

Market Recap at 4 PM ET

The **Nasdaq** tumbled as a batch of high-profile earnings reports ignited fresh fears about the AI spending race.**Treasury yields** and the **dollar** fell as equities declined amid doubts over future returns from AI. Elsewhere, **oil** prices climbed after Houthi attacks in Saudi Arabia stoked concerns of further disruption to energy supplies. This fueled inflation concerns and weighed on **gold**.

STOCKS	Close	Chng	% Chng	Yr-high	Yr-low
DJIA	52,867.98	11.89	0.02	54,744.33	45,057.28
Nasdaq	26,008.86	-694.00	-2.60	27,722.75	20,690.25
S&P 500	7,663.43	-93.74	-1.21	7,844.52	6,316.91
Toronto	35,973.45	-351.54	-0.97	37,069.11	29,530.92
FTSE	10,725.03	-27.85	-0.26	10,989.45	9,670.46
Eurofirst	2,544.22	-28.33	-1.10	2,652.27	2,231.14
Nikkei	62,907.84	-1713.40	-2.65	72,831.73	50,558.91
Hang Seng					

S&P 500	Price	$ Chng	% Chng
GAINERS			
Allegion PLC	176.65	17.65	11.10
Roper Technologies, Inc.	434.21	36.65	9.22
Lennar Corporation	84.48	6.78	8.73
LOSERS			
Moderna, Inc.	201.59	-44.22	-17.99
Coherent Corp.	207.40	-30.13	-12.68
Lam Research Corporation	230.52	-30.29	-11.61

TREASURIES	Yield	Price
10-year	4.9715	42
2-year	4.6609	10
5-year	4.7891	25
30-year	5.2953	66

FOREX	Last	% Chng
Euro/Dollar	1.1213	-0.17
Dollar/Yen	156.88	-0.79
Sterling/Dollar	1.3394	0.00
Dollar/CAD	1.4010	-0.25

COMMODITIES ($)	Price	Chng	% Chng
Front Month Crude /bbl	99.45	2.30	2.37
Spot gold (NY/oz)	4024.61	-115.77	-2.80
Copper US (front month/lb)	6.36	-0.1805	-2.80
CRB Index Total Return	536.25	-0.20	-0.04

COMING UP

S&P Global is scheduled to publish the **Purchasing Managers' Index (PMI)** readings for October. The manufacturing PMI is forecast at 55.5, down from 55.9 in September. The services PMI is expected to slip to 58.0 from 58.8 in September, while the composite PMI stood at 58.4 in the previous reading. Separately, the University of Michigan is due to release its final consumer sentiment index for October, which is forecast to hold at 46.3, unchanged from last month.

Among major corporate results, **American Express** is expected to post higher profit when it reports third-quarter results, as its wealthy customers continue to spend on travel and entertainment, supporting transaction volumes.

Meanwhile, investors are likely to focus on the pace of recovery in **SLB**'s Middle East operations, margin performance and growth in its higher-margin digital businesses when the oilfield services provider reports third-quarter results. The company is expected to post earnings per share of 61 cents, according to data compiled by LSEG.

Separately, **Apple** is set to launch its first foldable device, the iPhone Duo, in its physical retail stores. Online orders for the device sold out in minutes, raising the prospect of long lines at Apple stores for the first time in years.

In Latin America, **Brazil**'s inflation data will be in focus. IBGE is due to release the October **IPCA-15 mid-month inflation index**, which is expected to rise 0.43% month on month after increasing 0.70% in the prior reading. On an annual basis, inflation is forecast to accelerate to 4.73% from 4.47% previously.



The new foldable iPhone Duo is on display during Apple's event at the Steve Jobs Theater in Cupertino, California September 9. REUTERS/Carlos Barria

KEY ECONOMIC EVENTS

Events	ET	Poll	Prior
S&P Global Manufacturing PMI Flash for Oct	0945	55.5	55.9
S&P Global Services PMI Flash for Oct	0945	58.0	58.8
S&P Global Composite PMI Flash for Oct	0945	--	58.4
U Mich Sentiment Final for Oct	1000	46.3	46.3
U Mich Conditions Final for Oct	1000	--	44.7
U Mich Expectations Final for Oct	1000	--	47.3
U Mich 1 year inflation final for Oct	1000	--	4.7%
U Mich 5-year inflation final for Oct	1000	--	3.5%

KEY RESULTS

Company Name	Quarter	ET	Smart Estimates	EPS Estimates*	Year Ago	Rev Estimates (mln)
American Express Company	Q3	07:00	$4.47	$4.48	$4.14	$20,122.06
SLB N.V.	Q3	07:00	$0.62	$0.62	$0.69	$9,280.21

**Includes companies on S&P 500 index. **Estimates may be updated or revised; release times based on company guidance or past practice.*

All analysts' estimates are according to LSEG IBES data.

