



Market Commentary October 2026

MARKET COMMENTARY

October 2026

SNAPSHOT

- Crude oil hit U\$100 on renewed US-Iran tensions.
- Federal Reserve delivered a hawkish rate rise. Further rate rises expected.
- Global sovereign bond yields surged to multi-decade peaks.

All percentages below are monthly returns for Sep-26

EQUITIES

US MARKETS

Tech resilient amid market falls

-0.5%

US 500

UK MARKETS

Rising gilt yields unsettled investors

-2.0%

UK ALL SHARE

EMERGING MARKETS

EM technology recovered after recent sell-off

-0.8%

EM

BOND MARKETS

BONDS

Global yields hit multi-decade highs

	UK GILTS	-1.2%
	US TREASURIES	-2.2%
	GLOBAL CORPORATE BONDS	-0.8%
	GLOBAL HIGH YIELD BONDS	-0.9%



*Values represent bond index returns

CURRENCIES

CURRENCIES

Pound weakened as BoE held rates

Pound vs Other Currencies

-2.1%

GBP vs USD

-3.6%

GBP vs JPY

0.3%

GBP vs EUR

-2.3%

GBP vs CNY

KEY INDICATORS

GOLD – XAU/USD

-6.3%



OIL – BRENT CRUDE

14.4%



COMMODITIES

6.9%



INFLATION – UK CPI (YOY)

3.1%



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GLOBAL MARKETS

Escalating Middle East military conflicts pushed oil prices higher, fuelling global inflation pressures. Bond yields rose as central banks hiked and governments kept spending.



US MARKETS

Strong growth and costly oil revive inflation fears

Surging oil and diesel prices and very resilient economic activity revived inflation concerns, despite 'cool' inflation data. The Fed raised rates, as expected, but the post-hike press conference was more hawkish than anticipated. Economic data continued to point towards an acceleration of economic activity in Q3 2026 and the Q2 2026 GDP data was revised significantly higher. 10-year Treasury yields surged past 5% for the first time since 2007, while 30-year yields touched multi-decade peaks amid massive corporate debt issuance from technology hyperscalers funding artificial intelligence infrastructure buildouts.

-0.5%

US 500



UK MARKETS

Energy bills push inflation and gilt yields higher

All eyes are now on the October Budget, with an increasing expectation of further tax rises. GDP was slightly better than expected and the Public Sector Borrowing Requirement numbers were poor rather than disastrous, but the overall state of the public finances remains strained. Inflation rose, almost entirely due to the increase in gas and electricity prices, with more on the way in January. Winter gas supplies remain under pressure. Gilt yields rose, with the 10-year yield an uncomfortable 5.43%.

-2.0%

UK All Share



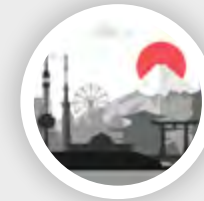
EUROPEAN MARKETS

European Central Bank hikes again as inflation climbs

European equity benchmarks retreated as the European Central Bank delivered a second 0.25% rate hike of the year. Eurozone annual inflation accelerated, driven by soaring natural gas and crude oil prices stemming from the Persian Gulf conflict. French bond markets reacted badly to opinion polls suggesting a possible Le Pen/Mélenchon run-off for the 2027 presidential election and concerns that the budget may not get approved by Parliament. French 10-year yields surged to 4.86%, a premium to Germany not seen since the eurozone crisis.

-2.7%

Euro 600 Index ex UK



JAPAN MARKETS

Japanese bond yields climb to multi-decade highs

Japanese financial markets experienced heightened volatility in September 2026 as the Bank of Japan raised its short-term policy interest rate by 0.25% to 1.25%, marking its highest borrowing cost since 1995. Ten-year Japanese government bond yields climbed past 3% for the first time since 1996, driven by energy inflation stemming from higher import costs and pressure from Washington to support the yen. Despite monetary tightening, the Japanese yen remained under pressure near Y158/USD, while technology equities found support.

