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12 – 18 OCTOBER 2026





01

Macro

The US Treasury sold without difficulty at the highest yields in a generation, and that has not brought the cost of money back down. Meanwhile money market funds have received their largest weekly inflow since April 2020.

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READING TIME

~ 5 minutes

WHAT HAPPENED

The 10-year US Treasury yield rose on Wednesday to around 5.36%, its highest since 2002, and closed on Thursday at 5.23%, five basis points below the 5.28% of the start of the week; the 30-year, which had risen above 5.70%, also came back down.

- The Treasury sold 119 billion dollars in three auctions: 58 billion of 3-year notes at 4.932%, 39 of 10-year at 5.300%, 22 of 30-year at 5.618%.
- The probability of another rate hike stands at around 80% for December and about one in five for October, after September's increase, which was decided unanimously.
- Initial jobless claims fell to 197,000 against the 200,000 expected, with a four-week average of 198,000, the lowest since October 2022.
- Money market funds took in 166.4 billion dollars in one week, the most since April 2020.

The US Treasury sells 119 billion of securities, and 166 billion moves into cash

All three auctions went through in good order and the 10-year closed five basis points below its starting level: capital is scarce, and every market has to earn its share of it.

Auctions absorbed, closing levels almost unchanged

Oil set the tone even after Trump's promise not to attack Iran before the midterm elections, but what is new is that the supply was absorbed without difficulty. Wednesday's 10-year auction was excellent, with just 2.5% left to the dealer banks, a record share; Thursday's 30-year auction was mediocre, but entirely adequate. The Treasury found buyers for 119 billion at the highest yields in a generation, and the reward was a 10-year five basis points lower.

Oil matters because it moves inflation expectations, which move long-term yields, which in turn move the value of everything outside the small circle of artificial intelligence giants: it is the chain that the Goldman Sachs commodities desk calls the “doom loop”. Why, then, do good auctions not lift bond prices further?

Rikin Shah, of the same bank, observes that 98 of the 108 basis points (hundredths of a percentage point) of increase in the 10-year yield come from real rates: this is competition for capital, not fear of inflation. For Anshul Sehgal, the bank's co-head of fixed income, “the marginal buyer in the rates market has changed”: from insurers and older savers to investors who operate on borrowed money, and who are now heading for the exit.

The minutes and the job market

The minutes of the 15 and 16 September meeting left no doubt: all 19 participants supported the decision, most judged another increase before the end of the year probably appropriate, and several described monetary policy as “not restrictive or only mildly restrictive”, that is, with rates not high enough to slow the economy.

> The buyer of US Treasuries has changed: no longer insurers and savers, but investors on borrowed money, and it is they who are now leaving.

The most revealing passage is another one: some officials linked the rise in long-term yields, at least in part, to the debt taken on for artificial intelligence, that is, to the thesis that this debt draws money away from other investments. For Florian Ielpo of Lombard Odier, “elevated term premiums, uncertainty on inflation and public financing needs can keep yields at the longer maturities restrictive” even when the expected path of short-term rates becomes less aggressive.

Initial jobless claims fell on Thursday below 200,000 for the fourth consecutive week. But six days earlier the employment report had shown just 29,000 new jobs in September, and continuing claims, from those already on benefits, had risen to 1.716 million. For rates it is the worst combination: it leaves no room for a pause while oil is above 100 dollars, and it shows none of the weakness that would bring buyers back to the long end.

Where the money went

According to Michael Hartnett of Bank of America, with data to 7 October, money market funds received 166.4 billion dollars, the largest weekly increase since April 2020: their assets rise to 8,000 billion against 5,000 in 2023, more than offsetting the 118 billion that left the week before for quarter-end adjustments. Bond funds took in 33.8 billion, a fifteenth consecutive week of inflows, and equity funds 12.4 billion worldwide and 3.3 in the United States: the first American inflow in three weeks.

On Thursday a Financial Times article on OpenAI's revenues hit semiconductors and pushed Oracle's credit default swaps to a new record, while spreads on CCC-rated bonds reached 1,014 basis points, the widest in three years. The equity index maintains that the test on revenues has been passed; credit, rates and flows say the opposite, and it is usually not credit that changes its mind.

When will the cash start to circulate again? Hartnett is blunt: “no rate cuts, no reduction in cash”, meaning the money stays where it is. Taking the opposite view, for George Saravelos of Deutsche Bank the market underestimates the risk that “something goes wrong” in the artificial intelligence ecosystem, an event that would be “very positive for bonds”.

