



HIGH YIELDS AND SHORT-TERM SAFETY TEMPT INVESTORS BACK TO BONDS

This week provided some respite for bonds. Despite a strong US inflation reading, comments by Federal Reserve chair Kevin Warsh cooled expectations of a US rate hike this month. Central bankers in the UK and Europe also sounded less inclined to raise rates. Bank of England Governor Andrew Bailey and European Central Bank president Christine Lagarde both said there are no signs of inflation becoming embedded in consumer or business expectations, or in wage negotiations. That helped bonds recover some of their steep losses of recent weeks.

In addition, some investors have parked money in bonds after selling AI-linked stocks on concerns about valuations of some companies. More significantly, other investors have been tempted by the highest yields on developed government bonds in over 20 years. Bond investors also seem to be questioning AI valuations, as some AI-linked bonds, including those issued by major names such as Oracle and SpaceX, are trading with yields usually associated with high yield or speculative debt.

THE MARKETS THIS WEEK

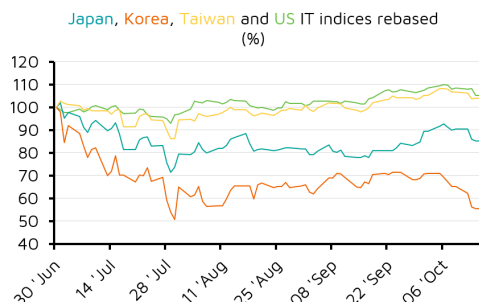
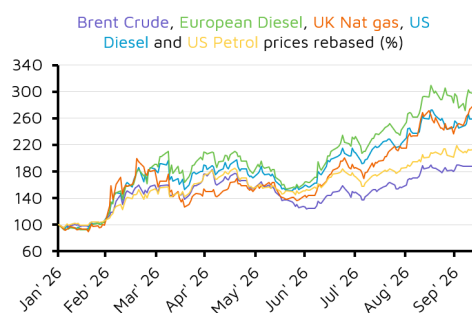
FTSE 100	S&P 500	Nikkei 225	STOXX 600	Hang Seng	US 10 Yr	UK 10 Yr	Brent Crude	Gold	Copper	GBP USD
+3.01%	-0.52%	-5.38%	+1.98%	-0.08%	-0.15%	-0.06%	+1.90%	-0.87%	-0.52%	+0.59%



OIL: TRUMP'S ATTEMPT TO TAME FUEL INFLATION COMES UP SHORT

President Trump attempted to drive down the price of diesel by calling an energy truce between Ukraine and Russia. The US threatened to withhold financial and military aid unless Ukraine agreed to stop attacking Russian oil refineries. Trump also agreed to lift sanctions on Russian diesel to reduce US fuel prices ahead of the midterm elections next month. Although diesel prices fell initially, attacks on Ukrainian energy infrastructure caused Ukraine to abandon the deal, and diesel ended higher than last week.

Meanwhile, oil's price has remained relatively steady despite a rise in strikes on shipping through the Strait of Hormuz and Yemen's Houthi militia intensifying their attacks on Saudi Arabia. However, natural gas prices in the UK and Europe jumped around 10% to hit a four-year high. Dearer fuel continues to show up in global inflation readings. US CPI inflation rose to 3.7% in September and the outlook for interest rate hikes helped strengthen the US dollar.



TECH: ASIAN STOCKS LEAD GLOBAL TECH DECLINE ON VALUATION WORRIES

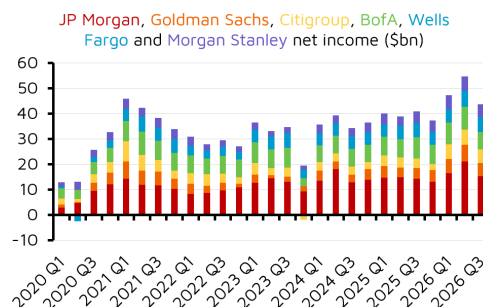
Asian equity markets bore the brunt of a sell-off in tech stocks due to concerns about higher financing costs, steep valuations and the sustainability of revenue and profit growth. The Japanese Nikkei index fell just over 5% and Taiwan fell almost the same amount. The South Korean market was one of the worst affected as the Kospi index fell 16% as chipmakers Samsung and SK Hynix fell more than 20% after Chinese rival CXMT claimed a breakthrough in memory chip efficiency. Chinese markets also fell. Meanwhile, the chief executive of US chipmaker Broadcom compared some investors' attitude towards tech stocks to a casino.

The sell-off happened despite positive recent updates from Samsung and TSMC as both companies set new records for quarterly earnings and forecast further strong growth. Anthropic told its existing investors that its earnings growth accelerated in Q3, and that it remains profitable in advance of its expected stock market listing later this year.

WALL STREET: PROFITS PROPPED UP BY EQUITY TRADING

Stock trading drove US banks' third-quarter results. Hedge funds borrowing heavily to bet on AI-linked shares kept equities desks busy, with demand for such lending outstripping supply. Goldman Sachs equities revenue rose 72%, lifting profit almost 30%. Fixed income, currency and commodity (FICC) trading fared worse, as the Federal Reserve's September rate rise hurt credit and mortgage markets. JPMorgan's unexpected FICC fall held its profit growth to 6%, and only Citi grew the business. Higher rates did help lending income, and dealmaking fees rose at most banks.

Bank of America fell over 8% after a \$1.2bn money-laundering fine and weaker trading. Morgan Stanley, Citi and Wells Fargo also slipped, and only Goldman and JPMorgan rose. Behind the caution lie fears that trading has peaked, rising bond yields erode banks' securities holdings, and AI tools could make deposits costlier to keep. Share prices now imply flat earnings. Bosses disagree, saying September's lull has only postponed deals.



Data sourced from FE Analytics and SEC

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