LSEG DATA & ANALYTICS

Market Monitor



Traders work on the floor at the New York Stock Exchange in New York City, September 29. REUTERS/Jeenah Moon

The tech-heavy **Nasdaq** posted its steepest daily drop since June as growth stocks weakened after earnings from mega-caps Tesla and Meta did little to address AI-related concerns, with a recovery in oil prices further adding to market unease. "It's the same narrative that we've seen in the last few weeks or even few months, where investors are rightfully questioning how much further the tech and AI adoption can go given some of the political and social backlash," said Oliver Pursche, senior vice president at Wealthspire Advisors, in New York. "There's a hypersensitivity around earnings for AI-related stocks…. If you're a tech CEO, you can't afford to risk being left behind," Pursche added. "From an investor's perspective, we don't know what the (return on investment) is going to be or whether governments, whether on a local, state, or federal level, might step in with restrictions." The selloff caused **Philadelphia SE Semiconductor Index** to lose 6.72% to end at 10,731.98. The **S&P 500** fell 1.21% to 7,663.43 and the **Nasdaq Composite** dropped 2.60% to 25,008.86. The **Dow Jones Industrial Average** edged up 0.02% to 52,867.98.

Treasury yields tumbled as equities sold off after concerns about the sustainability of the AI outlook reignited, boosting the safe-haven appeal of government debt. Investors had already priced in inflation and the prospect of Federal Reserve rate increases, but changes in risk assets and financial conditions are now fueling the bid for Treasuries, said Thomas Urano, co-chief investment officer at Sage Advisory in Austin, Texas. "The battle between energy and inflation concerns and safe-haven demand in Treasuries has been going on, but in the last week, we see who's winning now. The flight-to-quality trade is winning in the Treasury space," Urano said. **Benchmark 10-year notes** surged 1-11/32 to yield 4.9695%. **Two-year notes** climbed 10/32, yielding 4.6609%. **Thirty-year bonds** jumped 2-2/32, with a yield of 5.2953%. Meanwhile, the Treasury Department sold $26 billion in **indexed 5-year notes** at a high yield of 2.367%. The bid-to-cover ratio was 2.41.

The **yen** rose against the **dollar** as investors sought safety amid fragile equity markets, elevated crude prices from the drawn-out war in the Middle East, and doubts over future returns from artificial intelligence. Kevin Ford, lead FX and macro strategist at Convera, called it "the intervention premium," noting that "every time the yen gets closer to the 160 line, that's where there's higher speculation that the central bank will intervene." Against the **Japanese yen**, the dollar fell 0.8% to 156.86 yen. Meanwhile, the **euro** fell 0.16% to $1.1214 as worries about social unrest in France and a worsening fiscal outlook for the country lingered. The **dollar index** lost 0.14% to 101.63.

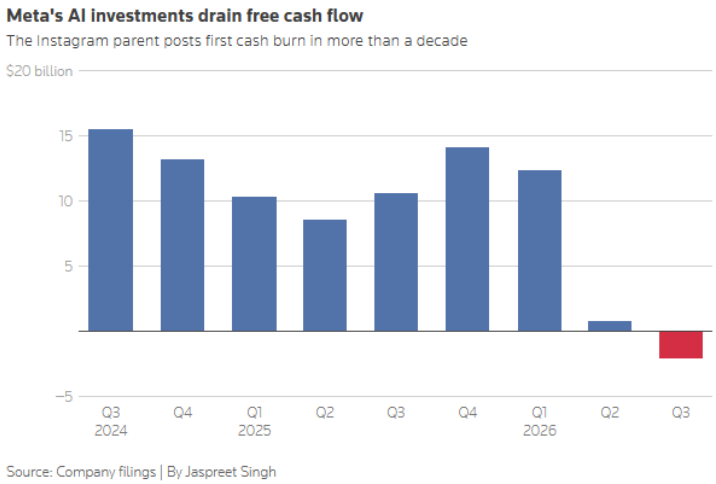
Oil prices climbed after Houthi attacks in Saudi Arabia stoked concerns of further disruption to energy supplies from the key exporting region. Clashes between the Houthis and a Saudi-led coalition that backs Yemen's internationally recognised government have raged since the Iran-aligned group pushed towards Bab el-Mandeb, a shipping chokepoint at the Red Sea's mouth. "Reports of Middle East crude oil exports exceeding pre-conflict levels are more than countered by attacks on ships in the Strait of Hormuz and the Houthi strikes on Saudi Arabia and on its oil infrastructure," PVM Oil analyst Tamas Varga said. **Brent futures** rose 3.97% to $113.14 a barrel, while **US West Texas Intermediate crude futures** rose 2.21% to $99.36 per barrel.

