BRAINVEST WEALTH MANAGEMENT

GLOBAL MONTHLY LETTER

OCTOBER 2026





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FROM MOMENTUM TO "NOT SO FAST"

> **Sometimes, nothing fundamental needs to change for everything to be seen differently.**

Only a month ago, investors were confronting an economy that seemed almost too resilient for its own good. Strong growth, persistent inflation and an extraordinary investment cycle were pushing Treasury yields higher, challenging assumptions about the cost of capital. Yet equities remained remarkably composed. October brought an abrupt change of tone. The same economic strength that had supported confidence began attracting closer scrutiny, particularly as investors questioned the scale, financing and eventual returns of AI-related investment. Equities retreated, bond yields declined and the market narrative shifted from *"how much further?"* to *"not so fast"*. What makes this reversal particularly interesting is that the underlying economic evidence had hardly weakened.

WHAT HAPPENED

October marked a sharp contrast with September. After approaching 5.30% at the end of the previous month, the U.S. 10-year Treasury yield retreated below 5%, helping Treasuries gain 2.4% and Investment Grade bonds advance 2.2%.

Equities moved in the opposite direction. Global stocks declined 1.6%, with U.S. equities losing 0.9% and Emerging Markets falling 7.5%. China dropped 8.3%, while Europe proved more resilient, gaining 2.2%. Elsewhere, gold declined 6.8%, Bitcoin lost 8.2%, and oil surged 15.2%.



The most notable shift occurred within technology. After months of strong investment momentum surrounding AI, investors began scrutinizing the enormous capital expenditure commitments of leading technology companies, increasingly questioning their financing requirements and eventual profitability. Semiconductor stocks experienced a particularly sharp correction, despite another relatively strong corporate earnings season.

Meanwhile, economic fundamentals told a different story. U.S. GDP expanded at an annualized 3.4% in the third quarter, supported by resilient consumption and business investment. The Federal Reserve kept interest rates unchanged at 3.75-4.00%, while upgrading its description of economic growth from *"solid"* to *"strong"*. Inflation offered little reassurance, with headline PCE accelerating to 3.6% year-on-year.

WHAT WE THINK

Conviction can take years to build and moments to question. Fundamentals rarely change at the same speed. October illustrated this distinction particularly well: markets shifted from worrying about an economy running too hot to questioning the sustainability of its growth drivers, even as the economic data continued to point toward resilience.

The reassessment of AI-related investment deserves attention, but not necessarily alarm. The scale of spending is extraordinary, and investors are right to examine whether it will ultimately generate attractive returns. Yet technological potential, corporate profitability and stock-market performance are three distinct questions. Strong earnings growth has already contributed to a meaningful compression in forward valuation multiples across several major U.S. technology companies. The recent correction should therefore not automatically be interpreted as the unwinding of an excessively valued market.

The bond market's reversal is equally noteworthy. For the first time in a long while, duration played its traditional role as a portfolio diversifier, with falling Treasury yields cushioning the decline in equities. This was a welcome reminder that the relationship



between stocks and bonds has not disappeared entirely, even if it has become considerably less reliable.

However, one month of renewed diversification benefits does not establish a lasting change in the interest-rate environment. Economic activity remains strong, inflation pressures are persistent and energy prices have risen sharply. These conditions hardly provide a compelling foundation for assuming that long-term yields will continue to decline. Renewed upward pressure remains a meaningful possibility.

Our October Investment Committee therefore maintained its positioning. We remain slightly underweight interest-rate sensitivity, favoring flexible fixed-income strategies and selective credit opportunities, while retaining a slight overweight to hedge funds as differentiated sources of return.

Within equities, we maintain a neutral overall allocation and our modest preference for the U.S. over Europe. Stronger American economic momentum, more attractive relative valuations following the recent de-rating, and Europe's greater vulnerability to energy costs continue to support that assessment.

WHAT THIS MEANS FOR YOU

October reminds us that market narratives can reverse much faster than the economic conditions underpinning them.

A correction in technology stocks does not necessarily undermine the longer-term investment case for innovation. Equally, a month in which government bonds successfully diversified equity risk does not establish that duration has regained its reliability as a structural portfolio hedge.

For investors, the challenge is not to react to every change in sentiment, but to determine whether new information genuinely alters the investment thesis.



This is why we continue to favor balanced equity exposure, disciplined management of interest-rate risk and diversified sources of return. Our objective is not to anticipate every market reversal, but to construct portfolios that remain resilient when expectations shift unexpectedly.

ONE LAST WORD

September challenged investors to reconsider how high interest rates could rise in a resilient economy. October reminded them how quickly that same resilience can be viewed through a different lens.

