Internal



Monday, 12 October 2026

Daily Market Overview

Markets

- We're dusting off a WSJ interview with Fed policymaker Beth Hammack of last Saturday to compensate for the lack of other inspiring news. The Cleveland Fed president is a voting member and holds among the most hawkish views compared to her peers. Yet **judging by US rates at multi-annual highs, stocks near record levels and the strong dollar, markets to some extent share her thinking.** The interview was taken after Hammack heard during a tour in a booming US manufacturing company what she hears elsewhere in her district: **there is a lot of demand, investing and growth.** The Ohio-based manufacturer told Hammack that buyer preferences have shifted: the speed with which something can be delivered now matters more than price. Buyers are willing to buy a premium if it means they don't have to wait. **Hammack ties it to the broader AI investment boom, where buyers of anything related to data centers show *"much less price sensitivity and much greater sense of urgency around delivery".*** It's a key argument for her that policy rates need to be higher than 3.75%-4% currently. Inflation has been above target for more than 5 years and is not expected to return to 2% before 2029. For Hammack that is far too long. It means that policy just is not restrictive enough. **She revealed her estimate for the neutral rate to be among the highest in the dot plot – ie. somewhere between 3.75%-4%.** Hammack said that if she's wrong on that, it is probably because it is too low. The September dot plot showed one more hike this year before flatlining in 2027. The Cleveland Fed president is most likely one of the four having penciled in two more for this year (to 4.25-4.5%), undoing last year's cutting cycle. On forward guidance, Hammack sided with Fed Waller. He argued last week that it's a bad idea to dump it altogether.

- There are no signals to emit today though with US bond markets closed for Columbus Day. German bunds swapped minor losses for similar-sized gains in lockstep with oil prices piercing above $106 and nearing $107. Energy markets had to digest conflicting signals coming from last weekend, from Houthi-attacks on Riyadh's main airport to president Trump striking a diesel deal with Russia and claiming, for a second time, an energy ceasefire. Ukraine's Zelenskyy already accused Russia of violating it. It puts the spotlights on broader energy markets with **European gas prices testing the September multiyear highs as well.** The topic weighs on the euro, together with the (French) public finances concerns simmering in the background. EUR/USD drops below 1.12 and EUR/GBP hits fresh YtD lows around 0.8447. European stock markets trade with small gains nevertheless. Wall Street opens little changed.

News & Views

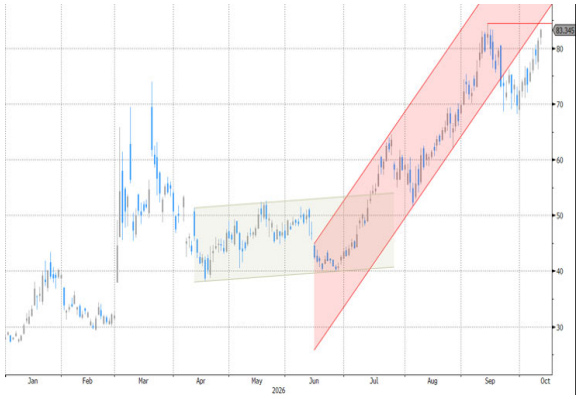
- The German ruling CDU/CSU-SPD coalition suffered another blow today as **SPD co-leader and Labour Minister Bärbel Bas resigned from both posts effective immediate.** Personal circumstances are the primary reason following a death in the family. Apart from personal grief she blames pressure from within the government to continue in her roles during a difficult personal period. **Bas played a key role in proposed social reforms**, dealing a blow to the legislative agenda. Rhineland-Palatinate PM Schweitzer has been nominated as next Labour minister with new party leaders to be elected at an extraordinary party congress in December or January. The ruling coalition has been struggling overall to agree on welfare reforms and a package of fiscal measures. Chancellor Merz' CDU party is suffering in poll ratings and has suffered significant defeats in regional elections lately with the far-right AfD coming out on top.

- **Robert E. Hall and Michael Woodford were awarded the 2026 Novel Prize in Economic Sciences "for microeconomic foundations of macroeconomic stabilization".** Their research has generated a paradigm shift in stabilization policy. Rather than basing the models on statistical links between macroeconomic variables, such as inflation, production and consumption, **they chose to build them on a microeconomic foundation.** This encompasses an understanding for how the total mass of individual households and businesses affect the economy through their actions. A central component in these models is that households and businesses are **forward looking** when making decisions about savings or product prices. When governments and central banks communicate their plans for economic policy, they can influence this view of the future and move the economy in the right direction. **Forward guidance by central banks, the output gap, sticky prices/inflation and modern inflation-targeting draw heavily on Hall and Woodfords' intellectual frameworks.**

Graphs & Table



EUR/USD can't defy gravity



Gas (Dutch TTF) prices resume upward trend in the face of low storage and upcoming winter months



EuroStoxx50 struggles in its attempt to retake lost support at 6200



USD/INR: Indian rupee strenghtened after RBI announced what are considered the most aggressive INR supporting measures in a decade

Data source: Bloomberg

German yield	td	-1d	US yield	td	-1d	Stocks	td	-1d
2	3,14	0,01	2	4,79	0,00	DJ euro-50	6194,1	20,73
5	3,26	0,00	5	5,02	0,00	DAX	25251,5	164,23
10	3,48	-0,01	10	5,24	0,00	S&P 500	7816,86	5,32
30	3,84	-0,01	30	5,60	0,00	Nikkei 225	69030,92	0,00
Spread vs GE (bps)	td	-1d	Currencies	td	-1d	Commodities	td	-1d
BE 10y	86	1,20	EUR/USD	1,1178	-0,0022	CRB	414,73	0,00
FR 10y	142	4,30	EUR/GBP	0,8448	-0,0016	Gold	4196,60	-19,70
IT 10y	110	0,50	USD/JPY	158,63	0,3200	Brent	106,71	1,99

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