

Central banks on hold will allow a focus on Tech results

A slew of earnings announcements this week from IT hardware producers across Asia and the US and from one of the US hyperscalers will test our thesis from last week that the AI capex spending outlook remains largely intact. To recap, we argued that although recently higher financing costs may trim 2027 – 28 capex estimates at the margin, growth is likely to remain rapid. We also argued that recent falls in markets – Nasdaq and Kospi are down 6% and 21% from their October highs – have priced much of this risk and reduced long positioning.

Against this background we find it encouraging that GPU rental rates for H100 and B200 GPU racks have climbed to new highs while rates for the now six-year-old A100 GPU have bounced back to late September levels. We also note that Google has increased rollout of its AI agent framework it announced on October 8 in what appears to be a response to Meta’s highly downloaded Muse release on September 8. We view this as important for the AI infrastructure outlook for two key reasons.

- 1) Token use and so compute requirements should rise as consumers increase adoption and use of these AI agent products for management of daily life.
- 2) These releases suggest to us that US hyperscaler desire to compete across the AI product space remains intense and that implies continued aggressive infrastructure spending.

As IT hardware producers report we expect markets to focus on growth in order backlogs. Within the hyperscalers, market focus is likely to be on revenue and cash flow generation. We agree with the general idea that hyperscaler share prices are likely to trade inversely with credit spreads until they begin to show revenues from AI beginning to catch up to capex expenditure.



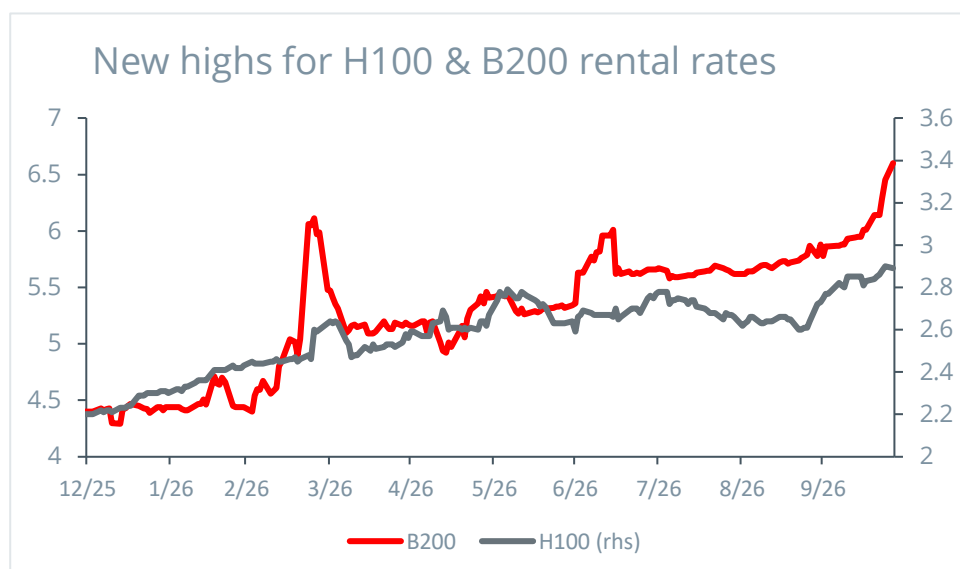
Vis Nayar
Chief Investment Officer
Eastspring Investments



