61%	-0.61%

Fixed Income

	% TR or bps
LQD (High Grade)	-0.1%
HYG (High Yield)	-0.1%
US Treasuries Index	-0.1%
TSY 2 year (bps)	13
TSY 10 year (bps)	5
Bund 10 year (bps)	8
SOFR March 27 rate (bps)	14

FX & Commodities

	% TR USD
US Dollar Index	0.4%
Bitcoin	3.1%
BBG Precious Metals	-4.5%
BBG Energy	4.0%

Data as of 5 September



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Executive Summary

- Strait of Hormuz remained the single largest cross-asset swing factor: oscillating escalation and de-escalation headlines drove Brent crude through a wide \$79-97/bbl range over the period, transmitting directly into inflation expectations and long-end government bond yields.
- Fed policy pricing was unusually volatile: Chair Warsh's hawkish Jackson Hole speech (29 Aug) lifted the implied probability of a September hike from 36% to a peak of 69% (2 Sep), before Governor Waller's dovish remarks (3 Sep) pulled it back to ~51% ahead of the jobs report.
- The August US payrolls report (released 5 Sep) surprised sharply to the upside (+162k vs. +55k median), but the sectoral mix, detailed below, tempers the positive headline.

- 10yr Bund, OAT and Gilt yields, and 10yr JGB yields, touched their highest levels since 15 years, on a hawkish ECB path, a European natural-gas price spike, and country-specific fiscal/political risk in France and the UK.
- Equity performance over the two weeks was narrow and AI-concentrated: the cap-weighted S&P 500 was roughly flat (-0.1% total return) while the equal-weighted index fell -1.4%, with leadership concentrated in the Magnificent 7 (+2.2%) on Nvidia's post-earnings rally and broader AI-capex optimism.
- Europe underperformed globally (Euro Stoxx 50 -2.3%), weighed down by the energy shock, a French political and banking-sector wobble, and the hawkish rate path; Latin America was the standout gainer (MSCI Latam +4.6%).
- Trade tensions escalated on a second front as US-Canada talks collapsed, with both sides moving to reciprocal tariffs of up to 50%, while several Asia-Pacific central banks (BoK, RBNZ, and likely soon the RBA) leaned further into tightening on hot domestic inflation.
- Cross-asset signals were not fully consistent: precious metals fell -4.5% over the two weeks even though gold touched fresh highs mid-period on “financial repression” concerns.

Economy & Monetary Policy

The macro narrative was dominated by a fast-moving repricing of Fed expectations, a resilient but increasingly uneven US growth picture, inflation that remains sticky on both sides of the Atlantic, and a wave of tightening moves among smaller central banks responding to hot domestic prints.

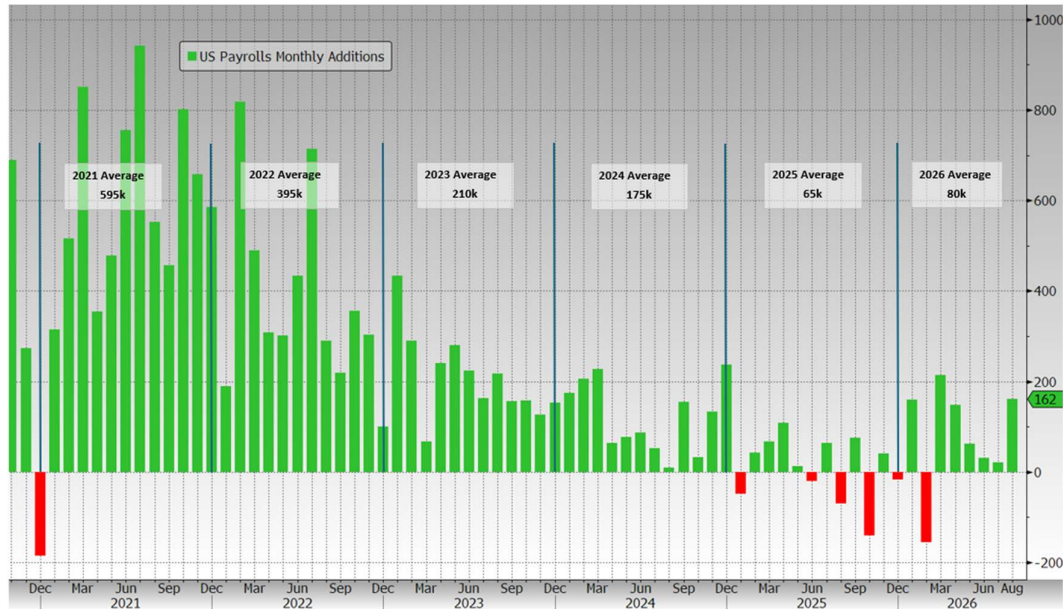
Federal Reserve: a wide pricing swing

- Chair Warsh's Jackson Hole speech (29 Aug) marked a hawkish communications shift, reaffirming the 2% PCE target and signalling “we have work to do”, which lifted September hike pricing from 36% (28 Aug) to 58%.
- Governor Waller's dovish comments (3 Sep), citing “signs of disinflation” and a leaning toward “holding”, reversed much of that move, pulling pricing back to ~51% ahead of the jobs report.

