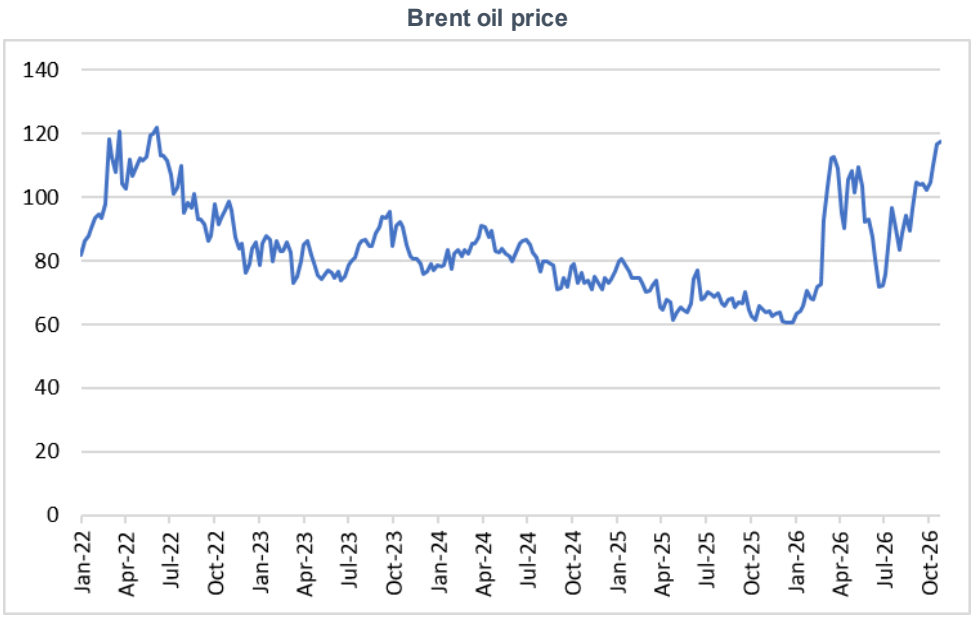
Market Review – November 2026

Strong earnings, more selective markets

October presented investors with a mix of strong corporate earnings, resilient economic growth and greater volatility among U S technology companies. Third-quarter US earnings were generally better than expected, although investors became more focused on whether expected revenues generated by artificial intelligence would justify the substantial amounts being spent on data centres, computing capacity and supporting infrastructure.

The global economy also continued to perform better than expected. The US economy grew at an annualised rate of 3.4% in the September quarter, its strongest pace in a year, supported by resilient consumer spending and business investment. More recent business surveys indicated that this momentum continued into October, with both US manufacturing and services activity expanding. The strength of the US economy, alongside generally resilient global activity, continued to support company earnings but also contributed to concerns that inflation could remain elevated.

Oil prices rose nearly 14% over October as developments in the Middle East remained unresolved. Higher energy, transport and insurance costs continued to contribute to inflation pressure, adding to the challenges facing central banks at a time when economic activity remained relatively firm.



Source: Bloomberg, Shaw and Partners

Despite higher oil prices, longer-term interest rates declined during October, reversing part of September's sharp increase and providing support for global fixed income markets. Central banks nevertheless remained cautious as inflation continued to exceed target levels.

