

Week ending 10/23/26

Rates Fall on Renewed AI Fears Ahead of October FOMC Meeting

- Economic data was light last week with an absence of FedSpeak ahead of the October FOMC meeting. As such, rates were heavily driven by a shift in focus to geopolitical developments and sentiment in the equities market. The S&P 500 fell 0.47%, the NASDAQ Composite fell 0.71%, while the 2Y UST fell 3 bps.
- Fresh AI worries fueled a flight-to-safety trade earlier in the week following an underwhelming debut of Elice, a South Korean data center firm that tumbled 32% in its first trading session. Soon after, a strong earnings report from SpaceX briefly eased the selloff in technology stocks and sent rates higher. On Thursday, Meta's plans to increase capital spending reignited concerns surrounding AI, boosting safe haven demand and sparking the largest same day rally in U.S. Treasuries in over a year. The 10Y UST fell 17 bps, dipping below 5.00% for the first time this month.
- Violent protests in Europe over mounting government debt and cost of living concerns further boosted inflows to U.S. Treasuries over the course of the week. In France, the 10Y bond yield rose to its highest level since 2002.
- Energy prices were volatile last week as headlines jumped between progress on US-Iran peace talks to a resumption of attacks in the Middle East. With oil prices trending near the highs, upside risks to inflation will likely remain the focus for policymakers despite the expected hold at this week's meeting.
- Consumer confidence in October fell slightly from the prior month to 48.0, marking a five-month low as elevated prices and rising interest rates continue to weigh on the consumer.
- This week, the Fed gathers for the October FOMC meeting to discuss monetary policy and the economic outlook. A hawkish pause is widely expected on Wednesday, with two 25-bp hikes priced in by April 2027. Separately, September PCE, Personal Income and Spending, and an advance Q3 GDP reading are due Thursday.

	Today	1 Week Ago	1 Month Ago	1 Year Ago	10Y Avg	20Y Avg	All Time Low
SOFR*	3.92%	3.87%	3.88%	4.27%	-	-	0.01%
1M Term SOFR*	3.93%	3.93%	3.90%	3.98%	-	-	0.01%
3M Term SOFR*	4.06%	4.06%	4.07%	3.84%	-	-	0.02%
2Y UST	4.70%	4.77%	4.92%	3.49%	2.58%	1.87%	0.10%
5Y UST	4.82%	4.94%	5.06%	3.60%	2.68%	2.33%	0.19%
10Y UST	4.99%	5.14%	5.20%	3.98%	2.92%	2.88%	0.51%

*SOFR and Term SOFR were introduced in 2018 and 2019, respectively. As such, there is no 10- and 20-year average to calculate.

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