Crystal Wealth Partners Market Commentary - October 2026

October brought a change in market leadership, and with it some natural questions about what this means for investors. We have worked through some of the key questions in this update, from the reassessment of artificial intelligence (AI) stocks to the renewed rise in oil prices.

Three developments shaped the month:

- Investors began asking harder questions about how the large sums being spent on AI data centres and chips will be funded, and when that spending will pay off. The selling picked up in the final days of the month as results from several of the largest technology companies did little to ease those concerns, and the Nasdaq recorded its worst month since March 2025;
- Renewed tension in the Middle East, including Houthi missile and drone attacks on Saudi Arabia and a mine strike on a tanker in the Strait of Hormuz, pushed oil to its highest level since April, with the US benchmark WTI rising 15.15%; and
- Bond yields eased back from long-term highs as investors sought safety, and the US Federal Reserve (Fed), the European Central Bank (ECB) and the Bank of Japan all held rates steady, providing welcome relief for bond portfolios after a difficult September quarter.

At home, inflation accelerated again in the September quarter, and markets came to see a Reserve Bank of Australia (RBA) rate rise on Melbourne Cup Day as close to certain. The RBA duly raised the cash rate to 4.85% on 3 November. Further afield, China was the weak spot globally, with Chinese shares recording their biggest monthly loss since early 2016 and iron ore falling to a two-year low.

Global Markets

Why did technology stocks fall while the Dow Jones rose?

The answer lies in what each index holds. The Dow Jones rose 1.70%, while the S&P 500 slipped 0.93% and the technology-heavy Nasdaq 100 fell 5.30%. The main driver was a reassessment of AI stocks through the month. Investors grew uneasy about how heavily companies have borrowed to build data centres, and about whether AI infrastructure spending next year may fall short of projections. On 22 October the Nasdaq had its biggest one-day fall since June, with chipmakers and AI infrastructure companies hit hardest and Nvidia the largest drag on the S&P 500 during the worst of the selling. Importantly, the selling did not turn into a broad market decline. Investors rotated into other sectors rather than leaving the market altogether, and energy shares reached a record high on the back of higher oil prices. The Dow, with its greater mix of traditional industrial, financial, healthcare and consumer companies, was a clear beneficiary of that shift.

How did the big technology companies' results land?

Poorly, for the most part. Alphabet (Google's parent company) fell 12.6% on 29 October, its worst day since listing in 2004, after its spending on AI pushed free cash flow (the cash left over after investment) into negative territory. Amazon's results disappointed, S&P Global revised its outlook on Meta to negative over its spending and cash flow, and Intel fell almost 29% in a single session, its worst day since 1974, after a weak forecast. In contrast, Microsoft held up better, finishing the month higher. Reuters estimated that more than US$2 trillion in market value was wiped from the Nasdaq 100 over the month. The message for investors is clear: the question is no longer whether these companies will keep spending, but whether that spending is turning into revenue and profit quickly enough to justify it.

Are company earnings still supporting share prices?

Yes for now, and this is an important counterweight to the volatility. Third-quarter earnings growth for S&P 500 companies was tracking above 32%, according to LSEG data, with

companies such as Marsh & McLennan, Kimberly-Clark and SLB rising after beating expectations. The economy also remains in good shape, growing at an annualised 3.4% in the September quarter, up from 2.2% in the June quarter. Over 12 months, the S&P 500 is up 10.82%, the Nasdaq 100 7.22% and the Dow 8.85%, solid returns given a backdrop of war, higher energy prices and rising interest rates. Meanwhile, US households are feeling the strain, with consumer sentiment sitting near a record low as higher prices linked to the Middle East conflict weigh on budgets.

What did the US Federal Reserve do, and what comes next?

The Fed held its target rate at 3.75% to 4.00% on 28 October, as widely expected, giving itself time to assess the impact of September's increase. The vote was 10-2, with Governor Lisa Cook and Cleveland Fed President Beth Hammack preferring a further 0.25% rise. The Fed upgraded its description of economic growth to “strong” and softened the urgency of its language on returning inflation to target, saying that further information would help it judge the right policy setting. At his press conference, Chair Kevin Warsh declined to signal the Fed's next move, in keeping with his preference for giving limited guidance, and the decision was widely seen as a “hawkish hold”, a pause that leaves the door open to further increases. Inflation remains the key concern, with consumer prices rising 3.7% over the year to September, slightly above expectations. After the meeting, futures markets were pricing around an 80% chance of a further increase at the final meeting of the year in December. The Fed is also navigating a sensitive political moment, with the midterm elections held on 3 November, and the result could shape the outlook for government spending, budget deficits and, in turn, bond yields.

