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UPDATE

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Global Macro Commentary | North America

October 27: US Treasuries Flatten Ahead of Fed

US equities rally on renewed AI optimism; Treasury yields rise ahead of Fed decision; US consumer confidence beats expectations; oil declines on Middle East diplomacy; Brazil assets recover after election sell-off; DXY at 102.37 (+0.4%); US 10y at 5.00 (+0.8bp).

US rates bear-flatten and the dollar strengthens as resilient economic data reinforce expectations for restrictive Fed policy, while renewed AI optimism supports equities despite elevated yields.

Developed Markets

- **US rates bear-flatten (2y: +2.1bp; 30y: +0.7bp) as stronger-than-expected economic data and a slightly weak 5y Treasury auction weigh on the front end and belly ahead of Wednesday's FOMC decision.** October consumer confidence rises to 91.7 (C: 81.0; P: 84.2), while September durable goods orders increase 1.8% m/m (C: 1.9%), with core capital goods orders rising 0.5%. The strong confidence print supports expectations for resilient consumption, while capital goods data reinforce the strength of AI-related investment. The Fed is widely expected to leave rates unchanged on Wednesday, with swap markets assigning only a 10% probability of a hike, although December tightening remains largely priced. The $70bn 5y Treasury auction tails by 0.4bp, stopping at 4.845%, with a bid-to-cover ratio of 2.33, broadly in line with its one-year average. Meanwhile, the 52-week bill auction sees stronger demand, stopping at 4.29%, below the when-issued yield of 4.3075%.
- **US equities rally (S&P 500: +0.6%; NASDAQ: +1.2%) as renewed optimism around AI investment and earnings supports risk sentiment despite 10y Treasury yields reaching 5%.** Technology (+1.5%) and consumer discretionary (+1.4%) lead gains, while energy (-2.2%) underperforms alongside declining oil prices. The VIX declines 4.7% to 17.52 as investors reduce downside hedges ahead of major technology earnings and the Fed decision. Meanwhile, the Atlanta Fed's GDPNow estimate points to 3Q growth of 3.41%, above the Bloomberg consensus of 3.0%.
- **Oil prices decline (Brent: -1.5%; WTI: -1.8%) amid reports of renewed diplomatic discussions aimed at reducing geopolitical tensions in the Middle East**. Iranian officials discuss conditions for ending the conflict and management of the Strait of Hormuz, following meetings with regional intermediaries. The headlines initially support Treasuries and equity futures, though the rates rally subsequently reverses as stronger US data offset the impact of lower energy prices. Despite the diplomatic developments, uncertainty remains around a potential agreement, with the physical oil

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market continuing to reflect supply constraints and elevated transportation costs. US inflation breakevens trade mixed (2y: -1.1bp; 10y: +0.6bp), suggesting limited transmission from lower spot energy prices into longer-term inflation expectations. Gold gains 1.1% to $4,060/oz despite dollar strength, recovering after briefly trading below $4,000 earlier in the session.

- **USD strengthens broadly (DXY: +0.4%) as markets position ahead of the Fed decision and interest-rate differentials continue to support the dollar**. EUR and GBP weaken against USD (EUR/USD: -0.4%; GBP/USD: -0.3%), with sterling also pressured by uncertainty ahead of Wednesday's UK budget. JPY underperforms (USD/JPY: +0.3%) as Japanese rates remain relatively stable and renewed risk appetite reduces demand for safe-haven currencies. JGB yields rise modestly with steepening pressure (2y: +0.2bp; 30y: +2.1bp), while the Nikkei gains 1.7% amid improved sentiment toward technology stocks. AUD is the only G10 currency to strengthen against USD (AUD/USD: +0.1%) ahead of Australia's 3Q inflation release, while NZD remains unchanged as markets assign a roughly 95% probability to an RBNZ hike on Wednesday. CAD weakens (USD/CAD: +0.3%) alongside lower oil prices, despite reports of progress in US-Canada trade discussions ahead of a widely anticipated BoC rate hike.

