DB morning note with your coffee

Date: 19 October 2026 at 08:20:36 BST

Good Morning,

Market Colour:

- Asia has started the week relatively calm with the KOSPI (+0.81%), the S&P/ASX 200 (+0.44%) and the Shanghai Composite (+0.34%) all in the green
- The Nikkei (-0.73%) is the region's weakest performer, extending losses after falling -5.4% last week as technology stocks came under heavy pressure
- Elsewhere, Indonesia's benchmark stock index is down more than 5% to its lowest level in six years, as concerns over the potential MSCI downgrade heighten fears of foreign investor outflows; the index is down over -16% in the past two sessions
- Oil Futures (-1.95% at $107.72/bbl) are coming of their highs as Brent closed Friday's session just shy of $110/bbl
- The DXY trades about unchanged to Friday night with EURUSD above 1.1220 and USDJPY above 158.10

AI Meltdown:

- Clearly the main nervousness last week was around AI-related names, with credit markets starting to show some distress in that sector
- The Philly semiconductor index was down -11.41% last week (-3.83% Friday), whilst the NASDAQ was down -4.48% (-2.14% Friday)
- At the heart of the sell-off was CoreWeave, which was down -25.21% over the week (-11.91% Friday), whilst their 5yr CDS was up +225bps on the week to 1128bps with their cash bonds trading at around a 15% yield
- Meanwhile, Oracle's share price was down -9.31% (-4.64% Friday), and their 5yr CDS was up +44bps on the week to 300bps

China GDP:

- Early morning data showed that China's economic expansion accelerated marginally in the third quarter of 2026, with real GDP growing by +4.5% y/y (vs. +4.4% est. And +4.3% prev.)
- On a sequential basis, GDP grew by +1.2% q/q outperforming the +1.1% forecast and accelerating from +0.9% in the prior period
- The quarterly performance was primarily underpinned by resilient export volumes and robust demand within the artificial intelligence infrastructure supply chain
- Industrial production rose by +5.5% y/y, beating expectations of +5.4% and accelerating from +5.2% in August
- On the demand side, consumer spending showed signs of firming as retail sales expanded by +1.1% y/y - more than double the consensus forecast of +0.5% and a notable improvement from the +0.4% growth recorded in August

Protests in France:

- France's political and fiscal problems gained another complication over the weekend as nationwide cost-of-living protests descended into some of the country's worst unrest in years
- Around 550,000 people demonstrated on Saturday, according to the Interior Ministry, although the CGT put the figure at 800,000, and the violence continued into Sunday with fresh clashes in Paris and Marseille
- This won't make it easy for the international community to be totally comfortable buying OATs, so the modest recovery in French spreads over the last week or so will be tested today
- In a televised address last night, President Macron appealed for calm, saying France felt "anger and shame" at the violence
- He stopped short of declaring a state of emergency, but said prefects could ban protests where necessary to protect public buildings and businesses, while distinguishing peaceful demonstrators from ultra-left groups and criminals blamed by the government for the rioting
- OAT futures are down around a third of a percent in price terms this morning as other DM bond futures are flat to slightly higher so there has been some small impact so far

Headlines:

- *RBA'S KENT: NET HOUSEHOLD DEBT A LOT LOWER THAN GROSS DEBT
- *PUTIN ASKS TRUMP AND XI FOR A MEETING: WSJ
- *TAKAICHI: COS. EFFORTS TO RAISE WAGES STARTING TO BEAR FRUIT
- *TAKAICHI: JAPAN NO LONGER IN DEFLATION THANKS TO ABENOMICS
- *UEDA: UNDERLYING INFLATION GETTING QUITE CLOSE TO 2%
- *UEDA: WAGE GAINS CONTINUE TO TRANSLATE TO GOODS, SERVICES

G10 Spot Desk Thoughts:

- USD: Dollar may have peaked; positioning looks stretched and further upside is less compelling.
- EUR: Technically looks like it's forming a base after the break lower, but French political risks remain a significant headwind.
- JPY: Also favoured in a risk-off environment and one of the cleaner defensive trades.
- SEK: Seen as a higher-beta alternative to EUR/USD longs, avoiding French-specific risks and benefiting from stronger fiscal fundamentals.
- Scandis: Potentially better expressions of USD weakness than EUR itself.

