

The Week in Brief

Investors doubted how the artificial intelligence (AI) build-out will be financed, and inflation ran hotter. Money left technology shares. CoreWeave's bonds fell to distressed levels, and the September consumer price index (CPI) showed prices up 3.7% from a year earlier.

The Nasdaq Composite fell 3.1% while the Dow rose. The Federal Reserve (Fed) meets at the end of the month. The week showed how much risk built up in AI hardware, and how well bonds cushion a selloff.

Three Things That Mattered

AI's funding question reached the hardware makers Valuations built on AI spending now depend on how it is financed, as well as on demand.

Inflation is spreading beyond fuel Core consumer prices rose 2.6% in the year to September, faster than forecast, keeping another Fed increase live.

Bonds cushioned the equity selloff The 10-year yield fell 15 basis points despite the inflation surprise. Bonds steadied portfolios while growth stocks fell.

Market Dashboard

INDEX / ASSET	LEVEL	WEEKLY	YTD
S&P 500	7,739.60	-0.9%	+13.1%
Nasdaq Composite	26,527.53	-3.1%	+14.1%
Dow Jones Industrial Avg.	52,405.17	+1.5%	+9.0%
Russell 2000	2,761.85	-1.6%	+11.3%
Nikkei 225 JPY	65,324.29	-5.4%	+29.8%
STOXX Europe 600 EUR	644.47	+2.0%	+8.7%
Hang Seng HKD	24,186.83	-0.1%	-5.6%
U.S. 10-Yr Treasury Yield	5.09	-15 bps	+93 bps
Brent Crude	105.89	+1.1%	+74.0%
Gold	4,206.80	-0.2%	-3.1%
VIX	15.81	+0.97	+0.86

Weekly and YTD are price returns and exclude dividends. All figures are index and asset returns, not the performance of any strategy or client account. Yields in basis points, VIX in index points. Levels and returns in US dollars unless the row is marked with another currency; international indices are quoted in their own currency, so a US dollar result will differ with exchange-rate moves. Levels as at 11:00 AM New York, Friday, October 16, 2026; changes for markets still open then are not final, and closed markets are at their close. A dash means the figure could not be verified. Source: exchange and index-provider data; Cboe for Treasury yields.

Inflation broadens September's inflation reports gave the Fed little comfort. The CPI rose 3.7% from a year earlier, according to the Bureau of Labor Statistics, with gasoline doing much of the work. The core measure, which strips out food and energy, rose 2.6% and also beat forecasts. Producer prices, published a day later, rose faster than economists expected. Taken together, the two reports show price pressure moving beyond energy into a wider range of goods and services. The Fed's meeting at the end of the month is the next test of how policymakers weigh that.

The Fed keeps its options open The Fed's target range stands at 3.75% to 4.00% after an increase in September, its first in three years. After both inflation reports were out, Chair Kevin Warsh spoke in Bangkok at the International Monetary Fund's annual meetings. He declined to prejudge the October or December decisions, and his remarks did little to change expectations that policymakers will hold rates this month. The Federal Open Market Committee (FOMC) meets on October 27 and 28, and it will weigh this week's inflation data against a slowing labor market.

Shoppers spend more, much of it on fuel Retail sales rose 0.8% in September, the Census Bureau said, beating forecasts. Higher gasoline prices accounted for a large share of the gain, and spending elsewhere was moderate. The labor market points the same way. The September employment report, published earlier in the month, put unemployment at 4.2%, a little higher than in August. Households are still spending, but more of each dollar is going to energy. The Fed has to weigh that squeeze against prices that are still rising faster than it wants.

Banks open earnings season Goldman Sachs earned \$17.01 a share in the third quarter, well above forecasts, as advisory revenue rose 18% from a year earlier. JPMorgan Chase earned \$5.57 a share, short of analysts' estimates, after \$658 million of losses on securities sales. Citigroup and Morgan Stanley also beat forecasts. Financial shares rose 1.9% on the week.

Rates Check

10-year: 5.09%

The 10-year yield ended at 5.09%, 15 basis points lower on the week, as investors bought Treasuries while technology shares sold off. The rally came despite the hotter inflation data, and the yield is still 93 basis points above where the year began.

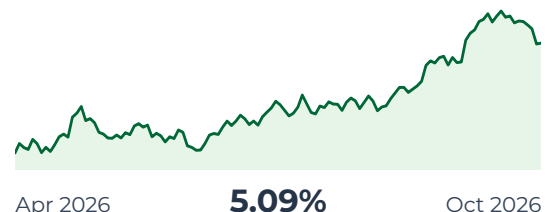
30-year: 5.43%

The 30-year yield stood at 5.43%. Long-dated Treasuries, the maturities most exposed to inflation worries, joined the rally as investors sought safety from the equity selloff. Inflation-protected Treasuries also gained.

