



September 2026 Newsletter

The September quarter brought a tightening on every front. The Reserve Bank lifted the cash rate to 4.60%, its fourth increase this year and the highest since late 2011, as headline inflation rose to 4.0%. Global bond yields reached multi-decade highs and Brent crude returned above US\$100 a barrel. Legislated changes to capital gains tax and negative gearing have also made the tax environment less favourable for investors. Households are feeling the strain: ANZ–Roy Morgan consumer confidence ended September below the lows of the early-1990s recession, national dwelling values have fallen for six consecutive months.

The economy is under pressure, and market prices are softening in response. Most asset classes finished the quarter modestly lower, with the exception of commodities.

Our outlook is flat for the remainder of the year into next year. With inflation still above target, further rate rises remain likely. We expect conditions to tighten further before consumer demand, and markets weaken enough for the Reserve Bank to begin easing. Cooler US inflation data in August offered an early sign that price pressures can moderate, but that turning point may take some time, and volatility is likely to persist until it arrives.

On the positive side, the underlying investment picture is displaying more resilience than the headline numbers suggest. Despite the stress across the economy, corporate balance sheets of larger companies remain sound, most companies are still profitable, and dividends and interest payments continue to be met. Higher rates are also a source of income. The floating-rate interest-bearing assets we invest in reset in line with the cash rate. So, the same rate increases that weigh on asset prices also lift the income these investments generate.

Periods like this are not new. Markets have moved through tightening cycles before, most recently in 2022–23 and have recovered once inflation eased and rates began to fall. Until then, quality assets, reliable income and adequate liquidity remain the right foundations.

Returns for the 2027 Financial Year (3 months):

All Ordinaries: 8,969 points, down 17 points or 0.19%.
 S&P/ASX 200 A-REIT: 1,544 points, down 152 points or 8.95%.
 90 Day Bank Bills: 4.77%, up 0.31 percentage points.
 AUD vs US Dollar: 69.77c, up 1.08c or 1.57%.
 UK FTSE 100: 10,606 points, up 109 points or 1.04%.
 S&P 500: 7,652 points, up 152 points or 2.03%.

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Signals from the bond markets

If the financial markets could talk, then bonds would probably be saying: “We’re not convinced the story is over yet”.

Bond yields have been rising around the world as investors reassess the outlook for inflation, economic growth and government borrowing. The moves have been significant enough to influence mortgage rates, government finances and investment portfolios.

Experienced bond investors will be well aware of what’s been happening. For everyone else, the developments offer the chance to understand why professional investors see the bond market as one of the economy’s most important barometers.

You might never have bought a bond, researched a bond ETF or checked the yield on a government bond. But there’s a good chance that bonds already play a role in your investment portfolio through your superannuation account.

That’s one reason the recent attention on bond markets matters.

Looking back

From the early 1980s to around 2020, developed economies experienced one of the longest declines in interest rates and bond yields in modern history. Falling inflation, globalisation, technological advances and relatively stable economic conditions helped drive yields steadily lower.

Following the Global Financial Crisis and then the COVID-19 pandemic, many government bond yields fell to historically low levels. In some countries, investors were even willing to accept negative yields.

That changed dramatically from 2022 onwards as inflation surged. Central banks, including the Reserve Bank of Australia, responded by rapidly increasing interest rates.

The rapid increase in yields created short-term pain for existing bond investors but ultimately restored something that had been

largely missing from bond markets for years: meaningful income.

Today, many commentators believe the era of ultra-low bond yields may be over. While inflation has eased from its peak, investors are increasingly questioning whether interest rates will return to the unusually low levels that prevailed during the 2010s.ⁱ

What’s happening in Australia?

Australian bond yields have moved higher during 2026 as investors responded to stronger than expected inflation and economic activity, and commentators are not confident that inflation will return quickly to the Reserve Bank’s target range.

Three-year government bond yields moved above 5 per cent, while 10-year bond yields approached levels not seen for more than a decade.ⁱⁱ

Higher yields affect far more than investment portfolios. Governments face increased borrowing costs, businesses pay more to raise capital, and lending rates throughout the economy may come under upward pressure.

The global picture

But Australia is not alone. Across the world, governments are issuing large amounts of debt to fund spending commitments, infrastructure projects and budget deficits.

Earlier this year, the International Monetary Fund (IMF) warned about the risks of geopolitical tensions, inflation uncertainty and rising levels of government debt.

Meanwhile, BlackRock notes that government borrowing is increasingly competing with private-sector demand for capital, helping push long-term yields higher in many countries. Its investment team believes that higher yields have created attractive income opportunities, but investors need to be more selective than in the past.

Understanding duration

‘Duration’ is one of the most important concepts in bond investing.

It measures how sensitive a bond’s price is to changes in interest rates. Generally speaking, the longer a bond’s duration, the more its price will move when rates change.

For example, a 10-year bond will usually experience greater price movements than a two-year bond if market interest rates rise or fall.

That helps explain why some bonds can experience significant short-term losses even when the issuer is considered financially secure. Investors often focus on credit risk, but interest-rate risk can be just as important.

