

Global Markets Review

October 2026





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Monthly Markets Commentary



September was a challenging month for global markets, dominated by a severe bond rout, elevated energy prices, and mixed equity performance. Global bonds posted their worst monthly performance in years as soaring inflation expectations and persistent geopolitical tensions in the Middle East drove yields sharply higher. Equities were more resilient but still ended the month lower in most developed markets.

Global bond yields surged to multi-decade highs. US Treasury yields rose around 55 basis points across the curve, driven by persistent inflation, rising oil prices, heavy sovereign issuance, and a reassessment for the pathway for rates. The Federal Reserve hiked rates for the first time since 2023 in a unanimous decision, signaling further rate hikes ahead. The RBA also hiked rates as inflation reaccelerated back up to 4% in August. The Bank of Japan raised its benchmark policy rate by 25 basis points to 1.25%, the highest level since April 1995. The decision was widely expected by markets but marked an acceleration in the pace of tightening, coming just three months after the previous hike in June.

The S&P 500 fell 0.5% over the month, however the tech-heavy Nasdaq saw a 3.2% gain, indicating that it was a small cluster of AI-related megacap tech names that carried the index, while the bulk of the market struggled under the weight of surging bond yields and elevated oil prices. Eight of eleven sectors were lower, with financials down over 7% on rising bond yields.

In Australia, however, tech was the worst performer over the month, falling over 10%. The overall index fell 3.2% with only the healthcare sector delivering positive returns. Australia's higher-for-longer rate environment and a hawkish RBA have kept local rates and risk premiums elevated, pressuring growth-stock valuations more than in the US where the narrative of AI-driven productivity gains has partly offset rate concerns. Governor Bullock also explicitly flagged AI data-centre capex as inflationary which has weighed on tech sentiment.

Elsewhere, global equity markets were broadly negative as surging sovereign bond yields and oil prices weighed on risk appetite. European bond yields surged, though not as sharply as the US. Asian markets were pressured with Chinese equities underperforming on Fed tightening, escalating US-China tech restrictions, and weak domestic data.

Table 1: Rates and Commodities

Interest rates (%)	Close	1 month	1 year	YTD
RBA cash	4.60	0.25	1.00	1.00
3-year Aus bond yield	4.93	0.27	1.38	0.79
10-year aus bond yield	5.35	0.26	1.05	0.61
Fed Funds rate	4.00	0.25	-0.25	0.25
2-year US Treasury yield	4.89	0.55	1.28	1.41
10-year US Treasury yield	5.28	0.53	1.13	1.12
ECB rate	2.50	0.25	0.50	0.50
2-year German Bund yield	3.21	0.27	1.19	1.09
10-year German Bund yield	3.59	0.26	0.88	0.73
US IG Credit spread	0.85	0.05	0.07	0.05
US HY Credit spread	3.18	0.45	0.38	0.36
Commodities	Close	1 month	1 year	YTD
Brent Oil (USD/bbl)	104	14.4%	54.5%	70.1%
Gold (USD/oz)	4157	-6.3%	7.7%	-3.7%

Table 2: Equities and Currencies

Equities	Close	1 month	1 year	YTD
S&P/ASX200 (Australia)	8789	-3.2%	-0.7%	0.9%
S&P500 (US)	7652	-0.5%	14.4%	11.8%
FTSE 100 (UK)	10606	-2.0%	13.4%	6.8%
DJ Stoxx 600 (Europe)	635	-2.5%	13.7%	7.2%
Nikkei 225 (Japan)	66754	0.7%	48.6%	32.6%
CSI 300 (China)	4358	-5.8%	-6.1%	-5.9%
Hang Seng (HK)	24613	-3.7%	-8.3%	-4.0%
MSCI World	4903	-1.3%	13.8%	10.7%
Currencies	Close	1 month	1 year	YTD
AUD/USD	0.6947	-3.1%	5.1%	4.1%
EUR/USD	1.1330	-2.5%	-3.4%	-3.5%
USD/JPY	157.4100	-1.5%	6.4%	0.4%
GBP/USD	1.3265	-2.1%	-1.3%	-1.6%
USD/RMB	6.7060	-0.2%	-5.8%	-4.0%
USD Index	101.4510	2.0%	3.8%	3.2%

