

ASAS CAPITAL
أساس كابيتال



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WEEKLY UPDATE

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

✨ MUSINGS

“The best time to plant a tree was 20 years ago. The second best time is now.”

CHINESE PROVERB

📈 LAST WEEK IN THE MARKETS

Name	Closing Level	Weekly Change	YTD Change
S&P 500	7,722 ▼	-0.27% ▼	12.80% ▲
Nasdaq Composite	27,190 ▲	0.45% ▲	16.99% ▲
10Y UST Yield	5.275 ▲	2.09% ▲	26.71% ▲
Crude oil	91.25 ▼	-1.30% ▼	58.97% ▲
Gold	4,140 ▼	-3.38% ▼	-4.12% ▼
DXY	101.923 ▲	0.88% ▲	3.71% ▲
USD/INR	96.3 ▲	0.52% ▲	7.20% ▲
Bitcoin	84,569 ▲	0.59% ▲	-3.35% ▼
Euro STOXX 50	6,262 ▼	-1.40% ▼	7.73% ▲
India (Nifty)	22,422 ▼	-3.10% ▼	-14.19% ▼
Japan (Nikkei)	68,309 ▲	2.93% ▲	35.70% ▲
China (CSI 300)	4,357 ▼	-1.85% ▼	0.66% ▲
Saudi (TASI)	10,392 ▼	-1.94% ▼	-0.94% ▼
Abu Dhabi (ADX)	9,973 ▼	-2.23% ▼	-0.20% ▼
Dubai (DFM)	5,901 ▼	-1.32% ▼	-2.42% ▼

📰 NEWS FROM THE MARKETS

Bad News Becomes Good News: A Weak Jobs Report Eases Fed Worries

The week ended with a surprise. The US economy added just 29,000 jobs in September, against a forecast of 84,000, and the unemployment rate rose to 4.2%. July and August were revised down, which wiped out about 60,000 jobs from earlier estimates. Government payrolls fell by 17,000. The three-month average job gain is now around 50,000, down from 71,000. Wage growth was soft too, with hourly earnings up only 0.1% on the month and 3% on the year.

One caution: the jump in unemployment was largely due to more people joining the labor force, so the picture is not purely negative.

Why does one jobs number matter so much? Because the Federal Reserve has changed direction. On 16 September the Fed raised rates by 0.25 percentage points to 3.75%–4.00%, its first increase since July 2023. Until this week, investors feared a second hike in October. Odds of an October hike dropped from 71% on Monday to about 34% by Thursday, after softer comments from a senior Fed official and a cooler inflation report. **After the jobs data, they fell to just 14%.**

Stocks cheered. The Nasdaq 100 reached a record, with Technology leading the way. The Nasdaq finished the week higher, while the Dow and S&P 500 ended slightly lower.

This should not be seen as an all-clear. Markets still see a 66.2% chance of a quarter-point hike in December. The Fed's main worry is prices, not jobs. The good news is that core inflation (excluding food and energy) rose 0.2% in August, with the yearly rate at 3%, both below forecasts. The bad news is that 3% is still well above the Fed's 2% goal. Energy costs are also pushing prices up elsewhere (see below).

There is also a mixed message inside the jobs story. A day earlier, payroll processor ADP had reported 90,000 private-sector jobs for September. Official job numbers are often revised, so it is wise not to read too much into one month.

Bond Yields Hit Levels Not Seen in More Than Two Decades

If shares had a good Friday, bonds had a stressful week. **Government bond yields, which are the interest rate the government pays to borrow, rose sharply around the world.**

Early in the week, the 10-year yield moved past 5.2% and the 30-year past 5.5% after President Trump rejected Iran's ceasefire conditions. By Thursday, the 10-year touched 5.342% and the 30-year reached 5.683%, the highest in 24 years. That was the 10-year's highest yield since 2002, and it follows the biggest quarterly rise in Treasury yields this century. The week closed with the 10-year at 5.281% and the 30-year at 5.629%. Interestingly, **yields dipped on the jobs report but climbed back by the close.** The 10-year yield is up 1.25 percentage points since early March, around the start of the Iran war.

