

MONTHLY CLIENT COMMENTARY

The Cost of Everything, Continued

Oil is back above \$106, gilt yields sit at levels not seen in decades, and the world's leading AI labs are asking to slow down while Washington says no. A look at what has changed since August, and what to watch heading into the Autumn Budget.

Published: **29 September 2026** Reading time: **11–12 minutes**

Prepared by: **Jonathan Burden BA (Hons) DipPFS**

LONG BOND YIELDS

Multi-decade highs

US 30-yr ~5.52% (highest since 2004)
· UK 30-yr ~5.89% (highest since 1998)

UK NATIONAL DEBT

£2,985.5bn

93.8% of GDP (ONS, end-August 2026)

AUTUMN BUDGET

28 October

Chancellor Healey's first Budget

Important: This publication is intended solely as general market commentary and educational information. It does not constitute investment research, investment advice, or a recommendation to buy or sell any investment.



BRENT CRUDE OIL

~\$106/bbl

Highest since May, after direct attacks on Saudi oil infrastructure and renewed Hormuz tension



US 10-YEAR TREASURY

~5.2%

Highest since 2007



BOE RATE DECISION

Held at 3.75%

Gilt-sale pace confirmed 17 Sept:
£46bn/yr, long end halted



Jonathan Burden BA (Hons) DipPFS

Senior Financial Planner · Medical and General Independent Advisers

01404 515544 · info@medicalandgeneral.co.uk · medicalandgeneral.co.uk

A WORD FROM JONATHAN

A note before you read on.

September was a busy month: the Bank of England's rate and gilt-sale decisions, a run of central banks raising rates in step, a widening Middle East energy shock, and the industry that built AI asking Washington to slow down. Here's how each of those played out.

August's story was the rising cost of government borrowing — and that cost has only climbed higher into September. Add the energy shock on top, and the strain now shows up somewhere everyone notices: the inflation we all feel.

MARKETS & ENERGY

The story oil keeps telling

Brent crude is back above \$106 a barrel, its highest since May, after direct attacks on Saudi Arabia's oil infrastructure compounded the standing threat to the Strait of Hormuz. The pattern is familiar from April's edition: a ceasefire lifts hopes, oil eases, then a fresh flashpoint sends it back up — as with August's brief Iran–Oman shipping deal, undone within weeks by the Revolutionary Guard's claim of "decisive control" over the Strait. September brought the most direct hit yet: Houthi strikes on Saudi Aramco facilities, then a pipeline attack that took out the 1,200km East–West link Aramco had used to move up to five million barrels a day around the closed Strait. The International Energy Agency put Saudi crude supply at its lowest in three decades, and a second reported Iranian attack on US Navy vessels added a further round of tit-for-tat strikes.

The UN General Assembly, in session in New York throughout late September, added a genuine, if modest, negotiating track — not, as some reports suggested, an actual reopening. Addressing the Assembly on 23 September, Trump told the chamber the US could "swiftly annihilate" Iran, in the same speech as saying he expected a deal "right after the election" — a reference to November's US midterms, not an imminent resolution. Behind that rhetoric, a three-hour meeting between US and Iranian officials produced Iran's first concrete counteroffer: reopening the Strait within seven days if the US eases its military pressure (Reuters, Kyodo News). Nothing had actually reopened as September closed —

shipping trackers still recorded only a handful of transits a day against an 85-vessel pre-crisis baseline — but it was the first sign of a negotiating track worth watching rather than treating as resolved.

Separately, Presidents Trump and Xi met in Washington on 24 September and extended the US–China trade truce to 10 January 2027, rather than settling it. Treasury Secretary Bessent framed it as buying "time to pursue a broader economic agreement." The disputes underneath remain open — a proposed \$14bn Taiwan arms sale, and rare earths, where China still controls roughly 85% of global refining capacity — and Bloomberg's own assessment was blunt: neither side can currently afford a fight. A pause, not a resolution, but a relevant and welcome one.

● 5–7 AUGUST

Iran–Oman shipping deal briefly eases oil prices.

● 27–28 AUGUST

Iran's Revolutionary Guard claims "decisive control" of Hormuz.

● 8 SEPTEMBER

Houthi strikes wound 70+ at Saudi Aramco facilities.

● 8–9 SEPTEMBER

Reported second attack on US Navy vessels.

● 10–11 SEPTEMBER

Pipeline attack sends Brent to \$108/bbl; Saudi supply falls to a three-decade low.

● 22–24 SEPTEMBER

UNGA and Trump–Xi summit. Iran offers a seven-day Hormuz reopening; the US and China extend their trade truce to 10 January 2027.

