Derradda
FINANCIAL SERVICES

Market Review

MARKETS, INSIGHTS, OPPORTUNITIES.



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OVERVIEW

October in brief

S&P 500 ▼ -0.93%	NASDAQ ▼ -5.3%	EURO STOXX 50 ▼ -2.20%
NIKKEI 225 ▼ -5.19%	BRENT CRUDE OIL ▲ +3.66%	GOLD ▼ -6.78%

Change over October 2026.

October was really a month of two halves. Share markets in the US, Europe and Japan got off to a strong start, and on 6 October the US S&P 500 hit a new record while Japan's Nikkei 225 reached its high for the month. Then the mood changed. Investors started asking whether the huge sums being spent on artificial intelligence (AI) will actually pay off, and when some of the biggest technology companies reported their results at the end of the month, technology shares fell sharply around the world.

Meanwhile, the conflict in the Middle East kept energy prices high. The spot price of Brent crude oil jumped to $135.51 a barrel on 2 October and finished the month at $120.15, up 3.66% over the month. European gas prices also rose, as gas storage is lower than usual heading into this winter. Inflation went up again across Europe, and here in Ireland it reached 4.0%, the highest since September 2023. The major central banks all left interest rates unchanged in October, but they made it clear that further rises are still on the table.

It wasn't all bad news, though. Outside of technology, most shares held up well, and government bonds had a good month as investors looked for safer places to put their money. If October taught us anything, it's the value of spreading your investments across different regions and different types of asset.

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01 · REGION

United States

Equities

It was a bumpy month for US shares. The S&P 500, which tracks 500 of the largest US companies, hit a new record on 6 October, closing at 7,818.93 after reaching 7,844.52 during the day, then drifted lower as doubts about the AI boom grew. Things came to a head in the last week. Alphabet, Google's parent company, reported that it had spent more cash than it brought in, Amazon's cash flow over the past year turned negative, and Intel's shares fell almost 29% in a single day after a disappointing outlook. On 30 October the S&P 500 had its worst day since June, and it ended the month down 0.9%, almost exactly where it was at the end of May.

But the headline number hides a big split. The Nasdaq, which is packed with technology companies, fell 5.3%, its worst month since March 2025. The Dow Jones, made up of more traditional companies, actually rose about 1.7%. In fact, nine of the eleven sectors in the S&P 500 went up in October, led by energy, consumer staples (everyday items such as food and household goods) and utilities. In other words, money didn't leave the stock market. It simply moved out of the most expensive AI-related shares and into steadier, more traditional businesses.

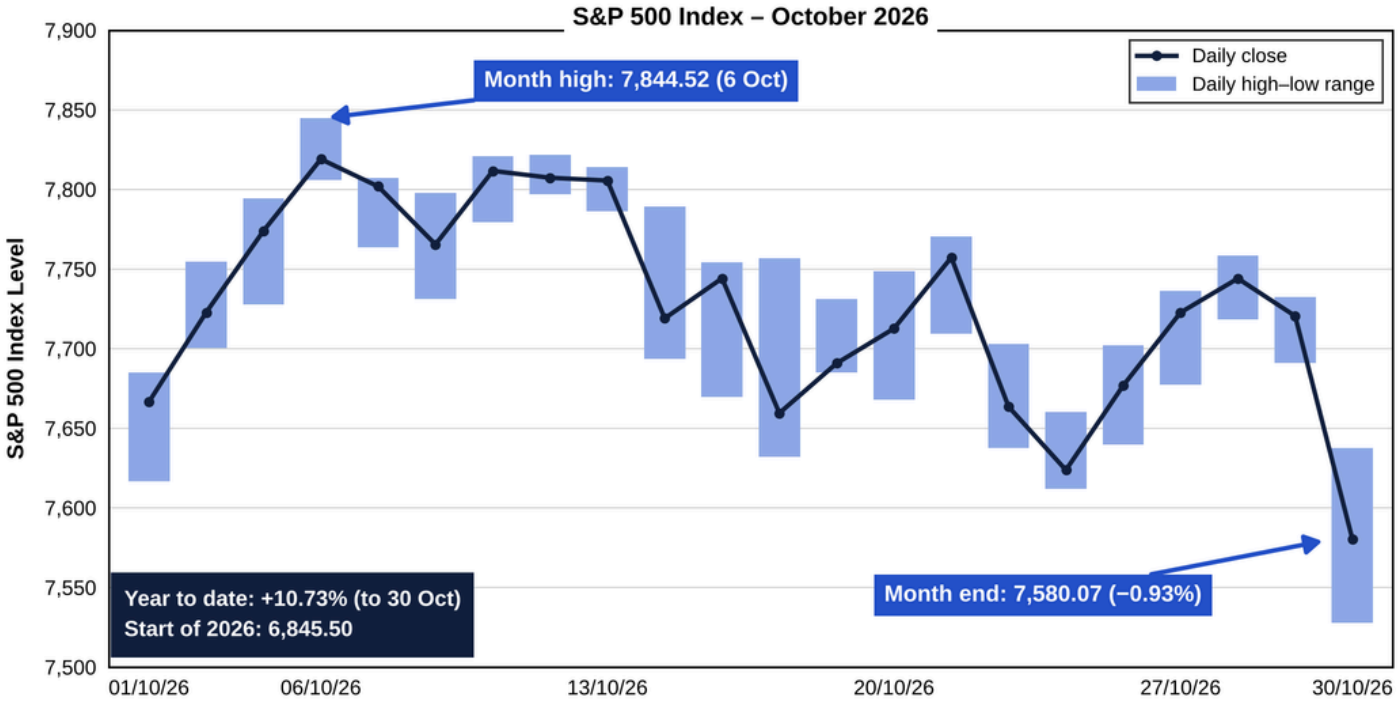


CHART 1 The S&P 500 reached a record on 6 October, then slipped back as technology shares sold off in the last week of the month.
Source: Investing.com, S&P 500 daily high, low and close, 1–30 October 2026; October change measured from the 30 September close (7,651.54).
Start of 2026: 31 December 2025 close (6,845.50), Associated Press via WTOP.

