

The long end found buyers. The average stock beat the index.

Last issue said the week's test was whether the Treasury's ten- and thirty-year auctions would clear easily at the highest yields since 2002. They did, and long yields ended the week lower for the first time since August. **The share market answered with the first week in five issues in which the average sector beat the index:** utilities, staples and energy rose while technology and industrials fell. This issue follows up both of last week's open items and uses the past four weeks to show how sectors move with the rate cycle.

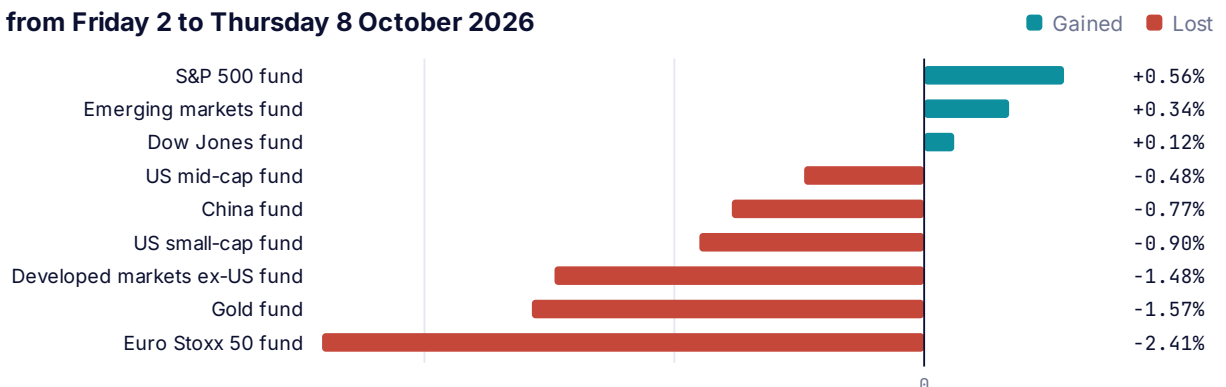
US 30-YEAR YIELD	10-YEAR AUCTION	AVERAGE SECTOR FUND	NIGERIA 1-YEAR BILL
5.60%	5.300%	+1.38%	15.85%
-3bp in the week, after touching 5.67%	7 October; foreign-type bidders took a record share	S&P 500 fund +0.56%, to Thursday	7 October auction, from 15.89%

01 · CROSS-ASSET

Where the week went

Fund values run to Thursday 8 October; news reports describe Friday as a broad rally that took the S&P 500 close to its record. To Thursday the S&P 500 fund gained about half a percent and the Dow fund was flat, while the mid-cap fund lost half a percent and the small-cap fund about 1%. Abroad, the emerging-markets fund gained a third of a percent, the developed-markets fund lost 1.5%, the China fund about 1% and the Euro Stoxx 50 fund 2.4% in dollar terms. Gold lost 1.6% to Thursday and, on Friday's published value, finished the week about flat. The dollar gained about 0.6% against the euro and was little changed against sterling and the yen.

Moves from Friday 2 to Thursday 8 October 2026



Funds are State Street exchange-traded funds, measured by the change in net asset value. Fund values are struck at the US close and in dollars, so the international funds include currency moves and differ from local index returns. Every bar covers the same four trading days; Friday's values were not yet published. Crude is left out because its latest official figures cover a different period. Source: State Street Global Advisors.

Crude's official figures run to Tuesday 6 October. Measured by weekly averages, West Texas was about 5% higher in the week to 2 October than the week before and Brent about 2.5% higher, with Brent's average lifted by a single very high assessment on 2 October that is out of line with the days around it. News reports put Brent at about \$104 and West Texas at about \$91 on Friday, after a hurricane shut much of the Gulf of Mexico's output in midweek and the United States then announced Russian diesel supplies and said it would not act against Iran before November.

