

Yields set the tone, and everything else followed

Macro headlines

Rates were the thread running through the week, and their reach went well beyond bond desks. The week opened on a calmer note, as the US and China agreed to cut tariffs on USD30bn of goods each way and launched a dialogue on AI after President Xi's visit. From there, attention turned to the cost of money. The 30 year US mortgage rate jumped 25bp to 7.28%, its largest weekly rise since October 2022. Fed speakers mostly leaned hawkish, with Williams pointing to one more hike this year, although Vice Chair Jefferson pushed back on an October move late in the week. The US data described a sturdy economy with stubborn price pressures. Households are feeling the squeeze: consumer sentiment slipped to 48.1 and Conference Board confidence fell to 81.9, its lowest since 2014, while JOLTS openings eased to 7.079m. Activity, however, held up well. ADP showed 90k private jobs in September, jobless claims fell to 197k, and Q2 GDP was revised up to 2.2%. August PCE was a touch cooler than expected, with core at 3.0% y/y, but ISM prices paid rose to 77.9, the fastest since May. Friday's payrolls then changed the tone: the economy added just 29k jobs in September against 90k expected, July and August were revised down by a combined 60k and July now shows a 10k loss, the unemployment rate ticked up to 4.2% with participation at 61.8%, and factory orders rose 0.1%. The report raises the question of whether September's hike has tightened conditions more than intended, while Treasury Secretary Bessent argued that the rise in yields reflects global trends rather than US specific stress. Inflation kept running warm outside the US too. Spain's HICP reached 5.0%, Italy 4.1%, France 3.4% and Germany 3.3%, and euro area inflation reached 3.8% y/y in September on energy and food, with policymakers signalling the possibility of three more ECB hikes. The RBA lifted rates to 4.60%, its fourth increase this year, and Japan's Tankan showed manufacturer confidence at an eight year high, while China moved the other way, trimming its PSL lending rate by 25bp to 1.5% and adding mortgage support for first time buyers. AI stayed in the spotlight. Anthropic's IPO filing showed a USD42bn net loss in 2025 alongside revenue up twelvefold to USD4.6bn, the FTC widened its probe into AI firms, and AI related corporates continued to signal strong demand. On geopolitics, US Iran talks continued through mediators after President Trump rejected Tehran's offer to reopen the Strait of Hormuz, and the US is now moving seven warships and at least 9,000 troops to the Middle East. Energy geopolitics stayed live into the weekend: Yemen's Houthis claimed a missile and drone strike on an Aramco facility in Riyadh, OPEC+ left November production targets unchanged, Saudi Arabia cut official selling prices to Asia to six year lows, and the G7 agreed to release 100m barrels of crude and diesel from emergency reserves, even as Middle East crude exports ran above pre war levels on four of the last seven days of September.

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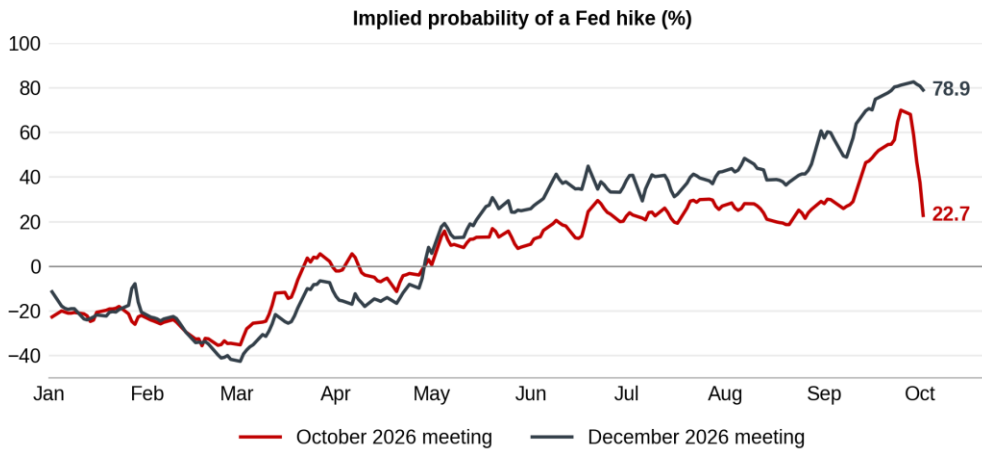
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Market performances

