Global Market Review

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Rising oil prices, persistent inflation, and AI concerns weigh on global markets

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Global markets faced heightened volatility in October as persistent inflation, elevated borrowing costs, and escalating geopolitical tensions weighed on investor sentiment. The US-Iran conflict remained a major source of uncertainty, with negotiations over reopening the Strait of Hormuz making limited progress amid continued military pressure and regional security threats. Disruptions to energy supplies and uncertainty surrounding the Russia-Ukraine energy ceasefire sustained upward pressure on oil prices, with Brent crude reaching its highest level since April. Despite intermittent diplomatic efforts, elevated energy costs reinforced inflation concerns and complicated the outlook for global monetary policy.

In the US, economic data presented a mixed picture of resilient activity and persistent price pressures. September payroll growth slowed sharply to just 29K jobs, while previous months were revised lower, highlighting emerging labor-market weakness. Consumer confidence deteriorated amid elevated borrowing costs, although economic activity remained resilient, with third-quarter GDP accelerating to 3.4% YoY. Inflation remained a central concern, with September CPI reaching 3.7% YoY, while producer prices recorded their largest monthly increase since March 2022. Meanwhile, housing activity weakened, reflecting the impact of elevated mortgage rates, although retail sales remained supported partly by higher fuel spending.

Central banks maintained a cautious and generally hawkish stance as policymakers balanced resilient economic activity against persistent inflation pressures. The Federal Reserve held interest rates at 3.75%–4.00%, with two officials favoring an increase, while elevated PCE inflation reinforced expectations of further monetary tightening. Across Europe, inflation remained elevated, with eurozone consumer prices accelerating to 3.8% YoY in September, although the European Central Bank maintained its policy stance. Elsewhere, the Reserve Bank of Australia and Reserve Bank of India increased interest rates, while the Bank of Canada also tightened policy. The Bank of Japan maintained rates unchanged but retained a tightening bias amid persistent inflation pressures.

Global economic conditions remained uneven despite signs of resilience. The Global Composite PMI reached a 40-month high in September, supported by improving business activity, while Europe continued to face elevated inflation, fiscal uncertainty, and mixed industrial performance. In Asia, China's Q3 GDP growth accelerated to 4.5% YoY, although weakness in property investment persisted. Chinese authorities introduced additional measures to support the property sector, while Japan reported improving manufacturing confidence. Taiwan continued to benefit from strong technology demand, highlighting the divergence between AI-related activity and broader economic

uncertainty.

Corporate earnings increasingly influenced market sentiment as investors reassessed the sustainability of substantial artificial intelligence investment. While AI-related demand continued to support semiconductor activity and technology earnings, concerns intensified over infrastructure financing, capital expenditure requirements, and the ability of companies to generate sustainable returns. Positive semiconductor results provided selective support, but broader technology shares faced pressure as investors questioned the profitability of the investment cycle. Elevated spending commitments by major technology companies, alongside mixed earnings across other sectors, contributed to market volatility.

Cross-Asset Performance: Global financial markets delivered mixed returns in October, reflecting the divergence between elevated energy prices and weakening risk appetite. In fixed income, sovereign yields declined, with the US 10-year Treasury yield falling 35.6bps to 4.93%, while German Bund and UK gilt yields declined 26.4bps and 14.0bps, respectively. The Global Aggregate Bond Index gained 1.41%, while emerging-market USD sovereign bonds advanced 1.53%. In currencies, the US Dollar Index strengthened 0.42%, while the euro depreciated 1.50% against the dollar. Global equities weakened, with the MSCI World Index declining 0.82%, the S&P 500 falling 0.93%, and the Nasdaq dropping 5.30%, while the STOXX 600 gained 1.87%. Emerging-market equities underperformed, declining 8.11%, while GCC markets also retreated, led by Abu Dhabi's ADX (-6.00%), Saudi Arabia's Tadawul (-4.97%), and Dubai's DFM (-3.18%). Commodities diverged sharply, with Brent crude surging 13.63% to USD117.64 per barrel and WTI gaining 15.15%, while gold declined 6.80% to USD3,874.6 per ounce.

Overall, October highlighted the growing tension between resilient economic activity and an increasingly challenging financial environment. Persistent inflation, elevated energy prices, and expectations of further monetary tightening weighed on risk appetite, while geopolitical uncertainty and concerns over AI investment returns contributed to market volatility. Despite pockets of economic resilience and selective corporate earnings strength, the combination of restrictive monetary conditions, uneven regional growth, and mounting investment risks reinforced a cautious outlook for global financial markets.

Performance snapshot*				
Rates	Latest	1M (bp)	3M (bp)	YTD (bp)
SOFR	3.94	4.00	28.00	7.00
US 10yr Treasury	4.93	-35.60	19.40	76.20
German 10yr Bund	3.32	-26.40	11.60	46.70
UK 10yr Gilt	5.28	-14.00	23.40	80.50
Fixed Income		1M (%)	3M (%)	YTD (%)
Global Agg. Index	495	1.41	-0.56	-1.30
Global Corporate	298	1.29	-1.07	-1.96
EM USD Sovereign	456	1.53	-1.14	-0.54
Global High Yield	1,856	-0.21	-2.17	-0.36
Currencies		1M (%)	3M (%)	YTD (%)
Dollar Index	101.88	0.42	-	3.62
EUR USD	1.1160	-1.50	-	-4.99
USD JPY	157.56	0.10	-	0.54
Equities		1M (%)	3M (%)	YTD (%)
S&P 500	7,580	-0.93	1.21	10.73
Dow Jones	51,770	1.70	-1.36	7.71
NASDAQ	25,437	-5.30	0.25	9.44
STOXX 600	647	1.87	-0.38	9.21
Nikkei 225	63,290	-5.19	-1.67	25.73
MSCI World	4,862	-0.82	0.30	9.75
MSCI EM	1,567	-8.11	-5.96	11.55
Regional Equities		1M (%)	3M (%)	YTD (%)
ADX	9,466	-6.00	-4.52	-5.27
DFM	5,771	-3.18	-0.44	-4.57
Tadawul*	9,922	-4.97	-6.31	-5.43
DSM*	9,151	-1.01	-7.76	-14.97
KWSE*	8,454	-3.71	-3.46	-5.09
Commodities		1M (%)	3M (%)	YTD (%)
BBG Commodity Index	141.2	-0.41	6.93	28.73
Brent USD/bbl	117.64	13.63	30.54	93.33
WTI USD/bbl	104.12	15.15	22.97	81.33
Gold USD/t oz	3,874.6	-6.80	-	-10.30
Volatility		1M (%)	3M (%)	YTD (%)
VIX	19.42	18.85	21.45	29.90
MOVE	100.20	-9.28	20.69	56.66

Source: Bloomberg, and ADCB Asset Management | Notes: *Data as of October 30, 2026.

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