

Inflation came in hot and bonds rallied. The market was watching something else.

Consumer prices rose 3.7% in the year to September, above expectations, and producer and import prices came in hot the same week. The ten-year Treasury yield fell 15 basis points anyway, its largest weekly fall since February. **The reason was not inflation but technology:** the sector fund lost close to 8% on the week on worries about how the AI build-out is being financed, and money moved into bonds. This issue reads the week through the split of the ten-year yield, tests a claim about large share listings against the data, and closes three open items.

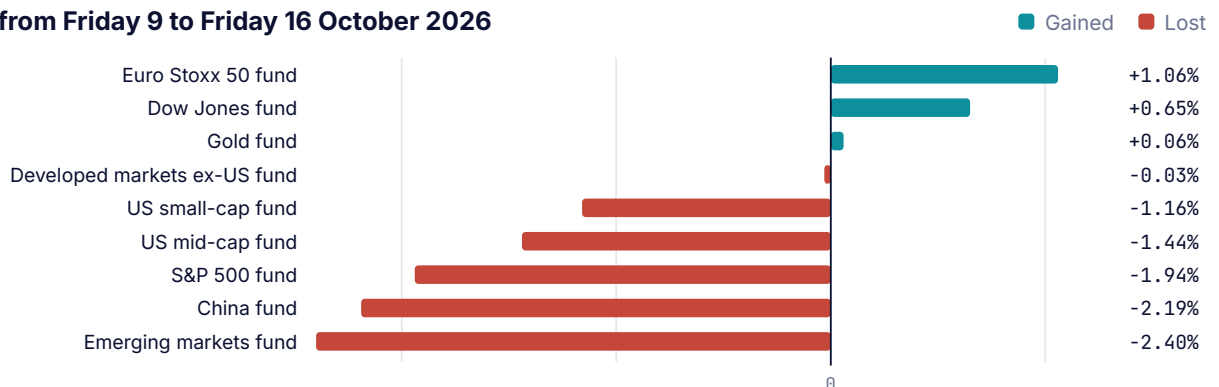
US 10-YEAR YIELD	US CONSUMER PRICES	TECHNOLOGY FUND	NIGERIA INFLATION
5.09%	3.7%	-7.72%	14.63%
-15bp in the week, largest fall since February	year to September, from 3.4%	on the week; average sector +1.11%	September, from 15.39%

01 · CROSS-ASSET

Where the week went

The S&P 500 fund lost 1.9% on the week and the Dow fund gained 0.7%, which is the index-weighting story of the week: the Dow holds little technology. The mid-cap fund lost 1.4% and the small-cap fund 1.2%, the larger part of each on Friday. Abroad, the Euro Stoxx 50 fund gained 1.1% in dollar terms, the developed-markets fund was flat, and the China and emerging-markets funds lost 2.2% and 2.4%. Gold was flat. The dollar fell about 1% against sterling and half a percent against the euro, and was little changed against the yen.

Moves from Friday 9 to Friday 16 October 2026



Funds are State Street exchange-traded funds, measured by the change in net asset value. Fund values are struck at the US close and in dollars, so the international funds include currency moves and differ from local index returns. Every bar covers the same five trading days, Friday to Friday. Crude is left out because its latest official figures cover a different period. Source: State Street Global Advisors.

Crude's official figures run to Wednesday 14 October, when West Texas was at \$102, up from \$99 the previous Friday. Press reports put the December West Texas contract at \$99 and Brent at \$110 at Friday's settlement, each at its highest in about a month, with a hurricane in the Gulf of Mexico and diesel supply the stated drivers. The Brent spot assessment published by the EIA has run \$15 to \$25 above the futures price since September, and this review quotes both and does not resolve the difference.

Last week's loose end: Friday 9 October's values, published since, turned that week's S&P 500 fund move from +0.6% to Thursday into +1.2% for the full week and the average sector from +1.4% to +1.9%. The two sectors that fell were unchanged, technology and industrials. This issue was held until Friday's values were published, because Friday changed the week.

