



Weekly Market Tides

Trends to watch

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The semiconductor sell-off, an AI comeback, and 'Super Wednesday' on October 28

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1. The AI trade rebounds after a bruising week

Global equity markets have opened the week higher. On Monday, the Nasdaq climbed as AI and semiconductor names recovered some of last week's losses, while the S&P 500 added modestly and the Dow was close to flat. That rebound has continued this morning, with all three major indices gaining and the Nasdaq once again leading as the AI and semiconductor trade extends its recovery. Oil remains elevated on fresh Middle East tensions, with Iran-backed Houthis escalating attacks on Saudi targets and keeping Red Sea shipping routes on edge. Looking back further, last week brought developments that continue to shape positioning. The S&P 500 fell nearly 2% and the Nasdaq lost close to 5%, while the Dow held up with a modest gain led by defensives. The semiconductor complex was hit hardest, with the group's benchmark index posting its worst week since April 2025. U.S. September inflation also came in hotter than expected on both headline and core measures. In the U.S., housing data lands this week with flash purchasing manager indices on Friday. In Canada, August retail sales are also released on Friday, following September CPI yesterday, which came in at 3.1% year over year with gasoline doing most of the work. The Bank's preferred core measures eased, with both the trim and median readings now sitting below the 2% target, a mix that supports the case for a hold on October 28. The main event, discussed in section 3, is October 28, when the Federal Reserve and the Bank of Canada both deliver rate decisions on the same day.

2. The chip rout tests the AI concentration trade

Last week, the sell-off was led by the same corner of the market that has powered much of this year's equity rally. The semiconductor sector lost the most ground, with the benchmark chip index posting its worst week in roughly a year and a half. CoreWeave, a market-favourite AI infrastructure name, fell sharply on concerns about the debt being used to fund the AI buildout. The broader group of neocloud providers, companies building out specialized AI compute, also fell meaningfully. Several factors appeared to weigh on sentiment. Broadcom's CEO warned at an event in Singapore that a shortage of capital could become the AI industry's next constraint, and remarked that investors had set 'very extreme expectations' for the sector. Gartner, a widely followed technology research and advisory firm, also issued a cautious forecast on neocloud providers, and reports of progress on Chinese memory chip design added further pressure. Underneath, the broader concern is about how much AI-related capital spending the market can absorb before investors ask harder questions about returns. The counterpoint came midweek from TSMC, which reported a record quarter and guided to another strong gain in the fourth quarter, saying AI demand continues to outpace supply.

The TSMC result tells us the end-demand story is still strong, but the market reaction suggests investors are becoming more selective about which AI names to own.

3. Super Wednesday: the Fed and the Bank of Canada both decide on October 28

Wednesday October 28 is shaping up to be an important day for central banks. The Federal Reserve and the Bank of Canada will both deliver rate decisions on the same day, each facing a growth-versus-inflation dilemma but with different data in front of them. In the U.S., the picture is more complicated. The weak September jobs report had pulled market expectations toward a hold at the October meeting. Then last Wednesday's inflation data came in hotter than forecast, pushing hike odds back up during the session before they settled somewhat lower by week's end. The market is now split on October but increasingly expects a hike by December. In Canada, the picture is more clearly dovish. Headline CPI rose in September, but almost all of the increase came from gasoline, which has been pushed higher by Middle East crude pressure. Core measures eased, with both of the Bank's preferred trim and median readings now sitting below the 2% target. Combined with the loss of 68,000 jobs in September, the data gives the Bank of Canada room to hold at 2.25% for an eighth consecutive meeting. The contrast tells us the inflation story is not uniform across North America. U.S. services inflation remains sticky and energy is adding pressure. In Canada, core inflation has eased below target even as the headline moves up.

Bottom line for investors

Several themes are competing for market attention. The AI trade has extended its rebound into Tuesday, recovering more of last week's ground, but the broader picture is still a sharp recent correction, with the chip index posting its worst week in roughly a year and a half. U.S. September inflation came in hot and briefly revived talk of an October Fed hike before odds settled lower. Canadian headline inflation also moved higher, but core measures eased, which keeps the Bank of Canada on course to hold on October 28.

For portfolios, the message stays the same. When central bank paths are diverging, headline inflation remains above target, and a single theme is driving much of the equity rally, diversification across sectors, regions, and asset classes remains the best defense.

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