

Multi-Asset Investment Solutions

Weekly Market Review

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Date: 19/10/2026

Market recap – chip sell-off hits tech stocks in Asia and US, while UK shares climb

Stock markets in the US and Asia fell last week, as a sharp sell-off in chip and artificial intelligence (AI) shares spread around the world. In the US, the **S&P 500 fell 2.9%** (all returns are in sterling terms unless otherwise stated) and the technology-heavy **Nasdaq 100 dropped 6.4%**. A stronger pound also contributed to the negative returns from US stocks for UK investors. However, the **FTSE 100 bucked the negative trend, rising 3.2%**, helped by its low exposure to tech and gains in steadier shares such as drugmakers. **MSCI Europe (excluding the UK) rose 1.1%**, led by defence companies and carmakers. In Japan, the **Nikkei 225 fell 6.0%**, its worst week since July, while the broader **TOPIX fell 1.6%**. **MSCI China fell 2.6%** on renewed trade tensions with the European Union (EU). The broader **MSCI Asia Pacific (excluding Japan) index fell 5.8%** and **MSCI Emerging Markets dropped 6.1%**, dragged down by a **16.6% slump in the South Korean market**.

Geopolitics – Hormuz attacks squeeze oil supplies

Iranian attacks on tankers sharply reduced oil flows through the **Strait of Hormuz**. Daily flows fell to around **11.6 million barrels**, from a normal level of around 17 million. An Iranian missile also sank a container ship in the strait. Fighting between Saudi-backed forces and Iran-backed Houthi rebels in Yemen added to tensions, while **Ukrainian drone attacks on Russian refineries** further squeezed fuel supplies. Separately, **trade tensions between the EU and China** flared again, as Brussels considered new limits on Chinese imports and Beijing warned it would respond.

Central banks – US expected to hold rates this month, December rise in focus

The Chair of the Federal Reserve (the Fed), **Kevin Warsh**, gave no signals on the US central bank's next move on interest rates, but said higher-than-expected inflation had not changed his view of the economy. Markets now expect the Fed to **hold rates steady in October**, with a **rise in December** still seen as likely. In the UK, markets expect a **rate rise by the Bank of England on 5 November**, though Governor Andrew Bailey said there was little sign yet that higher energy costs were pushing up wages. The European Central Bank has **raised rates twice in four months**, and another rise is expected in December. In Japan, a central bank policymaker warned against acting too slowly to raise rates.

News – AI chip sell-off deepens

The week's main story for investors was a **sharp sell-off in chip and AI shares**. US chipmakers fell for **eight days in a row**, their longest losing run since 2008. Investors worried that AI companies that have borrowed heavily to build data centres could struggle as interest rates rise. US AI cloud provider **CoreWeave fell almost 24%** over the week. Claims of progress by a Chinese memory-chip maker added to the pressure on Asia. The South Korean market suffered its worst week since 2008, as Samsung and SK Hynix tumbled. Shares steadied on Friday after Taiwanese chip giant **TSMC reported record profits**.

Economic data – US inflation rises, UK growth surprises

US consumer prices inflation rose to 3.7% in the year to September, up from 3.4% in August. **Producer prices**, which measure what firms charge each other before goods reach the shops, **jumped 1.3% in September**, the highest monthly increase since March 2022. US industrial production rose 0.7%, its strongest gain in five months. The **UK economy grew 0.1%** in August, despite forecasts of a fall. **Eurozone inflation rose to 3.8%**, its highest level in three years, driven by energy costs. Japan's industrial output fell 2.4% in August, while **China's imports jumped 31%** to a record in September.

Commodities

Brent crude oil rose to around \$110 a barrel, up more than **5%** over the week, as attacks on tankers reduced supplies passing through the Strait of Hormuz and US crude stocks fell.

Gold slipped to around \$4,170 an ounce, down about **0.5%** over the week. Higher US inflation data pushed the price of the precious metal lower mid-week, before demand for 'safer' assets helped it recover.

Week ahead – what to watch

US: Building permits and housing starts (Tue); interim purchasing managers' indices (PMIs), which survey business activity in manufacturing and services (Fri); results from Netflix (Tue), Tesla (Weds) and Meta (Wed).

UK: Unemployment figures (Tue); inflation (Wed); retail sales (Fri); interim PMIs (Fri).

Europe: German ZEW economic sentiment, a survey of analysts' expectations for the economy over the next six months (Tue); German manufacturing PMI figures (Fri); results from German business software company SAP (Wed).

Asia: China third-quarter economic growth, industrial production and retail sales (Mon); Japan trade balance (Wed); Japan inflation (Fri).

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

Risk Warnings

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