standard chartered

WS Global CIO Office
16 October 2026

Weekly Market View

Staying defensive and diversified

➔ We turned defensive towards equities two weeks ago. Since then, the Nasdaq-100 index has recorded its biggest weekly decline in three months as September's hotter-than-expected US inflation report briefly lifted bond yields, tightening financial conditions

➔ We have extended our defensive stance this week, closing our opportunistic bullish Communication Services idea and initiating a bullish idea on Healthcare, where earnings visibility and defensive characteristics appear more attractive.

➔ In fixed income, we see opportunities in the US 10-year government bond. We await clearer AI profit margin and spending guidance, broader earnings growth or lower bond and equity market volatility before turning positive on equities. Until then, diversification and disciplined entry levels remain important.

What are the takeaways from US bank earnings? Are you still positive on Japan banks?

How does the September US inflation report impact your USD and bond views?

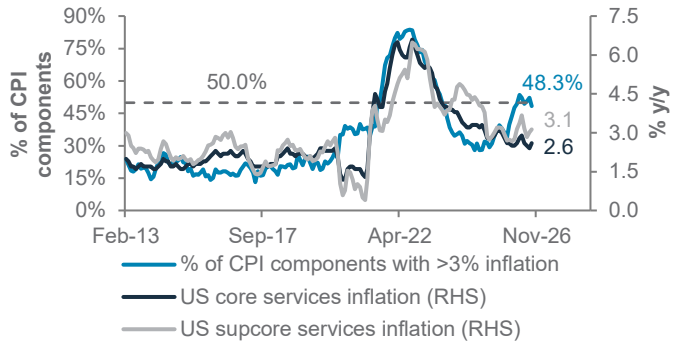
Can Big Tech earnings guidance sustain confidence in the AI investment cycle?

Important disclosures can be found in the Disclosures Appendix.

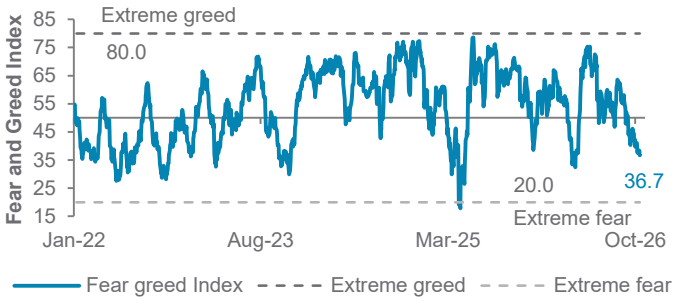
Charts of the week: No capitulation

A hotter-than-expected US inflation report triggered a pullback in risk assets, but there are few signs of capitulation so far

US core and supercore inflation; US inflation breadth*



Our 'Fear and Greed' indicator



Source: Bloomberg, Standard Chartered; *share of US consumer inflation components rising more than 3%

Editorial

Staying defensive and diversified

Strategy summary: Two weeks ago, we turned defensive towards equities, locking in semiconductor equity gains amid elevated bond volatility, narrowing market breadth and political uncertainty before the US mid-term elections. The near-term outlook reflected a less favourable risk-reward balance. Since we turned defensive, the Nasdaq 100 index has recorded its biggest weekly decline in three months as September's hotter-than-expected US inflation report briefly lifted bond yields.

We have extended our defensive stance this week, downgrading US Communication Services equities to Neutral and upgrading US Healthcare to Overweight. We also closed our opportunistic bullish Communication Services idea and initiated a bullish idea on Healthcare, where earnings visibility and defensive characteristics appear more attractive. In fixed income, we see opportunities in US 10-year government bonds. We await clearer AI profit margins and spending guidance, broader earnings growth or lower bond and equity market volatility before turning positive on equities. Until then, diversification and disciplined entry levels remain important.

Hot US inflation triggers equity pullback; not hot enough for an October Fed hike: Risk assets pulled back after September's hotter-than-expected inflation data (headline 3.7% y/y; core 2.6% y/y). Higher gasoline and diesel prices were the main drivers, but passthrough appeared in airline fares, used cars and transportation services, showing pressures were not confined to energy. Almost half of inflation components are still rising above 3%, a measure recently cited by Fed Chair Warsh. Producer inflation also beat estimates. The reports revive the possibility of an October Fed rate hike, but we expect a divided Fed to weigh it against September's soft jobs report and narrowly hold this month. A December hike appears more likely if inflation remains firm. Although Fed Chair Warsh did not comment on policy at an IMF speech this week, New York Fed chief Williams said he saw no need to hike in 2027. Our base case remains two further hikes by June 2027.

