

## The Week in Brief

Results from companies spending heavily on artificial intelligence (AI) left investors asking when that spending will pay off. The Nasdaq Composite fell 1.3%. The S&P 500 was little changed as money moved into health care, industrials and smaller companies.

The Federal Reserve held rates, with two policymakers voting for an increase. The European Central Bank (ECB) and the Bank of Japan (BOJ) also held. Technology spending now has to show a return, and central banks remain focused on inflation.

## Three Things That Mattered

**AI spending meets a tougher audience** Investors sold companies whose results raised doubts about the return on AI. Market leadership is moving outside technology.

**A divided Fed keeps tightening in play** Two voters wanted an increase. With growth strong and core inflation above target, December takes up further tightening.

**Central banks abroad lean the same way** The ECB and BOJ held, signaling readiness to raise rates. Higher rates abroad would pressure long-term borrowing costs worldwide.

## Market Dashboard

| INDEX / ASSET             | LEVEL     | WEEKLY | YTD     |
|---------------------------|-----------|--------|---------|
| S&P 500                   | 7,621.12  | -0.0%  | +11.3%  |
| Nasdaq Composite          | 25,629.20 | -1.3%  | +10.3%  |
| Dow Jones Industrial Avg. | 52,116.83 | -0.2%  | +8.4%   |
| Russell 2000              | 2,820.16  | +1.6%  | +13.6%  |
| Nikkei 225 JPY            | 63,290.11 | +1.0%  | +25.7%  |
| STOXX Europe 600 EUR      | 647.46    | +1.8%  | +9.2%   |
| Hang Seng HKD             | 23,294.42 | +0.9%  | -9.1%   |
| U.S. 10-Yr Treasury Yield | 4.95      | -4 bps | +79 bps |
| Brent Crude               | 113.60    | -2.7%  | +86.7%  |
| Gold                      | 3,927.20  | -2.0%  | -9.5%   |
| VIX                       | 19.25     | -0.20  | +4.30   |

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 30, 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.

**A divided Fed holds** The Federal Open Market Committee (FOMC) kept the fed funds target range at 3.75% to 4.00% on Wednesday, pausing after its September increase. Two members dissented in favor of another quarter-point rise: Cleveland Fed President Beth Hammack and Governor Lisa Cook. The statement said activity is expanding at a strong pace and inflation remains elevated. Chair Kevin Warsh pointed to evidence of stronger productivity, which many economists read as room for growth without extra inflation. The next test of whether the committee tightens again comes at its December meeting.

**Growth runs hot, core inflation sticks** The week's two major economic releases arrived together on Thursday. According to the Bureau of Economic Analysis, gross domestic product (GDP) grew at a 3.4% annualized rate in the third quarter, well above the economy's long-run trend. The core personal consumption expenditures (PCE) price index, the Fed's preferred inflation gauge, rose 3.1% in the year to September, a little above the August pace. Strong output combined with sticky core prices keeps a further rate increase under discussion. A cooler core reading would weaken the case for one.

**Labor: the October report decides** The latest jobs figures are a month old. In September payrolls rose 29,000 and unemployment edged up to 4.2%, according to the Bureau of Labor Statistics. Hiring that slow sits awkwardly beside the strong output figures, and the gap fits Warsh's productivity argument: more output from a workforce growing only slowly. Next Friday's October employment report will show whether hiring is slowing further.

## Rates Check

### 10-year: 4.95%

The 10-year yield stood at 4.95%, 4 basis points lower on the week. Heavy selling in technology shares late in the week sent investors toward government bonds, offsetting the pressure from strong growth data.

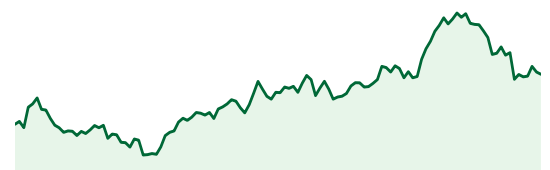
### 30-year: 5.32%

The 30-year yield held at 5.32%. ECB President Christine Lagarde said long-dated borrowing costs are rising worldwide partly because large technology companies are issuing more long-term bonds, and Microsoft's big debt sale this week drew heavy demand.

## CHART OF THE WEEK

### Long-term borrowing costs stay above 5%

U.S. 30-year Treasury yield, %



May 2026

**5.32%**

Oct 2026

The long bond is where the year's pressures meet: an inflation-focused Fed, heavy government borrowing and a new wave of long-dated corporate debt issued to fund AI infrastructure.

