

Monthly Market Snapshot

October 2026

The Monthly Market Snapshot publication provides commentary on the global economy and the performance of financial markets

Frontier Advisors

Market commentary

Global markets were volatile in October. The Iran war continued to disrupt energy markets, driving oil prices higher. There was increased focus on the sustainability of artificial intelligence spending, and bond yields fell as investors sought safety.

Equity markets rallied early in the month but then faded, with developed-market equities ending modestly lower. US shares slipped after reaching record highs early in the month, as the Technology sector fell amid concerns about debt-funded AI investment. Japan declined by more, after previous very strong performance reversed in the month. Europe fell modestly with concerns on higher energy costs impacting the market. In contrast, UK equities gained in October, benefiting from its larger weighting to energy companies and low exposure to the underperforming Technology sector.

Australian equities rose modestly, outperforming global markets. This was driven by gains from Utilities, Financials and Healthcare sectors. Although the Energy sector benefited from higher oil prices, Resources in aggregate fell sharply on lower gold and industrial metal prices, with particularly large falls in small Resources.

Emerging market equities recorded a large negative month. South Korea was a significant drag, as its chip-heavy market fell sharply on AI concerns. Indonesian equities also suffered a steep sell-off after MSCI announced a formal review to remove it from the Emerging Markets index, given market governance concerns, and Brazilian shares and its currency fell sharply after Luiz Inácio Lula da Silva's unexpected presidential re-election result prompted a reassessment of fiscal risks or regulatory shifts.

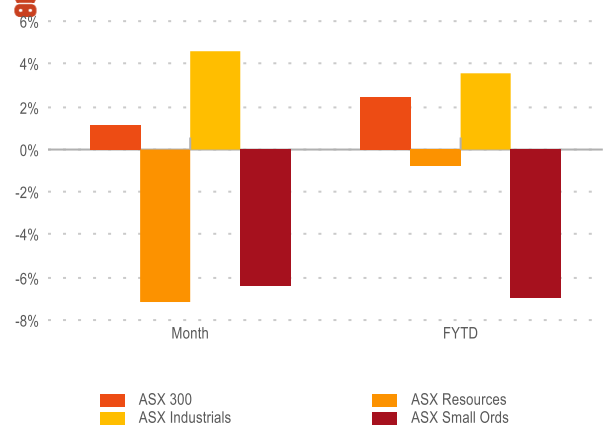
Bond markets delivered positive returns as yields retreated from elevated levels reached at the start of the month. US bond yields fell, with Treasuries rallying further during the late-month technology sell-off. France was the major exception, with its 10-year yield rising to its highest level in around 25 years, driven by fiscal concerns, political gridlock, and civil unrest. The US Federal Reserve, the European Central Bank and the Bank of Japan left official interest rates unchanged, although Fed communication suggested further tightening remained possible. In Australia, stronger-than-expected inflation data lifted short-term yields on expectations of a further RBA rate hike in November, while longer-term yields fell, flattening the yield curve. Corporate bonds typically lagged government bonds, as credit spreads moved a little higher, consistent with the general risk-off sentiment.

The Australian dollar strengthened against major currencies, which was not consistent with the general risk-off sentiment but was supported by rising interest rate differentials as Australian short-term yields increased. The stronger AUD further reduced returns on unhedged global equities for Australian investors.

Listed property and infrastructure both rose as bond yields fell, and the defensive characteristics also helped during the equity pullback. Infrastructure was the stronger performer, driven by returns from electricity utilities and energy transport and storage assets.

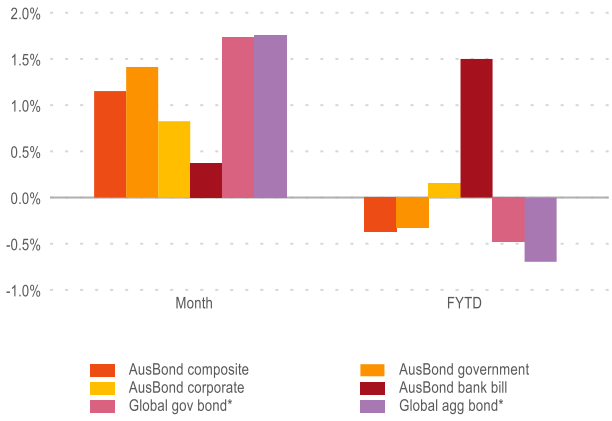
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Australian equities