-1.1%

Japan Index



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THE WORLD AT A GLANCE

	2021	2022	2023	2024	2025
UK CASH	0.0	1.4	4.7	5.2	4.3
US DOLLAR INDEX	6.4	8.2	-2.1	7.1	-9.4
UK GILTS	-5.2	-23.8	3.7	-3.3	5.0
US TREASURIES	-2.3	-12.5	4.1	0.6	6.3
GLOBAL CORPORATE BONDS	-1.9	-6.8	4.0	2.8	2.6
GLOBAL HIGH YIELD BONDS	2.0	-2.3	8.2	11.0	4.3
US 500	26.9	-19.4	24.2	23.3	16.4
UK ALL SHARE INDEX	14.5	-3.2	3.8	5.6	19.8
EURO 600 INDEX EX UK	22.5	-15.0	14.9	4.5	17.4
JAPAN INDEX	10.4	-5.1	25.1	17.7	22.4
ASIA EX JAPAN	-3.1	-15.4	6.4	16.2	31.6
EMERGING MARKETS	-4.6	-22.4	7.0	5.1	30.6
COMMODITIES	41.6	41.9	-9.7	11.2	-0.3
GOLD	-4.3	-0.7	12.8	26.6	62.5
HEDGE FUNDS	3.7	-4.4	3.1	5.3	7.1

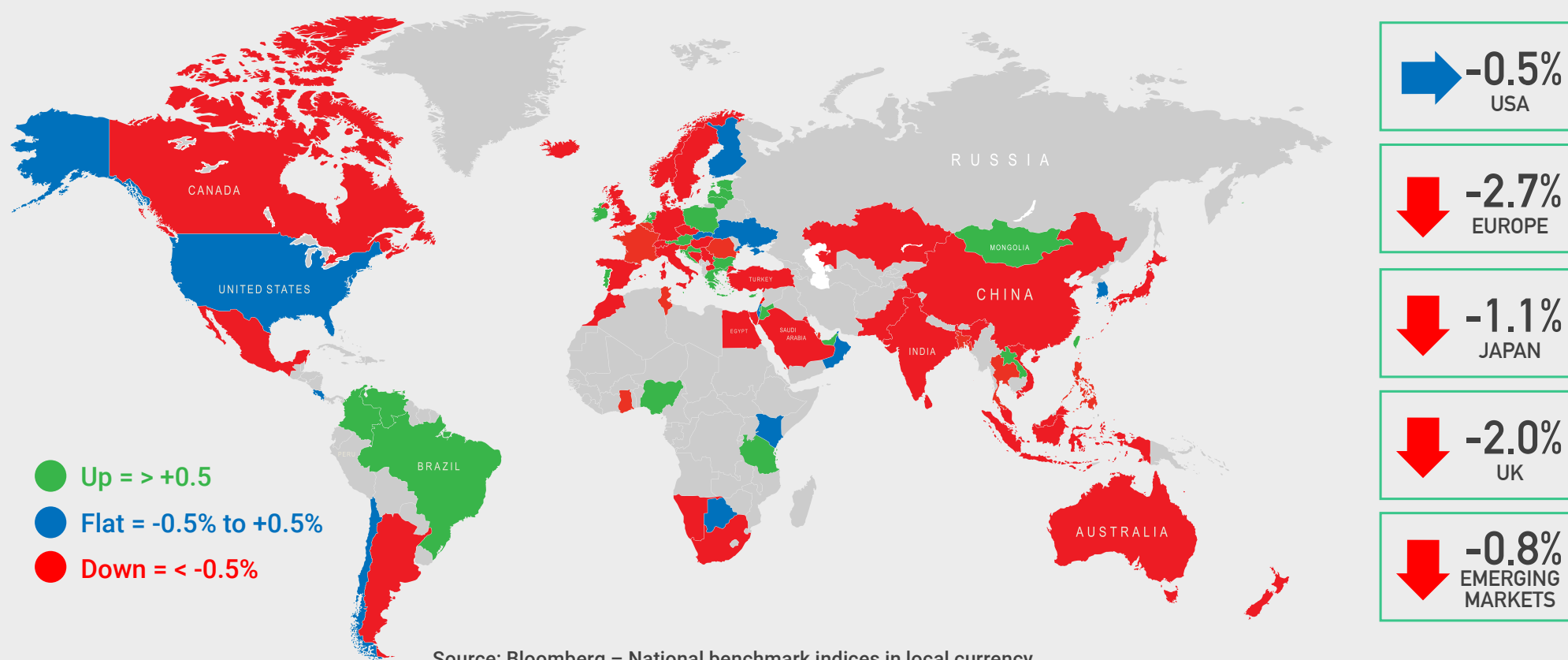
Sep 2026	Year To Date
0.3	2.8
2.0	3.2
-1.2	-2.4
-2.2	-2.8
-0.8	-1.8
-0.9	1.3
-0.5	11.8
-2.0	7.1
-2.7	6.8
-1.1	20.5
-0.3	25.7
-0.8	21.4
6.9	57.2
-6.3	-4.4
-0.4	3.9

