

CIO Office Morning Notes

30 October 2026

Global equities ended flat yesterday, as a selloff in the AI names was offset by gains elsewhere. In the US, the economy grew at its fastest pace in a year, with third quarter growth at 3.4% annualized, above expectations. Business investment rose 12.7%, the fastest pace in six years, mostly because companies are buying servers and other equipment for AI data centers, and consumer spending grew 3.8%. Inflation picked up too, with PCE up 0.5% in September, the most in six months, taking the annual rate to 3.6%, and core at 3.1%. In September itself, real spending was flat and incomes fell behind prices, which pushed the saving rate to its lowest in almost four years, so households are leaning on savings to keep spending. That adds to the case for the December hike markets already expect, yet Treasuries rallied as the tech selloff sent money into bonds. The 10 year yield fell eight basis points to 4.94%, and the two year fell almost 13 basis points to 4.61%. The ECB held its deposit rate at 2.5% and said it discussed a hike and rejected it, but called the direction of travel clear, and markets put the odds of a December move at around 85%. Lagarde also announced she will step down on February 7, almost nine months early, which starts a race to replace her. Brent eased 0.4% to \$114.9 as traders weighed mixed signals on the US approach to Iran, gold fell 1.1% to 4,022, and the dollar was little changed.

US stocks ended a three day rise, with the S&P 500 down 0.3% and the Nasdaq 100 down 1.4%. Alphabet fell 13% on its revenue miss and second straight quarter of negative free cash flow, and Microsoft gave up its after hours gain to close slightly lower. Underneath, the market held up well, because more than 400 members of the S&P 500 rose while a basket of AI winners fell 2.7%, so money rotated within the market rather than leaving it. The same split showed in credit, where Microsoft's \$25 billion bond, its first in the US investment grade market since 2017, drew \$115 billion of orders, more than four times the size, so the debt market is open, but only for the strongest names. After the close, Amazon fell about 7% after spending more than \$77 billion in the quarter, far above estimates, which took its free cash flow over the past year to minus \$42 billion. AWS grew 39%, faster than last quarter but short of the bar Microsoft and Google set, and online sales rose just 2%. That leaves Microsoft, which keeps its spending within its cash flow, as the only one of the three cloud companies whose shares held up after results. Intel fell more than 20% in late trading after weak guidance, because the memory shortage is pushing up PC prices and cutting demand for its processors. Elsewhere, Europe rose 0.8% on solid earnings, with Shell posting the second highest profit in its history and Adidas up 6%. With less AI exposure, the region is up about 2% this month and on track to beat the US after lagging it for two straight quarters. In Asia, tech led the declines. The Kospi fell 1.2% as Samsung dropped on its chip profit miss and the lack of a new shareholder return plan, and Taiwan fell 1.4%. China fell 1.1%, with Shenzhen down 2.9%, as state buying failed to stop the slide, and analysts warn that intervention alone won't bring a lasting recovery without stronger earnings and demand. The Topix added 0.3% as Advantest jumped 6% after raising guidance for a second quarter, leaving Japan up 17% this year. Dubai eased 0.5%.

Markets this morning

This morning the selloff is spreading, with Nasdaq 100 futures down 2.3% and S&P 500 futures down 1% after the Amazon and Intel results. The Kospi has dropped 5.5%, with SK Hynix down 8.9% and Samsung 6.3%, and the Topix is down 1.3%. That is pulling Asia down 1.7% even as energy and consumer names gain, although Hong Kong is up 1.5%. Money is moving into havens, and the 10 year Treasury yield has slipped to 4.91%, down almost 40 basis points this month and heading for its first monthly fall since February. The Bank of Japan held rates as expected. Brent jumped as much as 2.6% to near \$118 on renewed concern over escalation, and gold dropped below \$4,000.

Upcoming key events/data

Looking ahead, today brings eurozone third quarter GDP and inflation and Kioxia's results. China's PMIs are out Saturday, Apple reports Monday, and Tuesday brings both the US midterms and the close of DIP's subscription.

Have a great day.

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