TAKEAWAYS

01 Wednesday 14, the CPI.

The US consumer price index arrives with oil above 100 dollars: it will say whether the probability of a December hike holds at 80%.

02 Thursday 15, prices and spending.

Producer prices, retail sales, jobless claims and the regional Fed manufacturing indices are due: they will say whether the economy that has stopped hiring is still not laying people off.

03 The French budget on the 13th.

The debate opens in the National Assembly on Tuesday 13, and on Thursday 15 France auctions medium- and long-dated bonds: it will show whether the tension stays French or becomes European.

04 Friday 16, foreign capital.

The US Treasury publishes net long-term flows, that is, investment from abroad: they will say whether foreign demand for Treasuries, already down at the 3-year auction, has weakened.

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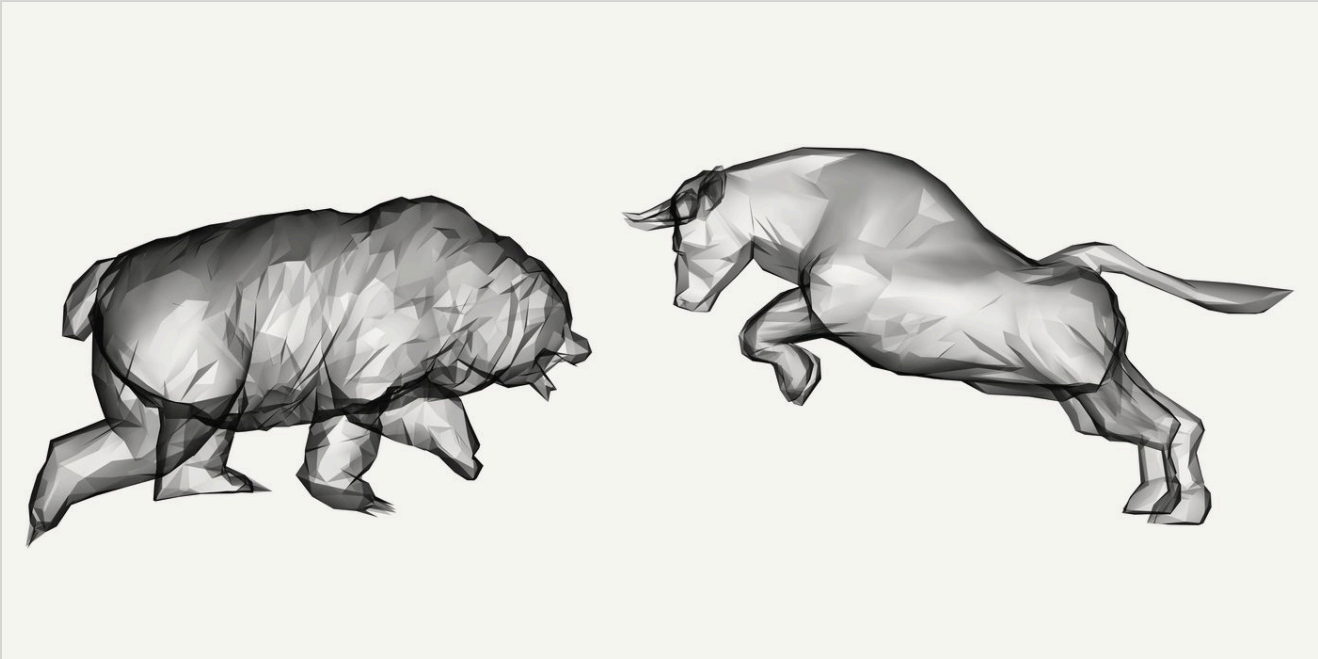

02

Equity

The S&P 500 has set a new high while 85% of its stocks remain more than 10% below their own highs. Tony Pasquariello of Goldman Sachs puts in writing six theses on a rally that rests on a very narrow base.

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WHAT HAPPENED

On Tuesday the S&P 500 set its twenty-eighth record of the year; on Thursday it fell back to 7,765 on OpenAI's revenues; on Friday it rebounded.

- Since 27 August the index has risen 1.28%, while the same index without the artificial intelligence stocks has fallen 5.19%.
- 85% of its constituents are more than 10% below their highs, 59% more than 20%, 17% more than 50%.
- Thursday's auction of the US thirty-year bond closed with a yield of 5.618%, the highest since August 2000; the ten-year closed at 5.23%.
- In Korea daily buybacks have fallen to 710 billion won, less than half the peak; in the third quarter the KOSPI lost about 17%.