Monthly Markets Movement



Chart 1. US and Australia equity markets



Chart 2. Global bond yields (%)

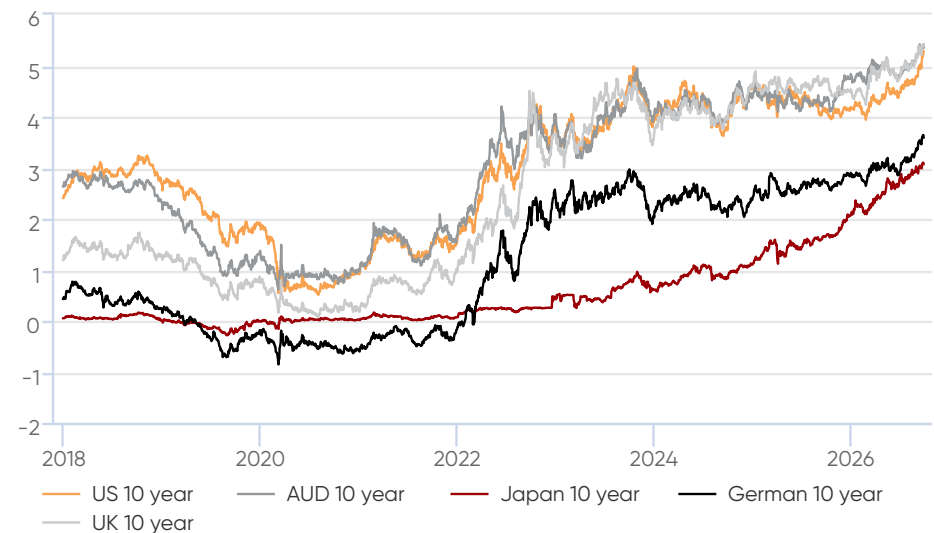


Chart 3. US and Australian dollar

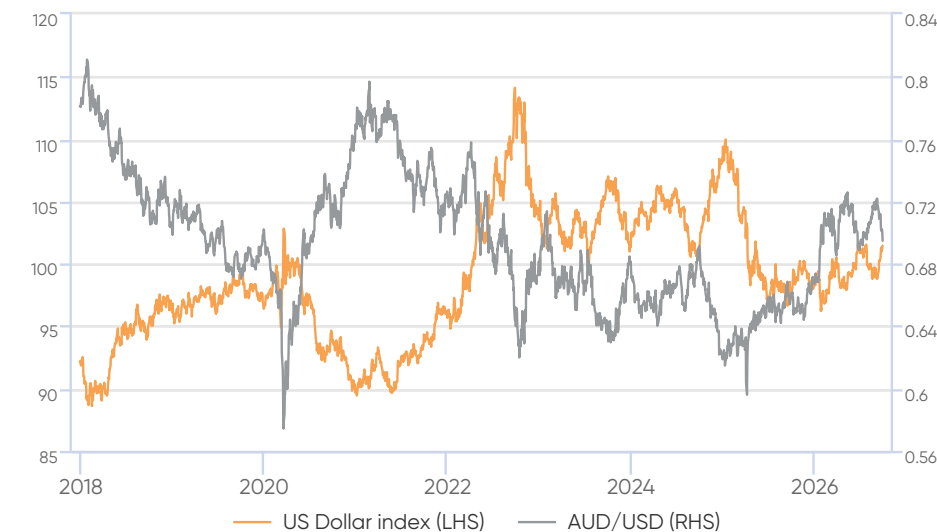


Chart 4. Global credit spreads (bps)

