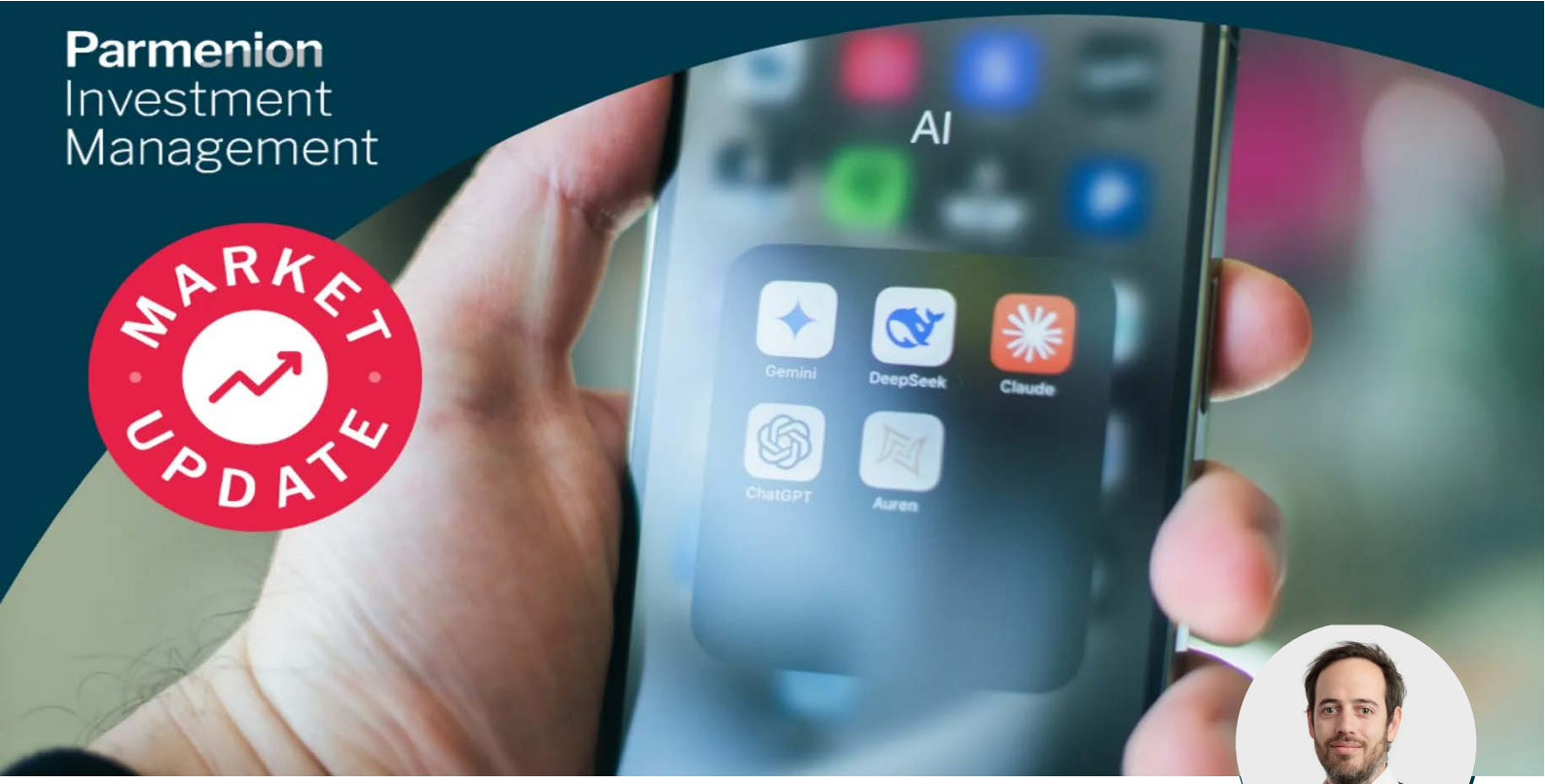
Parmenion
Investment
Management




MARKET UPDATE



# Five things you need to know from October 2026

Jasper Thornton-Boelman
Investment Director

Our October market update covers The UK Budget, Inflation and AI jitters. Here's our key five updates:

## 1. UK Budget

The hotly anticipated UK budget turned out to be relatively uneventful. Big changes like hiking CGT rates didn't materialise.

The focus going into the Budget was on the fiscal rules and maintaining credible spending plans. Bond markets have been worried about government debt around the world and have chastised governments that don't appear to have matters under control.

Chancellor Healey took great pains at the start of his speech to mention the rules and that all spending had been fully costed in the budget.

The Office for Budget Responsibility (OBR) predicted that the buffer the government has before it breaches its spending rules will fall to £15bn in 2029-2030, before rising to £22bn the following year.

Bond markets seem to have been pacified. Bond yields dipped during the Chancellor's speech and have remained relatively steady, outperforming US, French and German debt.

While the immediate market reaction has been relatively calm, the longer-term challenge of balancing growth, spending and government debt remains very much in focus.