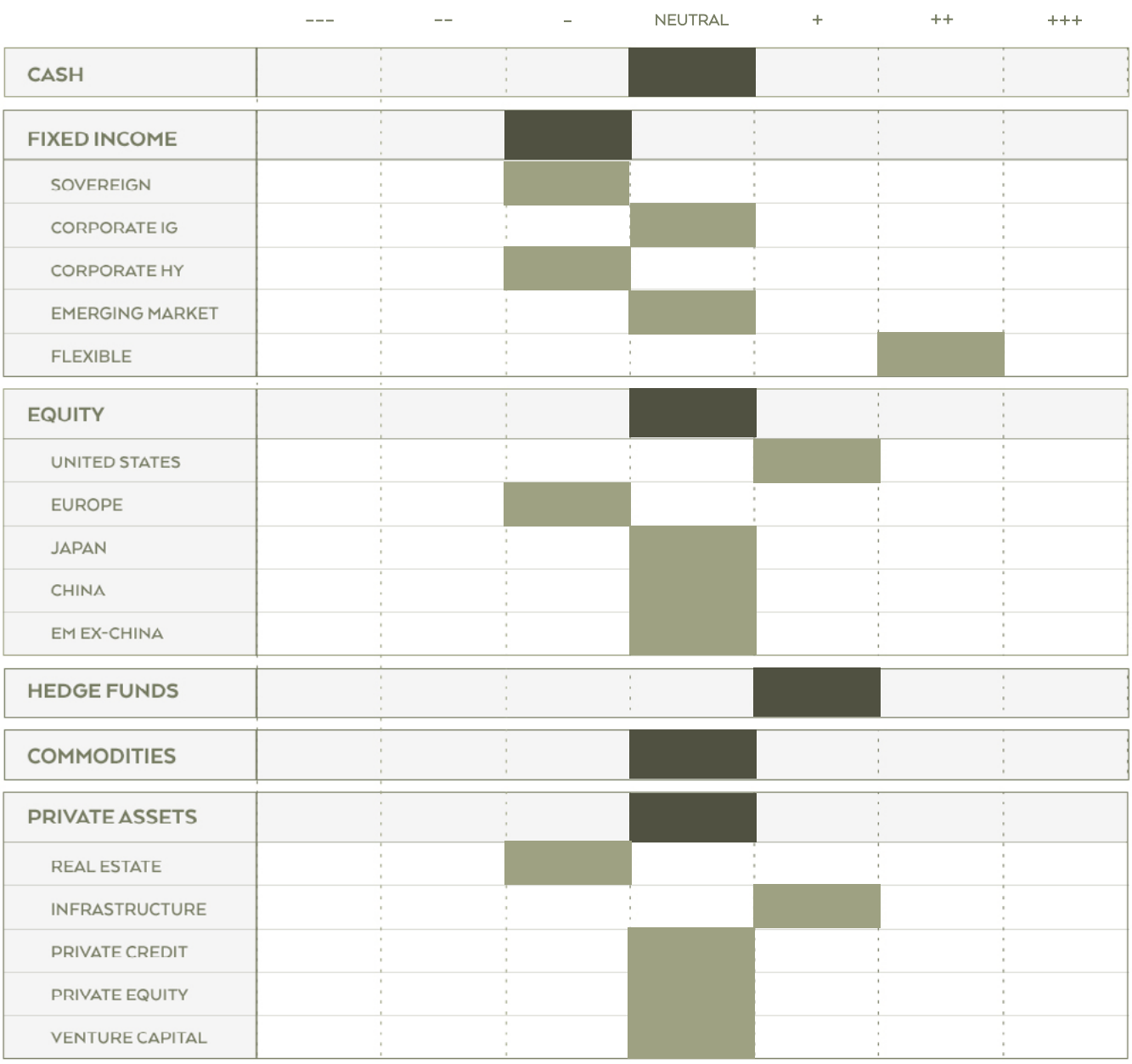
The market has changed its questions. The economy has not yet changed its answers. And perhaps that is the distinction worth remembering: a change in perspective deserves our attention, but not necessarily a change in conviction.