Why was Japan one of the markets hit hardest by the AI selloff?

Japan's Nikkei 225 fell 5.19% in October, giving back some of a strong run that still leaves it up 20.76% over 12 months. The Japanese market has a large weighting to chip equipment makers and technology investors, so when AI sentiment turned, it felt the impact more than most. On 15 October the Nikkei fell 4.9% in a single session as selling spread from Wall Street, and a further fall on 22 October took it to its lowest close since late July, with Advantest, Tokyo Electron and SoftBank Group accounting for around two-thirds of that day's decline. Korea and Taiwan, which are similarly exposed to the chip supply chain, were also caught up in the selling. The market steadied in the final week, rising 1.7% on 27 October as chip stocks rebounded, before falling about 2% on 30 October as the selloff in US technology resumed, a reminder of how quickly sentiment in these sectors can swing in both directions.

Will the Bank of Japan raise rates again, and why is the yen still weak?

The Bank of Japan held its policy rate at 1.25% on 30 October in an 8-1 vote, with board member Hajime Takata favouring an increase to 1.5%. Governor Kazuo Ueda said the pace of further increases will depend on upcoming data, and pressure for another move is building. Underlying inflation rose to 3.2% in September, the highest in nearly three years, and most economists surveyed by Bloomberg now expect an increase in December. Even so, the yen remained weak at around 157 to 158 per US dollar. As we noted last month, the gap between Japanese and US interest rates remains wide, which keeps the incentive to hold US dollars in place. Finance Minister Satsuki Katayama warned that the government is ready to act decisively against excessive currency moves, language that markets read as a signal that intervention remains possible.

What did the UK Budget mean for markets?

Chancellor John Healey delivered his first Budget on 28 October, and the key message for markets was continuity. It largely maintained the fiscal discipline of his predecessor and left around £15 billion of headroom against the government's borrowing rules. The Budget was broadly in line with market expectations, with gilts steady on the day. The FTSE 100 rose 1.17% in October and is up 10.42% over 12 months, supported by its large weighting to energy, healthcare and defence companies, which held up well as technology stocks fell.

Is the Bank of England about to raise interest rates?

It may well be. UK inflation rose to 3.5% in September from 3.1% in August, above expectations and the highest in almost a year, as higher energy costs flowed through to households. Governor Andrew Bailey has warned that the Bank's patience with energy-driven inflation is running out, and markets are pricing a strong chance of an increase in Bank Rate from 3.75% to 4.00% when the Bank meets on 5 November. The Bank of England was the notable exception among major central banks when it held steady in September, although a third of its committee voted to raise. A move in November would bring it into line with the Fed, the ECB and the RBA, all of which have increased rates this year in response to the energy shock.

Why have Chinese shares fallen into a bear market?

Chinese markets were the weakest in our table this month. The Shanghai Composite fell 6.33% and Hong Kong's Hang Seng dropped 5.36%, leaving them down 9.00% and 10.08% respectively over 12 months. For mainland shares, it was the biggest monthly loss since early 2016, with the CSI 300 down 8.5%, and reported state buying was not enough to stem the decline. Somewhat surprisingly, part of the problem was good news. The economy grew 4.5% over the year to the September quarter, better than expected and helped by exports, but that strength reduced the likelihood of the large-scale stimulus investors had been hoping for. Domestic demand remains soft, with retail sales growth of just 2.6% over the first nine months of the year and fixed asset investment down 7.2%. Company earnings have also disappointed, with businesses reporting September-quarter results missing estimates by an average of 9%, including battery maker CATL and China Mobile. The mainland CSI 300 index entered a bear market (a fall of 20% or more from its peak), sitting around 20% below its June high, and recorded a 12th consecutive weekly decline, its longest losing streak since the index was launched in 2005. Hong Kong technology stocks were also caught up in the global AI selloff.

Is there anything that could turn China around?