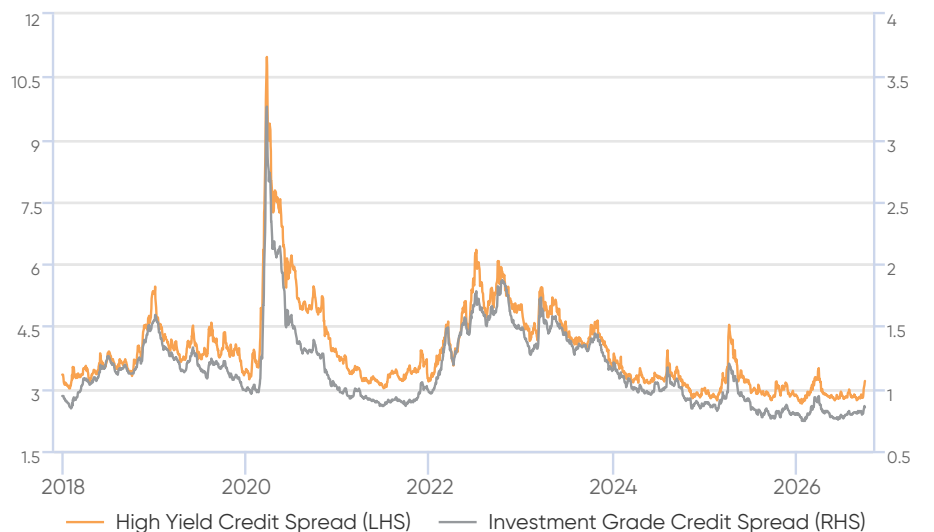
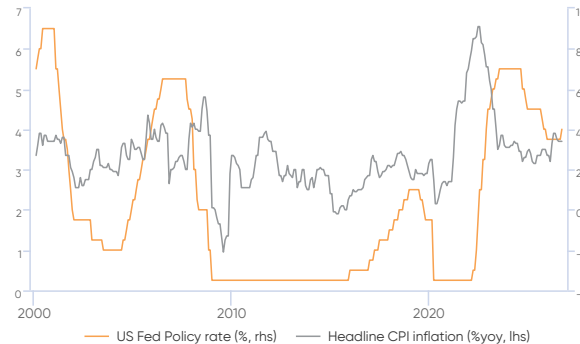




Chart 1. US Q2 GDP was revised higher to 2.2% annualised.



Chart 2. US headline CPI remained at 3.4% year-on-year in August.



Commentary

•US headline CPI held steady at 3.4% year-on-year in August, while core CPI edged down to 2.4% from 2.5% in July. The Fed's preferred PCE price index, however, remained stubbornly elevated at 3.4% year-on-year in August, with core PCE at 3.0% for a third consecutive month.

•The Federal Reserve raised the federal funds target range by 0.25% to 3.75–4.00% in its first hike since 2023, citing persistently elevated inflation and geopolitical-driven energy shocks. The September meeting showed a more hawkish committee. The median dot from the quarterly forecasts pointed to one additional 0.25% hike by end-2026, with 2026 real GDP revised up to 2.3%, unemployment down to 4.1%, and headline/core PCE inflation forecasts nudged higher to 3.7% and 3.4% respectively.

•The third estimate for Q2 GDP was revised up to 2.2% annualised from the previously reported 1.5%, driven by stronger consumer spending, investment and exports. August saw a sharp rebound in retail sales with a 1.2% month-on-month increase, indicating that the consumer base remains under pressure from elevated borrowing costs but has not yet rolled over.

•The ISM Manufacturing PMI eased marginally to 54.5 in September from 54.6 in August, below expectations of 55.0, marking the ninth consecutive month of factory expansion. New orders strengthened to 55.3, but production slowed and inventories dipped back into contraction, while the prices-paid index surged to 77.9, its highest level since the onset of the Iran war, pointing to renewed input-cost pressures.

Our near-term outlook

•Inflation risks remain skewed to the upside in the near term. However, we expect there may be fewer interest rate hikes than the market expects.

•We expect slow jobs growth to continue, but a shrinking supply due to immigration policies may keep the unemployment rate in check.

