

ZITAPLUS

WEEKLY BULLETIN

5 — 9 OCT 2026
NO: 61

BOND YIELDS REACH MULTI-DECADE HIGHS



3.4%

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TIME	CUR.	EVENT	FORECAST	PREVIOUS
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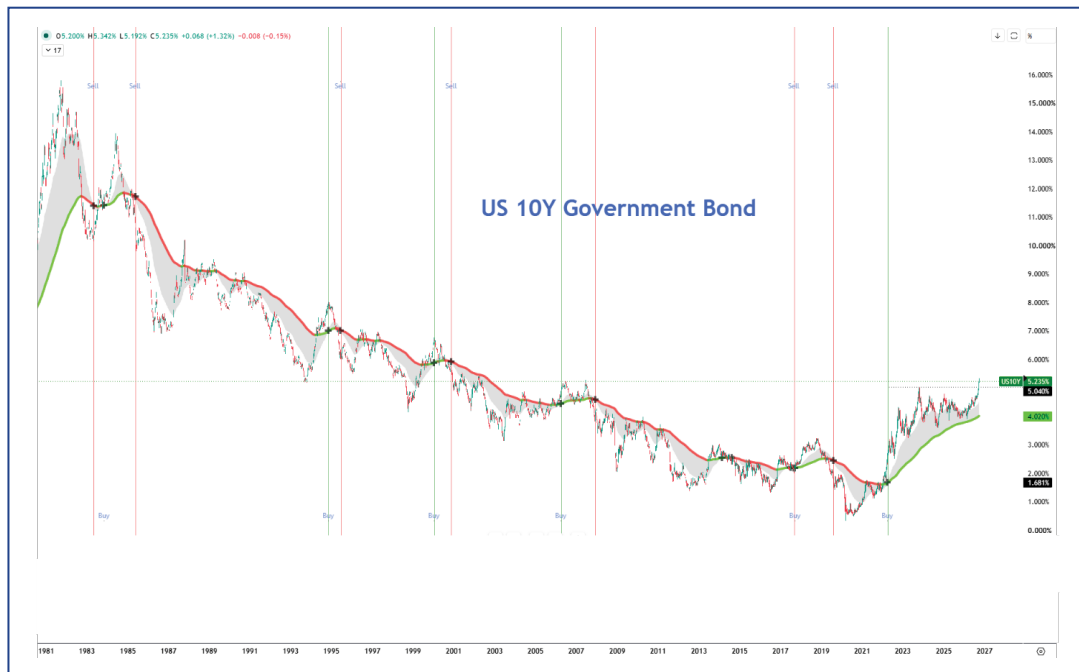
MONDAY, OCT 5				
ALL DAY		China - National Day	-	-
17:45		S&P Global Services PMI (Sep)	58.7	58.5
18:00		ISM Non-Manufacturing Prices (Sep)	-	72.6
18:00		ISM Non-Manufacturing PMI (Sep)	55.1	55.4

TUESDAY, OCT 6				
ALL DAY		China - National Day	-	-

WEDNESDAY, OCT 7				
ALL DAY		China - National Day	-	-
18:30		Crude Oil Inventories	-	0.922M
21:00		10-Year Note Auction	-	4.834%
22:00		FOMC Meeting Minutes	-	-

THURSDAY, OCT 8				
16:30		Initial Jobless Claims	200K	197K
21:00		30-Year Bond Auction	-	5.308%

BOND YIELDS REACH MULTI-DECADE HIGHS



Global bond markets are facing renewed selling pressure as long-term yields climb to levels not seen in decades. The US 10-year Treasury yield has reached 5.34%, its highest since 2002, reflecting a combination of persistent inflation, resilient economic activity and rising government borrowing.

Large financing requirements related to AI investment are also contributing to demand for capital and upward pressure on yields.

RIISING YIELDS SPREAD ACROSS MARKETS

The increase in borrowing costs extends beyond the United States. Long-term yields have also risen sharply in the UK, France and Japan, highlighting the global nature of the bond selloff.

In Europe, attention has turned to the widening spread between French and German 10-year government bond yields. The growing gap has renewed concerns about fiscal discipline and the sustainability of government debt.

