Global Markets Overview

Asset Research Team

November 2026

October's market split: an AI reset meets resilient growth

October produced an unusual combination of market moves. Shares linked to artificial intelligence ("AI") fell sharply, government bonds rallied despite strong U.S. economic data, and oil prices rose. Strong economic data would normally have placed upward pressure on bond yields, particularly alongside higher energy prices. Instead, concern within equity markets about the cost and eventual profitability of AI investment became the dominant short-term influence for bond yields.

- The headline falls in global equity markets concealed a much broader rotation. Developed-market equities declined by 0.7% in October and emerging-market equities fell by 7.4%, with technology-heavy Asian markets particularly weak. Yet performance outside the largest technology companies was considerably more resilient – investors became more selective about which businesses could convert investment and revenue growth into sustainable cash flow.

- At the same time, high-quality government bonds provided a counterweight. U.S. 10-year Treasury yields fell 37 bps, as government bond yields in all the major markets retreated from their early September highs.

- This bond rally occurred despite evidence that the U.S. economy was still expanding at a strong rate. The advance estimate showed U.S. gross domestic product growing by 0.8% during the third quarter, equivalent to an annualised rate of 3.4%. Preliminary data also showed that euro-area output increased by a robust 0.4% from the previous quarter.

- Business surveys told a similar story. The October U.S. composite purchasing managers' index remained firmly in expansion territory, while the eurozone survey indicated a slower but continuing increase in activity. Both surveys also pointed to renewed cost pressures, reinforcing the tension between resilient growth and inflation risk.

- Oil added to that tension. Renewed conflict in the Middle East pushed Brent crude to $118 a barrel during October. Higher oil prices supported energy companies but temporarily increased the risk of higher inflation. However, subsequently, oil prices have fallen materially in the first 10 days of November as investors price-in a higher likelihood of a peaceful resolution to the U.S.-Iran conflict.

© 2026 WTW. Proprietary and confidential. For WTW and WTW client use only.

Government bonds

At current yield levels we believe select bond markets offer medium-term value

What happened over the past month:

Government bond yields fell across major markets in October, led by the U.S. U.S. 10-year yields declined by 37bps, followed by Australia (-24bps), Japan (-24bps) and the Euro area (-22bps). The moves were more modest in Canada (-19bps), the UK (-14bps) and Switzerland (-11bps).

Factors influencing market trends:

Falling yields have reversed some of the increases experienced in recent months. These have been driven, in part, by concerns over the scale, financing and prospective returns from AI-related investment, prompting a move towards safer assets. Since month-end, the U.S. midterm results have added to the downward pressure on yields. That said, rates remain much higher than the start of the year. Strong U.S. growth, higher energy prices and inflation risks mean that U.S. policy rates – a bellwether for global rates – are likely to need to remain restrictive for longer. Global central banks have continued to focus on returning inflation to target. In addition, long-term yields have faced pressure from fiscal and wider issuance concerns.

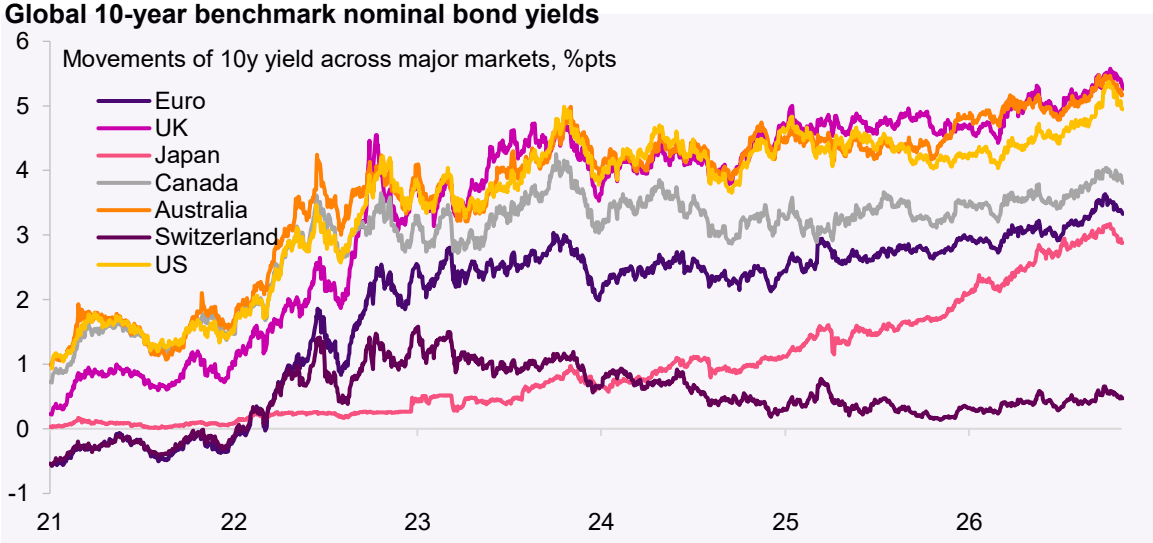
Looking ahead:

