

ASAS CAPITAL
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WEEKLY UPDATE

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W E E K L Y U P D A T E

✨ MUSINGS

“Madness is the result not of uncertainty but certainty.”

FRIEDRICH NIETZSCHE

📈 LAST WEEK IN THE MARKETS

Name	Closing Level	Weekly Change	YTD Change
S&P 500	7,659 ▼	-1.95% ▼	11.88% ▲
Nasdaq Composite	26,140 ▼	-4.48% ▼	12.47% ▲
10Y UST Yield	5.081 ▼	-3.07% ▼	22.05% ▲
Crude oil	99.05 ▲	8.05% ▲	72.56% ▲
Gold	4,165 ▼	-0.69% ▼	-3.54% ▼
DXY	101.78 ▼	-0.41% ▼	3.56% ▲
USD/INR	94.95 ▼	-1.89% ▼	5.70% ▲
Bitcoin	81,513 ▼	-1.33% ▼	-6.84% ▼
Euro STOXX 50	6,166 ▼	-0.50% ▼	6.08% ▲
India (Nifty)	23,146 ▲	2.78% ▲	-11.42% ▼
Japan (Nikkei)	65,324 ▼	-5.37% ▼	29.77% ▲
China (CSI 300)	4,170 ▼	-3.41% ▼	0.66% ▲
Saudi (TASI)	10,106 ▼	-2.60% ▼	-3.67% ▼
Abu Dhabi (ADX)	9,808 ▲	0.13% ▲	-1.85% ▼
Dubai (DFM)	5,867 ▲	0.84% ▲	-2.98% ▼

📰 NEWS FROM THE MARKETS

Hot Prices, Hotter Yields: Inflation Puts the Fed Back in Play

On Wednesday 14 October, the US government reported that consumer prices in September were 3.7% higher than a year earlier. That is faster than August's 3.4% and a touch above the 3.6% that economists expected. Prices rose 0.6% over the month – petrol was the main culprit, accounting for more than half of the monthly jump.

The more worrying detail sat underneath. **"Core" inflation, which strips out food and energy, rose 0.3% in the month against a forecast of 0.2%. Over the year it stood at 2.6%, versus 2.5% expected.** Core matters because it shows whether higher costs are spreading through the wider economy, and many economists said this rise looked broad rather than a one-off. A day later, producer prices, which track what businesses pay, also came in hotter than expected, according to Reuters.

Before the inflation report, traders mostly expected the Fed to pause at its meeting on 27–28 October and raise again in December. After the report, an October increase was back on the table and bets on higher rates rose.

The backdrop is a slightly awkward one. Hiring is weak: employers added only 29,000 jobs in September and unemployment is 4.2%. Weak hiring alongside rising prices leaves the Fed with a tricky balancing act.

The bond market tells the same story. The 10-year Treasury yield, which influences mortgage rates and corporate borrowing costs, topped 5.30% earlier this month, its highest level since 2002. It ended the week near 5.09%. Interestingly, yields actually fell on Thursday, by about 0.10 percentage points, as nervous investors bought government bonds for safety during the tech sell-off. At the end of the week, the 2-year yield was around 4.73% and the 30-year about 5.43%. Adding to the pressure, the US budget deficit for the 2026 fiscal year reached almost \$2 trillion, up about 12% in a year, which means the government has a lot of bonds to sell.

The AI Boom Meets Its Credit Card Bill

For much of this year, artificial intelligence has been the engine of the US stock market. This week, the engine coughed. The Nasdaq Composite fell 4.48% over five days, and on Friday alone it dropped about 2.1%. The S&P 500 gave up about 2%, wiping out the previous week's gains which had taken it to a record high. **US chipmakers lost nearly \$2 trillion in market value** since the week before.

The spark was debt. Building AI data centers is hugely expensive, and many companies have borrowed heavily to pay for chips and equipment. The poster child for the worry was CoreWeave, a company that rents out computing power to AI firms. It carries more than \$51 billion of debt and obligations. Its shares fell about 25% this week, and the yield on one of its bonds climbed to nearly 16%. That is a very high rate, and it tells us **lenders now want a lot more reward for taking the risk.** The cost of insuring against a CoreWeave default also jumped to distressed levels.

The worry spread to bigger names. On Friday, Micron fell 5.6%, AMD 6%, Broadcom 4.5% and Intel 5.8%. Concerns about competition from Chinese chipmakers added to the gloom.

Not everyone thinks the sky is falling. Some analysts called this a "rates event wearing a credit costume": a hot inflation report pushed borrowing costs up, and the most heavily indebted companies felt it first. Nvidia's chief executive publicly backed CoreWeave on Thursday, which helped the shares bounce for a day before the slide resumed. **Importantly, the damage was concentrated in smaller, more leveraged AI firms rather than the largest, cash-rich technology giants.**

Meanwhile, investors moved money rather than leaving the market altogether. Healthcare, financials, energy and utilities held up better, which is why the Dow still finished the week higher while the Nasdaq sank. Bank earnings were a bright spot, and Friday's market breadth showed energy and utilities rising while only about one in ten technology stocks gained.

