



CFAL

GLOBAL AND LOCAL
ECONOMIC REVIEW

Third Quarter 2026

Colina Financial Advisors Ltd.
308 East Bay Street, 3rd Floor

P.O. Box CB-12407 | Nassau, Bahamas

Tel: 242.502.7010 | Fax: 242.393.4639 info@cfal.com

EDITORIAL

The Bond Market Pushes Back

Scott Bessent is the U.S. Treasury Secretary and a former hedge fund manager with more than 30 years of market experience. Before joining the Trump administration, he founded Key Square Group and was chief investment officer at Soros Fund Management. This experience shapes how he speaks to investors and views government borrowing, interest rates and the U.S. dollar.

In September, Bessent sent a strong message to financial markets. Speaking at Southern Methodist University, he said, “I am the house now,” and warned that betting against the Treasury could be costly. His comments suggested that the Treasury was prepared to buy back bonds or act in currency markets to reduce pressure.

Investors tested that confidence by continuing to sell long-term U.S. government bonds. The 30-year Treasury yield rose from about 5.25% to as high as 5.69% within three weeks, its highest level since 2002. The 10-year yield also moved above 5.3%. The message was clear: the government can influence bond supply and market conditions, but investors still decide the return they require to lend money. Several factors pushed yields higher. Investors remained worried about inflation, high oil prices, interest rates staying elevated and heavy government borrowing. Large technology companies also borrowed heavily to build AI infrastructure. With more debt competing for investors’ money, buyers demanded higher returns to hold long-term bonds.

The issue is larger than Bessent’s remarks. Investors are asking whether the U.S. can continue borrowing cheaply simply because Treasury bonds have long been viewed as safe investments. With federal debt above \$40 trillion, markets are watching future borrowing needs, interest costs and the government’s long-term finances more closely. Higher Treasury yields also increase borrowing costs for businesses, households and governments around the world.

Bessent later softened his tone, saying that “the house doesn’t win every hand” and asking markets to “trust the process.” This did not necessarily mean Treasury policy had failed. It showed that words alone could not bring yields down. Inflation expectations, energy prices, government spending and the amount of new debt being issued mattered more.

For investors, higher long-term interest rates affect most major investments. Mortgage rates may rise, making homes less affordable and slowing the housing market. Stocks may come under pressure because higher rates reduce the present value of future profits, especially for fast-growing technology companies. Banks may benefit from earning more on loans and other interest-bearing assets. Gold may become less attractive when bonds offer higher returns, and a stronger dollar can also reduce demand. Oil prices depend more on supply, geopolitics and global demand, but expensive oil can keep inflation high and delay interest-rate cuts.

The main lesson is that the bond market links government policy, inflation and investor confidence to the wider economy. Rising yields can hurt housing and stock prices, strengthen the dollar and increase borrowing costs. They can also create better income opportunities for bond investors. Policymakers can influence markets, but investors ultimately set the price of borrowing. Bessent may have declared that he was the house, but the market showed that the house does not always control the outcome.



Anthony Ferguson
President, CFAL

LOCAL ECONOMIC HIGHLIGHTS

Third Quarter 2026

- Economic activity in The Bahamas maintained steady growth over the quarter, with key performance indicators approaching their anticipated medium-term levels.
- In its latest review, Moody's and Fitch predicted 2026 GDP growth for the Bahamas at 1.8%. The IMF maintained its 2.2% estimate.
- As at June 2026, Direct Charge stood at \$12.46B representing a decrease of 0.1% or \$7.1M quarter to date. The National Debt was reported at \$13.17B representing an increase of 2.7% or \$351.6M over the quarter.
- The tourism industry continues to see healthy levels of arrivals but at roughly the same pace as last year. Sea arrivals grew +16.1% while air arrivals grew +5.6% year-over-year.
- The local stock exchange, BISX, increased over the quarter, gaining +2.60%. Top performers included Benchmark Bahamas, FamGuard and FOCOL Holdings.