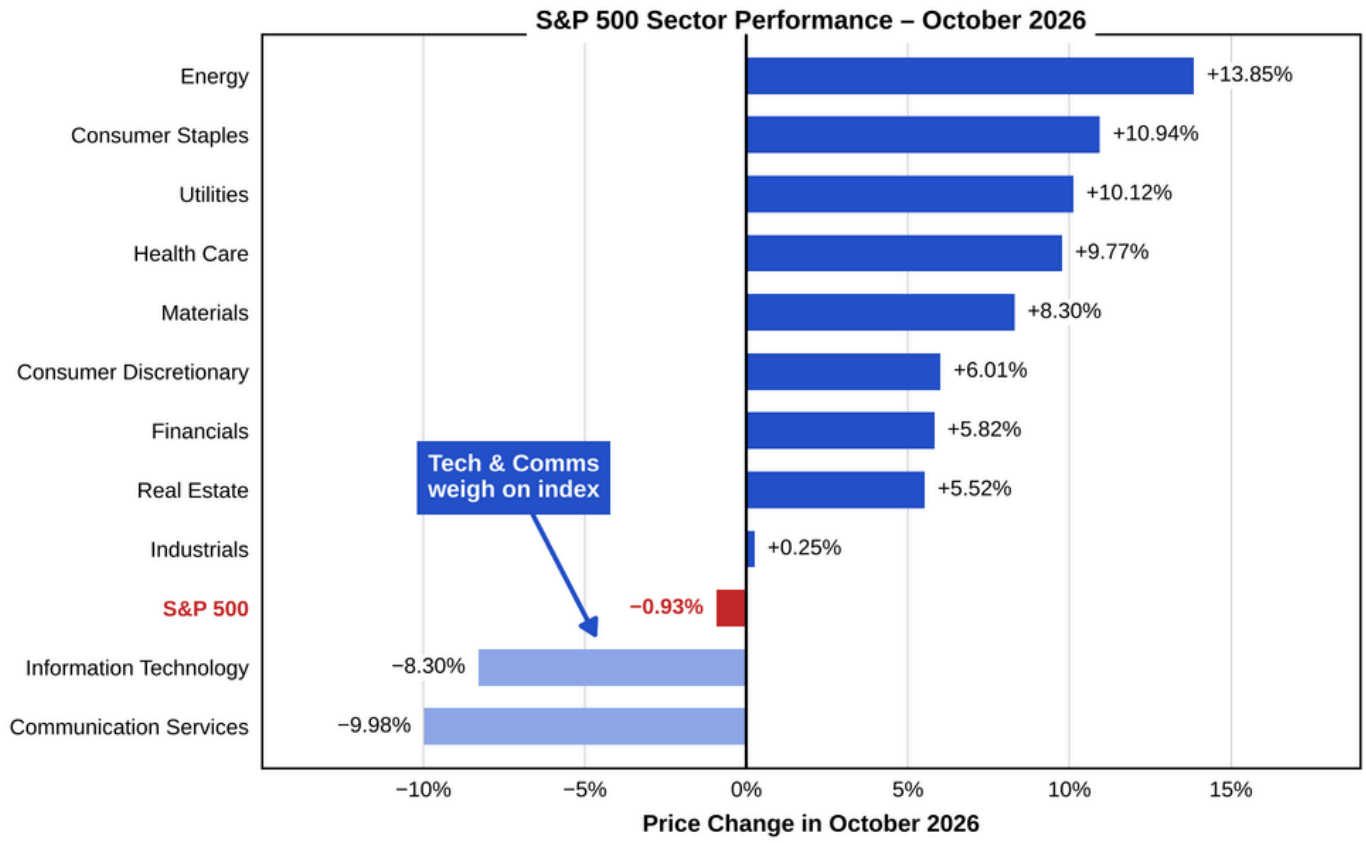


CHART 2 S&P 500 sector performance in October. Nine of the eleven sectors rose, while technology and communication services weighed on the index.
Source: S&P 500 sector price changes, October 2026 (figures supplied by Derradda)

WHY AN ACTIVE MANAGER MATTERS

This chart is a good example of why we believe an active approach can make a real difference. The S&P 500 as a whole fell 0.93% in October, but the gap between its best and worst sectors was almost 24 percentage points: energy rose 13.85% while communication services fell 9.98%. A fund that simply tracks the index has to own every sector in line with its size, whether it's having a good month or a bad one. An active manager, on the other hand, can hold more of the areas they believe offer better value or stronger growth, and less of the areas that look overpriced, such as the most expensive AI-related shares this year. Adjusting exposure across these segments in this way can add value over time. However, active decisions can also hold back returns, and higher fees can reduce the benefit, which is why choosing the right manager, spreading your investments and keeping costs under control all matter.

The good news is that company profits are still strong. Profits across the S&P 500 are expected to have grown by about 30% compared with a year ago, the third quarter in a row of growth above 20%. Interestingly, the rest of the market is now growing its profits faster than the "Magnificent Seven" technology giants, at about 29% compared with 18%. The concern is cost. The biggest technology firms have spent about $649 billion on investment over the past year, up from about $357 billion the year before, and every extra dollar of sales is now bringing in less extra profit. The US economy itself is in good shape, growing at an annualised rate of 3.4% in the third quarter.

WHAT LEADING FINANCIAL INSTITUTIONS THINK

Several have moved to a more neutral view on US shares to lock in some profits, while still believing in AI for the long term. Overall, they see US shares as expensive: the market is priced at around 40 times its average earnings over the past ten years (adjusted for inflation), a level last seen in late 2021 and during the dot-com bubble, and some are holding less in the US than a typical balanced fund would. Views on the AI giants themselves are more mixed. After the recent sell-off, some institutions think the largest AI-linked companies now look better value than they did, but whether that holds depends on all that AI spending eventually paying off.

