



INVESTMENT INSIGHTS

OCTOBER 2026

Mackay Private Wealth

OVERVIEW

RATES RISE AND BONDS SELL OFF, BUT A WEAKER DOLLAR SOFTENS THE BLOW

September was a weaker month for markets as the rate hikes many had anticipated finally arrived. The US Federal Reserve raised rates for the first time since 2023, while the RBA lifted the cash rate for a fourth time this year. Most asset classes fell, and bond yields recorded one of their largest monthly increases on record.

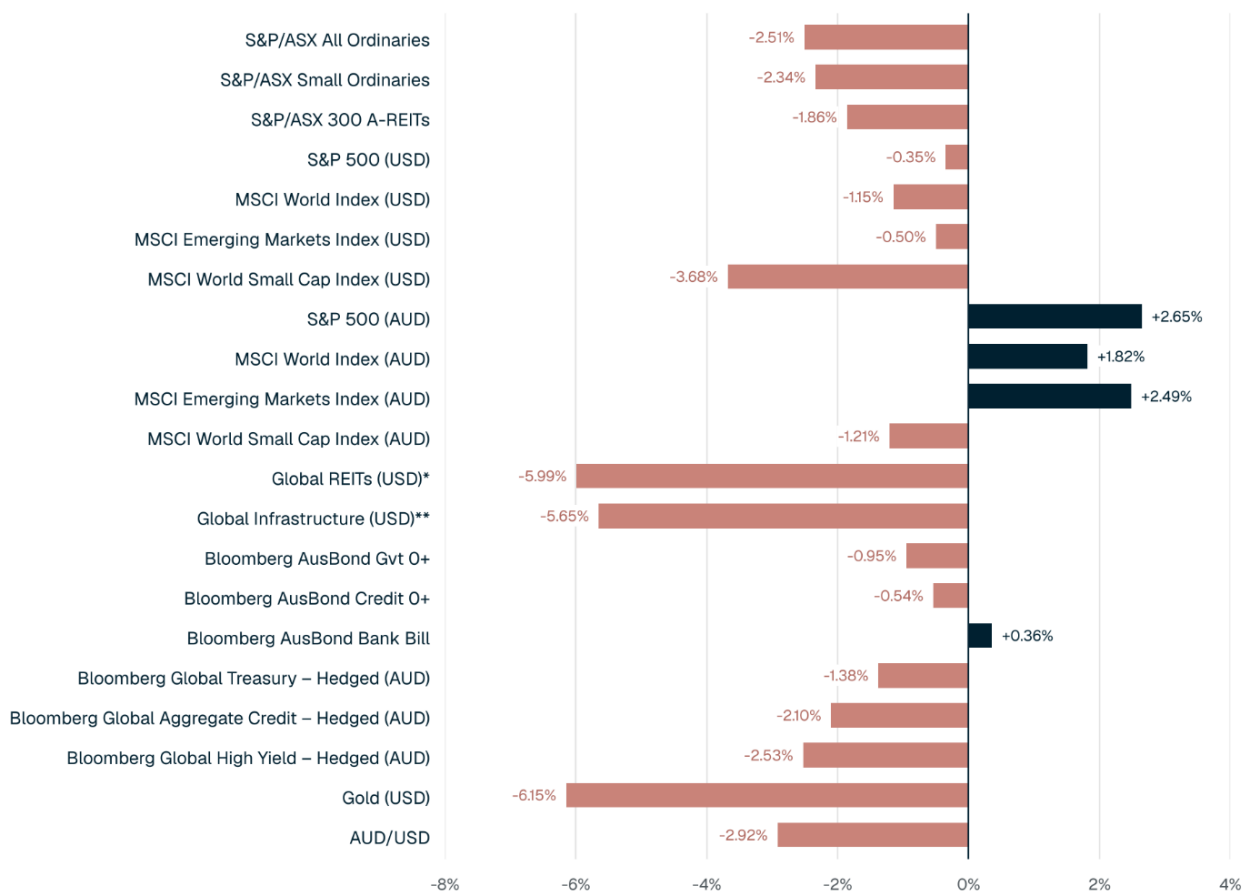
Australian equities fell 2.5% as concerns about the domestic economy grew and weaker commodity prices weighed on resources. Growth stocks bore the brunt, with information technology falling 16.3% and more than reversing August's gain. Healthcare was the only sector to rise.

Offshore, the MSCI World Index fell 1.2% in US dollar terms, although a rebound in US technology stocks, helped by a new AI app from Meta, saw US shares hold up better than most. Importantly, a 2.9% fall in the Australian dollar turned these losses into gains for unhedged investors, with the index rising 1.8% in AUD terms.

The backdrop has become more demanding. Resilient US economic data and solid earnings continue to support equities, but persistent inflation, multi-year highs in bond yields and conflict in the Middle East remain key risks heading into the final months of the year.

Market Returns

Total returns by asset class, September 2026 (%)



Source: Quillia, Refinitiv Datastream. Returns in local currency unless AUD noted. *FTSE EPRA/NAREIT Developed. **FTSE Global Core Infrastructure 50/50 Index.