A new record for the S&P 500, with 85% of its stocks more than 10% below their highs

The rally of recent weeks rests on a handful of companies: that is why every piece of news on artificial intelligence revenues moves the index.

The index's record and the stocks left behind

For once, breadth was even: the Magnificent Seven and the other 493 constituents both closed the week up by more than 1%, and the index did better than the Nasdaq 100, which was unchanged, and the Russell 2000, which came last.

The picture changes over a longer window: for Adrien Simonet of Goldman Sachs, the gap that has opened since 27 August is a thirty-day divergence close to the widest since this rally began, in January 2023.

On Thursday the Financial Times reported that at the end of September OpenAI was indicating to investors revenues running at 50 billion dollars a year, about 20 billion less than the 68-70 billion that had circulated a few weeks earlier: the Nasdaq lost 1.25%, semiconductors 3.4%, Oracle 5.5%. The explanation came afterwards: no revenue had been lost, the higher figure included revenues booked through partners, and on a like-for-like basis the business had grown from about 30 to 50 billion. Bloomberg then reported that the company expects revenues of at least 70 billion dollars by the end of the year, and on Friday the index rebounded. I will simply observe this: a criterion that moves the figure by 40% is a remarkable thing to overlook.

Lightly positioned, all in the same stocks

For a market that has just set a record, investor positioning is low. Goldman Sachs's book of client funds, in the first reading for September, put net exposure to US equities at one-, three- and five-year lows; the leverage of funds that bet on rises and falls at the same time has been falling for three weeks, according to Brian Garrett's note.

> One S&P 500 stock in six has lost more than half its value while the index sits a few points from its record.

Low net exposure does not mean low risk, because gross exposure remains high and concentrated in a few stocks: in September technology was the only sector hedge funds bought, and it now accounts for about 22% of their US exposure, semiconductors 12%, double the level at the start of the year. And the exchange-traded funds that multiply the moves in semiconductors are worth about 115 billion dollars: they would amplify any decline.

Earnings season begins this week, and Tony Pasquariello of Goldman Sachs asks the question that matters: who positions for a fall against earnings growing 28% year on year? For Snider, expected growth for the median stock falls from 14% in the second quarter to 9% in the third. On concentration, another calculation applies: the ten largest companies by market capitalisation account for 41% of the index and 38% of its earnings, a gap of three points against roughly twelve at the peak of 2000. Pasquariello still expects the market to rise, but with less conviction than on 25 September.

The cost of debt, and Korea without buybacks

For Pasquariello, higher rates have moved from an obstacle to a greater risk, for governments and for companies alike. Thursday's thirty-year auction, at the highest level since August 2000, confirms it. The Fed raised rates in September and Goldman Sachs's economists expect another increase in December.

The OpenAI news came after 48 hours of debt announcements: Broadcom is seeking more than 50 billion dollars of private debt for OpenAI's chips, SpaceX a 40 billion facility secured on Nvidia processors; in one week the sector has scheduled issuance of about 150 billion dollars. Five-year insurance against non-payment by Oracle stands at a record 2.61 percentage points after the doubts over its largest customer's revenues; the premium on the most fragile borrowers is at 10.14 percentage points, a three-year high. The VIX, the expected volatility of equities, is at 15.4, in the 17th percentile for the year: one of the two markets is pricing it wrong.

In Korea the support ended sooner than expected: the buybacks announced at the end of August by Samsung and SK Hynix for 55,000 billion won have, after six weeks of record purchases, more than halved their pace, and Samsung's is complete. On 8 October, amid Samsung's preliminary results, the rebalancing of seven exchange-traded funds on semiconductors, options expiry and the first session without the support of Samsung's purchases, the KOSPI lost 2.0% to 6,803.9 points.

TAKEAWAYS

01 Earnings season.

The number to read in the third-quarter accounts is not earnings growth but how much of it the top ten contributors produce: 68%, half of it in Micron and Nvidia.

02 The US price data.

On Wednesday 14 October the US consumer price index is released: it is the trigger for the tail risk, the unlikely and costly event of a Fed forced to raise rates by more than anyone expects.

03 Artificial intelligence debt.

Worth watching is the price at which Broadcom and SpaceX raise their financing: for Goldman Sachs, 420 billion of issuance linked to artificial intelligence competes with about 1,000 billion of net new supply of Treasury securities.

04 Korea without buybacks.

On Monday 12 October South Korea auctions its three-year bond with the support of buybacks now gone. Worth watching are foreign inflows and the shareholder announcements at the end of October.

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Two charts to see what the rise is resting on: how much the American index depends on a single sector, and what is left in Korea when the buyer that was holding the market up runs out.

