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GLOBAL INSTITUTIONAL ADVISORS

Weekly Market Wrap

Key Market Developments

US equities fell as the market's AI concern shifted from demand to financing. The Nasdaq-100 lost 5.5% and the S&P 500 1.9%, while the Dow gained 0.7% as leadership rotated toward less duration-sensitive companies, led by energy, financials and defensives. The Philadelphia Semiconductor Index fell 11.4%, its eighth straight daily decline and the longest losing streak since 2008, as debt-funded data-centre expansion, monetisation doubts and Chinese memory-chip competition hit chips and leveraged infrastructure names. Inflation re-accelerated: September CPI rose 0.6% on the month and 3.7% on the year (core 0.3% and 2.6%), while PPI rose 1.3% on the month and 6.3% on the year. Treasuries rallied regardless, with the 10-year yield at 5.07%, down 16.5bp on the week, and the 30-year near 5.44%, down about 16bp. Safe-haven demand and position unwinds outweighed the inflation data, but it is too early to judge whether this is a durable move lower in long-dated yields. Earnings have been solid rather than exceptional: with 9% of S&P 500 companies reported, 84% have beaten EPS estimates (five-year average 78%), but the aggregate surprise of 2.6% compares with a 7.5% average. Blended Q3 earnings growth is 29.0%.

Oil and gold moved against the usual risk-off pattern. Brent settled at $109.86 on Friday after a second weekly gain as Strait of Hormuz risks returned, and WTI rose 10.4% to $101.4. Gold fell 0.7% to about $4,166 and silver fell 6.3%. Both sold off on the CPI release: with a December Fed hike priced near 90%, higher expected policy rates raise the opportunity cost of holding non-yielding assets. Outside the US, equity markets diverged. MSCI EM fell 5.2% and the Nikkei declined 5.4%, while the Hang Seng was flat (-0.1%) and the Stoxx 600 rose 2.1%. India's Sensex gained 3.1% and the rupee strengthened 1.8% to 94.96 per dollar, with the Nifty IT index up 11.7% after results from sector heavyweights.

What We Are Watching - Week Starting 19th October

- **AI credit quality, not simply AI earnings:** CoreWeave's 5-year CDS widened about 25% this week to roughly 1,128bp. It is a potential canary for the AI trade, though the broader high yield CDS index moved only 6%. The IMF raised its 2026 global growth forecast by just 0.1 point to 3.1% and named a sharp fall in AI shares as a main risk.
- **Inflation breadth and the FOMC, 27 and 28 October:** This week's Fed speeches were the last before the meeting and none ruled out another hike. September CPI at 3.7% and PPI at 6.3% argue for one, and with very low unemployment, sticky inflation should force a policy response even if the Fed pauses in October. Jobless claims on 22 October (prior 199,000) are the next test, with around 200,000 still acceptable. Markets price only a 10% to 16% chance of an October hike, but about 89% for December.
- **The bond rally's durability:** If long yields resume rising while equities remain weak, fiscal supply and inflation risk are reasserting themselves. Further yield declines alongside wider credit spreads would instead signal growth stress.
- **Oil and geopolitics:** Sustained Brent above $110 would pressure margins, consumer demand and rate-cut expectations, while supporting energy exporters and selected GCC fiscal balances. Geopolitics remains a recurring theme until the Middle East conflict is resolved, and Ukraine launched a large attack on a Russian oil terminal in St. Petersburg over the weekend.
- **Earnings as a test of AI capex:** 76 S&P 500 companies report next week, including Tesla and Meta. Guidance on capital spending and funding will matter more than the headline beat.

GIA View

Equities:

- Neutral overall. Overweight quality and balance-sheet strength. Retain selective exposure to profitable AI leaders, but underweight leveraged data-centre and second-order beneficiaries.
- Remain constructive on India from a medium-term perspective. The Sensex outperformed MSCI EM this week (+3.1% against -5.2%) but remains down 12.9% year to date against +13.4% for MSCI EM.