Gold fell as higher oil prices fueled inflation concerns, reinforcing expectations that interest rates could remain elevated for longer, while investors looked ahead to next week's Federal Reserve meeting. "We had seen energy prices increase overnight. And as a result of that, concerns about these inflationary pressures are rising. As those inflationary pressures rise, we see the obvious result of concerns that the Fed is going to continue to raise interest rates," David Meger, director of metals trading at High Ridge Futures, said. **Spot gold** slid 2.78% to $4,025.48 per ounce. **U.S. gold futures for December delivery** fell 2.57% to $4,043.40 an ounce.

TOP NEWS

Meta shares slide, default insurance hits record as AI spending alarms investors

Meta Platforms shares fell as investors balked at another increase in its annual AI spending forecast and a plan to sell new stock to help pay for it. The cost of insuring the social media giant's debt against default also hit an all-time high, the latest sign that fears over the cost of the AI race were spreading to credit markets. The selloff came despite better-than-expected results and a strong forecast, highlighting growing investor unease over AI spending that is pushing historically cash-rich tech companies to take on debt. That expenditure also pushed Meta to its first cash burn in more than a decade. Meta increased the lower end of its capex forecast range by $5 billion, to a range of $135 billion to $145 billion. Shares of the company closed 6.98% lower at $648.85.



Click on the chart for a detailed and interactive graphic

Tesla shares slip after capex cut raises doubts over Musk's AI and robotics push

Tesla's shares fell after the EV maker cut its capital spending forecast, raising concerns among investors counting on heavy investment for Elon Musk's AI and robotics vision. The company lowered its 2026 capital spending forecast to about $20 billion from more than $25 billion after spending far less than expected on AI and robotics in the third quarter, which led to a surprise positive free cash flow. The strong position may prove valuable as CEO Musk explores combining Tesla with the far more capital-intensive SpaceX. Capex is a delicate balance in this market, said Josh Gilbert, lead analyst at etoro. Investors welcome a larger budget if they can see returns, but a smaller one hints at slowing growth, he added. Shares of the company closed 3.08% lower at $374.58.

P&G warns of bigger cost hit from oil prices, even as consumer demand holds up

Procter & Gamble warned that rising raw material, energy and freight costs would take a bigger bite out of annual profit, even as resilient demand for its beauty and home-care products drove first-quarter sales. The Tide detergent and Pantene shampoo maker now expects higher costs to reduce fiscal 2027 profit by about $1.4 billion, up from its previous estimate of $1 billion. Pressures from high commodity costs are expected to increase over the next two quarters, CFO Andre Schulten said on a media call. Commodity inflation has become a growing concern across industries, from consumer goods giants to airlines, as oil-price volatility following the US war on Iran pushes up fuel and transportation costs.

Blackstone sees widening credit spreads as a chance to capture higher returns

Blackstone President and COO Jon Gray said widening credit spreads on AI-related debt tied to certain assets could be a potential opportunity to lock in higher returns. His comments come as investors seek higher premiums to fund the highly leveraged AI boom against the backdrop of surging borrowing costs and growing doubts over the long-term sustainability of the massive AI spending. "On the new assets that you haven't yet leased, I think you'll be able to command a higher yield to absorb this," Gray told analysts in response to a question about widening credit spreads. "You may end up actually in a better spot." Blackstone, which has embraced the AI theme and is one of the industry's top financial backers, is funneling significant amounts of capital into the picks-and-shovels ecosystem of the expansive AI infrastructure build-out.