## 2. UK inflation rises

UK inflation rose again in September. Headline Consumer Price Index (CPI) figures hit 3.5% year-on-year, up from 3.1% in August and ahead of analyst expectations for a more modest 3.4% increase. The figure is the highest in nearly a year.

September's uptick was mostly caused by higher prices for fuel, up nearly 30% over the last 12 months, as the conflict in the Middle East continues to choke the supply of refined products - particularly diesel - from the region.

But not all data pointed in the wrong direction. Food price inflation remained subdued at 1.3%, though complex supply chains mean it can take longer for fuel and fertiliser price rises to feed through to the shop floor.

Surging inflation is contributing to higher government borrowing costs, The Office for National Statistics (ONS) estimates that higher inflation added £4bn of debt interest costs in September alone.

## 3. AI scares

Alphabet's $500bn plunge spooked markets on Halloween week after its results missed forecasts. Currently AI companies are under a lot of scrutiny over capital expenditure - and Alphabet, Google's parent company, missed the mark. Search revenue growth missed forecasts by nearly 3% coming in at 12%, and the company spent over $9bn more than it generated for the third quarter, more than three times what was expected.

It's not just Alphabet though, Amazon has also seen recent falls following its results, again over capital expenditure. Its debt now stands at $173bn, up from $66bn last year. Meanwhile, Microsoft rose in value following better than expected revenue of $92.3bn.

Anthropic is gearing up for its IPO soon and could be worth up to $1.75tn. Its filings show that it made a loss of over $80bn in the first half of the year, but this is partly a quirk of its bonds which can convert into stock, with revenue of over $16bn. It's also committing to spend over $800bn in AI infrastructure, with some estimating up to $600bn could be invested in the next 5 years.

With a global tech sell-off at the end of October, Anthropic's IPO success will depend on whether investors see the value in it. It could be a broader critical test for AI companies across the market.

## 4. US interest rates

The Federal Reserve (Fed) held interest rates steady, in spite of rising bond yields and inflation running higher than target at 3.7% in the year to September.

Chairman Warsh said he wanted to gather more information before increasing rates again.

The decision to hold rates wasn't unanimous. Two members out of 12 voted to increase rates by 0.25%.

Warsh has said it wasn't a political decision to hold rates, but going into the midterms and with President Trump calling for lower borrowing costs, makes that questionable.

Another rate hike is expected by the end of the year, with the next bank meeting taking place on 8th-9th December.

## 5. US midterms

The end of October saw the midterm elections heating up before voters headed to the polls on 3rd November.

While many may try to predict or worry about what the result could mean for markets, it's worth remembering that historically US markets have risen whichever party is in charge.

While the US government does influence the economy, issues of monetary policy, economic growth, the labour market and corporate earnings are all at the mercy of other factors.

When it comes down to it, what we know is long-term asset allocation matters. More than trying to tailor portfolios to short-term events.

| Name | 1m | 3m | YTD | 1yr | 3yr |
|---|---|---|---|---|---|
| FTSE Actuaries UK Conventional Gilts All Stocks | 1.54 | 0.52 | -0.93 | -0.58 | 9.14 |
| IA Sterling Corporate Bond | 0.50 | -0.42 | -0.49 | 0.05 | 17.73 |
| IA Global High Yield Bond | -0.80 | -1.47 | 0.09 | -0.37 | 17.45 |
| FTSE All Share | 1.12 | -0.10 | 11.06 | 13.92 | 62.29 |
| FTSE USA | -1.86 | 1.85 | 11.72 | 9.09 | 68.73 |
| FTSE World Europe ex UK | -1.25 | -3.28 | 6.16 | 9.70 | 55.12 |
| FTSE Japan | -4.79 | 0.78 | 17.17 | 14.88 | 61.19 |
| FTSE Asia Pacific ex Japan | -7.41 | -04.25 | 14.15 | 11.56 | 64.77 |
| FTSE Emerging | -6.67 | -4.67 | 4.50 | 1.99 | 47.85 |

*Source: FE Analytics, GBP total return (%) to last month end*

Parmenion

Investment Management

**Registered Office:** Aurora, Counterslip, Bristol, BS1 6BX.
**Website:** www.parmenion.co.uk

Parmenion Investment Management is a trading name of Parmenion Capital Partners LLP which is authorised and regulated by the Financial Conduct Authority. FCA Number 462085. Registered in England and Wales OC322243.

Important information: This article is for financial professionals only. Any information contained within is of a general nature and should not be construed as a form of personal recommendation or financial advice. Nor is the information to be considered an offer or solicitation to deal in any financial instrument or to engage in any investment service or activity. Parmenion accepts no duty of care or liability for loss arising from any person acting, or refraining from acting, as a result of any information contained within this article. All investment carries risk. The value of investments, and the income from them, can go down as well as up and investors may get back less than they put in. Past performance is not a reliable indicator of future returns.
Version date: 02/10/2026