Asset Management Market Flash: Economic resilience and technological volatility

30 October 2026

- **Mixed technological results have held back the market rally and triggered a correction on Nasdaq. However, corporate earnings remain broadly solid in the US and Europe.**
- **The Fed, the ECB and the Bank of Japan have kept their interest rates unchanged, whilst the US economy remains resilient. In Europe, economic indicators vary from country to country.**
- **Geopolitical uncertainties and rising energy prices remain risk factors.**

The week saw numerous economic and geopolitical events: central bank meetings, company results, major economic data and elections. Risk assets attempted a rebound at the beginning of the week before mixed figures from US AI giants put a stop to it. The Nasdaq sold off at the end of the week. Microsoft and Oracle reassured investors on prospects but Alphabet failed to provide visibility on how its massive investments would make money and Amazon disappointed markets on growth and margin prospects in the next quarter. And yet third-quarter results were generally robust both in the US and Europe. Annual growth came in around 28%, mainly driven by tech and energy but with other sectors contributing. True, positive surprises were slightly fewer than in the previous quarter but the figures were still high, and especially in defensive sectors.

As expected, the Fed, the ECB and the Bank of Japan all left their rates unchanged. Investors have now largely priced in rate increases in December. The Fed was keen to stress strength in the US economy - with no reference to overheating- and the need to gather more information. The Bank of Japan said inflation was being watched even though it was on target and indicated that it had still to analyse the impact of September's rate hike before taking further action. The ECB emphasised that inflationary risk was due to energy prices but that core inflation was stable and so far not feeding into wages. Christine Lagarde resigned as ECB chair, effective in February 2027.

Third-quarter GDP in the US rose more than expected to an annualised 3.4% thanks to resilient consumption and AI investment but offset also by AI imports. PMIs provided confirmation of US resilience but consumer confidence remained weak despite a rebound in October. European PMIs showed deterioration in France, relative stability in Germany and in the eurozone and an improvement in the UK. Eurozone GDP in the third quarter grew by an annualised 1.3%, or more than expected with a positive surprise for German growth and a negative one for France.

The geopolitical situation remained uncertain. Diplomatic efforts in the Middle East are ongoing but there is still a risk of fresh tensions, especially after the US midterms. After Israel's elections, outgoing Prime Minister Benjamin Netanyahu lost his majority so the future is still not clear. Oil prices moved higher again after a slight dip while gas prices broke above €100 MWh as the weather turned colder. In Ukraine, Volodymyr Zelenskyy hopes to resume talks with Russia next week.

We are generally upbeat on equities but with geographical and thematic diversification beyond the US and the AI space. As for fixed income, we have taken some profits on duration but are still slightly overweight as bonds provide a safe haven when equities are falling.

European equities

Close to a third of STOXX Europe 600 companies reported earnings this week. The results were generally solid with many beating expectations and raising guidance. The market reaction was, however, more selective than the figures might have suggested.

Elsewhere, French government bond yields eased slightly with the 10-year OAT falling back below 5%, largely, it would appear, because of Moody's decision not to downgrade France. The ratings agency thinks that reducing government debt will be a core issue in the months up to next year's presidential election. Investors also focused on the ECB meeting which decided to leave rates unchanged. Markets are nevertheless pricing in a close to 85% chance of a 25bp hike in December as inflation is still high and persistently high energy prices still represent a risk. The monetary committee meeting was upstaged by Christine Lagarde's announcement that she would step down as chair before the end of her mandate. The question now is who will succeed her.

Company results were mixed. Sales and operating profits at **KONE** were disappointing even though the group took in more new orders than expected while raising its objectives. Worries are focused on China. **Air Liquide** posted upbeat results on a sequential improvement and ongoing momentum in its electronics division. The group also brought forward its share buyback programme. Results at **Airbus** were more mixed due to negative cash generation from working capital requirements. Nevertheless, the group reiterated its target for 870 deliveries. Electrification, data centre and semiconductor plays continued to perform well with companies like **Prysmian** and **ASM International** beating expectations and raising guidance. **BE Semiconductor Industries** rose after **Applied Materials** said it wanted to raise its stake from 9% to 20%. IT services and software stocks were also buoyant. **Dassault Systèmes** and **Capgemini** beat expectations and raised annual targets.

