BROOKS MACDONALD

The *Monthly Edit*

October 2026

We examine the markets daily, and our monthly update is a selection of key global stories explained through an investment lens.



Market headlines

AI leadership came under pressure

Investors became more discerning on valuations, investment spending and the path to monetisation, weighing on some of the year's strongest technology performers and contributing to greater market dispersion.

Bond yields stayed elevated

Resilient US growth, persistent inflation and fiscal concerns kept government borrowing costs high, maintaining pressure on rate-sensitive assets and equity valuations.

European political risks resurfaced

France moved into focus as fiscal and political uncertainty drove borrowing costs higher, adding to concerns around the outlook for major European economies.

Geopolitics kept energy markets in focus

Renewed Middle East tensions contributed to volatility in oil prices, keeping energy-driven inflation risks and their implications for monetary policy on investors' radar.





The big topics

Investors question the AI spending boom

AI remained a major source of market volatility, as investors became increasingly selective after a period of strong gains.

Technology and semiconductor shares came under pressure as attention shifted from the scale of AI investment towards the returns that spending can ultimately generate. Earnings from major technology companies reinforced these concerns, particularly around rapidly rising capital expenditure and the financing of AI infrastructure. However, weakness was concentrated rather than broad-based, with other areas of the US market and European equities proving more resilient. The divergence suggested that enthusiasm for AI had not disappeared, but investors were demanding greater evidence of sustainable earnings and cash flows.

Rising energy prices add to inflation challenge

Energy emerged as another major source of uncertainty, as renewed US-Iran tensions raised concerns over global supplies.

Brent crude rose sharply over the month, while European natural gas climbed to the highest level since 2022. The increase came as inflationary pressures were already proving persistent, with US consumer and producer prices surprising to the upside during the month. Higher energy costs therefore added another complication for households, businesses and policymakers. For investors, the key question is whether these increases feed more broadly into inflation, potentially keeping interest rates higher and adding pressure on economic growth.

Central banks keep their options open

Central banks faced an increasingly complicated backdrop as resilient economic activity, persistent inflation and tighter financial conditions pulled policy in different directions.

The Federal Reserve and European Central Bank kept interest rates unchanged, retaining flexibility over their next moves. Bond markets were volatile, with US Treasury yields initially reaching their highest levels in more than two decades before reversing course as concerns around technology stocks grew. The recovery in government bonds towards month-end highlighted the competing forces facing investors: inflation and energy prices continue to argue for caution, while concerns around growth and financial conditions favour a more supportive policy stance.

France's fiscal concerns rattle European markets

France became a focal point for European investors as political uncertainty intensified.

French borrowing costs rose sharply relative to Germany, with the gap approaching levels last seen during the euro-area sovereign debt crisis, while European banks and credit markets also came under pressure. Investors were particularly concerned about the government's ability to deliver substantial fiscal tightening against a challenging political backdrop. Conditions stabilised somewhat later in the month as protests became less disruptive and credit rating agency Moody's left France's credit rating unchanged. Nonetheless, the episode highlighted how political uncertainty and concerns over government debt can quickly spill over into wider European financial markets.



Important information

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