Bonds had a tough end to the quarter. September was the worst month for global bonds in years, with the US 10 year yield up 53bp, its largest monthly increase since 2022 and its biggest quarterly rise since 2009. The 10 year touched 5.34% during the week, its highest since 2002, before buyers stepped in; it still ended the week c10bp higher at 5.281%, a fifth consecutive weekly rise. The 2 year had its biggest one day drop since August 2025, easing to 4.783% as October hike bets cooled, before closing the week at 4.827%; markets now price around an 80% probability that the Fed holds in October. The pressure was global: Japan's 10 year reached 3.121%, a level last seen in 1996, and France's 10 year posted its largest quarterly rise in almost four decades, widening the French German spread to its highest since 2012. Equities were choppy but resilient. Stocks started from a firm footing after a positive Friday, dipped on Monday as the Nasdaq fell 0.9%, then steadied and rallied on Friday as the soft payrolls print pushed out hike expectations, with the Nasdaq up 1.2%, the S&P 500 0.7% and the Dow 0.5%. For the week the S&P 500 slipped 0.27% and the Dow fell 1.26%, while the Nasdaq gained 0.45%. European shares had a harder time, with the STOXX 600 down 1.3% on Thursday as the euro weakened, before recovering 0.75% on Friday. Oil remained the swing factor. Brent ended September up 14%, its strongest month since July. The dollar firmed alongside higher US yields, pushing the euro below 1.13 for the first time since May 2025, although the dollar gave some back on Friday, with the euro at 1.1259 and the yen at 157.79. Gold gave back ground as real yields rose, easing from around USD4,291/oz to USD4,136/oz by Friday. Markets closed the week navigating soft labour data, rising yields, wider European spreads and renewed energy stress, a mix that keeps risk appetite fragile.

Chart of the Week: October hike bets ease, December stays in view



Source: Bloomberg, ADCB Asset Management | Note: negative values indicate an implied probability of a rate cut.

Weekly Market View

Investment Strategy ♦ October 5 2026

Performance snapshot*				
Rates	Latest	1W (bp)	3M (bp)	YTD (bp)
SOFR	3.87	-3.00	23.00	0.00
UAE Eibor 3m	4.22	-12.25	25.08	74.83
UAE Eibor 12m	5.07	-4.11	92.31	145.48
US 3m Bills	4.07	-7.29	34.18	46.62
US 10yr Treasury	5.26	11.02	78.74	110.36
German 10yr Bund	3.46	-13.90	52.70	60.70
UK 10yr Gilt	5.37	0.00	58.40	88.70
Fixed Income		1W (%)	3M (%)	YTD (%)
Global Agg. Index	487	-0.51	-2.49	-2.78
Global Treasuries	202	-0.45	-2.08	-3.05
Global Corporate	294	-0.65	-3.44	-3.35
EM USD Sovereign	447	-1.43	-4.51	-2.52
EM LCY Sovereign	168	-0.15	1.31	3.16
Global High Yield	1,853	-1.14	-2.67	-0.52
Currencies				
Dollar Index	102.35	0.95	1.07	3.67
EUR USD	1.1190	-1.19	-1.59	-4.18
GBP USD	1.3206	-0.05	-0.82	-1.74
USD JPY	158.04	0.36	-2.16	0.73
Equities				
S&P 500	7,723	-0.27	3.20	12.81
Dow Jones	51,177	-1.26	-3.26	6.48
NASDAQ	27,191	0.45	5.26	16.99
STOXX 600	631	-1.14	-3.28	6.61
DAX	25,231	-0.70	-2.13	3.02
Nikkei 225	69,759	2.93	-2.06	35.70
FTSE 100	10,462	-2.18	-2.03	5.34
SENSEX	72,188	-2.69	-7.53	-15.62
Hang Seng	23,952	-2.19	2.66	-6.47
MSCI World	4,926	-0.64	1.73	11.19
MSCI EM	1,709	-1.35	-0.73	21.69
Regional Equities				
ADX	9,973	-2.23	0.73	-0.20
DFM	5,901	-1.32	-2.60	-2.41
Tadawul*	10,393	-1.94	-4.01	-0.93
DSM*	9,192	-3.01	-9.98	-14.59
MSM30*	7,599	0.59	0.31	29.52
BHSE*	1,905	0.05	-6.44	-7.84
KWSE*	8,714	-1.40	0.20	-2.18
Commodities				
BBG Commodity Index	141.5	-1.95	14.98	29.01
Brent USD/bbl	101.8	-1.98	41.78	68.04
WTI USD/bbl	90.2	-1.41	32.64	58.67
Gold USD/t oz	4,139.7	-3.35	-0.86	-4.13
Silver USD/t oz	61.0	-6.12	-3.29	-15.77
Platinum USD/t oz	1,716.4	-4.52	3.56	-17.42
Aluminum	3,098.2	-5.39	0.30	4.01
Copper USD/MT	14,355.0	-2.61	7.94	14.80

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Digital Assets				
Bitcoin	85,681.9	0.68	34.63	-3.66
Ether	2,703.3	-0.84	50.81	-10.63
Solana	120.4	-3.13	42.46	-5.24
XRP	1.5	-5.68	29.30	-19.95
Volatility				
VIX	15.31	2.96	-3.16	2.41
MOVE	107.29	11.76	64.05	67.75

Source: Bloomberg, and ADCB Asset Management | Notes: *Data as of October 05, 2026.