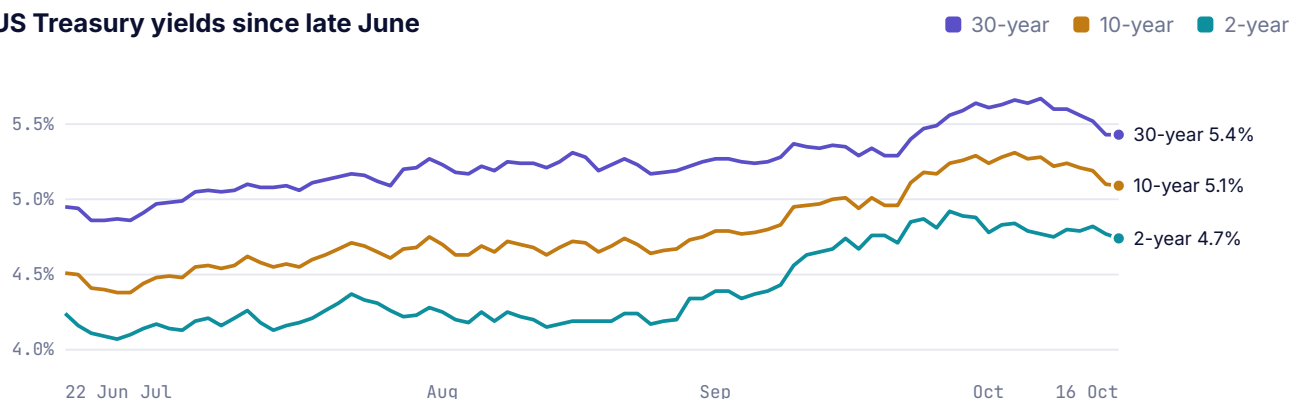
02 · THE WEEK'S STRUCTURAL QUESTION

Why did a hot inflation print send yields down?

Wednesday's consumer price report was the test this review set a week ago. Headline inflation rose to 3.7% from 3.4%, against 3.6% expected, with gasoline up 9% on the month and accounting for more than half the rise; the measure excluding food and energy rose to 2.6% from 2.4%. Producer prices and import prices the same week were also above expectations. Press reports put the probability of a rate increase at the 27–28 October meeting at about 50% after the report, from about 20% before.

The question set was whether the breakeven would move. It did not. The ten-year expected inflation rate was 2.33% before the report and 2.35% on Friday. On the day of the report the ten-year yield fell two basis points, made up of a real yield four lower and a breakeven two higher. Over the week the ten-year fell 15 basis points, of which 17 was the real yield; expected inflation rose two. A hot print has now been tried and the market's ten-year inflation forecast did not move. That is the strongest evidence yet for the reading carried here since 25 September: the market trusts the Fed on inflation, and the moves in long yields are about something else.

US Treasury yields since late June



The ten-year's largest weekly fall since February, on the week consumer price inflation came in above expectations. The thirty-year is back where it was in late September. Source: US Department of the Treasury.

This week the something else was visible. The technology fund lost close to 8% on the week, and the reasons given were about financing rather than earnings: a data-centre operator's bonds trading at yields above 15%, reports that investors in Anthropic's planned listing were weighing a lower valuation, and memory-chip makers falling on competition worries. The semiconductor index had its steepest eight-session fall since April 2025, by press accounts. When shares fall for reasons like that, money goes to Treasuries, and the long end, the weakest part of the curve for a month, had the most room to rally. The thirty-year fell 17 basis points to 5.43%, back to where it was in late September.

Change in US Treasury yields, in basis points

MATURITY	WEEK TO 16 OCT	MONTH TO 16 OCT
2-year	-6	0
10-year	-15	+8
30-year	-17	+8
Gap between 10-year and 2-year	-9	+8

One basis point is one hundredth of a percentage point. Week is measured from 9 October and month from 16 September, the day of the Fed's increase. Source: US Department of the Treasury. Calculations by OHC Trade Room.

