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Investment Management

Window on the World

NOVEMBER 2026



October was a challenging month, with much of the action taking place beneath the surface.

Equity markets ended the month lower, with the notable exception of the U.K., while bond yields fell. Within equities, there was a notable shift in market leadership, with technology stocks selling off and a broader rotation across sectors – in many respects a reversal of the pattern seen in late summer. In this month's Window on the World, we explore this broadening out in more detail, along with the U.S. midterm election results, which triggered a bout of volatility in early November.

Capital market review October 2026

	Total Return (%)			
	1 Month	3 Months	12 Months	YTD
UK Equities	1.3	-0.5	13.9	10.9
US Equities	-0.9	1.5	12.1	11.7
European Equities	-2.1	-3.2	11.5	8.7
Japanese Equities	-3.5	0.0	21.7	18.8
Emerging Market Equities	-8.0	-0.4	14.4	13.8
UK Gilts	1.5	0.5	-0.6	-0.9

Source: Bloomberg, Verso Investment Management, as of end October. Returns in local currency
Past performance is not a reliable indicator of future results.

Ongoing conflict between the U.S., Israel, and Iran continued to weigh on energy prices during the month, with more attacks on shipping around the Strait of Hormuz and on Saudi oil infrastructure. This pushed oil prices higher for the fourth consecutive month, with Brent crude briefly reaching $118 a barrel, its highest level since April.

Higher energy prices have continued to feed through to inflation – U.S. inflation rose to 3.7% in September, Eurozone inflation to 3.8%, and U.K. inflation to 3.5%. Central banks continue to respond by tightening monetary policy. The U.S. Federal Reserve held rates steady at its October meeting, but two committee members voted for an increase, and the market is assigning an 80% probability that it will raise rates by 25 basis points in December. In the U.K., the Bank of England raised rates by 0.25% on 5 November and signalled that it expects inflation to peak at around 5% in mid-2027.

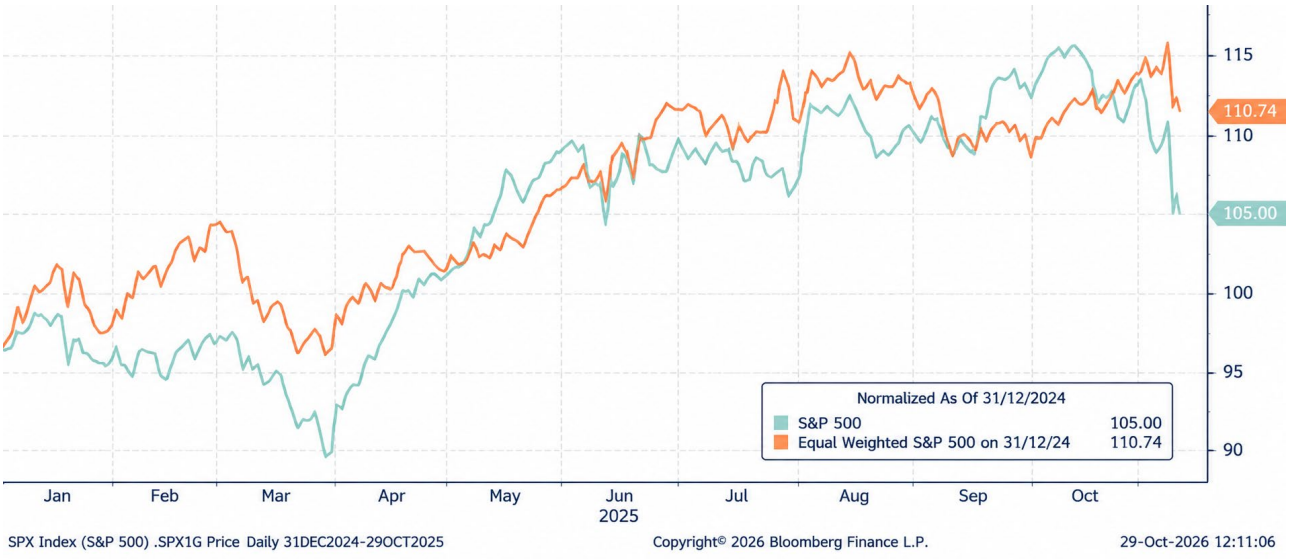
Despite this, bonds had a better month after a challenging summer. Yields fell back from their September highs and proved a useful hedge against equity market volatility for multi-asset investors. Economic data more broadly was positive and showed ongoing resilience, with U.S. and European GDP data solid and forward-looking business surveys staying in expansionary territory. The move in bond yields is therefore more attributable to the decline we saw in parts of the equity market, particularly in the technology sector. In the U.S., the yield on the 10-year Treasury fell from a high of 5.30% to 4.85%. In the gilt market, yields on the U.K. 30-year Government bond reached a high of 6% before falling back to 5.6%.

