

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

“If the road is easy, you're likely going the wrong way.”

TERRY GOODKIND

📈 LAST WEEK IN THE MARKETS

Name	Closing Level	Weekly Change	YTD Change
S&P 500	7,811 ▲	1.15% ▲	14.10% ▲
Nasdaq Composite	27,366 ▲	0.65% ▲	17.74% ▲
10Y UST Yield	5.242 ▼	-0.63% ▼	25.92% ▲
Crude oil	91.67 ▲	0.46% ▲	59.70% ▲
Gold	4,194 ▲	1.30% ▲	-2.87% ▼
DXY	102.2 ▲	0.27% ▲	3.99% ▲
USD/INR	96.78 ▲	0.50% ▲	7.73% ▼
Bitcoin	82,614 ▼	-2.31% ▼	-5.58% ▼
Euro STOXX 50	6,197 ▼	-1.04% ▼	6.61% ▲
India (Nifty)	22,520 ▲	0.44% ▲	-13.81% ▼
Japan (Nikkei)	69,031 ▲	1.06% ▲	37.13% ▲
China (CSI 300)	4,317 ▼	-0.92% ▼	0.66% ▲
Saudi (TASI)	10,376 ▼	-0.15% ▼	-1.09% ▼
Abu Dhabi (ADX)	9,795 ▼	-1.78% ▼	-1.98% ▼
Dubai (DFM)	5,818 ▼	-1.41% ▼	-3.79% ▼

📰 NEWS FROM THE MARKETS

1. Bonds Break a 24-Year Barrier, and Mortgages Noticed

The cost of borrowing for the long term hit its highest level in over two decades, and it was the week's biggest worry for markets.

The 10-year US Treasury yield, the rate the government pays to borrow for ten years, jumped to about 5.35% midweek. That is its highest since April 2002. The 30-year yield briefly passed 5.70%. By Friday the 10-year had eased to roughly 5.24% and the 30-year to about 5.60%. The 10-year yield is up about 1.35 percentage points since the Iran war began in February.

Why should clients care? Treasury yields guide the cost of almost all borrowing.

The average 30-year US mortgage rate rose to 7.49% this week from 7.30%, according to the Mortgage Bankers Association. Companies and governments face higher bills too.

The main cause is stubborn inflation. The Fed's preferred gauge showed prices up 3.4% in August (3.0% excluding food and energy). On 16 September the Fed raised its policy rate by a quarter point to 3.75%–4.00%, its first rise since 2023. **Minutes released on Wednesday showed most officials expect one more increase before year-end, though traders see only about a 20% chance of a hike at the 28 October meeting.**

Did buyers for Treasuries show up? Mostly yes. Wednesday's \$39 billion 10-year auction and Thursday's \$22 billion 30-year auction both went through, and more than 72% of the 30-year bonds went to indirect bidders such as central banks, above the recent 68% average. That was a welcome sign.

However, the gap between 10-year and 30-year yields widened to about 0.37 percentage points, which suggests **investors want extra reward for holding the longest bonds.**

The pain is global: UK gilt yields are at their highest since 2008, and France's 10-year yield is close to 5%.

2. Oil Gets Squeezed From Two Sides: War and Weather

Crude oil stayed above \$100 a barrel (Brent) as tanker attacks in the Gulf and a Gulf of Mexico hurricane tightened supply at the same time.

Brent crude, the global benchmark, settled at \$104.72 on Friday. US benchmark WTI closed at \$91.85. Both rose over the week.

The first problem is the Middle East. Nine tankers have been attacked in and around the Strait of Hormuz over the past week. Oil flows through the strait were about 9.5 million barrels a day, roughly 30% below normal before the Iran war. Shipping is also costing far more: moving crude from the Persian Gulf to East Asia now costs over six times its pre-war price, according to JPMorgan analysts. Prices for physical Brent cargoes in Europe topped \$135 on Thursday, the highest since April.

The second problem is the weather. Hurricane Isaias, the first of the Atlantic season, was heading for the northern Gulf of Mexico. Producers shut down more than 70% of crude output in US waters by Friday, according to Reuters. That also puts Gulf Coast refineries and export terminals at risk. The first official figures on the damage come in the US government's weekly oil report on Thursday 15 October.

There was some good news. **President Trump said talks with Iran were productive and that the US would not attack before the 3 November midterm elections**, which pulled Brent back from its highs. China also plans to restart refined fuel exports after a short holiday pause. Saudi Aramco told European refiners it will supply all the crude they requested for November. These items kept Friday's gains small.

Why does this matter beyond the petrol pump? Oil feeds directly into inflation. **Economists expect September's US consumer price report, due Wednesday, to show headline inflation of about 3.6% to 3.7% over the past year, helped higher by fuel costs.** Services prices are also firm: the price index in the ISM services survey rose to 74 on Monday.

Oil is, of course, now driven by headlines. A deal with Iran could pull prices down quickly, while a missed hurricane forecast or another tanker attack could push them up just as fast.