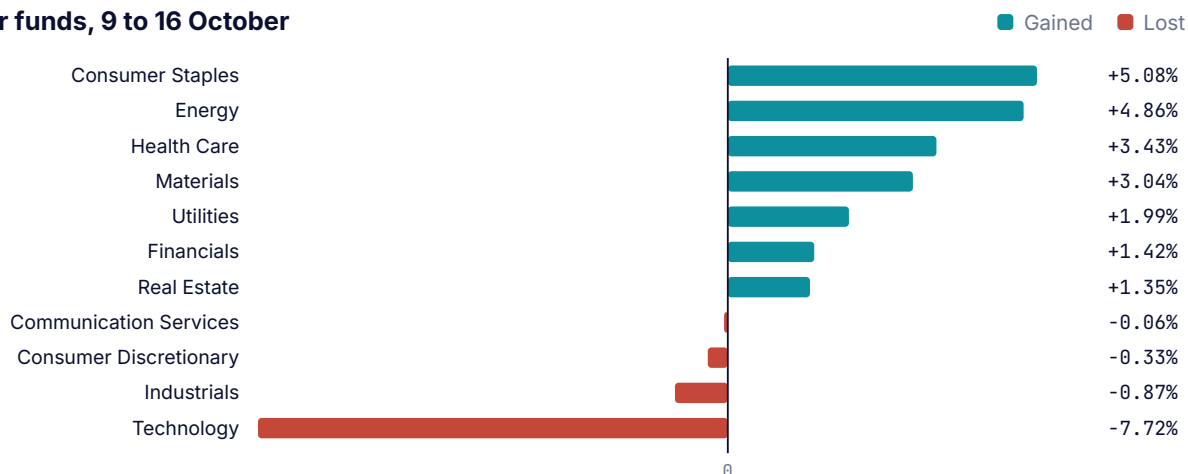
The ten-year yield split into its two parts, change in basis points

PERIOD	TEN-YEAR YIELD	REAL YIELD	EXPECTED INFLATION
Wednesday 14 October, CPI day	-2	-4	+2
Week to 16 October	-15	-17	+2
Month to 16 October	+8	+6	+2
Since 22 June	+58	+46	+12

The real yield is the yield on ten-year inflation-protected Treasuries. Expected inflation is the ten-year breakeven rate, the gap between the two. Source: US Department of the Treasury and Federal Reserve Bank of St. Louis via FRED. Calculations by OHC Trade Room.

The split of the yield does the work. Three weeks ago the ten-year rose 16 basis points on a week of soft data, 15 of it real yield, and this review called it the term premium being rebuilt. This week it fell 15 basis points on a week of hot inflation data, 17 of it real yield. The premium that went in on supply fears has come out on a flight to safety. The breakeven sat still through both. The curve flattened again, the gap between ten- and two-year yields narrowing from 0.44 to 0.35 of a point, which puts the week in the bottom-left box of the 18 September grid: yields falling, long more than short, the market expecting weaker growth with policy on hold.

US sector funds, 9 to 16 October



7 of eleven sectors rose. Technology lost close to 8%; industrials, consumer discretionary and communication services also fell, the last two by a fraction. Change in net asset value of the Select Sector SPDR funds, Friday to Friday. Source: State Street Global Advisors.

The sector table shows the other side of the same flow. 7 of eleven sectors rose while technology lost 7.7%, with industrials, consumer discretionary and communication services down by small amounts, and the average sector fund gained 1.1% against a 1.9% fall for the S&P 500 fund. Staples, energy and health care led. Friday widened the gap: the index fell 1.1% that day and the small- and mid-cap funds about 0.9%, while the average sector was little changed. The average has beaten the index two weeks running, and by press accounts the equal-weighted index had its best week against technology since 2009. Over the month the average is now ahead too, 1.6% against 1.2%, and technology, up more than 5% on the month a week ago, is flat.

03 · MACRO BACKDROP

Bonds abroad, oil, and the banks

Bond markets abroad rallied with the US. Germany's ten-year fell five basis points to 3.45%, Japan's fell eight to 2.95% to Thursday, the latest published, and the UK's was two lower at 5.38% to Wednesday. Japan's ten-year is back below 3% for the first time since mid-September. A flight to safety in the US lifts government bonds everywhere, and this one did.

Oil pulled the other way. The December West Texas contract settled at \$99 on Friday and Brent at \$110, each its highest in about a month, and the energy fund rose 4.9% on the week. September's inflation figure was a gasoline story, and gasoline follows crude with a lag of weeks, so October's print already has its first input. The first bank results of the quarter were mixed but not weak: Goldman Sachs and JPMorgan helped lift the Dow to its highest in over a month, and the regional banks reporting on Friday beat on earnings while net interest income came in close to or below expectations, which is the margin squeeze a flat curve produces, discussed on 18 September.

04 · NIGERIA

Rates at home

Two figures this week. The statistics office put headline inflation for September at 14.63%, down from 15.39% in August, with prices up only 0.06% on the month, though food inflation was unchanged at 19.6%. And at Wednesday's Treasury bill auction the one-year bill cleared at 15.90%, five basis points higher than a week earlier, the first rise after five auctions of falls; the 91-day and 182-day bills were unchanged at 15.50% and 15.80%.