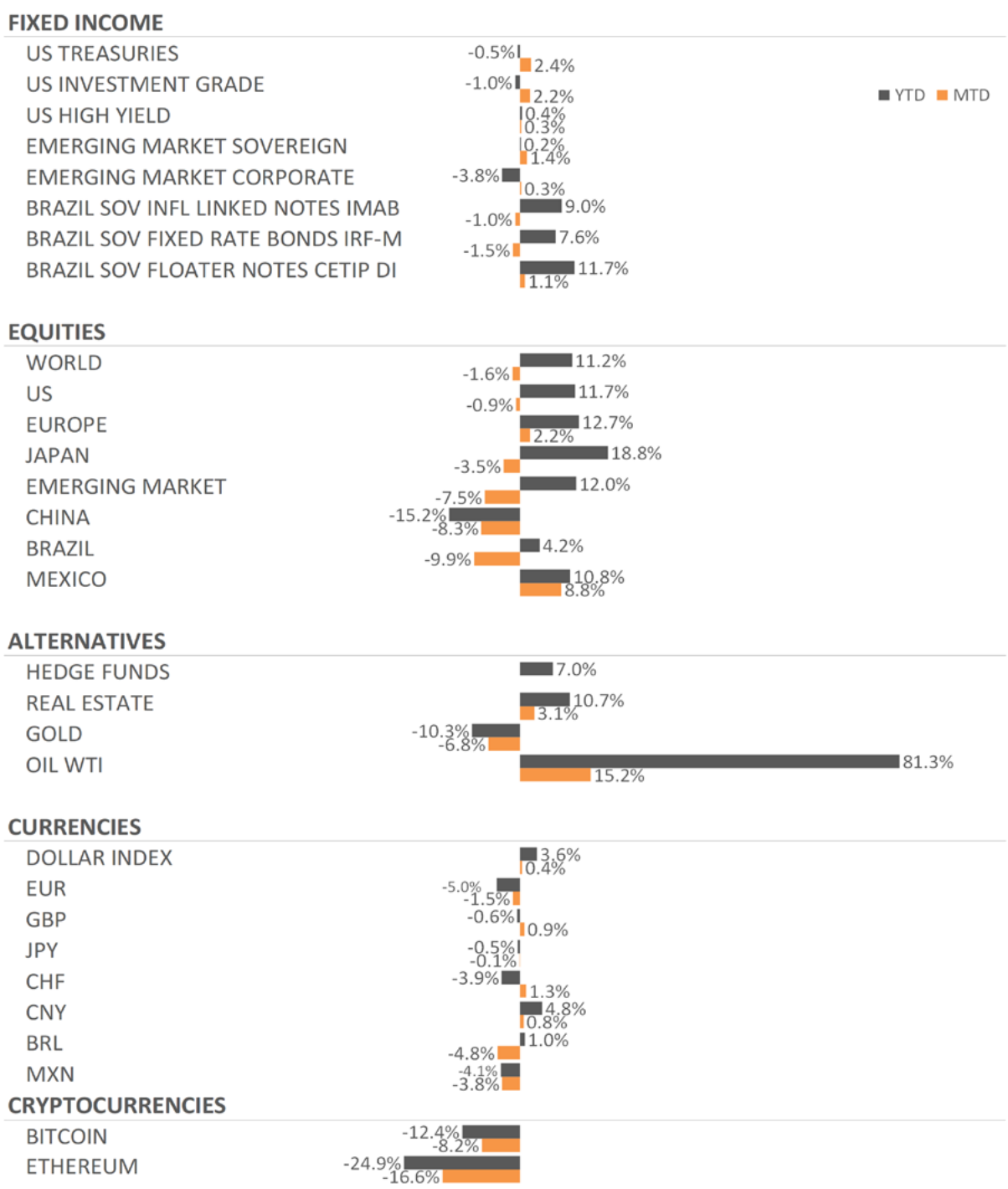
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FIXED INCOME
US TREASURIES -0.5% 2.4%
US INVESTMENT GRADE -1.0% 2.2%
US HIGH YIELD 0.4%
EMERGING MARKET SOVEREIGN 0.3%
EMERGING MARKET CORPORATE 0.2% 1.4%
BRAZIL SOV INFL LINKED NOTES IMAB -3.8% 0.3%
BRAZIL SOV FIXED RATE BONDS IRF-M 9.0% -1.0%
BRAZIL SOV FLOATER NOTES CETIP DI 7.6% -1.5% 11.7% 1.1%
YTD
MTD
EQUITIES
WORLD 11.2% -1.6%
US 11.7% -0.9%
EUROPE 12.7% 2.2%
JAPAN 18.8% -3.5%
EMERGING MARKET 12.0% -7.5%
CHINA -15.2% -8.3%
BRAZIL 4.2% -9.9%
MEXICO 10.8% 8.8%
ALTERNATIVES
HEDGE FUNDS 7.0%
REAL ESTATE 10.7% 3.1%
GOLD -10.3% -6.8%
OIL WTI 81.3% 15.2%
CURRENCIES
DOLLAR INDEX 3.6% 0.4%
EUR -5.0% -1.5%
GBP -0.6% 0.9%
JPY -0.5% -0.1%
CHF -3.9% 1.3%
CNY 4.8% 0.8%
BRL 1.0% -4.8%
MXN -4.1% -3.8%
CRYPTOCURRENCIES
BITCOIN -12.4% -8.2%
ETHEREUM -24.9% -16.6%



ECONOMIC CALENDAR

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Nov 02	Brazil & Mexico - Holiday - All Souls' Day
	S&P Global Eurozone Manufacturing PMI
	ISM Manufacturing PMI
Nov 03	JOLTS Job Openings
Nov 04	S&P Global Eurozone Composite PMI
	CPI YoY
	ISM Non-Manufacturing PMI
	Selic Rate
Nov 05	Nonfarm Productivity (QoQ)
	Initial Jobless Claims
	Overnight Rate
Nov 06	Change in Nonfarm Payrolls
	Unemployment Rate
	Michigan Consumer Sentiment
Nov 09	CPI YoY
	CPI YoY
Nov 10	CPI YoY
Nov 12	CPI YoY
Nov 13	GDP (YoY)
	PPI Final Demand MoM
Nov 16	Holiday - Revolution Day
Nov 17	Retail Sales
Nov 18	Housing Starts
Nov 20	Holiday - Black Awareness Day
Nov 23	GDP NSA YoY
Nov 24	FHFA House Price Index QoQ
Nov 26-27	Holiday - Thanksgiving

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