HIGHER BORROWING COSTS PRESSURE THE ECONOMY

Rising yields have consequences well beyond fixed-income markets. Higher rates increase financing costs for governments, businesses and households, potentially slowing investment and economic activity.

Equity markets are also exposed. As bond yields rise, relatively safer fixed-income assets become more attractive, while the present value of future corporate earnings falls. This can create particular pressure for highly valued growth stocks.

HIGHER RATES COULD PERSIST

Markets are increasingly considering the possibility that elevated interest rates may last longer than previously expected. Persistent inflation and continued government borrowing could keep yields structurally higher even if economic growth begins to moderate.

For investors, bond markets therefore remain a key indicator of broader financial conditions. A further increase in long-term yields could tighten financing conditions and add pressure to equity valuations, making the direction of global government debt markets increasingly important for the wider economic outlook.



EURUSD

POLITICAL RISKS PRESSURE THE EURO

The euro fell toward \$1.1161, its weakest level since May 2025, as the prospect of an early election in Spain and concerns over France's fiscal outlook weighed on sentiment. Eurozone inflation reaching 3.8% has further complicated the ECB's policy outlook, while continued US dollar strength adds pressure on EUR/USD.

Technically, the bearish trend may continue while the pair stays below 1.1370. A decisive break below 1.1190 could deepen losses toward the psychological 1.1000 support level.



BRENT OIL

SUPPLY FEARS EASE FOR BRENT

Brent is trading near \$105 as easing supply pressure offsets persistent Middle East risks. Saudi Aramco's deeper November discount for Asian buyers, recovering flows through the Strait of Hormuz and the G7's emergency stockpile release are limiting gains. Saudi Arabia's East-West pipeline remains operational, while OPEC+ has kept next month's production quotas unchanged.

Technically, \$100 remains the key support level. Holding above it could preserve the broader upside structure, while renewed Middle East tensions could revive supply concerns and bring \$120 back into focus.



XAUUSD

GOLD TRAPPED BETWEEN \$4,100 AND \$4,200

Gold is holding between \$4,100 and \$4,200, supported by weaker US labor data and rising Middle East tensions, while high Treasury yields limit the upside. Slower job creation has reduced expectations for further Fed tightening, helping gold recover above \$4,150.

Technically, \$4,200 remains the key ceiling. A sustained break could extend gains, while a move below \$4,100 may increase selling pressure and bring lower support levels into focus.



XAGUSD

SILVER REMAINS UNDER PRESSURE BELOW \$65.30

Silver recovered above \$61 per ounce after weak US labor data reduced expectations for further Fed tightening. September payrolls increased by only 29,000, unemployment rose to 4.2%, and annual wage growth slowed to 3.0%. However, elevated Treasury yields continue to limit gains, while renewed Middle East tensions support safe-haven demand.

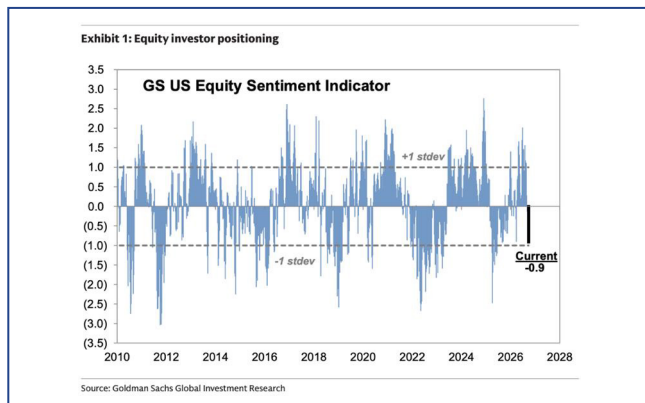
Technically, selling pressure may persist below \$65.30. The \$59.20-\$60.00 range remains key support, with a break lower potentially extending the decline.



MARKETS FACE OIL AND POSITIONING RISKS

Financial markets are navigating a difficult combination of geopolitical uncertainty, energy supply disruptions and changing investor positioning. The conflict in the Gulf remains a major source of risk, particularly through its effect on oil prices and inflation expectations.