■ CENTRAL BANKS

The Bank's double decision

The Bank of England's Monetary Policy Committee made two decisions in September, not one: what to do with interest rates, and what to do with the pace at which it sells down the government bonds it bought after the 2008 global financial crisis. On the first, it held: Bank Rate stayed at 3.75%, unchanged since July, even though markets had come to price the odds of a quarter-point rise at roughly one in three going into the meeting.

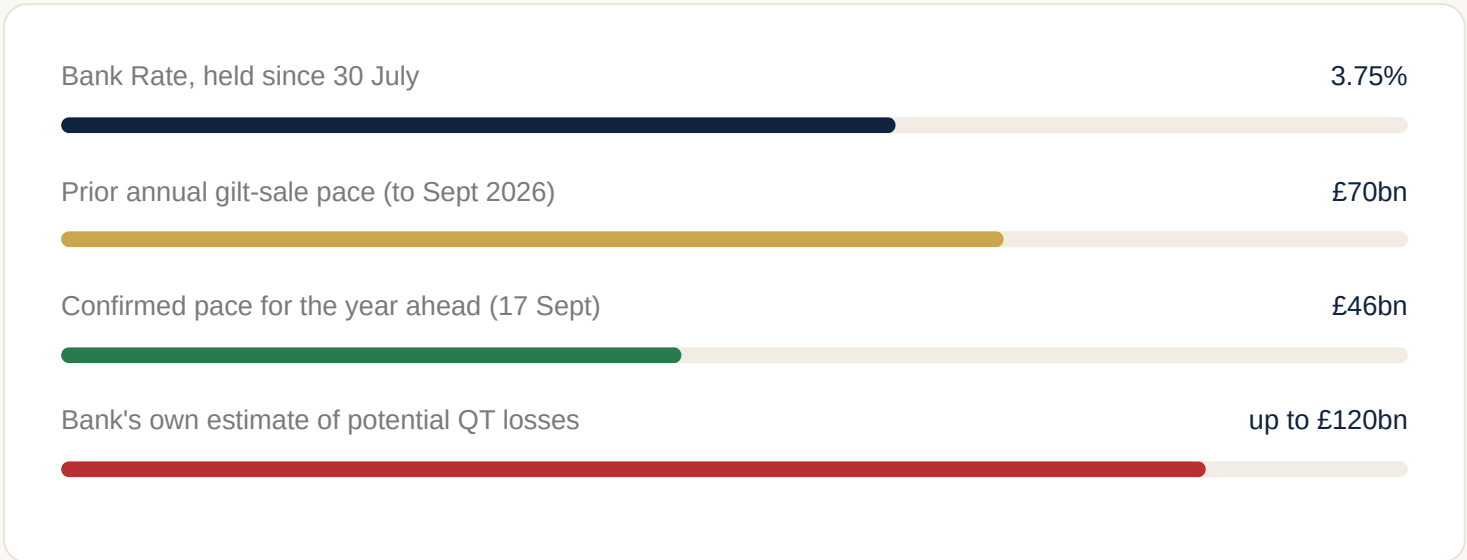
That near-miss is worth dwelling on: the Governor's own words had moved a long way since July. At the end of that month, holding rates at 3.75%, Andrew Bailey told reporters: "please do not leave this room thinking that the Bank of England is edging towards a hike." By September, with oil back above \$106 and gilt yields at levels not seen in decades, the Committee held again anyway, even as inflation rose to 3.1%

(ONS) — a five-month high, driven mainly by motor fuel — and is expected to go "up even more" as higher energy costs feed through. Bailey explained why that hasn't yet forced the Bank's hand: "So far, higher global energy costs have had a limited effect on price and wage setting in the UK. But the longer this volatility persists, the bigger the impact it will have on inflation, and the more likely it is we will need to raise Bank Rate to ensure that inflation falls back to our 2% target."

i WHAT THE RATE DECISION WOULD, AND WOULDN'T, DO

It's worth being precise about what Bank Rate can achieve here. Oil at \$106 a barrel is a global price set by production, shipping and an active, widening conflict in the Middle East — none of it moved by a quarter-point change in Bank Rate. The Bank's own June minutes are direct: "monetary policy cannot influence energy prices," and its stated approach is to "look through the direct effects... of an energy price shock" while raising rates only "to the extent required to prevent those effects becoming embedded in domestic wage and price-setting." The Bank's hold bears this out: its concern is not the oil price itself but whether it shows up in wages and other domestic prices ahead.

