

INVESTMENT INSIGHTS

NOVEMBER 2026

Mackay Private Wealth

OVERVIEW

DEFENSIVES HOLD FIRM AS CONCERNS WEIGH ON GROWTH STOCKS

Global share markets eased in October as investors reassessed the scale of investment in artificial intelligence and the cost of funding future growth. Renewed tensions in the Middle East also pushed oil prices higher, adding to inflation concerns. Australian shares rose 0.7%, while unhedged global shares fell 1.9% and emerging markets dropped 8%. A stronger Australian dollar added to the weakness in overseas returns.

Technology companies and those building the infrastructure behind AI were among the hardest hit. Australian smaller companies also struggled, falling 6.4%, as investors rotated towards larger, more defensive businesses. In our recent video, Dr David Allen from Plato Global Alpha described October as a healthy reset for the AI trade. While the long-term opportunity remains significant, the pullback highlights the importance of valuations and the reality that not all companies will benefit equally.

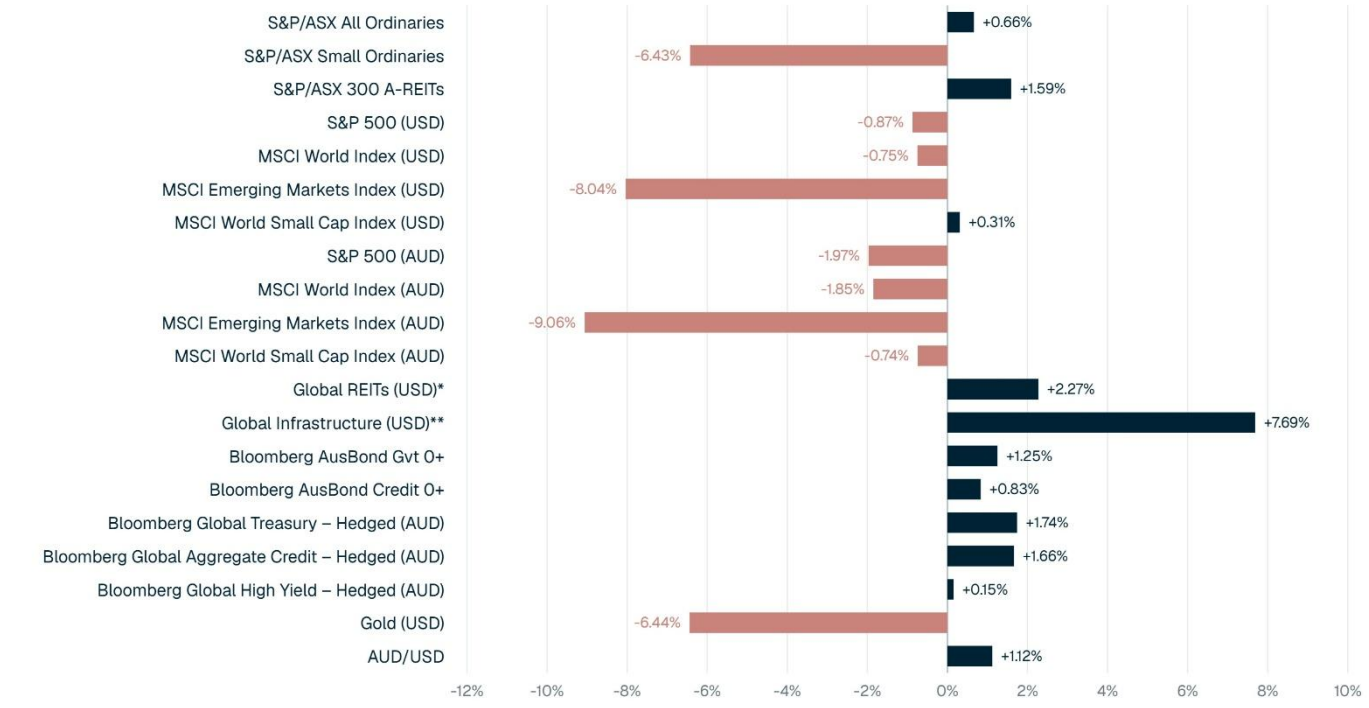
Inflation remains a key concern for central banks. Australian inflation rose to 4.3%, higher than expected, prompting the RBA to lift the cash rate by 0.25% to 4.85% in early November.

Portfolio diversification helped cushion the weakness overseas. Australian fixed interest and infrastructure provided support, while Australian shares offered a useful counterweight to the AI trade, given their greater exposure to 'old world' sectors such as banks and resources. Australian bank shares were among the month's stronger performers.

Looking ahead, company earnings, valuations and the cost of capital will remain important drivers of markets, alongside persistent inflation and geopolitical tensions.

Market Returns

Total returns by asset class, October 2026 (%)



Source: Quilla, 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 1.9% (AUD) as investors questioned the returns on AI investment. Technology-heavy markets led the decline, with the Nasdaq falling 5.3% and Japan's Nikkei dropping 5.2%. China's CSI 300 fell 8.3%. A stronger AUD weighed on unhedged returns.

