KFH Capital Monthly Insights

Capital Market Outlook & Updates

October 2026

Capital Market Insights & Outlook

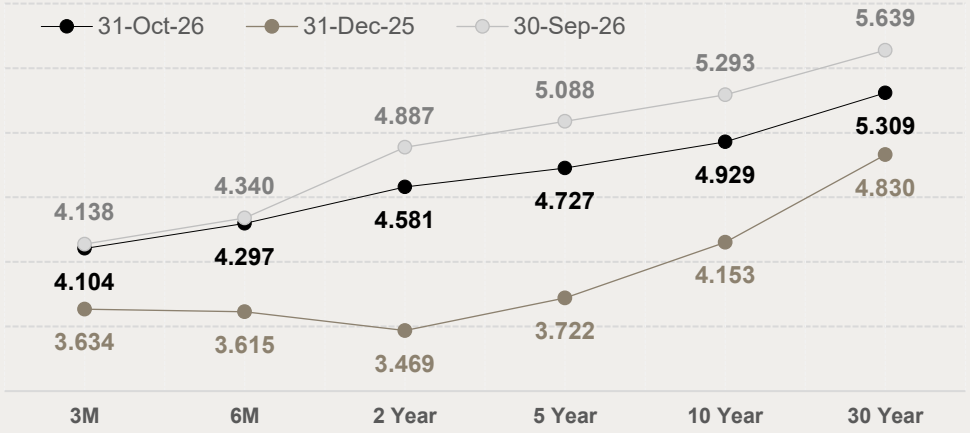
Global Macro and Capital Markets Outlook: Resilient but Increasingly Fragile; Rising Downside Risks Keep Markets Restrained

Factor	View	Comments / Notes
IMF Economic Outlook – Summary	**Neutral with Increased Downside Risks**	The International Monetary Fund (IMF) forecasts global economic growth at 3.1% for 2026 and 3.4% for 2027; the assumptions are optimistic when compared to Fitch forecasts of 2.4% and 2.7% respectively. IMF forecasts are based on the assumption that the US-Iran conflict ending in March 2027. While Global Inflation for 2026 is expected to 4.7% driven by higher energy and food prices; this is likely easy to 4.1% by 2027. **IMF Outlook & Downside Risks:** Global macro economics holding up but the resilience is becoming heavily dependent on, foremost the energy related supply flexibility and also inventory buffers followed by AI related investments. However; fragile energy supply adjustments leave limited head room for another major shock. This could further impact growth; add to it the widening fiscal deficits; higher bond yields resulting in spreading it to wider markets.
Capital Markets Outlook	**Neutral to Negative**	We continue to maintain our stance of neutral to negative. As stated in our previous month report capital market outlook face multiple headwinds which include geopolitics; elevated yields; higher inflation expectations; monetary policy direction and most recent is the earnings growth during Q32026. Will markets continue to be resilient and hold its ground or likely witness a significant correction in the short to medium term depends on how the above factors playout. **How have factors played out so far:** On geopolitics the risks remain with increased uncertainty, while on Yields there has been a relief rally in the fixed income markets during October resulting in decline in yields in the range of 30-40bps across the 2Y-30Y tenor. On the direction of the monetary policy the US Fed though has maintained the interest rates in recent meetings but has made clear its intentions of higher for longer rates. The Fed Fund Futures imply a 75% probability of 25-50bps increase in rates in the next 2–3-month period. The Q32026 earnings have been robust driven by strong earnings from sectors like Energy; Tech; Banking & Financial services etc. Energy sector earnings are driven by higher volumes coupled with improved pricing; while Tech stocks though have reported higher earnings growth have been penalized for negative free cash flows due higher AI related Capex. In the case of Banking & Financial Services sector higher income from Equities trading was the key earnings driver as lending margins remained under pressure for banks. **US Midterm Elections: Preliminary Results and Potential Market Implications:** As we write, results from the US midterm elections continue to emerge. Early results indicate that the Democrats have majority over the Congress which includes both the Senate and the House of Representatives. The preliminary market implications are that it may assign a higher probability to congressional constraints on further military escalation and increased political pressure for diplomacy in the US-Iran conflict. This would not necessarily imply an immediate end to the conflict. However, it could reduce the geopolitical risk premium currently embedded in energy prices and other risk-sensitive assets