Limited equity pullback so far. Equities fell sharply after the US inflation report, but the pullback is limited. The Nasdaq 100 is 4.5% below its record high, while the S&P 500 remains close to all-time highs despite the latest decline. The S&P 500 volatility index (VIX) has risen from below 15 to 18.2, still well under the 25–30 range typically associated with capitulation and forced selling. Meanwhile, US government bond volatility (MOVE) remains elevated after surging since September. Our stock-bond quant model turned more negative (-2) this week, signalling elevated equity volatility in the near term.

When to turn more constructive on stocks? We would turn more constructive when capitulation signals align: the Nasdaq 100 approaches a 10% drawdown, the VIX rises to 25–30 and our 'Fear and Greed' index enters "extreme fear". Greater confidence would also require easing concerns about AI spending and technology firms' exposure to neocloud revenue, lower bond volatility and our stock-bond model turning positive again. Until these conditions emerge, volatility may remain elevated, favouring a defensive equity stance. Political risk should ease after the US mid-term elections. We continue to seek selective opportunities following excessive corrections.

US financials remain a preferred sector after Q3 earnings: US large banks' earnings were mixed, but underlying trends remain encouraging. Healthy loan and deposit growth supports net interest income, while resilient consumer spending, wealth management activity and a solid M&A and refinancing pipeline strengthen the outlook. Credit risks appear manageable. We remain constructive and favour stronger, diversified franchises.

US government bonds offer value as yields spike: The reversal in US government bond yields after their initial inflation-driven spike suggests limited further upside. The 10-year yield briefly reached 5.32% before slumping as falling equities prompted short-covering. We expect a near-term 5.00–5.25% range and view moves above 5.25% as attractive entry points for our opportunistic 10-year government bond idea. Structural pressures, including term premium and increasing supply to fund fiscal deficits and AI investments, prevent us from turning outright bullish on longer maturities. We, therefore, continue to prefer 3–7-year maturities in broader bond allocations.

— ***Rajat Bhattacharya and Sundeep Gantori***

The weekly macro balance sheet

Our weekly net assessment: On balance, we see the past week's data and policy as negative for risk assets in the near-term

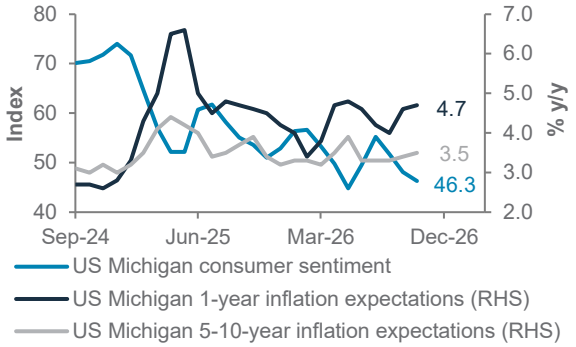
(+) factors: Strong China exports, ramped up fiscal supports

(-) factors: Higher-than-expected US inflation and weak US sentiment; hawkish central banks

	Positive for risk assets	Negative for risk assets
Macro data	• US existing home sales rose unexpectedly to 3.99mn in September • China exports grew 36.3% y/y in September, above estimates	• US headline and core consumer and producer prices rose more than expected in September • US Michigan consumer sentiment fell in October, with rising 1-year and 5-year inflation expectations • US core retail sales slowed and controlled group sales missed estimates in Sep • China consumer price inflation rose by 0.9% y/y in Sep, missing estimates
	Our assessment: Negative – Strong China exports vs. higher-than-expected US inflation and weak US sentiment	
Policy developments	• Fed's Williams said no need for another hike in 2027 after one more hike this year. Waller said inflation expectations are well anchored • Fed's latest Beige Book saw most districts reporting growth • China increased fiscal spending to support its GDP growth target	• The Fed's Hammack said the Fed should move "relatively quickly" to a restrictive monetary policy • ECB's Wunsch said the ECB will likely need to raise interest rates further as inflation approaches 4% • RBA meeting minutes struck a hawkish tone on the outlook for monetary policy
	Our assessment: Neutral – China fiscal policies, divergent Fed views	
Other developments	• EU and China reached a deal to cut Chinese hybrid car exports to Europe by more than half	• Houthis ramped up strike against Saudi cities and Aramco complex with missile and drone attacks • Ukraine will keep its strikes unless Russia agrees to energy ceasefire
	Our assessment: Negative – Intensifying geopolitical tensions	

US Michigan consumer sentiment index fell to 46.3 as high prices and borrowing costs continue to weigh on households