International Equities

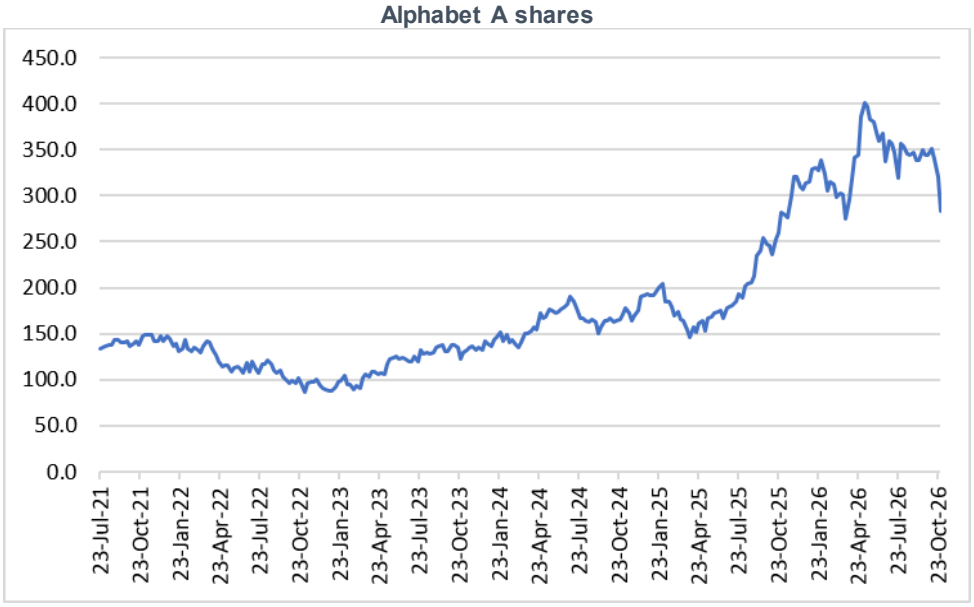
Global sharemarkets [1] fell -1.6% in local currency terms in October, with weakness concentrated in large US technology companies. The technology-focused Nasdaq fell 5.3% during the month. The weakness in large technology companies masked a broader rotation within the US market during October. Investors moved away from the technology sector to sectors including energy, healthcare, financials and consumer companies. Therefore, although the US S&P 500 index fell nearly 1.0% in October, the equal-weighted S&P 500 index rose 4.9% during the month.

Global sharemarkets fell despite a strong start to the third quarter US earnings season more broadly. At the end of October, 60% of S&P 500 companies had reported their earnings, with 82% exceeding expectations. Overall earnings growth was tracking at approximately 30% year on year.

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During the month, technology shares came under pressure as investors became increasingly focused on the substantial amounts being spent on artificial intelligence infrastructure and the likely returns companies are expected to generate from this spending. Meta's results contributed to these concerns as the company outlined increases in spending required to expand its AI capabilities.

Alphabet's result reinforced this scrutiny. Although revenue increased 25% year-on-year to US$127.6 billion, both revenue and earnings fell short of expectations. Google Cloud revenue more than doubled, highlighting continued demand for AI services, but the company reported negative cash flow of US$9.1 billion and indicated that capital expenditure would increase in 2027. Its shares fell sharply following the result, wiping nearly US$500 billion from the company's value.



Source: Bloomberg, Shaw and Partners

Other results highlighted that investors remain willing to reward companies where increased AI spending is being accompanied by strong growth or a clearer path to future cash flow. Microsoft shares rose following strong growth from its cloud business, while SK Hynix, a major memory-chip manufacturer, also rose strongly following record quarterly results supported by AI-related demand. Oracle shares rose around 11% after the company outlined plans for its spending to peak and forecast that free cash flow would turn positive in 2028 and exceed US$30 billion the following year.

Australasian Equities

New Zealand's sharemarket [2] fell -0.3% in October. New Zealand equities faced a mixed backdrop during the month. The weaker New Zealand dollar provided support for exporters, while domestic economic conditions continued to improve gradually. However, household spending and housing activity remained relatively subdued, while uncertainty ahead of the general election continued to weigh on some domestically focused companies.

Company developments were also mixed. Infratil came under pressure following concerns around the Australian data-centre sector, although Infratil subsequently confirmed that its CDC data-centre business had no material construction or contracting issues. Retirement village operators Ryman Healthcare and Summerset reported reasonable sales activity despite the weak residential property market, with Ryman recording its highest level of resales in two years. Later in the month, Serko provided a positive update following stronger-than-expected accommodation bookings, while Freightways benefited from acquisitions despite subdued underlying freight volumes.

