

MARKET INSIGHT WEEK 42

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UPCOMING ECONOMIC EVENTS

	Time*	Forecast	Previous
Wednesday, October 14			
CN CPI (YoY) (Sep)	02:30	1.0%	0.8%
US CPI (MoM) (Sep)	13:30	0.6%	0.4%
US CPI (YoY) (Sep)	13:30	3.6%	3.4%
US Core CPI (MoM) (Sep)	13:30	0.2%	0.3%
Thursday, October 15			
AU Employment Change (Sep)	01:30	20.0K	39.5K
UK GDP (MoM) (Aug)	07:00	-0.1%	0.4%
US Retail Sales (MoM) (Sep)	13:30	0.3%	1.2%
US PPI (MoM) (Sep)	13:30	0.5%	0.4%
US Initial Jobless Claims	13:30	195K	197K
US Crude Oil Inventories	17:00		-3.186M
Friday, October 16			
EU CPI (YoY) (Sep)	10:00	3.8%	3.8%

*US moves forward one hour for daylight saving time.

Weekly Recap - October 5-9, 2026 (W41)

Hawkish Minutes and a 2002 High in Treasury Yields Keep the Dollar at One-Year Highs

Week 41 confirmed that the Fed sees another increase as likely before year end, even though an October move remains largely priced out. The 10-year Treasury yield reached its highest level since 2002 at midweek before easing, while Brent rose back above \$104. U.S. equities still posted a solid week, with the S&P 500 setting a record high near 7,845.

United States - Minutes Keep December in Play

Activity held up while price pressures intensified.

Key developments:

- FOMC minutes: most participants saw another increase as likely appropriate by year end.
- ISM services eased to 54.9, but prices paid rose to 74.0, the highest since July 2022.
- Initial jobless claims fell to 197,000, below the 200,000 estimate.
- Michigan sentiment fell to 46.3, the lowest since May, with current conditions at a record low.

As a result:

- Futures priced approximately 17% for an October increase and approximately 70% for December.
- The 10-year yield reached approximately 5.37% before closing the week at 5.24%; the 2-year ended at 4.80%.
- The Dollar Index gained 0.3% to 102.23, after a one-year high at 102.54.

The question for the Fed is now the timing of the next increase, not its direction.

Energy Drives the Price Components

Prices paid in services reached a four-year high as record gasoline prices fed through. September CPI on October 14 is now the decisive test for the October meeting.

Geopolitics - No Strikes Before the Midterms

President Trump said the U.S. will not attack Iran before the November 3 midterm elections.

- The naval blockade of Iranian ports remains fully in place.
- Hormuz flows were approximately 30% below pre-war levels, with nine tankers attacked in a week.
- Russian strikes cut power to over 3 million residents in Kyiv.

Talk of "productive discussions" with Tehran eased oil on Friday, but supply risk remains high.

Eurozone - ECB Accounts Point to Upside Inflation Risks

The account of the September increase showed all members saw inflation risks to the upside.

- German factory orders fell 10.6% in August, driven by large transport orders.
- German industrial production rose 2.0%, well above the 0.5% consensus.
- The Stoxx 600 fell to its lowest level since June 11, as French fiscal concerns returned.

Higher yields and energy risk kept European equities under pressure despite the hawkish ECB tone.

United Kingdom - Gilts Set New Highs

Long-dated gilt yields led the global sell-off at midweek.

- The 30-year gilt yield rose to approximately 6.04%, a new multi-decade high.
- The 10-year gilt reached approximately 5.48%, near its highest since 2007.
- Markets priced approximately 81% for a BoE increase in November.

The FTSE 100 recovered 1.06% on Friday to 10,552, its best session of the week.

Asia-Pacific - Yen Weakens Again

The yen posted a fourth consecutive weekly decline, with USDJPY closing at 158.25, while swaps priced approximately 80% for a BoJ increase to 1.25% in October. The Nikkei 225 ended the week near 69,031. Mainland China's markets reopened on October 8 after Golden Week and firmed only slightly as higher global yields weighed on technology shares.