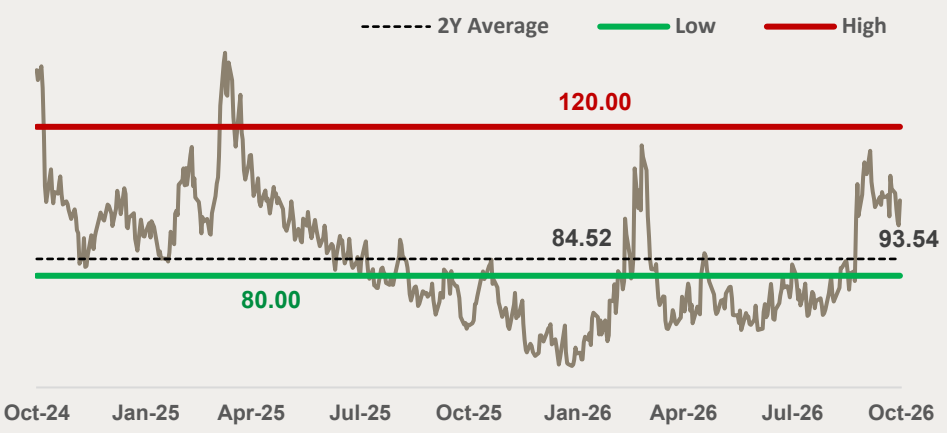
Global Benchmark Yields

Benchmark Yields continue to move upwards key driver being demand for higher real returns; as volatility remains elevated

US Treasury Yield Curve (%)

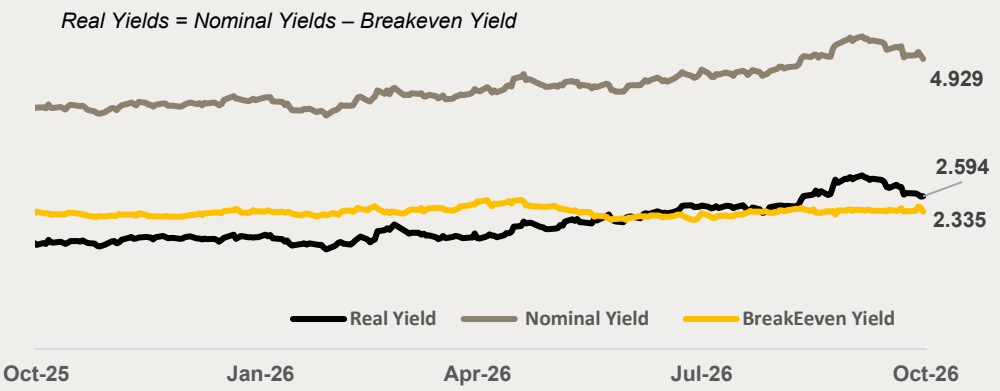


MOVE Index - US Bond Market Volatility Estimate Index



- Fixed income markets witnessed a rally on a monthly basis established by the bullish flattening of the US Treasury curve. Bullish as the bond prices increased and flattening as long maturities fell sharper when compared to short tenors. The 2Y Yields were down 30bps; while the 5Y and 10Y were down 38 and 39bps respectively
- The volatility in the Fixed Income markets remain elevated, the MOVE index is above is 10.6% above the 2 Year average level an indication that interest rate volatility and duration risks remain elevated.
- The Yield Drivers chart indicates that the rise in US 10Y Nominal Yields was mainly due to Real Yields increasing which point to investors demanding higher return premiums and factoring persistent higher inflation expectations

Yield Drivers (US 10Y Treasury Yield %)



Source: Refinitiv, Year-to-Date (YTD) as of October 30, 2026

Equity Markets Update

Global Equities continue to remain soft amid earnings announcements; geopolitical risks and Fixed Income market volatility

Global Equities: Earnings Update

The consensus S&P500 earnings growth for the Q32026 is expected to be 31%; largely driven by strong earnings expectations from sectors like Energy; Tech; Banking & Financial services etc.

