

GLOBAL MARKETS

WEEKLY MARKET BRIEF

Highlights.

Major U.S. stock indexes delivered mixed results over the week as concerns about the cost and financing of artificial intelligence (AI) investments weighed on large technology companies. Smaller-capitalization and value stocks performed better as market leadership continued to broaden beyond growth-oriented technology shares. The Russell 2000 led the major benchmarks, gaining 2.00%, followed by the Dow Jones Industrial Average, which advanced 0.41%. In contrast, the Nasdaq Composite was lower by 0.79%, while the S&P 500 shed 0.47%. Within the large-cap segment, value stocks outperformed growth stocks for a third consecutive week. Oil prices rose toward the end of the week following reports of renewed tensions in the Middle East. The increase reversed earlier losses that had been driven by optimism surrounding diplomatic engagement between the U.S. and Iran. In the week, AI-related equities experienced another unsettled week as investors balanced encouraging signs of demand against questions about the scale, sustainability, and funding of the industry's capital expenditure plans. Meta Platforms was among the notable movers. Investors focused on the company's substantial investment commitments and potential funding requirements, despite indications that demand for AI-related products and services remained favourable. On the macro front, S&P Global's preliminary October survey indicated that U.S. business activity continued to expand at a robust pace, although growth moderated slightly. The Flash U.S. Composite Purchasing Managers' Index (PMI) declined to 57.6 from 58.4 in September. Readings above 50 indicate expansion. Meanwhile, consumers' expectations for inflation over the coming year edged up to 4.7%, while longer-term inflation expectations increased slightly to 3.5%. In Europe, the pan-European Euro STOXX 600 Index ended the week 2.12% lower. European markets faced pressure from surging oil prices, escalating Middle East tensions, renewed inflation concerns, and domestic political instability. France experienced a deterioration in civil unrest during the week, as cost-of-living demonstrations escalated into widespread riots and looting in major cities. The unrest contributed to selling pressure in both French equities and government bonds. The developments heightened concerns about the country's political stability, fiscal outlook, and ability to manage its public finances. Meanwhile, third-quarter earnings announcements gathered momentum during the week, with results varying considerably across industries while the S&P Global's preliminary Eurozone Composite PMI Output Index indicated that regional economic growth moderated in October. Separately, UK labour market and inflation figures reinforced speculation that the Bank of England might raise interest rates at its next policy meeting on November 5; annual inflation accelerated to 3.5% in September, its highest level since October of the previous year. Moving along to Asia, Japanese equities declined over the week, with the Nikkei 225 decreasing by 4.03% and the broader TOPIX lower by 2.46%. Despite the inflation reading coming in at 2.1% and above the Bank of Japan's (BoJ's) 2% target since December 2025, reports suggested that the BoJ was leaning toward keeping interest rates unchanged at its October 29–30 meeting. Finally, China's economy expanded 4.5% year over year in the third quarter, accelerating from 4.3% in the second quarter and exceeding the median Reuters poll forecast of 4.4%. GDP growth for the first three quarters reached 4.6% year over year, leaving the government's full-year growth target of 4.5%–5.0% within reach.

Data highlights: CAD Inflation Rate YoY (Sep) rose +10bps, from 3% to 3.1%, consensus was for a +20bps increase, from 3% to 3.2%. CAD Retail Sales YoY (Sep) rose +30bps, from 5.1% to 5.4%, against expectations of a -20bps decrease, from 5.1% to 4.9%. GBP Unemployment Rate (Aug) fell -20bps, from 4.9% to 4.7%, analysts expected the rate to remain unchanged at 4.9%. GBP Inflation Rate YoY (Sep) rose +40bps, from 3.1% to 3.5%, analysts expected an increase to 3.4%. CNY Unemployment Rate (Sep) fell -10bps, from 5.3% to 5.2%, consensus was for the rate to remain the same at 5.3%. CNY GDP Growth Rate YoY (Q3) rose from 4.3% to 4.5%, consensus was -10bps softer, from 4.3% to 4.4%. JPY Inflation Rate YoY (Sep) rose +20bps, from 1.9% to 2.1%, against expectations for an increase to 2.3%.

Week ahead: USD ADP Employment Change Weekly, USD New Home Sales (Sep) – Tuesday | AUD CPI (Sep), NZD RBNZ Interest Rate Decision, CAD BoC Interest Rate Decision, USD Fed Interest Rate Decision – Wednesday | EUR ECB Interest Rate Decision – Thursday | JPY Unemployment Rate (Sep), JPY BoJ Interest Rate Decision, EUR GDP Growth Rate YoY (Q3), CHF Retail Sales YoY (Sep), EUR Unemployment Rate (Oct), EUR GDP Growth Rate YoY (Q3) – Friday

Global Markets Overview

Treasury yields: The US 10-year Treasury yield climbed towards 5.15% early in the week before a renewed selloff in AI-related stocks, sparked by quarterly results from Meta and Tesla that revived concerns over the scale and returns of AI capital expenditure, triggered a flight to safety that pulled it below 5% for the first time in nearly a month. The University of Michigan survey showed one-year inflation expectations rising to 4.7% in October from 4.6%, while initial jobless claims fell to 194,000, their lowest level in three months, pointing to continued resilience in the labour market. Markets are currently pricing in an approximately 91% probability of rates remaining unchanged at next week's FOMC meeting and around a 76% chance of a 25-basis-point increase in December. In Europe, Germany's 10-year Bund yield eased to 3.34%, its lowest level since August 31, as safe-haven demand intensified amid the global tech selloff and mounting stress in French debt markets. The ECB is widely expected to keep rates unchanged at its October 29 meeting, with markets pricing in the next rate hike in December.