3. The AI Trade Hits a Pothole, but Stocks Stay Near the Top

US shares touched new records early in the week, wobbled on worries about AI revenue, and then bounced back as earnings season got close.

The S&P 500 closed at a record on Tuesday 6 October, and the Nasdaq did the same. The S&P 500 touched 7,844.52 during the day. It then fell on Wednesday and Thursday before gaining 0.6% on Friday to end at 7,811.51. For the week it rose about 1%, and it is up more than 14% so far this year.

The wobble came on Thursday. The Financial Times reported that **OpenAI, the maker of ChatGPT, has annualised revenue of about \$50 billion. That is roughly \$18 billion to \$20 billion below figures reported last month.**

Investors have bought AI-linked shares on the belief that spending on AI will bring big profits, so any sign of weaker sales makes them nervous.

The reaction was swift. The Nasdaq fell 1.25% to 27,193.34 and the S&P 500 lost 0.47% to 7,765.36. Chip shares led the drop: Nvidia fell about 2.9%, Broadcom 4.6% and Micron 4.8%. Oracle dropped more than 5% and AMD about 3.9%. Nvidia and AMD both have large partnerships with OpenAI, which is why they felt it.

But the damage was narrow. On the same day the equal-weight version of the S&P 500, which gives every company the same importance, rose 0.6%, and banks gained. In other words, the average company did fine while a handful of AI giants slipped. On Friday the Nasdaq recovered 0.64% to 27,366.17 and the Dow added 0.83% to 51,655.01, its best weekly gain since early August.

The bigger support for shares is company profits. Analysts expect third-quarter earnings for S&P 500 companies to grow about 29.5% from a year ago, according to FactSet. That would be a third quarter in a row above 25%. Sales are expected to rise 12.3%. Early signs are good: 14 of the first 16 companies to report beat profit forecasts. Delta Air Lines was a disappointment on Friday, but it was the exception.

The risk is that so much optimism is already in the price. One analyst quoted this week said the market is waiting for something to go wrong with AI, and Thursday showed how quickly the mood can turn. Higher bond yields make that harder to ignore, because shares promising profits far in the future look less attractive when safe bonds pay more than 5%.

The engine of this market is still earnings, especially from AI, but leadership is narrow, and it is sensitive to any bad news on AI spending or interest rates.

The Week Ahead: 12–16 October

Bank earnings and inflation data are the main events, with oil and the hurricane in the background.

On Monday, US stocks trade but the bond market is closed for Columbus Day.

On Tuesday, third-quarter earnings season starts in earnest with JPMorgan, Goldman Sachs, Citigroup and Wells Fargo, along with Johnson & Johnson and UnitedHealth. Analysts expect JPMorgan to earn \$5.90 a share, up 16%.

On Wednesday, the September consumer price index is released at 8:30am New York time. Forecasts point to headline inflation of about 3.6% to 3.7% over the year, and a monthly rise of around 0.6%. Core prices are expected to rise 0.2% on the month. Bank of America, Morgan Stanley and BlackRock report the same day.

On Thursday, producer prices (expected up 0.5% on the month) and retail sales (expected up 0.3%) arrive together with weekly jobless claims and the Philadelphia Fed survey. The US government's weekly oil report the same day will give the first official picture of hurricane damage.

Friday brings results from Travelers. Several Fed officials are also scheduled to speak during the week.

Beyond the data, the real action maybe elsewhere: where Hurricane Isaias makes landfall, any progress in US-Iran talks, and whether bond yields stay below this week's peak. The Fed meets on 27–28 October, and the US midterm elections follow on 3 November.

What This Means for Portfolios

The three stories are linked: oil feeds inflation, inflation keeps interest rates and bond yields high, and high yields test the share prices that AI optimism has lifted. The practical lessons are balance and patience.

First, bonds now pay real income, with 10-year US yields above 5%, so investors can build bond holdings in stages across short and medium maturities instead of buying all at once, since long bonds can still swing sharply.

Second, strong profits support shares, but leadership is narrow, so spreading money beyond a few AI giants, towards cash-rich and reasonably priced companies, reduces the risk of a sudden tech setback.

Third, a measured allocation to energy and other real assets can cushion portfolios against oil shocks, although oil is headline-driven and can fall as fast as it rises.

Finally, with inflation data, bank earnings, the Fed meeting and US elections all within four weeks, keeping some cash ready and rebalancing calmly is wiser than reacting to each headline.

Update: Riyadh Under Fire – The Yemen War Returns to Saudi Skies

Fighting between Saudi Arabia and Yemen's Iran-backed Houthi movement became the most serious clash since the 2022 truce this week, and it reached the Saudi capital.