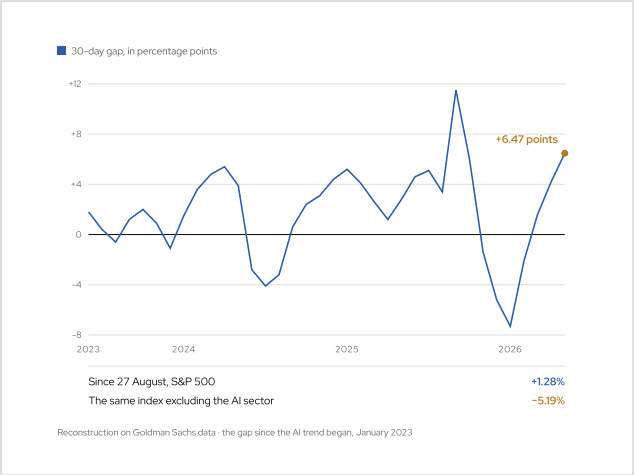

FIG. 2.1

Since 27 August the S&P 500 is up 1.28% and the same index without artificial intelligence is down 5.19%

Source: own calculations on Goldman Sachs data

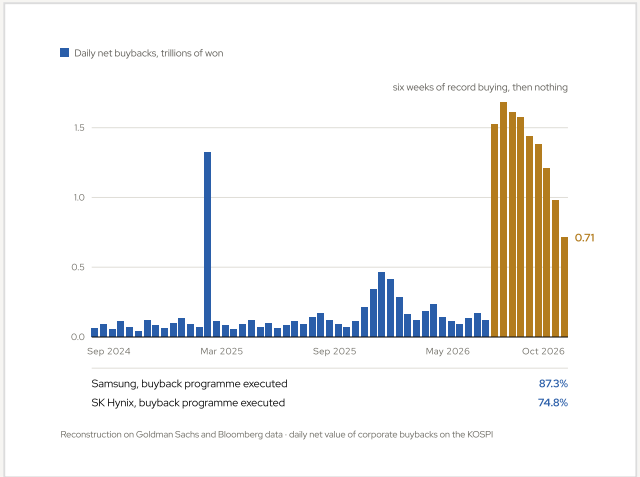

FIG. 2.2

Korean corporate buybacks collapse to 0.71 trillion won a day, less than half the peak

Source: own calculations on Goldman Sachs and Bloomberg data



03

Fixed Income

The gap between French and German bonds has narrowed, but for Goldman Sachs it is not a recovery: the carry trade almost everyone held has broken, and the bank proposes three hedges for the case in which the tension returns.

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WHAT HAPPENED

The ten-year spread between France and Germany has narrowed towards 140 basis points after almost 160, the widest since the euro crisis of late 2011.

- The OAT, the French government bond, yielded more than 5% at ten years on Friday: it fell to 4.75% on Tuesday and climbed back towards 4.90% on Thursday.
- The 2027 budget sets the deficit at 5%, “optimistic” for the fiscal council, and projects a record funding requirement of 340 billion euros.
- Stabilizing the debt, under favourable conditions and with funding costs at 4%, requires a primary surplus of 1%: the 95th percentile of France's results over the past forty-five years.
- French corporate bonds worth around 215 billion euros pay lower premiums than the State's: something like eighteen times January's figure, 38% of the investment-grade market, the companies judged reliable borrowers.

France and Germany: the gap narrows towards 140 basis points, then stops

The collapse did not come from the public accounts but from the unwinding of a widely held leveraged position, and for Goldman Sachs the ECB's threshold for intervening is high.

What broke

For Goldman Sachs's rates analysts, the collapse of early October had less to do with France's accounts and more to do with who held those bonds, and with how much borrowed money. The widening was driven by the unwinding of a widely held carry trade on OATs of two to five years, a position everyone had and everyone left when volatility rose.

The move spread to the other euro area government bonds, above all to BTPs, and Italy raised its deficit forecasts for 2027 and 2028 to 3.4% and 3.2% of gross domestic product. The buyers now are very short-term operators, French institutions and international asset managers; if the banks' treasuries join them, Goldman observes, there is probably room for a further recovery. The technical side of the market remains weak: for Agustín Martín of BBVA, French insurers are reducing their use of OATs as collateral and trading liquidity has deteriorated.

The arithmetic that stops the rebound

The narrowing began with a political announcement: Marine Le Pen's alternative budget raises the planned savings to 140 billion euros by 2032, from the earlier 125, to cover the higher interest on the debt. Goldman's model gives her a 68% probability of becoming president; Nelson Armbrust of the bank called it an excellent proposal, while doubting it would be implemented were she elected, and remains bearish.

