

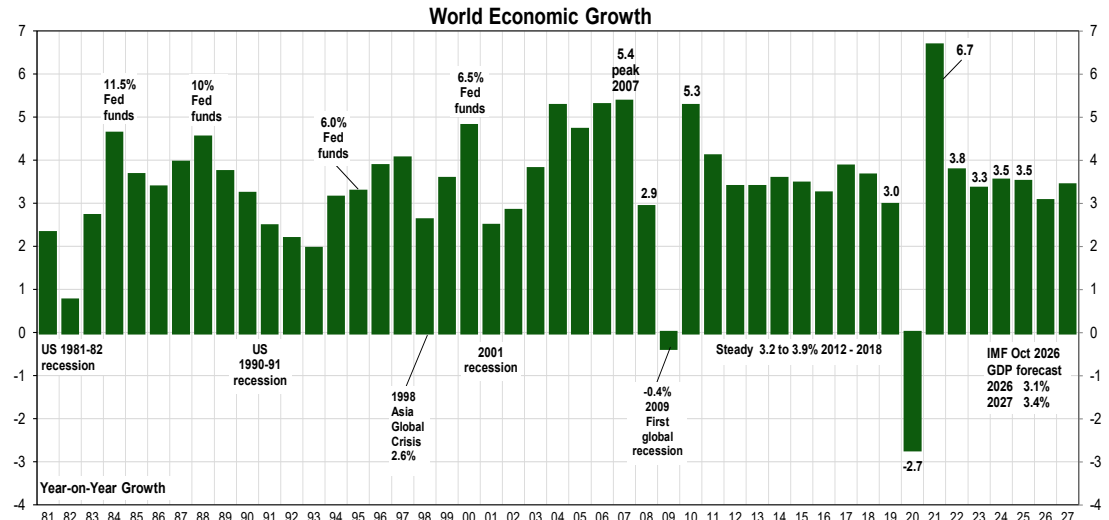
# Financial Markets This Week

23 OCTOBER 2026

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## WORLD AWASH IN DEBT

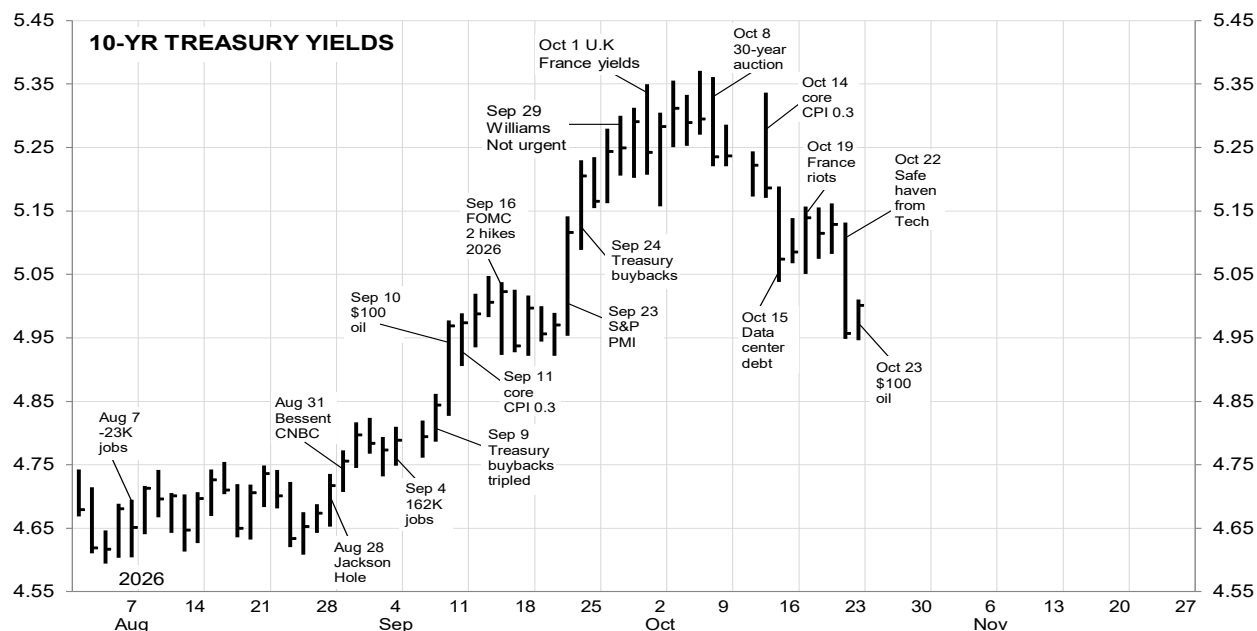
The IMF October meetings finished last weekend and the recent global bond market sell-off amplified the IMF warnings over the debt burdens that many countries face, especially with many central banks raising