On 5 October, Yemen's internationally recognized government, backed by Saudi air power, launched "Operation Dawn of Yemen" to retake Houthi-held territory, including Sanaa. The Houthis hit back at Saudi airports in Najran, Jizan and Abha, then struck Riyadh's King Khalid International Airport four times in a week. Saudi authorities say Saturday's attack killed at least 12 people and wounded more than 300, after earlier strikes killed three people on each of Wednesday and Thursday. The Saudi-led coalition says it has destroyed 82 Houthi sites and promised a decisive response. **The Houthi leader has told Riyadh to prepare for a long war.**

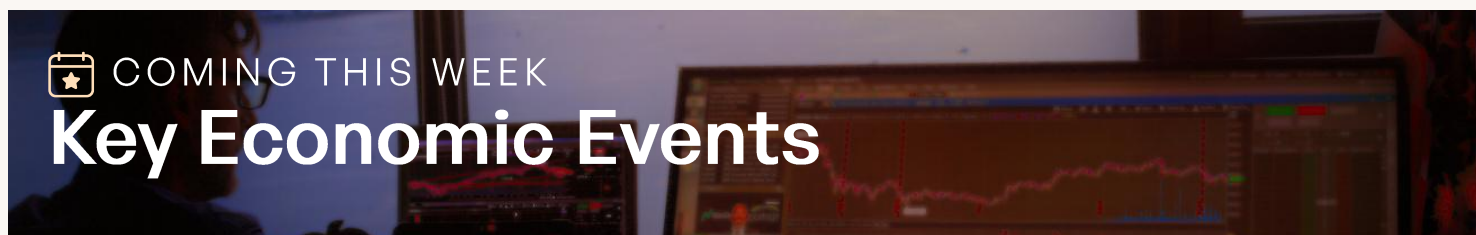
President Trump said on Saturday that the US is considering joining Saudi strikes and can decide very quickly. Secretary of State Rubio said an American was among the dead. Last year the US ran eight weeks of strikes on Houthi radar and launch sites, so a repeat is plausible. **Expectation is for limited air and naval strikes, intelligence sharing and air-defence support, not ground troops.** The brake is politics: Trump has said he will not attack Iran before the 3 November midterms, and he wants fuel prices calm.

Pakistan and Turkey have reportedly pledged troops to help defend the kingdom, and Syria is reportedly considering military aid. Iran, which supplies the Houthis, is likely to keep up the pressure without joining directly.

The UK, France, Germany, Australia and Canada have advised against travel to parts of Saudi Arabia, and airlines including Lufthansa, Air India, Emirates, flydubai and Etihad have suspended Riyadh flights.

On the economic front, the **first hit is to confidence** and aviation. Riyadh is due to host major energy and investment conferences soon. Repeated strikes on the main airport strain the Crown Prince's plan to make the kingdom a hub for business and tourism.

The bigger risk is oil. With the Strait of Hormuz disrupted, Saudi Arabia ships much of its crude from Yanbu on the Red Sea, near waters the Houthis can threaten. A drone strike in September shut its East-West pipeline for about 10 days. Oil brings in more than half of government revenue. Higher prices help: one economist estimates annual export income at about \$210 billion, up from \$150 billion before the war. But **UBS expects a 2026 budget deficit near 5% of GDP, against a 3.3% target.**



October 12th	• US Market Holiday (Columbus Day) • Japan Market Holiday (Sports Day) • India CPI Data (Sep) • LVMH Moet Hennessy Louis Vuitton earnings
October 13th	• IMF-World Bank Annual Meetings • UnitedHealth, JP Morgan Chase, Wells Fargo, Citigroup, Goldman Sachs earnings
October 14th	• ECB President Lagarde Speech • China CPI Data (Sep) • China PPI Data (Sep) • US CPI Data (Sep) • ASML, Bank of America, Morgan Stanley, BlackRock, State Street earnings
October 15th	• US PPI Data (Sep) • US Jobless Claims Data • TSMC, Interactive Brokers, Charles Schwab earnings
October 16th	• US Industrial Production Data (Sep) • Euro Area Balance of Trade Data (Aug)

CHART OF THE WEEK

Technical Picks of the Week: Big Banks at Support Into Earnings

Banks have corrected sharply from their summer highs, and with earnings due this week, two of the biggest names are sitting on key technical support with momentum indicators stretched

1. Bank of America (NYSE: BAC)

CMP: \$54.32 | Stop loss: \$52.15 | Targets: \$58 / \$60

Risk-reward: about 1:2.6

The setup

BAC has fallen from its August high near \$65 to the low \$52s, a drop of roughly 20% in about two months. The stock is now bouncing from an important demand zone:

- **Oversold RSI:** The daily RSI dropped well below 30 and is now turning up
- **Strong support near \$52.5:** Buyers stepped in at the recent swing low (marked at \$52.89), and the stock also respected the long-term descending trendline drawn from the January high.



CHART OF THE WEEK

2. Goldman Sachs (NYSE: GS)

CMP: \$895.32 | Stop loss: \$865 | Target: \$1,000

Risk-reward: about 1:3.4

The setup

GS has pulled back about 22% from its July peak above \$1,100, but it has come down to the long-term ascending trendline that has supported the stock since the October 2025 lows. That line was tested and held in March, and it is being tested again now.

- **Trendline support:** The recent low wicked into the trendline and was quickly bought back
- **RSI recovery:** The RSI touched the oversold zone and quickly pulled back.



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