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# Economy Week Ahead

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October 4, 2026

Dr. Win Thin

Chief Economist

“Economics is not an exact science. It's a combination  
of an art and elements of science.”

Paul Samuelson

Markets ended the week on an upbeat note despite the soft jobs report. It was mostly a “bad news is good news” sort of reaction as last week’s data and official comments (see below) suggest the Fed will remain on hold at the October 27-28 FOMC meeting. Yet all is not well, with oil prices and UST yields remaining elevated. Now, we can add a softening US labor market as a growing concern.

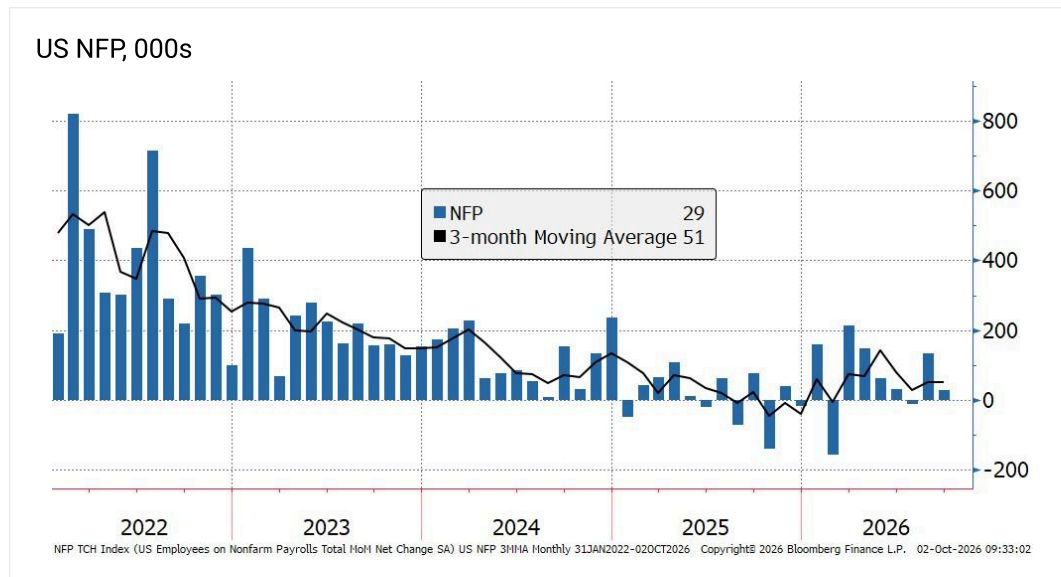
## Geopolitics

Oil just had a volatile week on conflicting news regarding US-Iran negotiations. Despite some weak efforts by both sides to restart talks, reports emerged that the US is deploying an additional aircraft carrier and 10,000 troops to the Persian Gulf even as President Trump threatened to bomb Iran after the US midterm elections.

We ended the week with some worrisome reports that Saudi Arabia is planning an offensive in the coming weeks against the Houthi rebels in Yemen. This offset positive news that oil flowing through Saudi Arabia’s east-west pipeline had picked up significantly. Over the weekend, Yemeni forces began operations to retake all areas controlled by the Houthis. As of this writing, it’s unclear whether Saudi forces are taking part in this offensive but either way, regional tensions are likely to remain high this week.