policy rates to fight inflation which increases the cost of servicing the debt. The [World Economic Outlook \(WEO\)](#) was released at 9am on Tuesday, October 13 in Bangkok which was 10pm NY time on Monday night. Fiscal support measures were one of the ways countries have been able to weather the economic storm caused by the ongoing war in the Middle East with its energy price shock, the WEO stated. Looking back over time, world economic growth has been amazingly steady, recently at 3.5% for a couple of years 2024-25, and now forecast to slow to 3.1% this year, before rebounding to 3.4% in 2027. Keep in mind the IMF says a global recession is when world GDP slows to less than 2%, so by that measure, worldwide recessions are infrequent with the 2020 pandemic and the 2009 global financial crisis and recession being the only two negative years since the 80s. There are downside risks if the Middle East war is not resolved. Energy prices could remain high, pressuring inflation higher, pushing up interest rates further, and making the fiscal imbalances even worse. They talk up the urgency of having countries rebuild fiscal space, revenue enhancement and spending rationalizing, but at the same time governments could target support for the vulnerable during crises (Chapter 2). Stay tuned. Despite the downside risks the forecast is for a rebound in growth next year to 3.4% normal. World output is hard to measure given the difference in exchange rates. But the world is quite a different place than it was a few decades ago. In 1997, the US, Japan and the Euro Area represented 62.4% of the world economy, and in 2024 the share of these three countries/regions was reduced to 45% of the world.

| World as it is Now and the World as it was Then |      |      |      |             |                                                 |             |       |             |       |
|-------------------------------------------------|------|------|------|-------------|-------------------------------------------------|-------------|-------|-------------|-------|
|                                                 | 2027 | 2026 | 2025 | 2024        | %                                               | 2017        | %     | 1997        | %     |
|                                                 | %    | %    | %    | GDP \$ trln | Share                                           | GDP \$ trln | Share | GDP \$ trln | Share |
| U.S.                                            | 2.3  | 2.3  | 2.3  | 29.381      | 26.3                                            | 19.612      | 23.9  | 8.577       | 26.6  |
| Euro Area                                       | 1.2  | 1.1  | 1.2  | 16.668      | 14.9                                            | 12.911      | 15.7  | 6.981       | 21.6  |
| U.K.                                            | 1.2  | 1.3  | 1.2  | 3.713       | 3.3                                             | 2.708       | 3.3   | 1.562       | 4.8   |
| Japan                                           | 0.7  | 0.7  | 1.2  | 4.207       | 3.8                                             | 5.038       | 6.1   | 4.579       | 14.2  |
| Canada                                          | 1.7  | 1.1  | 1.9  | 2.270       | 2.0                                             | 1.649       | 2.0   | 0.655       | 2.0   |
| China                                           | 4.0  | 4.5  | 5.0  | 18.928      | 16.9                                            | 12.550      | 15.3  | 0.967       | 3.0   |
| World                                           | 3.4  | 3.1  | 3.5  | 111.906     | 100.0                                           | 82.094      | 100.0 | 32.274      | 100.0 |
| WEO Oct 2026                                    |      |      |      |             | IMF statistics in current dollars \$ (Oct 2026) |             |       |             |       |