In consumption, **Unilever's** upbeat figures were driven by volumes and emerging markets. **Campari**, on the other hand, disappointed markets with flat like-for-like growth as European momentum failed to offset declines in its US market. In chemicals, **BASF** raised its objectives although management's cautious comments on the year end left investors wondering. **Symrise** fell because expectations were high and management sounded a cautious note for the fourth quarter. Healthcare was on form. **Sanofi** beat expectations thanks to sales of Dupixent and particularly robust profitability. **AstraZeneca** also reported excellent figures with both sales and margins coming in above consensus expectations.

US equities

In a good week on Wall Street, the S&P 500 gained 1.64%, the Nasdaq 100 1.5% and the Russell 2000 3%. The Fed left rates unchanged at 3.75-4%. WTI fell 1.2% to $102 as optimism over talks between Washington and Tehran overshadowed Middle East tensions.

Tech jumped 3%. The **SOX** semiconductor index rebounded by 6.9%. Adjusted EPS at **Microsoft** (+1.1%) beat expectations thanks to a 48% surge **Azure** revenues. **ServiceNow** (-31%) cratered even though adjusted EPS was only slightly below consensus expectations. The sell-off reflected the group's fragile

software in the face of AI disruption. Hyperscalers[1] also saw heavy selling. **Alphabet** (-13.3%) had its worst ever trading session after search revenues fell short of expectations and free cash flow came in at a negative $9.1bn. Google Cloud grew by 103% but failed to reassure investors on the profitability of AI spending. Despite growth of 39% at Amazon Web Services, **Amazon** tumbled more than 7% after EPS fell 4% short of expectations. **Intel** plunged by around 16% after the bell. The sales outlook for the fourth quarter was significantly less than expected. The group is being hampered by supply side issues preventing it from meeting server demand.

Anthropic's S-1[2] filing before its listing had sales at $16.3bn, with around 80% from token payments, a less recurrent model than a software subscription. The group expects losses and investments to rise with procurement commitments of at least $110bn to **Amazon** and $115bn to **Google** up to 2036.

Healthcare rose 2.7% thanks to strong earnings reports. Sales at **Eli Lilly** (+7.9%) beat consensus expectations by 8% and the group raised full-year sales guidance thanks to Mounjaro and Zepbound. Adjusted EPS at **Merck** (+0.7%) came in 20% above expectations with a 5% sales beat. The group raised its full-year guidance.

Financials rose 1.8% mainly on the back of payment services. Adjusted EPS at **Mastercard** (+1.9%) beat expectations by 3% as like-for-like growth accelerated to 14% thanks to volumes and value-added services. Sales at **Visa** (+0.6 %) were in line while adjusted EPS was a little over 1% better than expected.

Emerging markets

The MSCI EM was up 0.9% in USD, led by Korea, which outperformed the region with an 8% rally. India and Taiwan also advanced 1.8% and 1%, respectively, while China extended its correction, declining 1%. The biggest move came from Brazil, which plunged more than 21% following a surprise presidential election outcome.

China: September industrial profits rose 14.4% YoY (est. +12%), accelerating from 4.2% in August, supported by 5% PPI inflation and AI-related demand. Broad fiscal expenditure declined 3.7% YoY in September, marking a seventh consecutive monthly contraction, albeit narrower than August's 6.7% drop, highlighting continued limited fiscal support. On the corporate front, several technology companies reported weaker-than-expected third-quarter results amid component shortages, including semiconductor equipment maker Naura and optical transceiver manufacturers. In contrast, Montage, a leading memory interface chip designer, delivered a high-quality beat on both revenue and earnings. CXMT, the Chinese memory chipmaker, was added to Shanghai indices under fast-track inclusion rules just three months after its listing. Results at Midea, one of China's largest home appliance manufacturers, were in line with subdued market expectations. Margins stabilised sequentially, significantly outperforming peers.

South Korea: third-quarter GDP grew 1% QoQ (est. +0.8%; 2Q +0.6%), supported by strong semiconductor exports and investment, while private consumption contracted. SK Hynix's third-quarter revenue and earnings exceeded the upper end of expectations. The company also unveiled a $75bn shareholder return programme and indicated that its HBM capacity was sold out through 2029. Samsung's final third-quarter operating profit was in line with preliminary figures.