EUR FX Vol Colour:

- Slow start to the week with the market digesting the headlines over the weekend of the serious protests in France, increasing the focus on the near-term OAT/Bund spread again as well as the French Election in April 2027
- Today, we have rolled over the first round of the elections with 6m rolling from 6.40 to 6.60 with the weight for both rounds at nearly 30 additive vols priced
- Given the renewed unrests and its pressure for fiscal expansion, I could see this weight squeeze even higher as the market is already worried about the French deficit and no party is currently offering plausible solutions
- So far, the EUR hasn't really reacted much, but makers have already started to raise their RR slightly in the frontend with 1w RR being paid at 0.45
- As highlighted previously though, the spot vol sensitivity is much lower as the market had time to digest the large downside flows from a wave of unwinds last week so the question is whether vols would really squeeze much higher if spot was to trade lower
- Even as the event weight itself might sounds high, base vols are still very low compared to history and RR and flies have repriced a lot recently, so I think adding some EUR weakness trades into the portfolio makes sense from these levels

DB Research – FX Blog: Not the same old story with yen

- We moved bearish EUR/JPY in Blueprint, which has been working out
- We make a few observations on recent developments
- Yen resilience beneath the surface
- USD/JPY fell heavily in early September (on a positioning shift), but has since regained most of that fall
- Understandably that's prompted comments along the lines of 'same old price action – just always buy the dip in USD/JPY'
- FX Blog: Not the same old story with yen

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DB Research – Focus Europe: Inflation Chartbook

- Headline HICP is likely to rise to 4% YoY in Q4-26 as commodity prices remain under upward pressure
- Energy inflation drove the rise in headline HICP in September, picking up to 19% YoY from 14% in August
- While the increase largely reflected a renewed rise in fuels, gas has started to play a more visible role: gas inflation accelerated to 11% YoY (8% prev.)
- Focus Europe: Inflation Chartbook: Still searching for spillover effects

Overnight Data Releases

- **United Kingdom** – Rightmove House Prices MoM 1.0% (prior 0.7%) / Rightmove House Prices YoY -0.1% (prior -0.8%)

- **China** – GDP YoY 4.5% (survey 4.4%, prior 4.3%) / GDP SA QoQ 1.2% (survey 1.0%, prior 0.9%) / Retail Sales YoY 1.1% (survey 0.5%, prior 0.4%) / Industrial Production YoY 5.5% (survey 5.5%, prior 5.2%) / Fixed Assets Ex Rural YTD YoY -7.2% (survey -7.3%, prior -7.2%) / Surveyed Jobless Rate 5.2% (survey 5.3%, prior 5.3%) / Property Investment YTD YoY -20.6% (survey -20.0%, prior -19.9%)
- **Japan** – Tertiary Industry Index MoM -0.1% (survey -0.4%, prior revised to 0.2%)

Day Ahead

Today's data releases consist of the US October NAHB housing market index and the Canadian CPI for September. From CB side we'll hear from the ECB's Lane and Elderson

Countries	BST	Data/ events	Survey	Previous	Revised	Bloomberg Ticker
CHE	09:00	Domestic Sight Deposits CHF		432.6b		SZMSSDDB Index
BZ	09:00	FIPE CPI - Weekly		0.6%		BZW CPI Index
CHE	09:00	Total Sight Deposits CHF		456.4b		SZMSTSDF Index
IS	11:00	Broad Unemployment Rate (Sep)		3.7%		ISUMNCVR Index
IS	11:00	Unemployment Rate (Sep)		2.8%		ISUMUNER Index
BZ	12:00	FGV Inflation IGP-10 (Oct)	1.4%(4.7%)	1.5%(3.3%)		IBREGP1M Index(IBREGP1Y Index)
BZ	12:25	Central Bank Weekly Economist Survey				
CAN	13:00	Bloomberg Nanos Confidence		51.3		BNCCINDX Index
CAN	13:30	Consumer Price Index (Sep)		169.8		CACPI Index
CAN	13:30	CPI Core- Median (Sep)		(2.0%)		(CACPMYOY Index)
CAN	13:30	CPI Core- Trim (Sep)		(1.9%)		(CACPTYOY Index)
CAN	13:30	CPI Ex Food and Energy (Sep)		(2.1%)		(CACPXYOY Index)
CAN	13:30	CPI (Sep)		-0.1%		CACPICHG Index
CAN	13:30	CPI (Sep)		(3.0%)		(CACPIYOY Index)
USA	15:00	NAHB Housing Market Index (Oct)	31	32		USHBMIDX Index
CAN	16:30	BoC Business Outlook Future Sales (Q3)		8		BCBSFUTR Index
CAN	16:30	BoC Overall Business Outlook Survey (Q3)		-0.4		BCBSPC1 Index
BZ	19:00	Trade Balance Weekly		2694m		BZTWBALW Index

Kind Regards,

Charles Donaldson
FX Sales | Institutional Client Group

Deutsche Bank has addressed a disclosure statement and terms to customers of its foreign exchange business, which is available at the following website:

https://www.db.com/en/content/Foreign-Exchange-Disclosures.htm

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