

ZITAPLUS

WEEKLY BULLETIN

19 — 23 OCT 2026
NO: 63

OIL IS FALLING. WHY AREN'T PRICES?

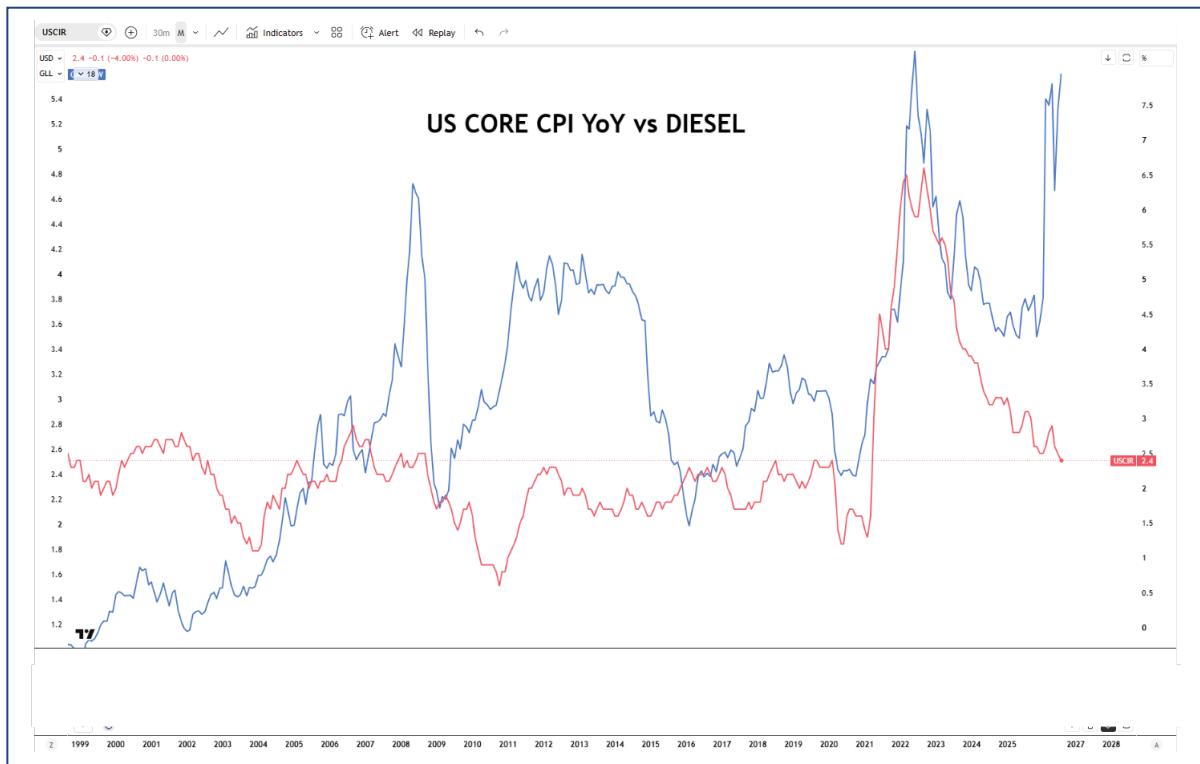


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TIME	CUR.	EVENT	FORECAST	PREVIOUS
MONDAY, OCT 19				
06:00		GDP (YoY) (Q3)	4.4%	4.3%
WEDNESDAY, OCT 21				
10:00		CPI (YoY) (Sep)	-	3.1%
THURSDAY, OCT 22				
16:30		Initial Jobless Claims	-	199K
FRIDAY, OCT 23				
17:45		S&P Global Services PMI (Oct)	-	58.8
17:45		S&P Global Manufacturing PMI (Oct)	-	55.9

OIL IS FALLING. WHY AREN'T PRICES?



Oil prices are falling, offering some relief after months of pressure from energy costs and Middle East tensions. Yet cheaper crude does not necessarily mean lower prices at the pump or on supermarket shelves. The benefits could take longer to reach consumers, leaving inflation concerns unresolved.

WHY CONSUMERS ARE STILL PAYING MORE

Energy costs influence far more than fuel prices. Transportation, manufacturing, agriculture, and distribution all depend on oil, meaning changes in crude prices can eventually affect the cost of everyday goods.