Equities: US equities ended a volatile week mixed, as renewed anxiety over AI spending weighed on technology stocks while surging oil prices added to inflation concerns ahead of next week's Fed decision. The S&P 500 shed 0.47% and the Nasdaq declined 0.71%, marking a second consecutive weekly loss for both, while the Dow Jones Industrial Average gained 0.41% to record its third straight weekly advance. Meta dropped nearly 7% after narrowing its full-year capital expenditure guidance to \$135-\$145 billion, reviving concerns over heavy AI investment despite a 26% rise in quarterly revenue, while Tesla's decision to cut its full-year capex guidance to \$20 billion from more than \$25 billion raised questions over the pace of its AI and robotics spending. In Europe, the STOXX 600 slipped 0.31% to 635.77 on Friday, as French fiscal turmoil and higher oil prices dented earnings optimism.

Currencies: The US Dollar Index ended the week virtually unchanged at 101.81, after trading between a high of 102.08 on Monday and a three-week low of 101.45 on Thursday. Markets are pricing in an approximately 91% probability of the Fed holding rates steady next week and around a 76% chance of a 25-basis-point hike in December. The Japanese yen was the main beneficiary of the risk-off tone, gaining 0.73% against the dollar, although expectations that the Bank of Japan will hold rates at its October 30 meeting limited further gains. The euro was the weakest of the major currencies, falling 0.33% to \$1.1202 as political unrest and the selloff in French government bonds weighed on sentiment. In contrast, Sterling rose 0.33% to \$1.3374, supported by stronger-than-expected UK data that cemented expectations of a 25-basis-point Bank of England rate hike on November 5. UK inflation accelerated to 3.5% in September from 3.1%, exceeding forecasts, with core and services inflation also surprising to the upside.

Commodities: Crude oil climbed 1.83% over the week to \$103.27 a barrel, its highest level since April, while Brent surged 6.24% to settle at \$116.72, its highest close since April 29 and its third consecutive weekly gain, as escalating attacks on Saudi Arabia heightened concerns over Middle East supplies. Over a 48-hour period, Yemen's Iran-backed Houthis claimed strikes on the Saudi Defence Ministry headquarters in Riyadh, King Fahd International Airport in Dammam, an Aramco facility at the Red Sea port of Yanbu and Abha International Airport, prompting Saudi Aramco to evacuate its Dhahran headquarters for the first time since the start of the Iran war. Nevertheless, MUFG analysts noted that production and export flows through the Strait of Hormuz were still holding close to pre-conflict levels, albeit at elevated shipping rates. Gold fell around 4% over the week to \$3,996 an ounce. The rally in oil prices reinforced concerns over persistent inflation and strengthened expectations that the Federal Reserve will raise interest rates again in December, further dampening the precious metal's shine.

Bond Yields	Close	% W/W	% YTD
US 10Y	4.99	-1.54	19.86
Bund 10Y	3.35	-2.36	17.16
Gilt 10Y	5.36	-0.32	19.58
Japan 10Y	2.81	-4.23	35.82

Indices	Close	% W/W	% YTD
S&P 500	7624	-0.47	11.37
EU Stoxx 600	641	-2.12	4.70
FTSE 100	10690	-1.76	7.64
Nikkei 225	62693	-4.03	24.54

Currencies	Close	% W/W	% YTD
EURUSD	1.1202	-0.33	-4.63
GBPUSD	1.3374	0.35	-0.75
USDJPY	156.87	-0.73	0.10
USD Index	101.81	-0.03	3.55

Commodities	Close	% W/W	% YTD
Gold	3996	-4.07	-7.48
Copper	650.75	-1.00	14.53
WTI Crude	103.27	1.83	79.85
Wheat	625.00	-5.37	10.67

Performance of Major Global Financial Assets

% Change.

W/W	-1.5	-2.4	-0.3	-4.2	-1.3	1.8	-0.5	-0.8	-2.2	-1.7	-1.8	-4.0	-4.5	0.0	-0.3	0.4	-0.7	-0.2	0.7	1.8	-4.1	-1.0	0.6	-5.4
MTD	-5.5	-6.7	-1.3	-8.5	-3.5	-0.9	-0.4	-4.8	-3.2	-0.1	0.8	-6.1	-6.2	0.4	-1.1	0.8	-0.3	-0.5	1.0	14.2	-3.9	-1.7	5.8	-7.5
YTD	19.9	17.2	19.6	35.8	8.9	28.7	11.4	14.7	4.8	2.8	7.6	24.5	-9.9	3.5	-4.6	-0.7	0.1	-4.5	0.2	79.9	-7.5	14.5	-2.3	10.7
	US 10Y	BUND 10Y	GILT 10Y	JAPAN 10Y	AUSSIE 10Y	ITALY 10Y	S&P 500	NASDAQ	EU STOXX 50	DAX INDEX	FTSE 100	NIKKEI 225	HANG SENG	USD INDEX	EURUSD	GBPUSD	USDJPY	USDCNY	USDZAR	WTI CRUDE	GOLD	COPPER	COFFEE	WHEAT
	GOV. BOND YIELDS						EQUITY INDICES							CURRENCIES					COMMODITIES					

KEY: -100%

+100%

Data Sources: Bloomberg, Investing.com, TradingEconomics, T.RowePrice, Standard Investment Bank

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Headquarters

JKUAT Towers (Formerly ICEA Building),
16th Floor , Kenyatta Avenue, Nairobi, Kenya.

Telephone: +254 20 227 7000, +254 20 227 7100

Email: clientservices@sib.co.ke