Ray Farris
Chief Economist
Eastspring Investments



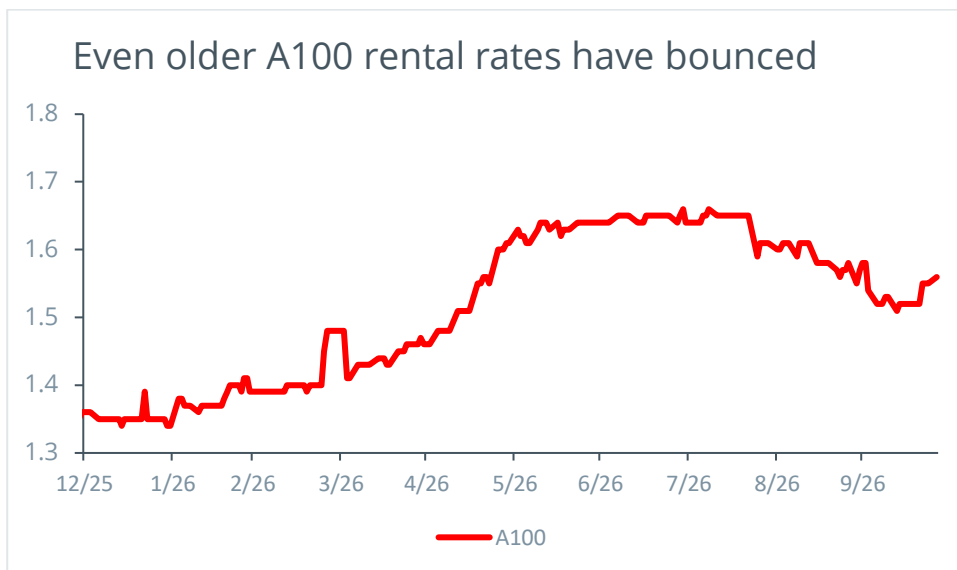
Viola Wang
Economist
Eastspring Investments



Source: Silicon Data, Bloomberg. Last data point: October 25, 2026.

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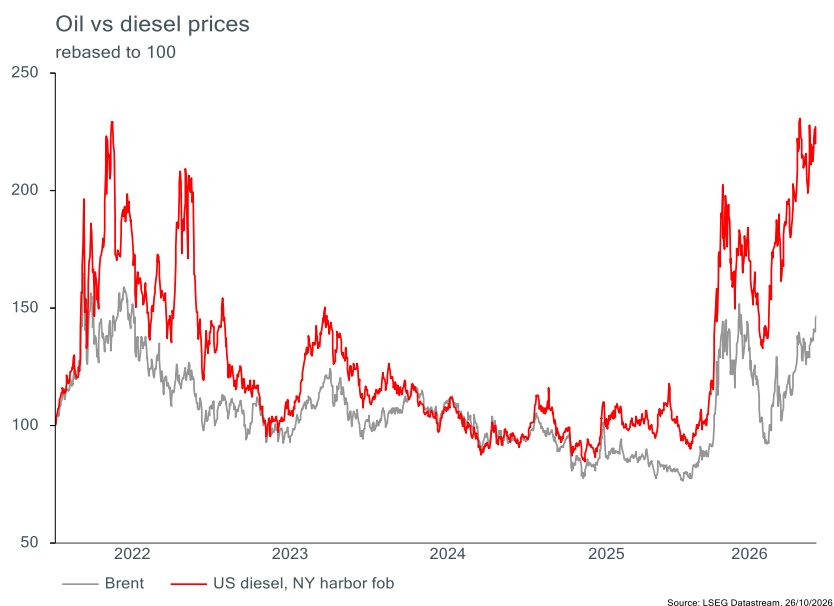
New risk to duration from central bank pauses

The market expects the US Federal Reserve (Fed), the European Central Bank, and the Bank of Japan to keep policy rates unchanged at this week's respective meetings.

Focusing on the US Fed, market pricing for Thursday's meeting rests mainly on speeches by New York Fed President Williams, Vice Chairman Jefferson, and San Francisco Fed President Daly arguing against a rate hike this week and the fact that Warsh did nothing to push back against these views in a subsequent speech. This has contributed to the rally in the US 10-year Treasury yield from 5.3% in early October to 4.97% last Friday.

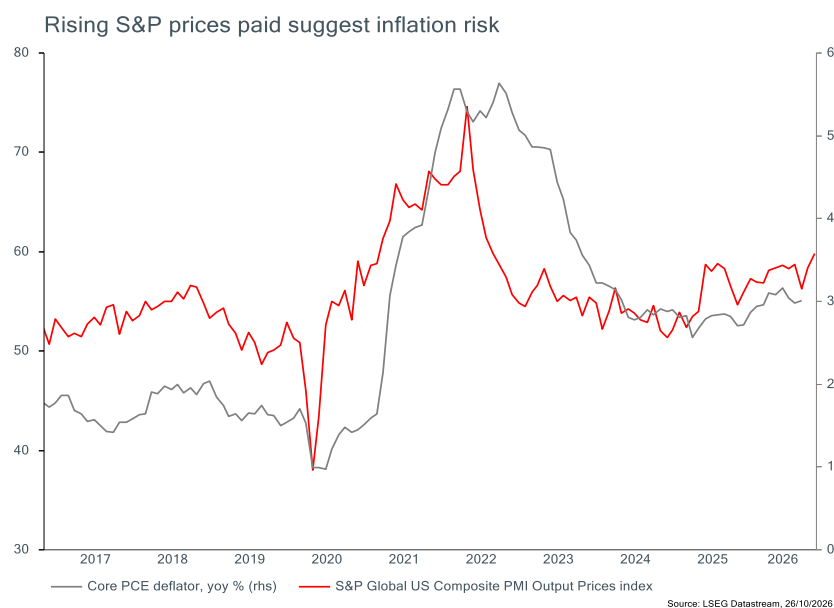
If the Fed follows through with this guidance and keeps the Fed Funds rate unchanged this week we think it will shift Treasury market risk back to sell-offs and higher yields until the December 10 FOMC meeting.

