

MARKET INSIGHT WEEK 43

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UPCOMING ECONOMIC EVENTS

	Time*	Forecast	Previous
Monday, October 19			
CN GDP (YoY) (Q3)	03:00	4.4%	4.3%
CA CPI (YoY) (Sep)	13:30	3.2%	3.0%
Tuesday, October 20			
US Housing Starts (Sep)	13:30	1.300M	1.275M
Wednesday, October 21			
UK CPI (YoY) (Sep)	07:00	3.4%	3.1%
US Crude Oil Inventories	15:30		-8.6M
NZ CPI (YoY) (Q3)	22:45	3.7%	4.1%
Thursday, October 22			
US Initial Jobless Claims	13:30	200K	199K
Friday, October 23			
JP National CPI (YoY) (Sep)	00:30	2.1%	1.7%
UK Retail Sales (MoM) (Sep)	07:00	-0.2%	0.5%
UK S&P Global Composite PMI (Oct) P	09:30		52.0
US S&P Global Composite PMI (Oct) P	14:45		58.4
US Michigan Consumer Sentiment (Oct)	15:00	46.3	46.3

*US moves forward one hour for daylight saving time.

Weekly Recap - October 12-16, 2026 (W42)

Hot Inflation, a Chip Rout and \$110 Brent End the Dollar's Run

Week 42 delivered the hot inflation data markets feared: core CPI rose 0.3% and producer prices jumped 1.3%, the largest monthly increase since March 2022. Yet Treasury yields fell sharply as an eight-session slide in chip stocks drove investors into bonds, and the dollar retreated from a new one-year high. Brent touched \$110 for the first time since May as attacks around Hormuz intensified.

United States - Hot Prints, Lower Yields

Inflation surprised to the upside while activity data stayed firm.

Key developments:

- CPI rose 0.6% m/m and 3.7% y/y, the fastest annual rate since May; core rose 0.3% m/m and 2.6% y/y.
- PPI jumped 1.3% m/m and 6.3% y/y, led by a 10.8% rise in energy.
- Retail sales rose 0.8%, but gasoline accounted for most of the gain; the control group rose only 0.1%.
- Initial jobless claims were 199,000, a fifth consecutive week below 200,000.

As a result:

- October hike pricing jumped to approximately 50% after CPI before falling to approximately 15% by Friday; December stands near 90%.
- The 10-year yield fell approximately 14 basis points to 5.07%, with the 2-year near 4.72%.
- The Dollar Index lost 0.44% to 101.78, after a new one-year high at 102.95 on CPI day.

Chair Warsh said in Bangkok that he does not prejudge meetings, leaving December as the base case.

Strong Factories, Fragile Tech

The Empire State index rose to 25.5, its highest since December 2021, and industrial production gained 0.7%. The Philadelphia Semiconductor Index fell for eight straight sessions, its longest losing run since 2006, on concerns over AI financing.

Geopolitics - Hormuz Attacks Intensify

Two vessels sank near the Strait of Hormuz, the second and third lost since the war began in February.

- The container ship GFS Pride sank on October 14 after being struck; all 21 crew were evacuated.
- An Iranian naval official said Hormuz "remains closed" without coordination with Iranian forces.
- President Trump waived the 100% tariffs on the largest buyers of Russian oil to ease energy prices.

With no Iranian reply to the U.S. reopening proposal, supply risk returned to the centre of the oil market.

Eurozone - Inflation Confirmed at 3.8%

Final September CPI confirmed headline inflation at 3.8%, up from 3.2%, with core at 2.5%.

- Energy inflation rose to 18.8%, from 14.3% in August.
- The French National Assembly began debating a 2027 budget targeting a 5% deficit.
- The DAX gained 2.13% and the Stoxx 600 rose more than 2%, helped by ASML and Rheinmetall.

European equities outperformed Wall Street as the rotation away from U.S. technology favoured the region.

United Kingdom - Best Week in Six Months for the FTSE

Firmer growth and a softer tone from Governor Bailey supported UK assets.

- August GDP rose 0.1%, against a consensus of a 0.1% contraction.
- Bailey said second-round inflation effects are "subdued so far" but that it is too early to judge.
- A Reuters poll showed 54 of 63 economists expect a BoE increase to 4.00% on November 5.