John Healey's first budget on 28 October was broadly in line with market expectations. Fiscal headroom was restored to £15 billion, and the Government stuck to its fiscal rules and election manifesto. It was a budget of small overall scale, with tougher decisions pushed into the spending review in 2027. On the day, the U.K. gilt market remained relatively calm, as did U.K. equities, although sterling did finish the month around 1% higher.



The U.K. was the best-performing major equity market, up 1.3%, helped by its tilt towards energy and defensive sectors. France's political and fiscal troubles weighed on French stocks and European banks, while Japanese equities fell by 3.5% in sterling terms. Emerging market equities had a difficult month, with South Korea and Taiwan caught in the semiconductor sell-off. U.S. equities declined by just under 1%.

THE AVERAGE U.S. STOCK ROSE BY 5% IN OCTOBER, HIGHLIGHTING THE SCALE OF THE PULLBACK IN LARGE U.S. TECHNOLOGY COMPANIES, WHICH WEIGHED ON THE BROADER INDEX.



Source: Bloomberg, as of 9th November 2026

October saw the market start to broaden

One market feature of the past few years has been that global equity returns have been driven by a small group of very large U.S. technology companies. October tested that pattern hard. The Nasdaq fell 5.3%, its worst month since March 2025, and the global semiconductor index dropped more than 13%. Alphabet fell nearly 19%, Meta 15%, and Nvidia 10%.

The trigger wasn't a collapse in demand, but concern over payback. Chip makers' results still point to a strong appetite for AI computing power. Meta's spending plans and results from Amazon and Intel late in the month renewed questions about whether the enormous sums going into AI infrastructure will earn an adequate return, and how much pressure that spending puts on the cash flows of the biggest companies. Higher borrowing costs also exposed the more heavily indebted parts of the AI buildout, particularly the smaller providers that rent out computing capacity and rely on debt markets to fund growth today against revenues further out.

Meanwhile, the rest of the market quietly did well. Value stocks beat growth stocks by more than 10 percentage points in the U.S., and smaller companies edged higher. Sectors that had been left behind, such as healthcare and consumer staples, rallied strongly. Year to date, the equal-weighted S&P 500 has outperformed the broader S&P 500 by 5%.

One month clearly doesn't make a trend, and we have seen previous episodes of rotation peter out. AI is a real and lasting shift, and the leading companies remain exceptionally profitable. Nevertheless, when a market becomes very concentrated, a large share of your risk sits in a few names and a single theme. October showed how quickly that can cut both ways. A broader spread of exposure gives portfolios more ways to make money and fewer sources of concentration risk, highlighting the importance of diversification.



