J.P.Morgan ASSET MANAGEMENT

Monthly Market Review

Review of markets over October 2026



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> It’s a useful reminder of the benefits of diversification, both within and across asset classes, particularly as scrutiny of artificial intelligence investment and financing requirements intensifies.

Global stocks fell in October, but the headline return masked a sharp rotation beneath the surface. While developed market equities slipped modestly, a sharp sell-off in emerging markets and artificial intelligence (AI)-linked technology stocks drove global equities lower. Growing scrutiny over whether the substantial investment being committed to AI infrastructure would generate sufficient returns weighed on technology-related companies, while higher financing costs put pressure on the more highly leveraged parts of the ecosystem. Meanwhile, high-quality government bonds performed strongly as investors sought diversification amid pockets of stress across equity and credit markets. This was despite resilient economic activity and higher oil prices as tensions in the Middle East intensified.

Developed market equities fell 0.8% as weakness among some of the largest US technology companies outweighed broad-based gains across other sectors. Emerging market equities were much weaker (-8.0%), with the sell-off particularly pronounced in technology-heavy Asian markets such as Korea. Concerns over the scale of upfront capital being committed to the datacentre buildout, alongside growing Chinese competition, weighed on the region’s returns. Unsettled local politics also drove pockets of volatility in stocks: France's fiscal outlook and political uncertainty kept pressure on French stocks, whilst Brazilian equities fell by nearly a fifth following the presidential election result.

Against this backdrop, government bonds provided an important counterweight as investors sought out safe-haven assets. The Bloomberg Global Aggregate Index gained 1.4% in US dollar terms, as yields fell back from September's highs. French government bonds were the notable exception, as fiscal and political concerns continued to weigh on the market. The broader bond rally came despite resilient economic data. The flash Composite Purchasing Managers' Index (PMI) data remained in expansion territory in October. US and eurozone GDP figures also came in strong for the third quarter, with the US economy growing by 0.8% quarter-on-quarter and the eurozone expanding by 0.4%. At the same time, renewed tensions in the Middle East pushed Brent crude oil to USD 118 per barrel. Although resilient activity and higher oil prices typically put upward pressure on yields, the rally in government bonds suggests that technology-related volatility was firmly in the driving seat as investors sought diversification.

Exhibit 1: Asset class and style returns

2017	2018	2019	2020	2021	2022	2023	2024	2025	YTD	Oct '26
MSCI EM 37.8%	Global Agg -1.2%	Growth 34.1%	Growth 34.2%	Global REITs 32.6%	Cmdty 16.1%	Growth 37.3%	Growth 26.2%	MSCI EM 34.4%	Cmdty 32.8%	Value 2.7%
Growth 28.5%	Global REITS -4.9%	DM Equities 28.4%	MSCI EM 18.7%	Cmdty 27.1%	Value -5.8%	DM Equities 24.4%	DM Equities 19.2%	Value 21.6%	Value 18.4%	Global REITs 2.5%
Small cap 23.2%	Growth -6.4%	Small cap 26.8%	DM Equities 16.5%	Value 22.8%	Global Agg -16.2%	Small cap 16.3%	Value 12.3%	DM Equities 21.6%	MSCI EM 13.8%	Global Agg 1.4%
DM Equities 23.1%	DM Equities -8.2%	Global REITs 24.4%	Small cap 16.5%	DM Equities 22.3%	DM Equities -17.7%	Value 12.4%	Small cap 8.6%	Growth 21.3%	Small cap 13.1%	Small cap 0.4%
Value 18.0%	Value -10.1%	Value 22.7%	Global Agg 9.2%	Growth 21.4%	Small cap -18.4%	Global REITs 10.9%	MSCI EM 8.1%	Small cap 20.4%	DM Equities 11.2%	Cmdty -0.1%
Global REITS 8.0%	Cmdty -11.2%	MSCI EM 18.9%	Value -0.4%	Small cap 16.2%	MSCI EM -19.7%	MSCI EM 10.3%	Cmdty 5.4%	Cmdty 15.8%	Global REITs 8.5%	DM Equities -0.8%
Global Agg 7.4%	Small cap -13.5%	Cmdty 7.7%	Cmdty -3.1%	MSCI EM -2.2%	Global REITs -23.7%	Global Agg 5.7%	Global REITs 2.8%	Global REITs 8.4%	Growth 4.4%	Growth -4.2%
Cmdty 1.7%	MSCI EM -14.2%	Global Agg 6.8%	Global REITs -10.4%	Global Agg -4.7%	Growth -29.1%	Cmdty -7.9%	Global Agg -1.7%	Global Agg 8.2%	Global Agg -1.3%	MSCI EM -8.0%

Source: Bloomberg, FTSE, LSEG Datastream, MSCI, J.P. Morgan Asset Management. DM Equities: MSCI World; REITs: FTSE NAREIT Global Real Estate Investment Trusts; Cmdty: Bloomberg Commodity Index; Global Agg: Bloomberg Global Aggregate; Growth: MSCI World Growth; Value: MSCI World Value; Small cap: MSCI World Small Cap. All indices are total return in US dollars. Past performance is not a reliable indicator of current and future results. Data as of 31 October 2026.