## INTEREST RATES

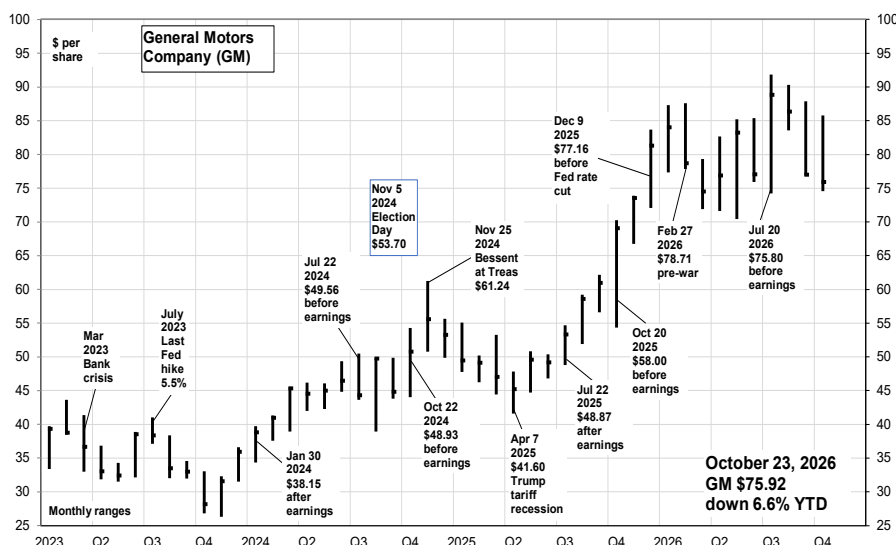


The Tech/AI/Chips/Datacenter fear was seen Thursday with the S&P 500 down 1.2% while the Dow industrials were unchanged on the day; Nasdaq -2.6%. 10-yr Treasury yields fell an incredible 17 bps to 4.96%. The bond rally continues with the downtrend from the October 7 high yield for the year of 5.37%, but the magnitude was shocking on Thursday. A rapid move like this for Treasuries can often signal concerns about credit quality, rapid investor moves made into fixed income for reasons that cannot be seen immediately. That being said, the move down in yields Thursday from 4am ET to 2pm ET was orderly declining from 5.09% to 4.95%. The AI tech rout in stocks brought [the S&P 500](#) down as much as 3.0% from the record high of October 6. The move down on Friday was not helped by December crude oil futures rising back above \$100, closing up \$3.80 on the day at \$103.27.

## General Motors Company (GM) down 6.6% YTD

Earnings before the bell Tuesday, sent the stock down 9.3% to as low as \$75.08 at the worst point. The guidance was not good enough apparently. EBIT-adjusted was \$13.0-\$15.0 billion for the 2026 calendar year when they first made their estimate at the final Q4 2025 earnings released in January 2026. Now three quarters along they said Tuesday it would be \$14.5-\$15.5 billion. Anyway, analysts are concerned that higher costs and the inability to pass these on to car buyers would be a negative generally in 2027. Q3 GM US sales of 671 thousand (16.1% share) are down 5.5% YOY.

|         | Sales and | Net     | US Vehicle Sales |      |             |
|---------|-----------|---------|------------------|------|-------------|
|         | Mln \$    | Revenue | Income           | US   | Total Share |
| Q3 2026 | 50,015    | 3,335   | 671              | 4174 | 16.1%       |
| Q2 2026 | 48,026    | 1,305   | 715              | 4310 | 16.6%       |
| Q1 2026 | 43,624    | 2,627   | 626              | 3792 | 16.5%       |
| Q4 2025 | 45,287    | (3,310) | 703              | 4097 | 17.2%       |
| Q3 2025 | 48,591    | 1,327   | 710              | 4229 | 16.8%       |
| Q2 2025 | 47,122    | 1,895   | 747              | 4294 | 17.4%       |
| Q1 2025 | 44,020    | 2,784   | 693              | 4032 | 17.2%       |
| Q4 2024 | 47,702    | (2,961) | 755              | 4329 | 17.4%       |
| Q3 2024 | 48,757    | 3,056   | 660              | 4000 | 16.5%       |