We expect market volatility to remain elevated, but our base case is that the energy price shock in the wake of the U.S. conflict with Iran will not lead to persistently higher inflation. The key risk to this outlook is that inflation remains higher than we expect over the next 12 months.

In the US, high business capex suggests US GDP growth will still be strong over 2027, which is likely to continue to keep core inflation above the Fed's target. Consequently, in our view, the Fed is likely to increase interest rates further (moderately), which is now broadly priced into US government bond yields. We continue to see select opportunities in markets, such as UK gilts, where the expected path for the policy rate and the bond risk premium – the excess yield for holding longer-dated bonds – still appear high relative to medium-term fundamentals, even accounting for risks.

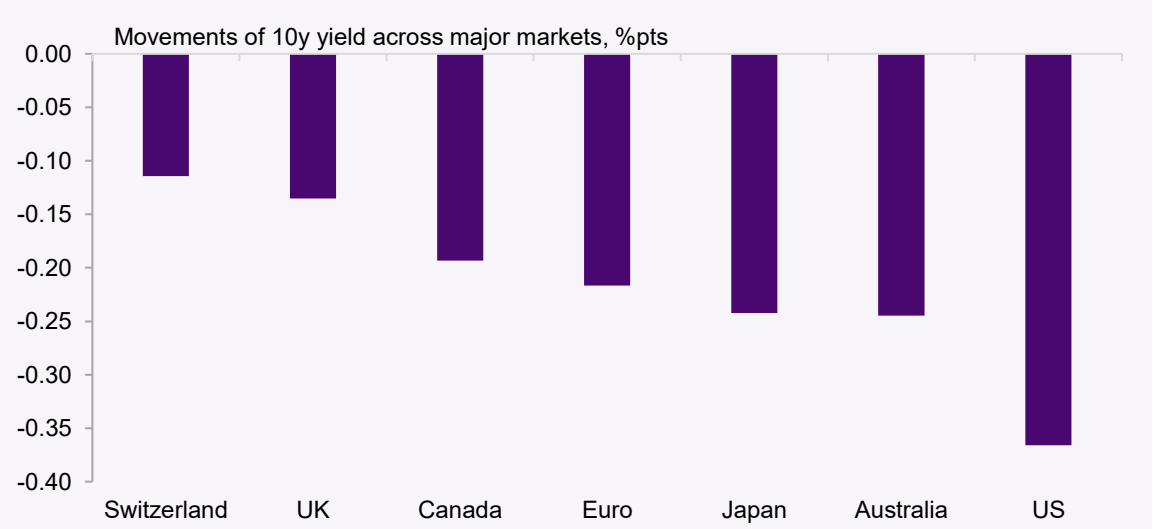
Overall, it remains appropriate to maintain bond exposure for liability hedges and downside protection.

Global 10-year benchmark nominal bond yields



Sources: FactSet, WTW

Moves since end-August (as of 31 October 2026)



Sources: FactSet, WTW

© 2026 WTW. Proprietary and confidential. For WTW and WTW client use only.