Equities

Equity markets came under pressure in October, with global stocks falling 1.6% in US dollar terms. Beneath the headline weakness, there was a sharp rotation in market leadership. Energy (+12.8%) led returns, with defensive sectors such as consumer staples (+10.7%), healthcare (+9.9%), and utilities (+7.9%) also among the strongest performers in developed market equities. In contrast, technology (-7.0%) and communication services (-13.5%) lagged. Against this backdrop, value stocks (+2.7%) outperformed growth stocks (-4.2%) by almost seven percentage points. Importantly, despite concerns about parts of the AI buildout, strength across a wide range of sectors demonstrated that technology weakness need not hinder returns in the broader market.

In the US, the equal-weighted S&P 500 rose 5.0%, compared with -0.9% for the headline index. This divergence reflects weakness among several of the largest technology-related companies, which partly offset resilience elsewhere. Nvidia (-10.4%), Broadcom (-7.2%), Alphabet (-18.7%) and Meta (-15.2%) were among the technology-related names under pressure as investors scrutinised the scale of AI-related capital spending. Performance within technology was also mixed: global semiconductors fell 13.7% while software gained 0.9% in US dollar terms.

The UK was the strongest performing market amongst the major benchmarks in October, with the FTSE All-Share gaining 1.1%. Its exposure to energy and defensive sectors provided a tailwind given the risk-off sentiment in markets. MSCI Europe ex-UK gained 0.7% as defensive sectors buoyed returns, but concerns over France's fiscal position remained a headwind for stocks as political uncertainty and doubts over the path to fiscal consolidation pushed the French-German government bond yield spread wider. European financials (−5.4%) also came under pressure as investors worried that higher government borrowing costs and political uncertainty in France could feed through to the banking sector.

Emerging market weakness was concentrated in Asia. MSCI Asia ex-Japan fell 8.2% in US dollar terms, as concerns about the scale of AI investment and growing Chinese competition weighed on technology-heavy markets earlier in the month. The concentration of technology companies in several Asian benchmarks, such as Korea (-15.6%) and Taiwan (-8.4%), left these markets particularly exposed to this rotation.

Latin America faced a politically driven sell-off, as the regional index returned -7.6% in US dollar terms. Brazil (-12.0%) drove this move as Brazilian equities sold off following Lula's unexpected presidential election victory, reversing gains made after the first-round election results.

Exhibit 2: World stock market returns

2017	2018	2019	2020	2021	2022	2023	2024	2025	YTD	Oct '26
MSCI Asia ex-Japan 42.1%	US S&P 500 -4.4%	US S&P 500 31.5%	MSCI Asia ex-Japan 25.4%	US S&P 500 28.7%	UK FTSE All-Share 0.3%	Japan TOPIX 28.3%	US S&P 500 25.0%	MSCI EM 34.4%	Japan TOPIX 18.8%	UK FTSE All-Share 1.1%
MSCI EM 37.8%	UK FTSE All-Share -9.5%	MSCI Europe ex-UK 27.5%	MSCI EM 18.7%	MSCI Europe ex-UK 24.4%	Japan TOPIX -2.5%	US S&P 500 26.3%	Japan TOPIX 20.5%	MSCI Asia ex-Japan 33.0%	MSCI Asia ex-Japan 15.7%	MSCI Europe ex-UK 0.7%
Japan TOPIX 22.2%	MSCI Europe ex-UK -10.6%	UK FTSE All-Share 19.2%	US S&P 500 18.4%	UK FTSE All-Share 18.3%	MSCI Europe ex-UK -12.2%	MSCI Europe ex-UK 17.3%	MSCI Asia ex-Japan 12.5%	Japan TOPIX 25.5%	MSCI EM 13.8%	US S&P 500 -0.9%
US S&P 500 21.8%	MSCI Asia ex-Japan -14.1%	MSCI EM 18.9%	Japan TOPIX 7.4%	Japan TOPIX 12.7%	US S&P 500 -18.1%	MSCI EM 10.3%	UK FTSE All-Share 9.5%	UK FTSE All-Share 24.0%	US S&P 500 11.8%	Japan TOPIX -3.5%
MSCI Europe ex-UK 14.5%	MSCI EM -14.2%	MSCI Asia ex-Japan 18.5%	MSCI Europe ex-UK 2.1%	MSCI EM -2.2%	MSCI Asia ex-Japan -19.4%	UK FTSE All-Share 7.9%	MSCI Europe ex-UK 8.1%	MSCI Europe ex-UK 20.1%	UK FTSE All-Share 11.1%	MSCI EM -8.0%
UK FTSE All-Share 13.1%	Japan TOPIX -16.0%	Japan TOPIX 18.1%	UK FTSE All-Share -9.8%	MSCI Asia ex-Japan -4.5%	MSCI EM -19.7%	MSCI Asia ex-Japan 6.3%	MSCI EM 8.1%	US S&P 500 17.9%	MSCI Europe ex-UK 11.0%	MSCI Asia ex-Japan -8.2%

