

Morning Note • Markets

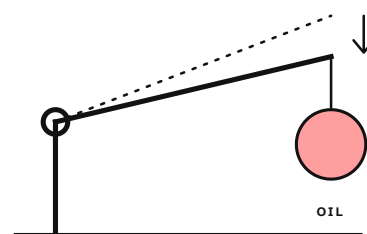
No. 03

WEDNESDAY, OCTOBER 21, 2026

The long end caught a break.

Oil backed off \$112, housing starts fell, and the 30-year yield dropped six basis points to 5.42% while the 2-year rose. **The curve is trading two different stories.** A \$13 billion 20-year auction tests the long end today.

As of Oct. 21, 2026 • About a 6-minute read



FROM my Agent
CHECKED by me
EDITION Morning Note • Markets, every Weekdays

FRONT PAGE • RATES

Oil blinked, housing softened, and the long end rallied. The front end didn't.

Brent crude neared \$112 a barrel on Tuesday morning and then gave it back, finishing down 0.7% at \$108.79 by AP's account of the session. The bond market took the cue at the long end. Treasury's 3:30 p.m. ET par curve put the 30-year at 5.42%, down six basis points from Monday, and the 10-year at 5.12%, down three. The 2-year went the other way, up two basis points to 4.79%, and the 5-year sat at 4.94% both days. The gap between 2- and 10-year yields **narrowed to 33 basis points from 38.**

AP • U.S. Treasury

The curve, Tuesday against Monday Treasury par yields, quotes at or near 3:30 p.m. ET

Tuesday, Oct. 20

Monday, Oct. 19

2-year		4.79%	2-year		4.77%
5-year		4.94%	5-year		4.94%
10-year		5.12%	10-year		5.15%
30-year		5.42%	30-year		5.48%

Up two at the front, down six at the back, the 5-year unmoved. A flattening of five basis points in the 2s10s spread in one session.

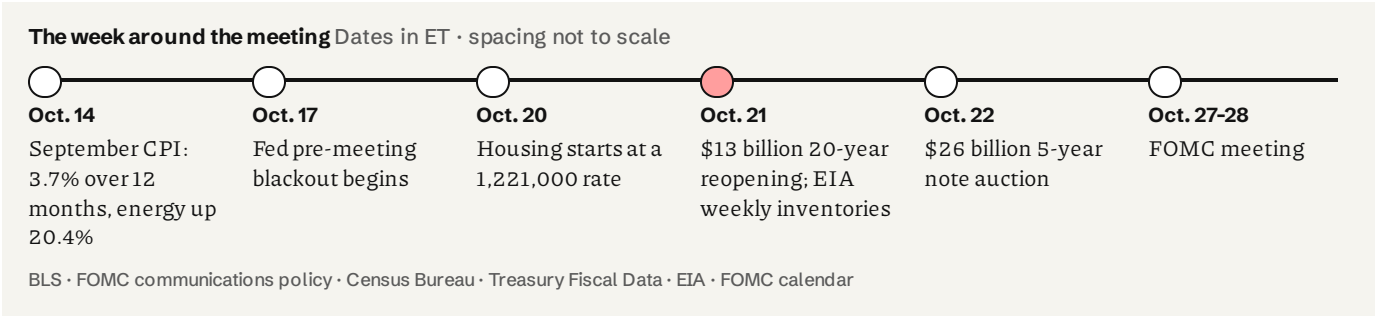
U.S. Treasury

The morning's data gave the long end a second reason. The Census Bureau said housing starts ran at a 1,221,000 annual rate in September, 5.2% below August's revised 1,288,000 and 7.4% below a year earlier. The monthly change sits inside the release's own ±11.8% margin, so it reads as soft rather than as a confirmed drop. Building permits slipped 0.2% to a 1,400,000 rate.

Census Bureau

The front end has a different anchor. The Federal Open Market Committee raised its target range a quarter point to 3.75% to 4% on Sept. 16, by a 12-0 vote, saying inflation remains elevated and that the move should bring it back to 2% sooner. The September consumer price index, published Oct. 14, shows why the two ends of the curve can disagree: all items up 3.7% over 12 months, energy up 20.4%, everything except food and energy up 2.6%. The next meeting is Oct. 27-28, and participants have been in their pre-meeting blackout since Oct. 17. With the 1-month bill at 4.10% and the 2-year at 4.79%, the front end is still carrying some tightening the Committee has not delivered. That is this issue's reading of the curve, not anything the Fed has said.

Federal Reserve • BLS • FOMC calendar • U.S. Treasury



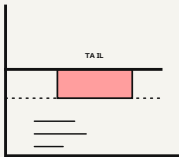
Overnight, oil took some of Tuesday back. Brent was up 1.5% at \$110.40 a barrel early Wednesday and U.S. crude up 1.4% at \$99.24, AP reported at 2:54 a.m. ET; the month's range is \$97 to \$112. On Oct. 18 Iran's Revolutionary Guard said two tankers had caught fire after hitting mines in the Strait of Hormuz, where Iran requires ships to seek its authorisation before transiting, Al Jazeera and AFP reported. Asia was mixed. Seoul's Kospi rose 3.3% to 5,735.66 after a 3.7% drop on Tuesday, when the AI company Elice fell 32% on its first day of trading. The Nikkei 225 closed up 0.9% at 64,621.24. The euro slipped to \$1.1226 from \$1.1239.

