

**BOND MARKETS TAKE A BREATH AS INVESTORS' WILLINGNESS TO FINANCE AI EXPANSION IS TESTED**

This week was a quieter one for bond markets, after the big moves in recent weeks as there was less economic news to digest and the oil price was less volatile. National politics in Spain and France complicates the picture for Europe, as both countries face elections that will affect their finances, but government bond prices have remained steady or picked up slightly in many countries.

The effect of this month's rise in bond yields and interest rates is evident in some corners of the equity market. For example, a sharp drop in European bank stocks has contributed to a decline in the wider market, as some investors harvest profits after a strong run this year. Meanwhile, AI-linked growth continues unchecked, with chipmakers Samsung and TSMC announcing record profits in their latest trading updates. But investors remain wary of the lofty valuations being placed on many companies, as several high-profile IPOs have been delayed or cancelled. Debt markets are also being tested as companies such as SpaceX and SoftBank seek tens of billions of dollars to finance their ongoing expansion plans.

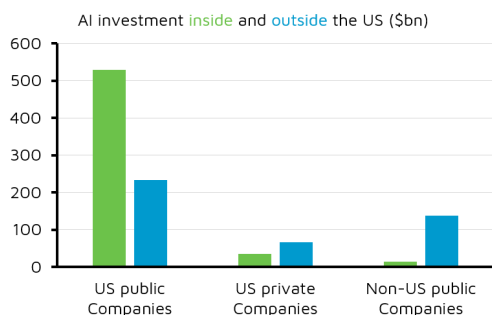
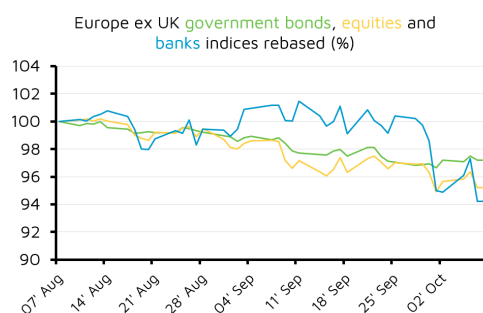
THE MARKETS THIS WEEK

FTSE 100	S&P 500	Nikkei 225	STOXX 600	Hang Seng	US 10 Yr	UK 10 Yr	Brent Crude	Gold	Copper	GBP USD
+0.17%	+1.20%	+0.27%	-0.37%	+0.78%	-0.01%	+0.08%	+3.84%	+0.08%	+1.57%	+0.29%

**GLOBAL: EUROPEAN EQUITIES CHILLED BY BOND SELL-OFF**

Volatility in government bonds continued this week, with the yield on UK 10-year bonds touching 5.52% and on 10-year US Treasuries hitting 5.36%. Rising oil prices are partly to blame. Exports through the Strait of Hormuz had been recovering towards pre-conflict levels, but a rise in attacks on shipping since the start of October has sent them sharply lower. European government bonds have been caught up in the sell-off, as political instability in France, Spain and Germany has added to worries about inflation and interest rates. French bonds have been hit hardest.

Falling bond prices have weighed on equities. US equities have retreated from the record highs set by the Nasdaq and S&P 500, while European markets have been more affected, with French, Italian and Spanish stocks down between 3% and 4% over the past month. European bank shares have suffered most, falling more than 8% since early September despite outperforming the broader market this year.

**TECH: AI DEMAND LIFTS CHIP PROFITS AS BUYERS TURN TO DEBT**

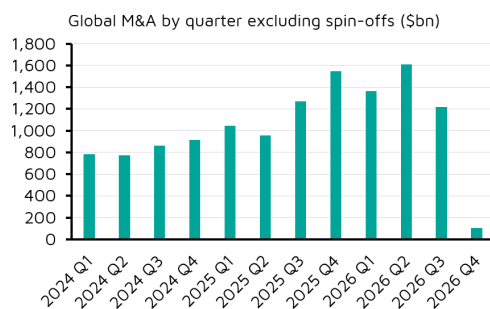
AI spending is pushing chipmakers' profits to records. South Korea's Samsung Electronics expects Q3 operating profit to rise almost ninefold to about \$80bn, as AI demand creates a shortage of memory chips. Its shares still fell 2.4%, on doubts over how long the boom will last. Taiwan's TSMC, which makes chips for Nvidia and Apple, reported record quarterly revenue of \$46.7bn, up 50% and ahead of forecasts. In the US, AI-related firms are expected to deliver more than half of third-quarter earnings growth.

Technology firms are increasingly borrowing to pay for the chips. Banks began selling a record \$60bn debt package to fund Anthropic's chip leases, partly guaranteed by chip designer Broadcom. SpaceX, Elon Musk's rocket and AI group, is seeking \$40bn to buy Nvidia chips. Though rated investment grade, its bonds trade at about 85 cents on the dollar, priced like high-risk junk debt, and the cost of insuring them against default hit a record. The same insurance on Oracle's debt has also climbed.

**M&A: DEALS PICK UP AFTER QUIET THIRD QUARTER**

The week's largest deals were bets on rising demand for electricity. French electrical group Schneider Electric, which makes a quarter of its sales from data centres, agreed a \$22.6bn cash deal for US industrial-software firm PTC, and its shares fell about 9%. Canada's Emera agreed a C\$14.3bn all-share merger with Canadian Utilities to fund C\$32bn of grid spending by 2030 and expand into Alberta, which is courting data centres. In the US, NextEra's \$67bn bid for Dominion faces a backlash in Virginia, where household power prices have risen almost 14% since January 2025.

Intesa Sanpaolo raised its Monte dei Paschi bid to €34.5bn. Monte's two largest shareholders will vote against its plan to stay independent by buying two rivals, helping Intesa. FTSE 100 events group Informa will buy Clarion for £2.2bn and separate its academic publisher. The Westons' \$8.9bn Boots purchase ends hopes of a London listing. This follows a quieter Q3, when global deal value dipped below \$1tn for the first time since last year's trade war.



Data sourced from FE Analytics, Dealogic and GS

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