The second decision — on the Bank's gilt-selling programme — matters just as much and drew far less attention. Having sold gilts at £70 billion a year — a policy that has itself cost the taxpayer, with total losses estimated at up to £120 billion and the OBR putting the added burden on government debt at roughly £47 billion by 2031 — the Bank confirmed on 17 September (Reuters) that it will slow the pace to £46 billion, halt long-dated gilt sales altogether and hold them to maturity, then pause selling entirely until next April. It is the more cautious course that Christopher Mahon of Columbia Threadneedle and others had pressed for, if not quite as sharp a cut as some wanted.



i A THREAD FROM AUGUST, FOLLOWED THROUGH

In August I set out the "borrower's privilege" thesis: central banks stepping back as buyers of government debt, while record corporate borrowing — much of it funding AI data centres — competes for the same private capital, has made government borrowing more expensive almost

everywhere. That looks even more relevant now, with UK 10-year gilt yields having since reached an 18-year high. It showed up directly in the US Treasury's 5-year note sale on 23 September drawing its weakest demand since 2018, with the bid-to-cover ratio falling to 2.21 and the yield clearing at 5.033% — the highest for that maturity since 2006 — as indirect (largely foreign) bidders pulled back and primary dealers were left to absorb roughly \$11 billion of the \$70 billion on offer. Traditional buyers of government debt are stepping back just as issuance keeps growing.

None of this is unique to Britain. The European Central Bank raised rates again on 10 September — its second increase since the Iran conflict began — with President Christine Lagarde calling it a "no brainer"; South Korea has hiked twice in consecutive meetings; the US Federal Reserve raised its own rate a quarter point to 3.75–4% on 16 September, its first hike in three years, citing inflation that "remains elevated." The Bank of Japan followed the next day, raising its own rate to 1.25% — a 31-year high — citing the same oil-driven inflation alongside its own wage pressures. Three of the four major central banks in view raised rates within days of each other in September, with the Bank of England the exception — a clear sign this was a broad, shared inflation shock rather than a uniquely British one, hitting economies whose borrowing costs were already stretched thin.

The Japan side of that story is worth a moment, because it's the least obvious piece of it. For most of the years since the financial crisis, Japanese investors went looking for yield abroad because their own government bonds paid next to nothing — a quiet but persistent source of demand for gilts and Treasuries alike. That is now going into reverse. Japan's 10-year bond yield broke above 3% in early September for the first time in three decades, and 30-year JGB yields have held above 4% since (Bloomberg) — a consequence of the Bank of Japan's own tightening, referenced above. With Japanese bonds finally paying something, and the yen still weak enough that staying home costs less than it used to, there is less reason for that capital to keep crossing borders. One further buyer stepping back from gilts and Treasuries, on top of the central banks and pension funds flagged in August, is one reason the "borrower's privilege" dynamic may prove structural rather than a passing squeeze.

TECHNOLOGY

When the people building AI ask to slow down, and the White House says no

A quieter but significant AI story cuts against the market's prevailing optimism about the sector. In late August, Bank of England Governor Andrew Bailey, chairing the Financial Stability Board, wrote to the G20 warning that the newest frontier AI models show "increasingly sophisticated autonomy and problem-solving abilities, as well as threat capabilities," and called for safer, more responsible release of such

systems. Within days, OpenAI classified its own new model as crossing a "Critical" threshold for cyber capability and began restricting access to its most powerful features.

That set the stage for a striking week. On 12–13 September, Anthropic's chief executive Dario Amodei led a call for the industry to slow down — joined, according to Axios, by OpenAI's Sam Altman and Elon Musk over the same weekend. President Trump rejected it at once, telling reporters in Ireland that "whoever wins AI, wins," then dismissed the safety concerns outright on Truth Social two days later. By 16 September, Altman had pivoted from that joint call to reassurance, telling a San Francisco conference that the public should simply trust the industry to do the right thing — while accepting the concern was justified, given how fast the technology has moved.

DARIO AMODEI, ANTHROPIC — 12–13 SEPTEMBER

"Slow the pace at which we improve the capabilities of AI models."

SAM ALTMAN, OPENAI — 16 SEPTEMBER

"The world should trust that we are going to do the right thing because it's the right thing, and because we feel the magnitude of this."

I take no view on who has the better argument, only on the sequence: a regulator warns, a lab's own model appears to prove the point, prominent industry figures ask to ease off, the White House declines twice within 48 hours, and within days one of those figures pivots to asking the public to trust it. That tension sits alongside, and is distinct from, the sector's earnings strength — Oracle's cloud revenue is up over 100% in the third quarter, funded partly by debt that has climbed to \$125 billion, growth and leverage rising together, worth watching rather than a reason for alarm on its own.