CHART OF THE WEEK

Bonds rallied despite an inflation surprise

U.S. 10-year Treasury yield, %



The yield fell 15 basis points on the week as money moved out of technology shares, even though September inflation came in hotter than forecast.

Source: Cboe Global Markets, Cboe 10-Year Treasury Note Yield Index (TNX), via Yahoo Finance.

AI hardware takes the losses The S&P 500's technology sector fell 6.0%. The selling fell hardest on suppliers whose orders depend on AI spending. Hewlett Packard Enterprise and Flex, which build servers and equipment for data centers, each fell more than 20%. The momentum factor, which tracks the market's recent winners, lost 7.0%.

Defensive shares take the lead Consumer staples gained 5.0%, the best sector in the S&P 500, and health care was close behind. Makers of household durables and apparel rose 4.1%. Johnson & Johnson bucked the trend, falling 5.7% after sales in its medical devices business missed estimates, though the company raised its forecast.

Skydance's drop was mechanical Shares of Skydance fell 23.8% on Wednesday, the first day they traded without the right to warrants the company distributed. Much of the decline reflects value transferred into those warrants, so the 20.0% weekly loss overstates what shareholders actually lost.

Credit scorers rebound Fair Isaac and Equifax were the S&P 500's two best performers, up 14.4% and 10.2%. Fair Isaac recovered part of a September decline as the dispute over which credit scores mortgage lenders may use took a new turn, and Equifax rose ahead of its results on October 20.

The AI financing question

On Monday, Broadcom's chief executive, Hock Tan, said capital, more than chips or power, may become the biggest constraint on AI expansion.

Bonds of CoreWeave, an AI cloud provider, traded at levels that usually signal distress. Its chief executive called the reaction irrational.

The concern is whether companies that borrow heavily to build data centers can keep getting credit, with long-term Treasury yields above 5%.

MOVERS OF THE WEEK

GAINED

FICO	Fair Isaac	+14.4%
EFX	Equifax	+10.2%
CTSH	Cognizant	+10.0%
DRI	Darden Restaurants	+9.6%
BBY	Best Buy	+9.4%

DECLINED

CIEN	Ciena	-23.6%
LITE	Lumentum	-23.5%
HPE	Hewlett Packard Enterprise	-23.3%
COHR	Coherent Corp.	-23.3%
FLEX	Flex Ltd.	-21.3%

Largest weekly moves across 501 index members, by price return.

THE BOTTOM LINE

Portfolios holding stocks and bonds felt much less of the selloff than the Nasdaq. Hot inflation data before the Fed's October meeting, or signs big AI spenders are cutting back, would test that cushion.

International

Taiwan and the Netherlands: record chip demand

Chip results stayed strong through the selloff. TSMC reported record third-quarter revenue of \$46.7 billion, up 41% from a year earlier. ASML said 2027 and 2028 demand will likely outrun its supply.

Japan: chip stocks pull down the Nikkei The Nikkei 225, heavily weighted toward chip-equipment makers such as Advantest and Tokyo Electron, fell 5.4% on the week. Selling peaked Thursday, when hot U.S. inflation data deepened doubts about AI spending.

Europe: a refuge from the AI trade The STOXX Europe 600 rose 2.0%. Investors moved money from AI-linked stocks toward a market less exposed to them, and quarterly results from companies including Ericsson and Schneider Electric lifted sentiment.

India: gains from the rotation Indian shares, led by the NSE Nifty 50, outpaced the rest of Asia as money leaving the AI trade went to markets that had largely missed it.

Commodities

Oil: Hormuz risk outweighs reserve

releases Brent rose 1.1% to \$105.89 a barrel. U.S. Central Command confirmed an Iranian projectile struck a container ship that sank in Hormuz. The International Energy Agency agreed to speed emergency stock releases.

Precious metals: inflation weighs on silver Gold was little changed at \$4,206.80 an ounce. Silver fell 7.3% in the week through Wednesday. Hotter inflation raised bets on further Fed increases, making non-yielding metals costlier to hold.

The Week Ahead

Tuesday, Oct 20	September housing starts and building permits. GE Aerospace, RTX and 3M report before the open, and Netflix after the close.
Wednesday, Oct 21	UK consumer price inflation for September. Meta Platforms, Tesla, Lam Research, IBM and Texas Instruments report after the close.
Thursday, Oct 22	Procter & Gamble, Union Pacific and Lockheed Martin report before the open.
Friday, Oct 23	S&P Global's flash purchasing managers' surveys for October in the U.S., the eurozone, the UK and Japan. American Express reports before the open.

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