

Eight sectors rose and the index fell. The market is repricing two sectors, not the economy.

The ten-year Treasury yield closed the week at 5.00%, back below the level it broke through in September, after a 17-basis-point fall on Thursday that press reports called its largest one-day drop since 2023. The cause was the same as a week earlier: technology and the companies around it were sold on how the AI build-out is being paid for, this time after Meta raised its spending plans and reported negative free cash flow. **Eight of eleven sectors rose over the week and the S&P 500 fund fell, because the two sectors that fell are its two largest.** This issue takes breadth as its lens, with six weeks of data, and closes three open items.

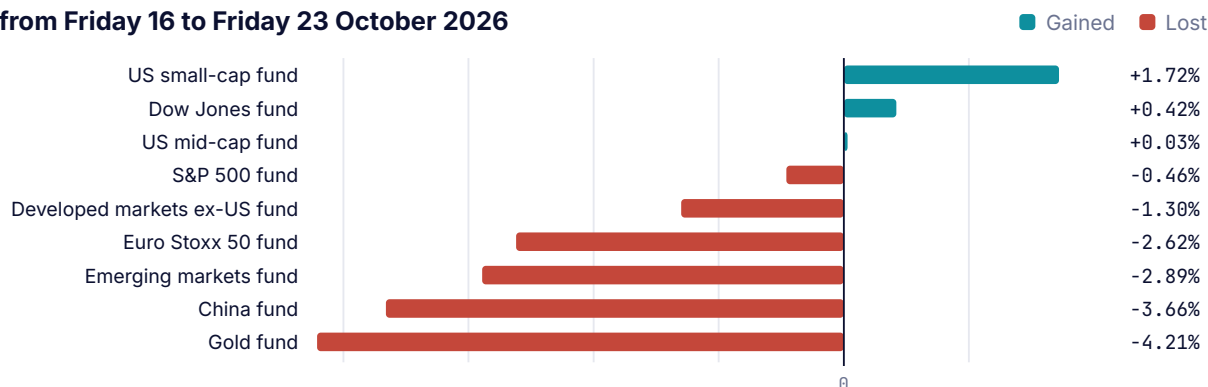
US 10-YEAR YIELD 5.00% -9bp in the week, -17bp on Thursday	S&P 500 FUND -0.46% average sector +0.11%, third week ahead	GOLD FUND -4.21% while real yields fell; see section 05	BRENT CRUDE \$117 futures, Friday settlement, by press accounts
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01 · CROSS-ASSET

Where the week went

A week in which the smallest US companies did best and the largest did worst. The small-cap fund gained 1.7%, the Dow fund 0.4%, the mid-cap fund was flat and the S&P 500 fund lost half a percent. Abroad everything fell in dollar terms: the developed-markets fund 1.3%, the Euro Stoxx 50 fund 2.6%, the emerging-markets fund 2.9% and the China fund 3.7%. Gold lost 4.2%, its worst week in this review's run, and is down 6.4% over the month. To Thursday, the latest published, the dollar gained half a percent against the euro, was flat against sterling and lost 0.4% against the yen.

Moves from Friday 16 to Friday 23 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 Tuesday 20 October. Measured by weekly averages, West Texas was about 3% higher in the week to 16 October than the week before, and the first two days of last week were higher again at \$108 to \$110, after attacks on a Saudi airport and an Aramco field and reports that the United States is preparing renewed strikes on Iran after the November elections. Press reports put Brent futures at \$117 at Friday's settlement, up about 6% on the week and the highest since May. The EIA also revised its West Texas figures for 12 to 14 October down by \$4 to \$6 from the values published a week earlier, which is noted in the data file; the EIA Brent spot assessment continues to sit well above the futures price and is not used here.