## Americas

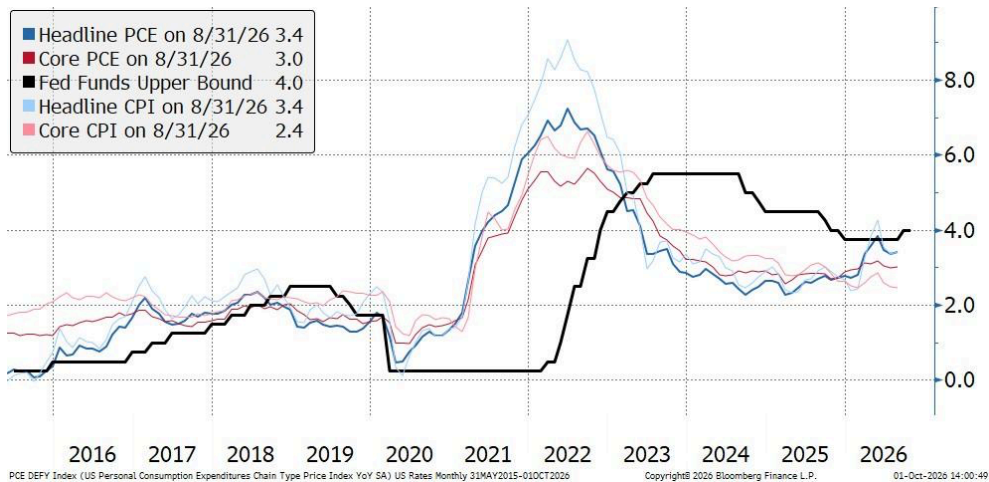
Markets are still digesting weak jobs report. Not only did NFP disappoint at 29k vs. 90k expected, but the two-month revisions subtracted -60k. If we take out the 133k from August, we are left with the following streak starting in May of 63k, 31k, -10k, and 29k. Elsewhere, unemployment rose a tick to 4.2% while average hourly earnings fell a tick to 3.0% y/y. There was really nothing positive in the data and yet it’s not the kind of report that would raise alarms at the Fed, at least not yet. Consumption continues to chug along but at some point, the economy will slow from higher rates. Whether it’s mostly via consumption or investment remains to be seen.



FOMC minutes Wednesday will be very important. At that meeting, the Fed voted unanimously to hike rates 25 bp and set the table for further hikes. Chair Warsh was very hawkish at his press conference, while the Dot Plot showed 12 policymakers saw one more hike and 4 saw two more hikes. This hawkishness should be evident in the minutes, especially since official comments since the decision revealed that even previous doves are now hawks.

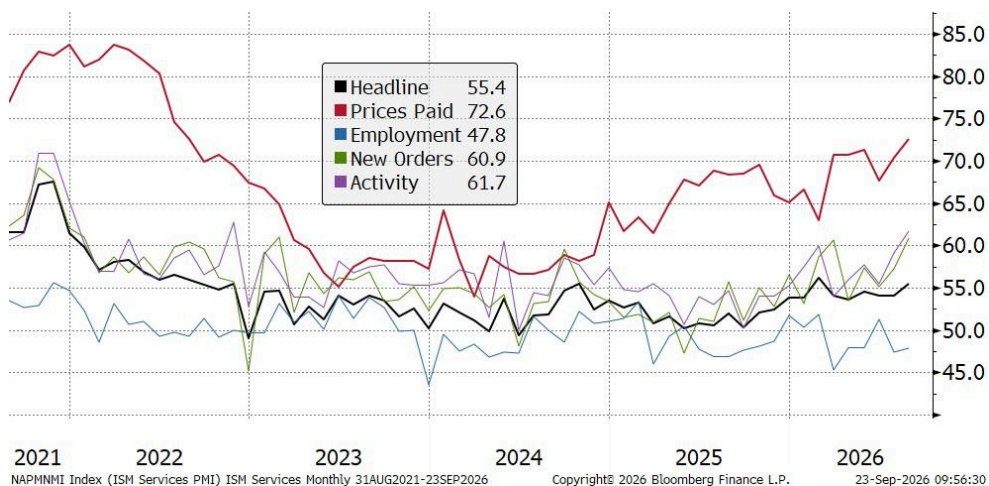
We get several Fed speakers this week. Williams, Bowman, and Logan speak Tuesday. Musalem speaks Thursday. Collins speaks Friday. Based on comments last week from Vice Chair Jefferson and New York Fed President Williams, we believe that the Fed is setting markets up for a hold at the October 27-28 FOMC meeting. So far, it's working as odds of a hike then have fallen sharply to 20% vs. 70% in late September. After the soft PCE and jobs data last week, there should be no urgency to hike again. However, a hike becomes fully priced in for the December 8-9 FOMC meeting. Looking ahead, the swaps market is pricing in 75-100 bp of total tightening over the next twelve months.