The sharp rise in global yields over recent years has highlighted the importance of duration. Longer-dated bonds, which benefited hugely when rates were falling, were among the hardest hit when yields moved higher.

The bottom line

After years of being overlooked, bonds are once again demanding investors’ attention with higher yields providing more income than for much of the last decade.

At the same time, the rising yields are a reminder that bonds are not risk-free and that issues such as duration, inflation and government borrowing matter.

Although forecasts differ on the precise direction of interest rates, there appears to be broad agreement that investors should prepare for a more complex bond market.

i <https://www.blackrock.com/us/financial-professionals/insights/fixed-income-outlook>

ii <https://www.afr.com/policy/economy/bond-sell-off-punches-10b-hole-in-government-budgets-20260911-p60wi1>



Ensure your estate planning *reflects your wishes*

Many people are surprised to learn that some of their largest assets may not be covered by their will. With recent changes affecting testamentary trusts and ongoing complexity around superannuation death benefits, now is a good time to review your arrangements.

New rules announced in the 2026-27 Federal Budget, combined with the growing complexity of superannuation death benefits, mean that it's worth reviewing your arrangements to make sure your wishes can be carried out.

Testamentary trusts under the spotlight

Testamentary trusts have long been a popular estate planning tool because they can provide asset protection, flexibility and potential tax advantages for beneficiaries, particularly children.

The 2026-27 Federal Budget announced a new 30 per cent minimum tax on discretionary trusts, including testamentary trusts (those established by a will), from 1 July 2028.ⁱ

Following an outcry over what some called a "death tax", the government announced exemptions for testamentary trusts, along with others including fixed trusts, special disability trusts and charitable trusts.ⁱⁱ

While the final shape of the rules remains uncertain, the Budget changes highlight the importance of ensuring estate planning arrangements are reviewed regularly.

The risks of an outdated will

Many people prepare a will and then leave it in a drawer for decades. But your personal and financial circumstances can significantly change over time.

Marriage, divorce, the birth of children or grandchildren, the death of beneficiaries, changes in asset ownership, or business succession arrangements can all affect whether an existing will still achieves the intended outcome.

Outdated wills can result in assets passing to unintended beneficiaries, family disputes and missed opportunities to achieve tax-effective outcomes.

So, review your will regularly and particularly after major life events occur.

Who gets your super?

One of the most common estate planning misunderstandings is assuming superannuation automatically forms part of an estate.

In most cases, superannuation benefits are not governed by your will. Instead, the trustee of the super fund determines who receives the death benefit unless a valid nominated beneficiary is in place.ⁱⁱⁱ

A binding death benefit nomination allows you to direct the trustee of your super fund to pay your death benefit to specific beneficiaries.

Without a valid binding nomination, the trustee generally has discretion to decide who receives the benefit, subject to the fund's governing rules and superannuation law.

Not all nominations remain effective indefinitely. Some funds require nominations to be renewed periodically, while others allow non-lapsing nominations.

Who qualifies as a dependant?

For superannuation purposes, the definition of a dependant is often different from what you might expect.

Generally, dependants may include:

- a spouse or de facto partner
- former spouses in some circumstances
- children of any age
- individuals who are financially dependent on the deceased

It may also include people in an "interdependency relationship" with the deceased. An interdependency relationship can exist where two people have a close personal relationship, live together and provide financial or domestic support to one another.^{iv}

Importantly, being a beneficiary under a will does not automatically make someone a superannuation dependant.

The tax consequences can be significant

The tax treatment of superannuation death benefits depends heavily on who receives the money.^v

If a death benefit is paid to a tax dependant, the benefit is generally received tax-free. Tax dependants include spouses, children under 18 years of age and people who were financially dependent on the deceased or in an interdependency relationship.

But adult children are often surprised to learn they may not qualify as tax dependants. If an adult child is financially independent, tax may apply to some components of a lump-sum superannuation death benefit.

As super balances continue to grow, the potential tax difference between payments to dependants and non-dependants can be substantial. This makes beneficiary nominations and estate planning decisions particularly important.

A coordinated approach is essential

Effective estate planning requires consideration of more than just a will. Superannuation nominations, testamentary trust structures, tax consequences and changing family circumstances should all form part of the conversation.

A regular review can help ensure your estate plan remains aligned with your objectives, takes account of current legislation and minimises the risk of unintended outcomes for your beneficiaries.

Please get in touch for information and advice about your estate planning and to confirm that it reflects your wishes.

i <https://www.ato.gov.au/about-ato/new-legislation/in-detail/businesses/tax-reform-introducing-a-minimum-tax-on-discretionary-trusts>

ii <https://ministers.treasury.gov.au/ministers/jim-chalmers-2022/media-releases/consultation-discretionary-trusts-reform-implementation>

iii <https://moneysmart.gov.au/how-super-works/who-gets-your-super-if-you-die>

iv <https://www.afca.org.au/about-afca/publications/afca-factsheet-superannuation-interdependency-relationships>

v <https://www.ato.gov.au/individuals-and-families/super-for-individuals-and-families/super/withdrawing-and-using-your-super/superannuation-death-benefits>