A key reason is that renewed tension in the Middle East is driving energy prices higher. Iranian attacks on ships in the Persian Gulf rose to a new high of 28 this month, up from only 16 in August and 15 in September. Crucially, Houthi attacks on Saudi infrastructure have added to risk premia in market prices for oil. The combination of greatly increased oil shipping logistics costs and market risk premia have added about \$30bbl to the oil price from pre-war levels even for the now roughly unchanged output levels.



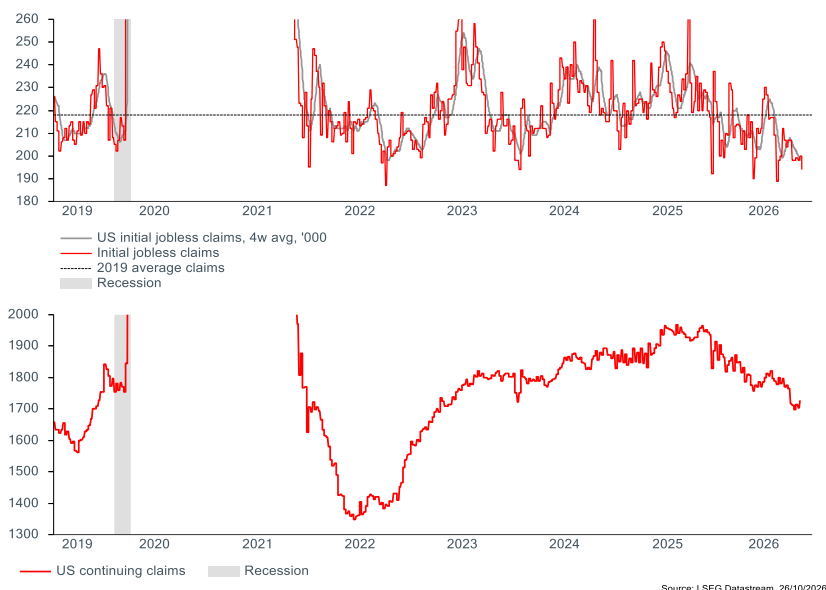
Yet, we think the clear risk is that energy prices could rise further. Multiple press reports suggest that the US Administration will resume kinetic attacks on Iran after the US Congressional mid-term elections. Similarly, it seems highly likely that fighting between the Houthis and Saudis will escalate before any truce agreement emerges.

If this scenario does emerge, the Fed's failure to have hiked in October could lead markets to perceive it slipping behind inflation. The chart below shows that the S&P Global US PMI prices paid index rose to a new cycle high in October - driven in large part by higher energy and transportation costs - and that this implies inflation risk.