Source: Cboe Global Markets, Cboe 30-Year Treasury Bond Yield Index (TYX), via Yahoo Finance.

**AI spending under audit** Alphabet's Class A shares fell 12.6% on Thursday after search revenue missed forecasts and free cash flow turned negative under the weight of AI investment. Amazon also slid after keeping its large infrastructure budget. Reddit dropped on plans to limit access to its forums so that more users register. The S&P 500 communication services sector lost 4.5% on the week.

**Health care and the builders gain** Health care led S&P 500 sectors with a 3.7% gain, extending a run driven by demand for earnings that depend little on the AI cycle. The Russell 2000 rose 1.6%. Industrials advanced too: Vertiv's orders more than doubled on data-center demand, and shipbuilder Huntington Ingalls beat earnings estimates. Spending on AI continues. What investors now question is who earns a return on it.

### Guidance carried the verdict

ServiceNow fell 26.9% on Thursday after forecasting slower growth in revenue already under contract for the coming year. The forecast revived concern that AI tools could erode demand for its workflow software.

Fortinet cut its full-year forecast for service revenue even though quarterly earnings beat expectations, and F5 guided to slower growth for its new fiscal year. Fortinet lost 24.5% on the week and F5 lost 24.7%.

Intel lost 24.0% in the week after its revenue forecast fell short of estimates. The outlook was hurt by weak demand for PC processors and supply problems with data-center components.

### MOVERS OF THE WEEK

#### GAINED

|             |                                |               |
|-------------|--------------------------------|---------------|
| <b>VRT</b>  | Vertiv                         | <b>+21.4%</b> |
| <b>PNR</b>  | Pentair                        | <b>+19.2%</b> |
| <b>CMG</b>  | Chipotle Mexican Grill         | <b>+16.5%</b> |
| <b>CVNA</b> | Carvana                        | <b>+16.5%</b> |
| <b>NCLH</b> | Norwegian Cruise Line Holdings | <b>+16.0%</b> |

#### DECLINED

|             |            |               |
|-------------|------------|---------------|
| <b>RDDT</b> | Reddit     | <b>-33.7%</b> |
| <b>NOW</b>  | ServiceNow | <b>-33.0%</b> |
| <b>FFIV</b> | F5, Inc.   | <b>-24.7%</b> |
| <b>FTNT</b> | Fortinet   | <b>-24.5%</b> |
| <b>INTC</b> | Intel      | <b>-24.0%</b> |

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

### THE BOTTOM LINE

Owning the largest technology companies now carries spending risk as well as growth, because their results are being judged on the return from AI investment. Health care and industrial holdings helped keep the S&P 500 level this week. A cooler core inflation reading or a softer October jobs report would ease pressure on bonds and on rate-sensitive holdings.

## International

**Japan: BOJ sees its target met** The BOJ held its policy rate on Friday. For the first time, it said underlying inflation had reached its 2% target, which opens the way to an increase as soon as December. It also unexpectedly sped up sales of its exchange-traded fund holdings. The Nikkei 225 rose 1.0% on the week.

**Europe: ECB holds, warns on energy** The ECB kept rates unchanged on Thursday. It warned that rising energy prices pose upside risks to inflation, language widely read as preparing for a December increase. The STOXX Europe 600 gained 1.8%, and the euro slipped 0.6% against the dollar.

## Commodities

**Oil: Middle East supply risk persists** Brent crude closed at \$113.60 a barrel, down 2.7% on the week. Israel's election left no bloc with a governing majority. Late in the week, traders weighed signs that the U.S. may resume military strikes against Iran, which kept supply risk at the center of pricing.

**Precious metals retreat** Gold fell 2.0% and silver fell 7.6% as Thursday's growth and inflation figures kept a further Fed increase in view. Higher policy rates raise the cost of holding metals that pay no income.

### The Week Ahead

- Monday, Nov 2** Apple reports quarterly results after the close.
- Tuesday, Nov 3** U.S. midterm elections. The Bureau of Labor Statistics publishes job openings and labor turnover for September. Advanced Micro Devices reports quarterly results after the close.
- Thursday, Nov 5** Bank of England rate decision and November Monetary Policy Report. Third-quarter productivity and labor costs. Weekly initial jobless claims.
- Friday, Nov 6** October employment report.

### IMPORTANT DISCLOSURES

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