- **In Japan, JGBs opened weaker in the Tokyo morning session. As risk sentiment improved alongside the recovery in equities and policy rate expectations edged higher, yields rose, led by the sub-10y sectors.** However, with no fresh catalysts, the selloff lost momentum heading into the morning close. The liquidity enhancement auction saw solid demand, with issuance concentrated in JL179, which has around 25y remaining to maturity. The super-long sector briefly outperformed following the strong auction, but the move was subsequently retraced toward the close. As of 3pm Tokyo, the JGB curve was bear-steepening; the 2y JGB yield unchanged at 1.875%, the 10y JGB sold off by 0.5 to 2.785%, and the 30y JGB sold off by 1.5bp to 3.82%. The TONA-OIS curve also bear-steepened but underperformed JGBs in short end. XCCY basis tightened led by short end while 20y+ sectors widened.USD/JPY traded with an upward bias during the Tokyo morning session as the recovery in equities supported an improvement in risk sentiment. In the Tokyo afternoon, USD/JPY edged lower as the equity rally lost momentum. However, heading into the London morning, the pair resumed its rise as US yields and crude oil futures moved higher again, and traded at around 157.80.

- **In the Euro area,The German yield curve bull-steepened over the day with the 2y closing the day ~3bp lower while 2s10s cash curves steepened ~2bp on the day.** Within EGBs, spreads to Germany mostly widened, mostly so for France where OAT/Bund spreads widened ~3bp at the 5y and 10y point. Also in the EUR swap space curves steepened across the maturity spectrum with ~2bp in 2s10s and 10s30s. Expectations for the policy rate for future ECB meetings shifted only very modestly downwards over the London trading session, while markets continue to expect the ECB to hold rates at Thursday's meeting, with only a ~3% probability of a hike being

priced in.

- **In the UK gilts, the cash curve twist-flattened very modestly over the London session with the short end closing ~1bp higher at the 2y point.** RPI inflation swaps repriced lower across the maturity spectrum, with the 2y point closing the day ~6bp lower and the 5y point closing the day ~4bp lower, while there was very little repricing in rates implied by short-term GBP interest rate futures.

Emerging Markets

- **AxJ currencies and rates were mixed amid a rebound in tech stocks, while oil prices rose as much as 0.9% during the Asia session.** TWD outperformed, strengthening 0.3% despite $250mn of foreign equity outflows (TAIEX: +0.1%), as the CBC said in a report that Taiwan's monetary conditions remain relatively tight. KRW weakened 0.1% alongside a 3.1% rebound in KOSPI and $470mn of foreign equity inflows. Korea rates outperformed, with the 5y KRW NDIRS yield falling 5bp even as 3Q26 GDP growth came in above consensus.
- **CNH remained broadly stable amid a slightly higher USD/CNY fixing (6.7171; P: 6.7162).** China rates edged lower, with 10y CGB and 5y CNY NDIRS yields falling 1bp as PBoC injected RMB1tr via OMO. PHP underperformed, weakening 0.4% to a record low of 64.19/USD, while 10y RPGB yield fell 2bp. THB gained 0.1% and 10y ThaiGB yield fell 2bp amid reports of Thai Cabinet's approval of a THB50bn of household solar subsidy as well as fuel tax cuts. IDR weakened 0.1%, while Indonesia rates sold off amid weakness in the local stock market (JCI: -2.0%); IndoGB 10y yield climbed 6bp to its highest since November 2022. INR gained 0.1% while 10y IGB yield dropped 5bp amid a INR190 bn G-sec auction (Planned: INR233bn).
- **LatAm markets saw a partial reversal of Monday's Brazil-driven sell-off. FX in the region traded mixed, with BRL outperforming, appreciating ~1.26% as Brazilian assets recovered some of yesterday's losses.** MXN depreciated ~0.57%, underperforming EM peers despite optimism around US trade talks, with Mexico's Economy Minister indicating that negotiation results could emerge in the coming days. COP also underperformed, depreciating ~0.51% as Brent prices edged lower. Rates in the region traded mixed, with the Brazilian DI curve outperforming as Jan 29 DIs rallied ~50bp, partially reversing yesterday's sell-off. In contrast, Mexico TIIE and CLP CAM underperformed, selling off across tenors broadly in line with the move higher in UST yields, with no significant domestic catalysts.
- **CEEMEA currencies mostly weaken against USD, with CZK, HUF, and PLN declining 0.3-0.4% amid broad dollar strength and persistent European sovereign debt concerns.** Against EUR, however, the regional currencies outperform modestly (EUR/CZK: -0.1%; EUR/HUF: -0.1%; EUR/PLN: -0.1%), reflecting the euro's relative weakness. Polish rates rally, with the 1y sovereign yield declining 17.9bp to 3.767% and 10y yields falling 2.3bp to 6.384%, outperforming core European rates. ZAR strengthens 0.1% against USD despite the dollar's broad advance, supported by the rebound in precious metals. Elsewhere, ILS outperforms regional currencies (USD/ILS: -