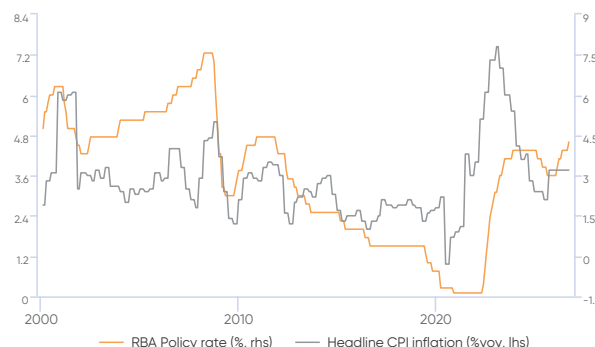
Key Economic Statistics	Latest	3 months	6 months	1 year
Labour Market				
Unemployment rate (%)	4.20	4.20	4.30	4.40
Change in Nonfarm Payroll	29.00	31.00	214.00	76.00
Households				
Consumer Confidence	81.90	92.20	92.20	95.60
Retail sales (%yoy)	5.40	5.90	3.60	3.80
Housing				
Case-Shiller House Prices (%yoy)	2.47	2.15	0.95	1.39
Existing Home Sales (%yoy)	-1.24	3.77	-0.25	4.35
Business				
NFIB Small Business Optimism	98.70	97.40	95.80	98.80
Manufacturing PMI	54.50	53.30	52.70	48.90



Chart 1. GDP growth fell to 2.1% year-on-year in Q2.



Chart 2. Headline monthly CPI jumped to 4.0% in August.



Commentary

•The headline monthly CPI indicator jumped from 3.5% to 4.0% on an annual basis, but still below expectations of 4.1%. The trimmed mean was unchanged from 3.6%. On a monthly basis, prices were 0.4% higher in August compared with July. Transport prices picked up on a monthly basis, largely due to higher oil prices. Housing remained the largest driver with a +5.7% increase on an annual basis. The RBA's policy outlook remains difficult as uncertainty continues around the Middle East and oil prices. The central bank hiked 0.25% to 4.60%, a 15-year high, in the September meeting. The domestic housing market is suffering with a material decrease in new housing loans.

•The unemployment rate edged higher to 4.6% despite positive jobs growth in August.

•Consumer confidence worsened and remained extremely low compared to history. Business confidence also deteriorated and remained negative.

•The Manufacturing PMI contracted at 49.6 in September. New orders decrease with input manufacturers lowering purchasing activity due to intense competition, rising prices and demand deterioration.

•Building approvals continued the negative trend in August. High rates, inflation and construction costs have muted the housing development in recent months.

Our near-term outlook

•Australia's economy is being challenged by rising inflation, weak productivity and elevated government spending. The labour market has been so far resilient but we expect it to weaken.

•We see two sided risks as the RBA may be forced to hike rates in the near-term with higher inflation in energy prices, even as the labour trends weaker.

Key Economic Statistics	Latest	3 months	6 months	1 year
Labour Market				
Unemployment rate (%)	4.60	4.40	4.30	4.40
Employed persons (%yoy)	1.54	1.68	1.65	1.12
Households				
Westpac Consumer Confidence	84.36	80.61	91.60	95.44
Retail sales (%yoy)	4.90	4.90	4.90	4.90
Housing				
Building approvals (%yoy)	10.30	9.20	9.70	18.00
Business				
NAB Business Confidence	-8.40	-5.20	-28.90	5.90
Manufacturing PMI	49.60	51.50	49.80	51.40



Chart 1. The Eurozone economy grew 1.0% year-on-year in Q2.

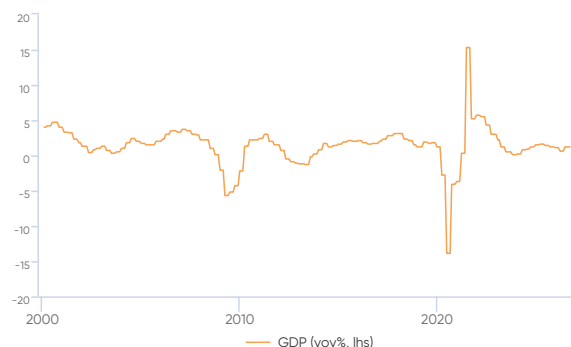
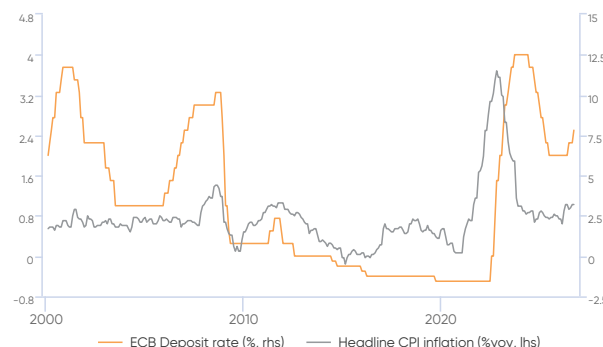


Chart 2. Headline inflation accelerated to 3.8% in September.



