

Market Commentary & Outlook October 2026

Summary

- **Global equities** were weaker during October as investors became more cautious on growth, valuations and the outlook for interest rates.
- **Emerging markets** declined, with cooling AI sentiment and ongoing concerns around the Chinese economy weighing on sentiment.
- **Australian** large cap shares were relatively resilient, outperforming many major offshore equity markets.
- **Australian small caps fell** 6.4%, reflecting weaker risk appetite and a shift away from higher-risk assets.
- **Bonds** delivered positive returns as yields declined, once again demonstrating their diversification benefits.
- **Listed infrastructure** and **property** benefited from lower bond yields and outperformed broader equity markets.
- **Gold** fell on broader market pressures whilst **oil** rose significantly.

Market Overview

October was a more challenging month for investors, with weakness across many major global equity markets weighing on returns. While inflation continued to moderate and expectations for future interest rate cuts remained supportive, investors became more cautious towards equity valuations, particularly within US large-cap growth stocks following a strong rally earlier in the year. In contrast, fixed income and real assets generally delivered positive returns as bond yields moved lower. For Australian investors, domestic equities proved relatively resilient, while offshore equity exposures were negatively affected by both softer underlying market performance and currency movements.

Australian Equities

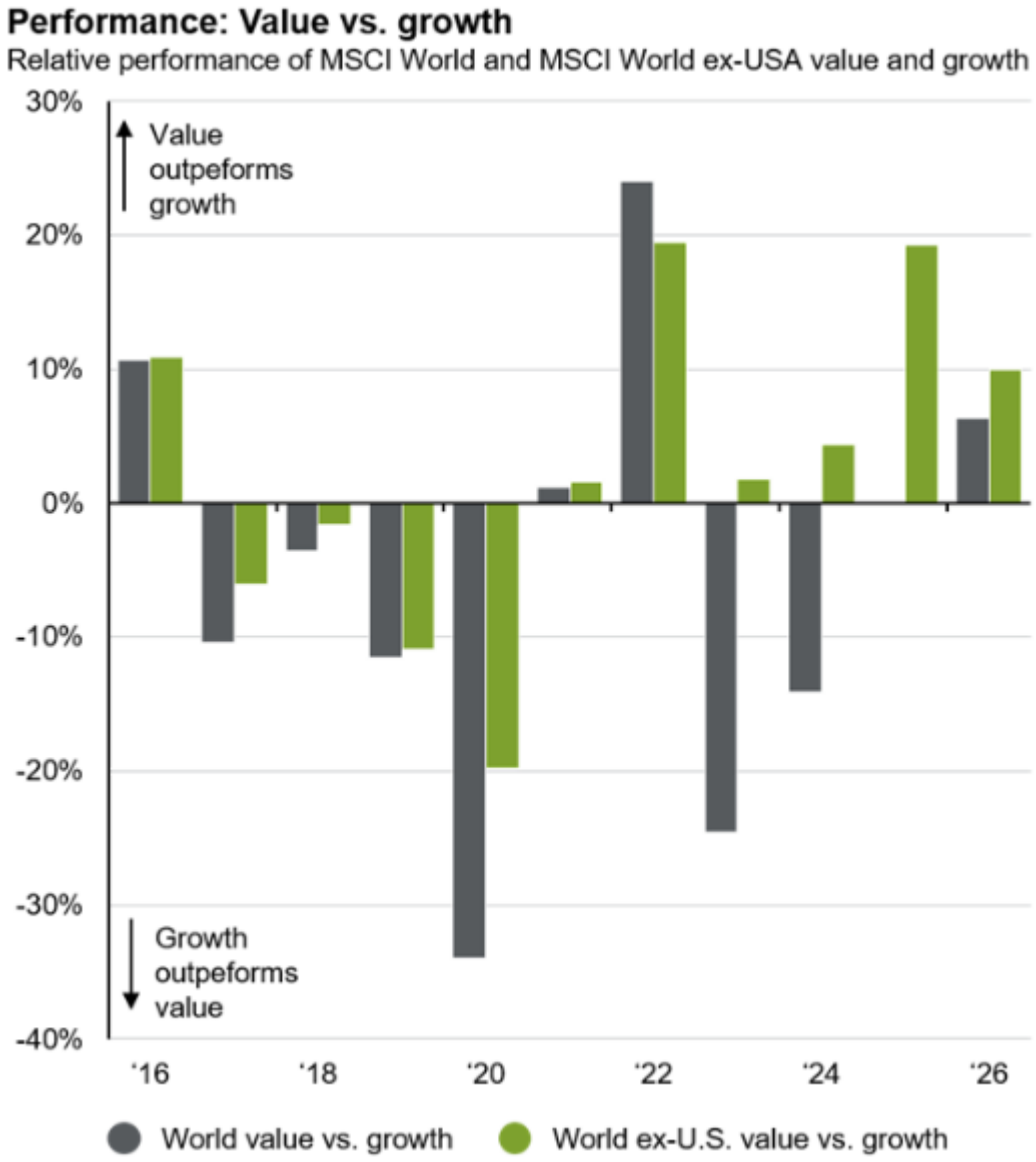
Australian equities delivered modest, but positive returns.

- **S&P/ASX 200, up 1.4%.** Australian equities delivered modest positive returns during October, supported by the Financials and Materials sectors. The major banks remained resilient despite an increasingly subdued domestic economic backdrop, while mining companies benefited from relatively stable bulk commodity prices and continued expectations of policy support from China. Defensive sectors also attracted investor interest as market volatility increased globally.
- **Australian small caps, down 6.4%** Australian small-cap equities experienced a challenging month, as investor sentiment deteriorated across higher-risk segments of the market. Growth-oriented sectors, including Technology and Consumer Discretionary, were particularly affected as investors became more cautious amid increased market volatility and uncertainty surrounding the global economic outlook.