Nigerian Treasury bill auctions, rate at which each bill cleared

AUCTION	91-DAY	182-DAY	364-DAY
23 Sep	15.50%	15.80%	15.89%
7 Oct	15.50%	15.80%	15.85%
14 Oct	15.50%	15.80%	15.90%

The one-year bill rose for the first time in this sequence. Source: Central Bank of Nigeria.

Put together, the real return on the one-year bill, measured against the latest inflation figure, has gone from about half a point to about 1.3 points in a fortnight, because inflation fell by three-quarters of a point while the bill rate held. This is the thing the 2 October issue said to watch, and it has moved the way a saver in naira would want. Two cautions: the monthly figure of 0.06% is unusually low and a single month, and the measure uses last month's inflation, not next year's. The nominal gap to the US one-year Treasury, at 4.46% on Friday, is about 11.4 points, unchanged.

05 · THE ANALYTICAL LENS

Oil and the inflation the market expects

FOLLOWING UP · LAST ISSUE'S WORKED EXAMPLE AND OPEN QUESTIONS

Reading a utilities bounce, 9 October. The reading was that utilities move against long yields, with the invalidator being utilities moving with them. This week the thirty-year yield fell 17 basis points and the utilities fund rose 2.0%, with real estate and financials each up 1.4%, so the link held; the strongest rises were in staples, energy and health care, which is a flight to defensives rather than a rate story. Technology moved opposite to the income sectors for a fifth week. **The open question on CPI is answered in section 02: the print was hot and the breakeven did not move.** The Nigeria watch item has its first reading in section 04. OHC took no position in anything named.

The lens

The breakeven is the inflation rate at which an ordinary Treasury and an inflation-protected one would pay the same over ten years, which makes it the market's forecast of average inflation over the decade. An oil shock is the sharpest test of that forecast, because it raises prices now and visibly. The question a desk asks is whether the market expects the rise to be a one-off step in the level of prices, which raises this year's inflation and then drops out, or a change in the rate at which prices rise for years to come. Only the second should move a ten-year breakeven much.

Crude oil against the market's inflation expectation

DATE	WEST TEXAS SPOT, \$	BRENT SPOT, \$	10-YEAR BREAKEVEN
27 Feb, before the war	66.96	71.32	2.25%
22 Jun	78.94	76.49	2.23%
25 Aug	83.90	88.24	2.32%
15 Sep, crude's peak	107.02	130.80	2.38%
14 Oct, latest crude	101.91	126.55	2.35%

Crude is up about 50% since February. The market's ten-year inflation expectation is up one-tenth of a point. The Brent spot assessment has run well above the futures prices quoted in the press since September, which is noted but not resolved here. Source: US Energy Information Administration and Federal Reserve Bank of St. Louis, via FRED.

The screen

The table is the whole argument. Crude is up about half since February, consumer price inflation has gone from the mid-twos to 3.7%, and the market's ten-year inflation expectation has moved from 2.25% to 2.35%. The market has treated the war as a step in the price level, not a change in the trend, through every stage of it, including this week's print. That is also why the Fed can raise rates once and then wait: the thing it has to defend, expectations, has not moved.

Two things would change the reading: a breakeven that starts rising with each print, which would say the step is becoming a trend, or a Fed that cuts into a hot print, which the breakeven would show within days. Neither has happened. Until one does, the inflation in the headlines and the inflation in the bond market are two different things, and the second sets the long-term cost of money.

ONE WORKED EXAMPLE

Testing a claim: do very large listings drain the market?

What the data shows

The claim, made to this review by a reader of the last issue, is that the market sold off while money was being raised for the SpaceX listing in June, and that the Anthropic and OpenAI listings now expected could do the same. SpaceX priced on 11 June and traded on 12 June. The S&P 500 fund fell 4.5% in the seven sessions to 10 June, the day before pricing, and the technology fund 10.9%; the mid-cap fund, with no exposure to the listing, fell 2.1%. In the three sessions after listing the S&P 500 fund rose 4.0% and the technology fund 8.7%.

