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Daily Commentary

Waiting for the American CPI

14th October 2026

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Yesterday's session closes with markets almost flat, with the S&P 500 index at 7,805 points (-**0.02**%), Nasdaq -**0.15**%, and Dow Jones -**0.35**%.
A day that started off badly (selling in semiconductors, with Micron -3.6% on fears linked to Chinese progress in memory, and Johnson & Johnson -**6.0**% after a disappointing quarterly report) and was then saved by a Bloomberg interview with **John Williams**, president of the New York Fed.
Williams confirmed that another hike in 2026 may be appropriate, but added a statement that the market perceived as an important signal.
For 2027, "at the moment I have no reason to believe that we will have to do more".
With the Fed Funds already at 3.75%-4.00% after the September tightening, knowing that the number two of the FOMC sees at most another tweak took the scenario of an endless cycle off the table.
Governor **Christopher Waller** doubled down, recalling that long-term yields are already slowing housing and autos, doing part of the central bank's job.
Yields fell and markets recovered from their lows.

For the CPI figure, the consensus expects a monthly +**0.6**% for headline inflation, which would bring the annual rate from 3.4% to **3.6**%, while the core (net of energy and food) should rise by just **0.2**% in the month, with the annual rate around **2.5**%.
The reason for the disconnect between the two measures is gasoline.
In September, the average price at the pump reached **4.33** dollars per gallon, an

Source: Bloomberg, Reuters, Yahoo Finance, Financial Times, ECB, CNBC, The White House
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all-time high for a month of September.
The headline figure will rise, but what the market wants to understand is whether the energy shock is spreading to the rest of the basket.

There are three components to keep an eye on.
First: **airline tickets**, which in August were already running at **23**% per year, the most direct channel through which high fuel costs pass to services.
Second: **housing**, which accounts for about a third of the basket and in August had stopped at **3**% annually with rents at +**0.2**% monthly.
Third: the so-called **supercore** (services, excluding housing) where second-round effects are seen.
Telephone services are also to be kept under observation, which in August had inflated the core with a +**5.4**%, which almost everyone considers a one-off.
If the core comes out at +0.2% and the supercore does not accelerate, the message is that the **energy shock remains confined to energy**.

However, there is a misconception to clear up.
Today's figure weighs on sentiment and on the short end of the curve, the one tied to the Fed's moves, but the fate of the long end, with the 10-year around **5.2**% and the 30-year above **5.5**%, depends on three different forces, none of which can be read in the CPI.

The first is the **withdrawal of the historical buyer**.

Source: Bloomberg, Reuters, Yahoo Finance, Financial Times, ECB, CNBC, The White House
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Japanese investors have been net sellers of foreign bonds for the third consecutive week, and since the beginning of the year they have sold approximately **5** trillion yen of foreign paper, the highest figure since 2022.
The reason is that the Japanese 10-year reached **3.12**%, a thirty-year high.
Once the currency hedge is paid for, staying in Japan is advantageous.
The second is the **American deficit**.
Fiscal year 2026 closed with a deficit of around **2** trillion dollars, over 200 billion USD more than the previous year and the highest ever recorded outside of a war or a recession.
More deficit means more paper to place.
The third, and perhaps most relevant in the short term, is the **pause in issuances by large cloud companies**.

Since September 2025, the Artificial Intelligence sector had placed **23** transactions above **3** billion dollars, for a total of **378** billion USD.
In September and October of this year: zero.
If nothing arrives by the end of the month, it will be the first two-month period without a mega AI issuance since the investment spending cycle began.
And it is precisely this pause that is keeping credit calm: spreads on high credit quality bonds have widened by just one basis point since the start of the hiking cycle, compared to **15** in 2022 and **27** in 2015.
Credit is not calm because risks have disappeared, but it is calm because the largest issuer in the market has turned off the tap, for now.

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However, the tap is about to reopen, and with a flow never seen before.
There is already approximately **150** billion USD of announced chip financing, and for 2027, **275** billion USD of AI issuances with maturities of up to seven years are estimated, representing between **20**% and **25**% of all investment grade supply on that section of the curve, compared to **10**% this year and **1**% in 2024.
Next year, a regional bank or a utility company that has to roll over a five-year bond will find itself in competition with OpenAI's GPU loan and will have to pay more to win.
These are three forces pressing on the term premium, the compensation the investor demands to hold a long-term security, and none of the three emerges from today's figure.

If the CPI were to be in line with expectations (core at +0.2% and a quiet supercore), we could see a rebound in bonds and a contraction in yields.
Benefiting from this would be the sectors most sensitive to rates, such as technology, which lives on cash flows far out in time, small caps, indebted and floating-rate, utilities, and real estate, which the market treats as bonds disguised as stocks.
It is the **rotation** spoken of yesterday, which would finally find its fuel.
The fourth quarter, after all, is historically the best for credit, and with net supply close to zero, the ground is fertile.
However, let us have no illusions.
Issuances will return, probably already around the turn of the year, and when the AI debt machine gets back in motion, the

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music will change again.
Santa Claus may even bring the rally, but in January the bill will arrive.

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