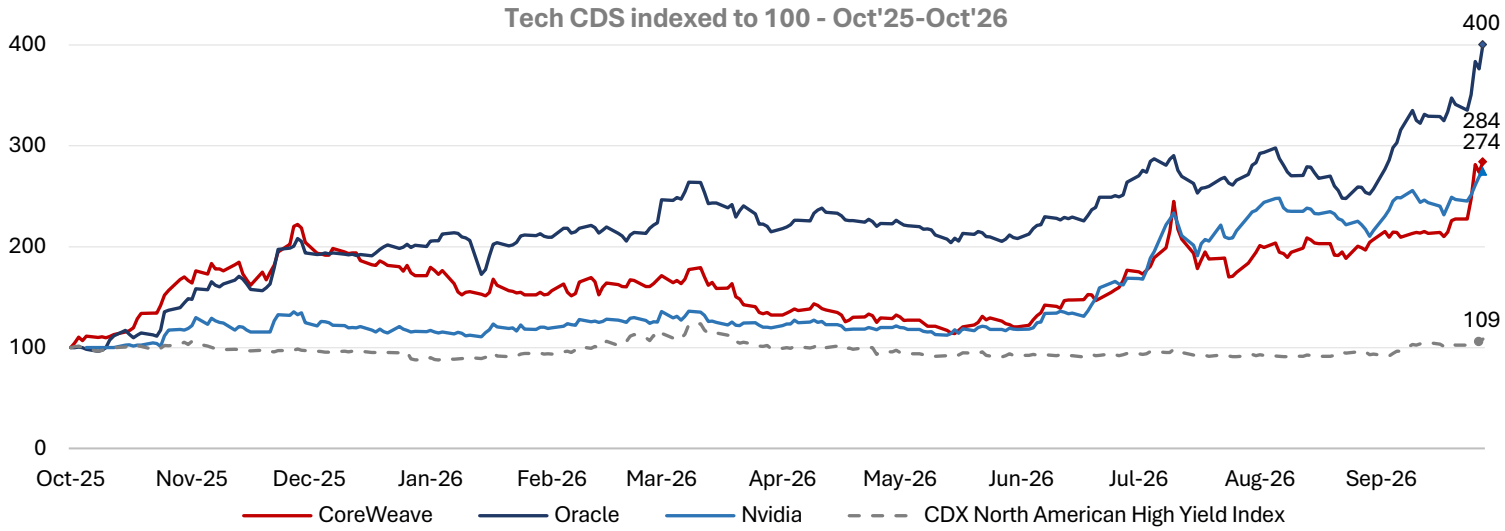
Rates:

- Overweight high-quality 2-to-7-year carry and neutral long duration. Yield volatility limits conviction in long-duration paper. Extend duration only on renewed yield spikes or clearer growth deterioration and prefer investment grade to high yield.
- The 10-year fell about twice as much as the 2-year (16.5bp against 7.9bp), flattening 2s10s to about 36bp. The front-end stays anchored by the Fed's September hike to 3.75% to 4.00% and the risk of more, while haven demand drove the long end. India's 10-year yield rose 8bp to 7.38% while US, German, UK and Japanese yields fell.

Commodities:

- Gold: strategic overweight. Maintain at least 5% as a strategic portfolio hedge.
- Gold's 0.7% fall and silver's 6.3% fall widened the gold/silver ratio to about 73. Oil above $100 keeps Fed hike risk alive, which caps near-term gold rallies without weakening its hedging role.

Chart of the week: AI credit stress is spreading beyond CoreWeave



Source: Bloomberg

CoreWeave is the most leveraged listed proxy for debt-funded AI capacity, so financing strain should show up in its credit first. Its 5-year CDS widened about 225bp this week, and its bonds have pushed yields above 15%. More importantly, the repricing is not confined to one issuer. Oracle's CDS widened 17% and Nvidia's 11% over the same week, from much lower levels, which suggests the market is pricing funding and counterparty risk across the AI supply chain. The broader high yield index widened only 6%, so this is a repricing of AI-linked credit rather than a general credit event. That matters for equities because AI valuations assume cheap, continuous access to capital: when credit spreads rather than earnings become the binding constraint, funding costs rise even if end demand is intact. The test is whether widening reaches investment grade AI issuers or stays confined to the weakest balance sheets.