KEY MARKET DEVELOPMENTS

Global Equities

Global equities fell 1.2% (USD) as the Fed's rate hike weighed on most sectors. The S&P 500 fell just 0.3% as technology rose, and Japan gained 1.3%, while China's CSI 300 fell 5.6%. A weaker AUD lifted the MSCI World Index to +1.8% in AUD terms.

Australian Equities

Australian equities fell 2.5% as investors priced in further RBA tightening. Growth stocks bore the brunt, with information technology down 16.3% and materials down 8.9%. Healthcare (+0.6%) was the only sector to rise, while small companies fell 2.3%.

Bond Markets

Bond markets sold off as central banks turned more hawkish. The US 10-year yield jumped from 4.7% to 5.3%, its highest level since 2002, while Australia's 10-year yield rose to 5.3%.

Commodities

Oil rose a further 11.7% (WTI) as conflict in the Middle East escalated. Gold fell 6.2% (USD) as real yields and the US dollar rose, giving back much of August's gain. Iron ore fell 5.9%, while copper hit a record high.

Monetary Policy

As widely expected, the RBA lifted the cash rate by 0.25% to 4.60%, its fourth hike of 2026. The Fed raised rates for the first time since 2023, to a target range of 3.75% to 4.00%, with Chair Kevin Warsh signalling more tightening may follow.



WHAT'S CAUGHT OUR EYE

The Currency Cushion

September offered a useful lesson in how currency shapes returns.

Most global share markets fell in US dollar terms. But the Australian dollar fell 2.9%, so offshore assets were worth more once converted back into Australian dollars.

A 1.2% fall in the MSCI World Index became a 1.8% gain for unhedged Australian investors.

The cushion works both ways, as August's stronger dollar showed. It is one reason we hold a mix of hedged and unhedged global shares [CONFIRM].

AI Gets Personal

A new AI app from Meta helped reignite the technology trade in September.

Called Muse, it is a consumer AI agent that manages calendars, subscriptions, shopping and reservations. It quickly became the most downloaded free app in the US.

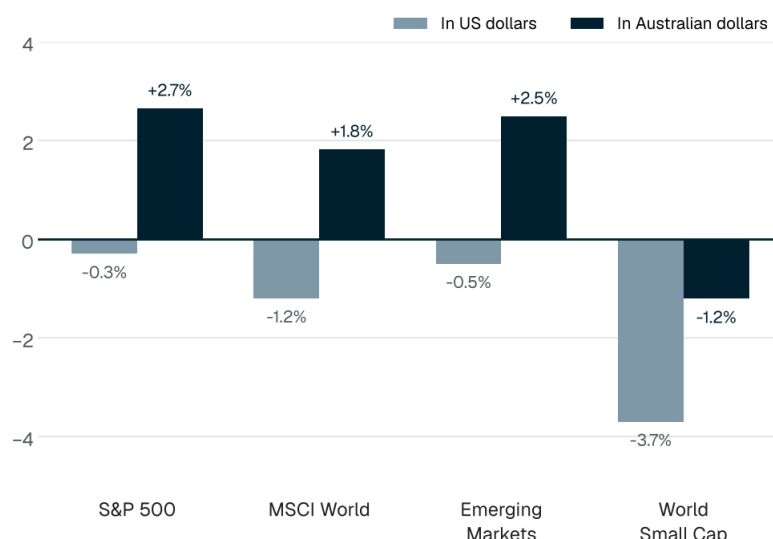
Investors took it as a sign consumer AI may be closer to paying its way, and chipmakers rallied.

Perceived losers fell, including Booking Holdings (-20.5%) and the New York Times (-6.5%).

Whether Muse can also manage the family group chat remains to be seen. Either way, AI's impact is spreading well beyond the companies building it.

Same Markets, Different Currency

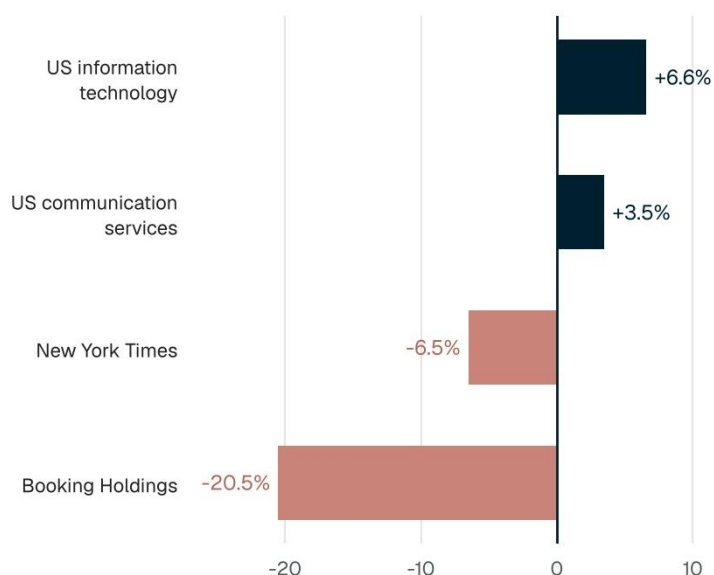
Global share market returns, September 2026 (%)



Source: Quilla, Refinitiv Datastream. AUD returns are unhedged.

AI's Winners and Losers

Total return, September 2026 (%), USD



Source: Quilla. Sector figures are US equity market sectors.



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