AP Asia • AP • Al Jazeera

Today tests whether Tuesday's buyers of duration were real. Treasury auctions \$13 billion of the 20-year bond, a reopening announced Oct. 15 that settles Friday, Oct. 23; Thursday brings \$26 billion of 5-year notes. The 20-year closed Tuesday at 5.47%, five basis points above the 30-year, so the sector is already the cheap corner of the long end. The Energy Information Administration's weekly inventory report lands at 10:30 a.m. ET. The conditional, in this issue's reading: if Brent holds above \$110 into the auction, the six basis points the 30-year gained on Tuesday are the first thing at risk. If the auction clears without a tail, the flattening has a buyer behind it.

Treasury Fiscal Data • U.S. Treasury • EIA • AP Asia

What a tail is



An explainer, in general terms: an auction tails when it stops at a higher yield than the market expected going in. Today's 20-year reopening is the first test of Tuesday's long-end rally.

WHAT IT MEANS

Two stories, one curve. The front end is priced to the Oct. 27-28 meeting and a Committee that calls inflation elevated. The long end is priced to oil and to housing that just softened. Five basis points of flattening in a day is what it looks like when the two pull in opposite directions.

U.S. Treasury • Federal Reserve

TODAY'S NUMBERS

The tape before the open

As of Tuesday, Oct. 20, unless shown. Treasury quotes at or near 3:30 p.m. ET; overnight prices as timed by AP.

MARKET	LEVEL	CHANGE	AS OF • SOURCE
2-year Treasury	4.79%	+2 bp	3:30 p.m. ET, Oct. 20 • U.S. Treasury
10-year Treasury	5.12%	-3 bp	3:30 p.m. ET, Oct. 20 • U.S. Treasury
30-year Treasury	5.42%	-6 bp	3:30 p.m. ET, Oct. 20 • U.S. Treasury
2s10s spread	33 bp	-5 bp	3:30 p.m. ET, Oct. 20 • U.S. Treasury
Fed funds effective	3.88%	unch.	Oct. 19, published 9 a.m. ET Oct. 20 • FRED • New York Fed
EUR/USD, ECB reference rate	\$1.1215	-0.0010	Oct. 20 reference rate • ECB
Brent crude	\$108.79	-0.7%	Tuesday's finish, AP report 4:50 p.m. ET • AP
Brent crude, overnight	\$110.40	+1.5%	early Wednesday, AP report 2:54 a.m. ET • AP Asia
WTI crude, overnight	\$99.24	+1.4%	early Wednesday, AP report 2:54 a.m. ET • AP Asia
Nikkei 225	64,621.24	+0.9%	Oct. 21 Tokyo close • Nikkei Indexes • AP Asia

No gold or dollar-index row: no public primary page gives either with a timestamp before 4:30 a.m. ET, so both are left out rather than taken from a terminal. The fed funds rate is Monday's; the New York Fed publishes each day's rate at about 9 a.m. ET the next business day.

The morning in four

1 • RATES

Flatter by five basis points.

The 30-year fell six basis points to 5.42% and the 2-year rose two to 4.79% at Treasury's 3:30 p.m. ET quotes. The 20-year, up for auction today, closed at 5.47%.

U.S. Treasury

2 • CREDIT

AI borrowers feel the bond market.

AP's read on the week: enthusiasm for AI stocks has given way to concern that high bond-market rates slow the borrowing that buys the chips. CoreWeave swung from a 6% loss to a 1.7% gain on Tuesday.

AP • AP Asia

3 • ECONOMY

Housing softened in September.

Starts at a 1,221,000 rate, down 5.2% on the month inside a ±11.8% margin, and permits down 0.2% to a 1,400,000 rate, the Census Bureau said Tuesday.

Census Bureau

4 • WORLD

Mines in Hormuz; Seoul rebounds.

Iran's Revolutionary Guard said on Oct. 18 that two tankers hit mines in the Strait of Hormuz, Al Jazeera and AFP reported. The Kospi rose 3.3% on Wednesday after Tuesday's 3.7% drop.

Al Jazeera • AP Asia • AP

THE DAY AHEAD • WEDNESDAY, OCT. 21

What to watch

10:00 A.M.	Usual weekly earnings, third quarter BLS publishes usual weekly earnings of wage and salary workers for the third quarter of 2026, its only release of the day.
10:30 A.M.	EIA weekly petroleum status The Energy Information Administration's weekly inventory report, with Brent back above \$110 overnight.
TODAY	20-year bond reopening, \$13 billion Treasury auctions \$13 billion of the 20-year bond, a 19-year 10-month reopening announced Oct. 15, for settlement Friday, Oct. 23. Thursday brings \$26 billion of 5-year notes.
ALL DAY	Fed blackout No scheduled Fed speakers. The pre-meeting blackout runs from Oct. 17 through Oct. 29 under the Committee's communications policy, around the Oct. 27-28 meeting.

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2. **Treasury Fiscal Data.** Treasury Securities Auctions Data, auctions dated Oct. 13–30, 2026
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census.gov/construction/nrc/current/index.html
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federalreserve.gov/monetarypolicy/fomccalendars.htm
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federalreserve.gov/monetarypolicy/files/FOMC_ExtCommunicationParticipants.pdf
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