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Weekly Market Report Week 5

September 28 - October 2, 2026



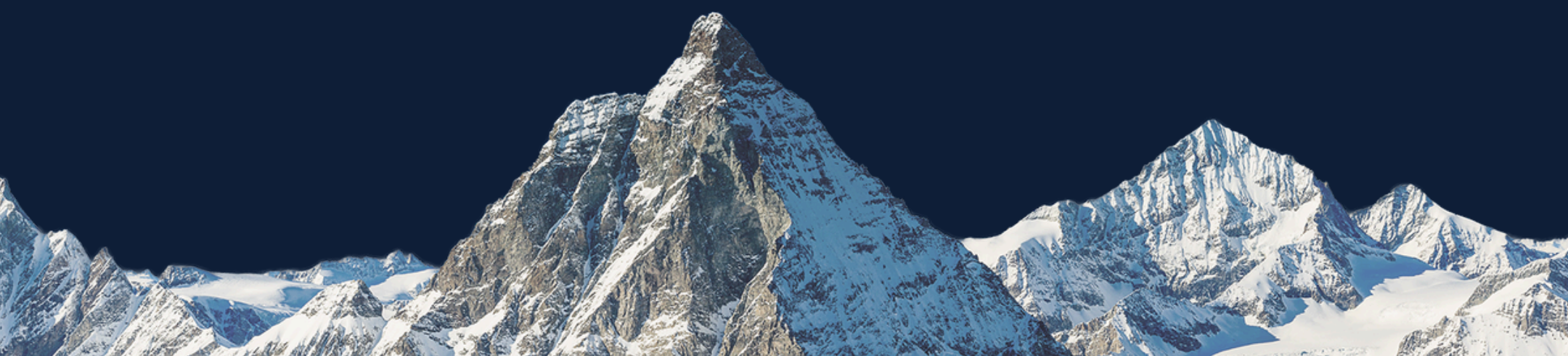
Softer U.S. labor data eased near-term Fed concerns, but elevated long-term yields and European fiscal stress kept financial conditions challenging, while strong AI earnings continued to support technology.

1) Weak U.S. labor data reduced expectations for an October hike

The U.S. economy added only 29,000 jobs in September, well below expectations of around 85,000, while August was revised down to 133,000. The unemployment rate rose to 4.2% from 4.1%, and annual wage growth slowed to 3.0%, its weakest pace this year.

The softer data lowered the probability of a Federal Reserve hike in October to below 20%, from more than a third a week earlier. Vice Chair Jefferson also signaled that policymakers may need more time before deciding on further increases, shifting attention to the December meeting.

For investors, the report eased near-term pressure on the Fed, although markets continued to price the possibility of another hike before year-end. Softer employment and wage growth also suggest that labor-market pressures are becoming less prominent in the near-term inflation debate.

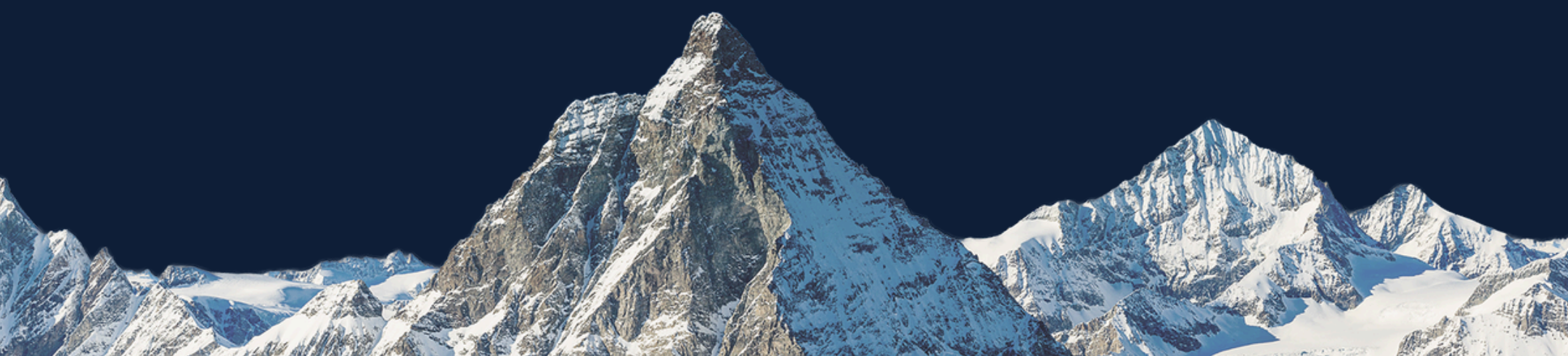


2) Energy lifted headline inflation, while core remained stable

U.S. core PCE inflation rose 0.2% in August, below expectations, leaving the annual rate at 3.0%. In the euro area, headline inflation jumped to 3.8% in September from 3.2%, while core inflation remained broadly stable at 2.5%.

