

Market Review – October 2026

Resilience amid rising interest rates

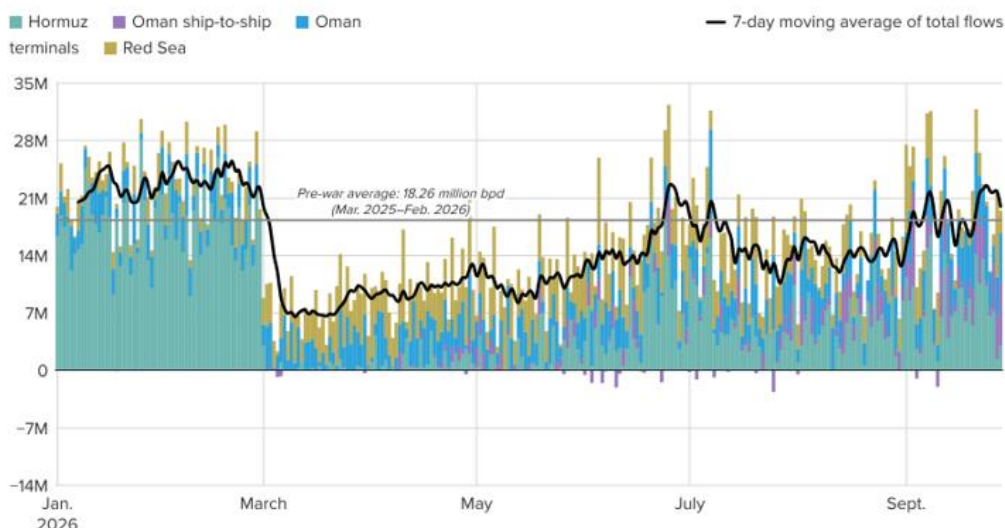
September presented investors with a complex mix of resilient economic growth, elevated energy prices and rising interest rates. Global equities held up relatively well despite a sharp increase in longer-term interest rates, with continued investment in artificial intelligence supporting technology companies. Australasian equity markets faced a more challenging environment, although encouraging company updates and improving New Zealand economic data provided some support.

The global economy continued to perform better than expected despite ongoing geopolitical uncertainty. This resilience provided support for company earnings and investor confidence, but it also contributed to concerns that inflation could remain elevated and that central banks may need to keep interest rates high for longer.

Oil prices were an important influence throughout the month. Brent crude traded above US\$100 per barrel for much of September and briefly approached US\$110 as tensions in the Middle East continued. Although crude oil shipments through the Strait of Hormuz reportedly recovered to around pre-war levels late in the month, the recovery was uneven. Shipments of diesel and other refined fuels remained well below previous levels, continuing to place pressure on transport costs and the prices of goods and services.

Middle East oil flows ended in September

Daily oil flows by route (barrels per day), Jan. 1–Sept. 28, 2026



International Equities

Global sharemarkets ^[1] fell -0.6% in local currency terms in September but returned +4.1% in New Zealand dollar terms because the New Zealand dollar weakened during the month.

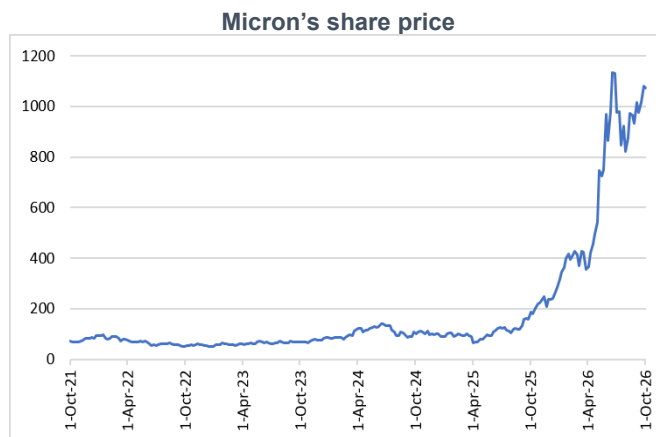
In local currency terms, global equity markets produced mixed results during the month. Technology companies outperformed, supported by continued confidence in the development and commercial use of artificial intelligence. The technology-focused Nasdaq index returned 4.0% in local currency terms and 9.2% in New Zealand dollar terms. European markets underperformed, while emerging markets outperformed.

Meta was a standout performer, with its share price rising approximately 27% during September. Investor confidence increased following the launch of the company's Muse personal AI agent application, which became a leading download on Apple's platform. Meta also outlined plans to extend its artificial intelligence capabilities across consumer, small-business and enterprise products. Its performance helped technology outperform broader equity markets and provided evidence that investment in artificial intelligence is beginning to support new products and potential revenue opportunities.

The strength of demand for artificial intelligence infrastructure was also evident in Micron's quarterly result. Revenue increased from US\$11.3 billion a year earlier to US\$54.2 billion, exceeding market expectations. Micron also provided stronger-than-expected revenue and earnings guidance for its next financial quarter.

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Micron produces specialised computer memory chips that are a critical component in the powerful computing systems used to develop and run artificial intelligence applications. Strong demand has led to shortages and encouraged significant investment in additional production capacity. This highlights how the artificial intelligence investment cycle has broadened beyond advanced computer chips to include memory chips, data storage, networking, data centres and supporting power infrastructure.



Source: Bloomberg, Shaw and Partners

There remains uncertainty over which companies will ultimately capture the greatest economic benefits from artificial intelligence. However, current investment in cloud computing, data centres and supporting infrastructure indicates that the wider build-out remains well supported.

Australasian Equities

New Zealand's sharemarket ^[2] fell -0.4% in September. New Zealand equities faced a mixed backdrop during September. Higher interest rates and elevated energy costs created challenges for companies sensitive to borrowing costs, while the weaker New Zealand dollar provided some support for exporters and businesses earning revenue overseas.