> The primary surplus France needs, rarely achieved in forty-five years, is not produced by a candidate's alternative budget: the rebound has changed the prices, not the accounts.

Alexandre Stott of Goldman explains why the rebound has run its course: stabilizing French debt, assuming favourable conditions and funding costs of 4%, requires a lasting primary surplus of 1%, that is, a budget in surplus before interest payments: a result that sits at the 95th percentile of what France has achieved in forty-five years. At current rates, close to 5%, the requirement doubles. The inversion of the premiums matters because government bonds are supposed to be the zero-risk level, the one on which banks, insurers and pension funds rest their assets and their loan collateral: if the State becomes the riskiest borrower, that floor moves.

The ECB and Goldman's hedges

A broader crisis is not Goldman's base case: prices have not moved on fundamentals, but they can become a self-fulfilling prophecy, and I lean towards the second reading. For the bank the threshold for an intervention remains high: without structural reforms and budgetary effort the ratio of debt to output does not stabilize, and sovereign risk calls for a fiscal solution, not one from the ECB. For its economists Sven Jari Stehn and Alexandre Stott, activating the TPI would require much more widespread stress, with inflation well above target: shielding Spain from contagion is simpler than intervening on France. Christine Lagarde has nevertheless reminded finance ministers that she has the tools to stabilize markets, if necessary.

One of the suggested hedges is to buy euro real yields, that is, net of expected inflation, on the two-year segment that begins one year from now: in September the rise in yields fell on real rates, not on expectations, and real yields protect if energy becomes dearer. The assumption is that a French accident does the ECB's work: the central bank is still raising rates, and dearer credit raises the bar for further increases. Financing conditions have tightened by around 35 basis points in the euro area since the start of the summer, roughly the equivalent of a 25 basis point increase, and by more than 50 basis points in France since the beginning of July. On all the hedges, Goldman warns, the maximum loss is unlimited.

TAKEAWAYS

01 The vote of 13 October.

The budget reaches the National Assembly on 13 October and the government has no majority. If Le Pen's party were to signal abstention on a recourse to Article 49.3, which bypasses the vote, for Goldman OATs could draw a short-term benefit from it, if volatility stabilizes.

02 Moody's and S&P in November.

Both are expected to rule on French debt by the end of November. The Treasury plans 340 billion euros of net OAT issuance, after buybacks, next year, and for Goldman the market will have to absorb around 25% more net French duration, that is, interest rate risk, than in 2026.

03 The Finnish spread.

Goldman reverses its position and sells the Finnish ten-year against the German Bund: the advantage of the smaller markets vanishes if the widening becomes systemic and reaches credit and equities. The spread is around 30 basis points, five above the recent lows: the hedge costs almost nothing if it proves wrong.

04 Who is selling from Tokyo.

Foreign investors hold 70% of French debt, and Le Pen has warned that for this reason France risks a bond crisis. In September Japanese banks almost doubled their net sales of foreign bonds, to $15.9 billion: the next release will tell whether they are continuing.

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04

Commodities

A weekend announcement brought the price of diesel back down for a few hours. Meanwhile the gold-producing countries are building refineries at home, and the metal is ceasing to pass through the West.

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WHAT HAPPENED

On Thursday Brent, the European benchmark crude, reached about 106 dollars, with American WTI above 93.

- Flows through Hormuz were about 9.5 million barrels a day, still around 30% below pre-war levels.
- The 300,000 tonnes of Russian diesel announced on Friday amount to half a day of American consumption: WTI slipped to 91 dollars.
- Because of Hurricane Isaias, about 63% of oil production in the Gulf of Mexico has been suspended, roughly 1.3 million barrels a day.
- Gold stood at 4,110 dollars an ounce on 28 September: 12% below the late-August high and below January's record of more than 5,500.

Half a day of diesel at once, and the gold that stays in the producing countries

No announcement creates refining capacity, and the promised diesel is measured in days of consumption, not weeks; in gold, those who mine it are holding on to it and India is squeezing demand.

The week in crude

Crude drifted lower until midweek, with Brent below 100 dollars after the International Energy Agency accelerated the release of strategic reserves. On Thursday the picture reversed: Pentagon plans for possible strikes were compounded by the worst week for shipping since the war began, nine vessels targeted in seven days.