Higher energy costs continue to drive headline inflation, but there is still limited evidence of a broader pass-through into underlying price pressures. Core inflation remains relatively stable, although progress back toward central-bank targets remains slow.

For investors, the key question is whether higher energy costs remain concentrated in headline inflation or begin to feed into underlying prices. The next U.S. CPI report and the ECB meeting on October 29 should provide further evidence on that transmission.

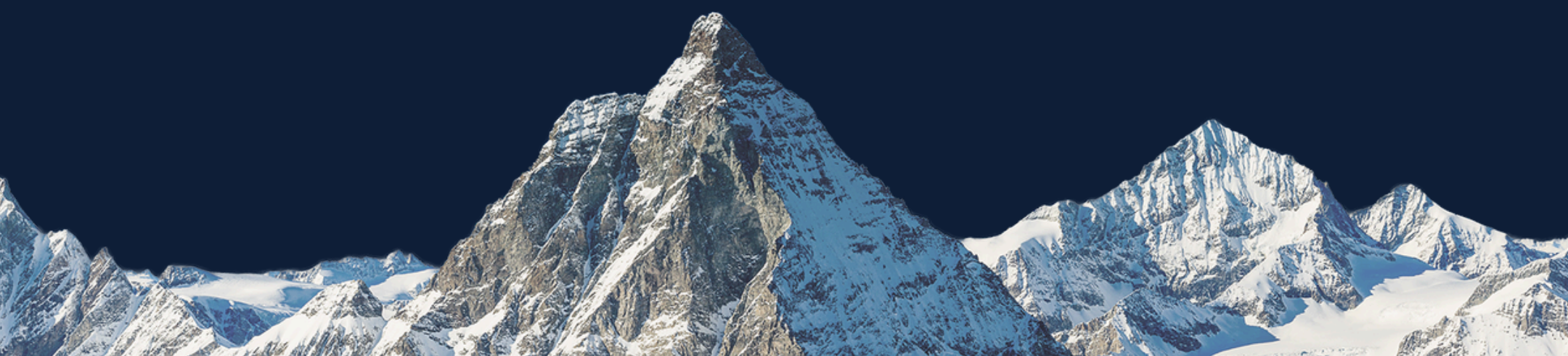


3) Long-term yields stayed near 2002 highs as credit spreads began to widen

The U.S. 10-year Treasury yield reached around 5.34% during the week, its highest level since 2002, and ended the week near 5.28%. In the UK, the 30-year gilt yield briefly approached 6%, a level last seen in the late 1990s.

The move has reflected largely higher real yields rather than inflation expectations, reflecting a combination of fiscal concerns, strong capital demand from the AI investment cycle and higher term premiums. At the same time, corporate credit spreads began to widen, particularly among lower-rated U.S. issuers.

For investors, the widening in credit spreads is worth watching as a sign that higher long-term rates may be starting to affect corporate financing conditions. If that pressure broadens, it could become an important signal for the outlook for activity and long-term yields.