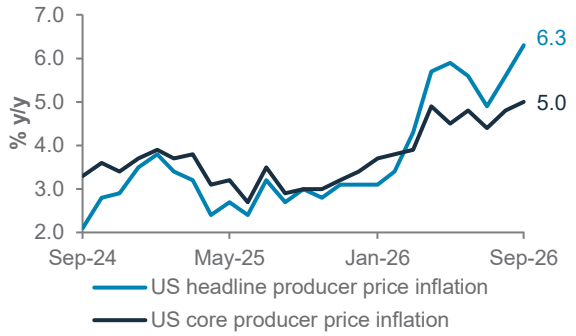
US Michigan consumer sentiment, 1-year and 5-10-year inflation expectations



Source: Bloomberg, Standard Chartered

US headline producer price inflation rose to 6.3% y/y, beating estimates and marking its second-highest level since November 2022

US headline and core producer price inflation



Source: Bloomberg, Standard Chartered

China consumer price inflation missed consensus estimates, while producer prices rose at the fastest pace since June 2022 due to fuel costs

China consumer and producer price inflation

Source: Bloomberg, Standard Chartered

Top client questions

How does the September 2026 US Consumer Price Index (CPI) report alter your view on the USD and bond yields?

Our view: The hotter-than-expected CPI print raises the odds of an October Fed hike, though we still expect a hold followed by a rate hike in December. In the near term, we maintain our view that the US 10-year government bond yield will range between 5.00% and 5.25%, while the USD will remain supported as markets reassess the likelihood of further Fed hikes. Additional gains would depend partly on markets pricing a faster or more prolonged tightening cycle, while clearer signs of an approaching policy rate peak could see the USD ease back.

Rationale: September US consumer inflation came in above consensus across the board – **headline CPI** rose 3.7% y/y (vs. 3.6% estimate), and **core CPI** rose 2.6% y/y (vs. 2.5% estimate) – marking the fastest headline acceleration in five months. This shifts the balance of risks **modestly hawkish**. Unsurprisingly, the market-implied probability of an October Fed hike rose over 50% overnight but closed the day at 32.7% – 9ppt higher than Tuesday's close.

We believe a split Fed will weigh this inflation report against the soft September jobs report and narrowly vote to keep **rates on hold this month**. Our base case remains for **two more Fed hikes by June 2027**. A December rate hike now looks more like a done deal, especially as persistently higher oil prices keep headline and core inflation elevated for at least the next few months. Any re-escalation of the Middle East conflict after the **US mid-term elections** would exert pressure on the Fed, although we believe Republicans would show greater restraint in US foreign action if they suffer steep Senate losses, which looks increasingly likely.

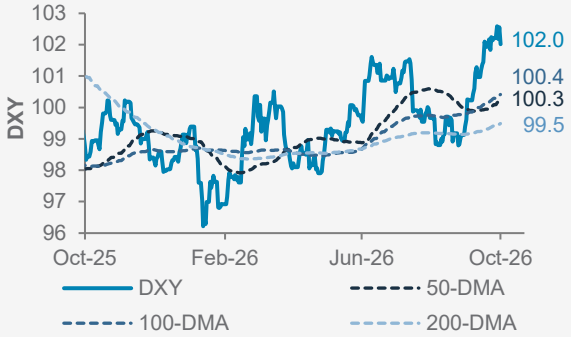
The intra-day price action in US government bonds was instructive. **The US 10-year yield briefly spiked to 5.32% on the print** before closing materially lower, as pre-existing bearish positioning was unwound and Fed speakers (Barkin, Goolsbee) stopped well short of signalling an imminent move. This dynamic reinforces our view that the **technical selling pressure** driving yields towards the upper end of our range is fading. Structural drivers – term premium, fiscal supply concerns and 'higher for longer' Fed repricing – remain intact and keep us from turning outright bullish on duration. However, our opportunistic bullish idea in US 10-year government bonds initiated at September-end remains, as we continue to view spikes in US 10-year yields over 5.25% as a **good risk-reward entry**. From a longer-term portfolio standpoint, we continue to favour the 3-7-year tenor.

On FX, elevated US government bond yields should sustain the USD's **interest rate appeal**. However, expected hikes alone will not drive further appreciation. Stronger data or firmer Fed guidance would provide fresh support, while evidence that tightening is nearing completion would temper the USD's strength.

— **Vincent Tan**, *Senior Investment Strategist*
— **Ray Heung**, *Senior Investment Strategist*

The US Dollar Index (DXY) is likely to stay rangebound between 102 and 103, supported by elevated US government bond yields

The DXY and technicals



Source: Bloomberg, Standard Chartered

The US 10-year government bond yield spiked initially after the US CPI print, but closed the day lower. We expect the US 10-year yield to stay rangebound within 5.00-5.25% in the near term

US 10-year government bond yield

Source: Bloomberg, Standard Chartered

Top client questions (cont'd)

What are your key takeaways from US bank earnings?