It was not just a US story. The UK 30-year gilt yield crossed 6% for the first time since 1998, and France's 10-year yield rose to its highest since 2002, close to 5%.

The effects reach ordinary households. US 30-year mortgage rates are about a percentage point higher than before the war, at around 7%. Companies and governments also pay more to borrow. This matters for the AI boom, which is heavily financed by debt. Goldman Sachs expects big technology companies to issue a record \$420 billion of debt next year, and **investors are asking AI-related borrowers for extra yield compared with other high-quality issuers.**

Interest rates on short-term bonds are tied to the Fed, so Friday's jobs data helped there. Long-term yields, however, reflect how much investors want to be paid to lend to governments for decades. That depends on inflation, deficits and oil, none of which the jobs report solved. Several Treasury auctions next week will show whether buyers are still keen at these yields. The US dollar index is also near 102, a level not seen since April 2025. A strong dollar can hurt the overseas earnings of US exporters.

Oil Stays Near \$100 as Iran Talks Stall and the G7 Opens the Emergency Tap

Energy is the thread running through this week's market story. On Monday, oil jumped more than 4% at one point after President Trump rejected Iran's offer of a seven-day truce. Under Iran's plan, the US would release frozen funds, lift sanctions and end its naval blockade, and Iran would reopen the Strait of Hormuz within a week. Brent crude topped \$107, and the Wall Street Journal reported that Mr. Trump expects US strikes to resume after November's midterm elections.

By Friday the tone changed. The G7 announced it would release 100 million barrels of oil and fuel products, starting with large amounts of diesel, after fuel hit record highs in the US. The release runs over four months, with a big diesel share in the first 20 days.

We are mindful that using up reserves lowers pump prices for a while but leaves Europe with less emergency cover, especially with two wars hitting refineries and exports. Politics is also a factor. Reuters reported that Washington pressed Germany and France to draw down diesel stocks or face a possible US diesel export ban, and diesel prices are a hot topic ahead of the midterms.

Why should investors care? Oil feeds into almost everything. The ISM manufacturing survey's prices-paid index came in at 77.9, far above the 72.3 expected. S&P Global's services survey showed input costs rising at their fastest pace since November 2022, mainly due to fuel and transport.

The outlook is uncertain. The war began with US and Israeli strikes on Iran in late February. There was a ceasefire in April and a deal in June, but fighting resumed in July. Traders are trying to price a conflict with no clear end date. Oil could fall quickly on a real deal, or jump on a new attack on shipping.

For investors, energy prices are the swing factor for inflation, interest rates and consumer spending. Stockpile releases are a short-term painkiller, not a cure. The real fix is a reopened Strait of Hormuz.

The Week Ahead: 5–9 October

It should be a quieter week for data, which gives markets a chance to digest the last few days. Here is what to watch.

- **Monday 5 Oct, ISM services:** Forecasts are for a rise to 55.7 from 55.4. The prices-paid reading will get close attention.
- **Tuesday to Friday, Treasury auctions:** Several auctions will test demand for US debt with yields at multi-decade highs.
- **Wednesday 7 Oct, Fed minutes:** These give an account of the September meeting, where the Fed voted unanimously to hike by 0.25 points. Investors will look for hints on December.
- **OPEC+ and Iran headlines:** OPEC+ is on this week's calendar. Any news from Iran or the Strait of Hormuz can move oil within minutes.
- **Just beyond:** Inflation data is due in mid-October, and the Fed meets in late October.