Bonds

After a tough summer, US government bonds had a good October. As investors moved money out of technology shares and into safer assets, bond prices rose and the yield on the 10-year US government bond fell from about 5.29% at the start of the month to 4.93% at the end. That's quite a turnaround, given that in September this yield hit its highest level since 2007.

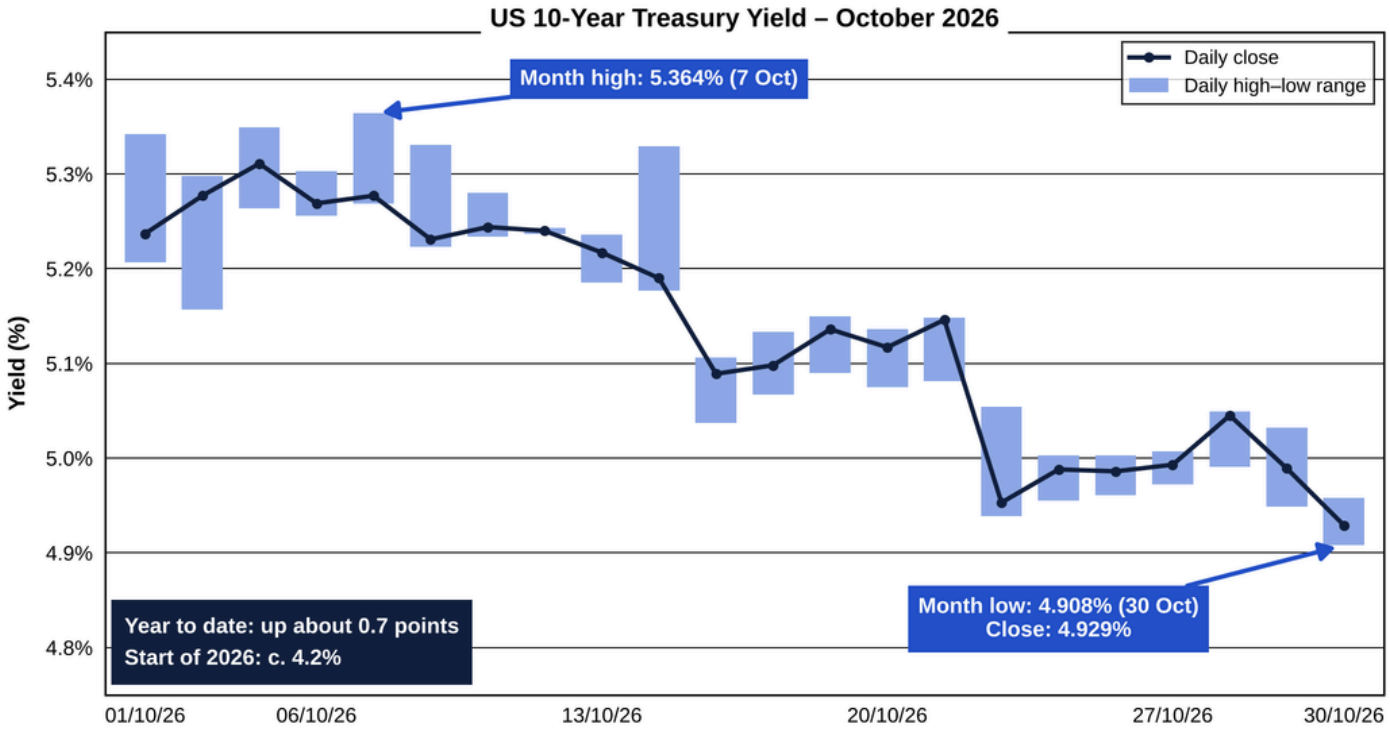


CHART 3 Sources: Yahoo Finance, CBOE 10-Year Treasury Note Yield Index (^TNX) daily high, low and close, 1–30 October 2026 (trading days only). Start-of-year level estimated from Morningstar's reported year-to-date rise to 30 September 2026. A falling yield means rising bond prices.

The US central bank, the Federal Reserve, kept interest rates on hold at 3.75% to 4.00% on 28 October, having raised them in September. Two of its twelve voting members wanted another rise, and markets still expect one in December. US inflation was 3.7% in September, pushed up by fuel prices.

When it comes to company bonds, some leading financial institutions think the extra interest companies pay compared with governments (known as the "credit spread") is too low for the risks involved, and expect that gap to widen. They are also seeing early signs of strain in private lending, with more borrowers asking for easier terms on their loans.

02 · REGION

Europe, the Middle East and Africa (EMEA)

Equities

European shares had a mixed month. The Euro Stoxx 50, which tracks the 50 largest companies in the euro area, ended October 2.20% lower, at 6,131.31. The story was much the same as in the US: technology companies such as ASML, the Dutch maker of chip-making equipment, fell sharply in the last few days of the month, while healthcare and household goods companies went up. The wider STOXX Europe 600 index recovered some ground, rising 1.7% in the final week of October.