Our view: Q3 2026 earnings results from major US banks have been mixed, but underlying trends remain encouraging. Healthy loan and deposit growth, resilient consumer spending and wealth management activity continue to support the sector. Credit risks remain manageable. We remain constructive on the US financial sector, favouring stronger, diversified franchises.

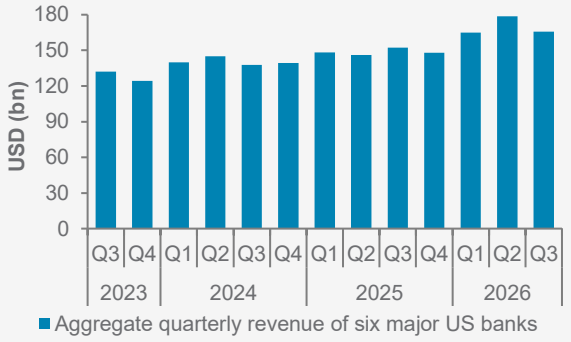
Rationale: Healthy loan and deposit growth continue to support net interest income (NII), hinting that the US economy remains resilient. Capital markets revenue grew year-on-year (y/y), but moderated sequentially after a very strong Q2 2026, although performance varied across banks. Management commentary points to **a healthy deal pipeline**, supported by M&A activity and debt refinancing demand, although execution will depend on market conditions.

Provisioning and net charge-off trends were mixed across banks, with **no clear signs of broad deterioration in credit quality**. Firmer US inflation raises the risk of further monetary tightening. While higher rates can support asset yields, they can also **increase funding costs, pressure borrowers and weigh on securities' valuations**. We will continue to monitor lending demand, credit costs, NII trends, capital markets momentum and capital returns.

— **Robin Xie,** *Senior Investment Strategist*

US banks' revenues remain resilient despite moderation from a record-high Q2 2026

Aggregate quarterly revenue (USD bn) of six major US banks



Source: Bloomberg, Standard Chartered

Can Big Tech's earnings guidance sustain confidence in the AI investment cycle?

Our view: We expect Big Tech's AI spending to remain elevated, supporting our constructive AI capex outlook. However, we await guidance on the pace of capex growth and the sustainability of profit margins.

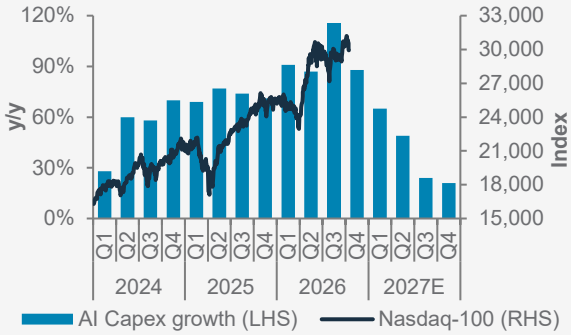
Rationale: Semiconductor leaders' latest company guidance points to supply constraints extending through 2028, supporting **continued capacity expansion for compute**. However, while AI capex is still likely to rise, **y/y growth is expected to moderate** from c.100% in Q3 2026 to c.20% in Q3 2027. This normalisation in growth could raise concerns about the AI investment cycle's durability.

The **Nasdaq-100 Index** has rallied alongside accelerating AI capex. Slower capex growth is likely to moderate semiconductor revenue growth, while **hyperscalers** continue to incur depreciation costs on past investments. The slower growth is already partially reflected in the Nasdaq-100's valuation de-rating this year. **While we remain constructive on the AI investment theme, we prefer to stay prudent in the near term** and await Big Tech's guidance for greater visibility into spending plans in H2 2027 and beyond.

— **Ryan Goh**, *Investment Strategist*

AI capital expenditure (capex) growth is expected to moderate to around 20% in Q3 2027

AI capex growth (y/y) vs. the Nasdaq-100 Index



Source: FactSet, Bloomberg, Standard Chartered

Top client questions (cont'd)

Would France face a credit rating downgrade by rating agencies this month? What might be the market implications?

Our view: A rating downgrade is unlikely unless France's 2027 budget passes the National Assembly very soon with material changes to the proposal. We see French government bond yields remaining elevated relative to German Bund yields.

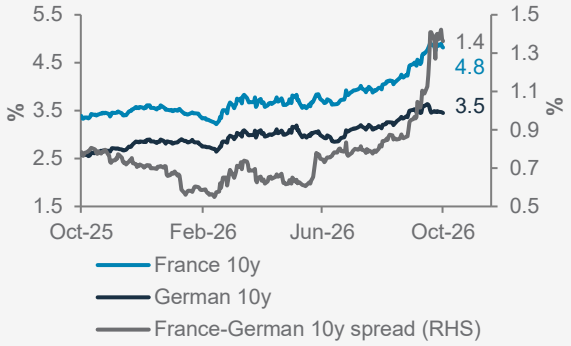
Rationale: The French National Assembly began debating France's 2027 draft budget on 13 October 2026, with the first vote scheduled for 20 October. **Near-term budget approval appears unlikely**, as opposition parties have tabled motions to reject the proposal. The French Parliament has up to 70 days from the budget's submission to complete the legislative process, although its final adoption and the resolution of political challenges could extend into early 2027.