However, businesses may still be recovering from earlier increases in fuel and operating expenses. Even as oil becomes cheaper, companies can continue passing those costs to customers, delaying any meaningful decline in consumer prices.

CORE INFLATION REFUSES TO COOL

While falling energy prices could bring headline inflation down, core inflation, which excludes food and energy, has shown greater stability.

This distinction matters because persistent price pressures in services and other sectors can keep overall inflation high even when fuel costs decline. Lower oil prices alone may not be enough to reverse those trends.

FED NEEDS MORE THAN CHEAP OIL

Upcoming US inflation figures will offer a clearer indication of how much relief is reaching the broader economy. Softer readings could ease pressure on the Federal Reserve to keep interest rates high, while stubborn inflation may strengthen the case for tighter policy.

The challenge is that energy prices can change quickly, but their effects on consumer costs often take months to unfold. With Middle East supply risks still present, the latest oil decline offers some breathing room, but the next inflation reports will show how much of that relief is actually reaching households and businesses.



EURUSD

EUR/USD RECOVERS FROM EARLY LOSSES

EUR/USD opened the week under pressure as violent protests across Europe unsettled sentiment. The pair slipped toward 1.1180 before buying during the Asian session helped narrow the opening gap.

In the short term, EUR/USD could trade within the 1.1180–1.1260/1.1270 range. Concerns over France's fiscal outlook and the ECB's careful stance on rate policy may limit further gains, particularly if political unrest intensifies.



BRENT OIL

BRENT SLIPS ON RUSSIA SANCTIONS OUTLOOK

Brent crude faced downward pressure as expectations that Trump could ease certain sanctions on Russia weighed on sentiment. Meanwhile, growing tensions between the US and Ukraine added uncertainty to global energy markets, where geopolitical risks remain elevated.

Brent futures traded near \$107.95 per barrel, retreating from recent highs. Despite the pullback, prices remain almost 80% higher since the beginning of 2026, reflecting the strength of this year's oil rally.



XAUUSD

GOLD TESTS THE LIMITS OF ITS RANGE

Gold found support from lower bond yields and easing oil prices, helping the metal maintain its recent strength.

The key short-term level stands at \$4,160, with a break below potentially pushing prices toward \$4,140. On the upside, resistance lies around \$4,215–\$4,220.

Gold is trading within a broader \$4,090–\$4,250 range, with a sustained breakout needed to establish a clearer direction. With a light economic calendar this week, Fed rate expectations and US Treasury yields could drive the next move.



XAGUSD

SILVER TRADES IN A NARROW RANGE

Silver remains within the 56.80–58.00 range, reflecting short-term consolidation. Further declines in oil prices could ease inflation concerns and provide support for the metal.

A breakout above 58.00 may strengthen upward momentum, with 58.80–58.95 emerging as the next resistance area.

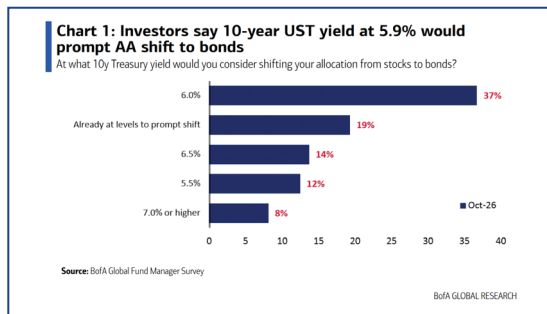
On the downside, a drop below 56.80 could trigger additional selling pressure, bringing 56.00 and 55.00 into focus as the next key support levels.



US TREASURY YIELDS COULD REACH 6%

Expectations for higher US Treasury yields are gaining attention as investors reassess the outlook for inflation, government borrowing, and Federal Reserve policy. A recent Bank of America fund manager survey suggests that some investors are becoming more interested in bonds as yields approach levels not seen in decades.