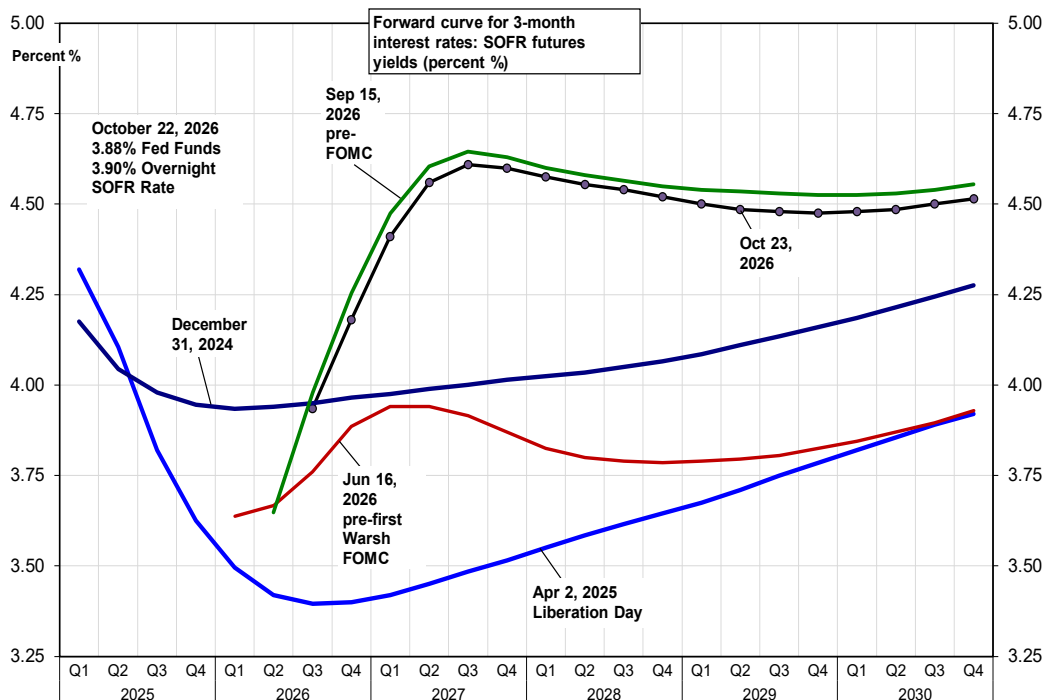


## FEDERAL RESERVE POLICY

The Fed meets October 27-28, 2026 to consider its monetary policy. Bond yields are not as restrictive, doing the work of monetary policy tightening so the Fed rate does not have to, as they were a week ago. NY Fed President Williams said a rate hike was not urgent back on September 29 when the 10-year yield was 5.25%. Fed funds futures aren't expecting anything with a 4.02% adjusted yield at Friday's close that discounts only 2 bps of a 25 bps hike at 2pm ET on Wednesday, October 28. In the old days Warsh as Fed Chair would likely give a heads up if a rate hike was coming on December 9, the final meeting of 2026. Signaling does not appear to be his style and the best we can hope for is a press conference lasting at least half an hour. And hopefully he will not give an update on the preliminary findings of his task forces. Stay tuned. No rate hike expected next Wednesday, even with the potential the morning after for a hot 0.4% core PCE inflation report and strong Q3 2026 real GDP of 3.5% the Atlanta Fed says.