Black Gold, Red Flags: Oil Edges Back Toward \$110

Oil quietly became the other big story. Brent crude, the global benchmark, touched \$110 a barrel on Friday for the first time since May and settled at \$109.86, up 3.7% on the day and nearly 5% on the week. US benchmark WTI settled at \$101.41 and gained more than 10% over the week. Both are up more than 75% so far this year.

The reason is tension around the Strait of Hormuz, the narrow waterway that normally carries close to a fifth of the world's oil. According to UK maritime officials, there have been at least nine attacks on ships in the area in October, and CNBC reported that Iran stepped up its attacks this week. **Crude shipments through the strait recovered to pre-war levels in September but have since slipped back to around 9.4 million barrels a day, roughly 70% of the average before the Iran war, according to data firm Kpler.** Missiles were also reported heading toward Saudi Arabia's Yanbu export port, a key route that avoids the strait.

There is more than one supply problem. Ukraine has promised to keep striking Russian refineries, and a Gulf Coast storm disrupted some US production. That is why diesel is so costly: US diesel averaged \$6.33 a gallon on 16 October, more than 70% above a year ago.

There was a brief calming moment earlier in the period. Stocks rose on 9 October after President Trump said the US would not attack Iran before the November midterm elections, and Brent briefly eased back to about \$103 on that kind of talk. But markets remain nervous without a lasting political deal, and Kpler expects a slow and uneven recovery in shipping flows until there is one.

Bank Earnings: Trading Desks Roar, Consumers Keep Calm

Big US banks opened earnings season with mixed results and a reassuring message about households. JPMorgan, Goldman Sachs, Wells Fargo and Citigroup reported on Tuesday 13 October, followed by Bank of America and Morgan Stanley on Wednesday.

The winners were banks with strong share-trading desks. Goldman Sachs earned \$17.01 per share against about \$13.02 expected, on revenue of \$18.68 billion, its second-best quarter ever. Its share-trading revenue jumped 72%. Citigroup posted its best third-quarter revenue in a decade, and Morgan Stanley also beat forecasts.

There were some stumbles. **JPMorgan missed on both profit and revenue for the first time in nearly three years, earning \$5.57 per share versus about \$5.90 expected.** Its bond trading revenue fell 4% to \$5.4 billion and costs rose 12%. Bank of America's profit fell 17% to \$6.93 billion, after a \$1.2 billion regulatory penalty. Wells Fargo beat on profit but fell short on revenue. JPMorgan said deal making cooled a little in the quarter, but described its pipeline of future deals as very strong.

The most useful messages came from management, not the numbers. **Citi's chief executive said consumers are still driving growth and the job market is stable. Wells Fargo reported loan losses under control, with about \$983 million written off in the quarter, plus low delinquencies and growing deposits.** In plain terms, households and companies are still spending despite 3.7% inflation, \$6 diesel and higher interest rates. That helps explain why the US economy has held up better than weak hiring numbers suggest.

The test, however, is still ahead. The Fed has started raising rates and oil is near \$110. Citi's credit-card profit already slipped on higher rewards costs and extra loan provisions. **When rates rise, something in the credit world often breaks.** Banks today are well funded, which lowers that risk, but we will be watching consumer credit closely in the coming quarters.

The Week Ahead: 19–23 October

The main event is earnings season, with about 212 companies worth \$2 billion or more reporting. **Analysts expect S&P 500 profits to have grown by more than 30% in the third quarter,** so the bar is high. Investors will be listening closely to what Meta and other large spenders say about AI investment plans and funding.

On the data side, September housing starts and building permits come out on Tuesday, weekly jobless claims on Thursday, and on Friday the October flash purchasing managers' surveys and the final University of Michigan consumer sentiment reading. Beyond the calendar, the biggest swing factors will continue to be Hormuz headlines, oil prices and the next chapter in the AI debt story.

What This Means for Your Portfolio

the cost of money is staying high, and each inflation report now moves markets in a big way. Until prices cool down, investors should expect the Fed to stay firm and markets to stay jumpy.

The demand for AI looks real, but the way some companies pay for it is being questioned. When money is cheap, debt-funded growth is celebrated. When money is expensive, investors start reading the fine print.

The consumer is carrying the economy for now, and banks with big trading businesses are enjoying choppy markets. The real question is how long households can keep this up.

The market continues to reward balance and punishes complacency.

With rates high and inflation sticky, we continue to favor quality: companies with strong cash flows and manageable debt, rather than businesses that depend on cheap borrowing to grow.

Technology and AI remain important long-term themes, but this week showed that debt levels and valuations matter. Heavy concentration in a few highly indebted AI names deserves a second look, and the large, cash-rich leaders look better placed than smaller, leveraged ones.