0.8%) after Israeli exit polls show the opposition bloc leading the incumbent government, although neither bloc appears to have secured an outright parliamentary majority. Serbia's foreign-currency sovereign bonds benefit from an initially constructive market reaction to the country's election results, while its central bank reiterates its commitment to monetary and exchange-rate stability.

Central Bank Monitor

Developed Markets

- In Japan, **BoJ Executive Director Nakajima** spoke today, with remarks focused on financial system cybersecurity. He expressed concern about cyber risk to the financial system and noted that various security measures have been taken on the BOJ-NET payment network.
- In Australia, **RBA Governor Bullock** was scheduled to appear before the Senate today for parliamentary testimony, ahead of Wednesday's Q3 CPI release and the upcoming November rate decision. No substantive policy remarks from the testimony have crossed yet as of this writing.

Emerging Markets

- In Taiwan, **CBC** said in a report that monetary conditions remain relatively tight even without further rate hikes. It noted that economic growth and equities have strengthened since 4Q24, while funding demand from households and businesses has increased money demand. CBC said it has continued injecting liquidity via OMO to narrow the financial system's funding gap and will continue using M2 as a key reference for monetary policy. It noted Taiwan's inflation remain moderate, with government energy-price stabilization measures helping contain pressures from rising import prices. CBC added that TWD has weakened against USD this year amid foreign fund outflows, which accelerated from July.

Exhibit 1: G4 Rates Closes

	US			Germany			UK			Japan		
Tenor	27-Oct	1d Δ (bp)	2wk	27-Oct	1d Δ (bp)	2wk	27-Oct	1d Δ (bp)	2wk	27-Oct	1d Δ (bp)	2wk
2y	4.737	2.1		3.083	(2.3)		4.943	1.0		1.882	0.2	
3y	4.800	2.3		3.112	(2.0)		4.978	0.8		2.005	(0.5)	
5y	4.844	1.8		3.182	(1.3)		5.004	0.6		2.241	0.7	
7y	4.912	1.3		3.252	(1.0)		5.165	0.4		2.615	1.2	
10y	4.997	0.8		3.358	(0.8)		5.346	0.2		2.802	1.0	
20y	5.355	0.4		3.687	(0.4)		5.724	(0.2)		3.612	1.4	
30y	5.310	0.7		3.691	(0.1)		5.746	(0.1)		3.841	2.1	

Exhibit 2: Macro Closes

Majors				EM				Equities / Commodities			
Spot	27-Oct	1d Δ (%)	2wk	Spot	27-Oct	1d Δ (%)	2wk	Index	27-Oct	1d Δ (%)	2wk
DXY	102.37	0.4		CNH	6.66	(0.0)		S&P	7722.60	0.6	
EUR	1.113	(0.4)		INR	95.12	(0.1)		Stoxx	6164.69	0.8	
GBP	1.331	(0.3)		THB	33.77	(0.1)		FTSE	10686.54	(0.8)	
JPY	157.95	0.3		KRW	1326.65	0.0		Nikkei	63268.37	1.7	
CHF	0.829	0.2		ZAR	16.64	(0.1)		VIX	17.52	(4.7)	
AUD	0.703	0.1		MXN	18.68	0.6		Gold (S)	4060.13	1.1	
CAD	1.405	0.3		BRL	5.35	(1.3)		WTI (Fut)	99.90	(1.8)	