There are a few potential catalysts. Mainland media reported that regulators were set to meet major banks in early November to discuss expanding market support tools, including low-cost funding for company share buybacks. On trade, the truce agreed during President Xi's visit to Washington in September remains in place until 10 January 2027, and the APEC leaders' meeting in Shenzhen in November offers the next opportunity for progress on the issues left unresolved, including soybeans, rare earths and technology restrictions. Some large investors, including Bridgewater's China arm, see the recent decline as largely a liquidity event rather than a deterioration in fundamentals, meaning that selling pressure, rather than a worsening economy, has driven prices lower. Until domestic demand and company earnings show a sustained improvement, however, Chinese shares are likely to remain volatile.

Bond Markets

Why did bond yields ease in October after such a difficult quarter?

After a difficult run, bonds found some relief. The US 10-year Treasury yield rose above 5.30% early in the month, its highest level since 2002, before easing back to around 4.9% by month end as investors sought the safety of government bonds during the technology selloff. Over the month the 10-year yield fell 6.95% in yield terms, or around 0.37 of a percentage point, its largest monthly decline in around two years. The UK followed a similar path, with the 10-year gilt yield reaching its highest level since 2007 and the 30-year yield rising above 6% early in the month, before settling around 0.20% below its October peak after the Budget. Japanese 10-year government bond yields also eased to around 2.8%, after reaching 3% for the first time since 1996 in September.

Does this mean the worst is over for bonds?

Not necessarily, but October showed the positive side of the trade-off we described last month. Because bond prices move in the opposite direction to yields, this fall in yields delivered capital gains on top of the regular income that

bonds pay. When yields start from a high level, even a modest fall can deliver a meaningful return, while that higher starting income provides a buffer if yields rise again. Even after this easing, the US 10-year yield remains around 20% higher in yield terms than a year ago, and inflation, government borrowing and the next moves by central banks will continue to drive yields. Investors are still being paid an attractive level of income while they

Australia

Why is inflation still rising in Australia?

Inflation is again the central issue. Data released on 28 October showed headline inflation rising to 4.3% over the year to September, up from 4.0% in August. The RBA's preferred trimmed mean measure, which strips out the most extreme price movements, rose 1.0% in the September quarter and 3.6% over the year. That was in line with forecasts but above the RBA's own August projection and well above its 2% to 3% target band. Housing costs rose 5.2% over the year and transport 8.7%, with fuel prices up a further 9.4% in September alone as higher oil prices flowed through to the bowser. Deputy Governor Andrew Hauser described the numbers as “too high”, having earlier warned that the inflation outlook looked materially worse than the RBA projected in August.

Did the RBA raise rates on Melbourne Cup Day?

Yes. Following the inflation data, markets priced a rate rise as highly likely, and on 3 November the RBA raised the cash rate by 0.25% to 4.85%, its fifth increase this year and the highest level since 2008. The decision was not unanimous, with three of the nine board members voting to hold. All four major banks had expected an increase, with Commonwealth Bank changing its forecast from a hold to a hike, describing it as an “insurance” move against energy and AI-related inflation pressures. Encouragingly for borrowers, Westpac does not see further increases beyond November as its base case, although Governor Michele Bullock left the door open to further moves. There are also signs that higher interest rates are working, with the unemployment rate rising to 4.7% as the labour market starts to cool. The RBA faces a difficult balance between bringing inflation back under control and avoiding unnecessary damage to jobs and household budgets.

How did Australian shares hold up with another rate rise looming?

Australian shares edged higher in October, with the S&P/ASX 200 up 1.35% and the All Ordinaries up 0.63%. The market traded within a relatively narrow range for most of the month as investors weighed solid company updates against the growing prospect of higher interest rates. On 28 October the market gave up early gains after the inflation data, as rate-sensitive sectors such as consumer discretionary (non-essential retail and leisure), industrials and utilities sold off, while miners and technology stocks limited the damage. The market then finished the month on a firmer note, with the ASX 200 rising 1.3% in the final week, led by the materials sector and a rise of more than 4% in BHP. In contrast, Coles fell almost 12% over the week after its first-quarter update. Resources were mixed through the month, with falling iron ore prices offset by gains in rare earths producers following a federal government policy change, and mineral sands producer Iluka rising more than 8% on a solid quarterly update. Over 12 months the ASX 200 is up a modest 0.30%, a period in which four interest rate increases and an energy shock have weighed on valuations. Throughout, dividends from Australian companies have continued to provide a steady source of return for investors.