Last October, two of the three major rating agencies downgraded France by one notch to the **high-single-A category** with stable outlooks. The remaining agency rated France in the **low-AA category** with a negative outlook. As negative outlooks are typically resolved within 12-18 months, agencies have time to await fiscal clarity before acting. We believe **downgrade risks** are largely priced in after the recent rise in yields, but volatility is likely to persist amid fiscal uncertainty and the approaching presidential election. Banks and domestically-focused issuers would face the greatest near-term pressure. However, we would view wider spreads as an **opportunity to add exposure, particularly to French banks' subordinated debt**, given their stronger balance sheets and the fact that France contributes less than 50% of major French banks' overall revenue.

— **Ray Heung,** *Senior Investment Strategist*

France's government bond yields remain elevated amid fiscal and political turmoil

France and Germany's 10Y government bond yields and the yield spread



Source: Bloomberg, Standard Chartered

Are you still positive on Japanese banks?

Our view: We are positive on Japanese banks despite the recent market correction, as the structural drivers of improving profitability and shareholder returns remain intact. While political risk and shifting BoJ rate hike odds could sustain near-term volatility, we see the recent pullback as an opportunity to build selective exposure to Japanese bank stocks.

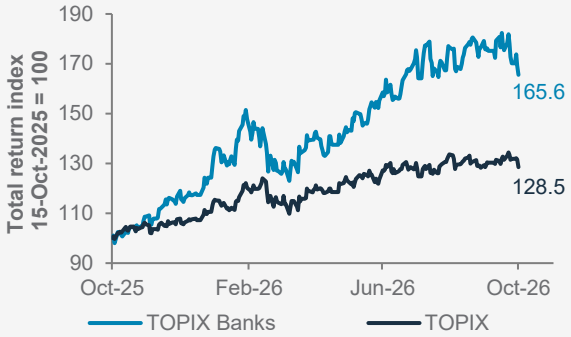
Rationale: Japan's **gradual monetary policy normalisation** should support banks' NII as floating-rate loans reprice and maturing assets are reinvested at higher yields. Healthy corporate lending demand, improving capital efficiency and continued share buybacks provide further support. While uncertainty over the pace of BoJ tightening could weigh on sentiment, we see gradual interest rate normalisation as **supportive of medium-term bank profitability**.

Key risks include rising deposit costs, mark-to-market losses on bond portfolios and a disorderly increase in Japanese government bond yields. We continue to favour **well-capitalised banks** with strong domestic deposit franchises and improving returns on equity.

— **Robin Xie,** *Senior Investment Strategist*

Japanese banks' longer-term outperformance puts recent volatility in perspective

TOPIX Banks vs. TOPIX performance (rebased to 100)



Source: Bloomberg, Standard Chartered

Top client questions (cont'd)

Could NZD/USD rebound from its one-year trough? If so, how far could it recover?

Our view: New Zealand's improving domestic conditions, persistent inflation and technical support provide a basis for NZD/USD's initial recovery towards the 0.57 level, although elevated US bond yields could slow its progress.

Rationale: In Q3, New Zealand's seasonally-adjusted business confidence reading rose to a net 40% of firms expecting the economy to improve, up from net 14% in Q2. Hiring intentions improved, and filled jobs rose 0.2% m/m in August. These developments suggest **domestic conditions remain supportive for the NZD**.

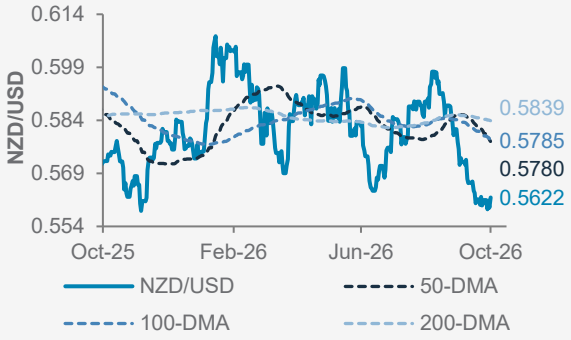
New Zealand's above-target inflation keeps further RBNZ tightening in focus. The 22 October **consumer inflation data release** and the 28 October **RBNZ policy meeting** are key catalysts: persistent price pressures and improving demand are expected to prompt firmer policy guidance and strengthen the NZD's interest-rate appeal.

