

Euro cracks, services heat up, and mega caps lift

Macro headlines

The Nobel Prize in medicine went to scientists (Deisseroth, Hegemann, and Nagel) who can switch brain cells on and off with light. Markets would like the same feature for bond yields. Wouldn't it be cool to have one flash to calm the euro, another to cool services inflation, and maybe a third to stop oil from behaving like a runaway neuron? Back to reality, Euro slid to 17-month lows below 1.12 against the USD, reflecting mounting stress around France's fiscal trajectory. Investors are dumping French bonds and rotating into German debt as Paris attempts to push through an unpopular 2027 budget aimed at containing its record high debt load. Political fragmentation ahead of next year's presidential election has amplified concerns, widening French-German spreads and spilling over into broader euro area pricing. The euro also weakened against GBP, CHF, and JPY, underscoring the breadth of the move. Global activity data painted a contrasting picture. The Global Composite PMI rose to 54.3 in September, a 40-month high, marking the sixth consecutive monthly acceleration. New orders strengthened and business optimism improved, but input-cost inflation picked up to a four-month peak, suggesting that global demand strength is colliding with persistent supply side pressures. In the US, the ISM non-manufacturing PMI slipped to 54.9, but the prices paid index jumped to 74.0, its highest in more than four years. Supplier deliveries slowed for the 22nd straight month, and survey respondents highlighted rising fuel costs – reinforcing the risk that services sector inflation remains sticky well into 2027. The UAE's non-oil private sector continued to expand at seven-month high rate, with the Dubai PMI rising to 54.5 and country's output prices increasing at the fastest pace in over 15 years. Strong demand and rising input costs boosted pricing power, while employment rose and backlogs accumulated. Eurozone PPI accelerated 1.9% m/m and 8.2% y/y in August, reflecting broad industrial cost pressures. Türkiye's inflation dipped below 30% for the first time in nearly five years, easing to 29.73% in September, though the decline remains fragile given recent energy price shocks.

Market performances

Wall Street rallied as mega-cap technology stocks led gains, with Nvidia, Meta and Microsoft lifting the Nasdaq to a fresh record high. The Nasdaq rose 1%, the S&P 500 gained 0.7%, and the Dow added 0.18%. MSCI's global index climbed 0.7%, while the STOXX 600 rose 0.4%, despite French equities sliding to a six month low on fiscal concerns. Latin American markets outperformed, with Brazilian equities and the BRL surging after Senator Flavio Bolsonaro advanced to a runoff against President Lula. The euro's slide provided fresh support for the dollar, which strengthened alongside elevated US yields. The euro recovered slightly to 1.122, but remained under pressure after touching 1.1160. The premium on French 10 year bonds over German equivalents surged above 150bps, the widest since 2011, reflecting deepening investor unease. Benchmark US 10 year yields rose 3.2bps to 5.31%, with borrowing costs across major economies holding near multi year highs amid deteriorating public finances, heavy debt issuance, and elevated energy prices. Fed repricing also shaped market tone. Weak US payrolls last week reduced expectations for an October rate hike, with markets now pricing only a 24% probability of a move this month, down from 64% a week ago. A December hike remains largely priced in. Asian equities rallied, with Japan's Nikkei up 2.4% and MSCI Asia ex Japan up 1.3%. Oil prices fell as Middle East crude exports increased and the G7 pledged to boost supplies, though geopolitical risks limited selling. Brent settled at USD100.32/bbl, down 1.89%, while WTI fell 1.84% to USD89.43/bbl. Gold held steady at USD4,143/oz. Markets continue to navigate a widening divergence: strong global growth, sticky services inflation, euro area fiscal stress, and US mega cap resilience – all against the backdrop of elevated yields.