Top performers for the month included Air New Zealand (+5.1%), Fonterra (+3.4%), and Tourism Holdings (+2.9%). Vector (-12.2%), Mainfreight (-9.5%), and Fletcher Building (-8.5%) were among the worst performing.

Australian equities [3] rose 1.4% during October, outperforming the rest of the world despite facing pressures from higher interest rates and a weaker housing market. The Reserve Bank of Australia (RBA) increased its cash rate by 0.25% to 4.60% during October, its fourth increase this year. The RBA also raised rates by another 25 basis points in early November. Updates from several large Australian retailers pointed to softer consumer spending as households became more cautious.

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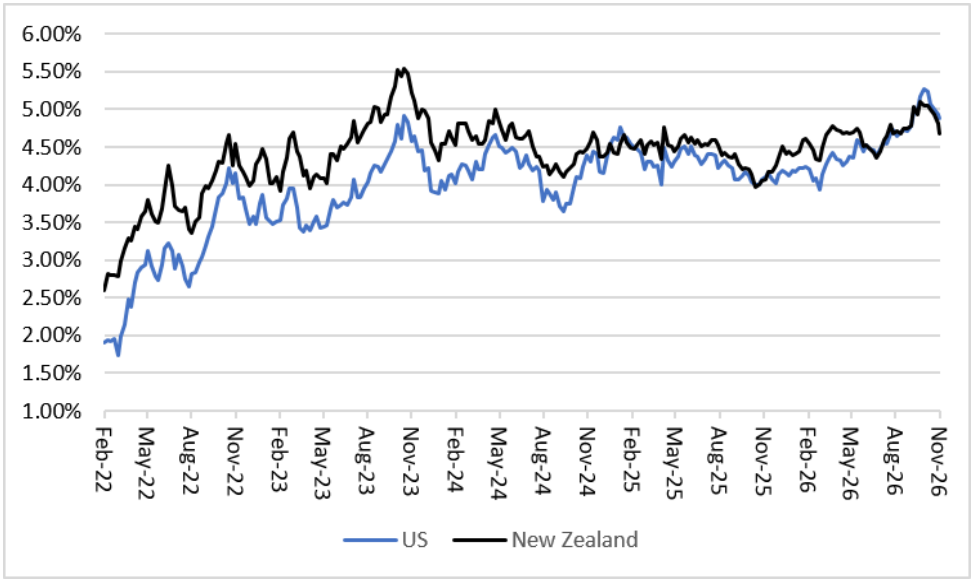
Corporate activity remained strong. Challenger received an A$11.80 per share takeover proposal from Dai-ichi Life, valuing the company at approximately A$8 billion, while Cleanaway progressed its A$6.6 billion takeover by EQT. Healthcare companies were comparatively resilient, with ResMed reporting sales and margins ahead of market expectations. Resources and mining companies were also relatively weak during October, as softer commodity prices reflected concerns around Chinese demand and, particularly for copper, whether greater scrutiny of AI spending could slow the pace of data-centre investment.

Overall, company performance was mixed. The better-performing companies in October included WiseTech (+25.7%), Challenger (+18.3%) and Cleanaway (+15.8%). Capstone Copper (-17.2%), Mineral Resources (-15.7%), and Rio Tinto (-11.8%) were amongst the worst-performing companies.

Fixed income and cash markets

The Bloomberg Global Aggregate Bond Index (New Zealand dollar hedged) rose 1.6% in October, largely reversing losses experienced in September. Global fixed income markets benefited from a decline in longer-term interest rates during October given volatility in technology shares. The US 10-year yield has fallen from 5.33% to 4.9% over recent weeks. Longer-term interest rates fell around the world, including New Zealand.

10-year government bond yields



Source: Bloomberg, Shaw and Partners

Central banks continue to balance resilient economic activity against inflation that remains above target. The US Federal Reserve (Fed) left the Federal Funds Rate unchanged at between 3.75% and 4.00%. The decision was split 10 to two, with two members preferring an immediate 0.25% increase. The Fed described economic activity as expanding at a strong pace and inflation as remaining elevated, leaving open the possibility of further interest-rate increases.