| Selected Fed assets and liabilities                       |                            |                 |                 |                 |                 | Change from 3/11/20 to Oct 21 |
|-----------------------------------------------------------|----------------------------|-----------------|-----------------|-----------------|-----------------|-------------------------------|
| Fed H.4.1 statistical release<br>billions, Wednesday data | 21-Oct                     | 14-Oct          | 7-Oct           | 30-Sep          | 3/11/20*        |                               |
| <b>Factors adding reserves</b>                            |                            |                 |                 |                 |                 |                               |
| U.S. Treasury securities                                  | 4572.654                   | 4570.552        | 4566.384        | 4564.161        | 2523.031        | 2049.623                      |
| Federal agency debt securities                            | 2.347                      | 2.347           | 2.347           | 2.347           | 2.347           | 0.000                         |
| Mortgage-backed securities (MBS)                          | 1895.177                   | 1898.160        | 1898.089        | 1898.089        | 1371.846        | 523.331                       |
| Repurchase agreements                                     | 0.067                      | 0.001           | 0.002           | 1.200           | 242.375         | -242.308                      |
| Primary credit (Discount Window)                          | 9.169                      | 11.044          | 9.965           | 8.738           | 0.011           | 9.158                         |
| Bank Term Funding Program                                 | 0.000                      | 0.000           | 0.000           | 0.000           |                 |                               |
| FDIC Loans to banks via Fed                               | 0.000                      | 0.000           | 0.000           | 0.000           |                 |                               |
| Paycheck Protection Facility                              | 0.007                      | 0.007           | 0.007           | 0.007           |                 |                               |
| Main Street Lending Program                               | 0.871                      | 0.873           | 0.873           | 0.872           |                 |                               |
| Term Asset-Backed Facility (TALF II)                      | 0.000                      | 0.000           | 0.000           | 0.000           |                 |                               |
| Gold stock                                                | 11.041                     | 11.041          | 11.041          | 11.041          | 11.041          | 0.000                         |
| Central bank liquidity swaps                              | 0.170                      | 0.205           | 0.207           | 0.207           | 0.058           | 0.112                         |
| <b>Federal Reserve Total Assets</b>                       | <b>6805.5</b>              | <b>6807.5</b>   | <b>6799.4</b>   | <b>6794.9</b>   | <b>4360.0</b>   | <b>2445.490</b>               |
| 3-month Libor-% SOFR %                                    | 3.88                       | 3.88            | 3.88            | 3.90            | 1.15            | 2.730                         |
| <b>Factors draining reserves</b>                          |                            |                 |                 |                 |                 |                               |
| Currency in circulation                                   | 2485.182                   | 2488.818        | 2486.120        | 2482.756        | 1818.957        | 666.225                       |
| Term Deposit Facility                                     | 0.000                      | 0.000           | 0.000           | 0.000           | 0.000           | 0.000                         |
| U.S. Treasury Account at Fed                              | 945.153                    | 885.823         | 885.783         | 984.046         | 372.337         | 572.816                       |
| Treasury credit facilities contribution                   | 0.000                      | 0.000           | 0.000           | 0.000           |                 |                               |
| Reverse repurchases w/others                              | 0.237                      | 0.201           | 2.338           | 11.539          | 1.325           | -1.088                        |
| <b>Federal Reserve Liabilities</b>                        | <b>3835.994</b>            | <b>3776.599</b> | <b>3777.324</b> | <b>3913.200</b> | <b>2580.036</b> | <b>1255.958</b>               |
| <b>Reserve Balances (Net Liquidity)</b>                   | <b>2969.522</b>            | <b>3030.854</b> | <b>3022.066</b> | <b>2881.686</b> | <b>1779.990</b> | <b>1189.532</b>               |
| Treasuries within 15 days                                 | 125.279                    | 106.926         | 102.162         | 107.411         | 21.427          | 103.852                       |
| Treasuries 16 to 90 days                                  | 398.579                    | 390.845         | 394.160         | 372.603         | 221.961         | 176.618                       |
| Treasuries 91 days to 1 year                              | 502.809                    | 529.071         | 526.600         | 540.933         | 378.403         | 124.406                       |
| Treasuries over 1-yr to 5 years                           | 1436.944                   | 1436.242        | 1436.121        | 1436.000        | 915.101         | 521.843                       |
| Treasuries over 5-yrs to 10 years                         | 483.100                    | 482.152         | 482.130         | 482.108         | 327.906         | 155.194                       |
| Treasuries over 10-years                                  | 1625.942                   | 1625.316        | 1625.211        | 1625.107        | 658.232         | 967.710                       |
| Note: QT starts June 1, 2022                              | Change 10/21/2026 6/1/2022 |                 |                 |                 |                 |                               |
| U.S. Treasury securities                                  | -1198.125                  | 4572.654        | 5770.779        |                 |                 |                               |
| Mortgage-backed securities (MBS)                          | -812.269                   | 1895.177        | 2707.446        |                 |                 |                               |
| **March 11, 2020 start of coronavirus lockdown of country |                            |                 |                 |                 |                 |                               |

| Fed Policy-key variables            |      |      |      |      | Long Term |
|-------------------------------------|------|------|------|------|-----------|
|                                     | 2026 | 2027 | 2028 | 2029 |           |
| Fed funds                           | 4.1  | 4.1  | 3.9  | 3.6  | 3.2       |
| PCE inflation                       | 3.7  | 2.3  | 2.1  | 2.0  | 2.0       |
| Core inflation                      | 3.4  | 2.5  | 2.2  | 2.0  |           |
| Unemployed                          | 4.1  | 4.1  | 4.1  | 4.1  | 4.2       |
| GDP                                 | 2.3  | 2.4  | 2.2  | 2.1  | 2.0       |
| September 2026 median Fed forecasts |      |      |      |      |           |



Just 22 bps of a 25 bps rate hike is discounted at the December meeting.