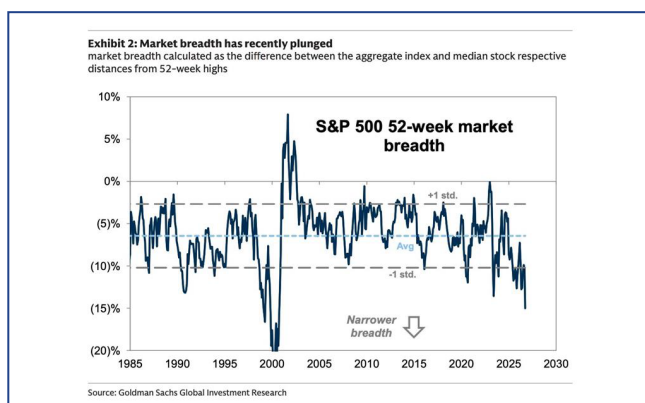
For equities, much will depend on whether these pressures begin to ease or remain a persistent feature of the macro environment.



US EQUITY POSITIONING TURNS CAUTIOUS

One notable shift has been the deterioration in US equity positioning. Goldman Sachs' equity sentiment indicator has moved lower, suggesting investors have become significantly more cautious as uncertainty has increased.

While this reflects weaker risk appetite, lighter positioning could also create room for a stronger recovery. If geopolitical tensions ease and interest rate expectations stabilize, investors may return to equities more quickly. This could provide renewed support for major US indices and potentially bring record highs back into focus.



MARKET BREADTH REMAINS WEAK

Positioning is not the only concern. Market breadth continues to show signs of weakness, with the performance of the average US stock lagging behind headline indices.

The S&P 500 can remain relatively close to its highs even when the median stock performs considerably worse. This suggests that gains remain concentrated among a smaller group of companies. A more sustainable market advance would generally require stronger participation across different sectors and individual stocks.

OIL AND YIELDS REMAIN KEY RISKS

Energy prices remain central to the broader outlook. Higher crude prices can keep inflation elevated, potentially encouraging tighter monetary policy and putting upward pressure on government bond yields.

For equities, this creates pressure through several channels. Higher yields can reduce the relative appeal of stocks and weigh on valuations, while elevated energy costs can squeeze corporate margins and reduce household spending power.

GULF DEVELOPMENTS IN FOCUS

The near-term macro outlook therefore remains closely linked to developments in the Gulf and global energy supply.

Any credible progress toward restoring disrupted supply could ease oil prices and improve investor sentiment. Until then, markets are likely to remain highly sensitive to crude prices, bond yields and geopolitical developments. Investor positioning and market breadth will also remain important indicators of whether any equity recovery is gaining broader support.

US PAYROLLS MISS FORECASTS AS HIRING SLOWS

Chart 1. Unemployment rate, seasonally adjusted, September 2024 – September 2026

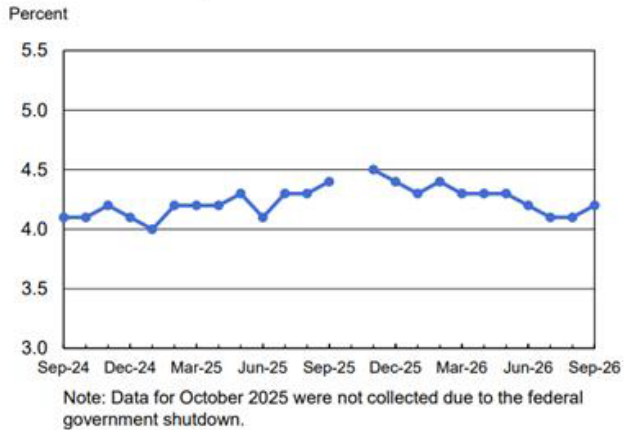
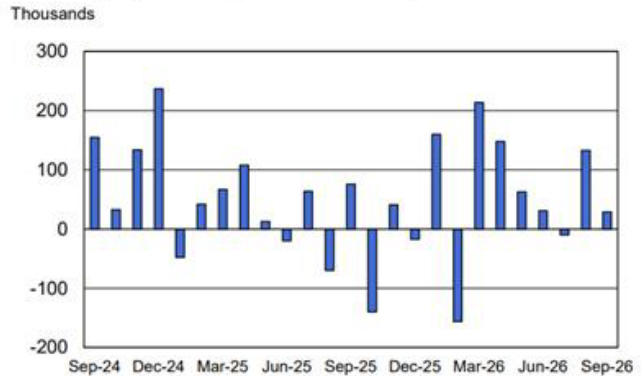


