

# Weekly market update: An AI slump and Mideast tensions mix the market.



## The market and economy

- Major U.S. equity market indexes saw mixed performance during the week ending October 23 amid renewed weakness in semiconductor and artificial intelligence (AI)-related stocks, which weighed on the technology sector, as well as heightened geopolitical tensions in the Middle East. The Dow Jones Industrial Average garnered a positive return for the week, benefiting from its relatively greater exposure to defensive stocks and smaller allocation to the technology sector, while the broad-market S&P 500 Index and the tech-heavy Nasdaq Composite Index were hampered to a greater degree by the downturn in AI-related stocks.
- In the Middle East, tensions increased as Iran appeared to prepare for a potential return to direct conflict with the U.S. and its regional allies. Reports indicated that Tehran was strengthening defenses around key military and nuclear sites while warning of a broader response to any renewed U.S. military action. At the same time, attacks on Saudi Arabia and commercial shipping heightened concerns that the conflict could spread beyond the Strait of Hormuz, complicating diplomatic efforts to reduce regional tensions.
- Brent crude and West Texas Intermediate (WTI) crude oil prices rose during the week as renewed attacks on regional infrastructure and commercial shipping increased concerns about potential supply disruptions.
- There was notable economic news this week. The University of Michigan's final Index of Consumer Sentiment for October edged down 0.1 point (-0.2%) to 48.0—the second-lowest reading in the survey's history. The Current Economic Conditions Index declined 4.2 points (-8.3%) to 46.7, while the Index of Consumer Expectations rose 2.5 points (+5.4%) to 48.8. Consumer sentiment was down 5.6 points (-10.4%) from October 2025. Consumers' expectations for inflation over the next 12 months ticked up 0.1 percentage point to 4.7% in October, while long-run inflation expectations rose 0.1 percentage point to 3.5%. Surveys of Consumers Director Joanne Hsu said, "Purchasing power continues to dominate consumer views of the economy. Sentiment is now 10% below a year ago and 15% less than February, just prior to the Iran conflict."
- The Conference Board Leading Economic Index® (LEI), designed to signal peaks and troughs in the U.S. business cycle, was unchanged at 99.6 in September. The LEI rose 0.6% for the six-month period between March and September 2026, a significant improvement from the 1.1% decline over the previous six months (September 2025 to March 2026). Five of the 10 leading indicators within the LEI moved higher in September, led by an increase in the interest-rate spread between the 10-year U.S. Treasury note and the federal funds rate. (This index tracks the shape of the yield curve, which reflects investors' expectations for future growth, inflation, and Fed monetary policy.) Average weekly hours in manufacturing also rose during the month. Conversely, there were declines in average consumer expectations for business conditions, the S&P 500 Index, and manufacturers' new orders for nondefense capital goods excluding aircraft orders.
- According to the Census Bureau, new housing starts fell 5.2% to an annual rate of 1,221,000 in September and decreased 7.4% over the previous 12-month period. The slump in September was attributable to declines of 23.2% and 19.0% in new construction activity in the West and Midwest regions, respectively. The year-over-year downturn in housing starts resulted from corresponding decreases of 30.9%, 25.4%, and 19.4% in the Northeast, West, and Midwest. The number of building permits, an indicator of new construction activity in the near term, declined 0.2% in September and 3.0% over the previous 12-month period.
- Higher interest rates continue to weigh on the mortgage market. The Mortgage Bankers Association (MBA) reported that mortgage applications in the U.S. decreased 5.3% during the week ending October 16. The Purchase Index declined by corresponding margins of 7.0% and 18.0% for the week and year-over-year. The Refinance Index fell 2.0% and 59.0% for the week and over the previous 12-month period, respectively. According to the Federal Home Loan Mortgage Corporation (Freddie Mac), the average interest rate on a 30-year fixed-rate mortgage dipped 8 basis points (0.08%) to 7.32% during the week ending October 22 but was up 117 basis points for the year-to-date.

## Stocks

- Global equities declined during the week. Developed markets outperformed emerging markets.
- U.S. stocks were mixed for the week. Energy and healthcare were the top-performing sectors within the broad-market S&P 500 Index, while communication services and industrials were the primary market laggards.
- Value stocks outperformed growth stocks, while small caps topped large caps.

