

WEEKLY MARKET OUTLOOK



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EXECUTIVE
SUMMARY

Markets remained resilient despite the first major setback for the AI trade. Semiconductor stocks fell 4.30% following reports that OpenAI's annualised revenue was around \$50bn. However, OpenAI expects its revenue run rate to reach \$70bn by year-end.

The broader market held firm. The S&P 500 gained 1.15%, supported by defensive stocks and energy. The Russell 2000 fell 0.91%.

Treasury yields eased but remained historically high. The 10-year yield closed at 5.24%. It had reached 5.35% twice during the week. September's Fed minutes showed that most officials still expect another rate increase before year-end. Markets now favour a December move over an October increase.

Oil prices added to inflationary pressures. Attacks on tankers in the Strait of Hormuz and hurricane-related production disruptions pushed Brent crude up 2.42%. Gold recorded its first weekly gain in three weeks. The dollar also strengthened modestly.

Attention now turns to Wednesday's US inflation report. Retail sales and producer-price data will follow. These releases will help shape expectations for the Fed's next decision. UK GDP, Chinese inflation and Australian employment data will also provide insight into the global outlook.

A softer inflation reading would support bonds. It would also weaken the case for another rate increase. An upside surprise would put renewed pressure on equities.

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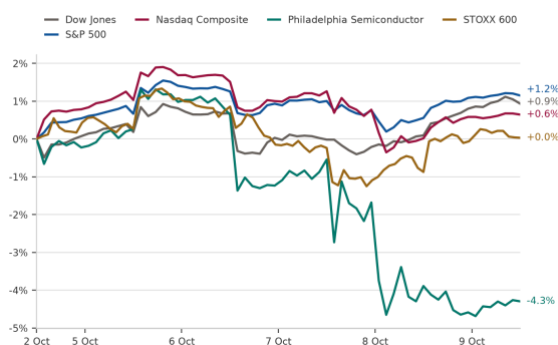
WEEK IN
REVIEW

The AI trade took its first real hit on Thursday. A Financial Times report put OpenAI's annualized revenue near \$50bn, about \$20bn below earlier figures given to investors, and chipmakers fell 3.4% as a group while the Nasdaq Composite lost 1.25%, its worst session since mid-August. The gap does not mean OpenAI lost \$20bn

in sales. OpenAI then said on Friday it expects its run rate to reach \$70bn by year end. Semiconductors still finished the week down 4.30%, with AMD -4.07% and Nvidia -2.00%. The rest of the market held up. The S&P 500 gained 1.15% after setting an all-time high on Tuesday, the Dow rose 0.93% and the Nasdaq Composite 0.64%, while the

Russell 2000 fell 0.91%. Palantir rose 10.75%, Amazon 4.34% and Microsoft 3.39%. The VIX fell 3.07% to 14.84.

Europe was mixed: FTSE 100 +0.86%, STOXX 600 +0.03%, DAX -0.57%, CAC 40 -1.19% and FTSE MIB -1.46%. In Asia, KOSPI fell 5.39% on its heavy chip weighting, while TAIEX gained 1.73%, Nikkei 1.06%, Hang Seng 1.00% and Sensex 0.78%. Shanghai fell 0.74%.

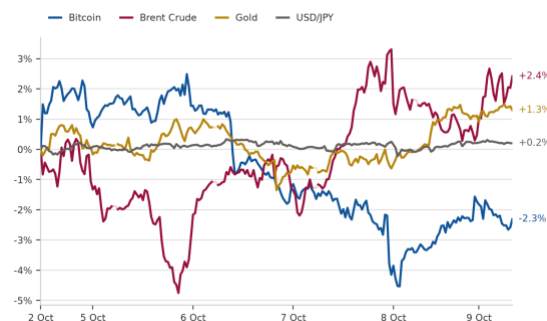


US indices rallied early in the week and slipped midweek. Semiconductors fell hardest on Thursday and stayed near their lows, while the Dow, S&P 500 and Nasdaq recovered into Friday's close. The STOXX 600 went from +1.3% to -1.2% and back to flat.

Yields stayed near their highest since 2002 but ended the week lower. The 10-year touched 5.35% on Monday and again on Wednesday, before a solid 10-year auction pulled it back. It closed Friday at 5.24% with the 2-year at 4.80%. On the week the 10-year fell 6bp, the 2-year 8bp and the 30-year 3bp.

September's minutes showed most officials expect another hike by year end, and Waller said on Thursday he is not worried tighter policy will cause a damaging slowdown, leaving October hike odds at 20% to 25%. Credit rallied

modestly, investment grade +0.57% and high yield +0.42%, and the 20+ year Treasury ETF gained 0.65%, but regional banks fell 2.50%.



Brent fell early in the week, then climbed through Wednesday to peak on Thursday morning and ended higher. Gold dipped midweek and rallied into Friday. Bitcoin slid from Tuesday, dropped sharply early Thursday and recovered only part. The dollar-yen line stayed flat.