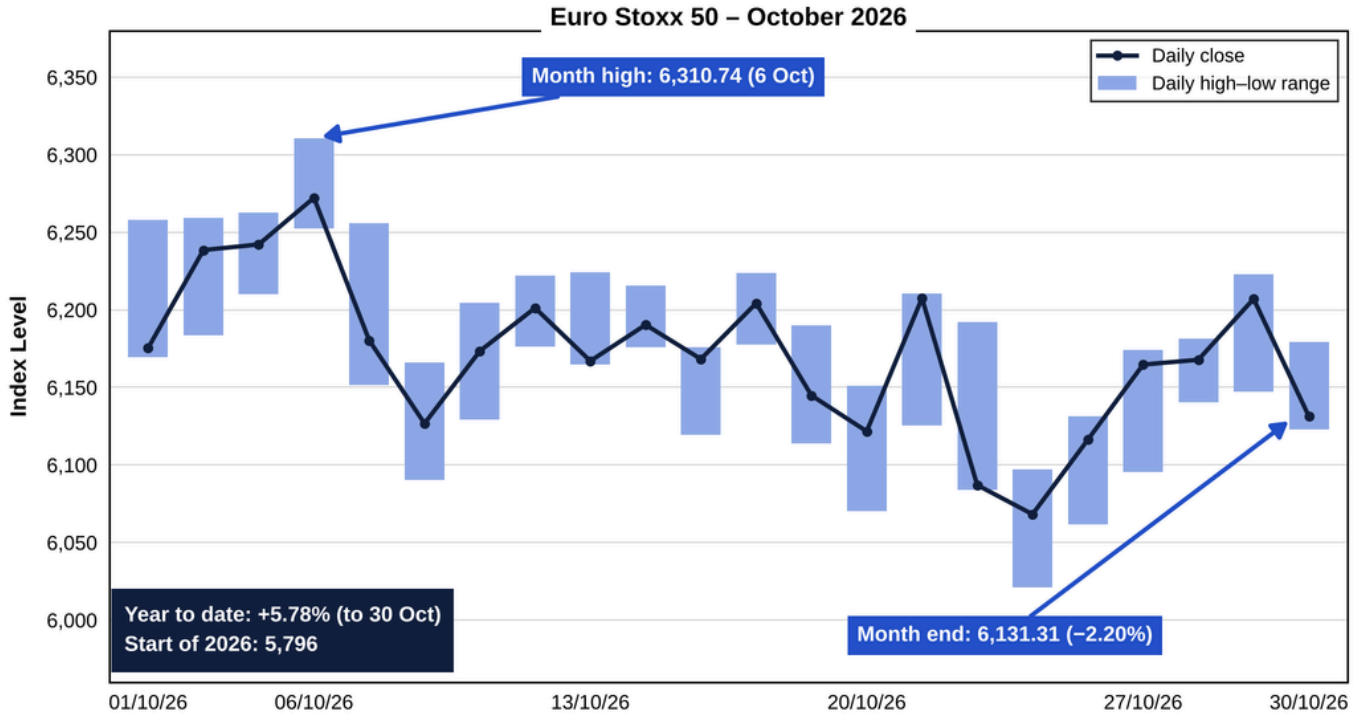


CHART 4 Source: Investing.com, Euro Stoxx 50 daily high, low and close, 1–30 October 2026 (trading days only). October change measured from the 30 September close (6,269.02). Start of 2026 implied from the 2 January 2026 close (5,850.38, up 0.93% on the day).

Europe's economy is still growing, but only slowly. The first estimate from Eurostat, the EU's statistics office, shows the euro area grew 0.4% in the third quarter, down from 0.6% in the second, and France's economy actually shrank. Europe is also more exposed to the energy shock than the US. Leading financial institutions estimate the conflict has knocked about 0.5% off Europe's economic output, compared with just 0.1% in the US.

WHAT LEADING FINANCIAL INSTITUTIONS THINK

European shares are thought to be trading about 6% below their fair value. Energy companies have risen almost 50% over the past year and now look expensive, while consumer companies such as retailers and car makers look more than 20% cheaper than they should be. Others take a neutral view on Europe and prefer banks, infrastructure and industrial companies. They also note that oil refiners are up about 160% this year and tanker operators about 120%, far more than the 40% gain for the big oil producers.

Bonds

France was the main worry in European bond markets. Protests and riots across the country, a difficult budget and political uncertainty pushed the yield (interest rate) on French 10-year government bonds to almost 5%, the highest since 2002. The extra interest investors want for lending to France rather than Germany reached about 1.59 percentage points in early October, the biggest gap since the euro debt crisis of 2011. German 10-year yields ended the month at around 3.3% to 3.4%.

Leading financial institutions point out that higher borrowing costs are putting the most pressure on governments, which borrowed heavily during the pandemic and the energy crisis. Companies, by contrast, are generally in good financial health. Euro area government bonds are seen as fairly priced for now, though higher energy prices could push interest rates up. In the UK, gilt yields have also been jumpy, and the Bank of England makes its next interest rate decision on 5 November.

03 · REGION

Asia-Pacific (APAC): Focus on Japan

Japanese equities

Japan's stock market started strongly but finished weakly. The Nikkei 225 hit 70,798.62 on 6 October, then fell as the global technology sell-off hit Japan's big chip and AI hardware companies. On 30 October alone the Nikkei dropped 2.1%, with chip-related companies such as Ibiden and Fujitsu down 15% to 16%. The index ended the month at 63,290.11, down 5.19%.

