CAPITAL MARKETS REPORT - October 19, 2026

FNBB Capital Markets

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Service Beyond Comparison

- **Inflation Remains Elevated**
- **Fed Reaffirms Inflation Commitment**
- **Flight to Quality Pushes Down Treasury Yields**

--> September inflation data came in above expectations, reinforcing concerns that price pressures remain elevated. Headline CPI rose 0.6% for the month and 3.7% year-over-year, while core CPI increased 0.3% and 2.6%, respectively. Producer prices also accelerated, with headline PPI rising 1.3% for the month and 6.3% annually, its largest yearly increase in more than four years. The stronger readings suggest inflation pressures remain widespread, with higher production and energy costs potentially feeding into consumer prices in the coming months. The reports reinforced expectations for another Fed rate hike before year-end as policymakers continue to focus on bringing inflation back toward the 2% target. For fixed income markets, persistent inflation and the prospect of additional tightening could keep Treasury yields elevated, particularly at the long end of the curve.

--> Fed Chairman Kevin Warsh reiterated the Fed's commitment to bringing inflation back toward its 2% target but offered little additional guidance on the path of monetary policy. Markets continue to expect the Fed to hold rates steady at its October 28–29 meeting, with another rate hike remaining possible before year-end. Recent Fed commentary has supported expectations for a pause in October while leaving the door open to further tightening if inflation remains elevated. With the Fed now in its pre-meeting blackout period, attention turns to this week's economic releases, particularly Friday's PMI data and consumer sentiment report. These readings could help shape market expectations ahead of the October rate decision.

--> Treasury yields moved sharply lower last week as concerns surrounding major AI companies weighed on equity markets and increased demand for safer assets. The 10-year Treasury yield declined approximately 17 basis points, while the Nasdaq 100 fell 5.5%. The rally provided relief for longer-duration fixed income and put pressure on investors positioned for further increases in yields. The move also suggests Treasuries may be regaining some of their traditional safe-haven appeal during periods of equity market weakness. However, persistent inflation remains a significant concern, and stronger-than-expected inflation data could reverse the recent rally and put renewed upward pressure on Treasury yields.

Market Last Week

Index	10/9/2026	10/16/2026	Weekly Change In Bps
2 yr. Note	4.789%	4.709%	-8
5 yr. Note	5.02%	4.87%	-15
10 yr. Note	5.24%	5.08%	-17
30 yr. Bond	5.60%	5.42%	-17
SOFR Rate	3.87%	3.88%	+1

Data This Week

Date/Time (ET)	Economic Data	Market Estimate	Prior Report
Tuesday, October 20 2026 8:30 AM	Housing Starts (Sep.)	1,300k	1,275k
Tuesday, October 20 2026 8:30 AM	Building Permits (Sep. P)	1,385k	1,403k
Tuesday, October 20 2026 8:30 AM	Housing Starts MoM (Sep.)	1.60%	-2.60%
Tuesday, October 20 2026 10:00 AM	Pending Home Sales MoM (Sep.)	-0.50%	0.30%
Tuesday, October 20 2026 10:00 AM	Pending Home Sales NSA YoY (Sep.)	-	-4.90%
Thursday, October 22 2026 8:30 AM	Initial Jobless Claims (Oct. 17)	200k	199k
Thursday, October 22 2026 8:30 AM	Continuing Claims (Oct. 10)	1,715k	1,710k
Friday, October 23 2026 9:45 AM	S&P Global US Manufacturing PMI (Oct. P)	55.5	55.9
Friday, October 23 2026 9:45 AM	S&P Global US Services PMI (Oct. P)	58	58.8
Friday, October 23 2026 9:45 AM	S&P Global US Composite PMI (Oct. P)	57.4	58.4
Friday, October 23 2026 10:00 AM	U. of Mich. Sentiment (Oct. F)	46.3	46.3
Friday, October 23 2026 10:00 AM	U. of Mich. 1 Yr Inflation (Oct. F)	-	4.70%
Friday, October 23 2026 10:00 AM	U. of Mich. 5–10 Yr Inflation (Oct. F)	-	3.50%

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