Asset Class Performance – Week Ending 16th October 2026

	Week ending >>>				
	09-Oct-26	**16-Oct-26**	**YTD Δ**	**MTD Δ**	**Weekly Δ**
Equity Indices					
S&P 500 (USD)	7,811.5	7,659.4	11.7%	(1.1%)	(1.9%)
NASDAQ (USD)	30,883.2	29,187.6	15.8%	(4.6%)	(5.5%)
Dow Jones (USD)	51,655.0	52,002.4	7.5%	0.3%	0.7%
MSCI EM Index (USD)	1,708.8	1,620.6	13.4%	(6.4%)	(5.2%)
SENSEX (INR)	72,472.3	74,729.3	(12.9%)	1.1%	3.1%
Stoxx 600 (EUR)	631.6	644.7	8.2%	1.0%	2.1%
Nikkei (JPY)	69,030.9	65,324.3	29.8%	(1.6%)	(5.4%)
Hang Seng (HKD)	24,211.4	24,186.8	(8.2%)	(1.3%)	(0.1%)
Commodities					
Gold (USD per troy ounce)	4,194.2	4,165.6	(3.8%)	(2.8%)	(0.7%)
Silver (USD per troy ounce)	60.8	57.0	(21.7%)	(11.4%)	(6.3%)
Oil (USD per barrel)	91.9	101.4	76.9%	9.7%	10.4%
Natural Gas (Henry Hub)	3.2	3.1	(13.9%)	(2.5%)	(3.2%)

	09-Oct-26	16-Oct-26	YTD Δ	MTD Δ	Weekly Δ
Currencies					
EUR/USD	1.1200	1.1239	(4.1%)	(1.3%)	0.3%
GBP/USD	1.3234	1.3327	(1.0%)	0.6%	0.7%
USD/INR	96.7350	94.9563	5.3%	(0.9%)	(1.8%)
CHF/USD	1.2047	1.2136	(3.8%)	0.5%	0.7%
USD/JPY	158.3100	158.0200	0.8%	0.5%	(0.2%)
Credit Markets					
US Treasury 10Y Yield (%)	5.24	5.07	88.21	(8.76)	(16.50)
German Bund 10Y	3.48	3.43	52.60	(17.50)	(5.50)
UK Gilt 10Y	5.443	5.373	83.65	0.70	(7.00)
Japan JGB 10Y	3.092	2.948	88.20	(12.50)	(14.40)
India G-Sec 10Y	7.299	7.379	77.28	26.00	8.00
China CGB 10Y	1.679	1.645	(21.00)	(2.70)	(3.40)
S&P BDC Index	45.660	45.159	(18.2%)	(5.5%)	(1.1%)
Policy Rates					
Fed Funds Rate (US)	4.000	4.000	25.00	-	-
BoE Bank Rate	3.750	3.750	-	-	-
BoJ Policy Rate	1.250	1.250	50.00	-	-
RBI Repo Rate	5.500	5.500	25.00	25.00	-

Key Economic Events – Week of 19–23 October

Date	Country/Region	Event	Period	Survey (Median)	Prior
Mon, 19 Oct	China	GDP YoY	3Q	4.40%	4.30%
Tue, 20 Oct	Germany	PPI YoY	Sep	6.30%	4.60%
Tue, 20 Oct	US	Housing Starts	Sep	1,303k	1,275k
Wed, 21 Oct	UK	CPI YoY	Sep	3.40%	3.10%
Thu, 22 Oct	US	Initial Jobless Claims	w/e 17-Oct	200k	199k
Fri, 23 Oct	Japan	National CPI YoY	Sep	2.10%	1.90%
Fri, 23 Oct	US	S&P Global Composite PMI (Flash)	Oct	57.4	58.4

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