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GLOBAL INSTITUTIONAL ADVISORS

Weekly Market Wrap

Key Market Developments

US equities ended a volatile week slightly lower as investors kept selling AI stocks. The S&P 500 fell 0.5% and the Nasdaq 0.8%, while the Dow rose 0.4% as money moved from growth into value. Meta's results set off the selling. Revenue beat expectations, but Meta raised its capex guidance to $135–145 billion and reported its first negative free cash flow since its 2012 IPO. Its credit default swaps then hit a record, and investors began asking how AI spending will be paid for. The Philadelphia Semiconductor Index dropped 6.7% on Thursday, its worst day since June, and ended the week 4.7% lower at 10,779.46. US financials held up well. The S&P 500 Financials index rose 1.5% to 929.98 as money moved out of tech into sectors less exposed to AI spending. Treasuries gained from the move to safety. Yields fell at every maturity: the 10-year ended at 4.99%, down 8 bp, and the 2-year at 4.68%, down 3 bp. Most of the drop came on Thursday, when the 10-year fell 17 bp to 4.96%, its biggest one-day fall in more than two years and its first close below 5% since September. Investors moved into Treasuries as the tech sell-off, turmoil in French bonds and rising Middle East tensions dampened appetite for risk. The rally came despite September CPI of 3.7%. Markets have all but ruled out a hike on 28 October but still see about a 76% chance of one in December. With initial jobless claims at 194,000, the lowest since mid-July, the labour market gives the Fed little reason to ease.

In Europe, French bonds went against the global rally. Political and fiscal worries pushed France's 10-year yield up 21 bp to 5.02%, while the Bund yield fell 8 bp to 3.35%. That took the spread to about 167 bp, the widest since 2011, and left A+ rated France paying more to borrow than BBB- rated Greece (4.39%). Asia took the brunt of the AI sell-off. The Nikkei fell 4.0%, led by SoftBank, Tokyo Electron and Advantest after Meta's spending plans and Lam Research's weak guidance hit chip stocks. The Hang Seng fell 4.5% as Tencent and Alibaba led tech lower. Hopes of fresh Chinese stimulus also faded after data showed growth on track, and CATL's slower profit growth added to the gloom. Korea's KOSPI is the market most tied to AI memory demand. It lost 3.5% on Thursday as Samsung Electronics and SK Hynix fell on doubts that AI data-centre spending will pay off, leaving it close to 40% below its June peak. China's CSI 300 is now in a bear market after 10 straight weekly falls, dragged down by weak profits, price wars and soft domestic demand.

Brent settled at $116.72 on Friday, up about 6% on the week and its highest close since 29 April, after Houthi rebels claimed strikes on Saudi energy infrastructure. WTI rose 1.8% to $103.27. Gold fell 4.1% to $3,996, its first close below $4,000 since mid-July, and silver fell 5.4% to $53.89.

What We Are Watching – Week Starting 26th October

- **FOMC (Wed 28 Oct), then US GDP and core PCE (Thu 29 Oct):** Markets expect the Fed to hold at 3.75–4.00%, so the focus is on whether it signals a December hike. Inflation supports a hike: September CPI was 3.7%, core PCE was 3.0% in August, and higher oil adds to the pressure. Bonds point the other way, with the 10-year yield down 28 bp this month as the AI sell-off raised growth worries. Q3 GDP (consensus 3.2%, against 2.2% in Q2) and September core PCE (consensus 3.1%) come out the day after the decision. Strong numbers would make any cautious message from the Fed harder to sustain.
- **Europe:** The ECB is expected to hold its deposit rate at 2.50% on 29 October after raising it in September, and most economists expect a final 25 bp hike in December. France makes this meeting more important than usual. Its 10-year yield is at 5.02%, about 167 bp over the Bund and the widest gap since 2011. Markets will read closely any comment on spreads or on the Transmission Protection Instrument, the ECB's backstop for disorderly bond markets. German October CPI is due on 30 October, with consensus at 3.0% after 3.3% in September. It will show whether the case for a December hike still holds.
- **Asia:** The Bank of Japan meets on 30 October and is expected to hold at 1.25%. The real question is whether it declares that underlying inflation has reached its 2% target, which it has not done since adopting the goal in 2013. Headline CPI rose to 2.1% in September, and most economists now expect a hike in December. Elsewhere in the region, Korean and Taiwanese chipmakers are taking the brunt of the AI sell-off. The KOSPI is now close to 40% below its June peak.
- **AI spending and the cost of funding it:** Meta's free cash flow turned negative in Q3, at -$2.1 billion, its first negative quarter since its 2012 IPO, as capex reached $34.9 billion. Meta has also raised about $25 billion of new debt this year, and it is now creating non-voting Class C shares to help pay for more AI investment. Credit markets have started to price the risk. Meta's five-year CDS hit a record this week, and the cost of protection on Oracle, Microsoft and Broadcom debt also rose. Blackstone sees the wider spreads on AI infrastructure debt as a chance to lend at better yields. We will be watching CDS and bond spreads for weaker-rated, more leveraged borrowers such as CoreWeave, where funding stress would show up first.
- **Geopolitics:** The news flow continues and points to a potential restart of hostilities. The US midterms are on 3 November, but geopolitical events may follow a different timeline.