NZD/USD's position near the lower boundary of its downtrend channel suggests **scope for a technical rebound**. We see 0.57 as the first recovery hurdle; a sustained break above this level would strengthen the case for further gains. Firmer US consumer inflation remains a headwind, making **a gradual recovery more plausible than a sharp reversal.**

— **Vincent Tan**, *Senior Investment Strategist*
— **Iris Yuen**, *Investment Strategist*

NZD/USD is likely to rebound towards near-term resistance at 0.57

NZD/USD and technical indicators



Source: Bloomberg, Standard Chartered

Can the proposed Russia-Ukraine 'energy ceasefire' contain oil prices as Middle East risks rise?

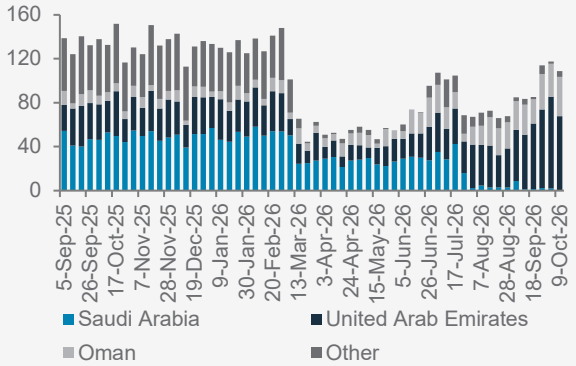
Our view: We expect escalating Middle East tensions to keep oil prices elevated. We maintain our three- and 12-month West Texas Intermediate (WTI) oil price forecasts at USD 100/bbl and USD 80/bbl, respectively, and continue to favour US Treasury Inflation-Protected Securities (TIPS) as a portfolio hedge against persistent inflation risks.

Rationale: The **proposed Russia-Ukraine 'energy ceasefire'** still looks some way off. In our view, even if an agreement is reached, it would do little to ease the supply risks building in the Middle East. **Gulf oil exports** have recovered to above 80% of pre-conflict levels in recent weeks, helping moderate the pace of price increases. However, the recovery remains vulnerable to disruptions, particularly following the latest Houthi attacks on Saudi energy infrastructure. **Diesel and jet fuel remain under the most pressure**, with Gulf exports of these fuels in September at only around 60% of pre-conflict levels. A sustained disruption to major Saudi production or export infrastructure remains the principal upside risk to oil prices.

— **Anthony Naab,** *Investment Strategist*

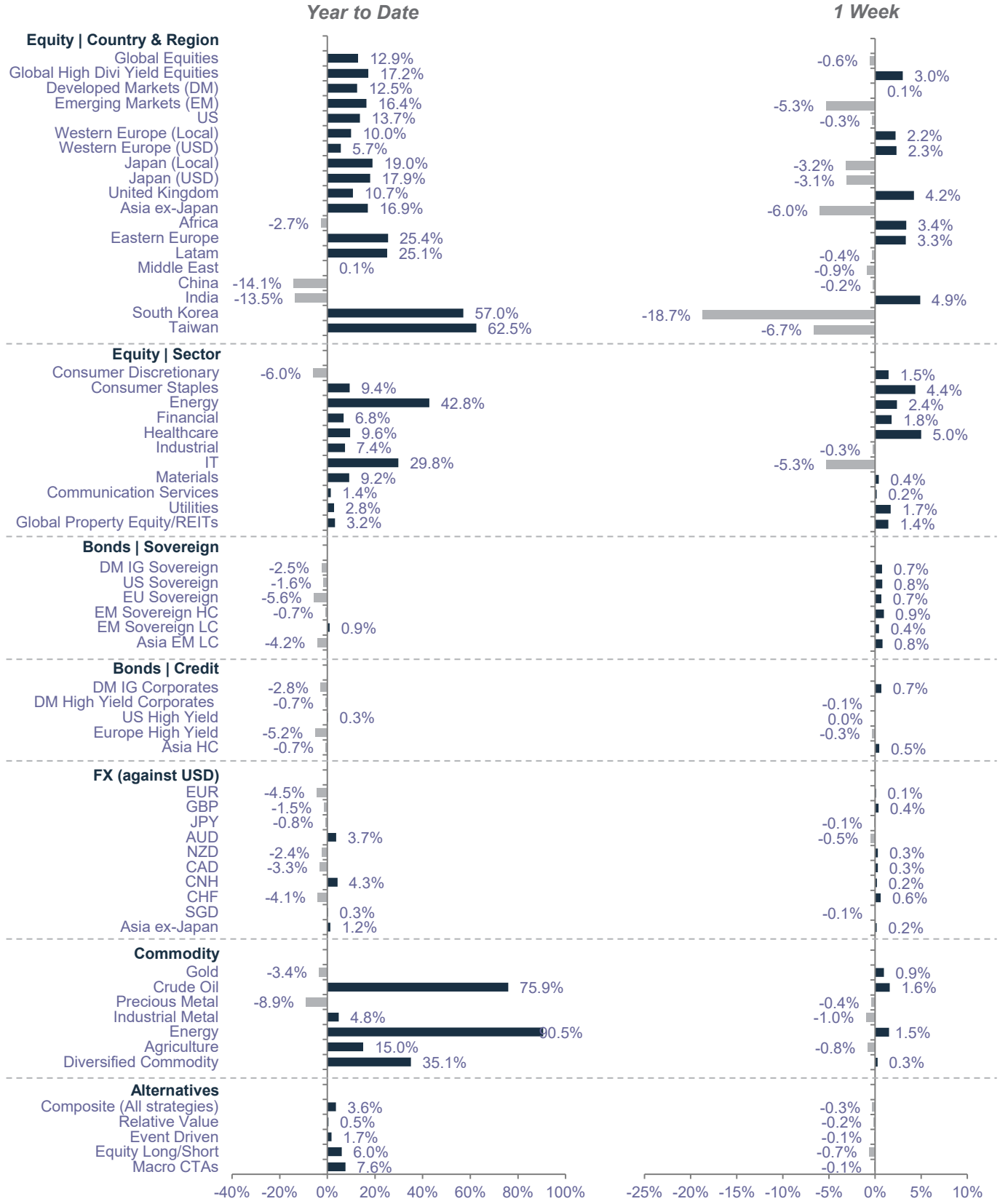
Robust Gulf oil exports are tempering oil price pressures, but supply risks should sustain a geopolitical risk premium