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What's Next

Today's calendar features a broad mix of trade, industrial, and inflation data across major economies. The US releases the August goods-and-services trade balance, while Canada publishes merchandise trade. Brazil reports its monthly trade balance. Germany releases industrial orders, expected to show a rebound after July's decline, while France publishes industrial and manufacturing production. The eurozone releases retail sales, and Romania and Hungary publish retail and industrial data. Czech CPI (flash), Hong Kong PMI, Philippines CPI, India's composite and services PMIs, and Thailand CPI round out Asia's data slate. Central bank communication remains heavy: Bank of Japan Governor Ueda speaks at the annual securities lobby meeting; New York Fed President Williams moderates a governance discussion; and Dallas Fed President Logan hosts a conversation with former Banco de México Governor Carstens. Sweden announces the Nobel Prize in physics.

Daily Market View

Investment Strategy ♦ October 06, 2026

Performance snapshot*				
Rates	Latest	1D (bp)	1M (bp)	3M (bp)
SOFR	3.88	0.00	22.00	24.00
UAE Eibor 3m	4.30	7.56	31.21	32.63
UAE Eibor 12m	5.05	-2.15	65.21	90.16
US 3m Bills	4.11	1.80	25.99	35.98
US 10yr Treasury	5.30	3.40	50.65	82.14
German 10yr Bund	3.49	3.10	14.90	55.80
UK 10yr Gilt	5.42	5.20	19.80	63.60
Fixed Income		1D (%)	1M (%)	3M(%)
Global Agg. Index	486	-0.26	-2.46	-2.75
Global Treasuries	201	-0.26	-2.17	-2.34
Global Corporate	293	-0.23	-2.92	-3.66
EM USD Sovereign	447	0.01	-3.55	-4.50
EM LCY Sovereign	168	0.27	-0.31	1.59
Global High Yield	1,851	-0.10	-3.19	-2.76
Currencies				
Dollar Index	102.17	0.23	2.50	1.30
EUR USD	1.1223	-0.28	-3.19	-1.87
GBP USD	1.3222	-0.14	-2.18	-0.96
USD JPY	157.91	0.04	-1.42	-2.13
Equities				
S&P 500	7,774	0.66	1.87	3.88
Dow Jones	51,268	0.18	-2.84	-3.09
NASDAQ	27,477	1.05	5.28	6.37
STOXX 600	634	0.36	-2.14	-2.93
DAX	25,254	0.09	-2.76	-2.04
Nikkei 225	69,947	2.40	5.64	0.29
FTSE 100	10,498	0.34	-2.70	-1.70
SENSEX	72,382	0.66	-5.93	-6.92
Hang Seng	24,040	0.28	-5.09	2.96
MSCI World	4,953	0.54	0.40	2.28
MSCI EM	1,740	1.81	0.73	1.07
Regional Equities				
ADX	10,011	0.38	0.36	1.11
DFM	5,908	0.12	1.27	-2.49
Tadawul*	10,480	-0.25	-4.79	-1.04
DSM*	9,285	1.08	-5.49	-6.41
MSM30*	7,730	0.68	1.07	6.22
BHSE*	1,902	-0.23	-1.40	-2.75
KWSE*	8,639	-0.59	-3.40	-1.35
Commodities				
BBG Commodity Index	142.0	0.37	-0.85	15.41
Brent USD/bbl	100.32	-1.89	5.99	39.10
WTI USD/bbl	89.43	-1.84	-0.88	30.19
Gold USD/t oz	4,139.5	-0.04	-4.37	-0.90
Silver USD/t oz	61.1	1.18	-4.69	-2.15

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Platinum USD/t oz	1,726.5	1.47	-1.06	5.08
Aluminum	3,126.9	0.93	-4.90	1.23
Copper USD/MT	14,430.0	0.52	0.24	8.51
Digital Assets				
Bitcoin	85,780.4	1.59	10.81	36.78
Ether	2,712.0	1.91	12.06	53.69
Solana	120.6	2.42	20.54	45.92
XRP	1.5	2.22	11.14	32.17
Volatility				
VIX	15.52	1.37	-5.02	-1.83
MOVE	113.60	5.88	45.87	73.70

Source: Bloomberg, and ADCB Asset Management *Notes: Data as at 8:00AM UAE time – October 06, 2026. Performance in local currency terms.

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