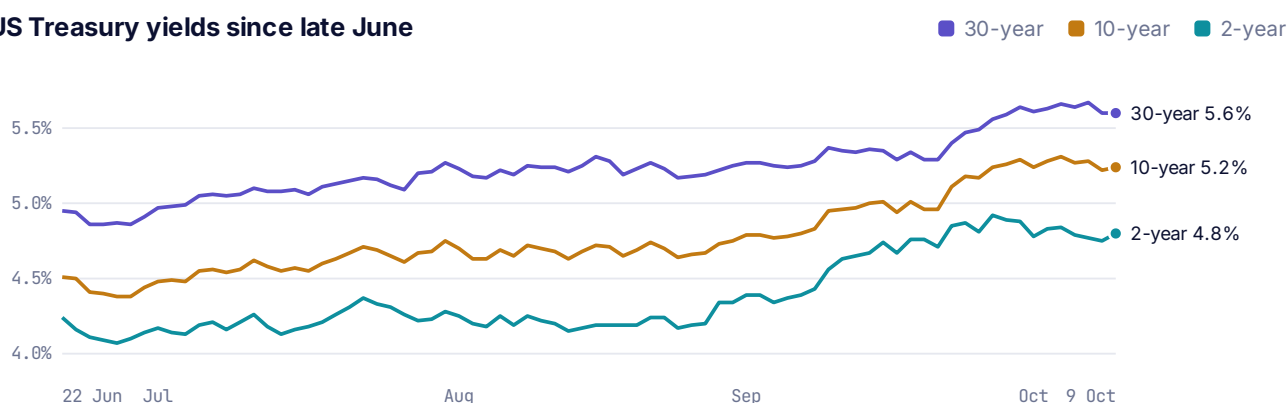
Two loose ends from last issue. Friday 2 October's fund values, published since, turned that week's S&P 500 fund move from -1.0% to Thursday into -0.2% for the full week, and the average sector from -1.4% into -0.9%. And the question of whether technology would keep carrying the index on its own has a different answer this week. It did not need to. Nine of eleven sectors rose; technology fell most and industrials slipped a little.

02 · THE WEEK'S STRUCTURAL QUESTION

The long end stopped rising. Why did the average stock beat the index?

The bond market's week turned on two auctions. On Wednesday the Treasury sold ten-year notes at 5.300%, with bids worth 2.77 times the amount on offer and the share taken by indirect bidders, which is mostly foreign and institutional demand, the highest on record at just over 80%. The ten-year yield had touched 5.36% that morning, a twenty-four-year high, and fell after the result. On Thursday the thirty-year sold at 5.618%, with bids 2.54 times the offer and indirect bidders taking 72%, and the thirty-year yield fell seven basis points on the day. Last issue said that if the thirty-year cleared easily at 5.6%, the premium had found buyers and the quarter's move might be close to done. It cleared, and yields ended the week three to four basis points lower across the curve.

US Treasury yields since late June



The first week since late August in which all three yields ended lower. The two-year has gone sideways since the Fed's decision; the long end stopped rising after Thursday's thirty-year auction. Source: US Department of the Treasury.

The rest of the week's news pulled the other way, which makes the auctions the more telling. The minutes of the Fed's September meeting, released on Wednesday, showed all nineteen participants supported the increase and most expected another by the end of the year. The ISM services survey on Monday put its prices index at 74, a four-year high, a week after the manufacturing survey's prices index jumped. Consumer sentiment fell to its lowest since May. None of that stopped long yields falling once the auctions were done, which is what a market that had been worried about supply rather than about inflation looks like.

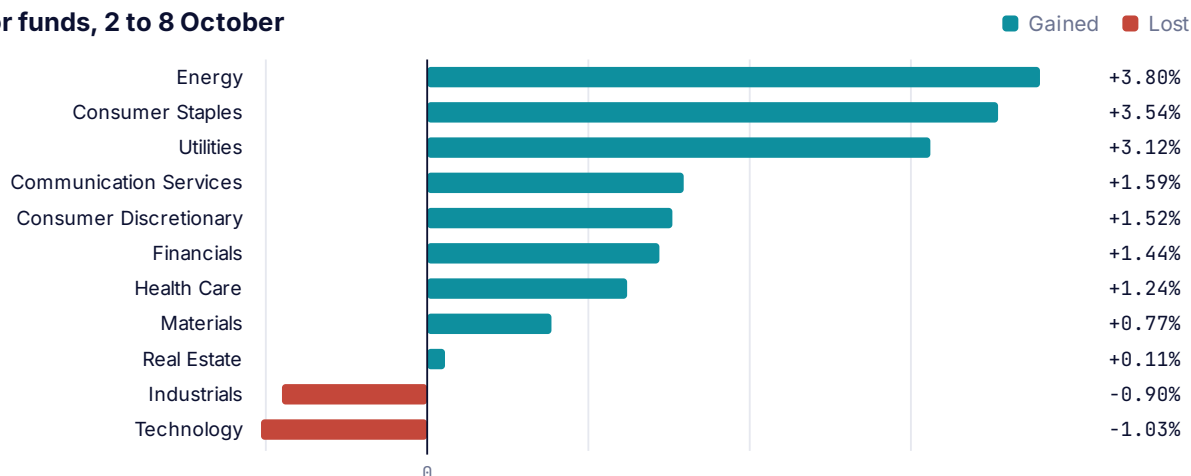
Change in US Treasury yields, in basis points

MATURITY	WEEK TO 9 OCT	MONTH TO 9 OCT
2-year	-3	+37
10-year	-4	+41
30-year	-3	+32
Gap between 10-year and 2-year	-1	+4

One basis point is one hundredth of a percentage point. Week is measured from 2 October and month from 9 September. Source: US Department of the Treasury. Calculations by OHC Trade Room.