## Fed funds futures call Fed policy

Current target: Oct 23 -- 4.00%

| Rate+0.12                               | Contract | Fed decision dates |
|-----------------------------------------|----------|--------------------|
| 4.020                                   | Nov 2026 | Oct 28             |
| 4.220                                   | Jan 2027 | Adds Dec 9*        |
| 4.300                                   | Feb 2027 | Adds Jan 27        |
| 4.450                                   | Apr 2027 | Adds Mar 17*       |
| *Jan 2027 could be 4 days at a new rate |          |                    |
| *Apr 2027 could be 2 days at a new rate |          |                    |

## Next up: September PCE inflation Thursday, October 29 830am ET

| Monthly            | 2026 |     |     |     |     |     |     |     | 2025 |     |     |     | 2025 |     |     |
|--------------------|------|-----|-----|-----|-----|-----|-----|-----|------|-----|-----|-----|------|-----|-----|
| % Changes          | Sep  | Aug | Jul | Jun | May | Apr | Mar | Feb | Jan  | Dec | Nov | Oct | Sep  | Aug | Jul |
| Core CPI inflation | 0.3  | 0.3 | 0.2 | 0.0 | 0.2 | 0.4 | 0.2 | 0.2 | 0.3  | 0.2 | na  | na  | 0.2  | 0.3 | 0.3 |
| Core PCE inflation |      | 0.2 | 0.1 | 0.1 | 0.3 | 0.3 | 0.3 | 0.3 | 0.4  | 0.3 | 0.2 | 0.2 | 0.2  | 0.2 | 0.2 |
| Core PCE YOY       |      | 3.0 | 3.0 | 3.0 | 3.2 | 3.1 | 3.1 | 3.0 | 2.9  | 2.9 | 2.7 | 2.7 | 2.8  | 2.9 | 2.8 |
| Core CPI YOY       | 2.6  | 2.4 | 2.5 | 2.6 | 2.9 | 2.8 | 2.6 | 2.5 | 2.5  | 2.6 | 2.6 | na  | 3.0  | 3.1 | 3.1 |

## OTHER ECONOMIC NEWS

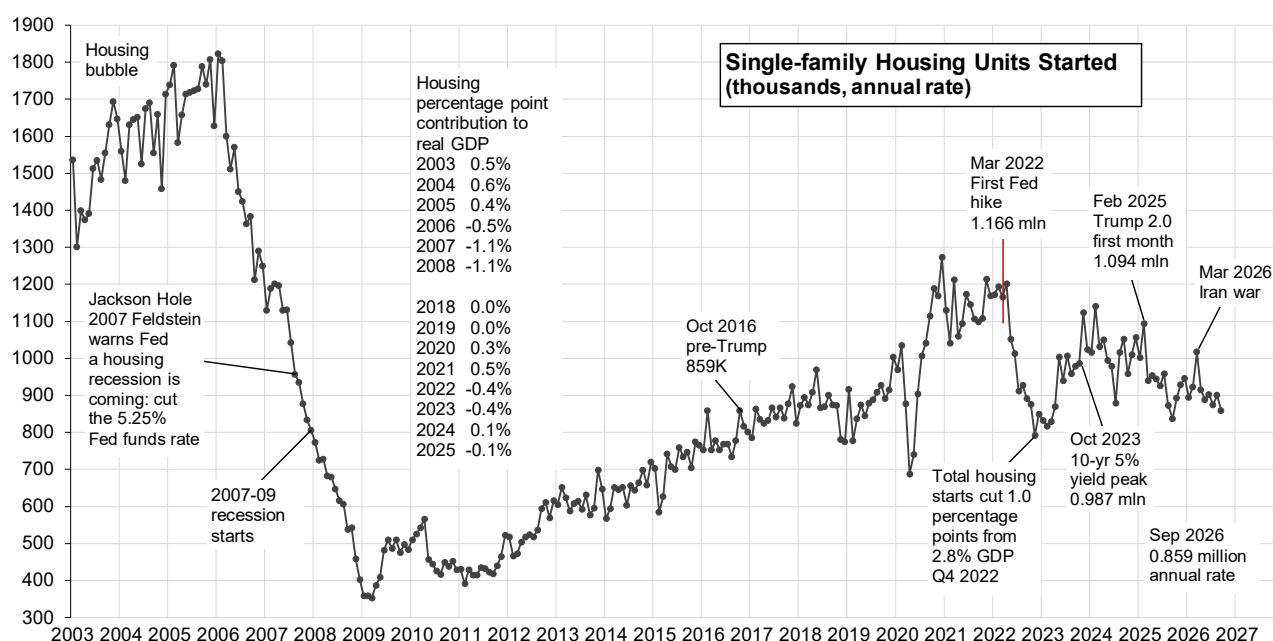
## Housing deep freeze (Tuesday)