Corporate credit

Over five years we expect investment grade credit to outperform government bonds moderately

What happened over the past month:

Credit spreads widened across all major markets during October, with the largest moves in high yield (HY). European, global and U.S. HY spreads widened by 64bps, 40bps and 29bps, respectively. Investment grade (IG) widening was more modest, led by Europe (+14bps), while global IG, UK IG and U.S. IG spreads widened by 11bps, 10bps and 10bps, respectively.

What has influenced recent market dynamics?

Credit spreads widened across both IG and HY markets during the month, driven by (1) higher investor concerns over company debt and leverage levels in some parts of the AI supply chain, (2) high debt supply by governments and, more directly for credit markets, by companies issuing IG or HY bonds to fund high levels of AI-related investment, (3) the greater sensitivity of the European economy to higher gas, oil, and energy product prices. This increases the risks of an energy-led growth slowdown in Europe over the next 12 months, and (4) concerns about French government spending and high French government bond yields on growth in France and wider Europe.

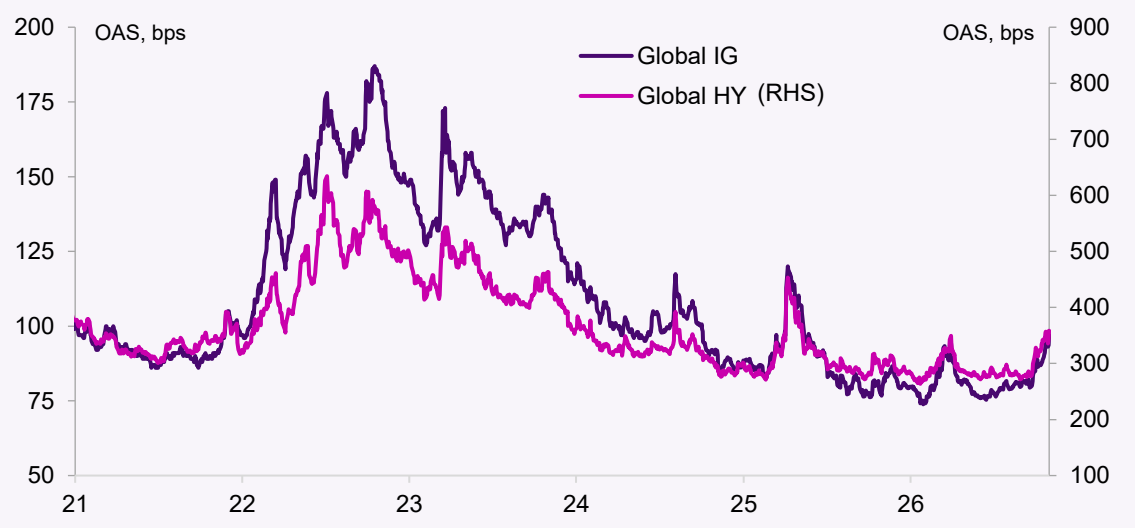
IG credit spreads, measured over government bond yields (OAS), are still low relative to history. In contrast, spreads which are measured relative to swap rates (ASW) are not as compressed versU.S. history.

We think this is an important consideration when evaluating compensation for credit risk. That said, IG spreads on both a government bond and a swap basis are still pricing-in expectations of a low default and downgrade environment.

Looking ahead:

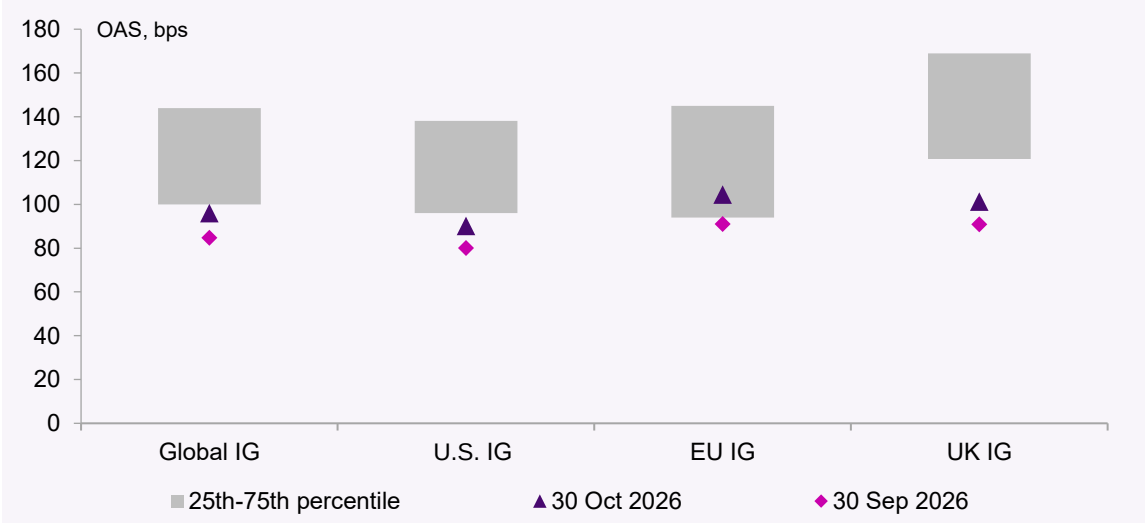
Over a three-to-five-year horizon, we expect global investment grade corporate credit to provide reasonable returns above government bonds. Similarly, we expect global high yield credit to outperform government bonds and investment grade credit over the medium-term.

Global spreads relative to government bonds



Sources: FactSet, WTW

Investment grade credit spreads relative to government bonds, by country



Sources: FactSet, WTW

© 2026 WTW. Proprietary and confidential. For WTW and WTW client U.S.e only.

Equities

Overall, we are neutral on equities over a three to five-year horizon

What happened over the past month:

Global equities declined over the month, with the MSCI ACWI and MSCI World returning -1.5% and -0.7%, respectively. Emerging markets significantly underperformed, falling 7.4%, while Japan (-4.0%), the Eurozone (-2.1%) and the U.S. (-1.0%) also posted negative returns. In contrast, Switzerland was the strongest-performing market, returning +6.8%, followed by Australia (+2.5%), Canada (+2.1%) and the UK (+1.5%). Overall, equity market performance was mixed, with a notable divergence between emerging markets and several developed markets.

Broad market trends:

Global equities weakened in October, although the decline did not represent a broad risk-off move. Pressure was concentrated in AI-linked and mega-cap technology stocks as investors questioned whether heavy infrastructure spending would deliver sufficient returns. Beneath the headline indices, the wider market was more resilient, with a clear rotation from growth into value and defensive sectors. Resilient economic activity and corporate earnings also indicated that the weakness reflected a change in market leadership rather than a deterioration in the global outlook.

