Global Markets

Equity Rotation Broadens Market Participation

Global equities declined in October as concerns over AI investment returns triggered a rotation away from technology stocks. The MSCI World Index fell 0.8% in USD terms, while emerging markets declined 8.0%, led by South Korea (-15.6%) and Taiwan (-8.4%). In the US, the S&P 500 declined 0.9%, contrasting with a 5.0% gain for its equal-weighted counterpart, reflecting broader market participation beyond mega-cap technology. Value stocks outperformed growth by nearly seven percentage points, with energy, consumer staples and healthcare leading gains. Resilient corporate earnings supported several developed markets, highlighting the importance of earnings quality and diversification.

Government Bonds Regain Safe-Haven Appeal

Global bonds rebounded in October as investors sought high-quality fixed income assets following September's sell-off. The Bloomberg Global Aggregate Bond Index gained 1.4% in USD terms, while US Treasuries returned 2.4%, supported by a 35 bps decline in the 10-year Treasury yield to 4.94%. Investment-grade credit also advanced, although spreads widened amid growing concerns over leveraged borrowers. The rally occurred despite resilient US Q3 GDP growth of 3.4% annualised and September inflation of 3.7%. The Federal Reserve and European Central Bank kept rates unchanged, while French sovereign bonds remained under pressure from fiscal uncertainty. These developments reinforced the defensive role of government bonds amid increasingly selective credit markets.

AI Investment and Energy Reshape Risks

Investor scrutiny of AI-related capital expenditure intensified in October, with growing concerns over infrastructure financing requirements, hyperscaler cash flows and returns on investment. The Nasdaq Composite declined 5.3%, while semiconductor stocks suffered sharper losses despite continued strong underlying demand. Meanwhile, escalating Middle East tensions pushed Brent crude up more than 13% MoM to approximately USD 118 per barrel, adding to inflationary pressures and complicating the monetary policy outlook. Gold fell nearly 7% despite geopolitical uncertainty. Together, these developments underscored the importance of capital discipline and financial resilience as investors reassess capital-intensive growth expectations.

Regional Markets

Foreign Selling Deepens Saudi Market Losses

Saudi equities extended their decline in October, with the TASI falling 5.0% MoM to 9,922 points, bringing its YTD performance to -5.4%. Total traded value increased 5.8% MoM to SAR 83.8 billion. Market weakness was broad-based, with 20 of 21 sectors declining, led by Capital Goods (-14.2%) and Media (-10.3%), while Energy (+2.6%) was the sole gainer. Foreign investors recorded net outflows of SAR 2.08 billion, compared with SAR 4.29 billion in September, while foreign institutional ownership declined to 11.27% from 11.72%. Regional markets also weakened, with Kuwait (-7.0%), Abu Dhabi (-6.0%) and Dubai (-3.2%) posting losses. Persistent foreign selling and cautious investor sentiment continued to weigh on Saudi equities.

Non-Oil Growth Faces Tighter Financing Conditions

Saudi Arabia's economic outlook remained mixed, with resilient non-oil activity contrasting with weaker headline growth. Preliminary Q3 GDP contracted 3.8% YoY, driven by a 20.4% decline in oil output, while non-oil growth improved to 1.9% from 0.9% in Q2. The non-oil PMI moderated to 54.0 in October from 55.3 in September, while consumer spending rose 6.9% YoY and inflation remained contained at 1.9%. Banking liquidity tightened as deposit growth slowed to 4.8% YoY against private-sector credit growth of 6.2%, with 3-month SAIBOR at 5.48%, approximately 141 bps above US SOFR. Meanwhile, Saudi crude production rebounded to 8.4 million barrels per day in September from 6.2 million in August. Higher oil revenues should support fiscal balances, although elevated funding costs could constrain private-sector investment and economic diversification.

Global Market Indices

Global Data: As End Of:	30-October-26
Saudi Market Data: As End Of:	29-October-26

Region/sector	Index	Quote	MTD (%)	YTD (%)	1Y (%)	2Y (%)	3Y (%)	5Y (%)	10Y (%)	2023 (%)	2024 (%)	2025 (%)
World	DJIM World TR	14,678.46	(3.1)	12.7	12.7	15.9	22.3	9.3	13.8	27.0	18.0	19.4
Developed	DJIDEV TR	8,494.63	(2.5)	13.2	13.5	16.2	22.8	10.0	14.4	29.4	18.5	19.2
Emerging Markets	DJIEMG TR	6,918.49	(8.3)	7.8	5.4	13.2	17.7	3.0	8.9	6.4	13.3	21.8
Saudi	TASI	9,921.50	(5.0)	(5.4)	(15.6)	(9.1)	(2.5)	(3.3)	6.6	14.2	0.6	(12.8)
NAREIT	All REITS TR	3,490.80	1.9	5.2	6.3	4.7	13.1	0.6	3.3	9.8	1.6	11.0
GSCI	All Commodities	754.41	3.3	37.5	36.0	18.9	9.2	5.1	7.2	(12.2)	2.6	(0.2)
Currencies	Euro	1.12	(1.5)	(5.0)	(3.5)	1.4	1.7	(0.7)	0.1	3.1	(6.2)	13.4
	Yen	157.56	(0.1)	(0.5)	(2.2)	(1.3)	(1.8)	(6.3)	(4.3)	(7.0)	(10.3)	0.3
	GBP	1.34	0.9	(0.6)	1.8	1.6	3.2	2.1	1.5	5.4	(1.7)	7.7

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