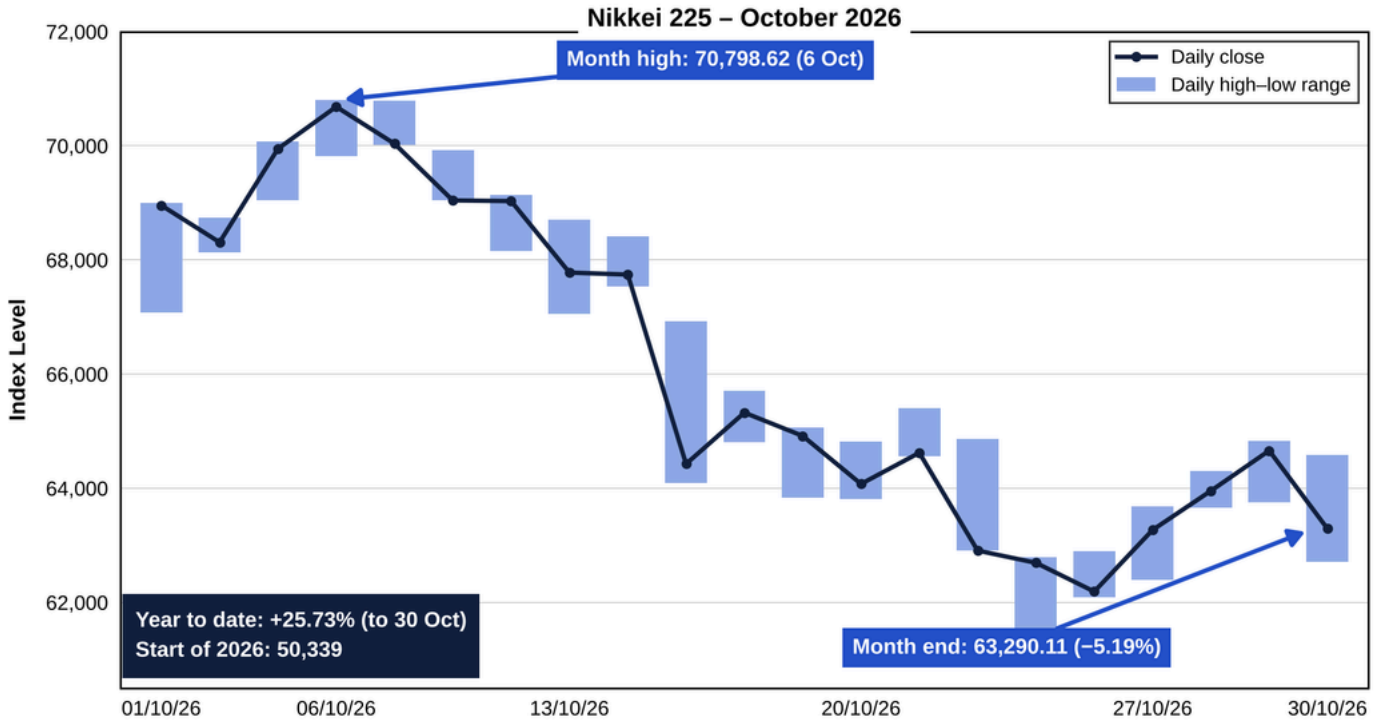


CHART 5 Sources: Investing.com, Nikkei 225 daily open, high, low and close, 1–30 October 2026 (Tokyo trading days only; 12 October was a public holiday).
October change measured from the 30 September close (66,753.72). Year to date: FNArena (31 October 2026).

Look past the ups and downs, though, and Japan's foundations are solid. Many Japanese companies have relatively strong balance sheets, and ongoing reforms to how they are run continue to support the market. Banks have also done well, because rising interest rates mean they earn more on their loans.

Why Japan still offers value

Japan also stands out as a place to find good value. One simple way to measure this is the price-to-book ratio, which compares a company's share price with what its assets are worth on paper, after its debts. A ratio below 1 means the company's market value is lower than its reported book value. In mid-2022, half (50%) of the largest companies listed in Tokyo were in that position. Since then, the Tokyo Stock Exchange has pressed these companies to explain how they will improve, and by March 2026 that figure had fallen to 27%. Even so, around one in four of the largest companies, and almost half of mid-sized ones, still trade below book value, which leaves plenty of room for further gains if the reforms keep going.

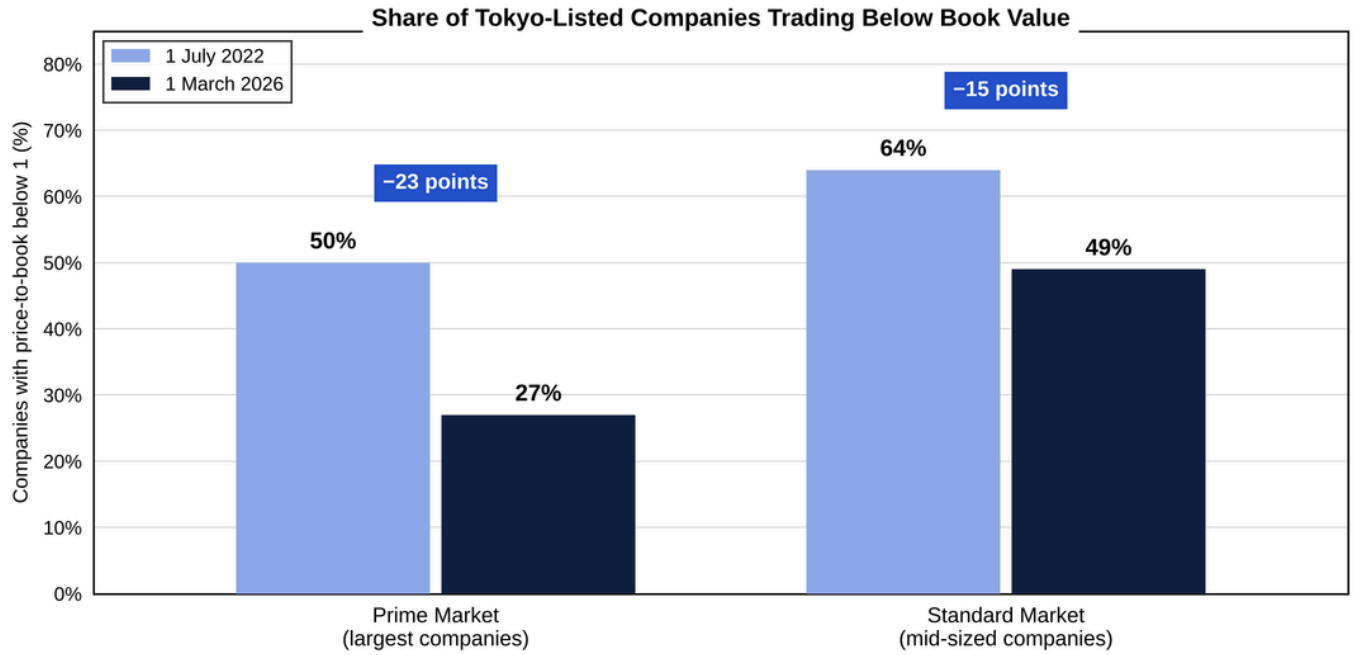


CHART 6 Share of companies on the Tokyo Stock Exchange's Prime and Standard markets trading below book value, July 2022 and March 2026. Source: Tokyo Stock Exchange, 7 April 2026.
Source: Tokyo Stock Exchange, "Initiatives for Fourth Year of Management That Is Conscious of Cost of Capital and Stock Price", 7 April 2026(compiled by TSE based on QUICK data). A price-to-book ratio below 1 means the share price is below the company's book value per share.

