



Weekly Market Report For 12 – 15 October 2026



Overview

- U.S. stocks turned volatile amid selling pressure in technology and semiconductor shares.
- Semiconductor stocks came under pressure on concerns over intensifying competition from China.
- ASML and TSMC posted strong earnings, underscoring continued growth in AI chip demand.
- U.S. inflation came in above expectations, adding pressure on the Fed. Markets expect the Fed to hold rates steady at this month's meeting, while leaving the door open to a December hike.
- The IMF raised its global GDP growth forecast, supported by AI investment that is helping offset the impact of elevated energy prices.

Market Brief



U.S. equities were volatile over the past week, with the S&P 500 falling 2% and the Nasdaq sliding 4.5%, driven by a sell-off in technology and semiconductor stocks amid concerns over intensifying competition from China. Treasury yields declined on safe-haven demand despite U.S. inflation came in above market expectations.

AI infrastructure stocks such as CoreWeave fell sharply amid concerns over funding requirements and returns on AI investment. Investors are increasingly focused on return on invested capital, free cash flow and debt-servicing capacity, prompting a sector rotation out of Tech and into Defensive and Value stocks.

Oil prices advanced after Iran escalated attacks around the Strait of Hormuz, while Houthi forces launched missile attacks in Saudi Arabia, heightening concerns over escalating Middle East tensions and risks to global oil supplies.

Gold prices declined amid expectations that the Fed could raise interest rates again later this year after U.S. inflation came in above market forecasts.

Semiconductor Selloff

o CXMT, a major Chinese DRAM producer, unveiled further technological progress and plans to launch server products by year-end, fueling concerns over pricing competition and potential market share pressure on existing DRAM manufacturers. However, CXMT still needs to demonstrate its ability to achieve mass production, maintain product quality and secure customer criterion.

o SK Hynix, Samsung and Micron retain a significant competitive advantage, collectively accounting for nearly 88% of the DRAM market. Meanwhile, the AI-focused HBM market remains capacity constrained and requires highly sophisticated manufacturing technology, with the three companies continuing to dominate the segment.

o Markets view this as too early to conclude that CXMT's technological progress will materially alter the structure of the memory and chip markets in the near term.

AI Demand Remains Strong, as Reflected in ASML and TSMC Earnings

o ASML reported better-than-expected profit and raised its full-year sales outlook on strong demand for chipmaking machines. The company sees AI as a key long term growth driver, while some customers have begun discussing new orders for 2029–2030.

o TSMC posted a 69% YoY increase in profit, marking a sixth consecutive quarter of earnings growth, while its fourth quarter revenue guidance exceeded market expectations, underscoring continued strength in AI chip demand.

U.S. Inflation and Interest Rate Outlook

o Inflation came in above expectations, with September CPI rising 3.7% YoY, above the 3.6% consensus estimate, and increased 0.6% MoM. PPI climbed 6.3% YoY, exceeding expectations of 5.3%, and rose 1.3% MoM, driven primarily by higher energy prices.

o Markets expect the Fed to keep interest rates unchanged at this month's meeting, with CME FedWatch indicates an implied probability of around 84%. However, investors continue to price in the possibility of another rate hike at the December meeting.

Kevin Warsh's Remarks at the IMF–World Bank Meetings

o Fed Rate Outlook: The Fed has yet to provide a clear signal on whether rates will be raised or lowered during the remainder of the year, with policy decisions to remain data-dependent, particularly on labor market and inflation developments, while maintaining a focus on price stability.

o AI Outlook: Warsh sees AI as a major force reshaping the U.S. economy. In the initial phase, AI investment is expected to boost spending and capital expenditure before delivering productivity gains over the medium term. However, the transition could disrupt employment and create economic uncertainty.

o Fed Communication: Warsh supports reducing the use of forward guidance, allowing markets to assess the direction of monetary policy primarily through incoming economic data rather than interpretations of Fed officials' remarks.

IMF Raises Global Growth Forecast

o Global Economy: The IMF raised its global GDP growth forecast for this year to 3.1% from 3.0% and expects growth to accelerate to 3.4% next year, with strong AI investment help offsetting the impact of higher energy prices.

o U.S.: GDP is projected to expand 2.3% both this year and next, supported by private consumption, tax cuts and AI-related investment.

o Eurozone: The IMF raised its GDP growth forecast for this year to 1.1% from 0.9%, supported by AI investment and increased defense spending.

o China: GDP is projected to grow 4.5% this year and 4.0% next year, with forecasts for both years lowered by 0.1 percentage point amid pressure from higher oil prices and persistently weak domestic demand, despite resilient exports.

o Thailand: The IMF raised its GDP growth forecast for this year to 2.1% from 1.9% and expects growth of 2.1% next year, supported by exports and investment linked to the AI supply chain, particularly in the electronics and technology industries.

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