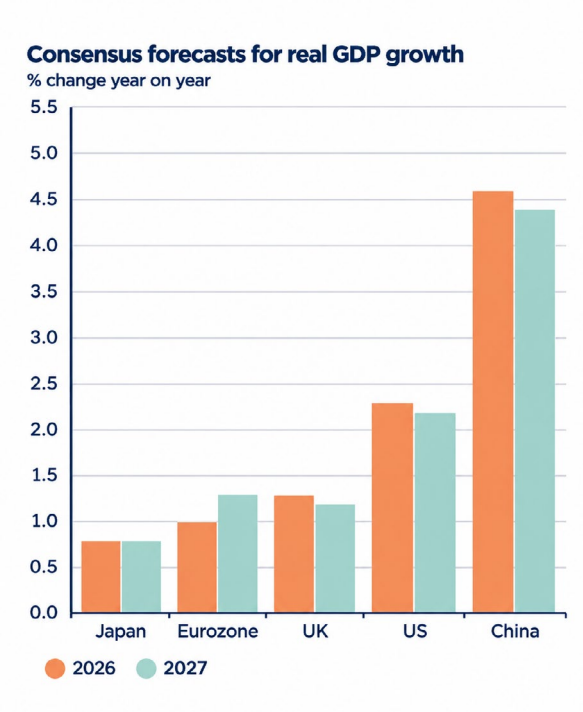
The U.S. midterms

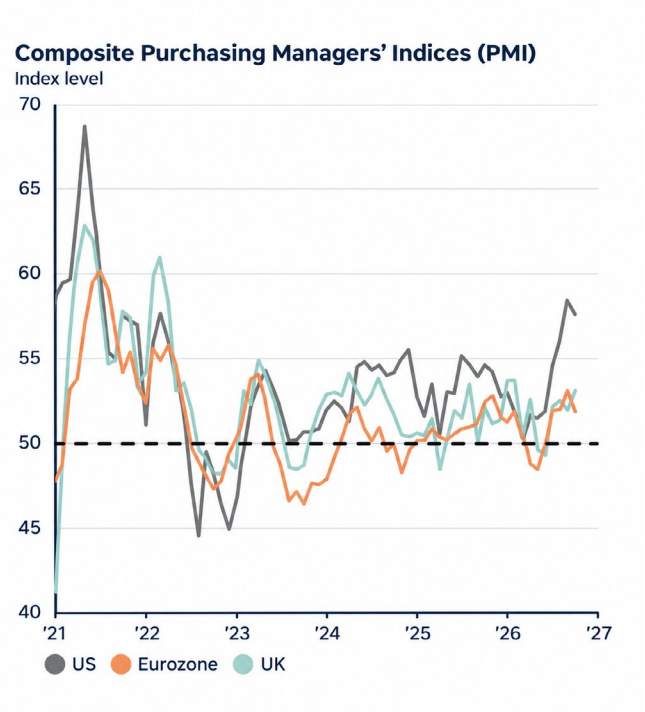
After the end of the month, the first week of November brought a fresh test. In the U.S. midterm elections on 3 November, the Democrats won control of both the House of Representatives and the Senate. With President Trump keeping his veto, the most likely result is gridlock for the remaining two years of his term.

The first reaction was relief. On 4 November, the Dow rose 3% and the S&P 500 1.6%. Investors took the view that a divided Congress makes large new tax and spending packages harder to pass, which should help keep the U.S. deficit in check. There was also hope that Congress would add pressure to end the conflict with Iran. Brent crude fell almost 9% that day and around 16% over the week, its steepest weekly fall since 2020, to just under $100 a barrel. Treasury yields dipped and gold rallied, recovering much of its October loss.



WHILE VOLATILITY HAS PICKED UP, MACRO FUNDAMENTALS REMAIN ROBUST.





Source: JP Morgan

The relief didn't last. On 5 November, AI-related shares sold off heavily. The U.S. semiconductor index fell around 12% in a single day, and the S&P 500 dropped more than 4%, its worst day since April 2025. Investors worry that a Democratic Congress, alongside growing local opposition to new data centres, could mean tougher regulation and slower approvals for the AI buildout. In one exit poll, 76% of voters said they opposed a data centre in their community. Chip-heavy Asian markets, including South Korea and Taiwan, followed suit.