US airlines struggle to offset soaring fuel costs with big fare hikes

US airlines are entering the final quarter of the year with a central problem: resilient passenger traffic and sharply higher fares have not been enough to fully offset soaring fuel costs. Third-quarter results from most of the US carriers revealed that the steady demand for air travel has allowed airlines to raise ticket prices and generate record revenue, but the surge in jet fuel expenses has pressured margins and prompted these companies to take a more cautious view on profit and capacity growth. Among the Big Four, Delta Air Lines, Southwest Airlines and American Airlines lowered their 2026 earnings forecasts, with airfares yet to fully catch up to the sharp spike in fuel costs. Airlines now expect to pay between $4.25 and $4.85 a gallon, up from well below $4.00 a gallon in the third quarter.

Lockheed lands Pentagon deal for 850 F-35 jets, lifts annual forecast

Lockheed Martin reached an agreement to sell the Pentagon at least 850 of its stealthy F-35 Lightning II fighter jets over the next 10 years, a deal potentially worth at least $78 billion. The US defense contractor raised its annual sales and profit forecasts to beat Wall Street estimates, as geopolitical conflicts drove demand for its systems. The fighter jet, which the company considers the world's most advanced, uses stealth technology to evade enemy detection. It is at the core of Lockheed's aeronautics division which generates nearly 40% of the company's quarterly revenue. Under the agreement, Lockheed will aim to maintain annual production at 156 aircraft for US and international customers, and the company will self-fund at least $7 billion in initiatives that support the F-35 program.

Union Pacific tops estimates on pricing strength, flags hit from high fuel costs

Union Pacific beat Wall Street estimates for third-quarter profit, helped by core pricing gains, but flagged a hit from higher fuel prices. Union Pacific said higher fuel costs hurt its operating ratio by 140 basis points during the quarter, although the ratio improved by 10 basis points to 59.1%. Operating revenue jumped 15% from a year earlier, driven by higher fuel surcharges, alongside volume growth and core pricing gains. Freight revenue excluding fuel surcharges increased 6%. The Omaha, Nebraska-based company is chasing an $85 billion deal for Norfolk Southern, which would create the first coast-to-coast freight railroad in the US. Meanwhile, Norfolk Southern beat Wall Street estimates for third-quarter adjusted profit, as the railroad operator benefited from strong freight demand, despite higher fuel costs that were largely recovered through surcharges. To read more, **click here**

Comcast flags over $1 billion in restructuring charges in fourth quarter

Comcast flagged more than $1 billion in charges for the fourth quarter as it changes its organizational structure, ahead of the planned spinoff of its NBCUniversal business in mid-2027. The company lost more broadband customers than expected in the third quarter as fierce competition chipped away at its core business, while NBCUniversal benefited from gains in theatrical and streaming. Broadband users decreased by 144,000 in the third quarter, the company said, compared with the 116,800 losses estimated by analysts polled by FactSet and the 91,000 decrease reported in the year-ago period. Comcast's studios, theme parks and Peacock streaming service are set to separate from the company as part of the planned NBCUniversal spinoff. Comcast is reportedly planning a significant number of layoffs to restructure its connectivity business.

US refiner Valero posts record quarterly profit as supply disruptions boost margins

Refiner Valero Energy kicked off earnings season for US refiners by posting its highest-ever quarterly profit, beating Wall Street expectations, as fuel supply disruptions due to wars in Iran and Ukraine boosted margins during the third quarter. The US refining industry has been reaping bumper profits since the start of the war in Iran, with benchmark margins for converting crude into transportation fuels rising over twofold. Valero Energy said its refining margin per barrel of throughput nearly tripled to $39.24 in the quarter, with adjusted operating earnings in the refining segment jumping over 400% to $8.8 billion from a year earlier. "Our refineries operated at near-record utilization rates, providing a reliable supply of critical transportation fuels during the quarter," CEO Lane Riggs said.

Spotify forecasts strong profit as AI features start to pay off, shares surge

Spotify forecast fourth-quarter profit above Wall Street estimates, banking on its AI-powered features to drive user growth ahead of the crucial holiday season. New features such as AI DJ, which curates personalized music mixes with spoken commentary, and prompt-based playlists that let users describe a mood or listening preference to generate tailored selections have helped the company attract users amid the rise of music-generation rivals such as Suno and Udio. The "About the Song" feature that allows listeners to check out facts and stories about the song was on its way to 100 million users and almost 40 million premium users now listen to mixed playlists, Co-CEO Gustav Soderstrom said on a post-earnings call. Earlier this week, Spotify announced a licensing deal with music distributor Believe for its upcoming paid tool for fan-made AI covers and remixes.