The FTSE 100 gained 3.1% to 10,881.90, its best week in six months, despite bank weakness on surcharge reports.

Asia-Pacific - Nikkei Falls, Ueda Signals More Hikes

The Nikkei 225 fell 5.4% to 65,324, its steepest weekly decline since July, as the chip rout hit Tokyo, while Governor Ueda said the BoJ will keep raising rates from 1.25%. China's September CPI rose to 0.9% and PPI to 5.0%, the fastest since 2022, while Australia lost 39,000 jobs and unemployment rose to 4.7%.

Commodities - Gold - Gold fell approximately 0.7% to near \$4,165, after a low near \$4,075, extending its run of weekly declines on London prices to seven, the longest in 30 years.

Commodities - Oil - Oil surged as Hormuz attacks and falling inventories outweighed new reserve releases.

- WTI rose approximately 10.4% to settle at \$101.41, its highest since September 17.
- Brent gained approximately 4.9% to settle at \$109.86, after touching \$110 intraday.

U.S. crude stocks fell by 8.6 million barrels, while the Department of Energy offered a further 17 million barrels from the Strategic Petroleum Reserve.

Equities - Chip Rout Hits Wall Street

U.S. equities fell as hot inflation and AI financing concerns hit technology shares.

- S&P 500 declined approximately 1.95% to 7,659, its worst week since June.
- Dow Jones gained approximately 0.67% to 52,002, the only major index higher.
- Nasdaq Composite declined approximately 4.5% to 26,140.
- Russell 2000 declined approximately 3% to 2,721.

Energy, utilities, health care and staples outperformed, while Goldman Sachs led a mixed start to bank earnings.

Summary

Week 42 combined hot U.S. inflation with a sharp reversal in risk appetite. Core CPI and PPI beat forecasts, briefly lifting October hike pricing to 50%, but an eight-day chip sell-off pushed money into Treasuries and pulled yields lower. The dollar fell from a one-year high, the S&P 500 posted its worst week since June, and oil rallied as Hormuz attacks escalated.

Key Takeaway

- » Hot core inflation makes a December Fed increase close to fully priced, while October remains unlikely.
- » Yields fell despite hot data: the 10-year dropped approximately 14 basis points as investors sought safety.
- » Oil is back above \$100: Brent touched \$110 as attacks around Hormuz intensified.

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

U.S. Dollar Index

DXY skipped the expected dip and reached the 102.80-103.00 target directly, with a one-year high at 102.95 on CPI day, before reversing to 101.58 and closing at 101.78, below the 9-day moving average. The current setup favours a dip toward 101.30 before a renewed attempt at 102.55. The bullish structure remains valid above 100.90. A break below this level would expose 100.30, near the 55-day moving average.



EUR/USD

EURUSD met both legs of last week's call in reverse order: it fell through the 1.1140-1.1150 target to a new one-year low at 1.1117, then rebounded to 1.1273, inside the 1.1270-1.1280 zone. Price remains well below the 55-day moving average. The current setup favours a rebound toward 1.1295 before another move lower toward 1.1150. The bearish scenario remains valid below 1.1340.



GBP/USD

GBPUSD reached the 1.3140-1.3150 target with a low at 1.3139, then rallied to 1.3371, briefly above the 1.3360 invalidation level, as Bailey sounded less hawkish. Price closed at 1.3329, still below the 55-day moving average. The current setup favours a test of 1.3410 before a move lower toward 1.3240, with UK CPI on Wednesday as the trigger. The bearish view remains valid below 1.3480.



USD/JPY

USDJPY dipped to 157.54, close to the 157.80-157.90 zone, but the rebound stopped at 158.95, just short of the 159.00 break. Price closed at 157.99, holding above the 55-day moving average. The current setup favours a dip toward 157.50 before a break above 159.00 toward 160.00. The bullish scenario remains valid above 156.90, with intervention risk rising near 160.00.



USD/CHF

USDCHE reached the 0.8380-0.8400 target with a high at 0.8395, but then reversed to 0.8218, testing the 0.8220 invalidation level. Price closed at 0.8236, below the 9-day moving average. The current setup favours a dip toward 0.8180, close to the 55-day moving average, before a rebound toward 0.8310. The bullish scenario remains valid above 0.8120.



