

Morning Note • Markets

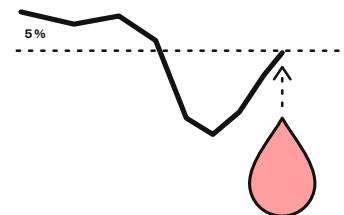
No. 06

MONDAY, OCTOBER 26, 2026

Oil takes the 10-year back to 5%.

Brent settled at \$116.72 on Friday and Treasury yields gave back part of Thursday's drop, with the 10-year closing at 5.00%. **Inside the 5-year, the inflation part of the yield rose for a second day.** The Fed meets Tuesday and Wednesday.

As of Oct. 26, 2026 • About a 5-minute read



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

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FRONT PAGE • RATES

Oil came back, and so did 5%.

The 10-year Treasury yield closed Friday at 5.00%, from 4.96% on Thursday, on Treasury's 3:30 p.m. par curve. The 2-year rose to 4.69% from 4.65%, and the 30-year to 5.33% from 5.29%. The 2-, 5-, 10- and 30-year each rose 4 basis points, so the 2s10s spread held at 31. The 3-month bill sat still at 4.22%. In one session the 10-year took back about a quarter of Thursday's 17-basis-point fall.

U.S. Treasury

The curve, Thursday and Friday Treasury par yields at 3:30 p.m. ET, Oct. 22 and Oct. 23

Oct. 22 close

3-month	4.22%
2-year	4.65%
5-year	4.78%
10-year	4.96%
30-year	5.29%

Oct. 23 close

3-month	4.22%
2-year	4.69%
5-year	4.82%
10-year	5.00%
30-year	5.33%

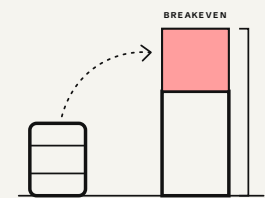
The bill held; the 2-year through the 30-year each rose 4 basis points.

U.S. Treasury

Oil did the pushing. December Brent settled at \$116.72 a barrel, up 3.1% on the day and more than 6% on the week, and WTI settled at \$103.27, up 3.8%, Bloomberg reported. It pointed to Houthi claims of attacks on the Saudi Red Sea port of Yanbu, a U.S.-Iran war nearing its ninth month, and traders unwilling to stay short over the weekend. Stocks slid with it. The Dow lost 1.2% and the S&P 500 fell 0.5% to 7,623.68, its second weekly loss in a row, the Associated Press reported.

Bloomberg via Rigzone • AP via BNN
Bloomberg

Where oil enters a yield



U.S. Treasury (real yields)

A Treasury yield splits into a real yield, which TIPS show, and the breakeven, the inflation the market prices in. By this issue's reading, oil feeds the second part.

The more telling number sits inside the 5-year. Its nominal yield rose 4 basis points to 4.82%, while the 5-year TIPS real yield rose 1, to 2.34%. The gap between them, the breakeven inflation rate, widened to 2.48% from 2.45%. On Thursday, when the nominal 5-year fell 17 basis points, the breakeven still rose, from 2.40%. Yields went down one day and up the next; **inflation compensation rose both times**. By this issue's reading, that is oil working its way into the price of Treasuries.

U.S. Treasury • U.S. Treasury (real yields)

The 5-year, taken apart Nominal and TIPS real par yields at 3:30 p.m. ET; breakeven is nominal minus real

Nominal

Oct. 21	
Oct. 22	
Oct. 23	

4.95%
4.78%
4.82%

Real (TIPS)

Oct. 21	
Oct. 22	
Oct. 23	

2.55%
2.33%
2.34%

Breakeven

Oct. 21	
Oct. 22	
Oct. 23	

2.40%
2.45%
2.48%

Nominal and real yields fell Thursday and rose Friday. The breakeven rose both days.

U.S. Treasury • U.S. Treasury (real yields)

That is the backdrop for the Fed meeting on Oct. 27-28. The target range has been 3.75% to 4.00% since a quarter-point increase on Sept. 17, and the effective rate printed 3.88% on Thursday. A 2-year at 4.69% sits 69 basis points above the top of that range. The AP reported that Wall Street expects a

Federal Reserve (target range) • New York Fed •
U.S. Treasury • AP via BNN Bloomberg •
Federal Reserve (FOMC calendar) • Federal
Reserve (blackout rule)

hold this week and leans heavily toward another increase in December. This meeting carries no new economic projections, and the committee's blackout on policy talk runs until the day after it ends.