Forthcoming important economic data/events

United States



Date & Time (GST)	Indicator	Period	Expected	Prior
10/5/2026 17:45	S&P Global US Services PMI	Sep F	58.7	58.7
10/5/2026 17:45	S&P Global US Composite PMI	Sep F	--	58.4
10/5/2026 18:00	ISM Services Index	Sep	55.2	55.4
10/5/2026 18:00	ISM Services Prices Paid	Sep	73.0	72.6
10/5/2026 18:00	ISM Services New Orders	Sep	60.5	60.9
10/5/2026 18:00	ISM Services Employment	Sep	49.0	47.8
10/6/2026 16:30	Trade Balance	Aug	-\$89.8b	-\$88.6b
10/7/2026 15:00	MBA Mortgage Applications	2 Oct	--	-6.00%
10/7/2026 19:00	NY Fed 1 Yr Inflation Expectations	Sep	3.64%	3.58%
10/7/2026 22:00	FOMC Meeting Minutes	16 Sep	--	--
10/7/2026 23:00	Consumer Credit	Aug	\$15.000b	\$18.062b
10/8/2026 16:30	Initial Jobless Claims	3 Oct	--	197k
10/8/2026 16:30	Continuing Claims	26 Sep	--	1701k
10/8/2026 18:00	Wholesale Inventories MoM	Aug F	--	0.70%

Japan



Date & Time (GST)	Indicator	Period	Expected	Prior
10/5/2026 4:30	S&P Global Japan PMI Services	Sep F	--	51.6
10/5/2026 4:30	S&P Global Japan PMI Composite	Sep F	--	52.5
10/7/2026 3:30	Labor Cash Earnings YoY	Aug	3.80%	4.70%
10/7/2026 3:30	Real Cash Earnings YoY	Aug	1.60%	2.40%
10/7/2026 9:00	Leading Index CI	Aug P	--	117.7
10/8/2026 3:50	BoP Current Account Balance	Aug	¥3150.0b	¥2988.9b
10/8/2026 3:50	Trade Balance BoP Basis	Aug	-¥753.1b	-¥399.9b
10/9/2026 3:30	Household Spending YoY	Aug	-3.60%	-3.60%
10/9/2026 10:00	Machine Tool Orders YoY	Sep P	--	64.70%

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Eurozone



Date & Time (GST)	Indicator	Period	Expected	Prior
10/5/2026 11:15	Spain Services PMI	Sep	--	57.8
10/5/2026 11:45	Italy Services PMI	Sep	--	55.2
10/5/2026 11:50	France Services PMI	Sep F	--	51.4
10/5/2026 11:55	Germany Services PMI	Sep F	--	52.9
10/5/2026 12:00	Eurozone Services PMI	Sep F	--	53.0
10/5/2026 12:00	Eurozone Composite PMI	Sep F	--	53.1
10/5/2026 12:30	Eurozone Sentix Investor Confidence	Oct	--	5.1
10/5/2026 13:00	Eurozone PPI YoY	Aug	--	5.80%
10/6/2026 10:00	Germany Factory Orders MoM	Aug	--	2.50%
10/6/2026 10:45	France Industrial Production MoM	Aug	--	-0.40%
10/6/2026 13:00	Eurozone Retail Sales MoM	Aug	--	-0.60%
10/7/2026 10:00	Germany Industrial Production SA MoM	Aug	--	-1.10%
10/9/2026 12:00	Italy Industrial Production MoM	Aug	--	0.70%

United Kingdom



Date & Time (GST)	Indicator	Period	Expected	Prior
10/5/2026 12:30	S&P Global UK Services PMI	Sep F	--	51.7
10/5/2026 12:30	S&P Global UK Composite PMI	Sep F	--	51.7
10/6/2026 12:30	S&P Global UK Construction PMI	Sep	--	44.3
10/8/2026 3:01	RICS House Price Balance	Sep	--	-28%

China & India



Date & Time (GST)	Indicator	Period	Expected	Prior
10/6/2026 9:00	India HSBC PMI Services	Sep F	--	55.8
10/6/2026 9:00	India HSBC PMI Composite	Sep F	--	56.5
10/7/2026 8:30	India RBI Repurchase Rate	7 Oct	5.50%	5.25%
10/7/2026	China Foreign Reserves	Sep	--	\$3438.33b
10/9/2026 15:30	India Foreign Exchange Reserves	2 Oct	--	--

GCC



Date & Time (GST)	Indicator	Period	Expected	Prior
9/30/2026 to 10/05/2026	Qatar CPI YoY	Aug	--	3.98%
10/5/2026 8:15	Saudi Arabia S&P Global PMI	Sep	--	53.8
10/5/2026 8:15	UAE S&P Global PMI	Sep	--	55.3
10/5/2026 8:15	Dubai S&P Global PMI	Sep	--	54.1
10/5/2026 13:00	Qatar S&P Global PMI	Sep	--	47.6
10/5/2026 to 10/07/2026	Saudi Official Reserve Assets	Sep	--	1827.4b

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