LOCAL ECONOMIC REVIEW

Fiscal Review

Economic activity in The Bahamas maintained steady growth over the quarter, with key performance indicators approaching their anticipated medium-term levels. The IMF retained its real GDP growth projection of 2.1% in 2026. As of June 2026, Direct Charge stood at \$12.46B representing a decrease of 0.1% or \$7.1M QTD, whereas the National Debt was reported at \$13.17B representing an increase of 2.7% or \$351.6M QTD. However, the Direct Charge to GDP showed some decline from the previous year as it stood at 70.7% whilst the National Debt to GDP stood at 74.7%, down from 70.9% and up from 72.8% respectively. Banking sector liquidity contracted through August 2026, seen by a reduction in the deposit base which outweighed domestic credit. Excess reserves decreased by \$227.1M to \$1.75B while excess liquid assets fell by \$171.7M to \$3.32B exceeding the \$77.5M reduction last year. The most recent CPI numbers released by the BNSI for July 2026 showed a 3.6% increase in inflation compared to the same period the previous year. The primary drivers of that were Restaurants and Hotels at 15.7%, Transport at 12.9% and Furnishing, Household Equipment and Routine Household Maintenance at 3.4%. Total revenue is expected to rise to \$4.4B for FY2026/2027 from \$3.9B in the previous year. Tax revenues are anticipated to grow by \$383M to \$3.82B compared to the FY2025/2026 budget while non-tax revenues anticipate a \$86.9M increase to \$534.8M.

Tourism

The Bahamas' tourism industry remains strong albeit at a slower growth momentum that seen last year. As of August 2026, total visitor arrivals stood at 9.62M YTD, an increase of 14.5% over the previous year. Sea arrivals accounted for 86.1% of total visitor arrivals, growing 1.15M or +16.1% from the same period last year. Air arrivals grew by 71,308 visitors or +5.6% to 1.3M. Tourist arrivals amongst the islands were mixed with Long Island (+29.8%), Exuma (+19.9%) and Berry Islands (+7.9%), seeing the largest percentage increases YoY. In contrast, islands such as San Salvador (-5.4%), Cat Cay (-5.2%) and Grand Bahama (-2.1%) saw the largest declines. According to the Central Bank of the Bahamas' Monthly Economic & Financials Developments (MEFD) report for August 2026, the average occupancy rate for entire place listings and hotel comparable listings rose to 36.7% and 47.6% respectively, from 34.5% and 43.2% in the previous year.

Capital Market Developments

Equities

The local stock exchange, BISX, increased over the quarter, gaining +2.60% or 83.67 points from 3,223.81 to 3,307.48. Top performers for Q3 2026 included Benchmark Bahamas Ltd. (+37.61%), Family Guardian (+29.50%) and FOCOL (+16.67%), whilst the bottom performers were Emera Incorporated (-9.56%), Fidelity Bank Bahamas (-9.38%) and FINCO (-5.56%).

Company	SYM	Price Sept 2026	QTD Change	YTD Change
Abaco Markets Limited	AML	11.50	16.16%	72.93%
Arawak Port Development	APD	52.00	2.97%	4.00%
Benchmark Bahamas Limited	BBL	3.00	37.61%	8.70%
Bahamas First Holdings	BFH	2.20	-4.35%	-18.52%
Bank of The Bahamas	BOB	8.15	-3.55%	34.49%
Bahamas Property Fund	BPF	11.99	-0.08%	-0.08%
Bahamas Waste Limited	BWL	10.15	-1.84%	-3.33%
Cable Bahamas	CAB	3.69	-2.12%	-7.52%
Commonwealth Brewery	CBB	10.00	-0.99%	-5.57%
Commonwealth Bank	CBL	4.30	1.18%	0.94%
Colina Holdings Limited	CHL	19.50	8.33%	32.74%
CIBC FirstCaribbean	CIB	16.49	0.00%	1.54%
Consolidated Water	CWCB	5.60	-5.08%	-20.68%
Doctors Hospital	DHS	4.88	-0.21%	-6.36%
Emera Bahamas	EMAB	11.73	-9.56%	-2.66%
Family Guardian	FAM	10.01	29.50%	47.21%
Fidelity Bank Bahamas	FBB	12.18	-9.38%	-25.00
Focol Holdings	FCL	8.40	16.67%	22.63%
Finco	FIN	17.00	-5.56%	8.21%
J.S. Johnson	JSJ	20.07	0.00%	19.75%
BISX INDEX	BISX	3,307.48	2.60%	6.36%