Weekly Gulf oil exports by source – September 2025 to date



Source: Bloomberg, Standard Chartered

Market performance summary*



Sources: MSCI, JP Morgan, Barclays Capital, Citigroup, Dow Jones, HFRX, FTSE, Bloomberg, Standard Chartered

*Performance in USD terms unless otherwise stated, 2026 YTD performance from 31 December 2025 to 15 October 2026; 1-week period: 8 October 2026 to 15 October 2026

Our 12-month asset class views at a glance

Asset class		Preferred Sectors	
Equities	▲		
US	▲	US Technology	▲
Europe ex-UK	◆	US Healthcare	▲
UK	▼	US Financials	▲
Asia ex-Japan	▲	US Materials	▲
Japan	◆	Europe ex-UK Financials	▲
Other EM	◆	Europe ex-UK Industrials	▲
		Japan Financials	▲
Bonds	◆	China Technology	▲
		China Financials	▲
Credit		China Communication	▲
Asia USD	◆	China Materials	▲
Corp DM HY	◆	China Healthcare	▲
Govt EM USD	▲		
Corp DM IG	◆	**Alternatives**	◆
Govt		**Gold**	▲
Govt EM Local	◆		
Govt DM IG	▼		

Source: Standard Chartered Global Investment Committee

Legend: ▲ Most preferred | ▼ Less preferred | ◆ Core holding

Economic and market calendar

	Market	Event	Period	Expected	Prior
MON	CNH	GDP y/y	3Q	4.4%	4.3%
	CNH	Retail Sales y/y	Sep	0.5%	0.4%
	CNH	Industrial Production y/y	Sep	5.5%	5.2%
	CNH	Fixed Assets Ex Rural YTD y/y	Sep	-7.3%	-7.2%
	CNH	Property Investment YTD y/y	Sep	-20.0%	-19.9%
TUE	EUR	Germany ZEW Survey Expectations	Oct	–	34.7
	EUR	Germany ZEW Survey Current Situation	Oct	–	-47.1
	USD	Housing Starts	Sep	1300k	1275k
	USD	Building Permits	Sep P	1388k	1403k
WED	GBP	CPI y/y	Sep	–	3.1%
	GBP	CPI Core y/y	Sep	–	2.6%
THU	EUR	Consumer Confidence	Oct P	–	-16.5
	USD	Leading Index	Sep	–	-0.1%
FRI/SAT	EUR	S&P Global Eurozone Manufacturing PMI	Oct P	–	52.9
	EUR	S&P Global Eurozone Services PMI	Oct P	–	53.0
	USD	S&P Global US Manufacturing PMI	Oct P	–	55.9
	USD	S&P Global US Services PMI	Oct P	–	58.8

