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RESEARCH UPDATE

MARKET watch

NOVEMBER 2026



Volatility remained elevated over the month of October as markets moved from enthusiasm about growth from artificial intelligence (AI) to scrutiny as to whether the enormous amounts being spent on AI, and AI-related infrastructure, would generate sufficient returns. Global bond yields eased from the highs reached in September, despite crude oil prices remaining elevated, with concerns around the possibility of renewed hostilities between Iran and the US. The S&P 500 declined by 0.9% while the Nasdaq Composite fell 5.3%, with the divergent returns largely driven by the different exposures to the Information Technology sector. The Hang Seng index continued to decline, falling a further 5.4%, with markets disappointed by the level of stimulus from the government despite weak domestic demand. The S&P/ASX 200 outperformed international equity markets, rising by 2.3% with mixed sector performance.

S&P/ASX 200 Sector Performance

The relatively small Utilities sector led gains as falling bond yields helped lift AGL Energy Limited and APA Group by 10.4% and 6.2% respectively. Utilities are often viewed as 'bond proxies' over short time periods because of their stable earnings, relatively predictable dividends and often modest long-term growth prospects, making them sensitive to changes in bond yields. APA also announced plans to progress the Bulloo Interlink Pipeline, linking the Southwest Queensland Pipeline to the Moomba to Sydney Pipeline in New South Wales to address a projected gas market shortfall.

The Financials sector rose by 6.8%, driven by Challenger Limited (+18.3%), the sector's best performer, after the company received an indicative, non-binding takeover offer from Daiichi Life Group at $11.80 per share. Pinnacle Investment Management Group Limited (+16.5%) recovered from last month's decline after the company stated it should be able to continue 'compounding earnings at high rates' at its Annual General Meeting (AGM).

Healthcare was again among the top-performing sectors, rising by 5.4%, driven by Pro Medicus Limited (+19.7%), ResMed Inc (+11.0%) and CSL Limited (+9.0%). Pro Medicus rallied after announcing three new seven-year contracts with Virtua Health, Billings Clinic and Valley Health. CSL announced it had entered an agreement to purchase Alentis Therapeutics, with the intention to co-develop and co-promote 'Lixudebart', a

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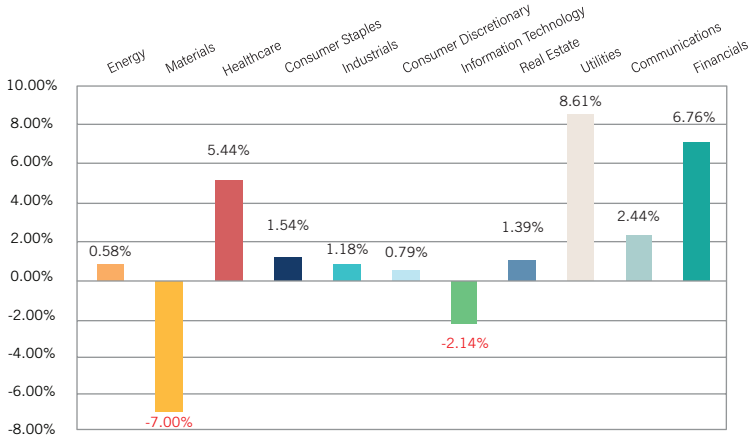
potential treatment for a rare kidney and liver disease. CSL also confirmed prior financial year 2027 (FY27) earnings guidance of net profit after tax growth of 5% at the AGM. The company also announced it would defend a class action which alleges the company had breached continuous disclosure obligations regarding representations made about financial year 2026 revenue and net profit.

The Consumer Staples sector increased by 1.5%, with Endeavour Group rising by 12.6% after reporting that both retail and hotel sales had returned to growth in a trading update. Metcash Limited rallied by 10.3% after reporting total sales, excluding tobacco, had increased by 2.8% for the first 18 weeks of FY27. Coles Group fell 7.3% after the company reported FY27 first quarter sales of 2.7%, which was below market expectations of 3.4%, largely due to successful promotions by competitors. Management also guided for first-half 2027 earnings before interest and tax (EBIT) to be flat on the prior corresponding period due to higher fuel costs and lowered prices ahead of the key Christmas trading period.

Information Technology fell 2.1%, driven by data centre developer NextDC Limited, which declined by 45.8% after the company announced delayed power supply to its new M3 Melbourne data centre due to community opposition. The company downgraded revenue and underlying earnings before interest, tax, depreciation and amortisation (EBITDA) guidance as a result.

Materials was the weakest-performing sector, declining by 7.0%, in what was a broad sector sell-off despite a strong prior 12-month period. The lithium miners Elevra Lithium Limited (-43.5%), Core Lithium Limited (-34.4%), Liontown Limited (-33.3%) and PLS Group Limited (-31.0%) were among the hardest hit as the lithium price declined due to new supply returning to the market.

S&P/ASX 200 Sector Performance



Data Source: *Desktop Broker, 2 November 2026*

Highlights

Australia: The Australian Bureau of Statistics released the consumer price index (CPI) for the September quarter. The headline figure came in higher than market expectations at 4.3% for the year to the end of September. The primary driver of the headline CPI figure was Housing at 5.2% and Transport, which increased 8.7% over the 12-month period and on seasonally adjusted terms. In Housing, the main contributors to the annual rise were new dwellings prices (+4.7%), electricity (+12.8%) and rents (+3.6%), while in Transport the key driver was automotive fuel (+23.6%).