CLOSER TO HOME

The cost of energy dependence

Away from markets, three data points from September illustrate a cost that rarely makes a headline of its own: the price of importing so much of the energy Britain uses, and of not storing enough of what it can produce or buy. Industry body Offshore Energies UK says the country now imports more than 40% of its energy needs, and that the North Sea sector is losing roughly 1,000 jobs a month as investment in domestic production declines. Separately, Ford's UK chief Lisa Brankin told the Telegraph, during a tour of the company's Dagenham plant, that "ignoring escalating energy, tax and regulatory costs would carry significant risks for Britain's business environment," pointing to National Insurance, business rates and industrial electricity prices as pressures already being felt.

The third point comes from harder-edged government data, not an interested party. UK gas storage stands at 1.7 billion cubic metres (DESNZ, based on National Gas data) — enough for roughly seven

days of average winter demand, a fraction of what France, Germany and the Netherlands each hold. Rough, the UK's only large-scale storage site (a depleted North Sea field off East Yorkshire), is reported to be running practically empty; owner Centrica, which has its own commercial interest in the outcome, is lobbying for £2 billion of government investment to keep it open beyond next spring. UK wholesale gas prices have already climbed above £64 per megawatt-hour, their highest in more than three years, against a European backdrop around 70% full, some 16 percentage points below its five-year average (Gas Infrastructure Europe).

40%+

Of UK energy needs now imported
(OEUK)

~1,000

North Sea jobs lost per month
(OEUK)

£17bn

Chancellor's estimated fiscal
headroom ahead of 28 Oct Budget

None of this is decisive alone — two points come from parties with an obvious interest, the storage figures don't — but together they sit inside the same fiscal (taxation and spending) picture as the gilt-market story above: a government facing higher borrowing costs and a Budget on 28 October with its room for manoeuvre already narrowed. Worth having in mind ahead of it, whatever it ultimately contains.

LOOKING AHEAD

The next date to watch

 **WEDNESDAY 28 OCTOBER — THE CHANCELLOR'S AUTUMN BUDGET**

John Healey's first, against the tightest fiscal backdrop in years — the same backdrop that led Greater Manchester mayor Andy Burnham, in a January speech to the Institute for Fiscal Studies reported by Bloomberg, to say Britain remains "in hock to the bond markets," a phrase he first used in a New Statesman interview the previous September.

My October newsletter will cover the Budget in detail — I will assess some of what the Chancellor announces, and consider some of the potential financial planning implications. The timing for an end October newsletter works well so I will start to pen the newsletter shortly after he sits down.

IN CLOSING

A word to end on.

In a genuine trade publication called *Potato News Today*: England has just had its driest July since 1836, and growers' body GB Potatoes expects this year's crop to run smaller and more variable than usual, so if your sparing portion of Christmas roast potatoes disappoints or your takeaway French fries are shorter than normal, you'll know why.

Important information: This commentary is prepared by Jonathan Burden BA (Hons) DipPFS, Senior Financial Planner at Medical and General Independent Advisers, for general information purposes only. It does not constitute personal financial advice and should not be relied upon as the basis for any investment decision. Data and analysis referenced from the Bank of England (market notices, MPC communications, and the June and September 2026 Monetary Policy Summaries and Minutes), the Office for Budget Responsibility, the Office for National Statistics (public sector finances, August 2026 release, and consumer price inflation, August 2026 release), the Department for Energy Security and Net Zero and National Gas, Gas Infrastructure Europe, Reuters, Kyodo News, Bloomberg, Axios, CNBC, NBC News, CNN Business, BBC News, the Financial Stability Board, the Bank of Japan, the New Statesman, the International Energy Agency, Al Jazeera, CNN, OpenAI, Oracle and Centrica investor and media releases, Offshore Energies UK, and the Telegraph, as of 29 September 2026. Long-dated bond yields (US, UK and Japanese), the Brent crude price, UK CPI and the Bank of England's confirmed gilt-sale pace were all re-checked against primary and wire-tier sources on 29 September 2026; the UK national debt figure was updated on 22 September 2026 to reflect that day's ONS release, and the UN General Assembly / Trump–Xi summit items were added on 25 September 2026. The value of investments and the income from them can fall as well as rise. You may get back less than you invest. Past performance is not a reliable indicator of future results. If you have any questions about your personal financial situation, please contact your adviser. Medical and General Independent Advisers is authorised and regulated by the Financial Conduct Authority.