Source: Bloomberg, Standard Chartered
Prior data are for the preceding period unless otherwise indicated. Data are % change on previous period unless otherwise indicated
P - preliminary data, F - final data, sa - seasonally adjusted, y/y - year-on-year, m/m - month-on-month

The S&P500 has next interim resistance at 7,890

Technical indicators for key markets as of 15 Oct close

Index	Spot	1st support	1st resistance	12m forward P/E (x)	12m forward dividend yield (%)
S&P500	7,744	7,553	7,890	18.9	1.2
STOXX 50	6,168	6,051	6,326	14.5	3.3
FTSE 100	10,840	10,516	11,017	12.4	3.6
TOPIX	3,999	3,917	4,142	15.6	2.4
Shanghai Comp	3,707	3,599	3,892	12.1	3.2
Hang Seng	24,063	23,449	24,966	10.0	3.6
Nifty 50	22,997	22,254	23,667	17.0	1.9
MSCI Asia ex-Japan	1,052	1,010	1,131	9.3	2.7
MSCI EM	1,608	1,551	1,712	9.2	3.0
Crude oil (WTI)	98.0	87.6	107.5	na	na
Gold	4,171	4,025	4,358	na	na
UST 10Y Yield	5.06	4.86	5.31	na	na

Source: Bloomberg, Standard Chartered
Note: These short-term technical levels are based on models and may differ from a more qualitative analysis provided in other pages

Investor diversity has normalised across asset classes

Our proprietary market diversity indicators as of 15 Oct close

Level 1	Diversity	1-month trend	Fractal dimension
Global Bonds	●	↓	1.62
Global Equities	●	↑	1.85
Gold	●	↓	1.64
Equity			
MSCI US	●	→	1.62
MSCI Europe	●	↑	1.60
MSCI AC AXJ	●	→	1.65
Fixed Income			
DM Corp Bond	●	↓	1.58
DM High Yield	●	↓	1.51
EM USD	●	↓	1.53
EM Local	●	↑	1.71
Asia USD	●	↓	1.57
Currencies			
EUR/USD	◐	↓	1.42

Source: Bloomberg, Standard Chartered; **Fractal dimensions below 1.25 indicate extremely low market diversity/high risk of a reversal**

Legend: ● High | ◐ Low to mid | ○ Critically low

Access our views 24/7 on key platforms

Market views on-the-go

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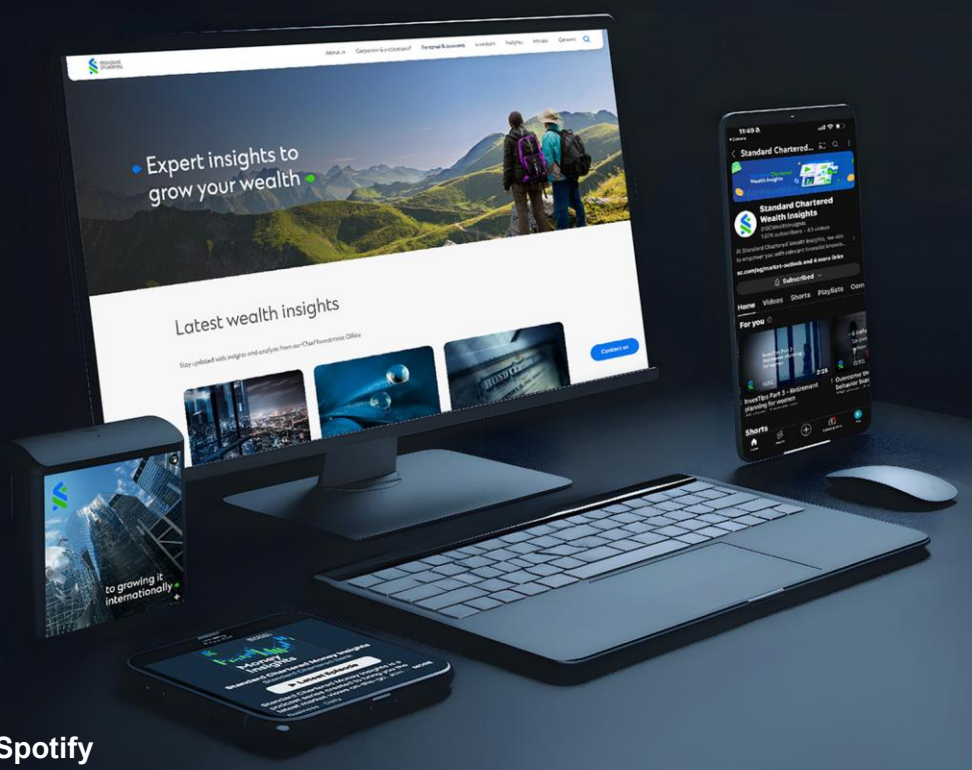

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