The share market's reaction is the week's lesson. For a month the pattern was technology up and most of the market down: in each of the three weeks yields rose, at least seven sectors fell, the income sectors among them, while technology rose every week and the index hid the damage because technology is a third of it. This week ran in reverse. Utilities gained 3.1%, staples 3.5% and energy 3.8%, financials 1.4%, and technology lost 1%; industrials, which is not a rate story, slipped 0.9%. Technology had a reason of its own on Thursday, when a press report that OpenAI's annualised revenue was about \$50 billion rather than the \$70 billion previously reported sent chip, networking and cloud shares lower, and an Nvidia-backed data-centre company withdrew a \$5.5 billion listing in Australia for lack of demand at its price. Both are reminders that the sector now carries a second risk alongside the discount rate: how much of the AI build-out the market is willing to fund, with two very large AI listings expected in the coming months. The average sector fund gained 1.4% against 0.6% for the S&P 500 fund. That is the first week since this review began following the gap in which the average beat the index.

US sector funds, 2 to 8 October



Nine of eleven sectors rose. Technology fell most, and industrials also slipped, the reverse of the past month. The three income sectors that fell most as yields rose, utilities, real estate and financials, all gained. Change in net asset value of the Select Sector SPDR funds, four trading days. Source: State Street Global Advisors.

One week does not reverse a month. Over the month to Thursday the average sector is still down 1.3% and the S&P 500 fund up 1.5%, and technology is up more than 5% against falls of 4% to 6% for utilities, financials and real estate. But the week shows the mechanism working in both directions, which is what section 05 takes up.

Rates abroad, oil, and the Fed's own numbers

Yields abroad were quiet. Germany's ten-year rose four basis points on the week to 3.50%, Japan's was unchanged at 3.09% to Thursday and the UK's rose five to 5.39% to Wednesday. The US long end moved more than any of them in both directions, which fits the supply story: the auctions were a US event.

One detail in the Fed minutes is worth holding on to. At the September meeting the staff estimated August PCE inflation at 3.8% with core at 3.4%. The actual figures, published two weeks later, were 3.4% and 3.0%. The committee raised rates on an inflation picture that turned out to be about four-tenths of a point too high, which is part of why the market stopped pricing an October increase so quickly. Against that, both ISM prices indexes are now at or near four-year highs, consumer sentiment is at a five-month low with fuel costs the stated reason, and Delta Air Lines reported its fuel bill up 62% on a year earlier and cut its guidance. The cooler inflation print and the hotter pipeline are both still true.

04 · NIGERIA

Rates at home

The 7 October Treasury bill auction cleared the one-year bill at 15.85%, four basis points below the previous auction, with the 91-day and 182-day bills unchanged at 15.50% and 15.80%. After a fall of three-quarters of a point in the previous fortnight, the decline has all but stopped. Bids for the one-year bill were about two and a half times the ₦700 billion offered, and the central bank allotted ₦885 billion, more than it offered.

Nigerian Treasury bill auctions, rate at which each bill cleared

AUCTION	91-DAY	182-DAY	364-DAY
9 Sep	16.30%	16.50%	16.62%
23 Sep	15.50%	15.80%	15.89%
7 Oct	15.50%	15.80%	15.85%

The one-year bill has cleared lower at five auctions running, but by only four basis points this time.

Source: Central Bank of Nigeria.

Two things in that result. Selling more than was offered means the central bank took the chance to drain more cash from the banking system at a rate it was happy with, the liquidity side of the curve discussed on 18 September. And a one-year bill at 15.85% against August inflation of 15.39% leaves the real return at about half a point, where it was. September's inflation figure is due around 15 October and is what moves that number next. The nominal gap to the US one-year Treasury, at 4.47% on Friday, is about 11.4 points, unchanged on the fortnight.