Commodities - Gold - Gold rose by approximately 1.4% to finish near \$4,196, its first weekly gain in three weeks, after a midweek low of \$4,067.

Commodities - Oil - Oil recovered as Hormuz risks and a Gulf of Mexico hurricane offset the reserve release.

- WTI rose approximately 0.6% to \$91.66, after a low of \$86.86 on Tuesday.
- Brent gained 4% to \$104.28 on Thursday before easing on Friday.

Hurricane Isaias shut in approximately 500,000 barrels per day of Gulf of Mexico output, while U.S. crude stocks fell by 3.2 million barrels.

Equities

Records for the S&P 500, Small Caps Lag

U.S. large caps gained despite midweek volatility in yields and AI valuations.

- S&P 500 gained approximately 1.15%, after a record high of 7,844.5.
- Dow Jones gained approximately 0.93% to 51,655.
- Nasdaq Composite gained approximately 0.64%.
- Russell 2000 declined approximately 0.91%.

A technology-led rebound on Friday reversed Thursday's sell-off ahead of the third-quarter earnings season.

Summary

Week 41 reinforced the hawkish policy backdrop. The FOMC minutes signalled another increase by year end, services prices paid reached a four-year high and long-term yields set fresh multi-decade highs before easing. The dollar held near one-year highs, yet U.S. equities gained on AI leadership and an easing of oil and yields on Friday.

Key Takeaway

- » The FOMC minutes keep a December increase as the base case, with October dependent on CPI.
- » Long-end pressure persists: the 10-year Treasury reached a 2002 high and the 30-year gilt rose above 6.0%.
- » Oil remains tied to Hormuz: Brent above \$100 despite the G7 reserve release.

Market Outlook: Key Levels and Trends to Watch Across Major Pairs and Commodities

U.S. Dollar Index

DXY held the bullish structure, but the expected pullback stopped at 101.75, above 101.30-101.40, and the advance to a new one-year high at 102.54 fell short of 102.80-103.00. The current setup favours a dip toward 101.95, near the 9-day moving average, before another upside attempt toward 102.80-103.00. The bullish scenario remains valid above 101.50. A break below this level would weaken momentum and expose 101.00.



EUR/USD

EURUSD reached the 1.1160-1.1180 target early in the week, with a one-year low at 1.1166, but the rebound stalled at 1.1279, short of 1.1330-1.1350. Price remains below both moving averages. The current setup favours a rebound toward 1.1270-1.1280 before another move lower toward 1.1140-1.1150. The bearish scenario remains valid below 1.1340.



GBP/USD

GBPUSD stayed inside a narrow 1.3186–1.3285 range: the rebound stopped short of 1.3300–1.3320 and the 1.3140–1.3150 target was not reached. The current setup favours a rebound toward 1.3290 before another move lower toward 1.3140–1.3150, the June low area. The bearish scenario remains valid below 1.3360. A break below 1.3140 would expose 1.3010.



USD/JPY

USDJPY dipped to 157.43, close to the 157.30 call, but the expected break above 159.00 did not occur, with the week high at 158.51. Price closed above both moving averages at 158.25. The current setup favours a dip toward 157.80–157.90 before a break above 159.00, which would expose 160.40. The bullish scenario remains valid above 157.30, with intervention risk rising near 160.00.



USD/CHF

USDCHE held above the 0.8230-0.8250 test zone, with a low at 0.8277, but the rally stopped at 0.8347, short of 0.8380-0.8400. The current setup favours a dip toward 0.8260-0.8270 before another upside attempt toward 0.8380-0.8400. The bullish scenario remains valid above 0.8220. A break below this level would expose 0.8160, near the 55-day moving average.