Commentary

- The Eurozone economy grew by a sluggish 0.4% QoQ in Q2, around 1% over the year. Growth was propped up by services while industrials remained a drag.
- The Eurozone manufacturing sector growth sustained with a PMI at 52.7. Growth remained strong with increased new orders and factory output. New export business supported the total new orders activity, reflecting the resilience of the economic growth.
- Headline CPI rose to 3.8% in September, reversing the recent disinflationary trend as oil prices surged. Core CPI picked up to 2.5%. Services prices have also been increasing at an uncomfortable rate.

•Eurozone unemployment remained at 6.4%. Firms seem to be holding onto labour due to demographic shortages and challenging hiring conditions, which is driving wage growth.

•The ECB hiked 25bps to 2.5% in the September meeting. The ECB held a data-dependent approach without pre-committing any actions amid renewed energy shock and sticky service prices.

Our near-term outlook

•The war in the Middle East could bring a long term impact on inflation with higher oil and LNG prices, both together contribute about 60% of the EU energy consumption. Energy companies can be slow adjusting their price tag with the geopolitical uncertainties.

•The about-turn in Germany's fiscal outlook could provide an opportunity for Europe to escape its structurally slow growth trap. That could boost economic growth and corporate earnings over the medium-term - but we are skeptical that there will be significant follow through.

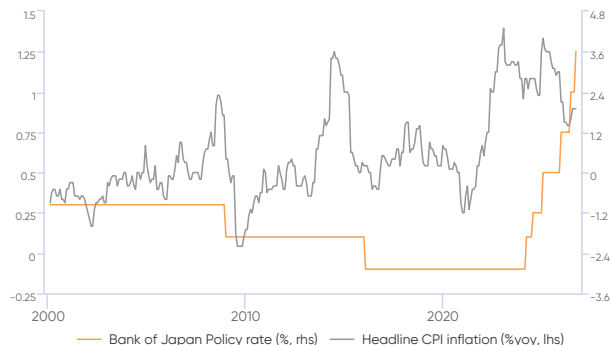
Key Economic Statistics	Latest	3 months	6 months	1 year
Labour Market				
Unemployment rate (%)	6.10	6.10	6.10	6.00
Households				
Consumer Confidence	-15.80	-17.00	-15.80	-13.60
Retail sales (%yoy)	2.40	2.90	4.20	3.00
Housing				
House prices (%yoy)	4.70	4.70	5.10	5.50
Construction growth (%yoy)	-1.26	-0.68	0.13	2.20
Business				
ZEW survey of economic growth	25.80	9.50	-8.50	26.10
Manufacturing PMI	52.60	51.20	51.30	49.70



Chart 1. GDP growth was 1.1% annualised in Q2.



Chart 2. National CPI was kept at 1.9% in August.



Commentary

- National CPI sustained at 1.9% year-over-year in August. Core CPI also fell marginally to 1.7% from 1.8%. That is being driven by utility price hikes due to rising oil and gas prices, as well as pass-through of import costs resulting from yen depreciation.

- The unemployment rate ticked higher to 2.5% in August. The labor cash earnings rose 4.3% in July, lingering at multi-decade levels. The real cash earnings was also catching up at 2.0% in July.

- The Bank of Japan hiked 0.25% to 1.25%, a 31-year high, in the September meeting. It was a split decision among the committee members. The BoJ flagged upside risks to prices remain and signaled that the price inflation should gradually move towards the 2.00% target. To counter the yen's slide to multi-decade lows and curb excessive volatility, the US and Japan executed a rare, coordinated currency market intervention in July, successfully squeezing speculative short positions and driving a significant 3.2% monthly strengthening of the yen against the dollar. However, half of the yen rally from the July intervention has been given up in August. In September the yen strengthened with rate hike expectations.