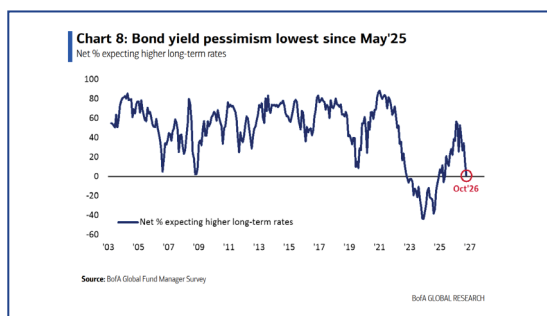
INVESTORS EYE THE 5.5% LEVEL



According to the survey, 37% of fund managers would consider increasing their bond holdings if the US 10-year Treasury yield reaches 5.5%. This indicates that higher yields could attract buyers looking for better returns from government debt.

However, not all investors are ready to enter the market. Some prefer to wait for further increases, particularly as expectations of a possible 6% yield gain attention.

FISCAL CONCERNS DRIVE YIELD EXPECTATIONS

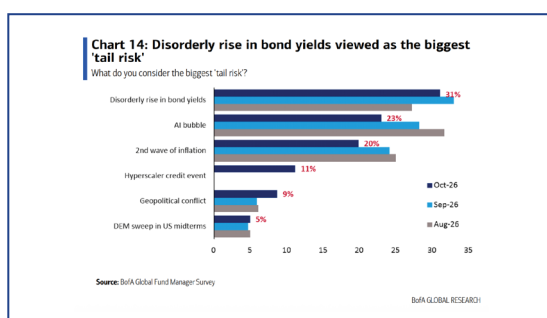


Several factors are contributing to expectations of higher long-term borrowing costs:

- **Rising government debt:** Growing federal borrowing requirements could increase Treasury supply.
- **Large budget deficits:** Persistent fiscal imbalances may keep pressure on long-term yields.
- **Inflation uncertainty:** Sticky inflation could encourage the Fed to maintain restrictive monetary policy for longer.

Together, these conditions are making investors more cautious about the direction of US government bonds.

BOND VOLATILITY REMAINS A CONCERN



Higher yields offer more attractive returns on newly purchased bonds, but they also create risks for existing bondholders. Since bond prices move inversely to yields, a sharp increase in rates can lead to substantial losses, particularly for longer-maturity securities.

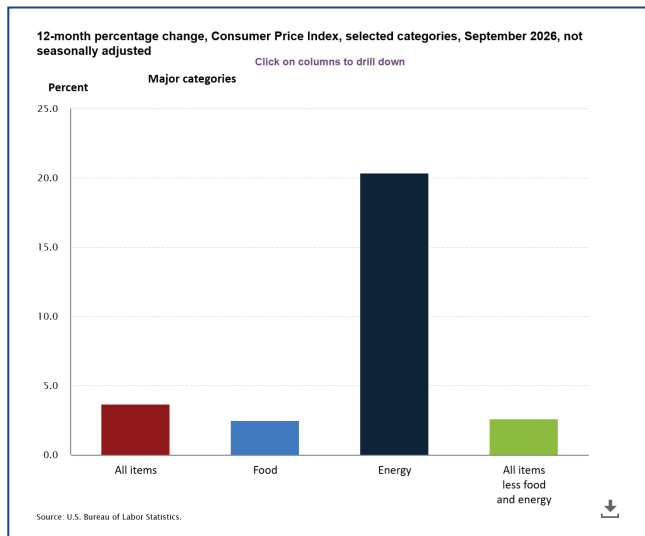
This explains why some fund managers remain hesitant despite improving yields. Continued volatility could make the timing of bond purchases increasingly important.

FED POLICY REMAINS IN FOCUS

The Federal Reserve's next policy decisions and the US government's financing needs will remain central to the Treasury market outlook. If inflation stays elevated, expectations for prolonged high interest rates could support further increases in yields.

For investors, 5.5% may represent an attractive entry point, while discussions of a possible 6% yield reflect growing concerns that tight financial conditions could persist.

US INFLATION PUTS FED ON ALERT



US inflation came in stronger than expected, raising fresh questions about the Federal Reserve's ability to maintain its current interest rate policy. The latest Consumer Price Index (CPI) report showed that price pressures remain persistent, despite earlier signs that inflation was beginning to ease.

The unexpected figures have prompted investors to reconsider how long the Fed can afford to remain patient before taking further action.

CORE INFLATION EXCEEDS FORECASTS

Core CPI, which excludes food and energy prices, increased by approximately 0.28% month over month, exceeding market expectations of 0.15%. Headline inflation also surpassed forecasts, suggesting that the

slowdown in consumer prices remains uneven.