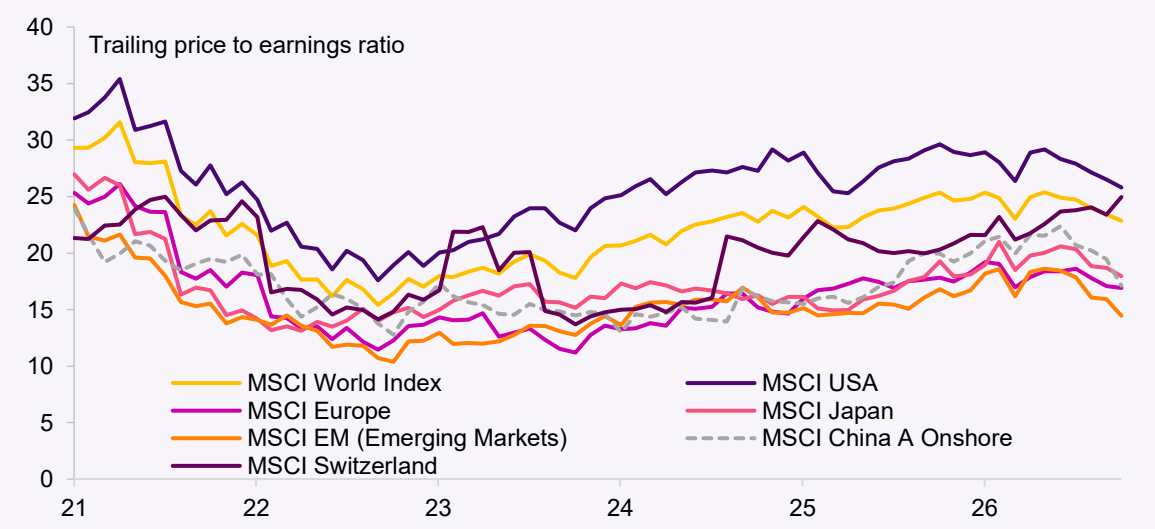
The longer-term backdrop remains broadly supportive, but investors are becoming more selective. Higher bond yields and elevated valuations mean returns are likely to depend more on earnings delivery and capital discipline than valuation expansion. AI remains an important structural growth theme, but companies will increasingly need to demonstrate credible monetisation and returns on investment.

Key risks include a renewed rise in discount rates, margin pressure from higher energy costs, geopolitical disruption, and a slower-than-expected conversion of AI investment into earnings and cash flow.

Looking ahead:

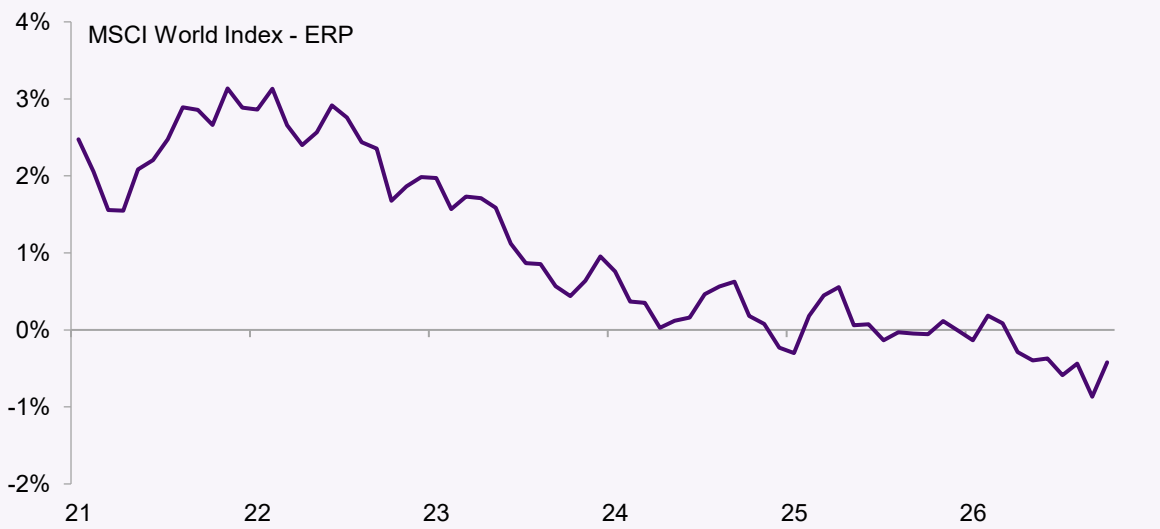
- We have an overweight view on equities over 1-2 years and a neutral view over longer horizons.

Global equity valuations



Sources: FactSet, WTW

The global equity risk premium remains low currently



Sources: FactSet, WTW

© 2026 WTW. Proprietary and confidential. For WTW and WTW client use only.

Foreign Exchange

We hold a positive long-term view on some developed currencies relative to the U.S. dollar

What happened over the past month:

Currency performance against the U.S. dollar was mixed over the month. The Canadian dollar was the strongest performer, appreciating 1.7%, followed by the Swiss Franc (+1.4%), Australian dollar (+1.1%) and sterling (+0.8%). In contrast, the euro weakened 1.7%, making it the largest underperformer, while the Japanese yen was broadly flat, depreciating 0.2%.