USD/CAD

USDCAD set a new one-year high at 1.4300, short of 1.4320-1.4350, then fell to 1.4131, through the 1.4180 invalidation level, as WTI rose above \$100. The bullish scenario is therefore cancelled. The current setup favours a rebound toward 1.4210 before a move lower toward 1.4070. The bearish view remains valid below 1.4300, the one-year high.



AUD/USD

AUDUSD followed the expected path: a rebound to 0.7015, close to 0.7020-0.7040, then a decline to 0.6899, inside the 0.6900-0.6910 target. A loss of 39,000 jobs weighed on the currency. The current setup favours a rebound toward 0.7005 before another move lower toward 0.6880. The bearish scenario remains valid below 0.7085, near the 55-day moving average.



NZD/USD

NZDUSD set a new one-year low at 0.5568, short of the 0.5540-0.5550 target, and then rebounded to 0.5677, above the 0.5650-0.5660 zone. Price closed at 0.5654, above the 9-day moving average but well below the 55-day. The current setup favours a rebound toward 0.5690 before another move lower toward 0.5570, with New Zealand CPI due on Wednesday. The bearish scenario remains valid below 0.5710.



Gold (XAU/USD)

Gold failed to rebound to 4,290, with the week high at 4,221, but reached the 4,070 target area with a low at 4,075 before closing at 4,166. Price remains inside the descending channel and below the 55-day moving average. The current setup favours a rebound toward 4,290 before renewed weakness toward 4,080. The bias remains negative below 4,330.



WTI Crude

WTI broke above the 97.00 invalidation level and the previous outlook was wrong: the expiring November contract settled at 101.41, inside the 101.00–103.00 zone, while the continuous series charted here closed at 99.04. The current setup favours a pullback toward 96.80 before another advance toward 103.50. The bullish scenario remains valid above 93.50.



S&P 500

S&P 500 failed to break the 7,845 record, stalling at 7,822, and fell through the 7,700 invalidation level to 7,632, close to the 7,600 area it exposed. Price closed at 7,659, below the 55-day moving average. The current setup favours a rebound toward 7,740 before a move lower toward 7,560, with Netflix, Tesla and Meta earnings in focus. The bearish view remains valid below 7,830.



EuroStoxx 50

EuroStoxx 50 stayed in a range: the rebound stopped at 6,224, short of 6,270, and the decline stopped at 6,120, short of 6,095, before Friday's rally to approximately 6,203. The index remains below the 55-day moving average near 6,356. The current setup favours a test of 6,280 before another move lower toward 6,120. A recovery above 6,370 would neutralise the bearish bias.



Strategic Outlook

Week 43 (October 19 – October 23, 2026)

Inflation Abroad, Earnings at Home, and a Fed in Blackout

Week 43 opens with a December Fed increase almost fully priced and the Fed in its blackout period ahead of the October 28 decision. UK CPI on Wednesday and the October flash PMIs on Friday are the main data tests, while Netflix, Tesla and Meta earnings will test the technology sell-off.

The macro framework now stands as follows:

- Fed funds target at 3.75%–4.00%.
- October hike probability at approximately 15%; December at approximately 90%.
- U.S. 10-year yield at approximately 5.07%, after a 14 basis point weekly decline.
- Eurozone inflation confirmed at 3.8%; ECB deposit rate at 2.50%.
- Brent at \$109.86; WTI at \$101.41.

Macro Themes

1. United States - Earnings and PMIs Before the Fed

With no Fed speakers until October 28, data and earnings will set the tone for yields and the dollar.

Key Focus

- Flash PMIs on Friday, after a September composite of 58.4.
- Initial jobless claims: 200,000 expected, after 199,000.
- Housing starts: 1.310 million expected, from 1.275 million.
- Earnings from Netflix, Tesla and Meta.

Strategic Scenarios

Hot Prices

- PMI price gauges rise further.
- October hike pricing returns toward 50%.
- Yields and USD rise; equities and gold come under pressure.

Central Scenario

- Activity stays firm, prices remain elevated.
- October stays unlikely; December remains the base case.

Tech Contagion

- Disappointing guidance from Tesla or Meta.
- Equities fall further and Treasuries rally.
- USD weakens against the yen and the franc.