Growth: resilient in aggregate, with some caveats

- Q2 GDP in the US was revised up (real final sales to private domestic purchasers +4.2% annualised, the strongest since early 2023), durable goods orders rose +1.1%, ISM services hit a 6-month high of 55.4, and Germany's IFO climbed to a 12-month high alongside an upward Q2 GDP revision.
- The August US employment report (5 Sep), the standout data point, and a useful lens on the underlying health of the labour market beyond the headline, was strong.
- Headline payrolls surged **+162k**, a nearly four-standard-deviation beat versus the +55k Street median, and July's initially reported -23k contraction was revised away entirely.
- Taken with the prior year-to-date prints, the rebound lifts the **2026 monthly average to a respectable +80k**, up from 2025's +65k pace, though still well below the 2021–

2024 norms. On its own, this is a genuinely encouraging signal that the summer's apparent weakness was largely a statistical artefact rather than a turn in the cycle.



US payrolls, monthly net additions and yearly averages (2021–2026). Source: BLS.

- The sectoral composition, however, is less reassuring than the headline suggests. At the two extremes: Information Technology was the weakest category, at -23k, while Leisure & Hospitality led all sectors, adding +62k.



August 2026 net jobs added/lost by sector. Source: BLS.

- We read this divergence as consistent with the emerging narrative around AI's labour-market impact: displacement pressure looks concentrated in higher-skilled, higher-income knowledge-work roles (software, media, telecoms), even as lower-wage, harder-to-automate service employment continues to expand.
- If that pattern persists, the *quality* of payroll growth deserves at least as much attention as its quantity: a headline number leaning on hospitality and leisure hiring carries different implications for wage growth, productivity and consumer spending power than one led by professional and technical employment.

Markets

Equities: a narrow, AI-led tape masking broader softness

- Headline resilience conceals thin breadth: the cap-weighted S&P 500 was essentially flat (-0.1%) while the equal-weighted index fell -1.4% and the Magnificent 7 gained +2.2% - a gap consistent with the period's single-stock story: Nvidia's earnings beat and bullish FY2028 revenue-growth guidance (70%) drove an +8.74% share-price reaction, its best post-earnings day since May 2024, with confirmation from Broadcom's own bullish chip-sales outlook and a stronger Salesforce guide.
- Europe was the clear regional laggard (Euro Stoxx 50 -2.3%), consistent with the direct hit from rising natural-gas prices, the French political/banking wobble, and a Continental rate path that stayed hawkish throughout.
- Asian benchmarks were broadly softer and volatile intraday (Hang Seng -2.4%, Nikkei -2.4%, CSI 300 -1.4%), tracking the same oil/yield swings, with occasional relief rallies on positive AI-linked newsflow given the region's semiconductor and hardware exposure.
- MSCI Latam was the standout gainer (+4.6%), likely benefiting from a rotation away from rate and energy-sensitive developed markets, though this is a single-line data point that would benefit from further country-level attribution before drawing a firm conclusion.
- Within the S&P 500, Energy (+2.0%) and Info Tech (+1.4%) led - the former tracking the Iran-driven oil rally, the latter almost entirely a Nvidia/Mag-7 effect rather than a broad tech re-rating.

Fixed income: a net repricing higher, with credit largely a bystander

- Government yields rose across the curve over the two weeks (UST 2yr +13bps, UST 10yr +5bps, Bund 10yr +8bps), consistent with the net hawkish repricing of both the Fed and ECB despite the late-period Waller-driven pullback. The front end moved the most, confirming policy expectations, not term premia alone, were the primary driver.

