

ALBERT E SHARP

INVESTMENT MANAGEMENT & STOCKBROKING

Market Commentary

October 2026

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Monthly returns and summary

	Portfolio Benchmark Risk Level	31/10/2026	1 Month	3 Months	1 Year	3 Years	5 Years
ARC Cautious	Low Risk	226.88	+0.2%	+0.3%	+3.2%	+19.3%	+10.7%
ARC Balanced	Medium Risk	298.67	-0.5%	+0.1%	+4.8%	+29.3%	+18.3%
ARC Steady Growth	Medium High Risk	371.28	-0.8%	+0.3%	+6.2%	+35.4%	+23.0%
ARC Equity Risk	High Risk	448.24	-1.1%	+0.6%	+7.1%	+40.8%	+26.1%

Source: Figures based on ARC estimates.

Index	Region / Asset Class	31/10/2026	1 Month	3 Months	1 Year	3 Years	5 Years
UK 100	UK	10729.78	1.2%	-1.3%	10.4%	46.5%	48.3%
UK All Share	UK	5784.20	1.0%	-0.9%	10.4%	46.3%	40.1%
Dow Jones Ind Avg	US	51770.31	1.7%	-1.4%	8.8%	56.6%	44.5%
S&P 500 Index	US	7580.07	-0.9%	1.2%	10.8%	80.7%	64.6%
Nikkei 225	Japan	63290.11	-5.2%	-1.7%	20.8%	105.1%	119.1%
MSCI Europe Ex UK	Europe	253.81	1.5%	-0.6%	12.3%	47.3%	33.4%
MSCI Asia Ex Japan	Asia	1038.36	-8.3%	-5.9%	13.2%	78.7%	27.9%
MSCI Emg Mkts (£)	Emg Mkts	969.72	-8.8%	-5.1%	11.9%	65.6%	43.0%
MSCI World Index (£)	Global	4862.38	-0.8%	0.3%	10.7%	75.6%	53.2%
UK Conventional	Gilts	3147.95	1.5%	0.5%	-0.6%	9.1%	-20.3%
UK Index-linked	Gilts	3797.47	2.3%	3.0%	1.0%	3.6%	-36.8%
UK Real Estate Investment Trusts	Property	2012.15	2.8%	-5.2%	5.9%	14.2%	-30.2%
WTI Crude ($/Barrel)	Oil	104.12	15.2%	23.0%	70.7%	28.5%	24.6%
Gold Spot $/Oz	Commodities	3874.62	-6.8%	-4.2%	-3.2%	95.3%	117.3%
£1 = US$	Currencies	1.3391	0.9%	-0.7%	1.8%	10.2%	-2.1%
£1 = €	Currencies	1.1999	2.5%	2.6%	5.2%	4.4%	1.3%
£1 = Yen	Currencies	211.00	1.0%	-0.6%	4.2%	14.5%	35.3%

Source: Bloomberg. NB: Price returns only, excluding dividends

Index	Region / Asset Class	31/10/2026	1 Month	3 Months	1 Year	3 Years	5 Years
UK Investment Companies	Diversified	15,113.39	-3.7%	0.1%	7.9%	45.0%	6.6%
Latest Weighted Average Discount	-12.3%						
12 Month Weighted Average Discount	-11.9%						

Source: Bloomberg, Refinitiv. NB: Price returns only, excluding dividends

General Comments

October witnessed a pronounced rotation away from AI-related growth stocks and towards traditional value and defensive markets. This dynamic provided a clear tailwind for the UK and broader Europe, whereas several technology-heavy Asian and emerging markets fell sharply. Investors actively sought out healthcare, utilities, and energy producers, while mega-cap technology and communication services companies came under heavy scrutiny over their escalating AI spending.

Meanwhile, real estate performed well, and government bonds rallied as investors looked to shelter from equity volatility. There were rallies in Japanese, US, and UK government bonds, while French government bonds continued to be out of favour amidst escalating domestic political turmoil and fiscal friction.

Commodities endured a contrasting month as crude oil surged on heightened conflict in the Middle East and gold retreated by nearly 7% after failing to benefit from the broader flight to safety. In foreign exchange markets, the US dollar strengthened against the euro but lost ground against a resilient British pound.

UK Commentary

The British market delivered a remarkably sturdy performance in October, standing out as a bright spot amidst global market turbulence. The benchmark FTSE All-Share Index advanced 1% in sterling terms, buoyed by its heavy weighting in energy producers and classic defensive businesses. Official data confirmed economic resilience, as gross domestic product edged up 0.1% in August, lifting rolling three-month growth to a stronger-than-expected 0.7%, while private-sector business activity accelerated to an eight-month high.

Corporate earnings also painted a resilient picture as BP posted adjusted quarterly profits of $8.5 billion and AstraZeneca gained on upbeat oncology sales, demonstrating the protective nature of large UK blue chips.