Source: Bloomberg

Total Return – Local Currency

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WORLD EQUITY MARKETS

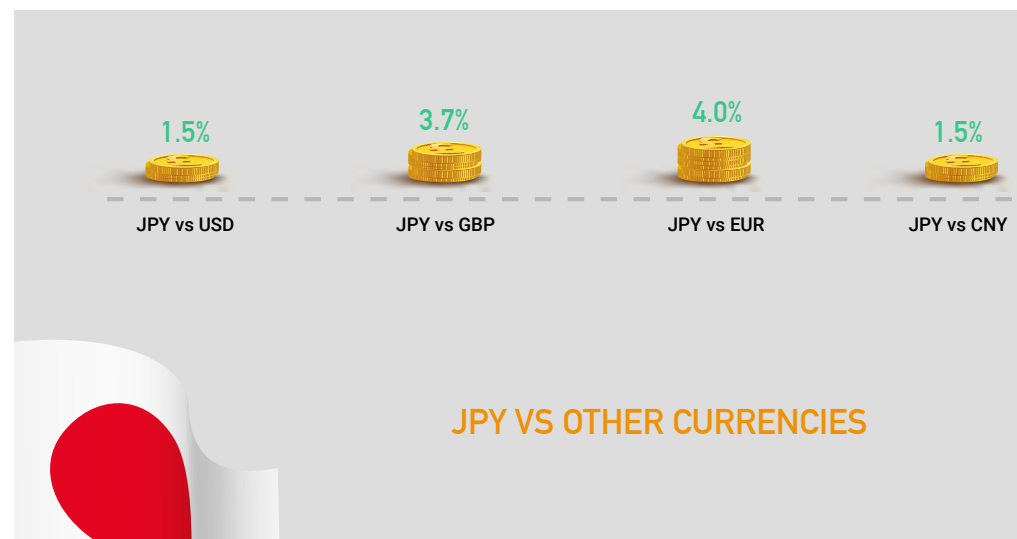
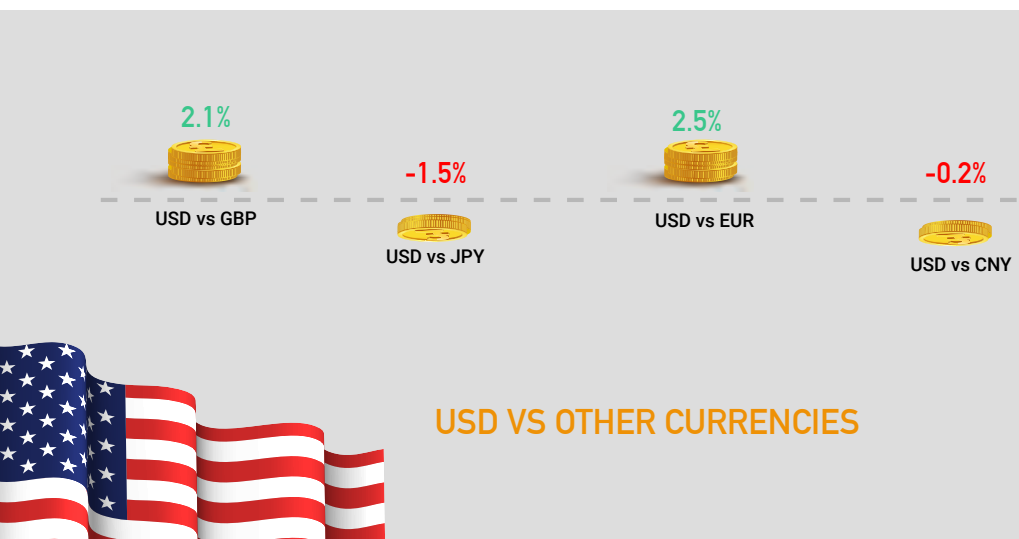
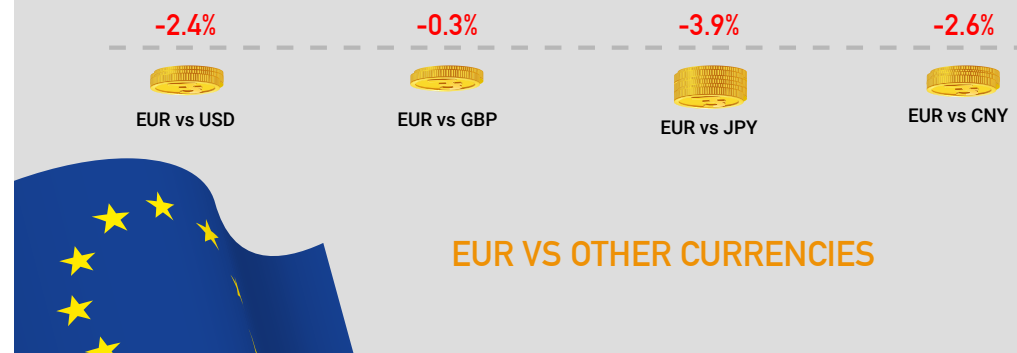
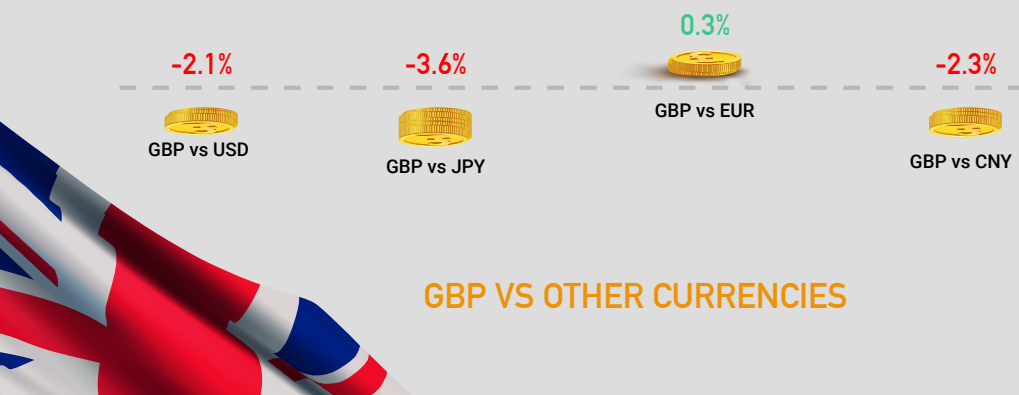


Key Points

- Wall Street reacted badly to the tone of the post hike Fed commentary. 'Good news was bad news' in terms of strong economic data sending bond yields higher. Technology became a 'defensive' sector.
- European equity indices lost ground over the month as the European Central Bank raised interest rates to counter energy-driven inflation, weighing on credit-sensitive industrial, luxury, and consumer stocks.
- Japanese equity markets showed regional divergence as tech heavyweights gained on artificial intelligence hardware demand, offsetting broader market headwinds from Bank of Japan rate hikes and elevated energy import costs.
- Gold fell on surging bond yields, taking mining shares lower. The reverse occurred in the oil market, with rising crude prices driving energy stocks higher.