Exhibit 3: Inflation Closes

US TIPS				10y Real Yields, BEI							
Tenor	27-Oct	1d Δ (bp)	2wk	10y	27-Oct	1d Δ (bp)	2wk	10y	27-Oct	1d Δ (bp)	2wk
5y	2.373	0.8		DBRi	1.024	(0.2)		BTPi	2.479	0.8	
BEI	2.468	0.9		BEI	2.201	(0.9)		BEI	2.034	0.0	
10y	2.642	0.4		UKTi	1.866	2.2					
BEI	2.354	0.6		BEI	3.425	(2.0)					
30y	3.072	0.0		JGBi	0.729						
BEI	2.244	0.7		BEI	2.069	(2.5)					

Exhibit 4: G4 Central Banks

				Central Bank OIS											
Fed	Implied	1d Δ (bp)	Total Δ	ECB	Implied	1d Δ (bp)	Total Δ	BOE	Implied	1d Δ (bp)	Total Δ	BOJ	Implied	1d Δ (bp)	Total Δ
EFFR (10/26)	3.880	0.0	--	EONIA (10/26)	2.441	0.0	--	SONIA (10/26)	3.733	0.0	--	TONAR (10/26)	1.227	0.0	--
10/28/26	3.898	3.9	(1.0)	10/29/26	2.449	2.4	(0.0)	11/05/26	3.975	4.0	(0.2)	10/30/26	1.231	(0.1)	0.4
12/09/26	4.106	4.1	(0.3)	12/17/26	2.644	2.7	(1.8)	12/17/26	4.099	4.1	0.5	12/18/26	1.429	1.1	20.2
01/27/27	4.213	4.2	1.5	03/11/27	2.869	2.9	(2.1)	02/04/27	4.312	4.3	(0.1)	01/22/27	1.496	0.6	26.9
				04/29/27	2.942	3.0	(0.9)	03/18/27	4.469	4.5	1.0	03/19/27	1.635	1.4	40.8
												04/28/27	1.702	0.9	47.5
												06/16/27	1.821	4.3	59.4

Economic Releases

Developed Markets

- **US September Durable Goods Orders:** 1.8% (MSe: 0.6%; C:1.9%; P:-0.1%). Durable goods orders rose 1.8% m/m in September, above our forecast but slightly below consensus, boosted by transportation. Core capex continued to signal solid business investment momentum: non-defense capital goods ex-aircraft orders rose 0.5%, while shipments increased 1.2%. Manufacturing activity remained broadly firm, and we expect September manufacturing orders to rise 1.8% m/m. We lowered our 3Q equipment investment tracking estimate to a 13% annual rate from 15%, reflecting slower growth in computer investment. We raised our 3Q GDP tracking estimate to 3.2% from 3.1%, as stronger inventory investment offset softer equipment spending.
- **US September New Home Sales**: 676.0k (MSe: 665.0k; C:650.5k; P:684k). New home sales fell 0.6% m/m in Sept to 676k (MSe: 665k, Cs: 651k), entirely due to a decline in the South. Though sales are still soft, there is no new weakness as other recent data (starts, homebuilder conf) showed. New home sales are still down year to date, averaging 647k this year vs 679k in '25 . We now track 3Q real residential investment at -3.9% (q/q saar). The housing market is still stuck, and recent rate moves do not help. Still, our housing strategists see little room for further downside in sales. Home prices in August accelerated further on limited supply. Case-Shiller's National Index is at +2.09% y/y vs 1.92% in July and 1.49% a year ago.

