

US mortgage costs just took the stairs and the elevator

Macro headlines

US mortgage rates surged, with the 30-year fixed rate jumping 25bp to 7.28%, the largest weekly increase since October 2022, as the accelerating sell-off in Treasuries tightened financial conditions ahead of midterm elections. The move underscores the transmission of long-end yield pressure into the housing market, where affordability constraints are already acute. On the monetary policy, Fed Vice Chair Jefferson pushed back against expectations for an October rate hike, joining other policymakers signaling caution as markets price a higher-for-longer regime. Turning to macroeconomic data, the ISM manufacturing PMI slipped marginally to 54.5, marking a ninth consecutive month of expansion but showing slower momentum. The prices paid index surged to 77.9, its fastest pace since May, with 58.6% of respondents reporting higher input costs. Labor market data remained strong. Initial jobless claims fell to 197k, the lowest since July, while continuing claims dropped to 1.7m, a three-year low. The data reinforces a picture of a labor market that remains resilient. Inflation pressures intensified in Europe. Swiss inflation rose to 1.0%, the highest since August 2024, driven by imported energy costs. In Japan, manufacturers' confidence hit an eight-year high, while Tokyo core inflation accelerated at its fastest pace in ten months, strengthening the case for further Bank of Japan tightening. Non-manufacturers' sentiment softened, highlighting uneven domestic momentum. Geopolitics added a fresh layer of risk. According to the FT, the US is deploying seven additional warships and at least 9,000 troops to the Middle East as President Trump weighs resuming strikes on Iran after the November midterms. The escalation reinforces the link between geopolitical tension, energy market volatility, and global inflation expectations. The macro backdrop entering payrolls day is defined by rising mortgage stress, persistent price pressures, resilient labor conditions, and intensifying geopolitical risk – a combination that makes markets slightly more sensitive to today's data.

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Market performances

Bond markets staged a partial rebound on Thursday after a rout that earlier pushed the US 10-year yield to 5.34%, its highest since 2002. Investors stepped in as yields reached levels deemed attractive, with the 10-year falling 5bp to 5.237% and the 30-year declining to 5.606%. The 2-year yield posted its largest single-session decline since August 2025, dropping 10.39bps to 4.783%, reflecting reduced expectations for an October Fed hike following Jefferson's remarks. The reversal comes after the largest quarterly rise in 10-year yields since 1994 and sharp yield increases across Europe and Asia, driven by soaring energy costs and expectations that AI-driven investment will lift long-term growth and neutral rates. Equities ended slightly higher, supported by easing yields and strong corporate news. The Dow rose 0.04%, the S&P 500 gained 0.19%, and the Nasdaq edged up 0.04%. Micron rose 3% after issuing a better-than-expected revenue forecast and announcing USD32bn in customer commitments under long-term supply agreements, reinforcing robust AI-memory demand. Global equities were mixed: MSCI's world index fell 0.13%, and the STOXX 600 dropped 1.3%, pressured by a sharp decline in the euro, which fell below EUR1.13 for the first time since May 2025. European assets were hit by rising yields and fears that higher energy costs could trigger renewed financial stability concerns. Markets enter Friday with yields elevated, oil surging, and risk appetite fragile – a setup that places outsized importance on the September payrolls report.

What's Next

All attention turns to the US September payrolls report. Markets expect c100k job gains, following August's upside surprise of 162k. ADP readings imply a monthly pace near 80k, while preliminary

PMIs showed stronger employment components across services and manufacturing. Average hourly earnings are expected to rise 0.3% m/m, keeping the 3.2% y/y rate steady. The unemployment rate is forecast at 4.1%, with labor force participation edging up to 61.7%. A second consecutive upside surprise would reinforce labor market resilience and complicate the Fed's near-term policy calculus; a downside miss would strengthen the case for holding rates steady in October. Beyond payrolls, the US releases factory orders, providing insight into business investment momentum. Brazil publishes industrial production, Norway releases unemployment, and the eurozone issues flash HICP (3.8% y/y) and core HICP (2.5% y/y). Russia reports Q2 GDP, Korea releases CPI, Japan publishes labor market data, Hong Kong releases retail sales, and Singapore publishes manufacturing PMI. The weekend brings the OPEC+ monthly meeting and Brazil's presidential and parliamentary elections, while the UK Conservative Party conference begins in Birmingham.