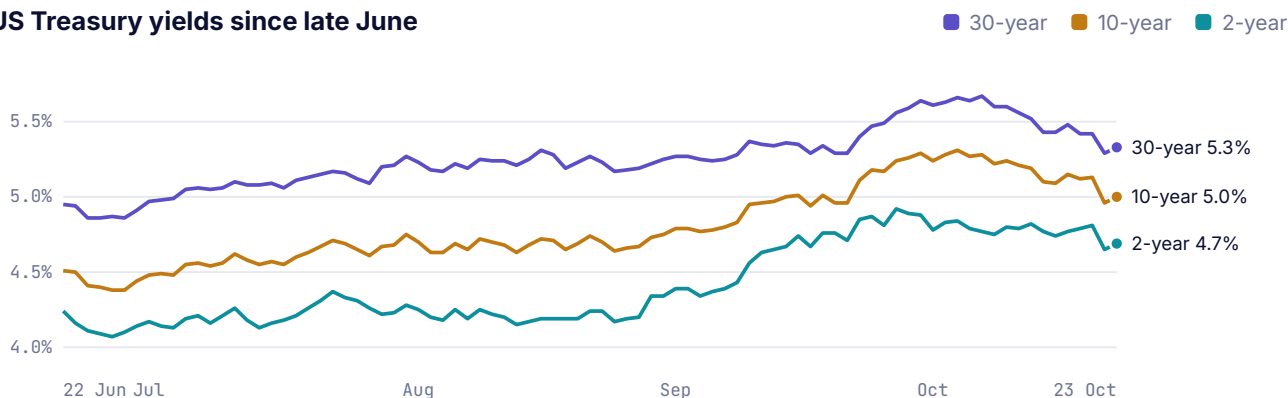
02 · THE WEEK'S STRUCTURAL QUESTION

Why did the index fall in a week most of the market rose?

Start with Thursday, because the week turned on it. Meta reported record revenue on Wednesday evening, raised its capital spending range to \$135 billion to \$145 billion and reported negative free cash flow for the first time as a public company; its shares fell 7% on Thursday and 9% on the week. Tesla beat on profit and spoke of higher spending in 2027 and 2028. A data-centre operator whose bonds had been in the news fell 10%, a chip-equipment maker guided lower and fell 12%, and press reports said investors in Anthropic's planned listing were looking at a draft filing with computing commitments of up to \$750 billion. The S&P 500 fund lost 1.2% on the day, the technology fund 3.3% and the communication services fund 1.4%. The average sector fund rose 0.2%: six sectors gained on a day the index had its worst fall since July.

That is the week in one day. The selling was in the companies that are spending on AI and the companies that are lending to them, and the money went two places: into the sectors with nothing to do with it, and into Treasuries. The ten-year yield fell 17 basis points on Thursday, twelve of it the real yield, and closed the week at 5.00%. The two-year fell five on the week to 4.69%. The curve flattened from the long end, which is the bottom-left box of the 18 September grid for a second week: yields falling, long more than short, growth doubted.

US Treasury yields since late June



The ten-year closed the week at 5.00%, having fallen 17 basis points on Thursday alone. All three yields are below where they stood a month ago. Source: US Department of the Treasury.

Change in US Treasury yields, in basis points

MATURITY	WEEK TO 23 OCT	MONTH TO 23 OCT
2-year	-5	-16
10-year	-9	-11
30-year	-10	-7
Gap between 10-year and 2-year	-4	+5

One basis point is one hundredth of a percentage point. Week is measured from 16 October and month from 23 September. Source: US Department of the Treasury. Calculations by OHC Trade Room.