- Consumer confidence continued to climb in August. The Tankan Survey improved in the third quarter. Retail sales growth continued to stabilize from previous months' wider moves but still fell month-over-month. Shoppers remain highly price sensitive as the weak yen continues to push up the cost of imported daily necessities.

Our near-term outlook

- We suspect the BOJ will be cautious on future policy guidance, and is likely to under-deliver on rate hikes. That will be a challenge for inflation and the currency.

- We expect Japan to struggle to reach escape velocity, and the GDP recovery to remain weak relative to other developed economies.

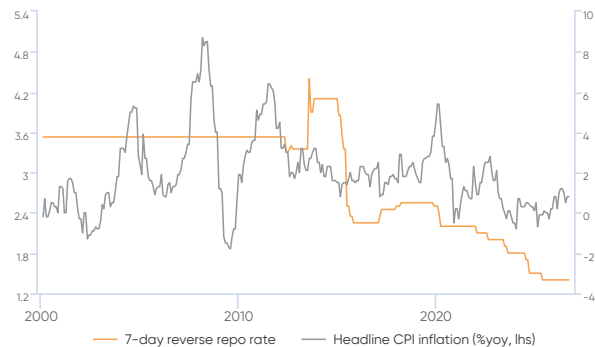
Key Economic Statistics	Latest	3 months	6 months	1 year
Labour Market				
Unemployment rate (%)	2.50	2.50	2.70	2.60
Average Monthly Cash Earnings (%yoy)	4.30	4.00	3.10	2.10
Households				
Consumer Confidence	35.30	33.50	33.70	35.00
Retail sales (%yoy)	2.70	0.60	1.40	0.20
Housing				
Housing starts (%yoy)	6.14	18.57	-29.29	-7.27
Business				
Tankan manufacturing survey	24.00	22.00	17.00	14.00
Manufacturing PMI	54.10	54.80	51.60	48.50



Chart 1. The Chinese economy grew 4.3% year-on-year in Q2.



Chart 2. Consumer price growth picked up to 0.8% in August year-on-year.



Commentary

- In September, the official manufacturing PMI index edged back into expansion at 50.1, ending two months of contraction as production accelerated to 51.7 and new orders held above 50, while high-tech and equipment manufacturing stayed firmly in growth territory.
- Consumer price growth picked up to 0.8% in August as energy costs rose, but food prices remained in deflation at -1.4% year-on-year, with pork down 11.8%, highlighting persistently weak domestic demand and a household preference for saving over spending. Core CPI (excluding food and energy) edged up to 1.0% in August, suggesting underlying inflation is still muted despite the headline pickup.

•Producer prices, which had been mired in deflation for much of 2025 and early 2026, continued their positive run, with the PPI up 3.8% year-on-year and 0.4% month-on-month, driven by higher global commodity prices and stronger demand in some upgrading industries. This marks a clear shift from the earlier deflationary environment tied to industrial overcapacity and property-sector weakness, though price gains remain uneven across sectors.

•Export performance remained robust with August exports up 25.0% year-on-year and imports up 28.2%. Green-tech exports surged 36% year-on-year in August, with EV shipments alone jumping 65.3% by value, while import strength was concentrated in technology and intermediate goods, masking otherwise subdued domestic demand linked to a sluggish property sector and cautious consumer spending.

Our near-term outlook

- The Chinese economy is still largely exposed to global growth and could face headwinds in the event of a global economic slowdown.
- Continued strong export growth seems to be masking the impact of a lacklustre domestic economy.