Chart 2. Nonfarm payroll employment over-the-month change, seasonally adjusted, September 2024 – September 2026



US job growth lost significant momentum in September, with nonfarm payrolls rising by just 29,000, far below expectations of around 95,000. Earlier figures were also revised down, with August's gain cut by 29,000 to 133,000 and July pushed back into negative territory.

The three-month average payroll gain fell to around 51,000, pointing to a much slower pace of hiring than earlier in the year. Healthcare was one of the few sectors still adding jobs, but even there, hiring ran at roughly half its 12-month average.

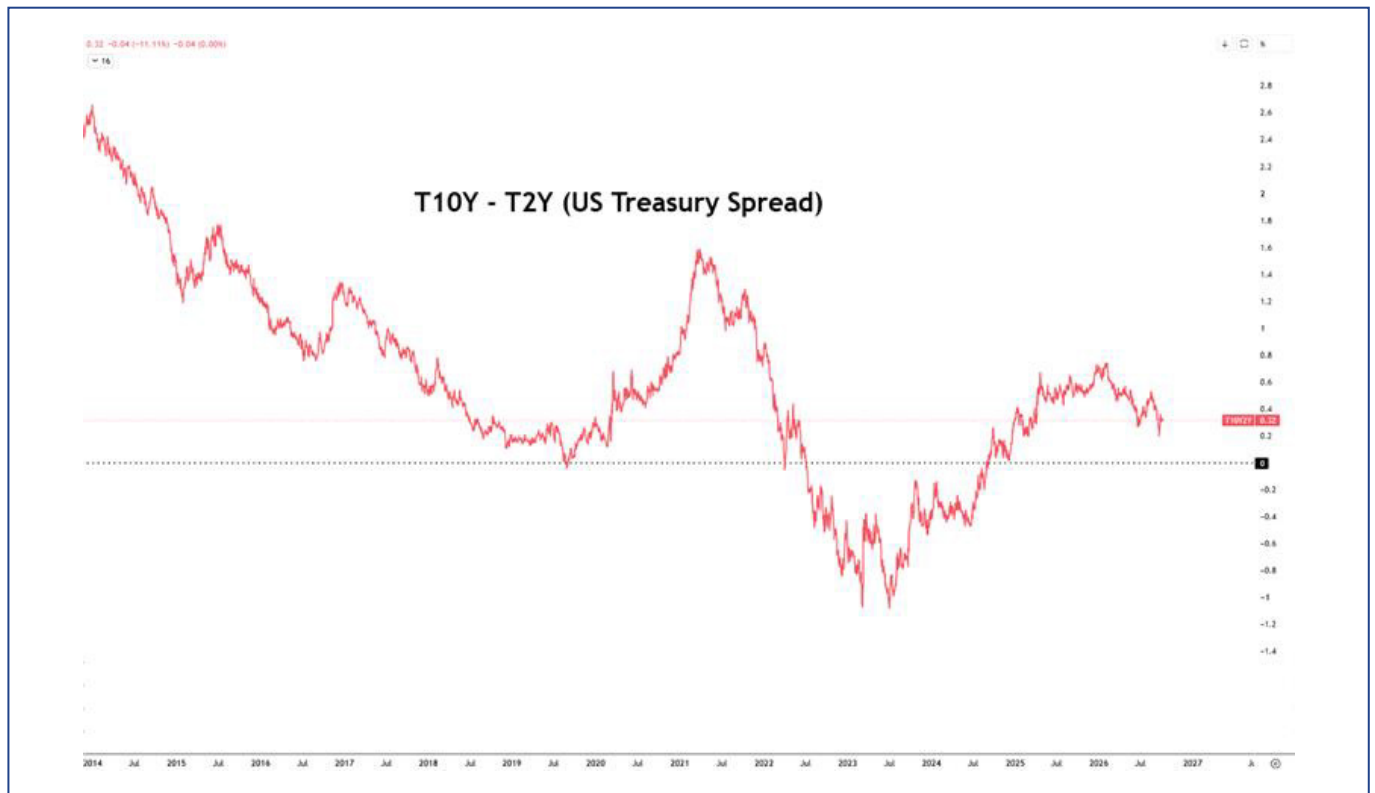
Wage pressures also softened. Average hourly earnings rose just 0.1% month-on-month and around 3% year-on-year, offering little sign that wage growth is adding fresh inflation pressure.