The European Central Bank left its deposit rate unchanged at 2.50%. Although higher energy prices had lifted headline inflation, the broader impact had remained relatively contained, with limited evidence that higher costs were feeding more widely into wages and other prices. The Bank of Japan also left interest rates unchanged, while the Bank of Canada increased its policy rate by 0.25%.

In New Zealand, the Reserve Bank (RBNZ) unexpectedly left the Official Cash Rate (OCR) unchanged at 2.75%, when financial markets had largely anticipated a 0.25% increase. The decision was finely balanced, with four members supporting no change and three preferring an immediate increase. Those supporting no change wanted more time to assess the effects of the previous two interest-rate increases, subdued domestic demand and September-quarter inflation that was lower than expected.

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Annual inflation declined from 4.1% to 3.7% in the September quarter, although underlying inflation pressures remained evident. The Reserve Bank noted that measures of core inflation were around the top of its 1% to 3% target range and that price increases had become more widespread. The Committee agreed that further interest-rate increases were likely to be required if these pressures persisted. The unexpected decision placed downward pressure on the New Zealand dollar and supported local fixed income markets, although a weaker currency may add to the cost of imported goods, working against the RBNZ's efforts to lower inflation.

New Zealand's fixed income market[4] rose 1.4% in October. Domestic longer-term interest rates fell in line with global developments and as a result of the RBNZ's decision to hold the OCR at 2.75%.

Conclusion

October demonstrated the continued resilience of the global economy despite elevated energy prices, persistent inflation and ongoing geopolitical uncertainty. Strong US economic growth, generally positive corporate earnings and continued investment in artificial intelligence supported the broader outlook, although greater examination of technology spending contributed to periods of market volatility.

Inflation remains above target in several countries and risks remain, but continued economic growth and healthy corporate earnings provide a broadly constructive backdrop. At the same time, the upcoming US mid-term elections and New Zealand general election could add to short-term uncertainty. It remains too early to assess what either election may ultimately mean for economies or investment markets.

Periods of political and market uncertainty highlight the importance of diversification and a longer-term perspective. Short-term market fluctuations are inevitable, reinforcing the importance of maintaining a portfolio that remains aligned with an investor's 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 31 October 2026	1 Month	3 Months	6 Months	1 Year	3 Years p.a.	5 Years p.a.
S&P/NZX 50 Index	-0.3%	1.0%	7.3%	2.5%	9.4%	1.8%
S&P/ASX 200 Index (AUD)	1.4%	0.5%	4.6%	3.7%	13.4%	8.0%
MSCI ACWI Index (Local Currency)	-1.6%	0.0%	4.9%	12.7%	21.8%	10.9%
MSCI ACWI Index (NZD)	-1.6%	4.2%	9.0%	14.1%	23.6%	15.5%
S&P/NZX 90 Day bank bill Total Return	0.3%	0.7%	1.4%	2.6%	4.1%	3.8%

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Appendix One:

US midterms: a shift in the balance of power

The US midterm elections have delivered a Democratic victory by securing control of both the House of Representatives and the Senate. At the time of writing, Democrats have secured 248 House seats, with 31 races outstanding, and 54 Senate seats. Together, the House of Representatives and the Senate make up the US Congress.

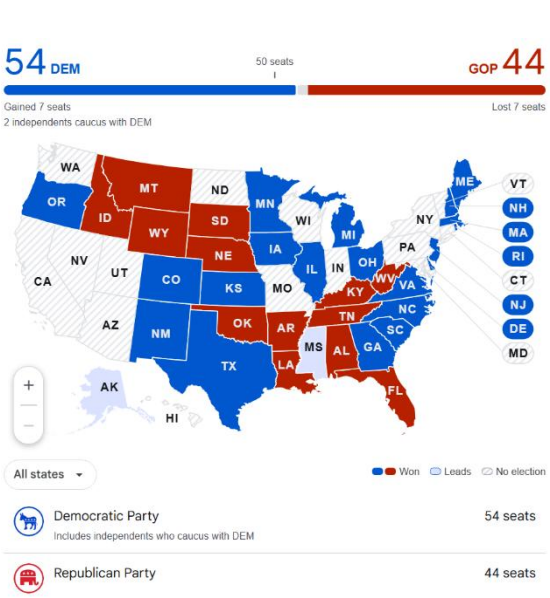
The new congressional balance takes effect in January and until then the outgoing Congress retains a window to negotiate outstanding fiscal measures.