And those reforms are picking up speed. Japanese companies announced plans for a record ¥16.2 trillion (about $100 billion) of share buybacks in the first five months of 2026, 34% more than a year earlier. Companies are also selling off the stakes they hold in each other (known as cross-shareholdings), which tie up money without earning much. In July, Japan's financial regulator and the Tokyo Stock Exchange signed off a revised set of corporate governance rules, designed to encourage companies to invest their spare cash for growth rather than leave it sitting idle.

The government is pushing for growth too. In June, Prime Minister Sanae Takaichi's government set out a 14-

year plan for more than ¥370 trillion (about $2.3 trillion) of public and private investment up to March 2041, with ¥101.6 trillion set aside for AI and computer chips, alongside energy security and stronger supply chains. Put that together with low prices for many companies, and Japan has a long-term story that goes beyond the ups and downs of AI. The main risks are further interest rate rises, a weak yen, and how the government will pay for its plans given how much it already owes.

Japanese bonds and interest rates

Japan is the one major economy still clearly heading towards higher interest rates, after decades of rates near zero. The Bank of Japan held its rate at 1.25% on 30 October, although one of its nine members wanted to raise it to 1.5%. The Bank said inflation is now broadly in line with its 2% target. Most economists surveyed by Reuters expect a rate rise in December.

Interest rates on Japanese government bonds (JGBs) hit their highest level in decades in September, before easing in October, with the 10-year JGB yield falling to about 2.76% by 23 October. The yen was trading at around 156 to the US dollar late in the month. Leading financial institutions expect the Bank of Japan to raise rates by another 0.75 percentage points by 2028, and think the government would step in to support the yen if it weakened towards 165 to the dollar. Some are steering clear of Japanese government bonds for now, as further rate rises and heavy government borrowing could push yields higher.

Wider Asia and emerging markets

Elsewhere in Asia, South Korea and Taiwan, whose stock markets are dominated by chipmakers such as SK Hynix, Samsung and TSMC, have been among the best-performing markets in the world this year. The flip side is that they are also the most exposed if AI spending slows. China still looks relatively cheap, but Chinese consumers are still spending cautiously. Several leading financial institutions continue to favour emerging market shares, particularly Asian companies that supply what the AI build-out is short of, such as memory chips, power and data centres.

04 · MARKETS

Interest rates

2026 has turned out very differently from what most people expected. At the start of the year, investors thought interest rates would fall in the US, the UK and the euro area. Instead, the war with Iran and the jump in energy prices pushed inflation up, and central banks have been raising rates. Government bond yields in the UK and US have risen by about one percentage point since the conflict began, and leading financial institutions see the war, rather than government spending, as the main cause.

Closer to home, the European Central Bank (ECB) kept its deposit rate at 2.5% on 29 October, after two rises in the past five months. ECB President Christine Lagarde said another rise had been discussed and wasn't ruled out for December, and that borrowing has already become more expensive. In a surprise move, she also announced she will step down on 7 February 2027, about nine months early.

Looking further ahead, several leading financial institutions think interest rates may be close to their peak. Some expect one more US rate rise this year, followed by cuts from the second half of 2027 as the effect of the oil shock fades, with the US 10-year yield easing to about 4.5% by the end of 2027. As the saying goes, "the cure for high interest rates is high interest rates": higher borrowing costs slow the economy down, which

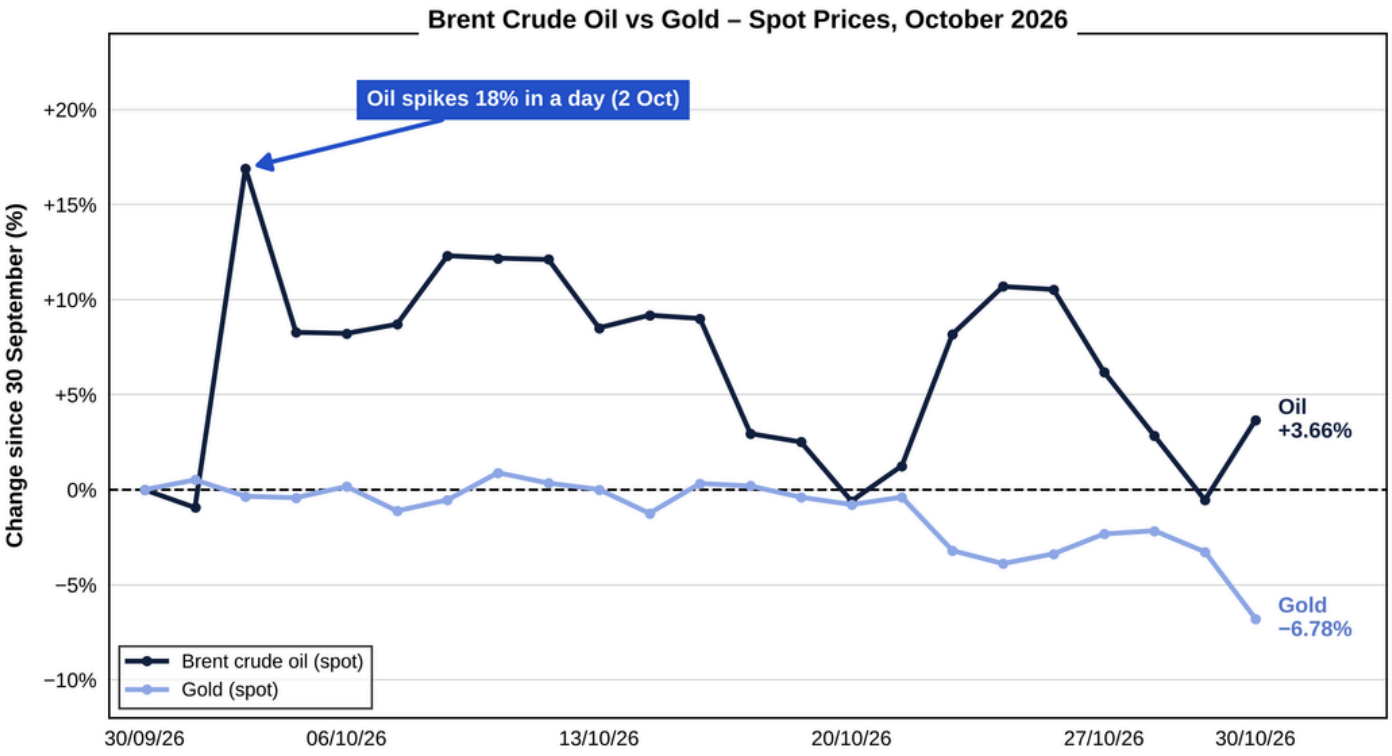
in turn reduces the need for further rises. And for savers and retirees there is a real upside: cash and bonds are once again paying a decent income.

