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# Troubles in tech: An overview across continents

## *Falling Tech prices igniting talks of AI bubble, passive Fed response causing market uncertainty*

- U.S. equities are down over the week, S&P  $\approx$  -2%, Nasdaq  $\approx$  -2.7%, this was mainly due to hesitation linked to AI and September economy data coming out.
- European markets slid this week as U.S. AI tech volatility spilled over, driving the STOXX 600, major indices and semiconductor stocks down 2–6%.
- Asian equities sharply lower Friday. MSCI Asia Pacific ex Japan index dropped 2.6% to bring weekly loss to 3.8%, steepest since early April. Sharp losses, predominantly by tech, in South Korea, Taiwan and Japan. (FactSet, Top Stories Asia Pacific)

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This week's U.S. markets have been plagued by mixed sentiment and high volatility. S&P saw a 1% rally on Friday but ended the week down 2%. Over the past few months artificial intelligence companies and several tech stocks have made up the majority of the market growth. However, as of now they have been hit by quite a selloff, the Nasdaq Composite index has dropped 7% from its peak in October, and an exchange trade fund that tracks a basket of A.I stocks is almost 11% lower. Nvidia, the tech giant central to the A.I. ecosystem was in the spotlight as it had earnings coming out on Wednesday. It beat the earnings expectations which sparked a brief turn higher, however by the end of the trading day the stock lost 3.15%. Significant volatility has also been present in the markets as the VIX volatility index peaked on Thursday and rose to its highest since April's "Liberation Day" tariffs were announced. An additional factor influencing markets this week was September jobs report which has caused uncertainty around Fed's cut in interest rates at its December meeting.

European equities have seen a volatile week with artificial intelligence equity sentiment changes in the U.S. spilling over. Stoxx Europe 600 fell to the lowest point since September with the index seeing its biggest weekly drop since late July, falling 2.23%. A similar pattern is seen in major EU markets, with Germany's DAX falling 3.34%, France's CAC 40 declining 2.12% and the FTSE 100 losing -1.64%.

Semiconductor-linked companies were hit particularly hard, with ASML, ASM International and BE Semiconductors losing 4.6% to 6.3% in the past week, with all seeing major dips last Friday. The sharp downturn in semiconductors is directly linked to U.S. tech valuations and how sensitive these make European stocks to any changes in investor sentiment towards American stocks. Nvidia, given its enormous market influence, had a disproportionate effect due to the central role of the company in AI. As post-earning volatility led to stock prices falling it had a clear spill-over effect into European tech markets, and intensified doubts over the near-term resilience of tech stocks in the continent.

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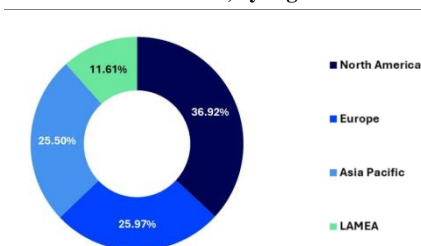
Asian stocks under heavy selling pressure with tech/semis taking biggest losses after US benchmarks experienced the largest intraday swing since April tariff turmoil as the rally from Nvidia results on Thursday reversed course. Advantest, Kioxia, SoftBank and SK Hynix are amongst Friday's biggest decliners in Asia with losses of 9-12%. Hon Hai Precision and TSMC dropped nearly 5%. Positive Nvidia earnings takeaways were quickly overshadowed by ongoing discussions about stretched valuations, extended positioning and accompanying bubble concerns, which seems to be overarching sentiment across continents. Trends of companies issuing debt to finance capex plans are also driving concerns about credit market risks. Bearish technicals are also gaining attention with Japan and Taiwan benchmarks approaching 50-day moving averages, and such technical analysis indicators might become a self-fulfilling prophecy. Momentum is thus unwinding, corresponding with doubts about the prospect of Fed rate cut in December after delayed September nonfarm payrolls report was mixed and ongoing Fed policymaker divide left markets pricing in ~40% chance of a reduction. (Data retrieved from FactSet)

Chart 1. AIQU - Global X AI UCITS ETF



Source: Tradingview

Chart 1. AI Market Share, By Region



Source: Precedence Research

**Analyst, Macro**

Maximilian Tomko  
maximilian.tomko@student.uva.nl

**Analyst, Macro**

Ties den Hollander  
ties.den.hollander@student.uva.nl

**Analyst, Macro**

Eric Halkola  
eric.halkola@student.uva.nl

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