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

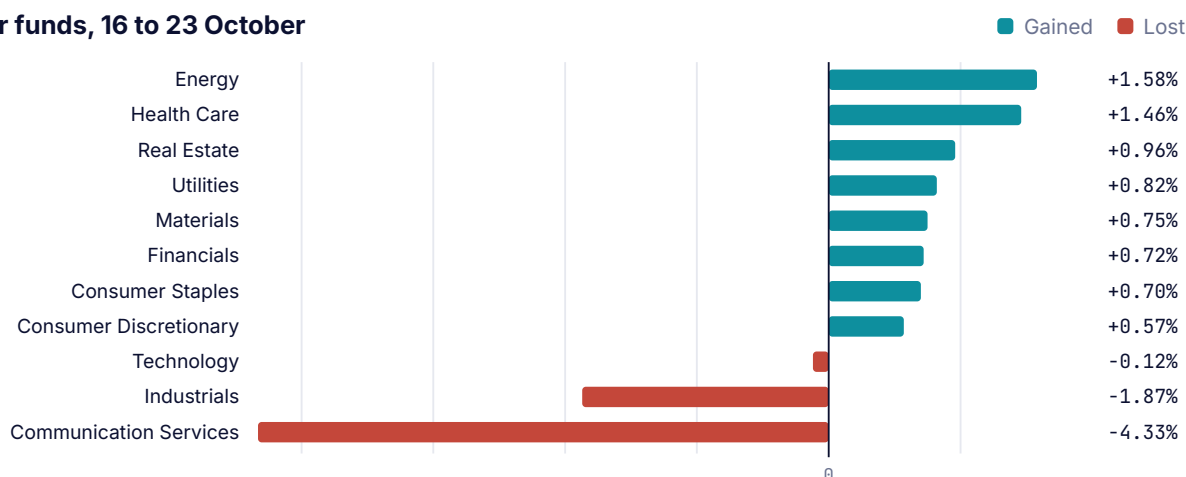
PERIOD	TEN-YEAR YIELD	REAL YIELD	EXPECTED INFLATION
Thursday 22 October	-17	-12	-5
Week to 23 October	-9	-8	-1
Month to 23 October	-11	-10	-1
Since 22 June	+49	+38	+11

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.

Last issue asked whether Wednesday's technology results would give the sector a reason of its own to rise and reverse the flight to bonds. They did the opposite. The results were good and the shares fell, because the market was not asking about this quarter's profit; it was asking who pays for the next three

years of data centres, and Meta's answer, more than before and out of cash flow that has turned negative, was the one it feared. The question is now sharper than it was: a sector can beat on earnings and still fall if the thing being priced is its capital spending.

US sector funds, 16 to 23 October



8 of eleven sectors rose. Communication services fell more than 4% after Meta's results, industrials nearly 2%, and technology was flat. Change in net asset value of the Select Sector SPDR funds, Friday to Friday. Source: State Street Global Advisors.

The sector table makes the point the index hides. 8 of eleven sectors rose on the week, led by energy and health care, and the average sector fund gained 0.1% against the index's 0.5% fall. Communication services, which holds Meta and Alphabet, lost 4.3%; industrials lost 1.9%; technology was flat, having fallen 7.7% the week before. The average has now beaten the index three weeks running, and over the month to Friday eight sectors are up, led by energy at 11%, while the index is down 1% because technology and communication services are each down 6%.

03 · MACRO BACKDROP

Bonds abroad, oil, and the data before the Fed

Bond markets abroad rallied again. Germany's ten-year fell nine basis points on the week to 3.36%, Japan's fell twelve to 2.84%, while the UK's rose three to 5.33% to Wednesday. Japan's yield has now fallen a quarter of a point in two weeks, which is a large move for that market and suggests the flight out of equities is global rather than a US story.

Gold is the week's awkward fact. The gold fund fell 4.2% in a week when the ten-year real yield fell eight basis points and the dollar, to Thursday, was flat against sterling and mixed against the euro and yen. On the reading this review set out on 25 September, gold should have risen. Two readings fit what happened. One is that gold was sold to raise cash as equities fell, which is how it has often behaved in the first days of an equity drawdown. The other is that a long run had simply run out of buyers and the fall owes nothing to the week's other events. The public data cannot separate them. What would, over the next few weeks, is the sequence: if gold recovers as equities steady, the first reading gains ground; if it keeps falling while real yields hold, the second does. That question joins the register.

