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“So far, so good.”

By this we mean that the rise in the 10y TB yield has not (yet) rattled the markets, but they sure are on hold and nervous.

The 10-year treasury bond yield has moved in the last 30 days from 2.8% to almost 3.3%. Its price dropped consequently by 2.5%. Not easy to digest as the rise in yield, respectively the drop-in price came an accelerated pace.

The US Dollar gained against all major piers between 3 and 4% in the same period. Focus is still on Italy deficit and the trade war with China. Italy's populist coalition is targeting a deficit of 2.4% of GDP next year, tripling the previous government's target. Italy 10-year government bond yield reached the highest level since 2014. Brussel has rejected the idea of Italy so far.

Everything is fine!

You may think what you want but by looking at US economic data: all is fine. Unemployment is at such low levels as last seen 50 years ago, other economic indicators bode well, and we are all waiting for Q3 numbers this week.

Remains to be seen if the real economy follows suit. But Halloween is close, and we all get jittery about the month of October.

Fed chair Powell is on the outlook for inflation and ready to raise rates further , if need be, corroborating higher USD and higher yields in fixed income. Will Europe follow is the question.

Some dark clouds are the trade war with China and the FMI has already stated the world trade is slowing down because of protectionism.

Maybe some prozac and scotch will help?

China equity is -3% on Monday morning and probably all want to go back to bed and hope Tuesday looks brighter.

Are we looking at a coming correction? With 10y yields above 3% and probably further rising , equity markets are showing surprisingly resilient and may offer still some upside – question is how much and for how long.

Nobody went broke by taking profits.

Europe does not shine either, but supports tested last week are still in place. Even in Italy.

We're not shouting “fire” yet, because it's not the first time that the end of the world is being forecasted and in two weeks' time we'll see all times high again in equity indexes, but the situation is far from being rosy and baby blue. Nervousness is pretty darn high.

Have a great week!
DCAM