## US Rates

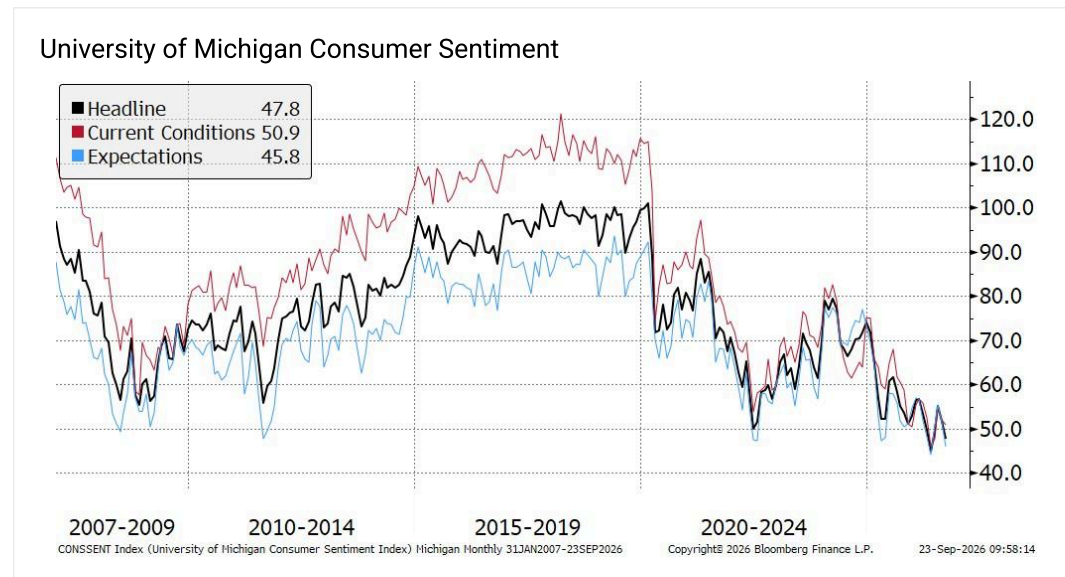


Data highlight will be September ISM services PMI Monday. Headline is expected to fall two ticks to 55.2. Employment is expected to rise over a point to 49.0, while prices paid is expected to rise four ticks to 73.0. We see upside risks to prices paid after that component in the ISM manufacturing PMI report jumped to 77.9 vs. 71.1 in August. Of note, preliminary S&P Global services PMI came in at 58.7 vs. 56.5 in August and helped drive its composite PMI higher to 58.4, the highest in five years.

## ISM Services PMI



University of Michigan reports preliminary October consumer sentiment Friday. Headline is expected to fall four ticks to 47.7, driven by drops in both current conditions and expectations to 50.5 and 45.7, respectively. If so, it would be the third straight drop for headline. Last week, Conference Board consumer confidence fell in September to the lowest since 2014, driven by large declines in both current situation and expectations. For now, consumption continues to hold up despite such low confidence readings.