The economic data pulled the other way from the bond market. Jobless claims fell to 194,000, the lowest in three months and near their lowest in decades. The flash purchasing managers' composite for October was 57.6, down from September's 58.4 but still consistent with fast growth, and its selling-price gauge rose. Housing starts fell 5% and homebuilder sentiment was at its lowest since 2012, which is a thirty-year yield at 5.4% doing what it does. Consumer sentiment was 48, with households' one-year inflation

expectation at 4.7%. By press accounts, futures price almost no chance of a rate increase at Wednesday's Fed meeting and about 80% for one by December. That is the odd shape of the week: strong activity, hot survey prices, oil at a five-month high, and a bond market rallying anyway because the share market's largest sector is being repriced.

04 · NIGERIA

Rates at home

There was no Treasury bill auction last week. The 14 October auction cleared the one-year bill at 15.90%, the 91-day at 15.50% and the 182-day at 15.80%; the next auction falls on 28 October on the fortnightly pattern. September inflation, published on 15 October, was 14.63%.

One-year bill against inflation, last four readings

DATE	ONE-YEAR BILL	LATEST INFLATION	DIFFERENCE
23 Sep	15.89%	15.39%	+0.50
7 Oct	15.85%	15.39%	+0.46
14 Oct	15.90%	15.39%	+0.51
15 Oct	15.90%	14.63%	+1.27

Bill rate at the most recent auction against the most recent headline inflation figure on each date. The jump on 15 October is the September inflation release. Source: Central Bank of Nigeria, National Bureau of Statistics.

With US yields falling, the nominal gap to the one-year Treasury, at 4.44% on Friday, has widened slightly to about 11.5 points. The real gap, on these rough measures, has narrowed from the Nigerian side for a second fortnight: 1.3 points on the one-year bill against about 2.1 for a US ten-year on its breakeven. Wednesday's auction is the first since the inflation figure, and whether the central bank lets the one-year clear lower again now that the real return has widened is the thing to watch.

05 · THE ANALYTICAL LENS

Breadth: the index against the average stock

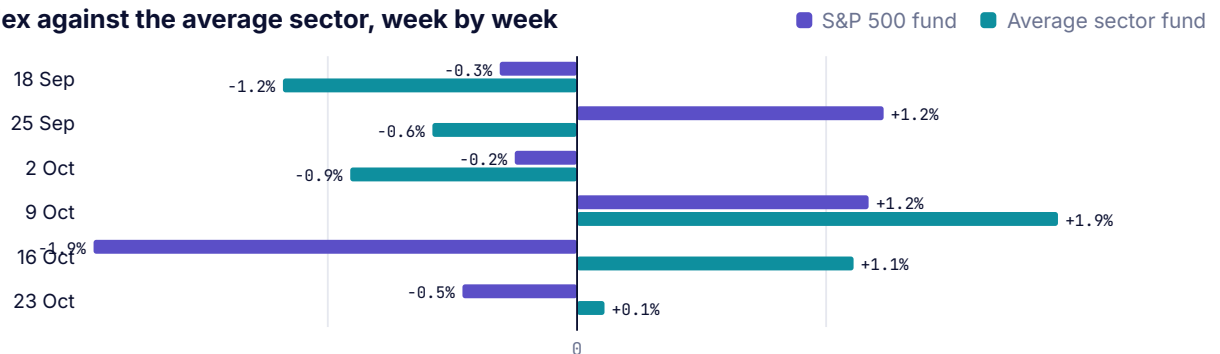
FOLLOWING UP · OPEN ITEMS FROM THE PAST THREE ISSUES

Gold against the real yield, 25 September. The reading was that gold falls when real yields rise, and it held for three weeks. This week it failed: the ten-year real yield fell eight basis points and the gold fund fell 4.2%. The invalidator named was gold rising with real yields; the mirror image, gold falling as real yields fall, breaks the link just as surely. The reading is set aside until the link returns, as the example said it would be; section 03 sets out the two readings that replace it and what would decide between them. **Technology earnings, 16 October:** answered in section 02; they deepened the flight to bonds rather than reversing it. **Mega-IPO test:** no change; the Anthropic pricing remains the second case, and the register carries it. OHC took no position in anything named.