Broad market trends:

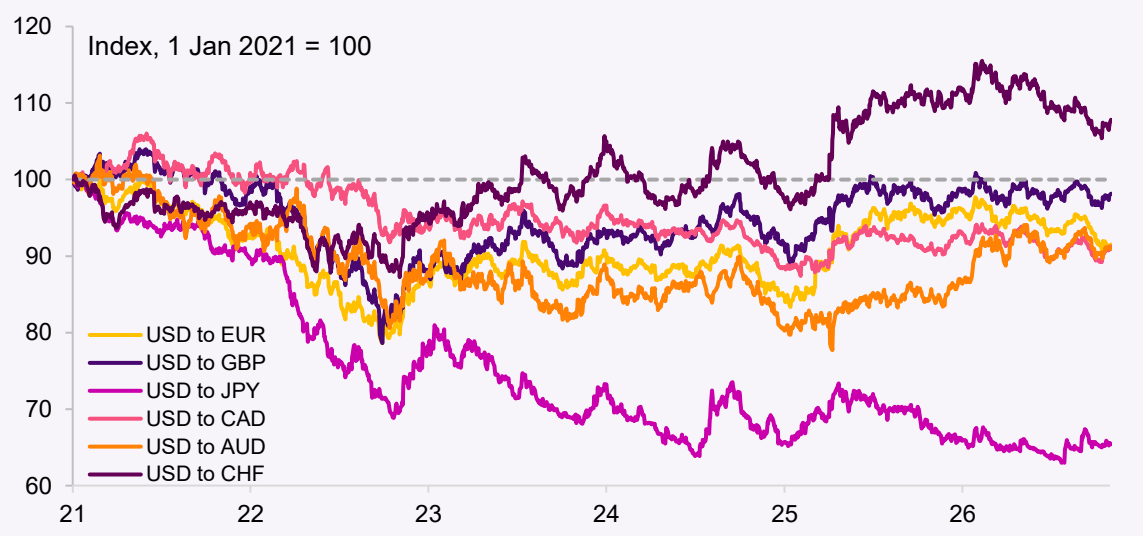
Outside of recent geopolitical developments, periods of heightened macro uncertainty and elevated equity volatility over the past 18-24 months, which would typically favour the U.S. dollar, have generally weighed on the currency. Investors have diversified their currency exposure given the U.S.-centric nature of many policy risks. This move has been reinforced by a decline in U.S. interest rate differentials since late 2024, with U.S. 2-year Treasury yields falling notably relative to Japan, Australia and Europe.

Over the longer term (10-15 years), the U.S. dollar has strengthened significantly versus most currencies, supported by higher interest rates than other countries and economic and corporate earnings growth consistently above other economies.

Looking ahead:

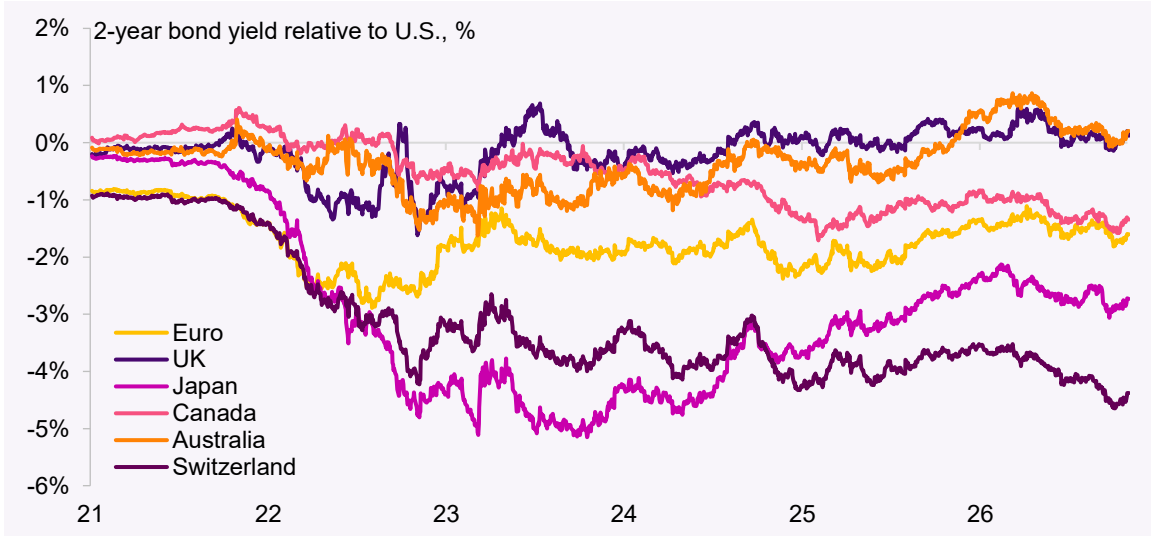
Following a sustained period of appreciation, the U.S. dollar has become more expensive against other major currencies on our medium-term fair value metrics. This suggests scope for some downward pressure over a 3-to-5-year horizon, supporting a moderately positive outlook for the currencies of those countries that currently have large trade surpluses (e.g. the euro area). In the shorter term, we hold a neutral U.S. dollar view against most currencies, except for a more positive view on the Japanese yen. Japan is a net trade surplus currency with significant holdings of dollar-denominated assets that stand to benefit from shifts in global capital flows.

Developed market exchange rates versus the U.S. dollar



Sources: FactSet, WTW

2-year interest rate differentials



Sources: FactSet, WTW

© 2026 WTW. Proprietary and confidential. For WTW and WTW client use only.

Disclaimer

WTW has prepared this material for general information purposes only and it should not be considered a substitute for specific professional advice. In particular, its contents are not intended by WTW to be construed as the provision of investment, legal, accounting, tax or other professional advice or recommendations of any kind, or to form the basis of any decision to do or to refrain from doing anything. As such, this material should not be relied upon for investment or other financial decisions and no such decisions should be taken based on its contents without seeking specific advice.

This material is based on information available to WTW at the date of this material and takes no account of developments after that date. In preparing this material we have relied upon data supplied to us or our affiliates by third parties. Whilst reasonable care has been taken to gauge the reliability of this data, we provide no guarantee as to the accuracy or completeness of this data and WTW and its affiliates and their respective directors, officers and employees accept no responsibility and will not be liable for any errors, omissions or misrepresentations by any third party in respect of such data.

This material may incorporate information and data made available by certain third parties, including (but not limited to): Bloomberg L.P.; CRSP; MSCI; FactSet; FTSE; FTSE NAREIT; FTSE RAFI; Hedge Fund Research Inc.; ICE Benchmark Administration (LIBOR); JP Morgan; Markit Group Limited; Russell; and, Standard & Poor's Financial Services LLC (each a "Third Party"). Details of the disclaimers and/or attribution relating to each relevant Third Party can be found at this link: https://www.wtwco.com/en-gb/notices/index-vendor-disclaimers

This material may not be reproduced or distributed to any other party, whether in whole or in part, without WTW's prior written permission, except as may be required by law. In the absence of our express written agreement to the contrary, WTW and its affiliates and their respective directors, officers and employees accept no responsibility and will not be liable for any consequences howsoever arising from any use of or reliance on this material or any of its contents.

© 2026 WTW. Proprietary and confidential. For WTW and WTW client use only.

About WTW

At WTW (NASDAQ: WTW), we provide data-driven, insight-led solutions in the areas of people, risk and capital. Leveraging the global view and local expertise of our colleagues serving 140 countries and markets, we help you sharpen your strategy, enhance organizational resilience, motivate your workforce and maximise performance. Working shoulder to shoulder with you, we uncover opportunities for sustainable success — and provide perspective that moves you. Learn more at wtwco.com.



wtwco.com/social-media

Copyright © 2026 WTW. All rights reserved.

wtwco.com