Overall, the third quarter reflected an improvement in market sentiment, with gains in the BISX Index driven by a relatively small number of strong-performing stocks. While trading activity remained selective, investor interest continued to favor companies demonstrating solid earnings growth, resilient balance sheets and attractive dividend potential. As The Bahamas' economic expansion continues and corporate earnings remain generally stable, the domestic equity market is positioned to benefit from improving investor confidence during the last quarter of 2026.

Fixed Income

During the third quarter, the Central Bank had three BRS offerings, all re-openings of the previous offerings. Benchmark rates ranged from 4.68% for three years to 6.62% for 30 years. The bank also held four Treasury Bill offerings. Overall, local interest rates remained largely unchanged throughout the quarter, reflecting the banking sector's strong liquidity position and continued investor demand for Government securities. Market liquidity helped maintain stable funding conditions despite ongoing government borrowing, resulting in relatively flat Treasury Bill yields and limited movement across the domestic yield curve.

Short Term			
Tenor	Jun 2026	Sep 2026	Change
91 days	3.53%	3.53%	0
182 days	3.43%	3.57%	+0.14
1 year	3.69%	3.73%	+0.04
3 years	4.10%	4.68%	+0.58

Medium to Long Term			
Tenor	Jun 2026	Sep 2026	Change
5 years	4.76%	5.45%	+0.69
7 years	5.51%	5.54%	+0.03
10 years	5.47%	5.40%	-0.07
20 years	6.37%	5.60%	-0.77
30 years	6.59%	6.62%	+0.03

Conclusion

The Bahamian economy remained on a stable growth path during the third quarter of 2026, supported by continued strength in tourism, improving fiscal performance, and resilient financial sector conditions. While economic growth moderated from the rapid post pandemic recovery, activity remained consistent with the IMF's projected GDP growth of 2.1% for the year. Tourism continued to underpin economic activity, with strong cruise arrivals offsetting more modest growth in stopover visitors, while inflation remained manageable despite persistent price pressures in select sectors. Fiscal indicators continued to improve, with the Government maintaining a budget surplus and debt-to-GDP ratios declining modestly, although the nominal level of public debt remained elevated. Meanwhile, ample banking sector liquidity supported stable domestic interest rates and favorable financing conditions. Looking ahead, sustaining fiscal discipline, diversifying the economy beyond tourism, and encouraging greater private sector investment will be essential to strengthening long-term economic resilience and supporting sustainable growth through the remainder of 2026.





GLOBAL ECONOMIC HIGHLIGHTS

Third Quarter 2026

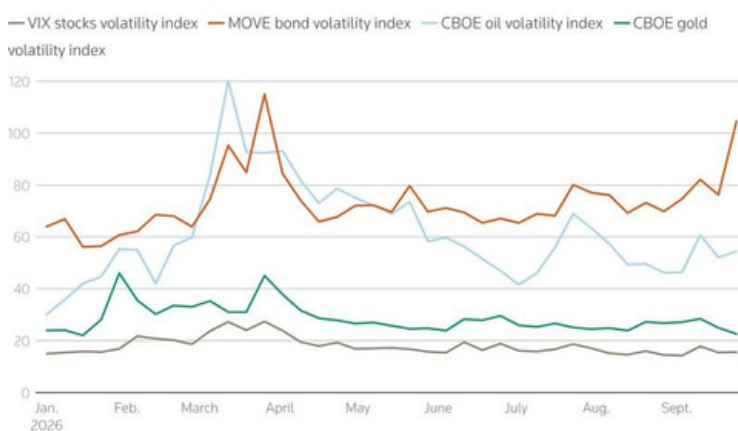
- U.S. equities posted mixed Q3 returns, with the NASDAQ up 2.47% and the S&P 500 up 2.03%, while the Dow fell 2.70%. Energy, technology and semiconductors led, but bonds declined as the Federal Reserve raised rates by 25 basis points in September.
- European markets were mixed, with the FTSE 100 gaining 1.04% and the STOXX Europe 600 declining 1.07%. Energy, financials and materials outperformed, while elevated inflation, restrictive monetary policy and weak industrial activity remained key headwinds.
- Asia-Pacific equities weakened, led by declines in China's Shanghai SE Composite and Japan's Nikkei 225. The MSCI Emerging Markets Index fell 1.05%, although commodity-linked and selected smaller markets, including South Africa, Brazil, Greece, Colombia and Poland, performed well.
- Commodities were the quarter's strongest area, with the S&P GSCI Index up 17.91% and WTI crude oil surging 31.65% amid geopolitical and supply concerns.