Commodities & Currencies

Why has oil climbed back to its highest level since April?

Oil was again the standout mover, with WTI rising 15.15% in October to around US$104 a barrel and the international Brent benchmark settling above US$113, its highest level since late April. Over 12 months WTI is up 70.74%, a measure of how much the conflict has reshaped energy markets. The month's gains were driven by an escalation in Houthi attacks on Saudi Arabia, including a ballistic missile intercepted near Taif and claimed drone strikes on Abha airport, and by reports that the US

had warned Gulf states to prepare for a possible renewed campaign against Iran after the midterm elections. Shipping through the Strait of Hormuz remains heavily restricted, with US naval forces advising vessels without an essential need to transit the area to stay away. On 29 October a tanker in the Strait was struck by explosive devices attached to its hull from a small boat, the first known successful attack of this kind in the waterway since the war began. For Australians, higher oil prices continue to feed directly into fuel costs, which were a key driver of the latest inflation figures.

Why is gold still falling when geopolitical risk is so high?

Gold fell 6.78% in October, dropping below US$3,900 an ounce on 30 October, its lowest level this year and around 30% below its January peak, and is now down 3.17% over 12 months. The decline accelerated in the final days of the month as higher oil prices, persistent inflation and stronger than expected US economic growth reinforced expectations of further Fed rate increases. As we explained last month, gold responds as much to interest rates as to geopolitical risk. With US Treasury yields still near multi-decade highs and the Fed signalling it may need to raise rates again, the income forgone by holding a metal that pays no interest remains high. Some investors have also taken profits after gold's substantial gains since early 2025.

What about iron ore?

Iron ore fell 6.09% in October and touched a two-year low of around US$89 a tonne on 27 October, its weakest level since September 2024, leaving it down 14.29% over 12 months. Steel demand in China typically softens in the final quarter as colder weather slows construction in the north, and thin steel mill margins have kept production subdued. High stockpiles of ore at Chinese ports have made mills reluctant to restock, while supply is expected to rise in the fourth quarter as the major miners maintain output and new supply from projects such as Simandou in Guinea ramps up. Research house BMI cut its 2026 average price forecast to US$95 a tonne from US$99. For Australia, lower prices will weigh on export revenues and government royalties, although the major producers remain highly profitable at current levels.

Our View

What does October tell us about investing through a change in market leadership?

October was a reminder that market leadership can change quickly. The AI theme that has driven much of the past year's gains came under scrutiny, oil rose again on renewed tension in the Middle East, and Chinese shares continued to struggle. Yet the month also showed the value of balance. Defensive companies in Switzerland, energy producers and the Dow Jones all moved higher, bond yields eased from their peaks, and diversified portfolios were able to absorb the weakness in technology and Asia.

Index*	1 Month	3 Months	1 Year
US - Dow Jones	1.70%	-1.36%	8.85%
US - Nasdaq (100)	-5.30%	0.25%	7.22%
US - S&P 500	-0.93%	1.21%	10.82%
Germany - DAX	2.46%	0.74%	7.76%
UK - FTSE 100	1.17%	-1.27%	10.42%
Shanghai Composite - SSE	-6.33%	-6.09%	-9.00%
Hong Kong - Hang Seng	-5.36%	-10.01%	-10.08%
Japan - Nikkei 225	-5.19%	-1.67%	20.76%
S&P/ASX 200	1.35%	-0.76%	0.30%
All Ordinaries Index	0.63%	-1.22%	-1.66%
Gold (USD)	-6.78%	-4.14%	-3.17%
Oil (USD) - WTI	15.15%	22.97%	70.74%
Iron Ore (USD)	-6.09%	-7.44%	-14.29%
Δ 10 Year Aus Gov't Bonds (Yield)	-3.73%	3.93%	19.11%
Δ 10 Year US Gov't Bonds (Yield)	-6.95%	3.88%	20.19%
AUD/USD	1.19%	0.14%	7.44%

** Percentage change in local currency unless stated otherwise*

If you have any questions in relation to the above, or require any additional portfolio or investment information, please do not hesitate to contact your Adviser to discuss your particular circumstances.