05 · MARKETS

Commodities

Oil

Oil prices went up again in October. Renewed attacks on energy sites and shipping in the Gulf, along with further US strikes on Iran, pushed prices higher. The spot price of Brent crude oil (the price for oil delivered now) jumped 18% in a single day to $135.51 a barrel on 2 October and ended the month at $120.15. That's up 3.66% for October and 95.84% so far this year. Shipping through the Strait of Hormuz is still restricted. Leading financial institutions note that the problem is now less about crude oil itself and more about refining and transporting it: shipping fuel from the Middle East to Asia now costs more than twice what it did before the war, and diesel and jet fuel prices have risen faster than crude oil.



October 2026 Price Summary (Daily Spot Prices)

	30 Sep	Highest daily price	Lowest daily price	30 Oct	October change
Brent crude oil ($/barrel)	$115.91	$135.51 (2 Oct)	$114.82 (1 Oct)	$120.15	+3.66%
Gold ($/ounce)	$4,157.34	$4,194.46 (9 Oct)	$3,875.44 (30 Oct)	$3,875.44	−6.78%

CHART 7 Sources: Brent: countryeconomy.com, Europe Brent spot price FOB, daily. Gold: Investing.com, XAU/USD spot, daily close. All figures are daily spot prices. October change measured from the 30 September close to the 30 October close

European gas

For Ireland and the rest of Europe, gas is the bigger worry this winter. EU gas storage was only about 73% full in early October, well below the usual 90% for this time of year, partly because gas shipments from Qatar have been disrupted. European gas prices went above €90 per megawatt hour on 20 October for the first time since December 2022, and were around €100 in the last week of the month. A cold winter could push them higher still.

Gold

Gold had a poor month, falling 6.78% in October to $3,875.44 an ounce, with all of that fall coming in the last two weeks. It is now about 30% below the peak of over $5,500 it reached in January, and silver also fell sharply. Even so, many funds continue to hold commodities, including gold, as protection against inflation and unexpected world events.

06 · PLANNING

Inflation, and how to protect against it

Where inflation stands

Inflation is on the rise again. Euro area inflation is estimated to have reached 4.0% in October, up from 3.8% in September, with energy prices 20.8% higher than a year earlier. Irish HICP inflation was estimated at 4.0% in October, the highest since September 2023, and in the US prices rose 3.7% in the year to September. Leading financial institutions warn that higher fuel costs are now starting to push up the prices of other things too, not just energy bills.

Trevor Greetham of RLAM, Royal London Asset Management, has a name for this new era: “spikeflation”. Instead of steady, low inflation, we are now seeing sharp bursts, driven by too little investment in energy and raw materials, countries trading less freely with each other, very high government debt, and conflict. He thinks we may be heading into a second inflation spike this winter, after the one that followed the pandemic. And because governments owe so much, central banks may be willing to let inflation run a little above target rather than raise rates too far.

Why it matters for pension savers

Inflation quietly eats away at what your savings can buy. That’s why what really matters is not the headline return on your investments, but the real return after inflation. RLAM points out that in years when inflation spiked, such as the mid-1970s and 2022, both shares and bonds lost money once inflation was taken into account. So a traditional portfolio of just shares and bonds can be caught out when inflation rises.

