

Salad days for chip stocks

Key takeaways

Japanese and emerging market shares gained most thanks to growing confidence in an end to Middle East hostilities, a sharply falling oil price, and renewed AI fervour.

Chips with everything...

With the price of Brent crude falling almost 9% last week, thanks to tentative progress toward a workable ceasefire in the Middle East, it was energy-importing nations that saw the strongest returns. Japanese stocks gained over 6%, despite a hike in local interest rates, while the MSCI Emerging Markets Index gained 5.6%, alongside currency gains for the likes of India, Indonesia and the Philippines. Asian and Japanese markets also benefitted from renewed AI appetite.

It was chipmakers in the US, Japan, Korea and Taiwan that once more led the charge. In the US, the Philadelphia Semiconductor (SOX) Index of the 30 biggest US chipmakers hit a new record high. Meanwhile in Japan, the previously little-known memory-chip producer, Kioxia, replaced Toyota as Japan's largest company by market capitalisation, having gained upwards of 3,700% in the past 12 months.

We need to talk about Kevin...

Both US government bond (Treasuries) and stock markets took a breather last Wednesday following Kevin Warsh's arrival as the new chairman of the US Federal Reserve (Fed). Mr Warsh's tone was interpreted as distinctly 'hawkish' – meaning he's unlikely to cut interest rates any time soon, regardless of President Trump's wish list. This triggered the biggest sell-off in short-dated Treasuries in over a year, and the strengthening of the dollar.

Mr Warsh's stated aim, to "deliver price stability", is quite a contrast to the candidate groomed by Mr Trump for his rate-cutting credentials. Meanwhile, his planned changes to Fed data sources, to press communications, and forward guidance, suggest a more opaque Fed in the years to come, and potentially higher interest-rate volatility. Futures markets are now expecting one or two 0.25% US interest-rate hikes in 2026.

Artificial problems: the Fable of US intervention

Last week left Dario Amodei, CEO of AI systems company, Anthropic, desperately baling following a White House notification giving the company just 90 minutes to comply with an export control order on its latest market-leading AI models, Fable and Mythos. With 'foreign nationals' forbidden access, Anthropic was forced to suspend both for all users. This created concerns both that the US could switch off the best AI models, and that the government was meddling in trade even while flirting with taking a stake in OpenAI later this year.

Concerns of a 'jailbreak' – where users bypass an AI model's 'guardrails' to mount cyber-attacks – were initially raised by Amazon engineers. Despite previously calling for greater AI regulation, last week saw Mr Amodei asking leaders at the G7 summit in France to "resist the temptation to splinter" over AI security fears.



Market moves

Global stock markets progressed on renewed AI appetite and hopes of a ceasefire in the Middle East.

UK shares fell while Japanese and emerging markets stocks surged.

UK government bonds were flat. US government bonds made slender gains.

What to look out for this week

Tuesday kicks off another week of global Purchasing Managers' Index (PMI) data. This provides a snapshot of manufacturing and services growth in most major markets.

Wednesday brings new home sales data for the US.

Personal Consumption Expenditures (PCE) inflation numbers are due Thursday alongside the latest US GDP reading and jobless claims.



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