- **US October Richmond Fed Manufact. Index**: -2.0 (C:0; P:-2). Regional manufacturing surveys pointed to moderating but resilient activity, alongside persistent inflationary pressures and elevated energy prices. We finalized our October ISM Manufacturing PMI tracking estimate at 52.4, down from 54.5 in September. Richmond Fed manufacturing activity softened in October: shipments were unchanged, new orders contracted at a faster pace, and employment growth moderated. Supplier delivery times lengthened further, while raw material inventories contracted. The Richmond Fed's ISM-equivalent index edged up to 51.1 from 51.0, with two components rising and three declining.
- **France Oct Consumer Confidence**: 80.0 (MS: 84.0, C: 85.0, P: 86.0)

Emerging Markets

- **Korea October Consumer Confidence:** 105.4 (P: 106.6)
- **Korea 3Q26 Advance GDP**: 1.0% q/q; 3.4% y/y (MSe: 1.2% q/q, 3.6% y/y; C: 0.8% q/q; 3.1% y/y; P: 0.6% q/q; 3.7% y/y)
- **China September Industrial Profits:** 14.4% y/y (P: 4.2%)
- **Chile Monetary Policy Meeting :** 4.50% (Mse: 4.50%; P: 4.50%) The BCCh unanimously held rates, in line with our economists' expectations, while highlighting increased inflation risks from higher oil prices, El Niño and tighter global financial conditions. Domestic activity remains weak, particularly consumption and investment, while inflation expectations have edged higher. Our economists continue to expect the BCCh to hold at 4.50% through year-end, with weak demand limiting the case for tightening, although external pressures have increased the risk of hikes.
- **Mexico September Trade Balance**: $606.1 mn(P: $605.4 mn; C: -$397.4 mn) The trade balance swung from a surplus to a deficit, with the shortfall exceeding consensus expectations, pointing to a deterioration in Mexico's external trade position.

The Day Ahead

Developed Markets

- 08:30am EST - **US September Advance Goods Trade Balance** (MSe: -133.0b; C:-130.2b; P:-132.6b). We forecast a further slight widening in the nominal deficit in goods in September, albeit with the widening due to faster-rising import prices rather than volumes. The wider deficit of the past two months has been predominantly driven by stronger investment demand for AI-related capital goods imports.
- 2pm EST - **US October FOMC Rate Decision (Upper Bound)** (MSe: 4%; C:4%; P:4%). We expect the Fed to hold rates unchanged in October while signaling that further tightening remains likely. Persistent inflation argues for additional hikes, but risks of overtightening favor a gradual approach. We see two more 25bp hikes in December and March, with risks skewed toward additional tightening.No dissents, financial stability concerns, or a benign

inflation assessment would be dovish signals. Three or more hawkish dissents, explicit tightening guidance, or heightened concerns about inflation and energy spillovers would be hawkish.

- 7:00am GMT - **Germany Nov GfK Consumer Confidence** (MS: -29.5, C: -30.1, P: -30.6)
- 6:00pm GMT - **US FOMC Rates Decision** (MS: 3.75-4%, C: 3.75-4%, P: 3.75-4%)

Emerging Markets

- 10:00am HKT - **Korea September Retail Sales** (P: 7.7% y/y); **Department Store Sales** (P: 11.9% y/y); **Discount Store Sales** (P: 4.5% y/y)
- 3:00pm HKT – **Thailand BoT October Rate Decision** (MSe: 1.0%; C: 1.0%; P: 1.0%). Our economists expect BoT to keep rates on hold. With inflation remaining supply-driven and recovery still uneven, we see the need for accommodative monetary conditions to support the recovery.
- 4:30pm HKT – **Hong Kong September Exports** (C: 52.1% y/y; P: 53.0%); **Imports** (C: 52.0% y/y; P: 60.0%); **Trade Balance** (C: -HKD69.0bn; P: -HKD71.2bn)
- 6:30pm HKT – **India September Industrial Production** (C: 7.3% y/y; P: 8.0%)

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- Euro Area Rates Strategy : The ECB Can Do A Lot, But It Is Not The Time Yet (23 Oct 2026)
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