Daily Market View

Investment Strategy ♦ October 02, 2026

Performance snapshot*					
Rates	Latest	1D (bp)	1M (bp)	3M (bp)	
SOFR	3.88	0.00	24.00	20.00	
UAE Eibor 3m	4.32	-2.44	45.33	49.91	
UAE Eibor 12m	5.09	-1.71	62.16	95.54	
US 3m Bills	4.11	-3.42	34.84	29.94	
US 10yr Treasury	5.28	4.87	60.87	81.97	
German 10yr Bund	3.59	-4.00	33.30	72.60	
UK 10yr Gilt	5.42	1.40	39.40	66.70	
Fixed Income		1D (%)	1M (%)	3M(%)	
Global Agg. Index	488	0.07	-2.78	-2.46	
Global Treasuries	202	0.11	-2.46	-2.00	
Global Corporate	294	0.05	-3.26	-3.37	
EM USD Sovereign	449	-0.17	-3.63	-4.25	
EM LCY Sovereign	168	0.15	-0.71	1.58	
Global High Yield	1,860	-0.07	-3.12	-2.24	
Currencies					
Dollar Index	101.45	0.08	2.31	0.26	
EUR USD	1.1330	-0.11	-2.77	-0.81	
GBP USD	1.3265	0.25	-2.41	0.02	
USD JPY	157.41	0.08	-1.24	-3.16	
Equities					
S&P 500	7,652	-0.25	-1.03	2.03	
Dow Jones	50,906	-0.86	-4.97	-2.70	
NASDAQ	26,861	0.24	1.20	2.47	
STOXX 600	635	-0.50	-2.60	-1.07	
DAX	25,199	-0.79	-4.43	0.81	
Nikkei 225	66,754	1.94	0.94	-4.72	
FTSE 100	10,606	-0.29	-1.73	1.04	
SENSEX	72,480	-0.07	-5.79	-5.23	
Hang Seng	24,613	0.37	-3.73	7.57	
MSCI World	4,903	-0.13	-1.82	1.60	
MSCI EM	1,705	0.18	-1.04	-1.05	
Regional Equities					
ADX	10,070	-0.61	0.26	2.71	
DFM	5,961	-0.46	1.32	0.08	
Tadawul*	10,441	-0.14	-5.67	-3.03	
DSM*	9,245	-0.67	-5.03	-7.59	
MSM30*	7,567	-0.16	-0.85	5.61	
BHSE*	1,908	0.05	-1.52	-2.95	
KWSE*	8,779	-0.21	-0.69	0.94	
Commodities					
BBG Commodity Index	141.8	0.40	1.21	15.11	
Brent USD/bbl	103.53	0.92	15.42	41.98	
WTI USD/bbl	90.42	1.16	8.25	30.10	
Gold USD/t oz	4,157.4	-0.60	-9.60	3.73	
Silver USD/t oz	60.4	-1.71	-12.74	3.12	

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Platinum USD/t oz	1,716.2	0.17	-7.25	10.54
Aluminum	3,176.0	-1.47	-1.89	3.24
Copper USD/MT	14,487.0	0.09	-0.02	8.59
Digital Assets				
Bitcoin	83,621.2	0.03	4.39	42.60
Ether	2,681.1	-0.28	6.89	70.35
Solana	118.0	-0.92	8.20	60.26
XRP	1.5	-0.40	2.47	43.29
Volatility				
VIX	16.34	1.87	12.61	-0.67
MOVE	110.45	3.61	58.10	53.49

Source: Bloomberg, and ADCB Asset Management *Notes: Data as at 8:00AM UAE time – October 02, 2026. Performance in local currency terms.

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