UNEMPLOYMENT RISES, BUT SO DOES PARTICIPATION

The unemployment rate edged up to 4.2%, while labor-force participation climbed to 61.8%, its highest in four months. That suggests part of the increase in unemployment came as more people returned to the workforce rather than solely through job losses.

The report points to a clear cooling in the labor market without signaling a collapse. With hiring slowing and wage growth losing momentum, pressure on the Fed to raise rates again in the near term could ease. Upcoming inflation data will now carry even more weight in determining the next policy move.

US YIELD CURVE NARROWS TO 32 BASIS POINTS



The gap between US 10-year and 2-year Treasury yields has narrowed again, with the 2Y-10Y spread falling to around 32 basis points. The curve remains positive, but the decline from roughly 70 basis points earlier in 2026 points to a notable shift in rate expectations.

SHORT-TERM YIELDS CATCH UP

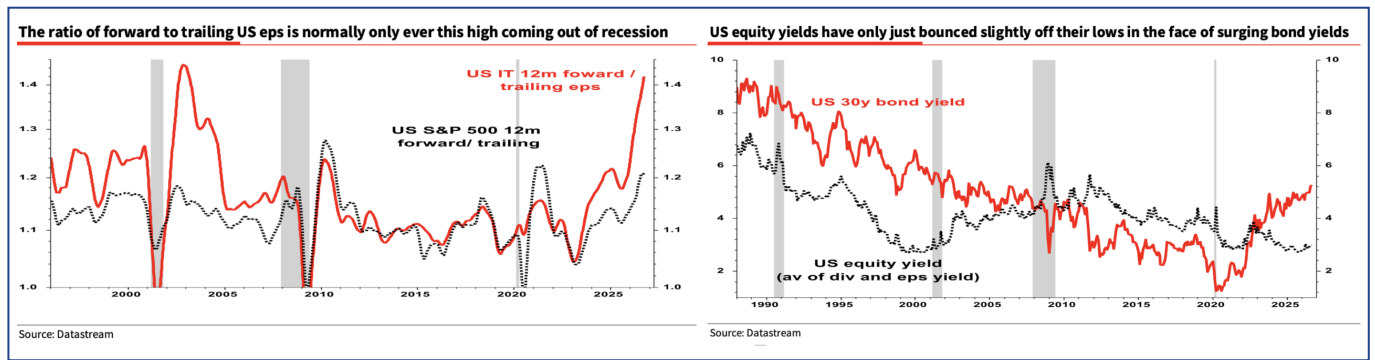
The narrowing reflects short-term yields rising faster than longer-term yields as expectations build that the Federal Reserve could keep policy tight for longer. Higher rates at the front end have gradually erased part of the curve's earlier steepening.

The curve is not inverted, but a further move toward zero would bring the relationship between monetary policy and growth back into sharper view. Historically, an inversion, when short-term yields rise above long-term yields, has often coincided with tight financial conditions and pressure on economic activity.

THE CURVE'S RECOVERY LOSES MOMENTUM

The latest move follows a major normalization after the deep 2022-2024 inversion. The spread had widened substantially as the curve returned to positive territory, reaching around 70 basis points earlier this year, before reversing course. That decline to 32 basis points suggests the normalization has lost some momentum as expectations around the Fed and the economic outlook shift again. The next direction will depend heavily on Fed expectations, inflation and growth data. A 32-basis-point spread is still some distance from inversion, but further flattening could signal growing concern that tighter policy will eventually weigh more heavily on growth.