Then a post on Truth Social: productive talks with Iran, no strike before the midterm elections, naval blockade in force. Crude gave up a couple of dollars but closed up 4%: Brent slipped towards 103 dollars only overnight. The price of cargoes available for immediate delivery returned close to its wartime highs, and for Goldman Sachs the risk premium in September averaged 22 dollars a barrel, the second-highest monthly reading after April 2026.

The diesel arithmetic

On Friday evening the president announced that Putin will release diesel onto the American and world markets: more than 300,000 tonnes at once, 500,000 in November, one million after that and three million further on. The first 300,000 tonnes amount to a little over 2.2 million barrels, and the United States consumes a little over 4 million barrels of diesel a day: half a day. I doubt the three million will ever arrive.

> Two markets, one constraint: what counts is the product that actually passes through a plant or across a border, not the signature that promises it.

Goldman Sachs's election monitor explains the urgency: the Democrats' lead in the polls for the House vote, 8.9 points, moves with gasoline prices, and prediction markets put the odds of the House changing hands on 3 November at more than 90%. The Treasury has authorised the supply of Russian diesel until April 2027 through a temporary licence from OFAC, the American sanctions office.

For Charlie McElligott of Nomura the constraint is not crude but refining, and the overall margin, that is, what processing a barrel yields, is back above 100 dollars. Isaias is the second component of Thursday's rise, with production losses estimated at about 9 million barrels in a market of 100 million a day: for Jefferies, when the system has no spare capacity, a small disruption produces disproportionate consequences for prices.

The gold that stays at home

According to Nikkei Asia, gold's traditional route, from the mines of emerging countries to London and New York, is changing: producers are retaining a growing share of it, a resource nationalism that for Nikkei may push prices higher over the medium and long term. Laos, about 12 tonnes a year, has set up the Lao Bullion Bank to refine at home; Indonesia, more than 100 tonnes, has applied an export tax of up to 15% since 2026; China mines a little over 380 tonnes and buys physical metal through its central bank.

The reason is 2022: once Russia's foreign-currency reserves were frozen, every non-aligned reserve manager saw that a dollar asset is only as safe as the relationship with Washington. For SocGen the dollar's share of world reserves fell to 57% in 2025, more than five points below 2022, and the Chinese central bank's gold reserves stand at 2,345 tonnes, while its holdings of US Treasuries have fallen 41% since 2020.

On the other side, India is squeezing demand: in mid-May the effective duty on gold and silver rose from 6% to 15%, this weekend the goods and services tax exemption for banks was withdrawn, and Modi has urged citizens not to buy gold for a year.

Goldman Sachs keeps its target of 5,400 dollars an ounce for the end of 2027: central bank diversification explains almost all of the expected appreciation, and the assumption for official demand has been raised to 60 tonnes a month over 2026-27. The current pace of official purchases, as estimated by the bank, is about 91 tonnes a month. The fair value for the end of 2026, however, falls to 4,650 dollars from 4,900, above the 4,110 cited. Structural does not mean imminent: the Fed raised rates in September and for Nikkei at least one more increase will come before the end of the year, and the downward pressure will probably last until the final level of rates is clear.

TAKEAWAYS

01 The first delivery.

What to watch: a cargo that leaves and arrives. The terminal at Rostov-on-Don, the intended port of departure, was struck a few hours after the announcement: without a verified delivery, it remains a press release.

02 Diesel and rates.

For Charlie McElligott of Nomura the European diesel margin index, at 85, and the expected volatility of euro interest rates have moved almost in step since last February. Diesel is the one to follow: rates follow it.

03 The private side.

Two flows to follow: ETFs have added about 180 tonnes net since mid-July and Chinese imports have passed the record of 1,000 tonnes; for JPMorgan it is these, not central banks alone, that explain the price's resilience.

04 The floor and the hypothesis.

Goldman Sachs's commodities desk sees strong support at 4,000 dollars an ounce; for BofA's technical analysts, if 2026 were to prove a major peak, a level of 3,315 dollars would be possible. Monthly official purchases are the ones to follow.

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Two charts on gold that together explain the paradox of the week: the cost of holding it has risen and money kept coming in anyway, because the buyers are not watching rates.