GLOBAL ECONOMIC REVIEW

United States

United States stock markets had mixed results in the third quarter of 2026. The Nasdaq gained 2.47% and the S&P 500 rose 2.03%, while the Dow Jones Industrial Average fell 2.70%. Investors were encouraged by steady economic growth, company profits and continued spending on artificial intelligence and technology infrastructure. Energy was the strongest sector as oil prices rose and concerns about global supply increased. Technology and semiconductor companies also performed well because of strong demand for AI infrastructure. Healthcare stocks gained after clearer drug-pricing rules emerged from talks between U.S. public healthcare programs and major pharmaceutical companies. Overall, growth and technology stocks performed better than companies that are more sensitive to changes in the economy. Bond markets were under pressure. U.S. corporate bonds fell 3.75%, high-yield bonds declined 1.81% and 1–10 year U.S. Treasuries lost 1.65%. In September, the Federal Reserve raised interest rates by 25 basis points, its first increase since July 2023, because inflation remained a concern. Higher interest rates and energy costs may continue to weigh on housing and consumer spending. They can also reduce the value investors place on future company profits. We remain positive on U.S. stocks because economic activity, company earnings and AI investment remain strong. However, high share prices, tight financial conditions and geopolitical risks may lead to more market swings and wider differences between sectors.

Bonds - no time to buy



Reuters | Marc Jones @marcjonesrtr

Europe

European stock markets had mixed results in the third quarter of 2026 and generally trailed U.S. markets. Growth slowed, factory activity remained weak and geopolitical uncertainty continued. The STOXX Europe 600 fell 1.07%, while the FTSE 100 gained 1.04%. Energy was the strongest sector, helped by higher commodity prices and improved profit expectations. Financial and materials companies also performed well. Real estate and consumer-focused companies were weaker because households remained cautious amid high living costs and low confidence. The quarter showed that energy exposure and more defensive investments were important sources of support in Europe.

UK stocks held up relatively well, supported by energy, telecommunications, technology and basic materials companies. Inflation rose to 3.1% in August. The Bank of England kept its main interest rate at 3.75% but warned that rates could rise again if inflation remains high. High prices and tight monetary policy may continue to slow housing and consumer spending. Prime Minister Andy Burnham replaced Sir Keir Starmer during the quarter, but investors remained focused on government spending, inflation and the October 28 UK budget. We remain cautiously positive on reasonably priced European companies linked to energy, financial services and global demand. Still, weak factory activity, geopolitical uncertainty, high energy costs and slow growth remain important risks.

Asia Pacific

Asia-Pacific stocks generally weakened in the third quarter of 2026 as investors became more cautious about regional growth, higher energy costs and company profits. China's Shanghai SE Composite fell 6.16%, while Japan's Nikkei 225 declined 4.72%. South Korea was among the weakest markets because semiconductor, technology hardware and export-focused companies lost ground. Technology-heavy markets were also affected by profit-taking after earlier gains. Concerns about global trade, export demand and high share prices added to investor caution.