The increase was not limited to energy costs. Higher used vehicle prices, rising medical service expenses, and price increases across other consumer categories contributed to the stronger reading.

This broader acceleration is particularly concerning for policymakers, as persistent inflation across several sectors can make it harder to achieve the Fed's 2% inflation target.

TREASURY YIELDS REACT TO CPI DATA

The bond market responded quickly to the inflation surprise. US Treasury yields moved higher, with shorter-term securities facing stronger selling pressure as investors adjusted their interest rate expectations.

Short-term yields are particularly sensitive to changes in monetary policy expectations. Their increase suggests that traders are considering the possibility of tighter financial conditions lasting longer than previously anticipated.

FED FACES DIFFICULT POLICY DECISIONS

The latest inflation figures have complicated the Federal Reserve's cautious approach. Policymakers have repeatedly emphasized the importance of incoming economic data when assessing interest rate decisions.

However, continued price pressures could limit the central bank's flexibility, particularly if inflation remains above expectations in the coming months.

Investors will now focus on upcoming economic indicators and comments from Fed officials for further guidance. Additional signs of persistent inflation could strengthen expectations for a more restrictive policy stance, keeping Treasury yields and borrowing costs elevated.

RUSSIA-UKRAINE CEASEFIRE IS IN DOUBT



Uncertainty continues over a proposed energy ceasefire between Russia and Ukraine after US President Donald Trump announced that both countries had agreed to halt attacks on each other's energy infrastructure. However, continued strikes and conflicting statements have raised questions about whether an agreement has been finalized.

CONTINUED ATTACKS RAISE DOUBTS

Ukrainian President Volodymyr Zelenskyy reported fresh Russian strikes targeting natural gas facilities in Kharkiv and other energy infrastructure. He argued that the attacks demonstrated Moscow's lack of commitment to a ceasefire.

The Kremlin, meanwhile, acknowledged that discussions were ongoing but stated that no final agreement had been reached, leaving the status of the proposed arrangement unclear.

ENERGY MARKETS SHAPE DIPLOMATIC EFFORTS

Reducing the war's impact on global energy supplies remains an important objective for the Trump administration. With oil prices already elevated amid Middle East tensions, Washington faces additional pressure to explore ways to stabilize international energy markets.

This has brought Russian oil exports and energy-related sanctions back into diplomatic discussions, particularly as governments assess potential measures to ease supply pressures.

EU MAINTAINS CAUTIOUS POSITION

The European Union remains reluctant to relax sanctions without evidence of a credible and lasting ceasefire. European officials continue to emphasize Ukraine's security and concerns that Russian energy revenues could support further military operations.

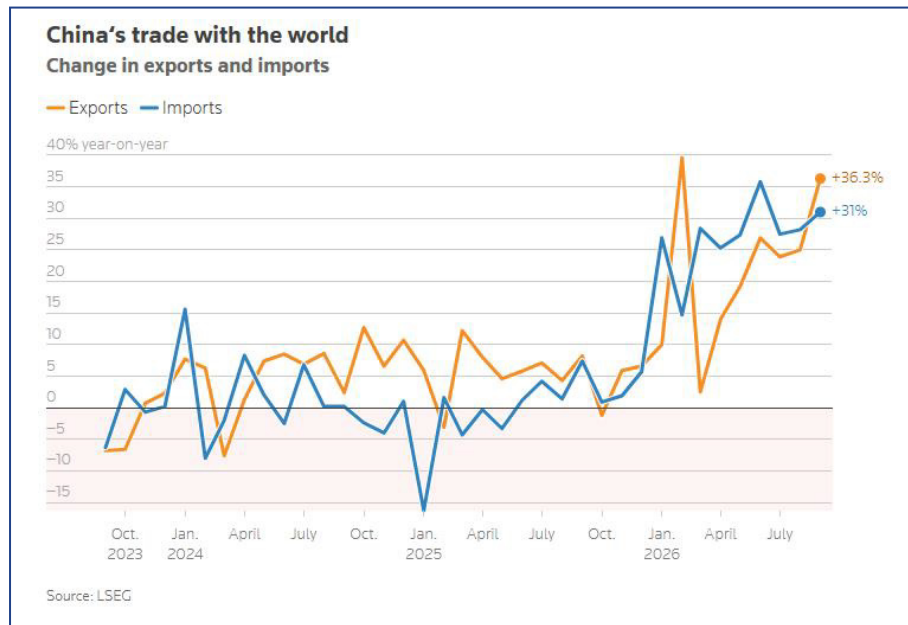
Any agreement would therefore need clear commitments from both sides and evidence that attacks on energy facilities had stopped.