Source: FTSE, LSEG Datastream, MSCI, S&P Global, TOPIX, J.P. Morgan Asset Management. All indices are total return in local currency, except for MSCI Asia ex-Japan and MSCI EM, which are in US dollars. Past performance is not a reliable indicator of current and future results. Data as of 31 October 2026.

Fixed income

Government bonds rallied across developed markets in October as yields retreated from September's highs. The move coincided with a rotation towards higher-quality assets as equity market volatility increased. It also reversed part of the sharp rise in yields seen during the third quarter. US government bonds returned 2.4%, followed by those in Japan (+1.8%), Germany (+1.7%) and the UK (+1.6%).

France remained the notable exception to the broader sovereign bond rally. The 10-year French government bond yield spread over German Bunds widened to 166 basis points as investors remained focused on the country's weak fiscal position and political uncertainty ahead of next year's election. French government bonds have been under pressure for much of 2026 as persistent deficits and a rising debt burden have raised questions over the sustainable path to fiscal consolidation. Social unrest this month added to the pressure on yields, but we see this as amplifying rather than creating the fiscal and political challenges in France.

In the UK, attention also focused on the government's 2026 Autumn Budget. Despite a reduction in fiscal headroom, the Chancellor reiterated the government's commitment to its fiscal rules. With few major surprises in the announcement, the market reaction was relatively muted.

Exhibit 3: Fixed income government bond returns

2019	2020	2021	2022	2023	2024	2025	YTD	Oct '26
Italy 10.6%	Global 9.7%	Japan -0.2%	Japan -5.4%	Italy 9.3%	Italy 5.3%	Global 7.0%	Germany -0.3%	US 2.4%
Spain 8.3%	UK 8.9%	US -2.3%	US -12.5%	Spain 6.9%	Spain 3.4%	US 6.3%	US -0.5%	Japan 1.8%
UK 7.1%	US 8.0%	Germany -2.9%	Global -16.8%	France 6.7%	Germany 1.2%	UK 5.0%	Global -1.0%	Germany 1.7%
US 6.9%	Italy 7.9%	Italy -3.0%	Italy -17.2%	Germany 5.7%	US 0.6%	Italy 3.2%	Spain -1.1%	UK 1.6%
Global 5.6%	Spain 4.3%	Spain -3.0%	Germany -17.4%	Global 4.3%	France -0.5%	Spain 1.6%	UK -1.2%	Spain 1.4%
France 5.2%	France 4.3%	France -3.9%	Spain -17.5%	US 4.1%	Global -3.1%	France 0.5%	Italy -2.4%	Global 1.3%
Germany 3.1%	Germany 3.0%	UK -5.3%	France -18.7%	UK 3.6%	Japan -3.2%	Germany -0.9%	Japan -3.0%	Italy 1.0%
Japan 1.7%	Japan -0.8%	Global -5.8%	UK -25.1%	Japan 0.5%	UK -4.0%	Japan -6.2%	France -4.7%	France -0.3%

Source: Bloomberg, LSEG Datastream, J.P. Morgan Asset Management. All indices are Bloomberg benchmark government indices. Total returns are shown in local currency, except for global, which is in US dollars. Past performance is not a reliable indicator of current and future results. Data as of 31 October 2026.

Falling government bond yields provided a tailwind to longer-duration investment grade credit, while investors also favoured higher-quality bonds amid pockets of stress elsewhere in markets. Global investment grade credit returned 1.3%, while global inflation-linked bonds gained 1.8% and emerging-market debt rose 1.4%. High yield was less resilient, with US high yield rising (+0.3%) amid divergent performance within the AI investment theme, but euro high yield falling (-1.0%) on concerns around France.

Stress was particularly evident in the more leveraged, lower-quality parts of the AI buildout. Higher borrowing costs put pressure on companies reliant on continued access to debt markets to bridge the gap between investment today and future cash flows. CoreWeave was among the companies under pressure as investors scrutinised its borrowing requirements and ability to service its debt.