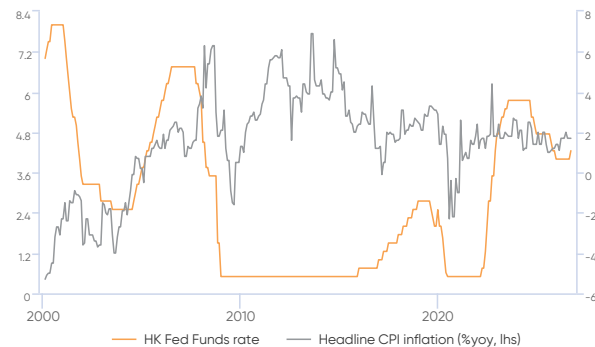
Key Economic Statistics	Latest	3 months	6 months	1 year
Labour Market				
Unemployment rate (%)	5.30	5.00	5.40	5.20
Households				
Consumer Confidence	89.50	89.40	90.00	89.60
Retail sales (%yoy)	0.40	1.00	1.70	3.00
Housing				
New Home Price (%MoM)	-0.17	-0.15	-0.21	-0.41
Business				
NFIB Small Business Optimism	98.70	97.40	95.80	98.80
Caixin China Manufacturing PMI SA	52.10	51.70	50.80	51.20



Chart 1. Hong Kong's economy grew 4.3% year-on-year in Q2, moderating from 5.1% in Q1.



Chart 2. Headline consumer inflation held steady at 1.7% year-on-year in August.



Commentary

- The seasonally adjusted unemployment rate edged up to 3.8% in the June-August period from 3.7% previously, while the underemployment rate rose to 1.9% from 1.7%, with unemployment increasing across most major sectors, particularly food and beverage services.
- Headline consumer inflation held steady at 1.7% year-on-year in August, unchanged from July, with electricity, gas and water surging 11.5% and transport costs up 3.9%, while basic food prices edged down 0.2%, keeping overall inflation moderate despite persistent utility and fare pressures.
- Hong Kong's merchandise trade sustained its robust expansion in August 2026, with total exports surging 53.0% year-on-year and imports jumping 60.0%. Growth was driven primarily by AI-related electronic products and electrical machinery, with exports of "electrical machinery, apparatus and appliances, and electrical parts" up 62.6% and office machines and automatic data processing machines soaring 131.0%, marking the nineteenth consecutive month of double-digit export growth.
- Retail sales grew 5.9% in September, after a subdued couple of months, suggesting a volatile but still positive consumption trend amid shifting spending patterns and increased online channel adoption.

Our near-term outlook

- Hong Kong is exposed to the global economy due to trade. While domestic activity has increased, slowing growth is a risk to Hong Kong's economy.
- Hong Kong's economy is exposed to Fed rate hikes due to the currency peg.

Key Economic Statistics	Latest	3 months	6 months	1 year
Labour Market				
Unemployment rate (%)	3.80	3.70	3.70	3.90
Real Wage growth	1.60	1.60	1.70	1.80
Households				
Private Consumer Expenditure	2.80	2.80	4.90	2.40
Retail sales (%yoy)	5.60	4.60	12.80	6.00
Housing				
HK Private Domestic Prices (%yoy)	10.48	13.27	11.21	2.38
Home Sales	4019.00	7650.00	6316.00	5643.00
Business				
Business Tendency Survery	-4.00	-5.00	-3.00	-8.00
Nikkei/Markit Hong Kong Whole Economy PMI (sa)	49.50	52.00	49.30	50.40



Chart 1. Singapore's economy grew 5.7% in Q2, stronger than expected.



Chart 2. Headline consumer inflation accelerated to 2.3% in August.



Commentary

•Headline consumer inflation accelerated to 2.3% year-on-year in August from 2.2% in July, while MAS Core inflation rose to 2.0% in July and then to 2.2% in August, its highest level since September 2024, driven by higher services, retail, food and transport costs, with regulated electricity and gas tariffs contributing to earlier increases before stabilising in August. Both headline and core inflation are projected to average 1.5–2.5% for the full year of 2026.

•Non-oil domestic exports surged 46.2% year-on-year in August, accelerating sharply from 24.1% in July and marking the strongest monthly growth since October 1988. Electronic non-oil domestic exports jumped 131.8% (from 112.0% in July), led by disk media products, integrated circuits and PCs on robust AI-related demand, while non-electronics rebounded to 12.0% growth from a 2.4% contraction in July, supported by specialised machinery and non-monetary gold.