UNCERTAINTY REMAINS

Despite Trump's announcement, a confirmed diplomatic breakthrough remains elusive. Continued infrastructure attacks, disagreements over the ceasefire's status, and elevated energy prices are keeping geopolitical risks in focus.

For investors, developments surrounding Russian energy exports and sanctions remain important factors influencing oil prices and broader market sentiment.

CHINA'S TRADE BOOM DEFIES WEAK DOMESTIC DEMAND



China's foreign trade continued its strong run in September, with exports rising more than 30% year-on-year, beating expectations despite global trade tensions and sluggish domestic demand. Imports also expanded, highlighting the country's manufacturing strength even as its broader economic recovery faces challenges.

AI DEMAND FUELS EXPORT GROWTH

The global investment boom in artificial intelligence and technology infrastructure has become a major driver of China's trade performance. Rising demand for electronic components, industrial machinery and technology equipment has supported overseas sales, while higher commodity and manufactured goods prices have lifted trade values.

Stronger imports also point to greater demand for raw materials and components used in industrial production.

A DIFFERENT REALITY AT HOME

China's export strength contrasts with persistent weakness in household spending. Producer prices have begun recovering after a prolonged period of deflation, partly due to higher energy and raw material costs. Consumer inflation, however, remains subdued, suggesting that rising production costs have yet to translate into stronger domestic demand. The gap reflects the difficulties facing China's efforts to revive consumption.

TRADE SURPLUS APPROACHES ANOTHER TRILLION DOLLAR YEAR

China is on track for a second consecutive annual trade surplus exceeding \$1 trillion, supported by export revenues that continue to outpace import spending. While the surplus contributes to industrial activity and economic growth, it also raises the possibility of further trade disputes with the United States and the European Union, where concerns about Chinese overcapacity and competition have intensified.

CAN EXPORTS CARRY THE RECOVERY?

Strong international demand continues to provide an important source of growth, but relying heavily on overseas sales leaves China vulnerable to trade restrictions and geopolitical developments. A more sustainable recovery will require stronger household consumption, improved business confidence and greater domestic investment. For Beijing, the challenge is turning its global trade success into broader economic strength at home.

Market Roundup

NETFLIX PLANS MAJOR JOB CUTS

Netflix is preparing its biggest round of job cuts since 2022, primarily targeting product, technology, legal, and HR departments. The restructuring comes after its failed bid to acquire Warner Bros. Discovery, adding to investor concerns over the company's growth plans.



Image Source: Michael Yanow/NurPhoto via Getty Images

APPLE DISPUTES \$5.7 BILLION PATENT AWARD

Apple is seeking to overturn a \$5.7 billion patent damages ruling related to haptic feedback technology in iPhones and Apple Watches. The company maintains that the decision is not supported by sufficient evidence.



Image Source: Future

IEA EXPECTS DIESEL SHORTAGES TO PERSIST

The International Energy Agency warned that diesel supply constraints could extend into 2027 despite slowing global demand. The agency expects oil demand to decline by 2.5 million barrels per day this quarter, while geopolitical tensions continue to threaten energy supplies.



Image Source: REUTERS/Sarah Meyssonier

RUSSIA-US DIESEL DELIVERIES BEGIN

Russian Deputy Prime Minister Alexander Novak confirmed that the first diesel shipments under a Russia-US supply agreement are underway. He also noted that Russian refinery operations have improved following recent repairs.

The shipments could provide some relief to tight global diesel markets, although broader supply risks remain significant.



Market Roundup

GOLDMAN SEES VALUE IN THE SELLOFF

Goldman Sachs upgraded its three-month outlook for global equities from neutral to overweight, citing strong corporate earnings and more attractive valuations before the Q3 earnings season. The bank sees recent stock declines as buying opportunities despite high interest rates, rising oil prices and growing debt concerns. It maintained its overweight stance on US and Asian equities while keeping Europe underweight, warning that energy and borrowing costs could still limit near-term gains.