So far, the earnings forecast have played to expectations; in the case of Energy sector Chevron Corp has reported a 140% increase in earnings for the 9 months period (9M2026) on the back of higher petrochemical volumes coupled improved product pricing.

In the case of Tech stocks, companies reported strong earnings however the stocks have reacted negatively on the back of negative free cash flows due to increased AI related Capex. Also; management guidance is of higher capex for 2027, thus one can expect continued pressure on cash flows.

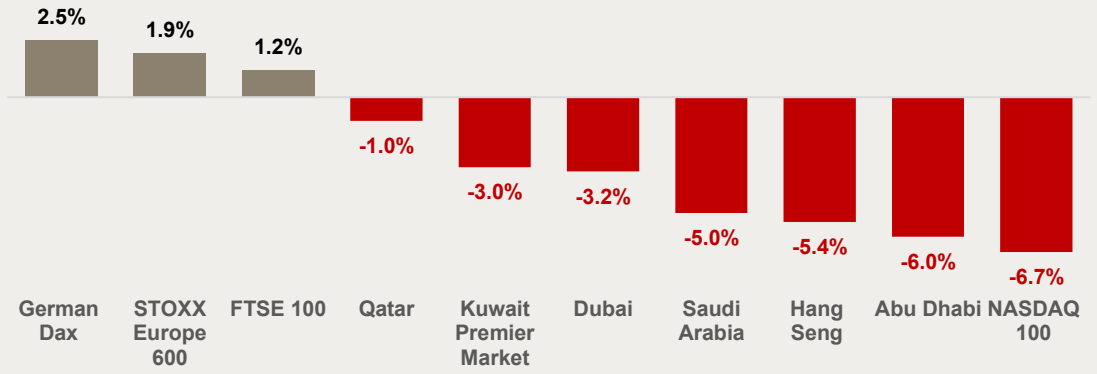
In the case of Banking & Financial Services sector higher income from Equities trading was the key earnings driver as lending margins remained under pressure for banks.

GCC Indices: Earnings Update

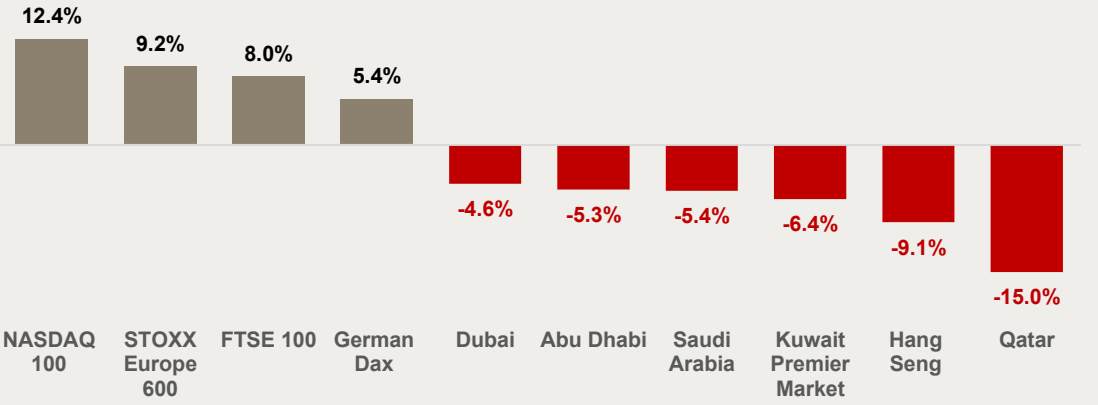
Overall GCC banking sector has reported high single digit growth in earnings driven by higher non-Operating Income; stable provisions. While lending margins continued to remain under pressure.

As we write Saudi Aramco reported 36.1% increase in earnings driven by 15.2% growth in revenues on the back of higher prices for refined products and crude oil as volumes remained low.