The bank results add a new angle. Large, diversified financials with strong trading and wealth businesses showed they can earn well in choppy markets, and management comments on the consumer were reassuring, so well-capitalized banks can reasonably sit in a balanced portfolio. The risk is that credit quality could weaken if rates keep rising, so we would favor strong balance sheets over weaker lenders and keep a close eye on consumer credit and lower-quality corporate debt.

With the 10-year Treasury yield above 5%, high-quality bonds and cash-like holdings now pay meaningful income and offer a counterweight to equities, although we would be careful with longer-dated or lower-rated bonds while inflation and oil remain unsettled.

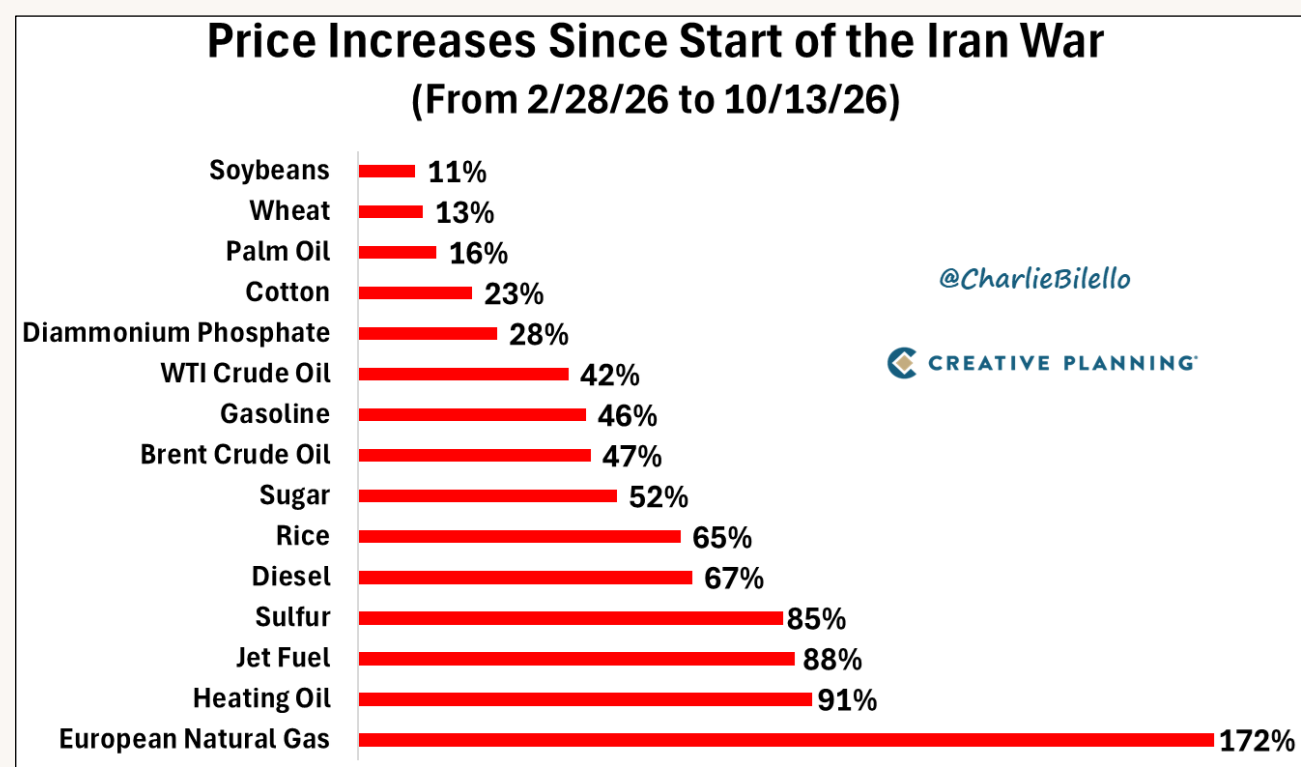
Oil-related risks argue for keeping some exposure to energy and real assets as a hedge against inflation shocks.

Finally, avoid chasing sharp moves in either direction, keep enough liquidity for near-term needs, and review allocations against your own goals and risk tolerance.



October 19 th	China GDP Data (Q3)
October 20 th	- UK Unemployment Rate (Aug) - Indian Market Holiday - GE Aerospace, Netflix, SpaceX earnings
October 21 st	- UK Inflation Data (Sep) - ECB President Lagarde Speech - Tesla, Meta, IBM, Abbott, NextEra Energy earnings
October 22 nd	- South Korea Interest Rate Decision - US Jobless Claims Data - Lockheed Martin, Western Digital earnings
October 23 rd	- Japan Inflation Data (Sep) - US PMI Data (Oct) - Euro Area PMI Data (Oct) - India PMI Data (Oct) - American Express earnings

CHART OF THE WEEK



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@asascapital



CALL

+971 43464700



EMAIL

inquiry@asascapital.com



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asascapital.com



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