Global Equities

- **Global equities** Global equities declined during October as investors reassessed earnings expectations and valuation multiples following a strong run earlier in the year. US equities were a key source of weakness amidst broader concerns regarding elevated valuations, profit-taking within large-cap technology stocks, and uncertainty surrounding the economic outlook.

- **Currency-hedged global equities** fared slightly better but **were** still in negative territory as the Australian dollar weakened slightly during the month.
- **Emerging market equities were** one of the hardest hit asset classes as, Taiwan, China, and South Korea, which make up 70% of the index all had negative months. Cooling AI sentiment and a semiconductor sell off were part of a broader correction in tech stocks. China had weak performance in the cyclical sectors, as increased US and EU trade measures and weak real economic activity remain headwinds.



Source: FactSet, MSCI, J.P. Morgan Asset Management.

The chart above looks at style performance and growth vs. value investing. Growth outperformed value as a style for many years given the boom in tech and AI, however, more recently, value has started to outperform. The lower weight towards growth in non-U.S. global equity markets means that outside the U.S. value as been outperforming.

Fixed Income & Commodities

October was a positive month for most fixed income indices:

- **Australia**: Australian bonds generated positive returns during October as government bond yields declined. Softer inflation readings and evidence of moderating economic activity reinforced expectations that the Reserve Bank of Australia is nearing the end of its policy tightening cycle. Both government and investment-grade corporate bonds benefited from falling yields and attractive income levels.
- **Global**: Global fixed income also produced positive returns as bond markets increasingly priced in the prospect of policy easing across major developed economies over the coming year. Falling government

bond yields supported returns, while credit markets remained relatively resilient despite the softer tone across equity markets.

- **Oil** Crude oil prices rose significantly over the month of October 2026, climbing roughly 15% to over 18% depending on the benchmark amid ongoing Middle East tensions, supply concerns, and regional attacks.

- **Gold** prices fell by roughly 6% to nearly 7% over the month of October 2026, marking a second consecutive monthly decline as broader market pressures weighed on the metal.

Property and Infrastructure

- **Global listed infrastructure.** Global listed infrastructure delivered positive returns and outperformed broader global equity markets. The sector benefited from lower bond yields, stable earnings outlooks and its defensive characteristics. Utilities, regulated assets and transportation infrastructure companies were among the stronger contributors. Infrastructure continued to provide attractive diversification benefits during a weaker month for equity markets.

- **Global listed real estate.** Global listed real estate produced positive returns as declining bond yields improved investor sentiment toward interest-rate-sensitive sectors. Property securities benefited from improving financing conditions and stabilising valuation expectations. Data centres, logistics properties and residential real estate companies were among the stronger-performing segments.

- **Australian listed property.** Falling bond yields supported property valuations and reduced concerns regarding funding costs. Industrial and specialised property trusts continued to demonstrate resilient fundamentals, while office exposures remained more challenged due to structural changes in workplace utilisation.

Outlook and Positioning

Looking ahead, market conditions remain finely balanced. Inflation continues to moderate across most developed economies, and policy rates appear close to their cyclical peaks. However, markets have already priced in a meaningful degree of monetary easing for 2027, leaving less room for disappointment should inflation prove more persistent than expected. In addition, equity valuations in several major markets, particularly within parts of the US technology sector, remain elevated by historical standards. This suggests future equity returns are likely to be increasingly dependent on earnings growth rather than further valuation expansion.

For Australian investors, the current environment reinforces the importance of maintaining diversification across asset classes and regions. Fixed income remains attractive given the combination of elevated running yields and its ability to provide portfolio ballast during periods of equity market weakness. Real assets such as infrastructure and listed property continue to benefit from a backdrop of gradually easing monetary policy. While short-term market volatility is likely to persist, a balanced portfolio remains well positioned to navigate an environment characterised by moderating growth, easing inflation and improving opportunities across defensive asset classes.

Benchmark Returns

Period Ended: 31 October 2026	1 Month %	3 Months %	6 Months %	1 Year %	3 Years % (pa)	5 Years % (pa)	10 Years % (pa)
Australian Shares							
S&P/ASX 100	2.02	0.76	5.68	5.42	13.56	8.60	9.77
S&P/ASX 200	1.38	0.45	4.60	3.69	13.35	8.00	9.43
S&P/ASX Small Ordinaries	-6.43	-3.89	-6.94	-14.36	10.03	0.64	5.91
International Shares							
MSCI ACWI ex-Australia AUD	-2.80	-0.32	6.55	4.50	18.16	11.60	13.34
MSCI ACWI ex-Australia AUD (Hedged)	-1.50	0.21	5.36	12.75	21.54	9.94	
MSCI Emerging Markets AUD	-9.07	-5.64	1.24	6.13	18.06	8.33	9.00
Australian Cash and Bonds							
Bloomberg AusBond Bank	0.37	1.11	2.23	4.14	4.23	3.41	2.28
Bloomberg AusBond Composite Index	1.16	0.07	2.22	0.39	4.60	0.96	1.77
International Bonds							
Bloomberg Global Aggregate AUD (Hedged)	1.76	0.24	0.40	0.43	4.48	-0.12	1.35
Global Listed Infrastructure							
FTSE Developed Core Listed Infrastructure 50/50 AUD (Hedged)	8.76	0.61	1.57	13.28	15.50	7.07	7.41
Property							
S&P/ASX 200 A-REIT	1.67	-6.78	-2.42	-13.41	12.28	3.23	6.05
FTSE EPRA Nareit Developed AUD (Hedged)	2.39	-6.08	-2.63	6.20	11.24	-0.08	3.14

Source: Morningstar Direct

Important Information

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