Global Equity Markets Performance – Month to Date (MTD)



Global Equity Markets Performance – Year to Date (YTD)*

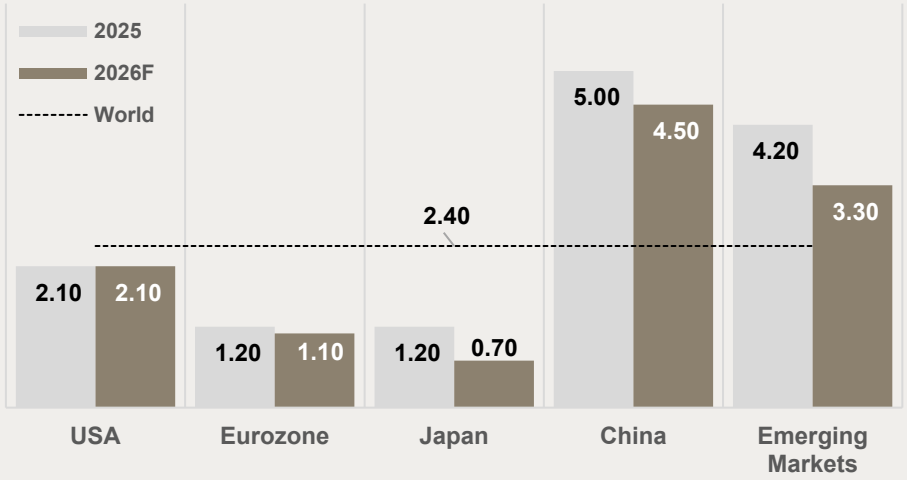


Source: Refinitiv; *Index Closing as of October 30, 2026

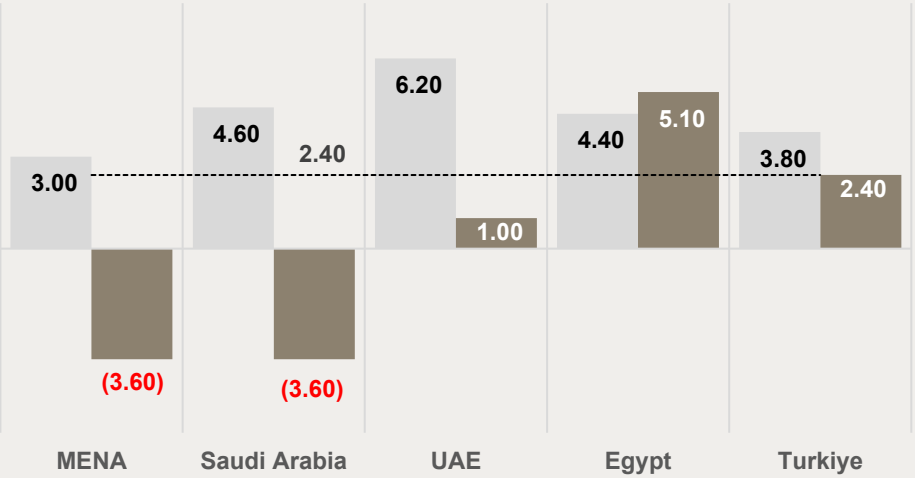
Macroeconomic Overview

Global Growth to remain sluggish and volatile going into 2027 the central macro risk being the geopolitical developments in the Middle East.

Real GDP Growth (%) - Global



Real GDP Growth (%) – MENA Region



- GDP growth continues to remain resilient at 2.4% for 2026 and expected to reach 2.7% for 2027 as per recent Fitch Global Macro report. The growth rates are conservative when compared to the IMF forecasts wherein the 2026 GDP growth is expected to be 3.1% for 2026 and 3.4% for 2027
- However; both reports concur that the potential downside risks to GDP growth remain elevated and the central theme driving the risks is the delay in the resolution of the US-Iran conflict, which will keep energy prices, inflation and interest rates higher for longer

- On regional basis; as per the Fitch macro report the GCC economy is forecasted to contract by 4.2% for 2026 a further contraction compared to previous estimates of a contraction of 3.5%; it is primarily due to the conflict related disruptions. The IMF does not publish a single GCC aggregate of growth rate.
- The expectations are of a sharp rebound in 2027 in GCC growth of 9.4% based on the IMF assumption that the Strait of Hormuz to reopen by March 2027.