HIGH YIELDS PRESSURE EQUITY VALUATIONS



Albert Edwards has warned that current equity market conditions are beginning to show similarities with previous market peaks, including 1999 and 2007. He argues that some of the narratives being used to support elevated valuations resemble those seen before earlier major market corrections.

BOND YIELDS CHALLENGE VALUATIONS

One of Edwards' main concerns is the bond market. Rising yields have already created additional pressure for equities, and their impact could become more significant if borrowing costs remain elevated.

Higher bond yields increase the returns available from fixed-income assets, making expensive stock valuations more difficult to justify. This is particularly relevant for highly valued companies whose prices depend heavily on expectations of future growth.

MARKET BREADTH SHOWS WEAKNESS

Another concern is narrowing market breadth. While major equity indices remain relatively strong, fewer individual stocks are participating in the advance.

Edwards views the widening gap between headline index performance and the broader market as a potential warning that the rally is becoming increasingly concentrated and less balanced.

EARNINGS EXPECTATIONS REMAIN CRUCIAL

Current valuations also rely on expectations for continued strong corporate earnings growth. If profits fail to meet these forecasts, highly valued stocks could face greater downside pressure as investors reassess their assumptions.

Long-term structural themes such as technology and artificial intelligence may continue to support markets. However, Edwards argues that short-term valuations may have moved ahead of underlying fundamentals, particularly while bond yields remain high.

His broader view is that headline equity performance may remain strong, but risks from high yields, narrow market participation and demanding earnings expectations are becoming increasingly important.

Market Roundup

EU PREPARES FOR FURTHER ENLARGEMENT

The European Union is moving toward another stage of enlargement, with the European Commission expected to introduce new proposals next week. The plans will focus on clearer timelines, responsibilities, and accession roadmaps for advanced candidate countries. Montenegro remains among the frontrunners, aiming to complete all negotiation chapters by the end of 2026 and secure EU membership by 2028.



US EXPANDS IRAN SANCTIONS

The US Treasury Department widened sanctions against Iran as part of its economic pressure campaign. The latest measures target the Russia-linked A7 shadow banking network, which Washington says has helped conceal sanctioned payments as ordinary commercial transactions. Several major Iranian companies were also sanctioned, including automakers Iran Khodro and SAIPA, along with the country's national railway operator.



TRUMP RENEWS PRESSURE ON POWELL

Political scrutiny of the Federal Reserve remains in focus. Donald Trump criticized Jerome Powell over cost overruns related to the Fed's building renovation and argued that he should leave the Board.

An internal watchdog identified weaknesses in project management and cost controls but found no evidence of criminal misconduct or administrative wrongdoing.



Image Source: Drew Angerer/Getty Images

LAGARDE DISCUSSES EARLY ECB DEPARTURE

Saudi Arabia's trade surplus narrowed to its smallest in over a year as exports fell faster than imports. Both oil and non-oil exports declined, while imports also dropped sharply, led by machinery and electrical equipment. China remained the country's largest export destination and import source.



Image Source: REUTERS/Jana Rodenbusch

Market Roundup

PARAMOUNT'S \$52 BILLION DEBT BET

Paramount raised \$52 billion in a bond sale to help finance its acquisition of Warner Bros. Discovery, marking the largest single-day debt issuance by a public company. Demand reached roughly \$150 billion, showing strong appetite for corporate credit despite high borrowing costs. Some bonds are expected to yield as much as 9.1%, highlighting how elevated Treasury yields are making major acquisitions increasingly expensive to finance.



BAB EL-MANDEB RETURNS TO THE OIL EQUATION

Supply concerns are building around the Bab el-Mandeb Strait after Yemen's government, which is backed by Saudi Arabia, announced a major military operation against areas controlled by the Houthis. Further disruption at the key shipping route could affect energy flows and raise freight costs, adding another source of pressure for oil and fuel prices.