Nevertheless, everyday cost-of-living pressures and fiscal hurdles continued to test sentiment. Annual consumer price inflation picked up to 3.5% in September, driven by petrol costs jumping nearly 30% year-on-year following geopolitical tensions in the Middle East. With inflation remaining well above target and unemployment dipping to 4.7%, money markets firmly priced in a November interest rate increase from the Bank of England.

Against this backdrop, Chancellor John Healey delivered his maiden Autumn Budget. The package avoided market shocks and mostly focused on minor adjustments, offering a £100 winter energy handout to 20 million households while funding it through targeted tax raids on banks, property, and personal savings, alongside extending a business rate surcharge.

North America Commentary

Across the Atlantic, headline indices masked an extraordinary tug-of-war beneath the surface. The standard S&P 500 index (which is heavily dominated by a handful of tech giants) slipped 0.9%, whereas an equal-weighted measure of all 500 companies gained 5.0%, representing its widest margin of outperformance since 2009. Investors engaged in a rotation, shifting money away from expensive technology leaders and towards neglected value sectors, including utilities, healthcare, and energy.

The tech-heavy Nasdaq Composite dropped 5.3%, recording its sharpest monthly decline in over a year. The primary catalyst was growing investor scepticism regarding the colossal sums spent on artificial intelligence. Meta fell after projecting hundreds of billions in capital spending, and Alphabet's cash flow dipped into negative territory. While Microsoft and Amazon demonstrated robust cloud expansion, heavy capital expenditure left investors questioning how quickly these investments will generate profit.

Despite investor concerns, many of these businesses reported exceptional earnings growth for the third quarter. With well over 85% of companies now having reported (at time of writing), headline profit growth is approaching 28%, providing investors with yet another exceptional earnings season.

Meanwhile, the broader American economy expanded at a vigorous 3.4% annualised rate in the third quarter, driven by steady consumer spending and data centre construction. Although September job creation slowed abruptly to 29,000, weekly jobless claims remained near historic lows at 194,000.

Confronted with headline consumer price inflation rising to 3.7%, the Federal Reserve opted for patience, holding its policy rate at 3.75%–4.00% whilst signalling a possible December move. Government bonds

rallied late in the month as safe-haven demand pushed ten-year Treasury yields back below 5.0%. North of the border, the Bank of Canada raised its policy rate by 25 basis points to 2.50%.

Europe Commentary

European markets spent October contending with rising energy bills, industrial headwinds, and severe political strain centred in Paris. France emerged as the primary source of regional financial anxiety as its ten-year borrowing costs touched 5.0%, a level last witnessed in 2002. Investors demanded an extra 1.6% in annual yield to hold French government bonds over benchmark German debt, matching levels from the European sovereign debt crisis.

To stabilise public finances, French Prime Minister Sébastien Lecornu tabled an austerity budget containing €43 billion in spending curbs and higher taxes. The announcement helped trigger intense social unrest, nationwide strikes, and severe rioting across several cities, dragging French consumer confidence to a 13-year low as the domestic economy contracted by 0.1%.

Broader European economic momentum slowed as eurozone inflation accelerated to 3.8% on higher fuel imports, although third-quarter regional output still expanded by 0.4%. The European Central Bank left its benchmark deposit rate unchanged at 2.5%, though President Christine Lagarde added to political intrigue by announcing her planned departure in February 2027. Elsewhere, Spanish Prime Minister Pedro Sánchez called a surprise snap election for late November, adding another layer of political uncertainty.

Continental equities were mixed as luxury goods makers like LVMH and Kering slipped due to subdued demand from Chinese shoppers. However, several high-quality leaders and defensive champions delivered strong gains. Eyewear producer EssilorLuxottica surged 27%, software powerhouse SAP climbed 14%, and both defence manufacturer Rheinmetall and energy giant Total advanced 8%.

Asia Pacific Commentary

Asian equities experienced a volatile month, caught between the global wobble in semiconductor sentiment and uneven domestic economic recoveries. Technology-focused markets bore the initial brunt of international selling, but underlying financial results from the region’s hardware titans proved staggering. Taiwan’s TSMC announced record quarterly revenues, up more than 50% year-on-year, while South Korea's SK Hynix recorded an operating profit of 83.3 trillion won (around £46 billion) alongside a 100 trillion won shareholder return plan.

In Japan, the Bank of Japan held its benchmark interest rate at 1.25% but marked a historic milestone by declaring that underlying inflation had firmly reached its 2% target. Core inflation quickened to 2.1%, strengthening market expectations of a further rate rise before year-end. It was reported that domestic institutional investors continued to rotate capital back into local fixed income, producing record demand at the 20-year government bond auction and bringing long-term rates down closer to shorter-term rates.