The lens

An index weighted by company size tells you what happened to the largest companies. The average of its sectors tells you what happened to the typical one. Most weeks the two agree. When they part, the gap is information: an index rising on a narrowing group of companies is a market being carried, and an index falling while most of it rises is a market repricing its leaders. The desk term is breadth, and the simplest free measure of it is the one this review has used since August, the S&P 500 fund against the plain average of the eleven sector funds.

The index against the average sector, week by week

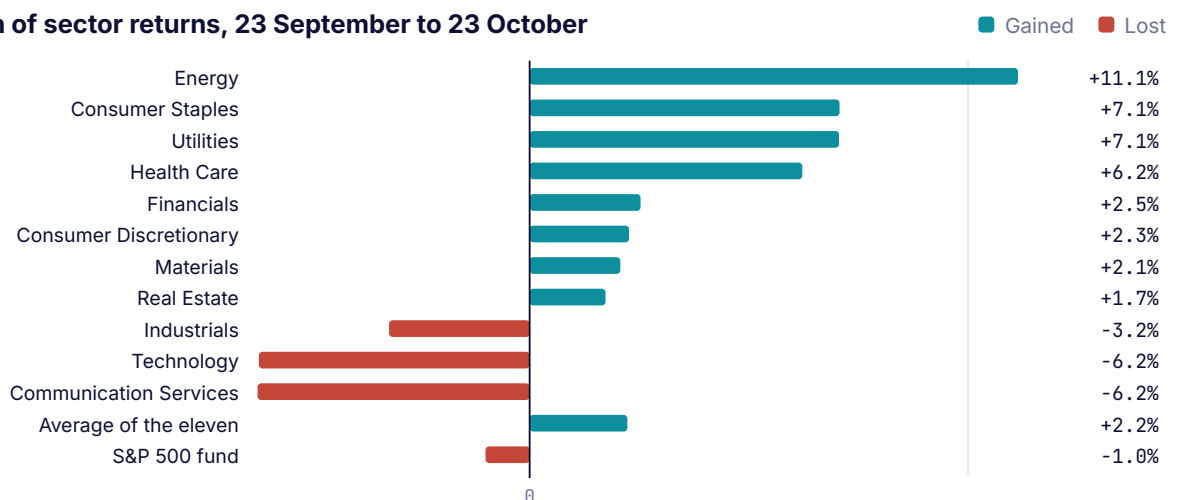


Weekly change in net asset value of the S&P 500 fund and of the simple average of the eleven Select Sector SPDR funds, Friday to Friday. The average has beaten the index three weeks running after trailing it for three. Over the six weeks the index is down 0.6% and the average up 0.4%. Source: State Street Global Advisors. Calculations by OHC Trade Room.

The screen

Six weeks tell the story in two halves. From mid-September to early October the average trailed the index every week while long yields rose: technology, a third of the index, was the only sector rising, and the rate-sensitive sectors were falling. Since 9 October the order has reversed every week. The average has beaten the index three times running, by 0.8, 3.1 and 0.6 points, and over the six weeks the index is down 0.6% while the average is up 0.4%. The index did not fall because the market fell. It fell because its two largest sectors did, and the month table below shows how lopsided that is.

One month of sector returns, 23 September to 23 October



Change in net asset value, Friday 23 September to Friday 23 October. Eight sectors rose and the index fell, because the two that fell most are its two largest. Source: State Street Global Advisors. Calculations by OHC Trade Room.

The pattern of the past three weeks is the healthier kind of breadth, on the face of it: money leaving two sectors and arriving in eight, with small companies, the group most sensitive to credit, having their best week in the run. The less comfortable reading is in section 02. The two sectors being sold are the ones that have carried the index all year, and a market that reprices its leaders without a new leader to replace them tends to fall as a whole in the end. Which reading holds is the question the next few weeks answer, and the chart above is where the answer will show.