Domestic company developments were generally encouraging. Fonterra reported a normalised profit of approximately NZ\$1.45 billion after adjusting for the sale of Mainland Group. Its improved earnings and higher forecast milk price provided support for the dairy sector and regional New Zealand. Fonterra lifted the midpoint of its 2026/27 milk price forecast to NZ\$9.50 per kilogram of milk solids. Infratil also provided a positive update at its investor day, increasing its earnings guidance for the 2027 financial year. The improvement was supported by stronger demand at CDC, its Australian data-centre business, where cloud computing and AI customers continued to require additional capacity. Its US renewable energy business, Longroad Energy, also increased its longer-term development outlook, reflecting rising demand for electricity and renewable energy.

New Zealand economic data also improved. The economy expanded 0.2% in the June quarter, taking annual growth to 2.6%. Activity was supported by exports, inventories and housing construction, while tourism and agriculture continued to provide support. Consumer spending and housing activity remained comparatively weak, highlighting that the recovery is still uneven.

Top performers for the month included Fonterra (+25.9), Hallenstein Glasson (+23.4%), and Kathmandu (+13.0%), whilst Gentrack (-20.7%), Summerset (-12.2%), and Ryman Healthcare (-11.9%) performed the worst.

Australian equities ^[3] fell 2.4% during September, facing similar pressure from higher borrowing costs and also a softer housing market. Banks, property companies and consumer-related businesses were more exposed to these conditions, while energy companies benefited from elevated oil prices.

Overall, company performance was mixed, the better-performing companies in September included Santos (+5.9%), Suncorp (5.9%) and Cochlear (+5.6). Commonwealth Bank (-5.6%), Vicinity Centres (-5.2%), and Rio Tinto Qantas (-4.5%) were amongst the worst performing.

Fixed income and cash markets

The Bloomberg Global Aggregate Bond Index (New Zealand dollar hedged) fell 1.8% in September as longer-term interest rates rose sharply across the United States, Europe and other developed markets. The US 10-year Treasury rate exceeded 5.3% late in the month and its highest level since 2002.

Several factors contributed to the increase. Economic activity remained stronger than expected, energy prices stayed elevated and business surveys continued to identify inflation pressure. Investors were also focused on large government budget deficits and the considerable amount of new debt being issued. Additional borrowing by major technology companies to fund artificial intelligence data centres and related infrastructure added further pressure to longer-term interest rates.

US economic data was generally strong. Retail sales increased 1.2% in August, while the retail control group, an important measure of underlying consumer spending, rose 1.4%. US second-quarter economic growth was revised higher to an annualised rate of 2.2%, from an earlier estimate of 1.5%.

September business surveys provided further evidence of global economic resilience. However, the surveys also showed stronger cost pressure, with US input prices reaching a four-year high and European businesses reporting faster increases in both costs and selling prices.

The Federal Reserve increased its main interest rate by 0.25% to a range of 3.75% to 4.00%, its first increase since 2023. Updated forecasts showed stronger economic growth, lower unemployment and higher underlying inflation than previously expected. Most Federal Reserve members anticipated at least one further increase during 2026. The European Central Bank increased its deposit rate to 2.50%, while the Bank of Japan raised its interest rate to 1.25%, its third increase in 12 months.

New Zealand's fixed income market ^[4] fell -1.0% in September. The local fixed income markets were affected by the rise in international interest rates, although domestic conditions remained more mixed. The Reserve Bank of New Zealand (RBNZ) increased the Official Cash Rate by 0.25% to 2.75% in early September. It indicated that further increases may be required but signalled a gradual approach because the economic recovery remains uneven.

Annual inflation was 4.1% in the June quarter, largely because of higher fuel and related costs. The RBNZ expects inflation to remain elevated during 2026 before returning to its target range by mid-2027. It also acknowledged that household spending, employment and residential investment remain weak in parts of the economy.

Conclusion

September demonstrated the resilience of the global economy despite higher energy prices, rising longer-term interest rates, ongoing geopolitical uncertainty and renewed central bank interest rate increases. Strong business activity, healthy consumer spending and continued investment in artificial intelligence infrastructure helped support economic growth across many regions.

Inflation remains above target in several countries and risks remain, but continued growth, improving corporate earnings and ongoing business investment suggest the broader economic outlook remains constructive heading into the final months of the year. Upcoming elections in the US and New Zealand could contribute to short-term volatility, although it is too early to assess any medium-term implications for investment markets.

As always, and particularly during periods of heightened uncertainty, we encourage investors to focus on their longer-term goals, remain patient during short-term market fluctuations and maintain a portfolio aligned with their objectives and risk tolerance.

1 MSCI ACWI Index in local currencies

2 S&P NZX 50 gross index

3 S&P ASX 200 total return Index

4 Bloomberg NZ Bond Composite 0+ Yr Index

Indices for Key markets

As at 30 September 2026	1 Month	3 Months	6 Months	1 Year	3 Years p.a.	5 Years p.a.
S&P/NZX 50 Index	-0.4%	1.9%	7.5%	4.8%	7.8%	1.6%
S&P/ASX 200 Index (AUD)	-2.4%	1.3%	5.4%	2.7%	11.4%	7.7%
MSCI ACWI Index (Local Currency)	-0.6%	1.4%	16.7%	17.8%	21.4%	12.3%
MSCI ACWI Index (NZD)	4.1%	2.5%	19.0%	20.5%	24.4%	16.2%
S&P/NZX 90 Day bank bill Total Return	0.2%	0.6%	1.3%	2.6%	4.2%	3.8%

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