Sector rotation and the rate cycle

FOLLOWING UP · LAST ISSUE'S WORKED EXAMPLE AND OPEN QUESTION

How much cushion a 5.6% yield gives, 2 October. The example said a thirty-year at 5.63% could absorb about 41 basis points of yield rise in a year before the income was gone, set two readings against each other, that yields were now high enough or that the term premium was not tied to data and the quarter could repeat, and named the invalidators. The week went to the first reading: the thirty-year yield fell three basis points, which added about 0.4% to its price, after both auctions found buyers. The second reading's invalidator, long yields falling while the two-year holds, was met only in part, since the two-year also fell three. One week in a reading's favour is one week. **The open question, whether the auctions would clear easily, is answered above: they did.** OHC took no position.

The lens

Sectors do not move together. Each is a different kind of business with a different relationship to interest rates, and a desk reading a week of sector returns reads them against what rates did. Three sectors are held largely for the income they pay: utilities, real estate and, through their dividend and their lending margin, financials. When long yields rise, the income they pay is worth less against a Treasury, and they tend to fall. When long yields fall, the reverse. Technology sits at the other end. Its value rests on earnings years away, which a higher discount rate reduces, but its earnings this year have been strong enough to override that. Staples and energy move on their own drivers, food prices and oil, and are the sectors least tied to the rate cycle.

Four weeks of sector moves against the ten-year yield

WEEK TO	10-YEAR YIELD	TECHNOLOGY	UTILITIES	REAL ESTATE	FINANCIALS	AVERAGE SECTOR	S&P 500 FUND
18 Sep	+5bp	+1.1%	-3.0%	-2.0%	-2.3%	-1.2%	-0.3%
25 Sep	+16bp	+3.5%	-3.8%	-2.3%	-1.9%	-0.6%	+1.2%
2 Oct	+11bp	+1.8%	+0.7%	-1.8%	-2.5%	-0.9%	-0.2%
8 Oct*	-4bp	-1.0%	+3.1%	+0.1%	+1.4%	+1.4%	+0.6%

Fund returns are changes in net asset value, Friday to Friday; *the last row runs Friday 2 to Thursday 8 October, with the yield change to Friday 9 October. The week to 2 October is restated here with Friday's values, which were not available for last issue. Source: State Street Global Advisors, US Department of the Treasury. Calculations by OHC Trade Room.

The screen

Four weeks is a short record, and this is a reading, not a rule. But the table is consistent. In the three weeks the ten-year rose, utilities, real estate and financials fell in eight of nine cases, and the average sector trailed the index every week, because technology rose. In the week the ten-year fell, the three income sectors rose, technology fell and the average beat the index. The size of the sector moves also tracked the size of the yield moves: utilities lost most in the week yields rose most.

The lesson is not that rates explain everything. Energy’s 3.8% this week is oil and a hurricane; staples’ 3.5% is a defensive bid as the index approached a record. The lesson is that a week of sector returns read on its own looks like noise, and read against the ten-year yield has a shape. A reader who knows which sectors are rate-sensitive can tell from the sector table alone, most weeks, which way long yields went.

The ten-year yield split into its two parts, change in basis points			
PERIOD	TEN-YEAR YIELD	REAL YIELD	EXPECTED INFLATION
Week to 9 October	-4	-1	-3
Month to 9 October	+41	+45	-4
Since 22 June	+73	+63	+10

The real yield is the yield on ten-year inflation-protected Treasuries. Expected inflation is the ten-year breakeven rate, the gap between the two. Source: US Department of the Treasury and Federal Reserve Bank of St. Louis via FRED. Calculations by OHC Trade Room.

The split of the ten-year yield says the week’s fall was three parts expected inflation and one part real yield, which is small and mixed. Over the month the real yield still accounts for all of the rise. The thing the income sectors were responding to over the month was a higher real yield, and the thing they responded to this week was that it stopped rising.

ONE WORKED EXAMPLE

Reading a utilities bounce

What the data shows

The utilities fund gained 3.1% in a week when the thirty-year yield fell three basis points, after losing 3.0%, 3.8% and 0.7% in the three weeks before as yields rose. Over the month it is still down 4.4%.

What it might mean

Two readings. The first is that this is a relief bounce in a sector that had been sold for one reason, rising long yields, and that the bounce lasts only as long as yields stay still. The second is that the auctions marked the top in long yields for now, so the reason the sector was sold has gone, and the month’s fall is the thing being reversed. The data cannot separate them after one week, and the sector itself cannot tell you; only the bond market can.

What the condition generally supports

Reading the sector through its driver. For an income sector the question is not what the sector did this week but what the ten- and thirty-year yields did, and what they do next. A reader following utilities should be following the long end of the Treasury curve first, and this week’s auction results are more informative about the sector than the sector’s own return.