Energy Shock

- Brent holds above \$110.
- Inflation expectations rise and the curve steepens.

The central scenario is that firm activity and elevated prices keep a December increase as the base case, with October still unlikely.

USD Bias: Constructive against the euro and commodity currencies outside oil; neutral against sterling; constructive against the yen, with intervention risk near 160.00; neutral against the Canadian dollar while oil stays above \$100.

2. Geopolitics - Hormuz Remains the Key Risk

Iran says the strait remains closed without its coordination, and attacks on shipping have surged.

- Iran has not yet replied to the U.S. response to its reopening proposal.
- The U.S. naval blockade of Iranian ports remains in place.
- Russian strikes on Ukraine's energy grid continue ahead of winter.

- A credible reopening of Hormuz remains the main disinflationary catalyst; further sinkings would push Brent beyond \$110.

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3. Eurozone - Waiting for October 29

Markets expect the ECB to hold at 2.50% on October 29 and to raise rates in December.

- Friday's flash PMIs follow a September composite of 53.1.
- The French budget debate keeps fiscal risk in focus ahead of the November 17 vote.

Inflation at 3.8% keeps the ECB hawkish, but the euro remains driven by the dollar.

4. United Kingdom - CPI Decides the BoE Path

September CPI on Wednesday is expected to rise to 3.4%, from 3.1%, above the BoE's projection.

- Most economists expect a BoE increase to 4.00% on November 5.
- Retail sales and flash PMIs follow on Friday; the Budget is due on October 28.

A print above 3.4% would confirm November, while a softer reading would reinforce Bailey's more cautious tone.

5. Asia-Pacific - China GDP and Japan CPI

China's third-quarter GDP on Monday is expected at 4.4%, from 4.3%, keeping the focus on stimulus after strong exports and a 5.0% PPI. Japan's national CPI on Friday is expected at 2.0%, ahead of the BoJ meeting on October 30, while New Zealand CPI is expected to slow to 3.7% from 4.1%.

6. Commodities - Gold Under Pressure, Oil Above \$100

Gold - Supportive factors:

- Geopolitical risk around Hormuz.
- Central-bank demand.
- Safe-haven flows if the technology sell-off deepens.

Higher Fed pricing and a firm dollar remain the principal downside risks after seven weekly declines.

WTI Crude - Key drivers

- Attacks on shipping around Hormuz.
- The U.S. naval blockade of Iranian ports.
- Strategic Petroleum Reserve releases.
- EIA inventories, after an 8.6 million barrel draw.

Reserve releases slow the rally, but Brent near \$110 shows supply risk is rising again.

7. Equities - Earnings Versus the Chip Rout

The S&P 500 has fallen back below its 55-day moving average after the worst week since June for the Nasdaq. Results from Netflix, Tesla and Meta will show whether AI spending still supports valuations as financing concerns grow.

Equity Scenarios

Tech Rebound

- Strong guidance lifts the S&P 500 back toward 7,740.

Central Scenario

- Choppy trade with leadership from energy and defensives.

Deeper Correction

- AI financing concerns spread and the S&P 500 falls toward 7,560.

Summary & Key Risks

Summary

Week 42 brought hot U.S. inflation, a sharp chip sell-off and oil back above \$100. October hike pricing briefly reached 50% before falling back, while December is now close to fully priced. The previous outlook was wrong that core CPI would stay contained and that the S&P 500 would extend its record, but right on gold's 4,070 target and the dollar's 102.80-103.00 target.

The base case for Week 43 is that firm activity and elevated prices keep a December Fed increase as the base case, while UK CPI decides the BoE path. The dollar stays supported against the euro and the yen, while equities depend on technology earnings to stabilise.

Key Riskst

- a. UK CPI above 3.4% → November BoE pricing hardens, gilt yields rise and sterling gains.
- b. Hot price components in the flash PMIs → October Fed pricing returns, lifting yields and USD and pressuring equities.
- c. Weak guidance from Tesla or Meta → the technology sell-off deepens and Treasuries rally.
- d. Further sinkings near Hormuz → Brent above \$110, lifting inflation expectations globally.
- e. Yen intervention or a hawkish BoJ signal → a sharp drop in USDJPY spreads volatility across FX markets.

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