[1] *Hyperscalers* refers to very large technology companies capable of operating digital infrastructure on a massive scale, including data centres and cloud computing platforms, and which invest heavily in artificial intelligence, computing power and data centres.
[2] Registration statement filed with the SEC, the US financial markets regulator

Taiwan: September industrial production growth slowed to 19.17% YoY from 24.65%, missing consensus expectations. For the first time in two years, some technology companies, including Delta Electronics, reported below-consensus results due to component shortages. Chroma ATE's reported results were also below consensus due to a lower gross margin, which was negatively impacted by its China battery business (excluding that effect, gross margin would have been flat, according to management).

India: September industrial production grew 6.7% YoY, or below expectations of 7.2%. The government is considering an overhaul of investment rules for the $180bn National Pension System, potentially allowing greater exposure to lower-rated debt, alternative assets and a broader range of equities. On the corporate front, Jio Platforms' USD 3.1bn IPO, the country's largest, jumped 27% on its first day of trading. Kotak Mahindra Bank's 2QFY27 standalone net profit rose 29% YoY, or ahead of expectations. L&T reported 33% YoY net profit growth, beating consensus, with record order inflows up 28% YoY. TMCV also delivered a beat, with revenue rising 36% YoY, supported by 42% growth in wholesale volumes and a 177% surge in exports. TVS also beat due to strong export volumes. Sun Pharma's Ilumya got FDA approval for psoriatic arthritis treatment.

Indonesia: the 10-year government bond yield climbed to a four-year high, as elevated oil prices and the risk of an MSCI downgrade weighed on investor sentiment. BCA's 9M26 net profit increased 4.2% YoY.

Mexico: the Senate approved the revenue section of the 2027 budget, projecting an increase of 1.1% versus 2026. Walmex reported weak results, with sluggish sales growth continuing to weigh on margins.

Brazil: Lula secured a record fourth term, defeating Flávio Bolsonaro in Sunday's runoff by 51.8% to 48.2%. Markets corrected sharply after pricing in a different outcome following Bolsonaro's strong first-round performance. The next key catalyst will be the formation of the new administration, particularly the announcement of the finance minister.

Corporate debt

It was a busy week for macroeconomic news and figures. Despite ongoing conflicts and oil above $100, both the Fed and the ECB opted to mark a pause in their rate hike cycle.

Credit markets showed resilience faced with disruption and spreads tightened. The Xover, for example, tightened by 20bp. European investment grade returned 0.08% over the week with High Yield ending the period 0.34% higher. New issuance continued apace, especially in the high yield segment. HIME, formerly Saur, raised €400m at 7.125% due 2032.

For its first bond market deal, Italy's **Bending Spoons** (software) raised €500m at 8.625% due 2032. The delisting of Italian pharma group **Recordati** as a result of **CVC**'s acquisition, led to several bond issues for a total amount of more than €6bn.

GLOSSARY

• Investment Grade: bonds rated as high quality by rating agencies.

• High Yield: corporate bonds with a higher default risk than investment grade bonds but which pay out higher coupons.

• Senior debt benefits from specific guarantees. Its repayment takes priority over other debts, known as subordinated debt.

• Debt is considered to be subordinated when its redemption depends on the earlier payment of other creditors. To offset the higher risk, subordinated Senior debt has priority over other debt instruments.

• Tier 2 / Tier 3: subordinated debt segment.

• Duration: the average life of a bond discounted for all interest and capital flows.

• The spread is the difference between the actuarial rate of return on a bond and the rate of return on a risk-free loan with the same maturity.

• The so-called "Value" stocks are considered to be undervalued.

• EBITDA: Earnings before Interest, Taxes, Depreciation, and Amortization.

• CTA: quantitative strategy which uses futures to invest in a wide range of financial assets, including equity indices, short-term and long-term interest rates, currencies, and commodities.

• The PMI, for "Purchasing Manager's Index", is an indicator of the economic state of a sector.

• AT1s belong to a family of bank capital securities known as contingent convertibles or “Cocos”. Convertible because they can be converted from bonds to shares (or depreciated entirely) and contingent because this conversion only occurs if certain conditions are met, such as the issuing bank's capital strength falling below a predetermined trigger level.

• RT1s: perpetual bond issues with early redemption possible after 10 years. Coupon payments are discretionary and non-cumulative.

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AMF Registration number GP 04000015
332.652.536 R.C.S. Paris