Oil reversed last week's loss, with Brent up 2.42% and WTI 0.81%. A record 10 tankers were struck in the Strait of Hormuz in the week to 4 October, and the IEA said members would not add to March's 400-million-barrel release. Hurricane Isaias shut in about a quarter of US Gulf of Mexico oil output. European gas rose 8.93% and US natural gas 6.10%. Gold gained 1.30% in its first weekly rise in three weeks, with silver +1.16% and copper +2.32%. The dollar index rose 0.27% and EUR/USD fell 0.39%. Bitcoin lost 2.31% and Ethereum 6.84%.

The OpenAI scare faded by Friday. The bond market's problem did not: with the 10-year above 5% and oil rising again, Wednesday's CPI tests whether December hike pricing holds.

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MACRO OUTLOOK

Macro Outlook		October 2026 – Calendar Week 42				
	Monday	Tuesday	Wednesday	Thursday	Friday	
Eurozone/UK	IMF–World Bank Annual Meetings (12–18)	-	-	UK GDP (Aug)	Eurozone Final CPI (Sep)	
			US CPI (Sep); Fed Beige Book	US Retail Sales (Sep); US PPI (Sep)		
US/Canada	US Bond Market Holiday	-	China CPI & PPI (Sep)		US Industrial Production	
		RBA Meeting Minutes		Australia Employment		
Asia					-	

What we're watching & why

Wednesday's US CPI for September is the event of the week. Focus on core month-on-month, services inflation and shelter, and whether price rises are broadening. A hotter print would reinforce expectations of further Fed tightening and pressure the 2-year, the dollar and equities; softer core would ease that pressure. The Fed's Beige Book lands the same day and will colour the labour and activity narrative. China also releases CPI and PPI: persistent price weakness would keep concerns about domestic demand alive for the yuan, the Australian dollar and copper.

Thursday brings UK GDP for August, US retail sales and PPI, and Australia's employment report. On retail sales, look through autos and gasoline to the underlying trend—strong demand supports growth but can also justify a tighter Fed, while a weak print would revive recession concerns. PPI helps refine the path into PCE; firm producer prices would keep Treasuries and the dollar supported. Soft UK GDP would weigh on sterling and European risk assets, while Australia's jobs data matters for the RBA outlook and the Aussie.

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SECTOR COMMENTARY

Financials

+1.1%

Back in positive territory after last week's 2.6% fall as the 10-year yield eased about 4bp from Monday's highest close since 2002. Regional banks lagged on Friday ahead of next week's bank earnings.

Industrials

-0.5%

One of only two sectors to fall. Deere dropped 9.62% after the FTC and USDA opened an inquiry into its repair and dealer practices, and Delta trimmed its profit outlook as fuel costs ran over \$500m above guidance.

Health Care

+2.1%

More than reversed last week's 2.6% loss as defensives led the market (Consumer Defensive +4.2%, Utilities +3.8% on Google's nuclear power deal with Constellation Energy). Humana rose 11.56% on Friday after improved 2027 Medicare Advantage star ratings.

Information Technology

-1.1%

Weakest sector after leading for two weeks. Semiconductors fell 4.30% after a report put OpenAI's annualized revenue near \$50bn, about \$20bn below investor estimates. Arm fell 13.40%, Intel 12.26% and Nvidia 2.00%, while software rebounded on Friday.

Energy

+3.2%

Up for a second week. Brent rose 2.42% to \$104.72 and WTI 0.81% as tanker attacks in the Strait of Hormuz and a Gulf of Mexico hurricane threatened supply. US natural gas rose 6.10% and European gas 8.93%.

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MARKET SOLUTIONS

Short-to-Medium Term Tactical Solutions			
		Base Case	Key Risks
Investment Backdrop	Macro	Minutes showed most officials see another hike by year end. December hike odds are about 75–85%, against 16–18% for October.	Wednesday's CPI is the test, with headline expected at 0.6%. A hot print revives October pricing, while a soft one moves the hike to December.
	Fixed Income	Keep duration light. The 10-year touched 5.35% twice and ended at 5.24%, down 6bp, and the 30-year fell only 3bp against 8bp for the 2-yea	Oil is lifting inflation risk again, and long yields fell far less than the 2-year (–8bp). A hot CPI could send the 10-year back to the 2002 highs.
	Equities	Stay selective. Semiconductors fell 4.30% on the OpenAI revenue gap while the S&P 500 rose 1.15% on rotation into defensives and energy.	OpenAI says \$70bn by year end, so the scare may fade, but stocks priced on those figures remain exposed to the next revenue update. Small caps fell 0.91%.
	Alternatives	Brent rose 2.42% on record tanker attacks and a Gulf hurricane. Gold gained 1.30%, its first weekly rise in three weeks.	Hormuz de-escalation or a hurricane restart would remove the premium quickly. Gold still faces a 10-year yield above 5%.
	FX	Hold dollar exposure. The index rose 0.27% for a second week and EUR/USD fell 0.39%, even with October hike pricing near 20%.	A soft CPI or a Warsh speech with no hawkish signal would test the dollar.

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REFERENCES AND SOURCES

CNBC, Reuters and Bloomberg market wraps; the Bureau of Labor Statistics for the September employment report; CME FedWatch for Fed rate probabilities; Associated Press for US index closes; Trading Economics for yields, Brent, index and commodity data; Trading Economics economic calendar; Finviz sector and industry performance; TradingView S&P sector performance data; yfinance, the FRED API and Python for the graphs.

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