Breaking economy news. Single-family housing starts fell 4.6% in September to a 859K new low for the year. Only Northeast single-family starts rose in what is the smallest regional market in the nation. The worst is probably not over yet as mortgage rates were 7.03% in the September 24 last full week of the month, and are now 7.40% in the last two weeks ending October 15.

**Housing Starts Total, Single-Family, Multi-Family**

|          | United States |        |       | Northeast |        | Midwest |        | South |        | West  |        |
|----------|---------------|--------|-------|-----------|--------|---------|--------|-------|--------|-------|--------|
| 000s     | Total         | 1 unit | Multi | Total     | 1 unit | Total   | 1 unit | Total | 1 unit | Total | 1 unit |
| Sep 2026 | 1221          | 859    | 349   | 114       | 49     | 158     | 120    | 714   | 506    | 235   | 184    |
| Aug 2026 | 1288          | 900    | 376   | 114       | 47     | 195     | 139    | 673   | 523    | 306   | 191    |
| Sep 2025 | 1319          | 837    | 471   | 165       | 53     | 196     | 117    | 643   | 465    | 315   | 202    |
| % Chgs   |               |        |       |           |        |         |        |       |        |       |        |
| Sep/Aug  | -5.2          | -4.6   | ...   | 0.0       | 4.3    | -19.0   | -13.7  | 6.1   | -3.3   | -23.2 | -3.7   |
| Sep/Sep  | -7.4          | 2.6    | ...   | -30.9     | -7.5   | -19.4   | 2.6    | 11.0  | 8.8    | -25.4 | -8.9   |

Net, net, residential single-family permits and starts plunged to the lows of the year in September after Fed officials raised interest rates the first time since 2023 and signaled higher rates are coming. Inflation is back, sending interest rates higher and bringing homebuilders to their knees. Housing is not in a recession, it is in a deep depression. The weakness in housing starts is not surprising given the surveys showing deep pessimism on the part of homebuilders given the shortage of labor from Washington's immigration policies and the geopolitical risks kicking up inflation and the cost of building materials. Even if homebuilders were putting up new houses, who could afford to buy them with mortgage rates back above 7%. The housing market is about to go into a deep sleep unless Washington can do a 180 on its policies and make the cost of a new home more affordable. It is not winter yet but housing has already gone into a deep freeze.