India also lagged after earlier gains pushed share prices higher, while inflation and interest-rate concerns weighed on the Philippines. Japan and China were hurt by higher energy prices, weaker growth expectations and lower investor confidence. China also faced weak consumer spending, problems in the property market and concerns about the pace of its recovery. Japan was affected by higher business costs and uncertainty about interest rates and the currency. Overall, the quarter showed that Asia-Pacific markets remain sensitive to commodity prices and global trade, especially in countries that depend heavily on manufacturing and exports.

Emerging Markets

The MSCI Emerging Markets Index fell 1.05% in Q3 2026, compared with a 1.60% gain for the MSCI World Index. Results varied widely by country. Commodity prices, local interest-rate decisions and political developments all affected returns. South Africa performed well because precious-metals producers benefited from higher prices. Brazil was supported by stronger commodity prices and growing interest in artificial intelligence. Brazil's central bank also cut interest rates as expected, which improved local financial conditions ahead of the closely contested October presidential election. Lower rates and stronger commodity income helped offset concerns about global growth and market volatility.

Smaller emerging markets, including Greece, Colombia and Poland, were among the quarter's strongest performers despite the broader index decline. Investors favoured markets with attractive prices, improving economies or exposure to rising commodity prices. Emerging markets also remained sensitive to global interest rates and the U.S. dollar. Higher borrowing costs can make debt harder to repay and reduce demand for these investments. The quarter showed why choosing the right countries matters: differences in interest rates, government finances, commodity exposure and political risk produced very different returns.

Commodities

Commodities performed strongly in the third quarter. The S&P GSCI Index gained 17.91% as geopolitical tensions and concerns about global supply pushed prices higher. Energy led the gains, while industrial and precious metals also rose. Tensions in the Middle East raised concerns about oil exports and transport routes. Continued spending on energy, infrastructure and AI-related capacity also supported some industrial commodities. Copper rose 4.48% on expected demand from electrification, data centres and power networks. Gold and silver gained 2.90% and 1.83%, respectively, as investors sought safer assets amid geopolitical uncertainty and a weaker U.S. dollar. WTI crude oil was the strongest performer, rising 31.65% as reduced Middle Eastern exports increased supply concerns. If oil prices remain high, they could add to inflation, reduce household spending power and make it harder for central banks to cut interest rates.

Market Returns Q3 - 2026

As at September 30, 2026

	MTD	QTD	YTD	1 year
Equity Indices (% local currency)				
S & P 500	-0.45	2.03	11.77	14.40
Dow Jones Industrial Average	-4.29	-2.70	5.91	9.72
NASDAQ	1.86	2.47	15.57	18.54
FTSE 100	-2.02	1.04	6.79	13.43
Stoxx Europe 600	-2.49	-1.07	7.21	13.74
Shanghai SE Composite	-3.61	-6.16	-3.19	-1.05
Nikkei 225	0.67	-4.72	32.61	48.56
MSCI Emerging Markets	-0.84	-1.05	21.40	26.66
MSCI World	-1.31	1.60	10.66	13.84
ICE BofA Bond Indices (% local currency)				
US Treasuries 1-10 years	-1.49	-1.65	-1.34	-0.27
US Corporates	-2.63	-3.75	-2.79	-2.04
US High Yield	-2.49	-1.81	0.04	1.39
UK Gilts 1-10 years	-0.98	-1.50	-0.65	1.26
Euro Government	-2.17	-4.45	-3.24	-3.02
Global High Yield & Emerging Markets	-2.92	-2.27	-0.24	1.78
Global Broad Market Index	-2.72	-3.20	-3.66	-3.70
Currencies vs. USD				
British Pound	-2.10	0.02	-1.56	-1.35
Euro	-2.48	-0.81	-3.54	-3.44
Japanese Yen	-1.46	-3.16	0.45	6.43
Swiss Franc	3.39	3.39	5.45	4.95
Commodities (% USD)				
Gold	-6.55	2.90	-4.27	8.20
Silver	-8.54	1.83	-14.22	29.86
Copper	-0.99	4.48	12.04	31.24
WTI Crude Oil	7.57	31.65	58.85	48.21
S&P GSCI Index Spot	1.91	17.91	33.16	32.81