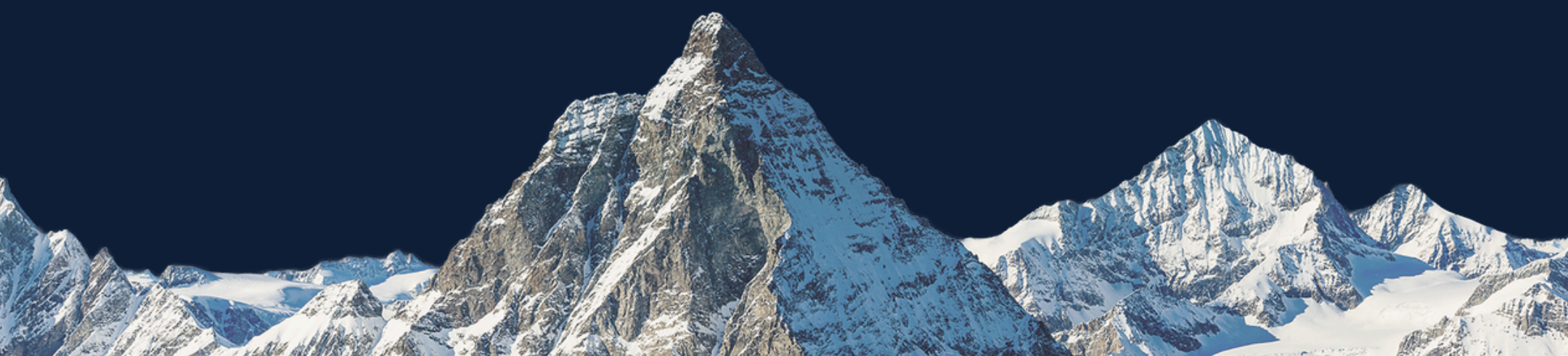


4) France became the focal point of European bond-market stress

France presented its 2027 budget, including around EUR 54 billion of savings, aiming to reduce the deficit to 5.0% of GDP from 5.4%. The spread between French and German 10-year yields widened to around 140 basis points, its highest level since 2012, and French 10-year debt now yields more than Italian and Greek debt.

The budget faces a fragmented parliament ahead of the 2027 presidential election, while French real GDP grew only 0.5% over the past year. The euro weakened against the U.S. dollar, while the Swiss franc strengthened against the euro amid demand for safe-haven assets.

France's fiscal challenges remain primarily domestic, but further stress could spill into other European bond markets and add pressure to regional financial conditions. The parliamentary budget debate is therefore likely to remain an important source of volatility for European assets in the coming weeks.

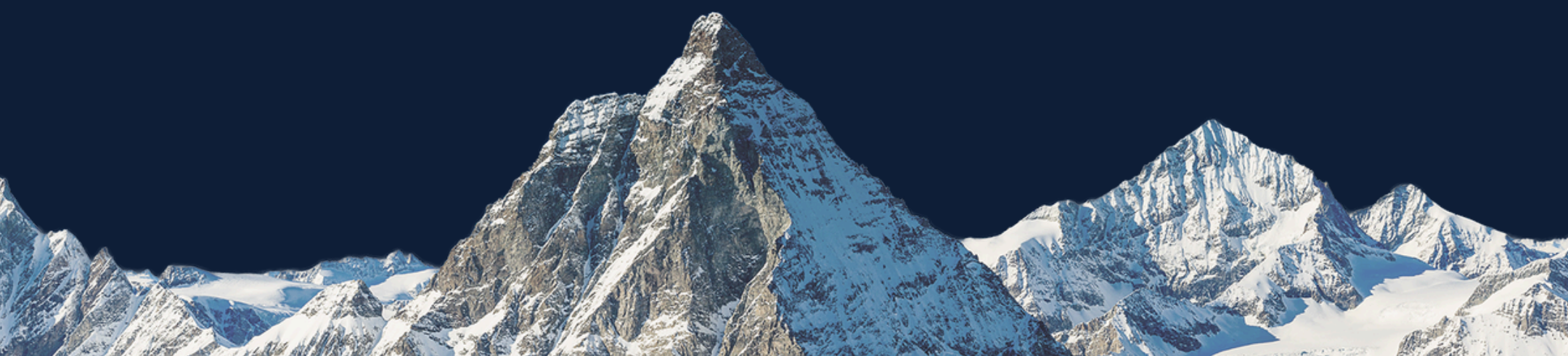


5) AI earnings continued to support technology

Micron reported record quarterly revenue of USD 54.2 billion, up 379% year on year, and guided above expectations for the next quarter. The Nasdaq 100 closed the week at a record high.

The results reinforced the strength of AI-related demand, particularly for memory chips, where suppliers expect conditions to stay tight into 2028. Technology outperformed the broader market despite long-term yields remaining above 5%.

Last week's focus on the cost and execution of the AI build-out remains relevant, but this week's results showed that demand is still translating into earnings. Market leadership, however, remains narrow and concentrated in AI and semiconductor-related companies.



Weekly Performance | Major Indices

Sources: XP Research, Bloomberg, Reuters, WSJ, Julius Baer, Investing.com

Index	Weekly Change	Observation
S&P 500	-0.27%	Edged lower over the week as elevated Treasury yields offset Friday's gains following weaker labor data.
Nasdaq 100	+0.65%	Finished slightly higher and closed at a record, supported by strong AI-related results in semiconductors.
Euro Stoxx 600	-1.14%	Moved lower amid rising French bond yields and higher euro-area inflation.
Nikkei 225	+2.93%	Posted solid gains, supported by strength in semiconductor-related shares amid continued optimism around AI demand.