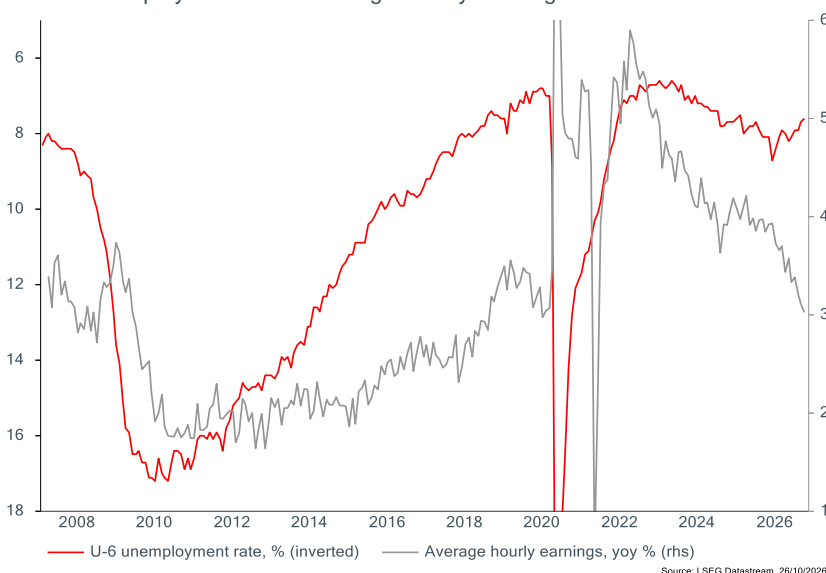
The Fed will also incur the risk that US economic data prove robust, supporting inflation. The Atlanta Fed's GDPNow estimates US GDP grew 3.5% and the Bloomberg consensus is for 3.2% versus estimates of potential GDP growth of close to 2%. Unsurprisingly, labour market indicators have been robust. Initial and continuing unemployment insurance claims have fallen to close to cyclical

lows and although the S&P US PMI Employment Index dipped slightly in October it remained at its highest level since July 2022, a time of rapid payroll growth.