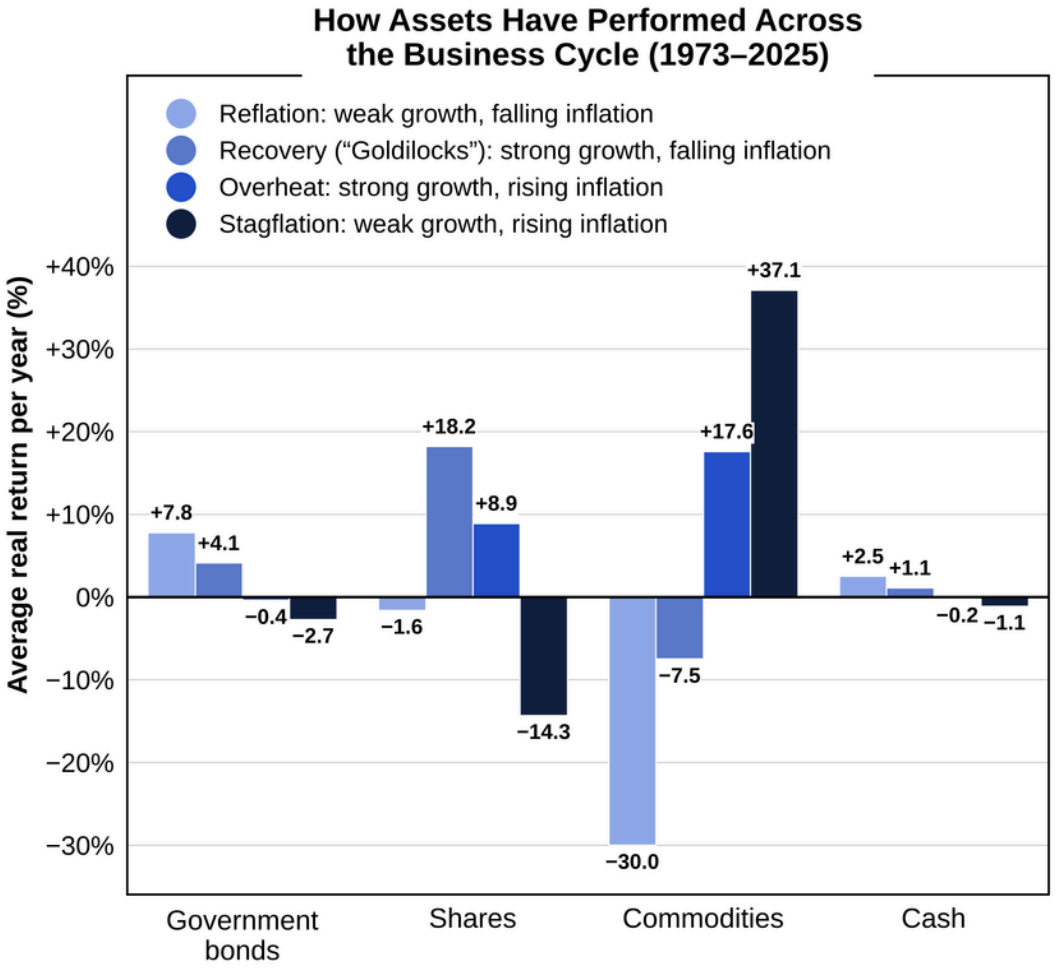


CHART 8 Source: Royal London Asset Management, "Clockwise: The Investment Clock revisited" (October 2026), using Refinitiv Datastream. Average annualised real (after-inflation) returns in each phase of the business cycle, April 1973 to December 2025. Figures in % per year. Past performance is not a reliable indicator of future returns.

This chart, based on RLAM's research from 1973 to 2025, shows how differently each type of asset tends to behave depending on what growth and inflation are doing. When inflation has been rising, commodities have done best. They returned an average of 17.6% a year above inflation when the economy was strong ("Overheat") and 37.1% a year when it was weak ("Stagflation"). In those weak, high-inflation periods, shares lost 14.3% a year and government bonds 2.7% a year after inflation. When inflation has been falling, the picture flips: commodities lost money, while bonds did best when growth was weak (7.8% a year) and shares did best when growth was strong (18.2% a year). These are long-run averages rather than forecasts, and results varied a lot from one period to the next.

The lesson is that no single asset protects you in every situation. Commodities can fall sharply, as gold showed in October, and property can be hit by rising interest rates, as commercial property across Europe, including Ireland, was when rates rose in 2022 and 2023. That's why the approach most leading financial institutions favour is a mix: holding some real assets alongside shares and bonds, so your portfolio isn't relying on any one of them. Many multi-asset pension funds already include some of these assets.

IN SUMMARY

Concluding Remarks

October showed how quickly then winners can change. Technology shares fell, while traditional companies and government bonds held up well, and oil rose as gold fell.

Over the longer term, each type of asset has tended to shine at a different stage of the economic cycle. Shares have done best when growth is strong and inflation is falling, government bonds when growth is weak, and commodities when inflation is rising. No one can reliably predict which stage comes next.

That's why we believe in spreading investments beyond just shares and bonds, to include assets such as commodities, property and infrastructure. When one part of a portfolio struggles, another may be doing well, helping to smooth the journey and protect what your savings can buy.

For long-term savers, staying invested and maintaining a well-diversified mix can help avoid reacting to short-term market swings.

IMPORTANT INFORMATION

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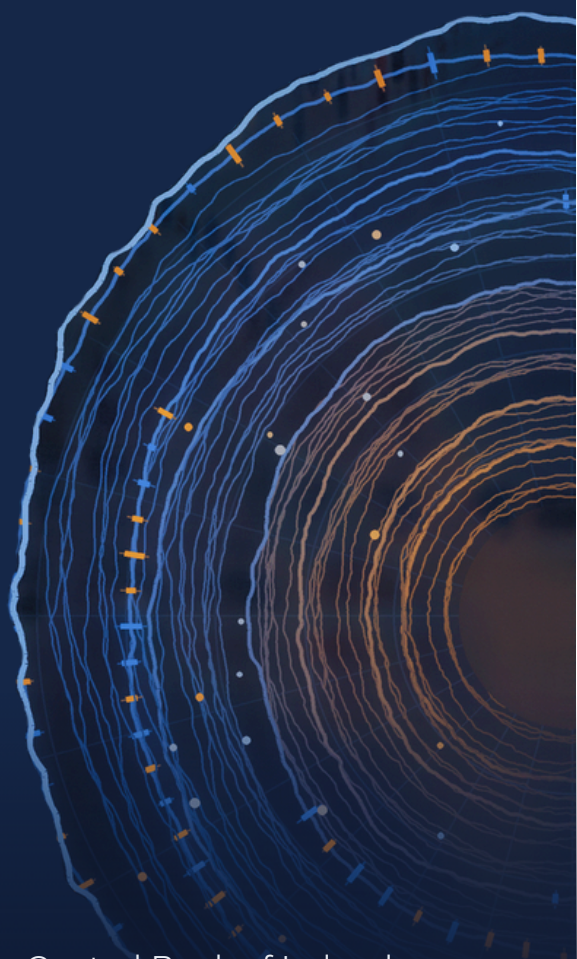
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FINANCIAL SERVICES

MARKET REVIEW · OCTOBER 2026



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