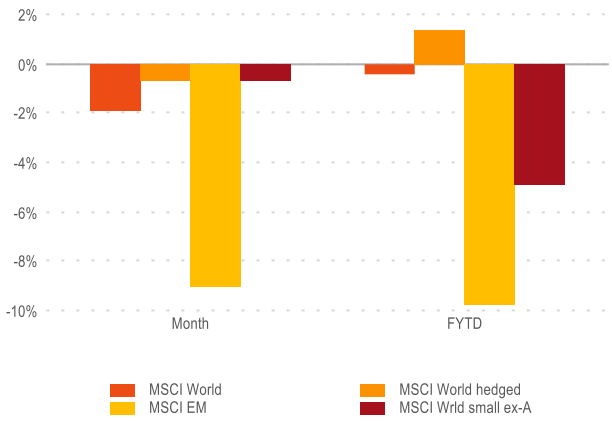
Source: LSEG Datastream

Fixed income



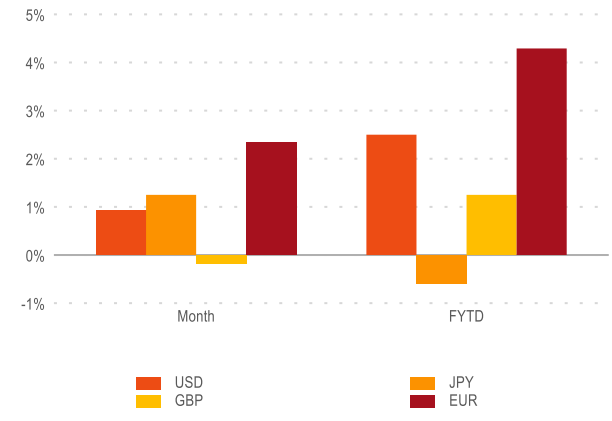
Source: LSEG Datastream

International equities ($A)



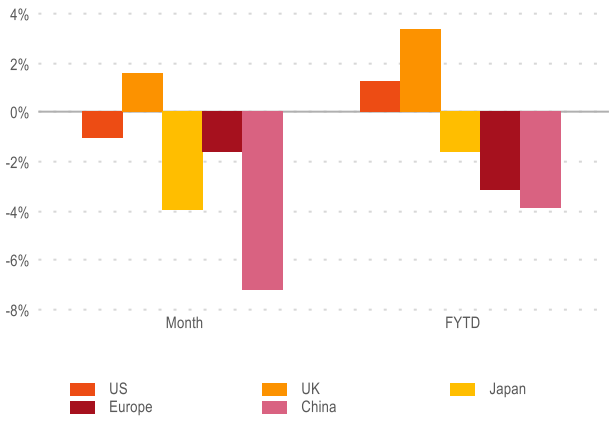
Source: LSEG Datastream

Australian dollar



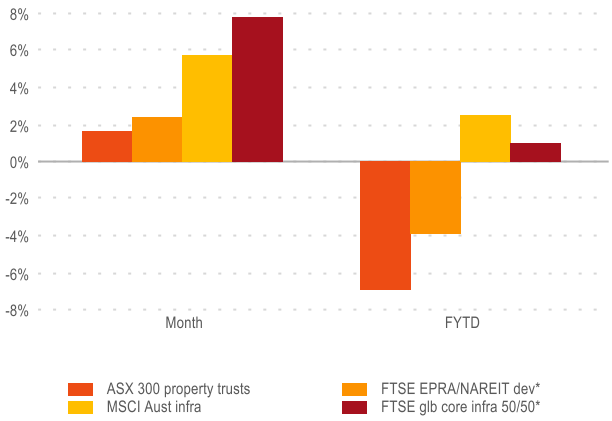
Source: LSEG Datastream

International equities



Source: LSEG Datastream

Real assets



Source: LSEG Datastream *Hedged A$



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