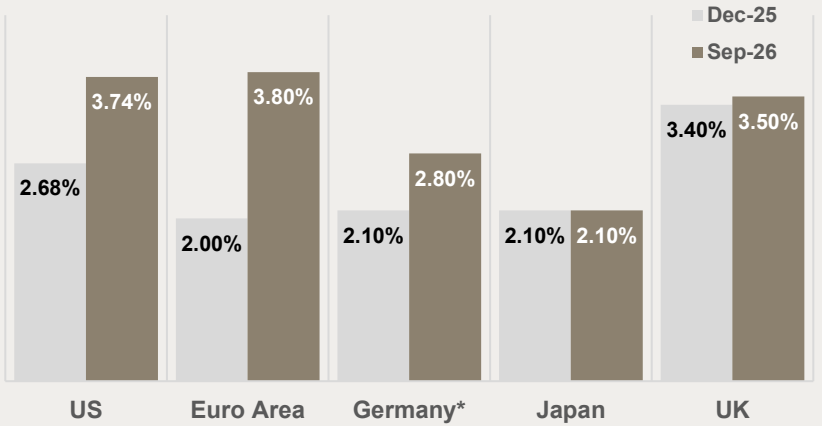
Source: Fitch Solutions, f=forecasted, e=expected

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Consumer Price Inflation & Central Banks' Rates Monitor

Outlook the Interest Rates is higher for longer supported by sustained elevated inflation and energy prices

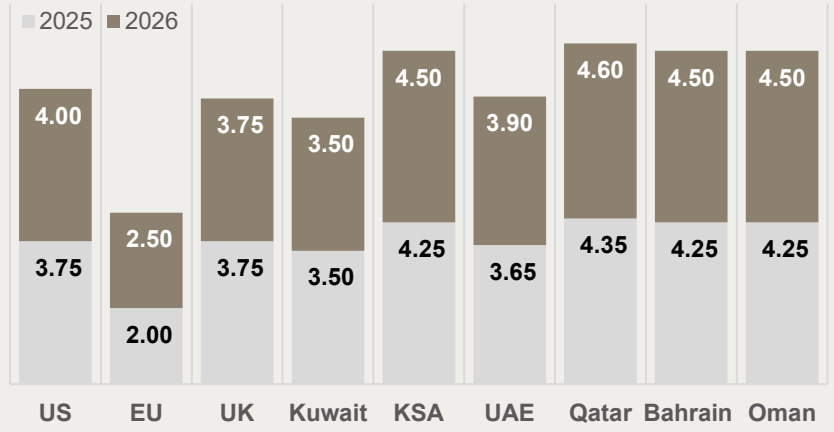
Consumer Price Index (CPI)



- Inflation data for the month of September remain elevated; the US Inflation for September stood at 3.74% up from previous month levels of 3.4%. While Eurozone inflation stood at 3.8% up from 3.2% for the same period. Key drivers being higher energy and related product prices. With average Brent Crude prices up 6.19% on a monthly basis we believe one can expect sustained higher inflation expectations
- On the Central Bank rates; major central banks kept rates unchanged during the scheduled meetings in October. Market participants / Investors considering near term tightening in interest rates. The Fed Fund Futures imply a probability in excess of 75% of 25-50bps increase in rates in the next 2–3-month period

*Source: Refinitiv; CPI: Consumer Price Inflation; *for the month of October 2026;*

Central Banks Rates



Economic Calendar

November 2026

Sun	Mon	Tue	Wed	Thu	Fri	Sat
01	02	03	04	05	06	07
08	09	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	01	02	03	04	05

