



INVESTORS UNABLE TO SHAKE OFF AI CONCERNS DESPITE NVIDIA'S GROWTH

This week all eyes were on Nvidia's quarterly update which was released on Wednesday evening. Weakness in US and global tech stocks had been weighing on equity markets around the world as investors worry about whether the astonishing amount of investment in artificial intelligence, and the infrastructure needed to support its growth, will pay off. This week has brought yet more news of huge investment deals for AI and AI-related firms, with the \$1bn invested in Nokia's AI business looking quite modest when compared to recent multi-billion-dollar deals. For a while it seemed that another update from Nvidia—that breezed past already lofty predictions—would be enough to shore up confidence in tech stocks.

Nvidia not only delivered a strong quarterly update but also reassured investors about robust chip demand and its ability to sustain growth. CEO Jensen Huang confidently stated that the company sees a very different picture from the bubble some fear. Still, the AI growth story is being maintained by an ever-smaller number of companies, and market nerves quickly resurfaced, sending major equity indices lower this week.

THE MARKETS THIS WEEK

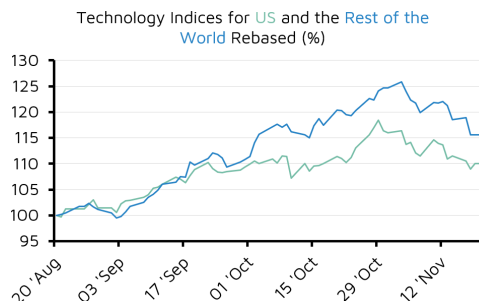
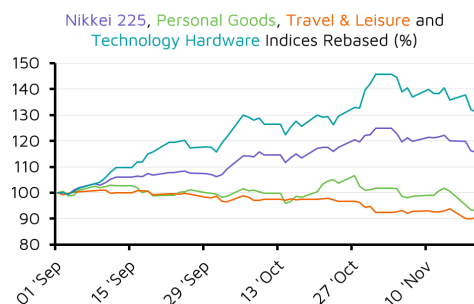
FTSE 100	S&P 500	Nikkei 225	STOXX 600	Hang Seng	US 10 Yr	UK 10 Yr	Brent Crude	Gold	Copper	GBP USD
-2.12%	-2.58%	-3.33%	-0.82%	-4.99%	+0.04%	+0.05%	-2.35%	-1.92%	-2.37%	-0.62%



JAPAN: NIKKEI TAKES A HIT AS CHINA SAYS "NO THANKS" TO JAPAN INC.

Japanese stocks had a rough week after the Chinese government urged its citizens to avoid travel to Japan. The Chinese response was issued after Japan's new prime minister said an attack on Taiwan is an "existential threat" and could merit Japanese military intervention. Retail and transport shares fell between 5% and 12% as a think-tank warned that that fewer Chinese visitors could chop \$14bn off annual tourism spending. Retail stores Don Don Donki and Don Quijote were among the sell-off's casualties, Uniqlo was also scathed. The slump prompted Japanese diplomatic overtures to ease tensions. China's trip.com and some airlines were also hit by market turbulence.

Separately, jitters over soaring AI spending—and doubts about whether monetisation can keep pace—triggered the Nasdaq's steepest drop since April's tariff crash. Tech supply chain names slid across Japan, Korea and China. Markets partially rebounded after Nvidia posted blockbuster earnings. The Nikkei, down as much as 6% at one point, trimmed its fall to 3%.



US: EQUITIES GAIN AS US EMPLOYMENT PRESENTS MIXED SIGNALS

US equity markets received a boost from a better-than-expected employment update. The government's monthly employment figures have not been released since August due to the recent federal government shutdown. September data showed the labour market gaining momentum, with 119,000 jobs added versus a 50,000 forecast. However, monthly wage inflation slowed and unemployment ticked up from 4.3% to 4.4% between August and September as more people re-entered the workforce.

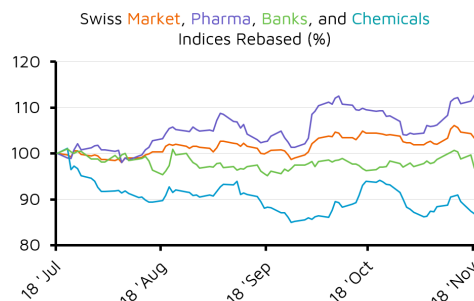
October's employment update is likely to be skipped following the government shutdown and this is the last news on the US labour market before the Federal Reserve's December interest rate meeting. As slower wage growth and rising unemployment offset the increase in new jobs, some bond investors see more evidence to support a rate cut and this helped US government bonds. Equities initially rallied on the jobs surprise, Nvidia's upbeat earnings, and retailer Walmart's strong results, but gains quickly faded.



SWITZERLAND: US AGREES LOWER TARIFFS AS TRADE WEIGHS ON GDP

Switzerland has agreed a new trade deal with the US to reduce import tariffs on its goods to 15%. After it failed to secure a trade deal in August, Switzerland was hit with a tariff rate of 39% on its goods, one of the highest rates applied to any country. Last week the Trump administration reduced this rate in return for a total of \$200bn investment in the US, including \$70bn in 2026, and the transfer of some pharmaceutical and rail manufacturing, as well as some gold refining. High US tariffs took a big toll in the Swiss economy in the third quarter as GDP fell 0.5%. This has reversed a lot of the growth from the first half of the year as pharma and chemical exports were hit particularly hard.

Meanwhile, Swiss banking giant UBS has been talking to the Trump administration about moving its headquarters from Zurich to the US. The Swiss government is reviewing the rules government bank capital requirements following the collapse of Credit Suisse in 2023 but UBS said tougher rules will make it unable to compete internationally.



Data sourced from FE Analytics

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