

Multi-Asset Investment Solutions

Weekly Market Review

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Date: 12/10/2026

Market recap – US and UK shares rise as oil and AI headlines swing markets

Global stock markets delivered a mixed performance last week, as swings in oil prices, government borrowing costs and artificial intelligence (AI) news set the tone. In the US, the **S&P 500 rose 1.3%** (all returns are in sterling terms unless otherwise stated), while the tech-heavy **Nasdaq 100 gained 0.4%**. The **FTSE 100 gained 0.9%**, helped by a late rally in software and mining shares. **MSCI Europe (excluding the UK) fell 0.9%**, as higher government bond yields* weighed on banks and worries over French public finances persisted. In Japan, the **Nikkei 225 rose 0.8%** and the broader **TOPIX was broadly unchanged** (up 0.04%), with a weaker yen trimming gains for UK investors. **MSCI China rose 1.4%**, as Hong Kong-listed shares outperformed a weaker mainland market. The **MSCI Asia Pacific (excluding Japan) index fell 0.4%**, pulled down by South Korea, while **MSCI Emerging Markets rose 0.2%**, helped by a sharp rally in Brazil.

**Bonds are interest-paying financial products issued by governments, companies and other institutions when they want to borrow money from investors. Yield is the income paid by bonds (or other investments). It is usually stated as a percentage of the value of the investment.*

Geopolitics – Iran strike fears flare, then fade

US-Iran tensions rose mid-week, as attacks on shipping in the **Strait of Hormuz** continued and reports said the White House was considering military options against Iran. Sentiment improved after comments from **President Donald Trump** on Thursday ruling out striking Iran **before the 3 November midterm elections** and saying talks with Tehran were going well. The US also cleared the way for around 300,000 tonnes of **Russian diesel** to reach world markets immediately, with further supplies to follow. Investors reacted positively to polls in Brazil showing **Flávio Bolsonaro**, seen as more likely to rein in government spending, taking the lead over the incumbent, President Luiz Inácio Lula da Silva, ahead of the **25 October run-off**.

Central banks – further rate rises still on the table

Minutes from the September meeting of the US Federal Reserve (the Fed) showed **every policymaker backed that month's rate rise**, and most favour another before the year-end. Markets now see a **December rise as likely**, but an October increase as unlikely. In Europe, minutes from the European Central Bank showed policymakers saw a **risk of higher inflation** but wanted to keep their options open. The **Bank of England** is one of the few major central banks yet to raise rates in response to the energy shock, and markets expect a **rise in November**. **India's central bank** increased rates to **5.5%**.

News – OpenAI revenue doubts rattle, then reassure, tech investors

A Financial Times report suggested **OpenAI**, the maker of ChatGPT, had annual revenue running at around **\$50 billion** at the end of September, well below figures reported a month earlier. AI-related shares **sold off on Thursday**, including chipmakers in Japan and South Korea. On Friday, reports that OpenAI expects to reach **\$70 billion or more by the year-end** helped tech shares recover. The episode shows how closely investors are watching whether heavy AI spending will pay off.

Economic data – US shoppers gloomy, Asian exports boom

In early October, US consumer sentiment fell to its lowest level since May's record low, according to a University of Michigan survey, and households expect inflation of **4.7%** over the next year. Meanwhile, in Europe, Germany's **exports fell 0.8%** in August. Japan's **household spending fell for a ninth month** running, though machine tool orders hit a record high. AI demand drove **record September exports** from Taiwan (up 60.9% on a year earlier) and South Korea (up 83.5%).

Commodities

Brent crude oil rose to around \$105 a barrel, up roughly 2% over the week. Prices jumped on Thursday on Iran headlines and a hurricane threatening US oil production in the Gulf of Mexico, then eased on Friday after President Trump ruled out strikes on Iran before the midterms.

Gold rose to around \$4,190 an ounce, up about 1% over the week. A weaker US dollar, lower oil prices and a slight fall in bond yields helped the precious metal recover late in the week, despite expectations of further US rate rises.

Week ahead – what to watch

US: Inflation (Wed); producer prices, which measure what firms charge each other before goods reach the shops (Thu); retail sales (Thu); speech by Fed Chair Kevin Warsh (Fri). Big banks including JPMorgan and Goldman Sachs begin reporting results.

UK: Economic growth (as measured by gross domestic product or GDP) for August (Thu).

Europe: Speeches by European Central Bank President Christine Lagarde (Wed); results from Dutch chip equipment giant ASML and French luxury goods group LVMH.

Asia: China inflation and trade data (Wed); results from Taiwanese chipmaker TSMC.

Sources: Marlborough Multi-Asset, Morningstar, Financial Times, Anglia Advisors, Trading Economics

Risk Warnings

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