USD/CAD

USDCAD pulled back only to 1.4200, above 1.4160-1.4170, and set a new one-year high at 1.4299 after Canada lost 68,300 jobs, but fell short of 1.4320-1.4350. The current setup favours a pullback toward 1.4225, near the 9-day moving average, before another upside attempt toward 1.4320-1.4350. The bullish scenario remains valid above 1.4180. A break below this level would expose 1.4060-1.4080.



AUD/USD

AUDUSD held above the September low and rose 0.4%, but the rebound stopped at 0.6992, just short of 0.7000–0.7020, and the 0.6870–0.6880 target was not reached. The current setup favours a rebound toward 0.7020–0.7040 before another move lower toward 0.6900–0.6910. The bearish scenario remains valid below 0.7085, near the 55-day moving average.



NZD/USD

NZDUSD reached the 0.5585 target with a new one-year low at 0.5584, while the rebound stopped at 0.5629, short of 0.5660–0.5680. Price is holding at the 9-day moving average. The current setup favours a rebound toward 0.5650–0.5660 before another move lower toward 0.5540–0.5550. The bearish scenario remains valid below 0.5710.



Gold (XAU/USD)

Gold broke below 4,120 without the expected rebound to 4,240 and fell to 4,067, short of 4,020, before recovering to 4,196. Price remains inside the descending channel and below the 55-day moving average near 4,324. The current setup favours a rebound toward 4,290 before renewed weakness toward 4,070. The bias remains negative below 4,330; a break above would expose 4,410.



WTI Crude

WTI reached the 86.50-87.00 target with a low at 86.86 and then rebounded to 93.20, close to 93.50-94.00, so both legs were met in reverse order. Price is now above both moving averages. The current setup favours a test of 93.50-94.00 before another move lower toward 87.00. A recovery above 97.00 would invalidate the bearish setup and expose 101.00-103.00.



S&P 500

S&P 500 held above 7,700, reached the 7,780–7,820 target and set a record at 7,844.5, but did not hold above 7,820 for long enough to extend toward 7,950. The current setup favours a pause near 7,745, the 9-day moving average, before a break above 7,845 toward 7,950. The bullish scenario remains valid above 7,700. A break below this level would expose 7,600.



EuroStoxx 50

EuroStoxx 50 followed the expected path: a rebound to 6,311, then a decline through 6,170 to 6,090, before closing at 6,173. The index remains below the 55-day moving average near 6,365. The current setup favours a rebound toward 6,270 before another move lower toward 6,095. A recovery above 6,370 would neutralise the bearish bias, while a break below 6,090 would expose 5,980–6,000.



Strategic Outlook Week 42 (October 12 – 16, 2026)

September CPI Decides Between October and December

Week 42 opens with a December Fed increase as the base case and long-term yields just below multi-decade highs. September CPI on Wednesday, followed by retail sales and PPI on Thursday, will decide whether an October increase returns to the table.

The macro framework now stands as follows:

- Fed funds target at 3.75%–4.00%.
- October hike probability at approximately 17%; December at approximately 70%.
- U.S. 10-year yield at 5.24%, after its highest level since 2002 at midweek.
- Eurozone inflation at 3.8%; ECB deposit rate at 2.50%.
- Brent above \$100; WTI at \$91.66.

Macro Themes

1. United States

CPI and Retail Sales Set the Fed Path

Energy will lift headline inflation, so the core reading will drive pricing for October 28.

Key Focus

- CPI: 0.6% m/m and 3.6% y/y expected, from 3.4%; core 0.2% m/m.
- Retail sales: 0.3% expected, after 1.2%.
- PPI: 0.5% m/m expected, from 0.4%.
- Third-quarter earnings begin with the large banks.

Strategic Scenarios

Hot Core

- Core CPI at 0.3% or above.
- October hike pricing rises sharply.
- Yields and USD rise; equities and gold come under pressure.

Central Scenario

- Headline near 3.6%, core near 0.2%.
- October stays unlikely; December remains the base case.

Soft Demand

- Retail sales below consensus after weak sentiment.
- Yields retreat and USD corrects.