GIA View

Equities:

- Our equities call is to reduce the overweight allocation to AI/Tech and increase exposure to other sectors, particularly Financials and Healthcare. It remains to be seen how long and deep the correction in AI/Tech stocks goes on. We view it as a transformative technology over the medium to long term and await attractive re-entry opportunities into the sector.

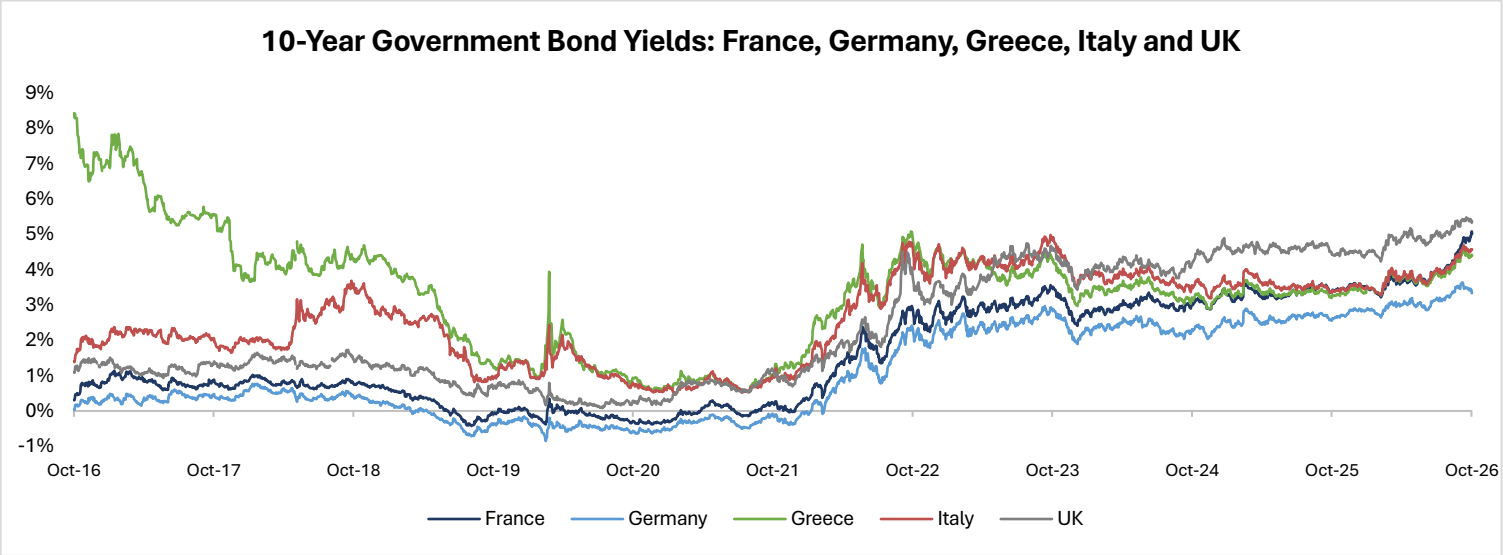
Rates:

- Higher yields and bond volatility has a feedback loop into equities and from a strategic allocation angle we prefer low-mid duration paper and IG over B & CCC rated bonds.

Commodities:

- If hostilities resume and head down a worrisome trajectory i.e. longer or more severe, oil could spike sharply. We prefer gold as a strategic hedge at $3,996, down 4.1% on the week.