What It All Means

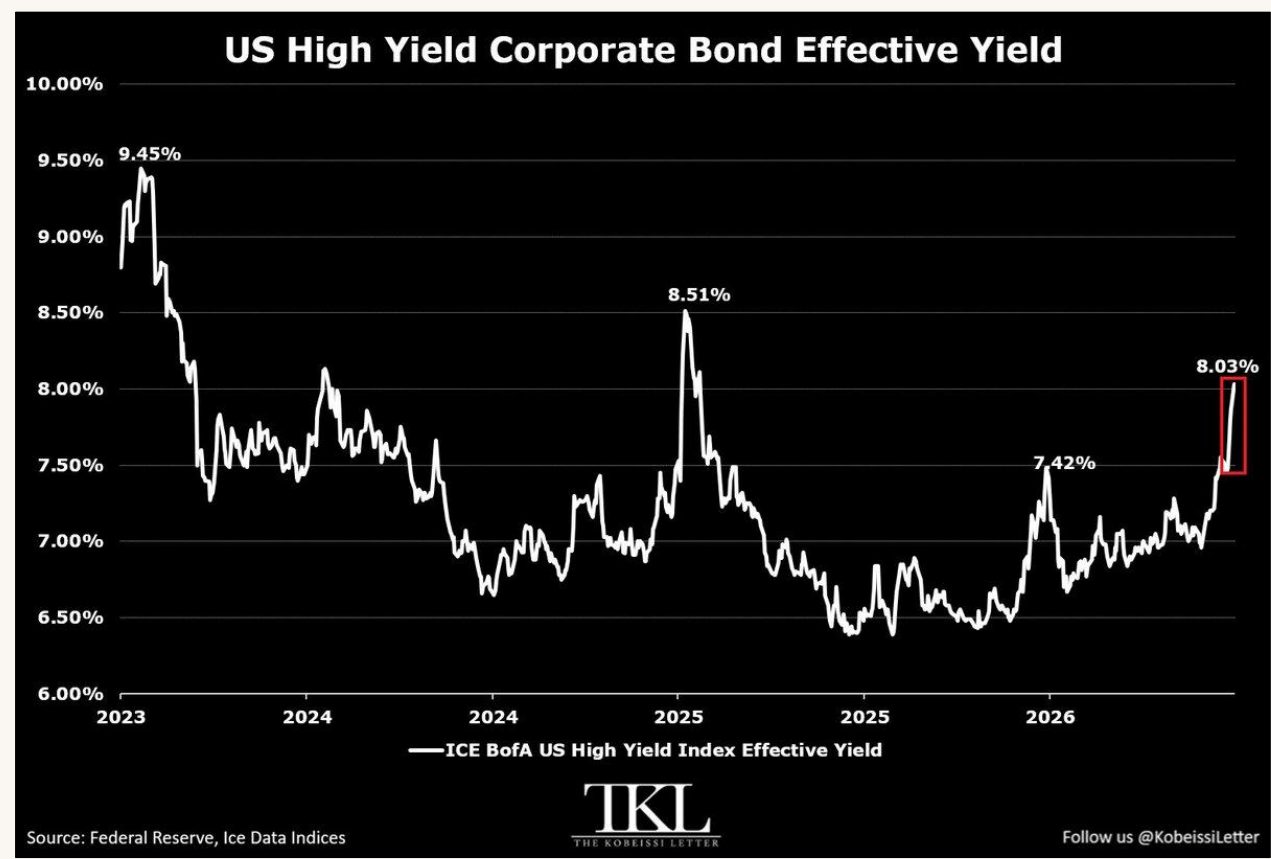
This week's three stories are linked. Oil prices drive inflation. Inflation drives the Fed and bond yields. Bond yields shape what happens to shares, mortgages and company borrowing. The weak jobs report was the first piece of good news for investors in a while, because it lowers the odds of another Fed hike in October. Even so, long-term yields remain high, oil is still near \$100, and a December hike is far from ruled out. Technology shares can keep climbing while bond markets stay nervous, but they are exposed if yields rise further.

For portfolios, this argues for balance and patience. Quality bonds now pay more than they have in years, which helps income-focused investors. Equity exposure may do best in companies with strong cash flows and low debt. Diversifying away from heavy AI and technology concentration is also sensible. Short-term moves will keep following Iran headlines and inflation data, so we would avoid reacting to any single day.



October 5 th	• US Services PMI Data (Sep) • Chinese Market Holiday (National Day Golden Week)
October 6 th	• US Balance of Trade (Aug) • Chinese Market Holiday (National Day Golden Week)
October 7 th	• US FOMC Minutes • India RBI Interest Rate Decision • Chinese Market Holiday (National Day Golden Week) • Applied Digital earnings
October 8 th	• US Jobless Claims Data • ECB Monetary Policy Meeting Accounts • Pepsico earnings
October 9 th	• —

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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