EASTERN EUROPE'S FRAGILE COMEBACK

Fitch expects Central and Eastern Europe to see a moderate economic recovery in 2027, but persistent inflation and rising public debt could delay interest rate cuts. Political uncertainty is complicating efforts to reduce budget deficits, while the war in Ukraine and wider European security concerns add further risks to the region's outlook.



CHINA DRAGS ON GLOBAL STEEL

Global steel demand is expected to stay nearly flat at 1.722 billion tonnes in 2026 before growing 1.7% to 1.752 billion tonnes in 2027, according to the World Steel Association. The group lowered its forecasts as China's struggling property and infrastructure sectors weigh on consumption. Chinese demand is projected to fall 2% in 2026 and another 1% in 2027, while demand outside China is expected to grow around 1.5% in 2026, pointing to an uneven global recovery.



The Week Ahead

A busy week lies ahead, with rising energy risks, major corporate earnings and fresh economic data offering plenty of reasons for volatility. Results from Meta, Tesla, Netflix and other major companies will offer fresh insight into AI spending and corporate performance. Flash October PMIs across major economies, US housing figures, UK inflation and employment data, and China's third-quarter GDP will provide a broader view of global economic conditions.

AMERICAS

US earnings season gathers pace with reports from Meta, Tesla, Netflix, 3M, GM, Philip Morris, Texas Instruments, IBM, P&G, Honeywell, American Express and GE Aerospace. Fed officials enter their blackout period before the October 28 policy meeting, shifting the focus to economic releases. Flash October PMIs are expected to show slower but solid growth in manufacturing and services. Housing data may point to softer conditions, with the NAHB index projected to decline, building permits holding near 1.40 million, housing starts rising to 1.30 million, and pending home sales flattening after August's 0.3% gain. Final Michigan consumer sentiment, the Kansas City Fed Manufacturing Index and the Conference Board's Leading Economic Index are also due.

In Canada, September CPI is forecast to rise 0.2% monthly, reversing August's 0.1% decline, while annual core inflation is expected to hold at 2.6%. Producer prices and retail sales will follow, alongside mid-month inflation figures from Mexico and Brazil.

EUROPE

Flash October PMIs will offer an early look at European business activity. Eurozone manufacturing and services are expected to expand at a slightly slower pace, while German manufacturing should maintain solid growth and services could reach an eight-month high. Sentiment may be less encouraging, with Germany's ZEW index projected to fall after five monthly gains and Eurozone confidence also expected to weaken.

The UK faces a particularly busy calendar. Annual inflation is forecast to reach 3.4%, a nine-month high, with core inflation climbing to 2.7%, its strongest since March. Unemployment could rise to 5%, also a March high, while wage growth including bonuses is expected to slow to 3.8%, its weakest since 2020. Retail sales, CBI business surveys and GfK consumer confidence will add further insight. Other releases include Eurozone consumer confidence and car registrations, German producer prices, Switzerland's trade balance and data from France and Turkey. Turkey's central bank will announce its rate decision after five consecutive holds through September. Corporate earnings include ABB, EssilorLuxottica, SAP, Nestlé, L'Oréal and Hermès.

ASIA-PACIFIC

China's third-quarter GDP is forecast to grow 4.4% annually, up from 4.3% in Q2. September industrial production is expected to accelerate to 5.4% from 5.2%, while retail sales growth could edge up to 0.5% from 0.4%. Fixed asset investment is likely to stay in contraction, and the PBOC is expected to maintain its one-year and five-year loan prime rates at 3% and 3.5%. Japan will publish inflation, trade and flash PMI figures. Core inflation is projected to rise to 2.1%, its highest this year, while the trade deficit could narrow to JPY 250 billion and manufacturing activity is expected to improve.

India and Australia will release October PMIs, while New Zealand and Malaysia report trade data. Inflation figures are due from New Zealand, Malaysia, Hong Kong and Singapore, with unemployment releases from Hong Kong and Taiwan and producer prices from South Korea. Rate decisions from Bank Indonesia, the Bank of Korea and the Bangko Sentral ng Pilipinas complete the regional calendar.



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