Chart of the week: French 10-year yield now trades above Italy and Greece



Source: Bloomberg

The French move this week was country-specific rather than a global duration move. The 10-year yield rose 21 bp while Bund and Treasury yields fell, which took the premium over Bunds to about 167 bp from roughly 70 bp at the start of the year. France's yield is the highest in the ten years shown, and France has traded above Italy on only about 160 of roughly 2,470 trading days, all since September 2025. A premium of this size, with France now above both Italy and Greece, reflects the market pricing fiscal credibility and political risk rather than credit ratings alone, with public debt approaching 120% of GDP and the 2027 presidential election ahead. The size of the French market means a persistent premium raises euro area fragmentation risk, which is why the ECB decision on 29 October matters.

Asset Class Performance – Week Ending 23rd October 2026

	Week ending >>>				
	16-Oct-26	**23-Oct-26**	**YTD Δ**	**MTD Δ**	**Weekly Δ**
Equity Indices					
S&P 500 (USD)	7,659.4	7,623.7	11.2%	(1.5%)	(0.5%)
NASDAQ (USD)	29,187.5	28,957.5	14.9%	(5.4%)	(0.8%)
Dow Jones (USD)	52,002.4	52,215.2	7.9%	0.7%	0.4%
MSCI EM Index (USD)	1,620.6	1,578.0	10.4%	(8.9%)	(2.6%)
SENSEX (INR)	74,729.3	73,123.8	(14.7%)	(1.0%)	(2.1%)
Stoxx 600 (EUR)	644.7	635.8	6.6%	(0.5%)	(1.4%)
Nikkei (JPY)	65,324.3	62,693.2	24.5%	(5.5%)	(4.0%)
Hang Seng (HKD)	24,186.8	23,093.4	(12.3%)	(5.8%)	(4.5%)

	16-Oct-26	23-Oct-26	YTD Δ	MTD Δ	Weekly Δ
Commodities					
Gold (USD per troy ounce)	4,165.6	3,996.1	(7.8%)	(6.7%)	(4.1%)
Silver (USD per troy ounce)	57.0	53.9	(26.0%)	(16.2%)	(5.4%)
Oil (USD per barrel)	101.4	103.3	80.2%	11.8%	1.8%
Natural Gas (Henry Hub)	3.1	2.6	(27.0%)	(17.4%)	(15.3%)
Currencies					
EUR/USD	1.1239	1.1202	(4.4%)	(1.7%)	(0.3%)
GBP/USD	1.3327	1.3374	(0.6%)	1.0%	0.4%
USD/INR	94.9563	94.9425	5.3%	(0.9%)	(0.0%)
CHF/USD	1.2136	1.2121	(4.0%)	0.4%	(0.1%)
USD/JPY	158.0200	156.8700	0.0%	(0.3%)	(0.7%)
Credit Markets					
US Treasury 10Y Yield (%)	5.07	4.99	82.92	(27.61)	(7.83)
German Bund 10Y	3.43	3.35	48.20	(11.70)	(8.10)
UK Gilt 10Y	5.373	5.356	98.18	(1.00)	(1.70)
Japan JGB 10Y	2.948	2.914	83.10	(17.80)	(3.40)
India G-Sec 10Y	7.379	7.474	83.39	26.10	9.50
China CGB 10Y	1.645	1.632	(24.00)	(4.60)	(1.30)
S&P BDC Index	45.159	44.789	(18.9%)	(6.3%)	(0.8%)
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 26–30 October

Date	Country/Region	Event	Period	Survey (Median)	Prior
Tue, 27 Oct	US	Durable Goods Orders (Preliminary)	Sep	1.90%	(0.10%)
Tue, 27 Oct	US	Conf. Board Consumer Confidence	Oct	80.9	81.9
Wed, 28 Oct	India	Industrial Production YoY	Sep	7.20%	8.00%
Thu, 29 Oct	US	GDP Annualised QoQ (Advance)	3Q	3.20%	2.20%
Thu, 29 Oct	US	Core PCE YoY; Initial Jobless Claims	Sep / 24-Oct	3.10% / 198k	3.00% / 194k
Fri, 30 Oct	Germany	CPI YoY (Preliminary)	Oct	3.00%	3.30%
Fri, 30 Oct	Euro Area	GDP QoQ (Advance)	3Q	0.20%	0.60%

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