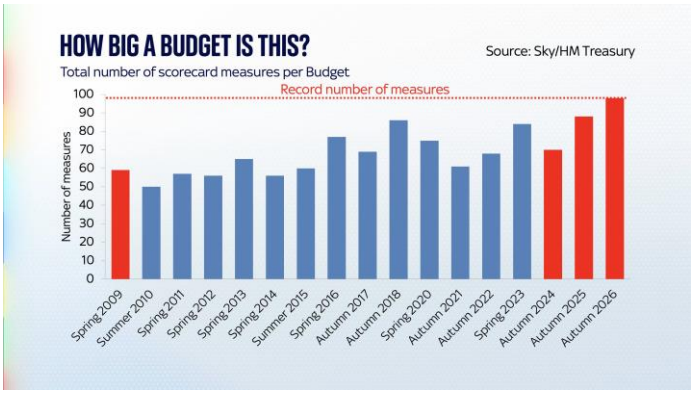
Across the East China Sea, China’s economy expanded by 4.5% year-on-year in the third quarter. A remarkable 36.3% surge in exports helped offset persistent weakness across domestic retail spending and the property sector. The European Union and Beijing also negotiated a landmark compromise to moderate exports of Chinese electric/hybrid vehicles and grant European access to Chinese rare earth metals.

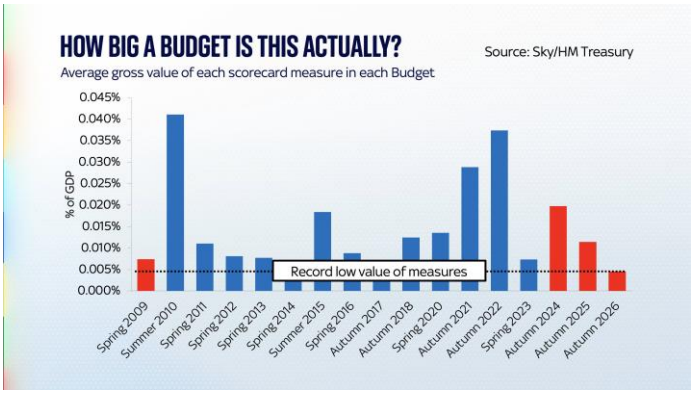
Emerging Market Commentary

Emerging market assets endured a difficult October as elevated energy prices, a firmer US dollar, and country-specific political turmoil weighed on performance.

In Brazil, financial markets rallied sharply early in the month when conservative challenger Flávio Bolsonaro took a surprise first-round lead in the presidential race, spurring hopes of fiscal austerity. However, these gains completely unwound following the late October run-off, in which incumbent President Luiz Inácio Lula da Silva secured a narrow comeback victory with 51.8% of the vote. Brazilian equities plunged roughly 17% and the real tumbled nearly 12% in a single session as investors priced in higher public spending.

Chart(s) of the month – UK Budget Measures vs Scale





The above charts from Sky News summarise the budget nicely. The latest Autumn Budget from Chancellor John Healey delivered a record 98 separate policy measures, yet their overall financial weight proved remarkably modest.

In essence, the address amounted to tinkering around the edges rather than introducing any major structural reforms. While a handful of targeted initiatives may provide temporary relief, our view remains that the British economy requires far bolder, long-term reforms if it is to unlock meaningful and sustained growth.

Of particular importance for our clients was the four percentage-point increase in the tax rate on savings interest, elevating it to an eye-watering 49% for additional-rate taxpayers. In practical terms, Britain's highest earners will now retain just 51p of every £1 earned in interest.

One compelling shelter against this now more punitive regime is the use of low-coupon UK government bonds (gilts). Because capital gains on gilts remain completely exempt from Capital Gains Tax (CGT), investors can shield the lion's share of their overall return while taking on minimal credit risk comparable to cash.

To take a practical example, the 0.25% July 2031 gilt currently offers an effective post-tax yield of approximately 4.6% for an additional-rate taxpayer. While the annual income paid by the bond is tiny (0.25%), the majority of the return comes from buying it cheaply today and receiving the full face value back in 2031, with that built-in price rise being completely free of capital gains tax.

Under the new 49% tax regime, an investor would need to secure a gross return of roughly 9.0% from a traditional savings account to match that figure. We are not aware of a savings product or bank account in the UK which gets near that rate in today's market.

Investment Team's Thoughts

October delivered another dose of market volatility, and as we noted in last month's commentary, periods of uneven, turbulent performance are likely to remain a feature of the investing landscape for the foreseeable future. The monumental shift underway across the artificial intelligence ecosystem is transforming the global economy, but history reminds us that structural revolutions invariably produce distinct winners and losers, sharp monthly reversals, and abrupt shifts in market sentiment along the way.

For advocates of diversified, multi-asset investing, October highlighted the practical value of spreading risk across different markets and sectors. High-quality government bonds stepped forward to provide invaluable ballast against equity swings, regional stock markets decoupled from one another, and American equities witnessed a healthy broadening, as demonstrated by the equal-weighted S&P 500 surging ahead even as mega-cap tech stumbled.

We firmly believe that transitional environments such as this present a particularly fruitful backdrop for active, disciplined portfolio management. There is now more evidence that markets are no longer moving in lockstep. That gap between winners and losers provides good managers with more opportunities, while attractive yields on government bonds can provide steady, defensive returns.

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