Australian Equities

Australian equities rose 0.7% as investors favoured larger, more defensive companies ahead of the November RBA meeting. Smaller companies fell 6.4% as higher borrowing costs and weaker domestic demand weighed on sentiment.

Bond Markets

Australian government bonds rose 1.3% as longer-term yields eased. Australia's 10-year yield fell to 5.13%, while the US 10-year declined to 4.91%. Short-term yields in both markets rose as markets anticipated further rate hikes.

Commodities

Oil rose 17% (WTI) as supply concerns kept energy prices elevated. Gold fell 6% (USD) for a second consecutive month and iron ore declined 3%, while copper found some support.

Monetary Policy

The RBA did not meet in October, but short-term bond rates rose as markets anticipated a November rate increase following inflation pressures. The US Fed held rates steady, although a divided vote highlighted differing views on inflation.



WHAT'S CAUGHT OUR EYE

Anthropic's $1 Trillion Test

Anthropic, creator of the Claude AI assistant and one of the world's fastest-growing AI developers, is preparing for a blockbuster US share market listing at a valuation of around US$1.4 trillion.

The growth has been extraordinary. Quarterly revenue has surged from US$0.4 billion in early 2025 to US$17 billion, with more than 11,900 businesses spending over US$100,000 a year. Anthropic has also recently started generating more cash than it spends.

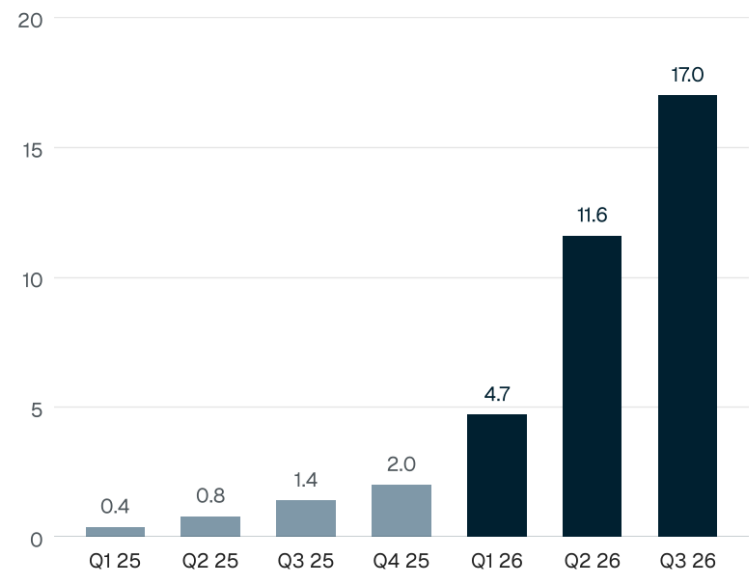
But there is a catch. Competing in AI requires enormous investment, with around US$900 billion in future computing commitments. This was one of the key concerns behind October's technology sell-off, as investors questioned whether the returns would justify the spending.

At its proposed valuation, investors would be paying roughly 20 times annualised revenue, nearly double Microsoft's multiple. That's a lot of future growth already priced in.

Our model portfolios gained early exposure through a private equity manager, which values its holding around 35% below the expected listing valuation. This highlights the value of accessing opportunities in private markets. That said, October was a reminder that short-term price expectations can swing quickly, and the price we pay still matters.

Revenue Take-off

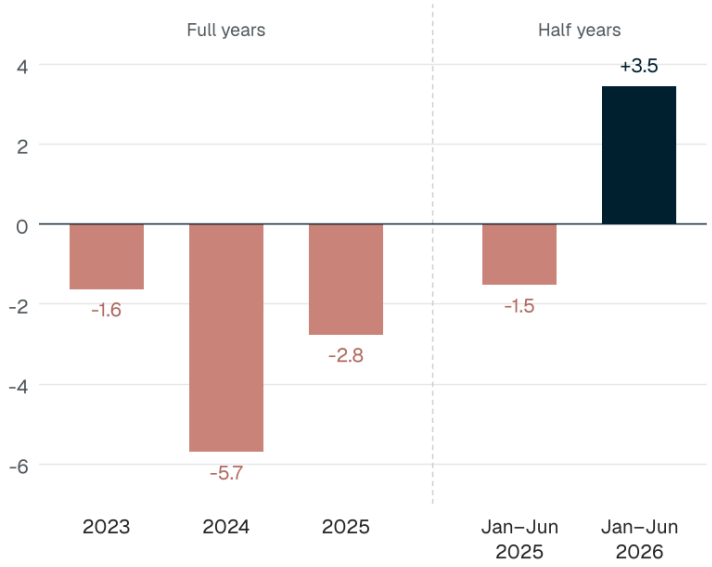
Anthropic's revenue per quarter (US$ billion)



Source: Anthropic S-1, Quilla Consulting.

Cash Flow Turns Positive

Anthropic's free cash flow (US$ billion)



Source: Anthropic S-1, Quilla Consulting.

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