Energy Shock

- Headline above 3.7% with stable core.
- Long-term yields stay elevated and the curve steepens.

The central scenario is that energy lifts headline inflation while core stays contained, keeping December as the next likely increase.

USD Bias: Constructive against the euro, the Canadian dollar and commodity currencies; neutral against sterling; constructive against the yen, with intervention risk near 160.00.

2. Geopolitics

A Pause Before the Midterms

Washington has ruled out strikes on Iran before November 3, but the blockade remains.

- Iran is reviewing the U.S. response to its proposal to reopen Hormuz.
- Tanker attacks around the strait continue.
- Russian strikes on Ukraine's grid intensify ahead of winter.

A credible reopening of Hormuz remains the main

disinflationary catalyst for central banks.

3. Eurozone

Final CPI Ahead of the October 29 Meeting

Friday's final September CPI is expected to confirm 3.8%, after 3.2% in August.

- The ECB accounts showed all members saw upside inflation risks.
- French fiscal concerns keep pressure on European bonds and equities.

A confirmed 3.8% print supports another ECB increase, but the euro remains driven by the dollar.

4. United Kingdom

GDP and Bailey in Focus

August GDP on Thursday follows July growth of 0.4%.

- Markets price approximately 81% for a BoE increase in November.
- Governor Bailey speaks on Friday.

The 30-year gilt near 6% keeps sterling sensitive to fiscal risk despite the hawkish BoE pricing.

5. Asia-Pacific

BoJ Pricing and Australian Jobs

Swaps price approximately 80% for a BoJ increase to 1.25% in October, while the G20 and IMF meetings in Bangkok keep intervention risk in focus. China's September CPI is expected at 0.8%, and Australian employment follows a 39,500 gain in August with unemployment at 4.6%.

6. Commodities

Gold Stabilises, Oil Tied to Hormuz

Gold - Supportive factors:

- Geopolitical uncertainty.
- Central-bank demand.
- Any retreat in yields after CPI.

A hot core CPI print and a firm dollar remain the principal downside risks.

WTI Crude - Key drivers

- U.S.-Iran talks and the naval blockade.
- Hormuz flows approximately 30% below normal.
- Gulf of Mexico output after Hurricane Isaias.
- EIA inventories, delayed to Thursday by Columbus Day.

Reserve releases cap rallies, but Brent above \$100 shows that supply risk persists.

7. Equities

Earnings Versus Yields

The S&P 500 sits near its record high as AI leadership and an estimated 29.6% third-quarter earnings growth support valuations. Long-term yields near 2002 highs remain the main constraint, particularly for small caps.

Equity Scenarios

Hot CPI

- Higher yields pressure technology and small caps.

Central Scenario

- Bank earnings support a break above 7,845.

Softer Labour Market

- Lower yields broaden the rally toward small caps.

Summary & Key Risks

Summary

Week 41 confirmed a hawkish Fed and persistent long-end pressure. The FOMC minutes, a four-year high in services prices paid and new multi-decade highs in Treasury and gilt yields kept the dollar near one-year highs. The previous outlook was right that the minutes would keep December open and wrong that yields would stay below the previous week's highs.

The base case for Week 42 is that energy lifts headline CPI while core remains contained, keeping December as the next likely Fed increase. The dollar stays supported against the euro and commodity currencies, while equities rely on bank earnings to extend the record.

Key Risks

- a. Core CPI at 0.3% or above → October hike pricing returns, pushing yields and USD higher and pressuring equities and gold.
- b. Weak retail sales → yields retreat, USD corrects and small caps recover.
- c. Disorderly long-end sell-off → the 10-year Treasury above recent highs and the 30-year gilt above 6% tighten financial conditions globally.
- d. Escalation around Hormuz → WTI returns above \$97, lifting inflation expectations.
- e. Yen intervention or a BoJ signal → a sharp drop in USDJPY spreads volatility across FX markets.

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