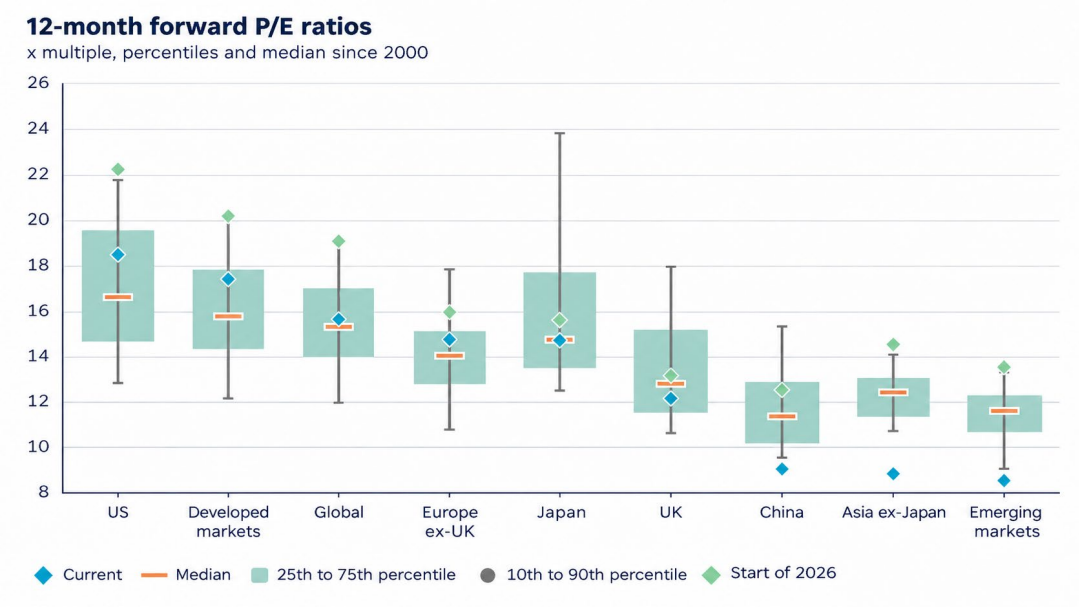
The heaviest selling was concentrated in AI hardware, and the Dow, with much less exposure to that theme, fell less than 1% over the week. Lower oil prices, if they last, would also ease some of the inflation pressure that has pushed central banks to raise rates.



Portfolio positioning

Despite the pick-up in volatility, the underlying macro picture remains constructive, with economic activity continuing to point to expansion, which is in turn providing a supportive backdrop for corporate earnings growth. Equity market valuations do not look overly stretched, and yields in the fixed-income market remain attractive. The past month has demonstrated the importance of diversification, which is a fundamental principle of how we build and manage investment portfolios.

FORWARD PRICE-EARNINGS MULTIPLES DO NOT LOOK STRETCHED RELATIVE TO HISTORY AND ARE CHEAPER NOW THAN 12 MONTHS AGO.



Source: JP Morgan

Within equities, we maintain a preference for emerging market and European equities, funded by a reduced allocation to U.S. equities. In both regions, valuations and the outlook for corporate earnings remain attractive, while a reduced U.S. allocation recognises the high level of concentration in that market and keeps us positioned for a broadening out of equity returns. Within fixed income, we are predominantly invested in short-dated Government and investment-grade credit, thus avoiding the worst of the sell-off in longer-dated issues.

Looking ahead, the path of oil prices and inflation, and how far central banks feel the need to tighten policy in response, will continue to set the tone as we move into 2027. With AI spending, Government borrowing, and infrastructure and defence expenditure all competing for capital at a time of higher finance costs, markets are likely to become more selective, and investors should maintain well-diversified portfolios to mitigate risk.



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