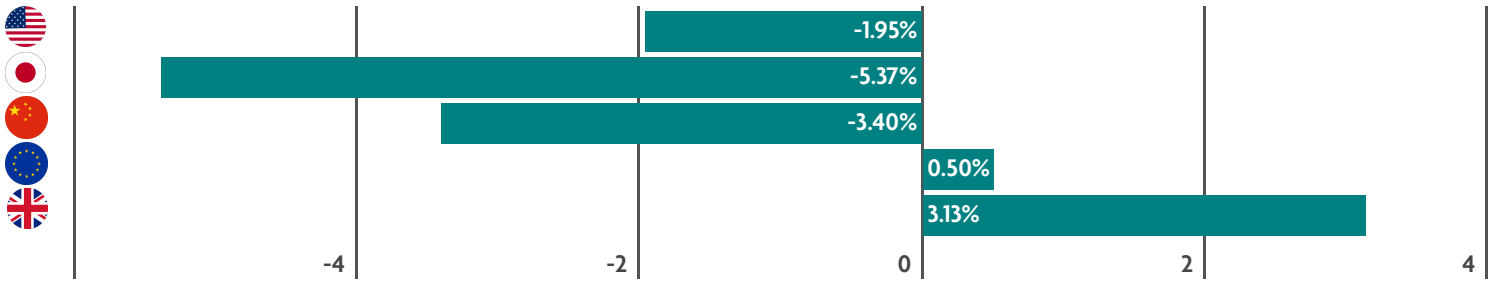
Weekly Market Update

19 October 2026

Last week's performance – major stock markets

Market Monitor (%): How did major stock markets perform last week*?



Key stories from last week

US: AI CONCERNS TRIGGER ROTATION INTO VALUE AND DEFENSIVE NAMES

US equities declined over the week, with a notable rotation away from large-cap growth and AI-related names towards value and defensive sectors. Technology shares came under pressure amid growing scrutiny of AI valuations and the sustainability of infrastructure spending, while energy stocks benefited from higher oil prices as geopolitical tensions in the Middle East continues. Investor sentiment was also influenced by stronger-than-expected inflation data, which reinforced concerns that price pressures remain persistent. Despite this, Treasury yields moved lower as investors sought the relative safety of government bonds, supporting fixed income markets. Economic data continued to point to a resilient US consumer and labour market, although markets remain focused on the outlook for Federal Reserve policy and whether inflation will delay the path towards lower interest rates.

JAPAN: TECHNOLOGY SECTOR WEAKNESS DRIVES MARKET LOWER AMID AI CONCERNS

A similar story unfolded in Japan, as Japanese equities weakened over the holiday-shortened week, with the technology-heavy Nikkei significantly underperforming amid a sharp sell-off in AI- and semiconductor-related stocks. Investor sentiment was pressured by stronger-than-expected US inflation data, concerns around elevated valuations and growing scrutiny of the substantial investment required to support AI infrastructure. Geopolitical tensions in the Middle East and higher oil prices further dampened risk appetite. Meanwhile, Japanese government bond yields moved lower as investors sought defensive assets, although expectations for further Bank of Japan policy tightening remained intact as policymakers continued to highlight upside inflation risks. Economic data was broadly supportive, with improving machinery orders signalling resilient corporate investment despite moderating producer price pressures.

CHINA: VALUATION PRESSURES WEIGH ON EQUITIES DESPITE STRONG EXPORTS

Chinese equities weakened over the week, with mainland markets underperforming Hong Kong as technology and AI-related stocks came under pressure amid renewed concerns over valuations, the scale of AI investment spending and stronger-than-expected US inflation data. Financial shares proved more resilient, while late-week gains were supported by corporate share buybacks, positive earnings outlooks and strength in the property sector. Economic data highlighted a mixed backdrop, with producer inflation accelerating on higher commodity and energy prices while consumer inflation remained subdued. Meanwhile, export growth surprised to the upside, driven by robust global demand for technology-related goods, reinforcing the relative resilience of China's manufacturing and export sectors.

EUROPE: EARNINGS SEASON OFFSETS AI-DRIVEN MARKET VOLATILITY

European markets advanced over the week, supported by the start of the earnings season and a rotation into defensive sectors as investors reassessed the outlook for AI-related spending. Technology and semiconductor stocks initially came under pressure amid concerns over the sustainability and financing of large-scale AI infrastructure investment, although the sector recovered some ground later in the week. Geopolitical tensions in the Middle East remained a key driver of sentiment, contributing to elevated energy prices and inflation concerns across the region. Economic data painted a mixed picture, with eurozone industrial production continuing to weaken, while the UK economy showed modest resilience through stronger-than-expected growth and improving manufacturing activity.

UK: FTSE 100 IN POSITIVE TERRITORY AS DEFENCE AND ENERGY SECTORS DRIVE OUTPERFORMANCE

UK equities performed strongly over the week, with the FTSE 100 up over 3%, benefiting from its defensive sector exposure and strength in energy stocks as heightened Middle East tensions supported oil and gas prices. Investor sentiment was also aided by encouraging domestic economic data, with UK GDP unexpectedly expanding in August, supported by stronger manufacturing and industrial production. While concerns around the sustainability of AI related investment led to weakness in technology and semiconductor shares globally, the UK market's lower exposure to these sectors helped support relative performance. Overall, the combination of resilient economic data, elevated energy prices and a rotation towards more defensive areas of the market provided a favourable backdrop for UK equities.

The Omnis Investment Club

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*Source: Bloomberg. All performance measured in local currency.

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