Fund Research Centre
Independently Minded

Monthly Viewpoint – Summary Review of October 2026

9 November 2026

Global equities fell in October, led by technology stocks as investors lost confidence in the AI narrative. Asian and emerging market indices tumbled, with the Korean and Taiwanese markets in the eye of the storm. This saw a sharp sector rotation as investors headed for more defensive stocks. Against this backdrop, the UK equity market was an outperformer, benefiting from its "anti-AI" status and sensitivity to the rising oil price. Sovereign bonds returned to their traditional role as a safe-haven asset, with investors also taking advantage of attractive real yields. Credit spreads widened, with stresses in some of the leveraged AI build-out names overshadowing the high yield market.

Equity markets

During a month of sector/risk rotation, **US** technology stocks lost their footing. The technical picture was important, as the momentum behind technology shares – semiconductors in particular – had seen hedge funds and high-frequency traders of all shades build large leveraged positions. As cracks appeared in the AI narrative, short-term holders reversed/closed their positions and the deteriorating technical picture fuelled further selling. At the close of the month, company results came through thick and fast, leading some of the technology "big daddies" to suffer material share price falls. CoreWeave, a so-called "neocloud" (and a company that transformed itself from a crypto mining company to a cloud computing company in the wake of the 2018 cryptocurrency crash) attracted much attention as the poster child for mounting concerns about the scale of debt being raised for AI infrastructure, as well as inter-company circularity within the AI ecosystem. Its share price slumped and its cost of debt spiked. Indeed, both equity and bond investors are becoming increasingly concerned about the quantum of global AI-related debt issuance, but, while bond investors favour a slow-down in capex, equity investors need the build-out to continue in order to uphold their hopes and expectations for future monetisation. To quote Trevor Greetham of Royal London Asset Management in the FT, "*the AI trade is like a shark that has to keep swimming to stay alive*".

The surge in tech-related volatility resulted in a decline for the Nasdaq index, while the main US index only fell by around 1% as investors shifted to more defensive areas, such as the hitherto unloved consumer staples sector. Healthcare, another area that has divided opinion in recent times, also enjoyed renewed attention, while the rise in the oil price boosted energy stocks. Economically, hot inflation prints reignited fears of tighter monetary policy to come, with rising gasoline prices exacerbating the headline CPI number and feeding discontent amongst American voters ahead of the midterm elections.

Unsurprisingly, there was extreme underperformance of US growth indices versus value indices, and mid- and small-cap indices outperformed large-cap indices as the mega-cap technology companies weighed upon the latter. Globally, value outpaced growth by a significant margin.

The theme of technology turmoil dominated the picture in other markets to varying degrees. Although **European** markets continued to trade nervously due to elevated oil prices and higher bond yields, the index achieved a positive return over the month as investors shifted capital away from the US. There was a strong defensive tone to the market, as investors shunned technology hardware and cyclical areas. Banks were also under pressure due to social/political instability in France, rising bond yields and worries about fiscal sustainability.

The UK was one of the strongest performing markets, achieving a positive return as it benefited from its "anti-AI"/defensive status, as well as its exposure to the oil & gas majors. As a result, the blue-chip index outperformed the mid- and small-cap indices. There was a muted reaction to Chancellor Healey's Autumn Budget, with the overall impact seen as neutral, notwithstanding the marked reduction in the fiscal headroom. Banking shares suffered during the month, in part because of the much-heralded windfall tax. Precious metals and mining shares fell in tandem with the weaker gold price.

Japanese markets declined, with the technology-heavy Nikkei 225 index underperforming the broader Topix index as pronounced weakness and volatility hit AI and semiconductor-related shares. Elevated oil prices and the risks to energy supplies added to investor caution.

Asian and emerging market indices suffered most acutely from the rout in technology shares. Korea and Taiwan were in the eye of the storm, having benefited most from the AI/semiconductor theme earlier in the year (although despite this, both markets are still registering a stellar year-to-date return). The scale of share price falls and the intense volatility were eye-watering, particularly in view of the size of the companies. The Chinese market was weak again, despite the authorities' efforts to bolster domestic demand and support financial markets. Renewed trade tensions between China and the EU added to the malaise. Indonesian equities also suffered because of the proposed removal of the market from regional benchmarks due to market dysfunction and transparency issues. India, which has lagged this year due to its exposure to software service companies, regarded as "AI losers", was an outperformer in October. The Brazilian Bovespa staged a dramatic decline following the surprise re-election of President Lula da Silva. In recent weeks, global investors had been buying Brazilian assets on the expectation that Flavio Bolsonaro would be elected and introduce investor-friendly policies. A plunge in the currency added to foreign investors' pain.

Bond markets

Sovereign bonds fulfilled their traditional role as safe-haven assets in October, despite ongoing concerns regarding inflation and rising government debt. Yields had risen sharply in September, but, with equity markets under pressure, and attractive total returns on offer, investors sought out their relative safety. The exception was France, where the weak fiscal position, political uncertainty and social unrest saw the yield of the 10-year OAT surge above 5%, the highest in over two decades. In the UK, the Autumn Budget dominated the headlines but, with few surprises and Chancellor Healey's commitment to the government's fiscal rules, the market reaction was muted.

Against this backdrop, **UK gilts** delivered a positive return, with longer-duration bonds enjoying an added boost from the declining yield environment. Index-linked bonds also performed well as inflation risks remained elevated. While **corporate bonds** benefited from the fall in nominal yields, spreads widened, resulting in underperformance compared to sovereign peers. Higher-quality, longer-duration bonds fared better than lower-quality bonds, with stresses within the more leveraged AI build-out names overshadowing the **high yield bond** market.

In terms of policy decisions, following recent interest rate hikes, the Federal Reserve, the European Central Bank and the Bank of Japan stood pat. With higher levels of inflation accepted as the new status quo, markets continue to price in further hikes to come, particularly if the geopolitical situation continues to pressurise energy markets.

Commodity and currency markets

The **oil** price advanced over the course of the month as hopes for progress in the US-Iran negotiations remained uncertain. Attacks on oil infrastructure and shipping around the Strait of Hormuz kept up the pressure, as did fears of further action against Iran as the US midterm elections approached.

The **gold** price tumbled to below $4,000 an ounce, touching its lowest level for a year, as rising energy prices, persistent inflation and expectations of further monetary policy tightening weighed upon the precious metal. At the end of the month, there was additional selling pressure as the technology rout triggered liquidations across asset classes.

UK sterling appreciated, underpinned by elevated bond yields, better economic growth than expected and anticipated interest rate rises. For sterling-based investors, this reduced the returns available from unhedged overseas currency holdings. **Bitcoin** fell as news of a major security breach at Binance, the world's largest cryptocurrency exchange, intensified selling pressure.

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