What it might mean

Two readings. The first is the claim: investors sold what they held to pay for what they were allotted, and bought back once the allocation was done, which is why the fall was concentrated in technology and reversed at once. The second is that the same seven sessions carried a different stated cause: on 5 June, the worst single day, a strong jobs report lifted expectations of a rate increase and the Nasdaq fell 4%, by press accounts of that day. The data cannot separate the two, because they happened at once.

What the condition generally supports

Keeping the date on the calendar and watching the right fund. A listing of that size is a known date around which selling can cluster, whatever its cause, and the fund that would show it is the sector fund, not the index. The test is not whether the market falls into the listing, since markets fall for many reasons, but whether technology falls more than the index and recovers once the shares trade. In June it did both. One case is one case, and this is logged as such.

The same test is now set for the Anthropic listing. If it prices in November as reported, the technology fund in the week before pricing, against the index and against the mid-cap fund, is the measurement. It will be reported here either way.

What would be rejected, and why

Treating the June pattern as a rule: one observation with a competing explanation is not evidence enough. Dismissing it: the pattern is exactly what the claim predicts and a second case is weeks away. Both rest on deciding before the second case arrives.

What it costs

If the claim is right, the week before the Anthropic pricing is spent watching rather than prepared for. That is the cost of insisting on two observations before preferring a reading, and this review will pay it.

What would invalidate the reading

For the claim: the Anthropic listing pricing without technology falling more than the index in the week before, or without a recovery after. For the alternative: the same pattern repeating with no competing cause in the news that week. Either way, the register carries it until November.

Nothing here is a view on whether any reader should buy or sell any fund, sector or listing. It is the reasoning a desk would walk through when a reader puts a claim to it. The figures are changes in fund net asset value from State Street Global Advisors.

06 · THE WEEK AHEAD

What is scheduled, and why it matters

MON 19 OCT	Fed officials are in the quiet period before the 27–28 October meeting. No speeches; the market prices the meeting from the data alone.
TUE 20 OCT	Housing starts for September, and Netflix reports after the close. Housing is the part of the economy most exposed to a thirty-year yield that touched 5.67% this month.
WED 21 OCT	Meta, Tesla, Texas Instruments and IBM report after the close. The week's technology sell-off was about financing, not earnings; this is where earnings get their say. Nigerian Treasury bill auction.
THU 22 OCT	Weekly jobless claims, and results from Procter & Gamble, Comcast and Blackstone.
FRI 23 OCT	Final consumer sentiment for October. The preliminary reading was the lowest since May; the question is whether \$4.33 petrol has pushed it lower.

Dates are taken from official release calendars and public earnings calendars, and can change.

In one paragraph

A hot inflation print and a fifteen-point fall in the ten-year yield in the same week sounds like a contradiction and is not. The breakeven did not move, so the market did not change its mind about inflation; the real yield fell, because technology was sold on financing worries and the money went to bonds. The premium that went into long yields a month ago on supply fears came out this week on a flight to safety, and the share market read it in the usual order, defensives and income sectors up, technology down close to 8%, the average stock ahead of the index for a second week and now ahead over the month. The thing to follow this week is the technology earnings on Wednesday. If Meta and Tesla give the sector a reason of its own to rise, the flight to bonds reverses and the long end gives some of the week back. If they do not, the question of who funds the AI build-out stays open, and the bond market keeps the bid.

OHC Trade Room · Weekly Market Review · Week ending 16 October 2026

Position disclosure. No position was held in any security, fund or commodity named in this review at the time of writing.

Sources. US Treasury yields, including inflation-protected yields: US Department of the Treasury. Breakeven inflation, historical yields and crude oil spot prices: Federal Reserve Bank of St. Louis (FRED), with crude from the US Energy Information Administration, which releases its daily prices weekly, so crude figures run to the latest date published. Consumer prices: US Bureau of Labor Statistics. Fed Chair's remarks, Fed pricing, oil futures settlements, bank results, the technology sector's week and the SpaceX listing dates: public news reports and company announcements. German yields: Deutsche Bundesbank. UK yields and sterling exchange rates: Bank of England, with dollar cross rates calculated by OHC Trade Room. Japanese yields: Ministry of Finance, Japan. Nigerian Treasury bill auctions: Central Bank of Nigeria. Nigerian inflation: National Bureau of Statistics. US equity, sector, international and gold fund returns: change in net asset value as published by State Street Global Advisors, with calculations by OHC Trade Room.

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