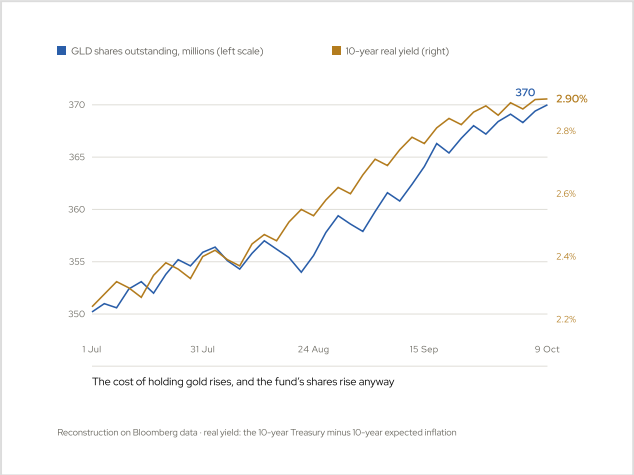

FIG. 4.1

The largest gold fund's shares rise to 370 million while the real yield reaches 2.90%

Source: own calculations on Bloomberg data

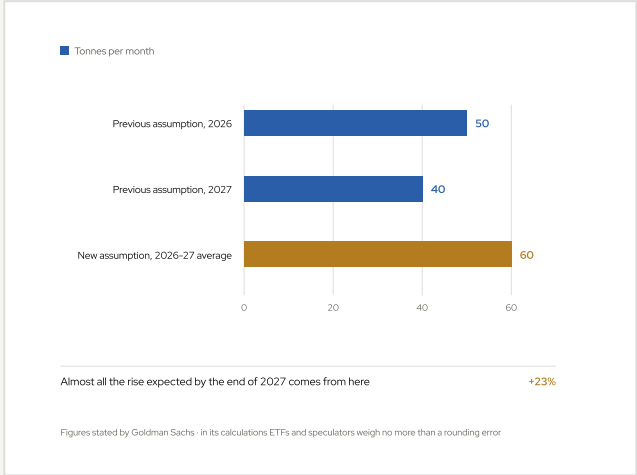

FIG. 4.2

Goldman Sachs raises expected central bank buying to 60 tonnes a month in 2026-27

Source: figures stated by Goldman Sachs



05

Forex & Crypto

Gold and cryptocurrencies have shown the limits of the currency-debasement thesis: when liquidity is needed, what can be sold is sold. Brazil went in the opposite direction, and it is the only market in which fiscal discipline is being rewarded.

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WHAT HAPPENED

Bitcoin went from about 87,000 dollars on Tuesday to nearly 80,000 on Thursday, then rebounded on Friday from the average price of the last fifty sessions.

- CoinGlass counted 1.09 billion dollars of forced liquidations in 24 hours, 85% of them on long positions; the exchange-traded funds recorded considerable outflows over the last two days.
- Gold and silver closed the week modestly higher and gold fluctuated around 4,160 dollars an ounce, while platinum lagged behind.
- The Brazilian real gained more than 4%, its best week since July 2022: it once again takes fewer than 5 reais to buy a dollar.
- India has removed the IGST exemption for banks importing precious metals, after raising the effective duty on gold and silver from 6% to 15% in May 2026.

Bitcoin from 87,000 to 80,000 dollars, the Brazilian real up more than 4%

In the week in which bond markets demanded more to finance public debt, gold and cryptocurrencies showed the limits of the protection they promise.

The debasement test

Gold and cryptocurrencies are presented as a defence against currency debasement. Two reasons argued for buying protection: the alarm over public finances and the geopolitical danger, from attacks in the area of the Strait of Hormuz to the hurricane that halted 63% of crude production in the Gulf of America. Neither produced the straight-line rise the theory predicts: a strong dollar and high yields, with the ten-year US government bond yielding around 5.25%, worked against the demand for protection, and the modest weekly gain in gold and silver came from Friday's rebound. Gold remains about 300 dollars below its level of a month ago.

The clearest signal came from cryptocurrencies: Bitcoin, sold as a hedge against debasement, spent the week of the public-finance alarm moving like the most volatile stocks on the Nasdaq. It fell from about 87,000 dollars on Tuesday to nearly 80,000 on Thursday, then rebounded on Friday from its 50-day moving average. CoinGlass counted 1.09 billion dollars of forced liquidations in 24 hours, 85% of them on long positions. During the rebound open interest held steady: the recovery seems to have come from the closing of short positions and from purchases on the spot market, the one where the asset is bought and delivered at once, not from new leveraged money.

The real and the run-off

Europe showed what happens when bond markets lose patience with public finances: Brazil is the opposite case. On Sunday Flávio Bolsonaro took 47.0% of the valid votes in the first round, against 45.2% for President Lula, overturning the polls. On Monday the market priced in the prospect of a change of government in a single session: the Ibovespa closed up 7.7%, at a record 206,912 points, its best day in more than six years. The real gained more than 4%: it once again takes fewer than 5 reais to buy a dollar.