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CURRENCIES



Key Points

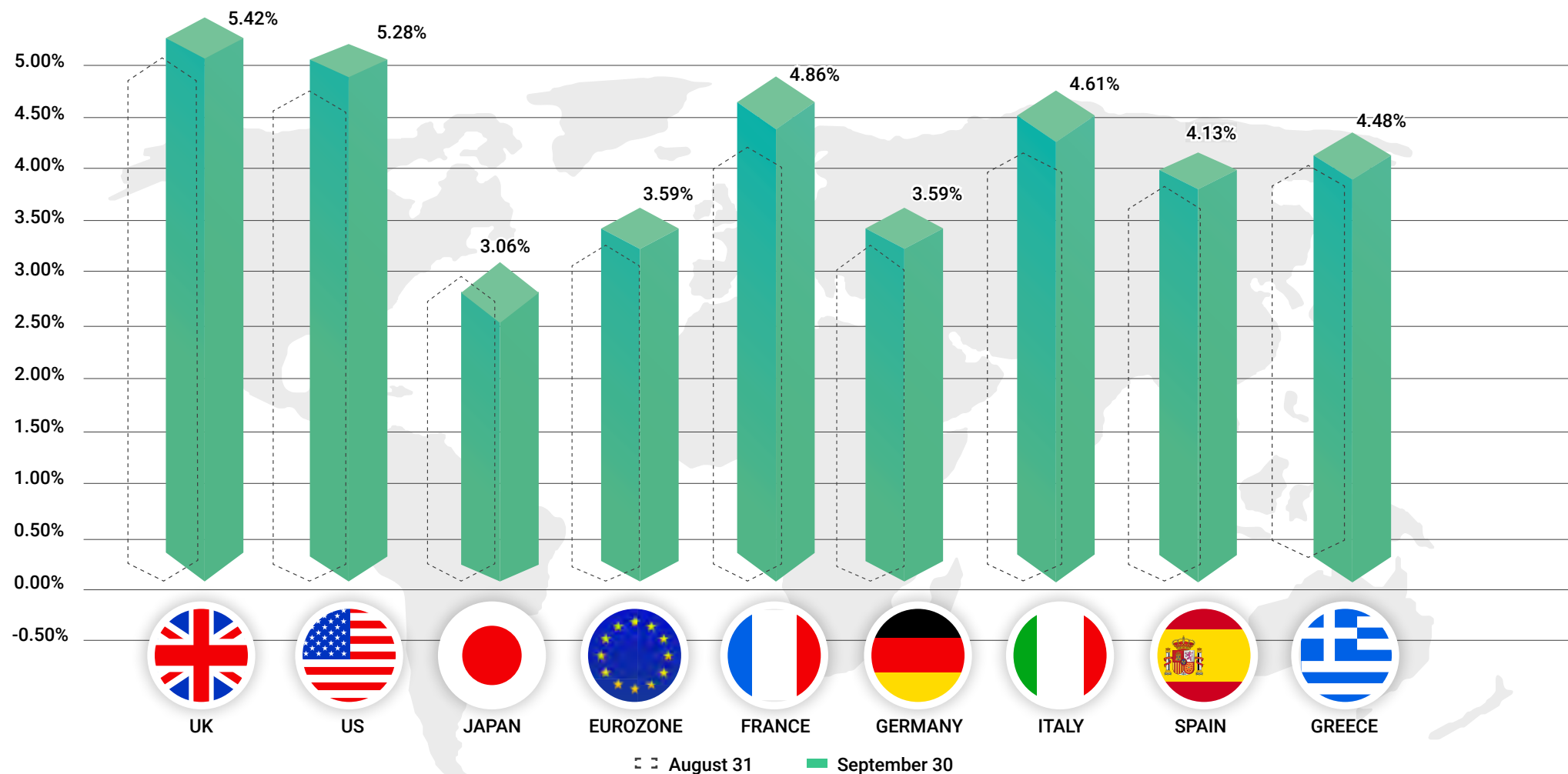
- The US Dollar Index ended the month higher on hawkish Federal Reserve rate projections.
- The euro weakened as markets priced in slowing Eurozone growth alongside additional European Central Bank interest rate increases and mounting concerns over French budget deficits.