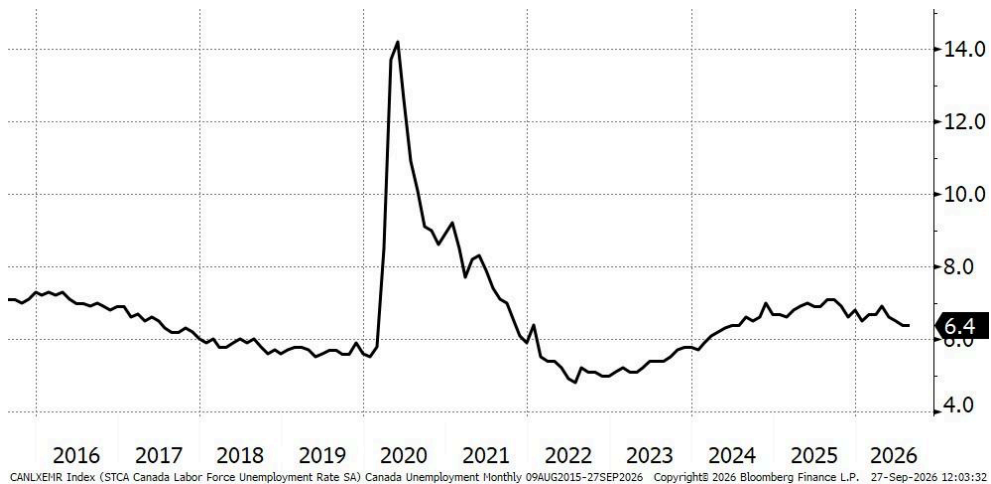


Canada highlight will be September jobs data Friday. Consensus sees 9.2k jobs created vs. -41.7k in August, while the unemployment rate is expected to rise a tick to 6.5%. If so, it would be the first rise in the rate since April. Policymakers are braced for a slowdown in the economy as the impact of the trade war with the US hits. For now, however, it appears that inflation is a greater concern.

At the last meeting September 2, the Bank of Canada delivered a hawkish hold as it noted that “with the Middle East conflict still ongoing and little progress reopening the Strait of Hormuz, upside risks to the Bank’s inflation forecast have increased. The longer that high oil prices and elevated refinery margins persist, the greater the risk of spillover to the prices of other goods and services. New US tariffs and Canadian counter-tariffs will also raise costs for some businesses and could feed into consumer prices over time.”

Next meeting is October 28 and the market sees only 33% odds of a 25 bp hike vs. more than 75% right after the September meeting. However, a hike becomes fully priced in for the December 9 meeting. Looking ahead, the swaps market is pricing in 100 bp of total tightening over the next twelve months, down from 125 bp in late September.

## Canada Unemployment



Canada also reports September PMIs this week. S&P Global reports its services and composite PMIs Monday. Last week, its manufacturing PMI came in at 51.5 vs. 53.0 in August. With the composite likely to remain below 50 for the time being, expect the hard data to show further weakness ahead. Ivey PMI will be reported Tuesday.