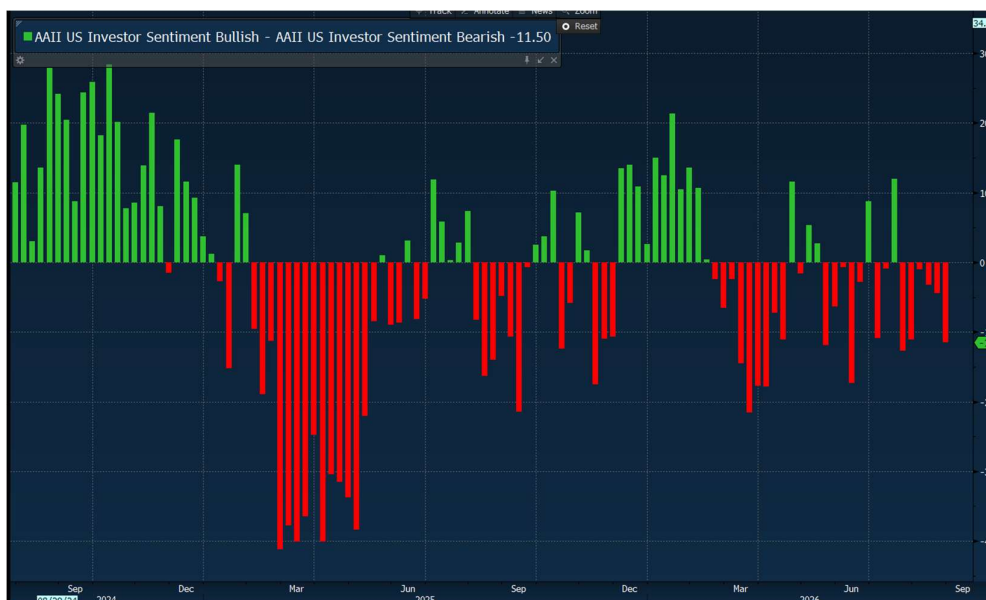


- Credit was essentially a bystander (LQD, HYG and the broad Treasury index all -0.1%), with negative total returns explained mechanically by the rise in yields rather than any widening in spreads - i.e., a rates story, not a credit story.

The Missing Catalyst: Why Blowout Earnings Didn't Move the Market

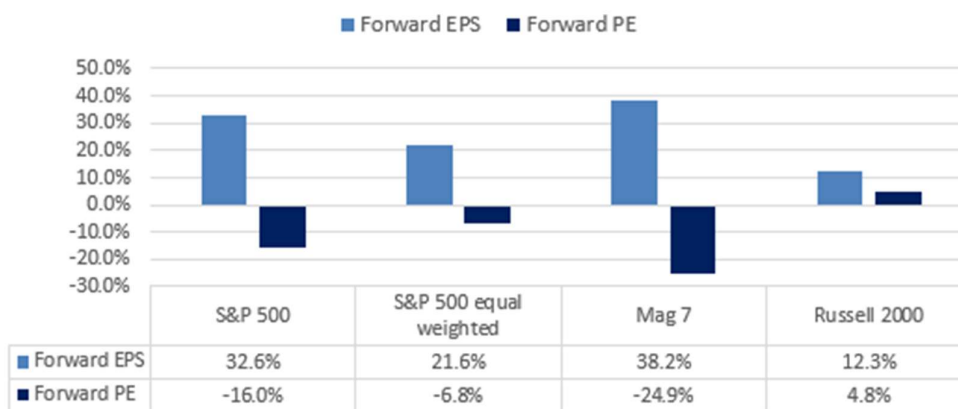
With the Q2 earnings season now fully concluded, we notice that the market reaction was muted, but the underlying signal is bullish for the fourth quarter. The S&P 500 delivered blowout Q2 results: profit growth of 52% on 15% sales growth year-over-year, yet the index ended reporting season less than 2% above where it started, a far more subdued response than such strong fundamentals would historically warrant.

Sentiment has stayed cautious throughout: the AAII survey has shown bears outnumbering bulls nearly every week since June.



Fundamentals and price have also diverged unusually this year. Twelve months forward S&P 500 earnings are up 32.6% year-to-date while the P/E multiple has compressed 16%. In short, equities have gotten cheaper even as earnings surged - a "buy the rumor, sell the news" dynamic reflecting healthy skepticism rather than exhaustion, and one that may simply be waiting for a fresh catalyst.

YtD changes in forward EPS and PE ratios



That catalyst-in-waiting is what makes the turn into Q4 interesting. September is seasonally the weakest month, but historically opens the door to the strongest three-month stretch that follows, a classic "buy the dip" setup. Potential sources of "sizzle" include a live FOMC meeting mid-month, corporate-conference season, and, possibly the biggest event on the horizon, a rumored September filing from Anthropic ahead of a possible October listing, a

read-through for whether hyperscaler capex is translating into monetization beyond basic compute.

Underpinning this is a "Macro Resilience / Operational Excellence" backdrop that remains intact, if slightly frayed. Macro momentum has softened a touch - manufacturing is slowing but still expanding, and yields have firmed - yet a low-hire/low-fire labor market keeps consumers spending and supports margins via operating leverage. Earnings revisions remain near all-time highs, with margin expansion continuing to broaden across nearly every sector, suggesting the underlying growth story remains intact despite recent volatility. That shifts the burden onto the bears: bulls don't need growth to accelerate from here, only to avoid an outright collapse — a low bar as the market moves from a backward-looking earnings season into a catalyst-rich final quarter.