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A rescuer takes a break and drinks water as he works at the site of a shopping centre hit by a Russian missile attack, amid Russia's attack on Ukraine, in Kyiv, Ukraine October 22. REUTERS/Gleb Garanich

Insight and Analysis

Musk's political baggage clouds prospects for SpaceX-Tesla deal

A possible merger between Elon Musk's rocket company SpaceX and carmaker Tesla may face bigger obstacles from politics than from regulation, drawing scrutiny in Beijing and potentially igniting a battle between US President Donald Trump and the Democrats. A merger would also unite one of the US government's most important aerospace and defense contractors with one of the most China-exposed major American manufacturers — a combination likely to raise questions about national security risks both in Washington and in Beijing.

Anthropic IPO stands alone as AI market jitters sideline others

A once-robust fall calendar for technology IPOs is down to just Anthropic. The AI lab is pressing ahead to hold its initial public offering as planned in the middle of next month after making its prospectus public as early as late October, people familiar with the matter said, cautioning the plan and the dates are subject to change. Anthropic's planned IPO will test whether its position at the center of the booming AI business, which some investors believe to deem worthy of a potential $1.5 trillion valuation, can overcome a market environment that might typically prompt bankers and deal lawyers to counsel delay.

Investors see risk from US midterms to AI trade as data center backlash builds

Public opposition to data centers may jolt the AI trade as the US midterm elections approach, with a strong Democratic showing potentially hampering the buildout that has lifted stocks. As the massive data centers proliferate, many Americans are concerned about the strain on the environment and impact on energy costs, as well as about the technology itself. Investors have banked on an optimistic outlook for AI expansion, and any question about its rapid growth continuing causes sharp market moves.

Canada

Market Monitor

Canada's main stock index pulled back as weaker gold and copper prices weighed on mining stocks, while tech shares slipped on fresh concerns over AI spending following Meta's quarterly results.

The S&P/TSX Composite Index was down 0.97% at 35,973.45.

The **materials sector** dropped 5.62% to 750.55. **Tech stocks** declined 1.63% to 348.21.

The **US dollar** weakened 0.26% against its **Canadian counterpart** to C$1.4009.

TSE's S&P/TSX Composite	Close	$ Chng	% Chng
GAINERS			
Mullen Group Ltd.	32.28	3.33	11.50
Waste Connections, Inc.	258.95	22.50	9.52
FirstService Corporation	206.06	14.21	7.41
LOSERS			
Celestica Inc.	376.69	-51.57	-12.04
Americas Gold and Silver Corporation	4.48	-0.57	-11.29
Aya Gold & Silver Inc (Quebec)	33.40	-3.92	-10.50

COMING UP

Statistics Canada is due to release retail sales data for August. **Retail sales** are forecast to rise 1.3% month on month, after a 0.7% decline in July. Excluding autos, retail sales are expected to climb 1.0% month on month, reversing the 0.7% drop in the previous month.

Top News

Canada, Turkey sign 'strategic partnership' as part of Carney push to cut reliance on US

NATO allies Canada and Turkey upgraded their relations to a "strategic partnership" during the first bilateral visit by a Canadian prime minister, as Mark Carney seeks new global trade partners to reduce reliance on the United States. The new partnership signed in Ankara focuses on trade and investment, defence and security, energy, and social and diplomatic ties. It aims to create jobs and opportunities for Canadian and Turkish companies to do more business together. Canadian and Turkish negotiators will kick off the first round of free trade talks next month in Ankara, Carney said, adding that Export Development Canada and Turkey's Eximbank would sign a new deal to boost companies' cooperation on projects in third nations. Although trade between Canada and Turkey is tiny – Turkey accounted for less than 0.3% of Canada's total merchandise trade or C$4.34 billion – bilateral trade has risen by nearly 50% in the past five years. "This trip is part of the geopolitical necessity of signalling to Americans that we are not sitting around waiting for them," said Bessma Momani, professor of political science at the University of Waterloo.

Canada gives Cleveland-Cliffs 15 days to reverse planned job cuts

Canada gave US steelmaker Cleveland-Cliffs 15 days to reverse planned job cuts at an Ontario steel mill or face sanctions that could include a forced divestiture of the plant. Ottawa made the demand in a letter from Industry Minister Melanie Joly, who says the plan violates employment commitments Cleveland-Cliffs made when it bought the Stelco plant. The company denies the charge. Joly said that if Cleveland-Cliffs failed to agree to the government's demands within 15 days, she could go to court to force the sale of the plant and also impose a daily fine of C$10,000. The letter was released to the media.