## Bonds

- The U.S. bond market posted a gain for the week.
- The 10-year U.S. Treasury note yield fell to 5.00% during the week.
- Government bonds led the market, followed by investment-grade corporate bonds and high-yield bonds.

| As of October 23, 2026                      | 1 Week | YTD   | 1 Year | Friday's close |
|---------------------------------------------|--------|-------|--------|----------------|
| <b>Global Equity Indexes</b>                |        |       |        |                |
| MSCI ACWI (\$)                              | -0.5%  | 10.7% | 12.8%  | 1122.9         |
| MSCI EAFE (\$)                              | -1.3%  | 6.5%  | 9.9%   | 3081.7         |
| MSCI Emerging Mkts (\$)                     | -2.8%  | 12.2% | 14.1%  | 1575.7         |
| <b>US &amp; Canadian Equities</b>           |        |       |        |                |
| Dow Jones Industrials (\$)                  | 0.4%   | 8.6%  | 11.7%  | 52215.2        |
| S&P 500 (\$)                                | -0.4%  | 11.4% | 13.2%  | 7625.5         |
| NASDAQ (\$)                                 | -0.7%  | 11.7% | 13.1%  | 25955.3        |
| S&P/TSX Composite (C\$)                     | -0.9%  | 13.0% | 18.7%  | 35844.5        |
| <b>UK &amp; European Equities</b>           |        |       |        |                |
| FTSE All-Share (£)                          | -1.7%  | 7.7%  | 11.2%  | 5760.2         |
| MSCI Europe ex UK (€)                       | -1.1%  | 6.5%  | 9.5%   | 2187.6         |
| <b>Asian Equities</b>                       |        |       |        |                |
| Topix (¥)                                   | -2.5%  | 16.3% | 21.9%  | 3965.8         |
| Hong Kong Hang Seng (\$)                    | -4.5%  | -9.9% | -11.1% | 23093.4        |
| MSCI Asia Pac. Ex-Japan (\$)                | -2.5%  | 12.3% | 13.3%  | 811.3          |
| <b>Latin American Equities</b>              |        |       |        |                |
| MSCI EMF Latin America (\$)                 | -0.8%  | 21.6% | 30.7%  | 3294.0         |
| Mexican Bolsa (peso)                        | 1.4%   | 8.7%  | 13.6%  | 69891.3        |
| Brazilian Bovespa (real)                    | 0.1%   | 27.6% | 41.1%  | 205645.7       |
| <b>Commodities (\$)</b>                     |        |       |        |                |
| West Texas Intermediate Spot                | 4.4%   | 84.4% | 69.1%  | 105.9          |
| Gold Spot Price                             | -3.9%  | -7.4% | -3.2%  | 4000.9         |
| <b>Bond Indices (\$)</b>                    |        |       |        |                |
| Bloomberg U.S. Aggregate                    | 0.7%   | -0.9% | -0.9%  | 2327.5         |
| Bloomberg Global Aggregate                  | 0.3%   | -1.6% | -1.6%  | 493.3          |
| JPMorgan Emerging Mkt Bond                  | -0.1%  | -0.2% | 1.4%   | 1015.7         |
| <b>10-Year Yield Change (basis points*)</b> |        |       |        |                |
| US Treasury                                 | -7     | 83    | 100    | 5.00%          |
| UK Gilt                                     | -2     | 88    | 93     | 5.36%          |
| German Bund                                 | -8     | 49    | 76     | 3.34%          |
| Japan Govt Bond                             | -12    | 74    | 114    | 2.81%          |
| Canada Govt Bond                            | 2      | 41    | 75     | 3.84%          |
| <b>Currency Returns**</b>                   |        |       |        |                |
| US\$ per euro                               | -0.4%  | -4.7% | -3.7%  | 1.119          |
| Yen per US\$                                | -0.7%  | 0.1%  | 2.8%   | 156.87         |
| US\$ per £                                  | 0.3%   | -0.8% | 0.3%   | 1.337          |
| C\$ per US\$                                | -1.0%  | 2.0%  | 0.1%   | 1.401          |

Source: Bloomberg. Equity index returns are price only; others are total returns. \*100 basis points = 1 percentage point. \*\*Increases in U.S. dollars (USD) per euro or pound indicate a decline in the value of the USD; increases in yen or Canadian dollars per USD indicate an increase in the value of the USD.

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