DATE: October 2nd, 2026
TITLE: **How Long Can Markets Look Past Higher Rates?**

TRANSCRIPT:

Host: Eric, last week we talked about the changing price of money. As September ends, what have we learnt?

Eric: That the economy can remain strong while investing becomes more difficult.

US government bond yields finished September above 5%, yet technology shares remained remarkably resilient. Investors still believe artificial intelligence can deliver substantial earnings growth.

But beneath that confidence, borrowing is becoming more expensive and consumers are feeling the strain.

That's the question as we enter the final quarter: can company profits keep growing fast enough to absorb higher financing costs?

Host: Why is a strong economy becoming a concern for markets?

Eric: Because it gives central banks less room to bring interest rates down.

Companies are spending heavily on computing, data centres and electricity infrastructure. That supports growth, but it also creates demand for equipment, materials, workers and finance.

Add expensive oil, and inflation becomes harder to contain.

The Federal Reserve raised rates in September. However, the later commentary brought a useful qualification: New York Fed President John Williams said there was no need to rush into another increase.

That gives policymakers time to assess the data. Another hike remains possible, but its timing is less certain than markets thought earlier in the week.

Host: Are households experiencing the same strength we see in corporate investment?

Eric: Increasingly, there's a gap.

The latest consumer-confidence figures weakened sharply, and job openings declined. That doesn't establish that a recession is coming, but it tells us the headline growth numbers aren't the whole story.

If you own shares that have risen, you may feel wealthier. If you're refinancing a mortgage, buying a car or running a small business with debt, the experience can be very different.

Technology investment is supporting the economy while parts of the household sector are becoming more stretched. Central banks have to judge both.

Host: Oil has been another major pressure point. Has the picture improved?

Eric: There are encouraging signs.

The latest shipping estimates suggest more oil is leaving the Gulf, and Saudi Arabia's alternative pipeline route is recovering after the disruption.

That matters. More reliable supply could ease pressure on fuel prices, transport costs and inflation.

But those estimates are preliminary, and some shipments still depend on alternative routes and complicated logistics. A recovery in flows needs to hold for several weeks before we can have much confidence in it.

Oil around $100 a barrel still places a substantial burden on importing countries and their consumers.

Host: Coming back to AI, what should investors watch beyond the share prices?

Eric: Whether the investment can earn an adequate return.

Demand for computing power may be enormous. But building the infrastructure requires money today, while the cash it generates may arrive much later.

As borrowing costs rise, that calculation becomes tougher.

Credit investors are beginning to charge more to finance parts of the AI buildout. That deserves attention alongside the enthusiasm in equities.

The opportunity remains exciting. The next stage will require closer scrutiny of who generates cash, who needs continual funding, and what investors are paying for the difference.

Host: How does that translate into opportunities across Asia and emerging markets?

Eric: It makes country and company selection particularly important.

Korea is benefiting from demand for advanced memory chips. But its market is heavily concentrated, so strong growth can come with considerable volatility.

India faces a different challenge: expensive imported oil, a weaker currency and foreign-investor selling.

China's latest business surveys showed some stabilisation, although new orders offered less evidence of a broad recovery.

There are opportunities across these markets, but their drivers are very different. A single emerging-market headline tells us surprisingly little.

Host: What's your main takeaway heading into October?

Eric: Stay interested in growth, and be disciplined about the price and financing behind it.

I'm watching whether oil supply keeps improving, whether inflation eases, and whether pressure in credit markets spreads.

For companies, reliable cash generation and manageable debt become more valuable in this environment.

Markets have shown they can live with higher rates for a while. The coming quarter will give us a better sense of what that resilience rests on.

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