ONE WORKED EXAMPLE

Three weeks of the average beating the index

What the data shows

The average sector fund has beaten the S&P 500 fund for three weeks, by 0.8, 3.1 and 0.6 percentage points. Over the month eight sectors rose and the index fell 1%. The two sectors that fell most, technology and communication services, are about 45% of the index between them.

What it might mean

Two readings. The first is rotation: the market is moving money from the sectors that rose most this year into the ones that were left behind, the broad market is healthy, and the index will catch up once the repricing of the leaders is done. The second is the start of a decline: the leaders are being sold for a reason, the funding of the AI build-out, that has not gone away, the money arriving in utilities and staples is defensive, and a market whose largest sectors fall for a month usually follows them. The data cannot separate the two yet, and both are consistent with everything in the chart.

What the condition generally supports

Reading the index as two things rather than one. For a reader who holds a broad index fund, the past month has been a fall of 1%; for a reader who holds the average of its sectors, a gain of 2%. The same month, two experiences, because of weighting. Whatever a reader concludes, the first thing the condition supports is knowing which of the two they hold.

The second is watching the small-cap fund. Smaller companies carry more floating-rate debt and are the first to be sold when credit tightens. Their 1.7% gain this week, the best in the run, is the single data point that sits better with the rotation reading than with the decline reading. If that reverses while the leaders keep falling, the second reading gains the upper hand.

What would be rejected, and why

Treating three weeks as a trend: the six weeks before them ran the other way, and the chart shows how quickly the order flips. Treating the index's 1% fall as the market's verdict: eight sectors say otherwise. Both rest on reading one line of the chart without the other.

What it costs

Waiting to see which reading holds means that, if it is the decline, the first few percent of it are taken before the signal is clear; and if it is rotation, the sectors doing the catching up have already moved. That is the cost of a two-sided reading, and it is the honest price of not knowing.

What would invalidate the reading

For rotation: the average sector falling with the index for two weeks, with small caps leading the fall. For decline: technology and communication services rising with the average, which would mean the leaders have found their footing and the breadth was a pause rather than a turn.

Nothing here is a view on whether any reader should buy or sell any fund, sector or index. It is the reasoning a desk would walk through. The average of eleven sector funds is a proxy for an equal-weight index and is not itself an investable product.

What is scheduled, and why it matters

TUE 27 OCT	New home sales and house prices for September. Housing is the first place a 5.4% thirty-year yield shows. Coca-Cola, Boeing and Visa report.
WED 28 OCT	The Fed's rate decision, with press reports putting the chance of an increase near zero, then Microsoft and Alphabet after the close. After Meta, the market will read their spending plans before their profits. Nigerian Treasury bill auction.
THU 29 OCT	Third-quarter GDP, September PCE inflation and jobless claims; Amazon after the close. The PCE print is the next test of the breakeven, which has not moved for a month.
FRI 30 OCT	Employment cost index, and results from Exxon and Chevron. The oil majors report into Brent at \$117.

Apple reports on 2 November. Dates are taken from official release calendars and public earnings calendars, and can change.

07 · THE READ

In one paragraph

The index fell, most of the market rose, and bonds rallied again: the three facts fit together once the index is read as its two largest sectors plus everything else. The two are being repriced on how the AI build-out is funded, and Meta's results made the question sharper rather than answering it. Everything else had a reasonable week, small companies had a good one, and the Treasury market took the money that left technology, which is why a hot survey, strong claims and oil at a five-month high could not keep the ten-year above 5%. The thing to follow this week is Wednesday evening: Microsoft and Alphabet's spending plans, read against what the average sector does the next day. If the average rises again while the two fall, the rotation reading holds for another week. If the average turns down with them, section 05's second reading is in play.

OHC Trade Room · Weekly Market Review · Week ending 23 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. Jobless claims: US Department of Labor. Housing starts: US Census Bureau. Purchasing managers' surveys: S&P Global. Consumer sentiment: University of Michigan. Company results: company announcements. Oil futures settlements, Fed pricing, the Anthropic filing and market commentary: public news reports. 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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