Against this background the risk we see is that employment growth in October and November proves strong enough to pull the unemployment rate lower. The U-6 unemployment rate, essentially the US underemployment rate, has begun to fall. This suggests labour market tightening on the margin that may begin to pull up wage growth. If this were to happen it would create a new, negative dynamic to US inflation being persistently too high.

U-6 unemployment rate v Average Hourly Earnings

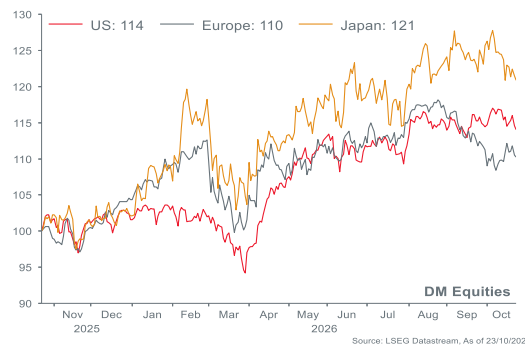
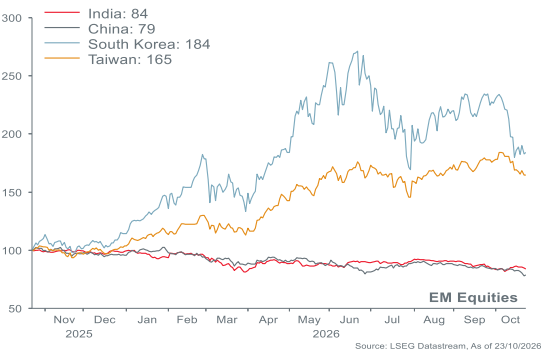
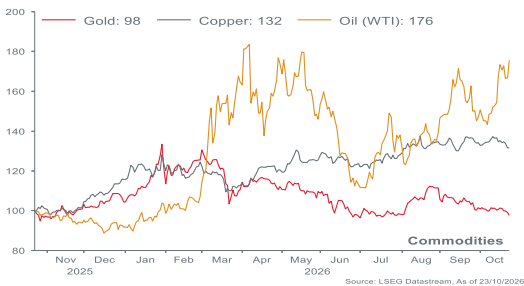
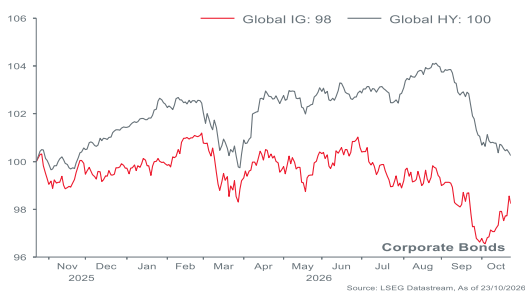
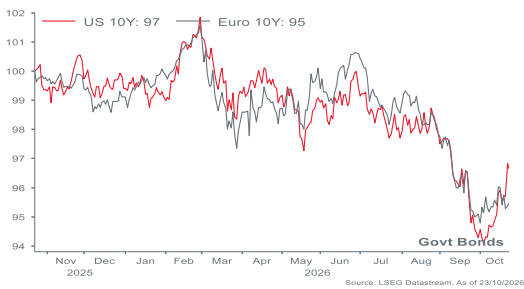
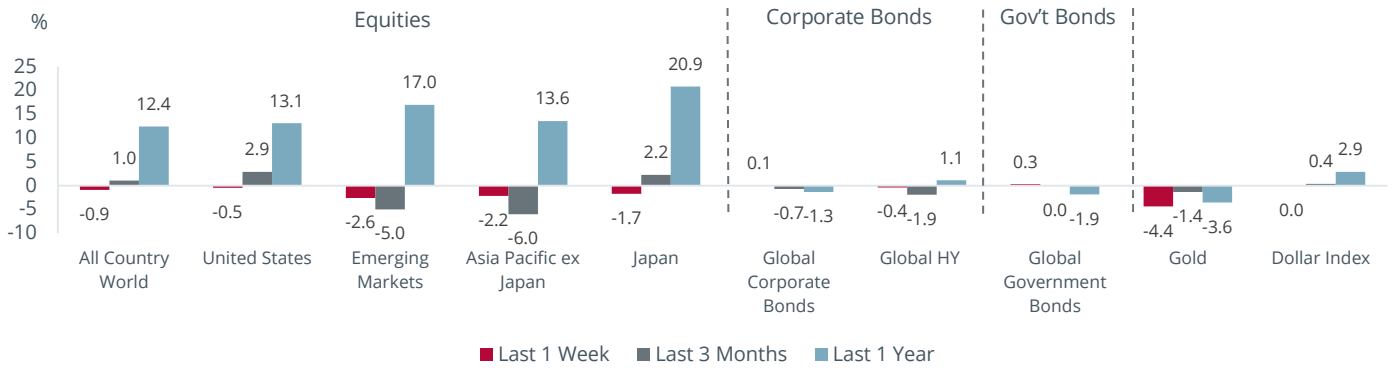


