

Weekly Market Report For 26 – 30 October 2026

Overview

- U.S. equities weakened as investors sold AI-related stocks amid growing concerns over the returns on AI investments, while investment rotated into Defensive sectors.
- Anthropic is preparing for an IPO, with its potential valuation expected to approach US$2 trillion.
- Big Tech earnings put the spotlight on the returns and financial sustainability of AI investments.
- The Fed held interest rates at 3.75%–4.00% despite resilient economic growth and elevated inflation, while bond yields declined on safe-haven demand.
- The European Central Bank (ECB) kept its key interest rate unchanged at 2.65% and its deposit rate at 2.50%, while maintaining a cautious policy outlook.
- The Bank of Japan (BoJ) held its policy rate at 1.25% after underlying inflation remained broadly consistent with its target.
- Chinese equities declined amid selling pressure in Semiconductor and AI stocks.

Market Brief

U.S. equities declined over the past week, with AI-related stocks facing heavy selling pressure toward the end of the week. Earnings reports from several major technology companies heightened investor concerns over the sustainability and returns of AI investments, as substantial capital expenditure (CapEx) has weighed on cash flows, pushing some companies into negative free cash flow territory. The Dow Jones fell 0.9%, the S&P 500 declined 0.6%, and the Nasdaq dropped 2%.

In contrast, the Russell 2000 gained 1.3%, reflecting sector rotation away from Technology and AI-related stocks toward Defensive sectors, including Consumer Staples, Health Care and Utilities.

Anthropic is preparing for an initial public offering (IPO), with its potential valuation expected to approach US$2 trillion, reflecting strong growth expectations for the AI industry. The company generated revenue of US$16.29 billion in the first half of 2026, up approximately 1,300% from US$1.16 billion in the same period last year.

Big Tech Earnings

o Microsoft reported revenue and earnings above market expectations, supported by strong growth in Microsoft Azure. Despite substantial CapEx of US$39.4 billion, the company generated positive free cash flow of US$18.6 billion.

o Alphabet delivered double-digit revenue growth, although results fell short of expectations. The company projected full-year CapEx of US$195–205 billion, while free cash flow turned negative at US$9.1 billion.

o Amazon also recorded double-digit revenue growth, but missed market expectations despite continued solid growth in its AWS business. CapEx reached US$77.26 billion, while free cash flow turned negative at US$42.4 billion.

o Investors are increasingly scrutinizing the returns on AI investments, focusing on the extent to which spending on Data Centers and AI Infrastructure can translate into revenue, earnings and cash flow. As a result, strong earnings alone may no longer be sufficient to support share prices without clearer evidence of investment returns.

Fed Meeting and U.S. Economic Data

o The Fed voted 10–2 to keep interest rates unchanged at 3.75%–4.00%, in line with expectations, while upgrading its economic assessment on the back of resilient domestic consumption, productivity gains and strong business investment.

o Kevin Warsh noted that inflation remains elevated, highlighting the possibility of further Fed rate hikes.

o Headline PCE inflation rose to 3.6% YoY in September, driven by a 21.3% increase in energy prices, while Core PCE stood at 3.1%.

o U.S. GDP expanded at an annualized rate of 3.4% in the third quarter, the fastest pace in one year. Private consumption grew 3.8%, above market expectations of 3.4%. However, signs of weakening consumer purchasing power have started to emerge, with real income growth and the personal savings rate declining.

o Despite resilient economic growth and elevated inflation, expectations for higher interest rates have largely been priced into markets. Meanwhile, signs of softer consumer purchasing power and safe-haven demand for government bonds following pressure on technology stocks have contributed to lower bond yields.

Europe

o The ECB kept its key interest rate unchanged at 2.65% and its deposit rate at 2.50%, while providing limited guidance on its next policy move amid tightening financial conditions.

o Christine Lagarde announced her intention to step down as ECB President nine months before the end of her term. She is expected to leave office on February 7 next year.

Japan

o The Nikkei 225 gained 1%, while the TOPIX edged down 0.02%.

o The BoJ maintained its policy rate at 1.25%, assessing that underlying inflation remains broadly consistent with its 2% target. This could pave the way for a rate hike as early as its December meeting. The BoJ Governor reiterated the importance of maintaining price stability while remaining alert to the risk of inflation overshooting its target.

o The BoJ plans to increase the pace of ETF sales to nearly three times the current rate from January 2027. However, the market impact is expected to remain limited, as the unwinding process will be gradual.

China

o The CSI 300 fell 2.9% and the Shanghai Composite declined 2.5%, while the Hang Seng Index gained 0.87%.

o Mainland Chinese Semiconductor and AI stocks came under pressure amid concerns over elevated valuations and the returns on AI investments. Selling intensified in line with weakness in U.S. technology stocks.

o Hong Kong equities rebounded, supported by gains in Consumer Staples, Financials, Energy, Property and selected Internet stocks.

Thailand

o The SET Index declined 2.8%, amid concerns that third-quarter 2026 corporate earnings would fall short of market expectations.

o The Monetary Policy Committee (MPC) voted to keep the policy rate unchanged at 1.00%, viewing the current level is appropriate to support the Thai economy, which continues to grow below potential and experiences an uneven recovery.

o Thailand's GDP is projected to expand by 2.4% in 2026 and 2.1% in 2027, supported by exports and investment in technology and AI. However, consumption remains constrained by elevated household debt and contracting SME lending.

o Inflation is expected to rise temporarily, driven by higher energy prices and the El Niño.

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