Overnight the pressure eased a little. Tokyo's Nikkei 225 slipped 0.8% to 62,189.65 and Seoul's Kospi fell 1.5%, the AP reported. The AP's 3:46 a.m. update had U.S. crude down 1.8% at \$101.37 and Brent down 1.4%, with U.S. stock futures edging higher. Treasury sells 2-year notes today, the first of three note auctions this week. If oil keeps slipping, the likelier reading is that the front end gives back Friday's rise first. If Thursday's September PCE comes in near the 3.7% the AP said is expected, the breakeven has room to keep climbing.

AP via WSLS • AP via BNN Bloomberg •
Treasury (auction schedule) • BEA

TODAY'S NUMBERS

The tape before the open

As of the Friday, Oct. 23 close unless shown. Treasury yields are 3:30 p.m. ET par curve quotes; changes are from Thursday, Oct. 22.

MARKET	LEVEL	CHANGE	AS OF • SOURCE
2-year Treasury	4.69%	+4 bp	3:30 p.m. ET, Oct. 23 • U.S. Treasury
10-year Treasury	5.00%	+4 bp	3:30 p.m. ET, Oct. 23 • U.S. Treasury
30-year Treasury	5.33%	+4 bp	3:30 p.m. ET, Oct. 23 • U.S. Treasury
2s10s spread	31 bp	0 bp	3:30 p.m. ET, Oct. 23 • U.S. Treasury
5-year breakeven	2.48%	+3 bp	3:30 p.m. ET, Oct. 23 • U.S. Treasury • U.S. Treasury (real yields)
Fed funds effective	3.88%	0 bp	Oct. 22 • New York Fed
EUR/USD (ECB)	1.1193	-0.0012	ECB reference rate, Oct. 23 • ECB
Brent crude (Dec.)	\$116.72	+3.1%	Settlement, Oct. 23 • Bloomberg via Rigzone
WTI crude (Dec.)	\$103.27	+3.8%	Settlement, Oct. 23 • Bloomberg via Rigzone

The breakeven is this issue's arithmetic: Treasury's 5-year nominal par yield minus its 5-year real par yield. Fed funds is Thursday's rate, the latest published at this hour. Gold and the Stoxx 600 are left out: no public page gave a timed level before this issue's deadline.

The morning in four

1 • RATES

A parallel shift up.

The 2-, 5-, 10- and 30-year yields each rose 4 basis points Friday on Treasury's par curve. The 3-month bill did not move.

U.S. Treasury

2 • CREDIT

Mortgage rates lag the bounce.

Freddie Mac's 30-year fixed average was 7.32% on Oct. 22, from 7.40% a week earlier. The survey came out before Friday's rise in yields.

Freddie Mac

3 • ECONOMY

GDP and PCE land Thursday.

BEA publishes third-quarter GDP and September personal income and outlays at 8:30 a.m. on Oct. 29. The AP said the PCE price index is expected to show a 3.7% rate.

BEA • AP via BNN Bloomberg

4 • WORLD

Canada leans toward a hike.

The Bank of Canada decides Wednesday at 9:45 a.m. Markets put the odds of a rate increase from 2.25% near 78% on Friday, The Canadian Press reported, citing LSEG.

Bank of Canada • Canadian Press via BOE Report

THE DAY AHEAD • MONDAY, OCT. 26

What to watch

AUCTIONS

Bills and the 2-year note

Treasury auctions 13- and 26-week bills and the 2-year note today; the 2-year settles Nov. 2. The 5-year follows Tuesday and the 7-year Thursday.

10:30 A.M.

Dallas Fed manufacturing survey

The October Texas Manufacturing Outlook Survey, scheduled for 9:30 a.m. Central.

ALL DAY

No BLS, BEA or Census releases

None of the three agencies lists a release for Monday. Census has durable goods and new home sales on Tuesday.

ALL WEEK

Four central banks

The FOMC meets Tuesday and Wednesday. The Bank of Canada announces Wednesday, the ECB meets Wednesday and Thursday, and the Bank of Japan Thursday and Friday.

ALL DAY

Fed blackout

FOMC participants stay off policy talk until the day after the Oct. 27-28 meeting. The blackout began Oct. 17.

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