CHINA TIGHTENS THE FUEL TAP

China has begun restricting exports of diesel, jet fuel and gasoline as domestic inventories decline, tightening supply at a time when disruptions in Russia, India and Iran are already affecting global fuel availability. Singapore diesel prices jumped around 5% in two days, while higher jet fuel costs could add pressure to airline expenses.



TESLA'S CAR BUSINESS SLOWS AS AI TAKES OVER

Tesla delivered 486,532 vehicles in Q3 2026, around 2% fewer than a year earlier, pointing to softer momentum in its core automotive business. The company is increasingly directing attention toward robotaxis, autonomous driving and artificial intelligence, making progress in those areas more important to its longer term growth case as vehicle deliveries lose momentum.



Image Source: REUTERS/Benoit Tessier

The Week Ahead

The US-Iran standoff stays at the center of the week, with efforts to reopen the Strait of Hormuz and bring the conflict in the Middle East closer to an end still in focus. The recent jump in government bond yields adds another key factor, while US data could reshape expectations for the Fed. The FOMC minutes, ISM Services PMI, and preliminary University of Michigan Consumer Sentiment are the main US releases. The week also brings the RBI rate decision, the OPEC meeting, Brazil's presidential election, and a broad mix of inflation, employment, and trade data.

AMERICAS

The Fed comes back into focus after raising rates in September for the first time since 2023. Wednesday's FOMC minutes and speeches from several officials could provide more detail on the policy outlook after Chair Kevin Warsh took a hawkish stance on inflation. Since then, weaker PCE inflation and payrolls, combined with more dovish comments from Fed officials, have largely removed expectations for another hike at the late-October meeting. The ISM Services PMI is forecast to show faster growth, potentially the strongest since February. University of Michigan consumer sentiment, however, is expected to stay near record lows as cost-of-living concerns persist. The US trade deficit is also likely to widen in August, with imports rising faster than exports. The final S&P Global Services PMI, consumer credit, and wholesale inventories are also due, while PepsiCo and Delta Air Lines report earnings. Brazil's presidential election on Sunday will be another major event. President Luiz Inácio Lula da Silva is expected to hold a slim lead in the first round, though polls suggest he could fall short of the majority needed to avoid a runoff. Brazil will also publish September inflation and services PMI data. Canada reports employment, trade, and Ivey PMI figures, while Mexico releases inflation and consumer confidence.

EUROPE

The ECB will release the accounts of its latest meeting after raising rates by 25 basis points in September, its second hike since the start of the US-Iran war. Germany has a busy data calendar, with industrial output expected to rebound while factory orders could decline after three consecutive monthly gains. The trade surplus is forecast to narrow slightly to \$19.2 billion. Euro area retail sales are projected to recover from July's decline, while producer prices are expected to rise 1.9% in August. France, Italy, and Turkey will publish industrial production figures, while services PMIs from Spain and Italy will give a fresh reading on activity. The UK calendar is quieter, with the Lloyds house price index, RICS house price balance, and construction PMI due. In Turkey, monthly inflation is forecast at 2.3%, which would bring the annual rate down to 30.3%, its lowest since November 2021. Poland's central bank is expected to hold rates for a tenth straight meeting. Other releases include Swiss unemployment and consumer sentiment, Russian inflation, and trade figures from Germany, France, and Turkey.

ASIA-PACIFIC

China will be quiet as financial markets stay closed for Golden Week until October 7, with no major economic releases scheduled. Japan has a fuller calendar, including wage growth, household spending, the current account, leading indicators, consumer confidence, machine tool orders, and the Reuters Tankan. August wage growth is expected to slow to 3.7%, while September consumer confidence could edge lower. In India, the Reserve Bank is expected to raise its policy rate by 25 basis points to 5.5%, its first move since December. Higher fuel and food costs are expected to push inflation higher in the fourth quarter, strengthening the case for a rate increase. Australia will publish consumer confidence, job ads, the industry index, and inflation expectations. Thailand, the Philippines, and Taiwan will release inflation figures, with Taiwan also reporting trade data. The Philippines and Malaysia publish unemployment numbers, while Singapore and Hong Kong release PMI data.



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