Over the coming year, a divided government is likely to constrain President Trump's legislative agenda. More frequent vetoes and greater reliance on executive orders by Trump could occur, while Democratic control of the Senate will complicate senior appointments, including to the Federal Reserve. Attention will increasingly turn to the 2028 presidential contest, with Democrats entering the run up in a stronger position. Further discussion on the road to the 2028 Presidential election is provided below.

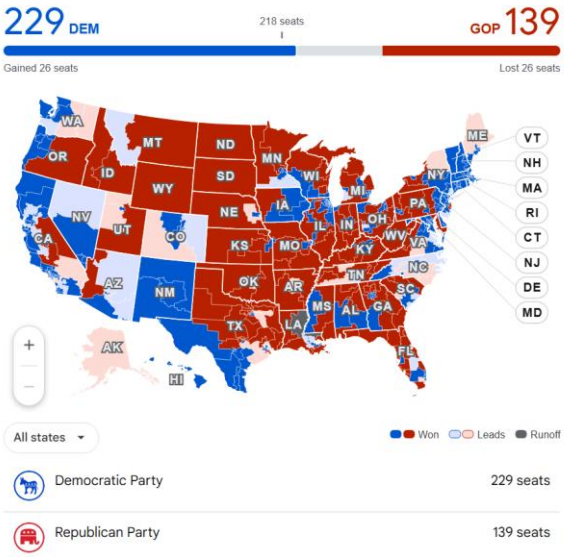
For the economy, the main issue is how far the parties can negotiate on spending and the debt ceiling. Democrats are likely to press for greater support for Medicaid, medical research and the Affordable Care Act. Defence spending could provide scope for compromise, with support potentially exchanged for healthcare concessions. Debt-ceiling negotiations remain a source of uncertainty. While technology and data-centre investment will likely face greater congressional scrutiny.

The legislative gridlock will not remove policy uncertainty as the administration retains scope to act on trade, tariffs and foreign policy, the President remains the Commander in Chief, leaving businesses and investors exposed to changes outside Congress.

US Senate



House of Representatives



Market implications

Historically, US equity markets have often responded positively once mid-term election uncertainty has passed. However, Democratic control of Congress could create greater scrutiny of large technology companies, including the cost, energy requirements and competitive implications of AI and data-centre investment. This may add to recent volatility across the technology sector, although any material slowdown in data-centre construction would depend on the legislation ultimately proposed and enacted. More broadly, a divided government may limit major changes to tax and spending policy, while negotiations over government funding and the debt ceiling could create periods of short-term market uncertainty.

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Appendix Two:

New Zealand election outcome too close to call

The final outcome of New Zealand's general election remains uncertain following a close preliminary result. The National-led coalition currently holds 67 seats in an enlarged 131-seat Parliament, while around 400,000 special votes remain to be counted. The final result is due to be announced on 27 November and could alter the balance of seats between the major parties.

Special votes have historically produced some movement from the preliminary result, meaning the final composition of the next government will not be known until counting is complete. Coalition discussions are therefore likely to remain an important focus for markets following the declaration of the final result.

The preliminary outcome had limited impact on financial markets on Monday morning following the result. While the close result may create some short-term political uncertainty, New Zealand equities are likely to remain influenced by a broader range of factors, including the domestic economic outlook, movements in longer-term interest rates and developments in global equity markets. Likewise, while domestic interest rates and the currency could be subject to periods of volatility owing to political uncertainty, fundamentals will dominate over the medium term.

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