VIEWS I OCTOBER 30, 2026

Weekly market update: AI spending worries weigh on stocks.

The market and economy

- U.S. equities declined during the week ending October 30. Investors' concerns about increased artificial intelligence (AI) spending weighed on shares of megacap technology companies following an early-week rally in the sector, particularly semiconductor stocks.
- On the monetary policy front, In a split 10-2 vote at its October 27-28 meeting, the Federal Open Market Committee (FOMC) maintained the federal funds rate in a range of 3.75% to 4.00%, but signaled that future rate hikes may be needed. Two meeting participants favored a 25-basis-point (0.25%) increase. In its statement announcing the policy decision, the FOMC expressed its view that the U.S. economy is "expanding at a strong pace"—an upgrade from its characterization of the economy as "solid" in its September statement. The FOMC also noted, "Inflation remains elevated. The accumulation of more information will help the Committee determine the policy stance appropriate to ensure a timely return of inflation to the Committee's 2 percent goal."
- During a news conference following the FOMC meeting, Federal Reserve Chair Kevin Warsh said that keeping interest rates steady was "the right policy decision for this moment." He reiterated the central bank's commitment to fight inflation. "There's no soft inflation target," Warsh commented. "Quashing inflation is not about some fixed individual date on a calendar, the same way it's not about some isolated data point. I'm encouraged by the progress we've made in a short period of time."
- Investors had a relatively muted reaction to the Fed's policy announcement as its decision to remain on had already been priced into the market. At the end of the week, CME's FedWatch Tool, which provides a gauge of the market's expectations of potential changes to the federal-funds target rate while assessing potential Fed monetary policy actions at FOMC meetings, implied a 74.4% chance that the central bank will raise the federal funds rate by 0.25% to range of 4.00% to 4.25% at its December meeting.
- There was significant economic news this week. According to the advance estimate from the U.S. Bureau of Economic Analysis (BEA), U.S. real gross domestic product (GDP) increased at a greater-than-expected annual rate of 3.4% in the third quarter, up from the 2.2% growth rate in the second quarter. Growth in third-quarter GDP reflected increases in nonresidential fixed investment (purchases of both nonresidential structures and equipment and software), consumer spending, and government spending. These gains were partly offset by a decrease in exports and an increase in imports, which are subtracted in the calculation of GDP. The acceleration in the growth rate from the second quarter reflected upturns in nonresidential fixed investment and government spending. A decline in exports and an increase in imports had a negative impact on GDP.
- The BEA also reported that the personal-consumption expenditures (PCE) price index advanced 0.5% in September, up from the 0.3% increase in August. The index rose 3.6% over the previous 12-month period, up from the 3.4% annual gain in August. The core PCE price index, which excludes volatile food and energy prices, increased 0.3% and 3.1% for the month and year-over-year, respectively. The 12-month advances in the PCE and core PCE price indexes in September were 0.2 and 0.1 percentage point higher, respectively, than their annual gains in August. The PCE price index is widely considered the Fed's preferred measure of inflation, while the core PCE price index is closely monitored for evidence of underlying inflation trends.
- In the Middle East, tensions remained elevated as the possibility of renewed U.S.-Iran hostilities continued to complicate diplomatic efforts to end the conflict. A fresh attack on a commercial tanker in the Strait of Hormuz underscored persistent security risks to regional shipping, while attacks on Saudi energy infrastructure added to concerns about a broader escalation.
- Brent crude and West Texas Intermediate (WTI) crude oil prices rose during the week as continued attacks on commercial shipping and regional energy infrastructure heightened concerns about potential supply disruptions. Oil prices rose further on Friday following the latest tanker attack in the Strait of Hormuz, despite a substantial recovery in regional crude exports in recent months.

Stocks

- Global equities garnered positive returns for the week. Developed markets outperformed emerging markets.
- U.S. stocks declined during the week. Healthcare and materials were the top-performing sectors within the broad-market S&P 500 Index, while communication services and information technology 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 4.93% during the week.
- High-yield bonds led the market, followed by investment-grade corporate bonds and government bonds.

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As of October 30, 2026	1 Week	YTD	1 Year	Friday's close
Global Equity Indexes				
MSCI ACWI ($)	1.2%	11.6%	12.7%	1132.6
MSCI EAFE ($)	1.3%	7.6%	11.1%	3113.2
MSCI Emerging Mkts ($)	0.9%	13.4%	12.8%	1592.6
US & Canadian Equities				
Dow Jones Industrials ($)	-0.9%	7.7%	8.9%	51770.3
S&P 500 ($)	-0.8%	10.5%	10.8%	7562.2
NASDAQ ($)	-2.0%	9.4%	7.9%	25437.0
S&P/ TSX Composite (C$)	-1.0%	11.8%	17.4%	35444.5
UK & European Equities				
FTSE All-Share (£)	0.4%	8.1%	9.9%	5784.2
MSCI Europe ex UK (€)	2.4%	8.7%	11.9%	2233.0
Asian Equities				
Topix (¥)	0.0%	16.3%	20.1%	3965.1
Hong Kong Hang Seng ($)	0.9%	-9.1%	-11.4%	23294.4
MSCI Asia Pac. Ex-Japan ($)	1.9%	14.8%	13.5%	828.8
Latin American Equities				
MSCI EMF Latin America ($)	-13.9%	5.2%	10.9%	2850.7
Mexican Bolsa (peso)	-0.2%	8.4%	10.9%	69732.9
Brazilian Bovespa (real)	-18.1%	4.3%	12.9%	168039.7
Commodities ($)				
West Texas Intermediate Spot	-5.8%	77.6%	68.4%	102.0
Gold Spot Price	-2.9%	-10.1%	-3.0%	3883.7
Bond Indices ($)				
Bloomberg U.S. Aggregate	0.3%	-0.8%	-0.4%	2329.4
Bloomberg Global Aggregate	0.1%	-1.5%	-1.1%	493.7
JPMorgan Emerging Mkt Bond	0.4%	0.3%	1.2%	1020.6
10-Year Yield Change (basis points*)				
US Treasury	-7	76	83	4.93%
UK Gilt	-7	81	86	5.28%
German Bund	-2	47	68	3.32%
Japan Govt Bond	-2	72	113	2.78%
Canada Govt Bond	-6	36	66	3.79%
Currency Returns**				
US$ per euro	-0.3%	-4.9%	-3.4%	1.117
Yen per US$	0.4%	0.5%	2.2%	157.52
US$ per £	0.1%	-0.6%	1.8%	1.339
C$ per US$	-0.2%	1.8%	-0.1%	1.397

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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