> Those who buy protection against debasement expect it to work precisely in the worst week for public finances. This time it was the dollar that held, and gold and Bitcoin had to wait for the final session.

The flows show how concentrated the buying was: on Monday the EWZ ETF, the fund used to gain exposure to the Brazilian market, traded 8 billion dollars, the highest daily volume in its 25-year history. Goldman Sachs's Latin America desk recorded about 2 billion of net foreign purchases in a single session, the most since its records began in 2008. I will simply note that the run-off is held on 25 October and that the Brazilian ten-year yield remains close to 13%: what was bought was the expectation of fiscal consolidation, not the consolidation itself.

The rupee and Indian gold

Over the weekend India removed the exemption from IGST, the integrated goods and services tax, for banks that import precious metals. The official reason is tax parity between import channels. It belongs, however, to a series of measures begun in the early months of 2026 with a different aim: to moderate non-essential gold imports, ease the pressure on foreign-exchange reserves and support the rupee. The mechanism: higher import costs reduce the demand for gold, hence the outflow of foreign currency and the pressure on the current account, and so limit a further depreciation of the rupee.

The heaviest measure dates from mid-May 2026: the effective rate of duty on gold and silver rose from 6% to 15%, a basic duty of 10% plus an agriculture infrastructure and development levy of 5%. The stated reason was to reserve foreign currency for essential goods, and Prime Minister Narendra Modi asked citizens not to buy gold for a year. The other side of the argument is here: where a currency is truly under pressure, the government does not debate whether gold protects, it makes gold harder to buy.

TAKEAWAYS

01 The run-off on 25 October.

A consultancy hosted by UBS gives Bolsonaro an 85% probability of victory: that is a forecaster's estimate, not a market measure. What bears watching is how crowded the position is: the EWZ ETF has taken in the largest four-day net inflow ever recorded.

02 Bitcoin fund flows.

The outflows of the last two days matter more than the price. If they continue, Friday's rebound remains supported only by the closing of short positions, which runs out.

03 The yield weighing on gold.

What held the metals back was not the geopolitical news, but the strength of the dollar and high yields. The US ten-year yield is worth following as closely as the price of gold.

04 Indian gold imports.

New Delhi's measures concern the metal and the rupee together. Worth following are the monthly data on Indian imports, the gap between the domestic and the international price, and whether other countries with reserves under pressure do the same.

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A glossary is not read from the first entry to the last: it is consulted. The words marked in the text lead here.

A – B

Basis point

One hundredth of a percentage point: one hundred basis points make one point. A premium of 140 basis points: France pays 1.40 points more than Germany.

Buyback

The operation by which a company buys its own shares on the market and reduces the number in circulation. For as long as it lasts it supports the price, because the buyer is the company itself.

C – D

Carry trade

A transaction that collects the difference between two yields using borrowed money: here a short-dated OAT was bought and the margin kept over a swap contract.

Debasement

The loss of purchasing power that a growing public debt can impose on money. Those who fear this effect buy assets that no one can create at will, such as gold or Bitcoin.

E – F

Fair value

The price consistent with the variables of a model at a given date. Different from the price target, which says where the bank expects the market to be.

Forced liquidation

The automatic closing of a leveraged position when the collateral posted is no longer enough to cover the loss. It happens without the investor's consent and accelerates the price move.

L – M

Market breadth

How many stocks genuinely take part in an index's rise. A record with 85% of constituents more than 10% below their highs is the rally of a few companies.

Money market funds

Funds that invest in very short-dated securities, usually Treasury bills and deposits, to hold cash with a small return.

N – P

Net and gross exposure

Net exposure is the difference between positions that gain from rises and those that gain from falls; gross exposure is their sum. Low net and high gross: a small wager on direction, a large exposure to individual stocks.

Open interest

The total of derivative contracts still outstanding. If the price rises and open interest stays flat, the move comes from those closing old positions, not from new money.

Q – S

Real rates

The yield on a security net of expected inflation. If the real rate rises and expected inflation does not, money becomes more expensive because competition among those who ask for it grows.

Resource nationalism

The measures by which a producing country retains the value of what it extracts: refining on site, export taxes, central bank purchases.

Risk premium

The part of the price the market pays for the fear of a disruption, not for the barrels that are missing.

T – Z

Term premium

The extra yield demanded by those who lend for the long term rather than the short, as compensation for uncertainty. When it rises, long-term yields stay high.

TPI

Transmission Protection Instrument: the facility with which the ECB can buy the bonds of a country whose yields rise for reasons unrelated to its accounts.



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