Nov 03: Consumer Price Inflation - Türkiye
Nov 04: Consumer Price Inflation - Eurozone
Nov 05: Bank of England Meeting
Nov 06: Non-Farm Payroll Data - US
Nov 10: Consumer Price Inflation - US
Nov 18: Consumer Price Inflation - UK
Nov 20: Consumer Price Inflation - Japan

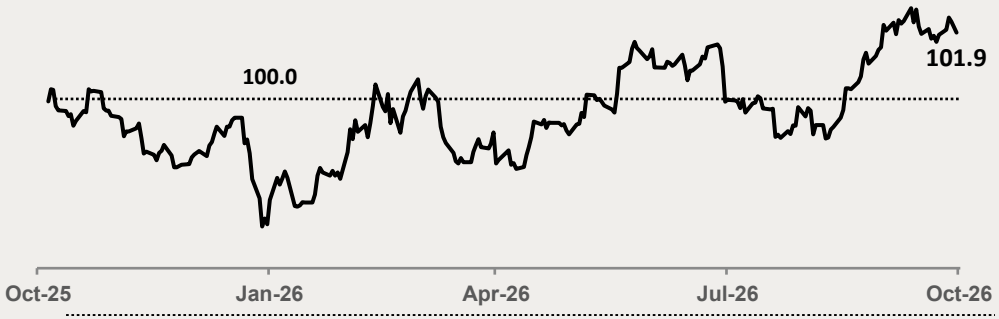
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Commodities and Forex Overview

Commodity Outlook remains divergent as supply risks support crude; elevated yields constrain Gold prices and uncertain demand impacts metals.

- Gold prices closed below the USD 4,000 per Ounce as it recorded a monthly decline of 6.49%; while on a YTD basis it is down 10.17%. The average price of gold during October stood at USD 4095.57 per ounce down 5.55% when compared to previous month average price
- The underperformance of the precious metals can be explained as tactical asset allocation given the rise in Fixed income Yields. Also; with central bank rates expectations to be higher for longer and the strengthening of the US Dollar resulted in downside pressure on gold prices
- Crude oil prices continued to trade above the USD 100 per barrel mark during the same period primarily supply driven. With the rise in political risks the crude closed the month at USD 117.64 per barrel. While the average price during the month was up 6.19%; it was at USD 108.34 per barrel up from previous month average of USD 102.0

US Dollar Index Strengthens 3.62% on a Year-to-Date basis



Oil & Gas	Last	MTD	3M	YTD
NYMEX (USD Per Barrel)	104.12	15.15%	22.97%	81.33%
Brent Crude (USD Per Barrel)	117.64	13.63%	30.54%	93.33%
DME Oman Crude (USD Per Barrel)	123.84	5.77%	43.98%	101.60%
Natural Gas (USD MMBTU)	2.90	-4.23%	5.50%	-21.38%
LNG - ASIA (USD MMBTU)	32.50	25.73%	52.22%	238.54%
Precious Metals	**Last**	**MTD**	**3M**	**YTD**
Gold (USD Ozs)	3,885.70	-6.49%	-4.04%	-10.17%
Silver (USD Ozs)	49.10	-18.31%	-14.75%	-30.00%
Base Metals	**Last**	**MTD**	**3M**	**YTD**
Aluminum (USD/Tonne)	3,078.5	-2.87%	-3.31%	2.77%
Alu Alloy (USD/Tonne)	3,000.0	-6.25%	-6.25%	19.57%
Copper (USD/Tonne)	14,356.5	-0.37%	4.10%	15.56%
Tin (USD/Tonne)	49,697.0	-7.84%	-10.08%	22.54%
Zinc (USD/Tonne)	3,883.0	1.40%	6.59%	24.55%
Lead (USD/Tonne)	1,915.0	2.22%	2.00%	-4.77%
Nickel (USD/Tonne)	15,536.0	-2.46%	-9.93%	-6.67%
Rolled Steel (CNY/Tonne)	2,883.9	-1.60%	-2.25%	-6.83%

Source: Refinitiv, YTD as of October 31, 2026

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