Market Review

Global equities were broadly weaker over the week, with the MSCI AC World Index declining 0.9%. US equities were also lower, with the S&P 500 and Nasdaq falling 0.5% and 0.7% respectively. Emerging Markets lost 2.6%, while Asia Pacific ex Japan declined 2.2%. Japan was down 1.7% for the week.

Gold fell 4.4%, while the US dollar index was flat at 0.0%. Bond markets were mixed. Global Corporate Bonds rose 0.1%, Global High Yield Bonds declined 0.4%, and Global Government Bonds gained 0.3%.

Asset Performance



Market Data

Government Bonds	Close	1 week change (%)	1 month change (%)	3 month change (%)	1 year change (%)	YTD change (%)	52 week high	52 week low
US Treasury Yield (%)								
10 Year	4.99	-2.16	-2.46	6.06	25.04	20.11	5.31	3.96
10 Year Bond Yield (%)								
Japan	2.80	-4.63	-5.98	0.94	68.61	35.22	3.11	1.64
China	1.62	-1.70	-3.41	-7.87	-9.32	-13.27	1.89	1.59
Australia	5.18	-1.22	-1.47	3.39	25.41	8.78	5.41	4.13
Singapore	2.32	-1.32	-3.53	-4.27	28.25	4.19	2.62	1.81
Malaysia	3.89	1.09	-0.88	5.19	11.73	11.22	4.19	3.43
Indonesia	7.45	3.86	6.25	0.98	24.24	21.69	7.48	5.99
	Close	1 week change (%)	1 month change (%)	3 month change (%)	1 year change (%)	YTD change (%)	52 week high	52 week low
Bond Indices								
Bloomberg Global Aggregate USD	91.60	0.24	0.39	-1.12	-4.12	-3.22	95.69	90.53
Bloomberg U.S. Aggregate USD	90.45	0.53	0.62	-1.26	-4.46	-3.85	95.21	88.78
Equity Indices	Close	1 week change (%)	1 month change (%)	3 month change (%)	1 year change (%)	YTD change (%)	52 week high	52 week low
World								
MSCI AC World Index (USD)	1,118.97	-0.90	-2.33	1.02	12.45	10.28	1,160.81	960.87
North America								
US S&P 500 Index	7,623.68	-0.47	-1.07	2.91	13.14	11.37	7,844.52	6,316.91
US Nasdaq Composite Index	25,955.34	-0.71	-3.64	3.25	13.14	11.67	27,722.75	20,690.25
Europe								
MSCI Europe	2,716.55	-1.69	-2.18	-1.86	6.97	2.79	2,917.43	2,461.79
Asia Pacific								
MSCI Asia Pacific ex Japan	813.68	-2.17	-9.55	-6.00	13.59	12.67	925.80	684.96
Japan Nikkei 225	62,693.16	-4.03	-3.58	-5.61	28.89	24.54	72,831.75	48,235.30
Shanghai Stock Exchange Composite	3,690.48	-0.69	-6.25	-4.81	-5.91	-7.01	4,258.86	3,574.27
Hong Kong Hang Seng	23,093.37	-4.52	-7.01	-8.40	-11.07	-9.90	28,056.10	22,518.00
Taiwan TAIEX	46,041.43	-2.27	-4.39	2.65	67.23	58.96	49,968.92	26,395.98
Korea KOSPI	5,550.30	-2.08	-21.62	-21.79	44.33	31.71	9,385.59	3,822.33
India NIFTY 50	22,600.00	-2.36	-3.61	-5.32	-12.71	-13.51	26,373.20	22,179.90
Australia Stock Exchange 200	8,795.20	-0.13	0.34	-0.50	-2.63	0.93	9,296.70	8,262.40
Indonesia Jakarta Composite	5,439.26	4.90	-14.68	-13.87	-34.26	-37.10	9,174.47	4,907.37
Thailand SET	1,562.67	-0.66	-2.98	-4.78	19.99	24.05	1,657.55	1,232.40
Malaysia FTSE Bursa KLSE	1,611.56	0.24	-3.87	-6.01	0.22	-4.08	1,771.25	1,592.57
Philippines Stock Exchange PSE	5,728.63	-0.94	-1.15	-8.83	-5.37	-5.36	6,673.61	5,564.47
Singapore FTSE Straits Times Index	5,422.16	0.12	-5.04	-2.86	22.78	16.70	5,828.50	4,372.64
Currencies (vs USD)	Latest	1 week Change	1 Month Ago	3 Months ago	1 Year Ago	YTD	52 week high	52 week low
Developed Markets								
EUR	-0.11	-0.33	-1.56	-1.53	-3.57	-4.62	1.20	1.12
GBP	-0.20	0.33	1.02	0.44	0.36	-0.75	1.38	1.30
CHF	0.55	0.12	-0.02	1.03	3.76	4.11	0.84	0.76
JPY	0.06	-0.72	-0.90	-4.27	2.81	0.13	163.85	152.10
Asia								
CNY	-0.06	-0.24	-0.61	-1.48	-6.35	-4.62	7.13	6.67
HKD	0.07	-0.08	-0.02	0.01	0.90	0.76	7.85	7.77
INR	0.13	-0.02	-0.84	-1.69	8.18	5.66	96.82	87.76
MYR	0.05	0.10	0.15	-0.10	-3.43	0.67	4.23	3.88
KRW	-0.12	-0.79	-3.09	-10.26	-7.86	-8.12	1,559.08	1,323.60
SGD	0.05	-0.13	-0.16	-1.16	-1.57	-0.59	1.31	1.26
TWD	-0.09	0.44	2.49	0.85	5.92	3.95	32.62	30.54
IDR	-0.03	0.22	1.38	0.84	8.58	8.22	18,170.00	16,590.00

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Sources

Asset performances: (bar charts) Eastspring Investments, Refinitiv, as of 23 October 2026. Equities: using MSCI indices in USD, United States is using the S&P 500. Corporate Bonds: using ICE BofA indices in USD. Government Bonds: using the FTSE Global Sovereign Bond index, in USD. Gold is London Bullion Market US Dollar per Metric Tonne. DXY is US Dollar Index. **(line charts)** Eastspring Investments, Refinitiv, as at the end of the prior week, rebased to 100 as at 1 year ago. Equities: MSCI indices, in USD. Corporate Bonds: using Bloomberg indices in USD. Government Bonds: using ICE BofA US 10 Year US Treasury and ICE BofA 7-10 Year Euro Government indices. Commodities: Gold is London Bullion Market US Dollar per Metric Tonne Ounce. Copper is LME Copper Grade A Cash US Dollar per Metric Tonne. Oil is Crude Oil WTI Spot Cushing US Dollar per Barrel. US Dollar is US Dollar Index.

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