The same holds in reverse for technology, which lost its rate-driven reason to outperform the moment yields paused, and then took a sector-specific knock on Thursday from the AI revenue report. The table shows the first part: technology has moved opposite to the three income sectors in all four weeks. The second part is the reason the table is a reading and not a rule.

What would be rejected, and why

Treating the 3.1% as a signal about utilities. Nothing happened to the utilities business this week; something happened to Treasury auctions. Treating technology’s 1% fall as the end of its run. Over the

month it is still the only sector up, and the week removed one reason for its outperformance and raised a question about funding, not about its current earnings. Both rest on reading the sector return without the yield next to it.

What it costs

Waiting for the bond market to confirm means missing the first part of any move; the income sectors had their best week in a month before anyone could know whether yields had peaked. That is the standing cost of reading a sector through its driver.

What would invalidate the reading

Utilities falling in a week when long yields also fall, or rising in a week when they rise. Either breaks the link the lens rests on and says something else, a regulatory or power-demand story, is driving the sector. Two such weeks in a row and this lens would be set aside for the sector until the link returns.

Nothing here is a view on whether any reader should buy or sell any fund or sector. It is the reasoning a desk would walk through. Four weeks of data is a short record and is presented as such.

06 · THE WEEK AHEAD

What is scheduled, and why it matters

- | | |
|-------------------|---|
| MON 12 OCT | US bond market closed for the Columbus Day holiday; shares trade. Japanese markets also closed. |
| TUE 13 OCT | Third-quarter results from the largest US banks begin. The first direct read on the lending margin that section 05 says the curve has been compressing, and on credit after a quarter of rising rates. |
| WED 14 OCT | US consumer price inflation for September. The breakeven did not move on a cool PCE print; a CPI print that confirms both ISM prices indexes would be the first test the other way. |
| THU 15 OCT | Nigeria's September inflation figure is expected around this date. It sets the real return on the one-year bill in section 04. US retail sales for September and weekly jobless claims. |
| FRI 16 OCT | US housing starts for September. The part of the economy most exposed to a thirty-year yield at 5.6%, with mortgage rates above 7% for the first time since early 2025 by press accounts. |

Dates are taken from official release calendars and public earnings calendars, and can change.

07 · THE READ

In one paragraph

The week answered last issue's question in the bond market's favour: at 5.3% and 5.6% the Treasury found buyers, including a record share of foreign-type bidders, and the long end stopped rising. The share market read it at once and in the right order, income sectors up, technology down, the average stock ahead of the index for the first time in a month. None of it says yields have peaked; it says the market's worry was supply, that worry was tested, and it passed for now. The thing to follow this week is Wednesday's CPI set against the breakeven, because a cool PCE print has already been absorbed and a hot CPI print has not been tried. If the breakeven moves on it, the inflation part of the yield is back in play and the sector table in section 05 will say so by Friday.

Position disclosure. No position was held in any security, fund or commodity named in this review at the time of writing.

Sources. US Treasury yields, including inflation-protected yields, and auction results: US Department of the Treasury, with auction detail as reported publicly. Breakeven inflation, historical yields and crude oil spot prices: Federal Reserve Bank of St. Louis (FRED), with crude from the US Energy Information Administration, which releases its daily prices weekly, so crude figures run to the latest date published. FOMC minutes: Federal Reserve Board. ISM services survey: Institute for Supply Management. Consumer sentiment: University of Michigan. Delta Air Lines results: company announcement. Oil market developments, Fed pricing and late-week market moves: public news reports. German yields: Deutsche Bundesbank. UK yields and sterling exchange rates: Bank of England, with dollar cross rates calculated by OHC Trade Room. Japanese yields: Ministry of Finance, Japan. Nigerian Treasury bill auctions: Central Bank of Nigeria. Nigerian inflation: National Bureau of Statistics. US equity, sector, international and gold fund returns: change in net asset value as published by State Street Global Advisors, with calculations by OHC Trade Room. Bond price changes are approximate and calculated by OHC Trade Room.

Published by OHC Trade Room for education. Nothing here is investment advice, a recommendation to buy or sell any security, or a solicitation, and nothing is tailored to any reader's circumstances. Trading involves substantial risk of loss; options carry the risk of total loss of premium. Past performance is not indicative of future results. Where a position is held it is disclosed; OHC may or may not subsequently take a position in anything discussed, and will say so either way.

© 2026 OHCTraderoom