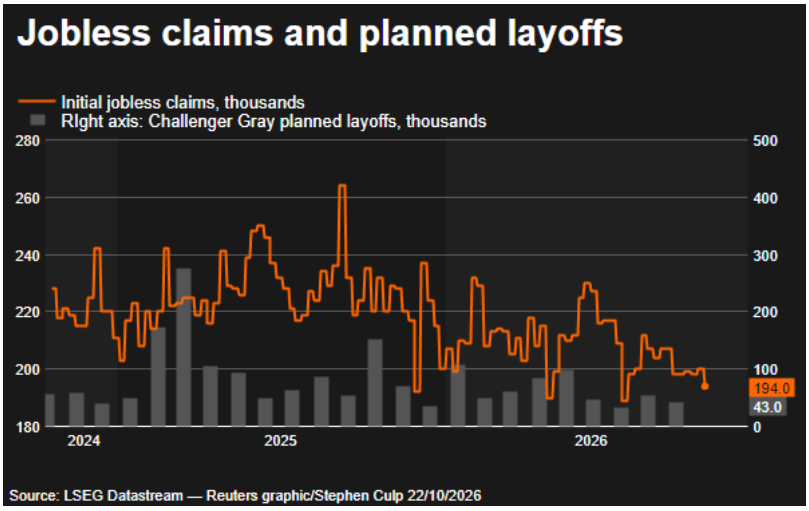
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Wealth News

HIRING RESILIENT

US weekly jobless claims near 57-year lows, underscore labor market stability

The number of Americans filing new claims for unemployment benefits dropped to near 57-year lows last week amid low layoffs, suggesting a modest pickup in job growth in October after September's underwhelming performance. Initial claims for state unemployment benefits fell 6,000 to a seasonally adjusted 194,000 for the week ended October 17. Economists polled by Reuters had forecast 200,000 claims for the latest week. It was the sixth consecutive week that claims remained at or below the 200,000 mark. The claims report showed the number of people receiving unemployment benefits after an initial week of aid increased 25,000 to a still-low seasonally adjusted 1.728 million during the week ended October 10. Economists continue to view the labor market as still in a "low-hire, low-fire" state.



GRAPHIC

From groceries to home loans, high oil prices permeate daily life

The shock of oil prices at a five-month high of $110 a barrel and gas prices in Asia and Europe hitting their highest levels since December 2022 is making its mark on household budgets.

REUTERS OPEN INTEREST

Will US Treasury scrap 20-year bond sales?: McGeever

The US Treasury's auction of 20-year bonds on Wednesday won't be the last, but this long-term debt instrument's days may be numbered.

IPO DOWNTURN

Nasdaq CEO flags 'modest softening' in IPO market as macro uncertainty hits debuts

Nasdaq chief executive said that the initial public offerings market has softened modestly after a wave of macroeconomic turbulence forced several high-profile companies to slam the brakes on their public debuts.

POLITICAL BETS

Polymarket, Kalshi expand political donations as firms face state, federal scrutiny

Prediction market operators Kalshi, Polymarket and their founders have given at least $5 million combined to Republican and Democratic political groups this election cycle, according to campaign finance records and a private remittance document seen by Reuters.

BOND PRESSURE

French bond pain puts euro zone's weak links on notice

As a selloff in French government bonds deepens, the region's debt-laden economies risk a surge in borrowing costs while also grappling with increasing social unrest.

ACQUISITION

LSEG to buy Octus in $3.5 billion deal to shield from AI disruption

The London Stock Exchange Group will buy credit data firm Octus for $3.54 billion, it said, marking its biggest acquisition in seven years as it seeks to bolster its data and analytics offering in the face of AI-linked disruption.

PICTURE OF THE DAY



Art installation "D-Day 1476 - For Your Tomorrow", created by British community artist Dan Barton and his charity Standing with Giants, and featuring almost 1,500 life size steel silhouettes representing military personnel killed during the World War II French D-Day landings, at Waddesdon Manor, near Aylesbury, Britain, October 22. REUTERS/Toby Melville

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For questions or comments about this report, email us at: ***TheDay.Ahead@thomsonreuters.com.***

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