Exhibit 4: Fixed income sector returns

2019	2020	2021	2022	2023	2024	2025	YTD	Oct '26
EM Debt 14.4%	Global IL 12.7%	US HY 5.3%	US HY -11.2%	US HY 13.5%	Euro HY 8.6%	EM Debt 13.5%	US HY 0.3%	US Treas. 2.4%
US HY 14.4%	Global IG 10.4%	Euro HY 3.4%	Euro HY -11.7%	Euro HY 11.9%	US HY 8.2%	Global IG 10.3%	EM Debt 0.2%	Global IL 1.8%
Global IG 11.5%	US Treas. 8.0%	Global IL 2.7%	US Treas. -12.5%	EM Debt 10.5%	EM Debt 5.7%	Global IL 9.1%	US Treas. -0.5%	EM Debt 1.4%
Euro HY 10.7%	US HY 6.1%	EM Debt -1.5%	EM Debt -16.5%	Global IG 9.6%	Euro Gov. 1.9%	US HY 8.5%	Global IL -0.7%	Global IG 1.3%
Global IL 8.0%	EM Debt 5.9%	US Treas. -2.3%	Global IG -16.7%	Euro Gov. 7.1%	Global IG 1.1%	US Treas. 6.3%	Euro HY -0.9%	Euro Gov. 1.0%
US Treas. 6.9%	Euro Gov. 5.0%	Global IG -2.9%	Euro Gov. -18.5%	Global IL 5.8%	US Treas. 0.6%	Euro HY 5.3%	Global IG -2.0%	US HY 0.3%
Euro Gov. 6.8%	Euro HY 2.7%	Euro Gov. -3.5%	Global IL -22.9%	US Treas. 4.1%	Global IL -3.7%	Euro Gov. 0.6%	Euro Gov. -2.3%	Euro HY -1.0%

Source: Bloomberg, BofA/Merrill Lynch, J.P. Morgan Economic Research, LSEG Datastream, J.P. Morgan Asset Management. Global IL: Bloomberg Global Inflation-Linked; Euro Gov.: Bloomberg Euro Aggregate - Government; US Treas.: Bloomberg US Aggregate Government - Treasury; Global IG: Bloomberg Global Aggregate - Corporate; US HY: BofA/Merrill Lynch US HY Constrained; Euro HY: BofA/Merrill Lynch Euro Non-Financial HY Constrained; EM Debt: J.P. Morgan EMBIG. All indices are total return in local currency, except for EM and global indices, which are in US dollars. Past performance is not a reliable indicator of current and future results. Data as of 31 October 2026.

Conclusion

October was a reminder of the benefits of diversification both within and across asset classes. Weakness among some of the largest technology companies was offset by strength elsewhere in markets, while high-quality government bonds demonstrated their potential to provide protection when equity risk appetite deteriorates. The outperformance of the equal-weighted US market and UK equities also demonstrated that technology weakness need not prevent strength elsewhere in equity markets.

Nevertheless, selectivity is becoming more important because the AI investment cycle is occurring alongside substantial government borrowing and infrastructure spending. All require capital at a time when financing costs remain elevated. Bond markets are therefore likely to become increasingly discerning about which projects and issuers they are willing to finance. October's stress in French sovereign bonds and parts of the neocloud debt market provided two different examples of how these pressures can surface.

Exhibit 5: Index returns for October 2026

Index	GBP	USD	JPY	EUR	LOC
Equities (MSCI)					
MSCI World Index	-1.6	-0.8	-0.5	1.0	-0.7
MSCI USA	-1.8	-1.0	-0.7	0.8	-1.0
MSCI Europe ex-UK	-1.0	-0.2	0.1	1.6	0.7
MSCI United Kingdom	1.5	2.4	2.6	4.2	1.5
MSCI Japan	-5.0	-4.2	-4.0	-2.5	-4.0
MSCI AC Asia ex-JP	-9.0	-8.2	-8.0	-6.6	-7.9
MSCI EM Latin America	-8.3	-7.6	-7.4	-5.9	-4.3
MSCI EM (Emerging Markets)	-8.8	-8.0	-7.8	-6.4	-7.4
Bonds					
Bloomberg Global Aggregate	0.6	1.4	1.6	3.2	
Bloomberg US Aggregate	1.6	2.4	2.7	4.2	2.4
Bloomberg Japan Aggregate	0.7	1.5	1.8	3.3	1.8
Bloomberg UK Aggregate	1.1	2.0	2.2	3.8	1.1
Bloomberg Euro Aggregate	-1.6	-0.8	-0.6	1.0	1.0
Currencies					
Sterling		0.8	1.0	2.5	
US dollar	-0.8		0.2	1.8	
Yen	-1.0	-0.2		1.5	
Euro	-2.4	-1.7	-1.5		

Source: Bloomberg, LSEG Datastream, MSCI, J.P. Morgan Asset Management. Past performance is not a reliable indicator of current and future results. Data as of 31 October 2026.

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