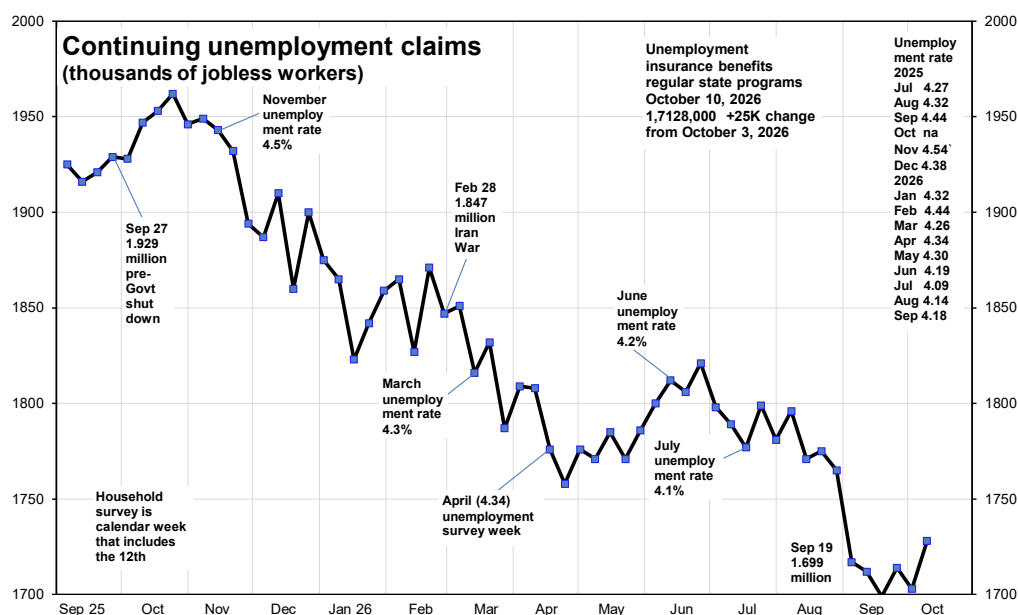
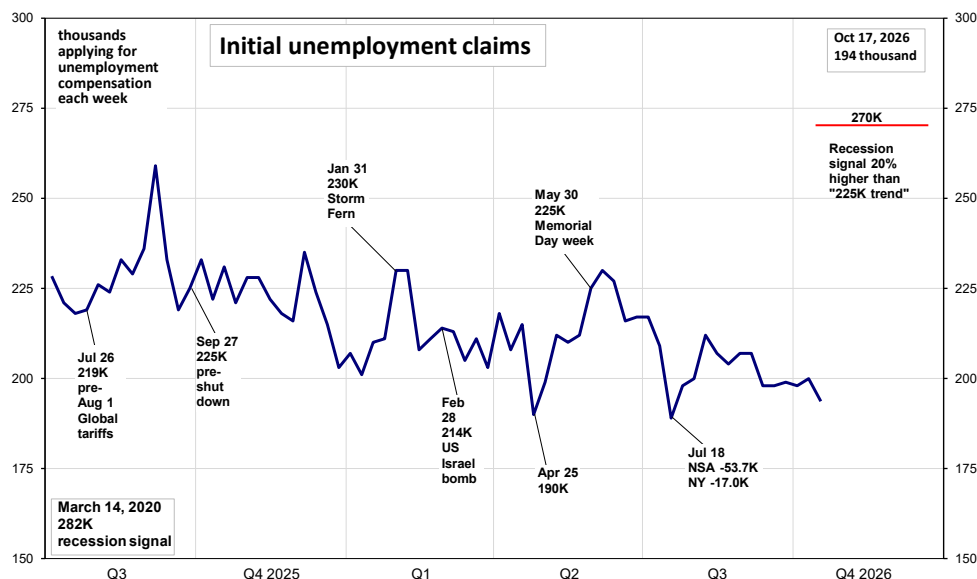


## No layoffs (Thursday)

Breaking economy news. First-time jobless claims fell 8K to 194K in the October 17 week. There has been a remarkable string of numbers basically below 200K for many weeks now. Continuing claims, the total number receiving jobless benefits jumped off the low this week but the lowest 2-decimal unemployment rate remains 4.09% way back in July.

Net, net, Fed officials are correct with their change in focus from the labor market to inflation. Inflation is hot where job layoffs are not. There is no economic weakness story from the latest weekly jobless claims figures where despite the seemingly large number of layoffs at 194 thousand in the October 17 week, this is just normal churn in the hiring and firing labor statistics and

the total number of Americans on the jobless rolls getting benefits is quite low at just 1.1% of so-called covered employment. The Administration's immigration policies may have tightened up the labor markets where companies are unable to find the help they need to produce their goods and services so they are holding tight to the workers they have. Workers are suddenly irreplaceable in many industries and this could keep the inflation fires burning longer than Fed officials expected. Interest rates will be higher for longer. Bet on it. The labor market is literally tight as a drum.



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