Fiducian Monthly Economic Commentary Report

30 October 2026

Conrad Burge, Investment Manager, Fiducian Investment Management Services Limited

ECONOMIC OUTLOOK

GLOBAL ECONOMY

The global economy is forecast to gain some momentum over the coming year and expand by around 3.4% in 2027. In its October report, the IMF sees the global economy as having 'held up' despite 'a barrage of shocks' over the last few years. This resilience in the global economy has been due at least partly to 'the investment boom triggered by artificial intelligence'.

The IMF is anticipating US growth of 2.3% this year and in 2027, although the US administration is expecting higher growth on the back of fiscal stimulus and new incentives for investment. Growth across Europe and in Japan is forecast to remain subdued, with most major central banks likely to limit interest rate rises.

The global economy is forecast to gain momentum over the coming year. In its latest report (October), the International Monetary Fund (IMF) is forecasting global growth to pick up from 3.1% this year to 3.4% in 2027. In the IMF's words, 'despite a barrage of shocks' over the last seven years, including 'the pandemic and ensuing disruptions to global supply chains, the wars in Ukraine and the Middle East, with consequent sharp increases in the prices of energy and other commodities, and significant changes in trade barriers…the global economy has held up'. Key reasons for this solid outcome have been 'a rerouting of energy supplies and increased energy production in other countries', as well as 'the investment boom triggered by artificial intelligence', while 'the pass-through to core inflation (from higher commodity prices) is expected to be limited'. The IMF adds though that 'fiscal policy (government spending) must be constrained'.

In the case of the US, the annual growth rate was 2.1% in the June quarter, with the IMF forecasting growth of 2.3% for this year and for 2027, although the US administration is aiming for a higher rate of growth than this through reduced taxes and regulation and incentives for investment. The annual inflation rate reached its highest level in 3 years in May (4.2%), due to a rise in oil prices, but subsequently declined (it was 3.7% in September). While the central bank raised interest rates at its September meeting (to 3.75% to 4.0%), it refrained from a further rate rise in October. Growth for the euro zone is forecast to remain weak (1.1% this year and 1.2% in 2027), while Japan is forecast to grow by only 0.7% this year and in 2027.

AUSTRALIAN ECONOMY

The Australian economy entered a per capita recession in 2023 and has continued to remain weak ever since, with tepid growth sustained by high government spending. After raising rates four times this year, the RBA could soon tighten further to curb inflation.

The Australian economy grew by 0.4% in the June quarter and by 2.1% over the year. On a per capita basis, growth was flat over the quarter and has now not grown for 12 of the last 16 quarters. Growth could slip lower over coming months due to the Reserve Bank (RBA) having tightened monetary policy by raising its 'cash rate' four times this year in response to rising inflation. After the annual headline rate rose to 4.3% in September (with a 'trimmed mean' rate of 3.6%), the RBA appears likely to raise rates again in the near-term, raising the prospect of the economy weakening even further over coming months.

MARKETS

Major share markets have mostly been rising since early April after experiencing heavy falls in March due to war with the Iranian regime. Prior to the outbreak of war, markets had been trending upwards for two years mainly due to a declining interest rate environment.

Major sovereign bond markets saw yields rise after the end of 'quantitative easing' ('QE') in 2022. However, slow recovery in key economies encouraged investors back into these 'safe havens' in many instances, although higher inflation this year has seen yields rise significantly.

Most share markets were on a broadly upwards trend from April last year until the end of February this year, largely due to declining interest rates in most of the major economies. However, with the outbreak of the Iran war, most markets fell heavily in March before beginning to rise again in April. This year, up to 29 October, overall market movements have included rises of 13% for the broad US market (S&P500), 13% for the technology-focused Nasdaq, 8% for the UK and a hefty 28% for Japan. Most European markets were softer (Germany was up 6% and France was down 2%), while India fell 13% and the Australian market rose 2%.

Major sovereign bond markets have been volatile for some time, with yields (interest rates) rising and falling in line with the outlook for inflation. The US 10-year Treasury bond yield was pushed down to a record low of 0.54% on 9 March 2020 (by 'QE') but rose to 5.0% in October 2023. More recently it peaked at 5.31% on 5 October this year before falling back to 4.98% on 29 October. The Australian 10-year bond yield was 0.57% on 8 March 2020 but reached 5.41% on 7 October this year before declining to a still elevated 5.18% on 29 October. Bond yields could move lower (and prices rise) over coming months if inflation declines.

FIDUCIAN FUNDS

Fiducian's diversified funds are above benchmark for international shares and close to benchmark for other assets.

Fiducian's diversified funds are currently above benchmark for international shares and under benchmark for domestic shares and listed property. Exposure to bond markets is close to benchmark, while cash holdings remain below benchmark.

The information in this document is given in good faith and we believe it to be reliable and accurate at the date of publication. Fiducian Investment Management Services Limited (Fiducian) ABN 28 602 441 814 and its officers give no warranty as to the reliability or accuracy of any information and accept no responsibility for errors or omissions. The information is provided for general information only. It does not have regard to any investor objectives, financial situation or needs. It does not purport to be advice and should not be relied on as such. Investment and tax advice should be sought in respect of individual circumstances. Except to the extent that it cannot be excluded, Fiducian accepts no liability for any loss or damage suffered by anyone who has acted on any information in this document. Past performance is not a reliable indicator of future performance and we do not guarantee the performance of the Funds or any specific rate of return. Potential investors should also obtain and consider the relevant Target Market Determination (TMD) and Product Disclosure Statement (PDS) (available from your financial adviser and via fiducian.com.au) before making a decision about whether to acquire or continue to hold any financial product. Fiducian Investment Management Services Limited is an Australian Financial Services Licensee (AFS Licence No. 468211)