•Retail sales growth moderated in the latest readings: after rising 4.0% year-on-year in June, total retail sales increased by only 1.5% in July (and again 1.5% in August), with online sales accounting for 15.4% of total turnover in July, down from 16.4% in June, as department store and F&B sales weakened while discretionary categories such as jewellery and recreational goods remained resilient.

Our near-term outlook

•Singapore's economy has expanded recently as disinflationary pressures ease.

•Singapore's role in global trade is likely to continue to benefit from demand for AI-related tech exports.

Key Economic Statistics	Latest	3 months	6 months	1 year
Labour Market				
Unemployment rate (%)	1.90	1.90	2.00	2.00
Employed persons (%yoy)	0.51	1.25	1.57	1.53
Households				
Consumer Confidence	3.50	3.50	3.30	3.40
Retail sales (%yoy)	1.46	4.02	4.32	2.14
Housing				
House Prices CPI	102.74	101.74	101.50	101.40
Business				
Business Manufacturing Expectations	12.00	12.00	17.00	8.00
Manufacturing PMI	51.70	51.30	50.50	50.10



Chart 1. India's real GDP grew 7.8% YoY in Q2.

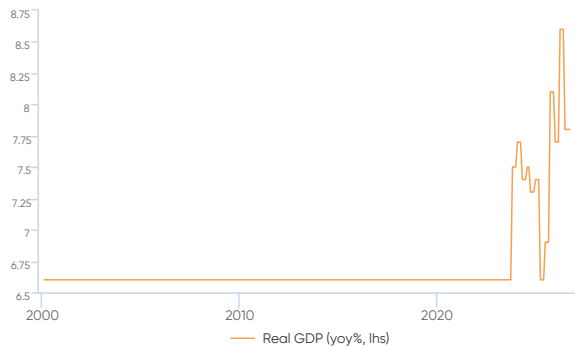
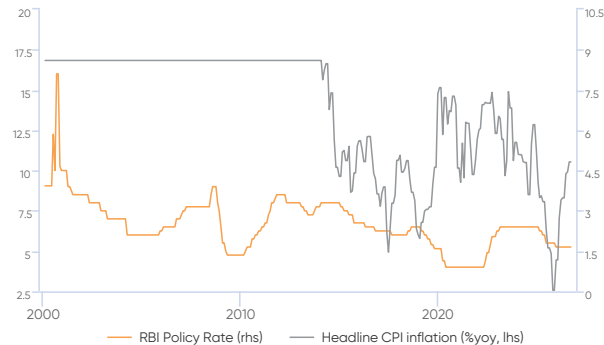


Chart 2. India's annual inflation rose to 4.82% in August.



Commentary

- India's import growth decelerated to a 14.1% increase year-on-year, from 17.5% in July. Exports reaccelerated to 26.1% from 19.6% year-over-year.
- India's annual inflation continued to rise from 4.45% to 4.82% in August, the highest level since December 2025. Inflation was largely driven by food and fuel prices, with ongoing supply disruption in the Strait of Hormuz impacting an oil-sensitive country and accelerating inflation.
- The RBI left its policy rate unchanged in early August. However, the central bank revised its inflation forecast down to 5.0% from 5.1% for FY27. The central bank maintains that its monetary policy stance is at neutral.
- The unemployment rate fell to 5.0% in August.
- Industrial production growth reaccelerated to 8.0% in August, and the previous release got revised higher to 7.4% from 6.7%. Both manufacturing and services sectors gained speed in growth in September.

Our near-term outlook

- We expect inflation to rise sharply in the medium term. India inflation is highly dependent on food prices. With fertilizer shortages, the food prices could spike further.
- The sanction waiver and tariff certainty can help the Indian economy recover from elevated inflation to some extent but we suspect fiscal support will eventually be required to help offset the impact on growth

Key Economic Statistics	Latest	3 months	6 months	1 year
Labour Market				
Unemployment rate (%)	5.00	5.50	5.10	5.30
Households				
Consumer Confidence	115.30	118.70	120.20	125.00
Retail sales (%yoy)	752.19	752.19	752.19	752.19
Business				
Composite PMI	56.50	57.10	57.00	61.00
Services PMI	55.80	57.40	57.50	60.90

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