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US: The Federal Reserve kept rates on hold at a target range of 3.75% to 4.00%, as widely expected. The vote was 10-2, with Lisa Cook and Beth Hammack preferring a 0.25% rate hike. The Federal Reserve upgraded its description of economic growth to 'strong' while continuing to say inflation remains elevated, which increased market expectations of a rate hike in December. Chairman Kevin Warsh also stated that the Federal Reserve will reduce the number of rate-setting meetings it holds from eight to seven in 2027, and then down to six in 2028.

The year-on-year US consumer price index rose to 3.7% for the month of September, ahead of consensus at 3.6%. The higher-than-expected figure also raised the prospect of further rate increases by the Federal Reserve.

United Kingdom: The new Chancellor, John Healey, delivered his first government Budget, which was widely reported as 'dull' by the media; however, it was appreciated by financial markets as it was seen as more sustainable after a number of previous disruptive Budgets that proposed either large increases in spending or tax cuts.

Brazil: The incumbent left-wing president, Luiz Inácio Lula da Silva, was re-elected in a come-from-behind win in the recent presidential election. Markets reacted negatively to the result, with Brazil's real tumbling over 11% against the US dollar, Brazilian government bond yields rising and the Brazilian equity market falling over 14% immediately following the result. Part of the concern is the current government budget deficit of more than 9% of gross domestic product (GDP), with total public debt expected to hit 97% of GDP, which is viewed as unsustainable.

Saudi Arabia: Yemen's Iran-allied Houthis launched a series of attacks on Saudi Arabia's airports and oil facilities, which led to a rise in oil prices. A further escalation in the conflict could see oil prices rise further.

South Korea: The initial public offering of AI cloud provider Elice Group plunged 32% on the day of its 20 October 2026 debut, despite being oversubscribed by over 400 times. The drop was the worst opening-day drop for a major Korean listing in history and came after concerns about the sustainability of the AI boom.

France: A wave of protests, initially a student-led movement demanding better conditions in public schools before supposedly morphing into a protest against the rising cost of living, have hit France and turned violent in Paris. The government will struggle to quell concerns with public spending already at 57.3% of GDP, persistent budget deficits, high overall debt levels and no control over the currency. Markets have begun to demand higher returns given the risk, with higher French government borrowing costs having spillover effects on other European bond markets.

AI: Leading global research and advisory company Gartner released a note that they estimate over US$3.5 trillion of AI infrastructure spending could be exposed to impairment. For there to be no impairment, Gartner estimates that the infrastructure would need to generate US$8.5 trillion in revenue to cover the capital spending and financing costs, which compares to the current expected revenue of US$3.6 trillion.

Graphics processing unit technology company Nvidia unveiled the 'DSX POD', a modular unit about the size of a standard shipping container that aims to reduce the time needed to set up AI data centres to as little as two weeks. The innovation moves the integration and installation of computing, networking, cabling, rack-level power and liquid cooling away from worksites to a manufacturing facility that mitigates delays in data centre construction.

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What to watch out for

The International Monetary Fund released a report on AI highlighting that the size of the current expenditure is impacting broader economic and financial conditions, with flows into areas such as household wealth, private credit and cross-country capital flows.

The US mid-term elections will be held, with the Republicans potentially losing their majority in the Senate, which would have implications for whether President Donald Trump will be able to continue to push through some of his more controversial policies in the second half of his term.

Conclusion



Global equity markets were mostly weaker in October as investors weighed concerns around the size and profitability of the AI build-out. Oil prices rose, with concerns that Middle East tensions could escalate once again, with flow-through impacts to other parts of the economy. Most central banks are maintaining a more hawkish stance as they await the impacts of the conflict on inflation.

During periods of uncertainty, clients should:

- **Stick to the plan:** Focus on your long-term goals. Our investment approach is focused on the long term and designed so that your portfolio can ride out any downturns – including this one. Staying the course, despite how uncomfortable it may feel right now, will prove to be the better option when looking back five years from now.

  Investors who stayed the course while equity markets declined in the depths of the COVID-19 pandemic in early 2020 have benefited from one of the fastest market turnarounds with equity markets. Investors who sold equities during the downturn and waited until economies started to show recovery before buying back into the market missed a large part of the recovery.

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- **Maintain a buffer of safety:** Holding a buffer of cash and term deposits has been a key strategy to provide a cushion against market downturns and to protect capital.
- **Take advantage of the weakness:** Market downturns provide buying opportunities to invest in long-term, quality investments.
- **Focus on quality investments:** Invest in companies that generate stable cash flows to support distributions, which are not connected to the movements in asset prices, and partner with fund managers who share the same investment philosophy and objectives.
- **Diversify:** Spread investments across asset classes, industries, sectors and geographies.
- **Regularly rebalance the portfolio back to your risk profile:** Ensure the portfolio is not exposed to unwanted risks to lock in profits.
- **Remain calm and speak to your Apt adviser:** It is important that you speak to your Apt adviser before making any financial moves. Your adviser understands your long- and short-term goals and will have been planning for these types of scenarios already, so they are best placed to explain any impact and discuss the best options and opportunities for you personally.

Disclaimer

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