- Sterling fell against the US dollar, declining from U\$1.356 to finish the month at U1.328, reflecting mounting concerns over the public finances.
- The Japanese yen fluctuated near Y158/USD despite the Bank of Japan interest rate hike, as wide interest rate differentials against the US maintained selling pressure.

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GENERIC 10-YEAR YIELDS*

*A Generic bond is a theoretical bond that always has the specified tenor, unlike a Benchmark bond, which is a physical bond, with a decreasing tenor.



Key Points

- Strong economic data drove US Treasury yields higher, with 10yr yields surging by 0.54%. 10-yr yields hit levels not seen since 2002.
- Gilts followed the lead from Treasuries, with 10yr Gilts hitting 5.42%, which is reaching uncomfortable territory for the Treasury, ahead of the upcoming budget.
- The pattern of rising sovereign yields was repeated across all developed bond markets, with French yields also impacted by domestic political concerns.
- The surge in sovereign bond yields bled into High Yield, which suffered its largest drawdown since the start of the Iran war.

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GLOSSARY OF TERMS

BoE	Bank of England – central bank of the United Kingdom
BoJ	Bank of Japan – central bank of Japan
Capex	Capital Expenditure is money a business spends to acquire, upgrade, or maintain long-term physical assets such as property, buildings, equipment, or technology that provide value for more than one year. It is considered an investment in the productive capacity and future growth of the company.
Correlation	The degree to which the returns of financial assets or instruments move in relation to each other
CNY	Chinese renminbi (yuan) – currency of the People’s Republic of China
CPI	Consumer Price Index – a measure of inflation in which a basket of goods and services is calculated over different time periods
Dovish	The approach in which central banks are likely to keep monetary policy “loose” or accommodative
ECB	European Central Bank – the central bank of the European Union countries which have adopted the euro
EUR	Euro, the official currency of the European Union for the 20 of 27 member states that have adopted this currency
The ‘Fed’	or the US Federal Reserve System – the central banking system of the United States of America, which includes the Federal Reserve Board and the twelve regional Federal Reserve Banks
GBP	British Pound – sometimes referred to as ‘sterling’

GDP	Gross Domestic Product – a monetary measure of the market value of all goods and services produced in a specific time period by a country or countries
Growth Stocks	Stocks which display specific characteristics – high price-to-earnings (P/E), high price-to-book (P/B), low to no dividend yield – which typically demonstrate revenue growth and tend to reinvest earnings rather than distribute them as dividends
Hawkish	The approach in which central banks are likely to keep monetary policy “tight” or restrictive
JPY	Japanese Yen – currency of Japan
PMI	Purchasing Managers’ Index – an economic indicator used to measure the activity of the manufacturing/service sectors of the economy
Public Sector Borrowing Requirement	The gap between what a government spends and what it collects from tax and other revenues
USD	US Dollar – currency of the United States of America
Value Stocks	Stocks which may trade at lower prices relative to their intrinsic value, as defined by traditional fundamental analysis, and typically include evaluation metrics such as lower price-to-earnings (P/E) and price-to-book (P/B) ratios, and higher dividend yields, compared to Growth stocks.
Yield Curve	a graph (line) which depicts how the yields on debt instruments such as bonds vary as a function of their years remaining to maturity
YoY	Year over year

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Sources: Collidr, Bloomberg. Indices: Barclays, FTSE, Bloomberg, STOXX, Japan Exchange Group, MSCI, S&P, New York Mercantile Exchange, Chicago Mercantile Exchange, Bureau of Labour Statistics, US and Office for National Statistics, UK