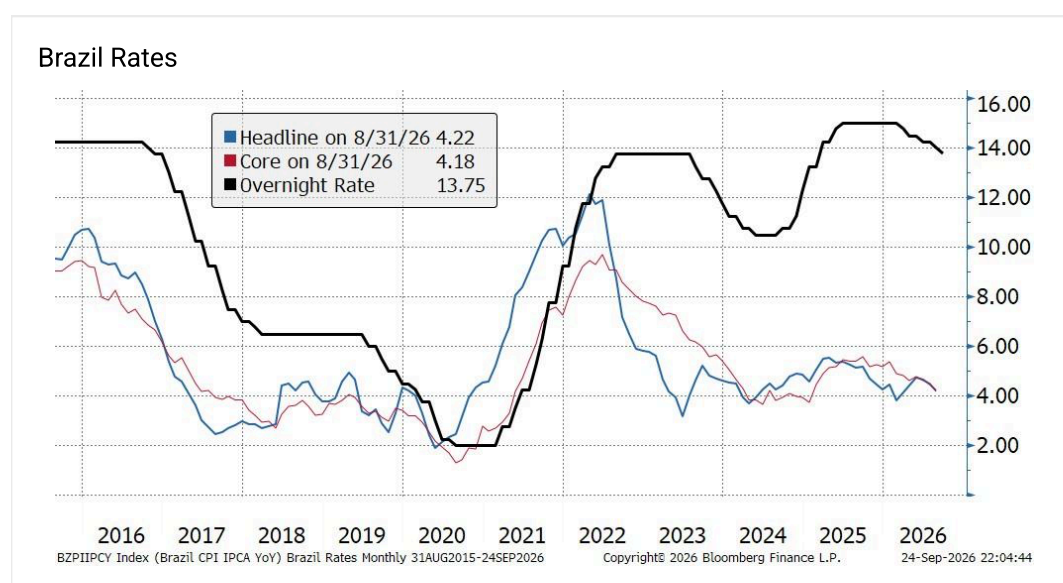
## Canada PMIs



As of this writing, voting has begun in the Brazilian elections. Polls suggests incumbent Lula and challenger Bolsonaro will go to a second round vote October 25. Please see our election preview [here](#).

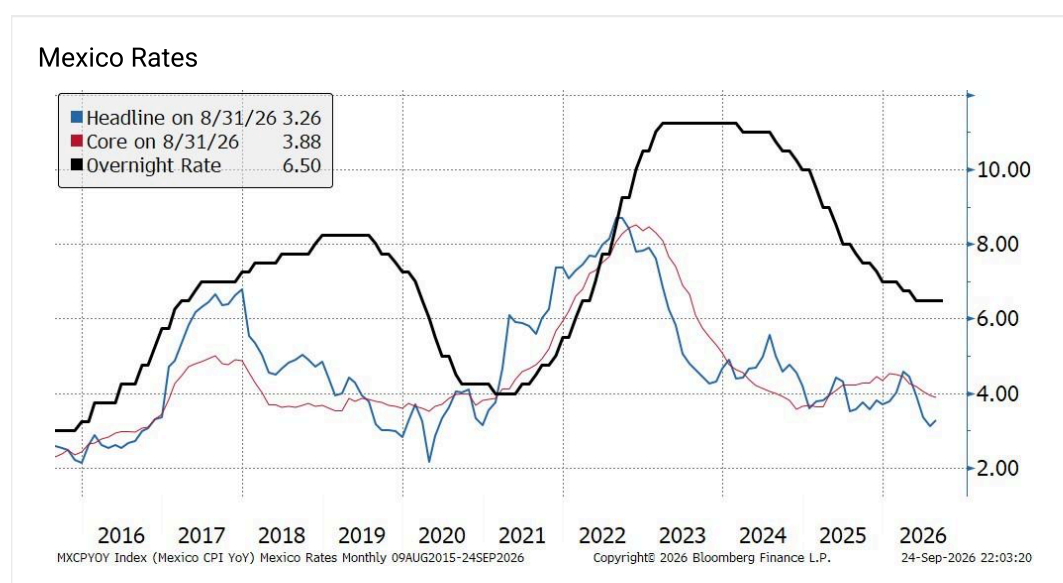
Brazil reports September IPCA inflation Friday. Headline is expected at 4.50% y/y vs. 4.22% in August. If so, it would be the second straight acceleration to the highest since June and right at the top of the 1.5-4.5% target range. In its just released quarterly monetary policy report, the central bank still sees inflation peaking at 5.2% in Q4 before falling back to 4.5% in both Q2 and Q3 of next year. The bank also cuts its growth forecast for 2026 by two ticks to 1.8% and issued its initial forecast for 2027 at 1.4%.

At the last meeting September 16, the central bank cut rates 25 bp to 13.75% and said, "The current scenario, marked by heightened uncertainty, de-anchoring of expectations, and elevated risks surrounding the reference scenario, requires serenity and cautiousness in the conduct of monetary policy." Next meeting is November 4 and the swaps market is pricing in around 50% odds of another 25 bp cut.



Mexico reports September CPI data Thursday. Headline is expected at 3.45% y/y vs. 3.26% in August and core is expected at 3.78% y/y vs. 3.88% in August. If so, headline would accelerate for the second straight month to the highest since May but still remaining in the 2-4% target range.

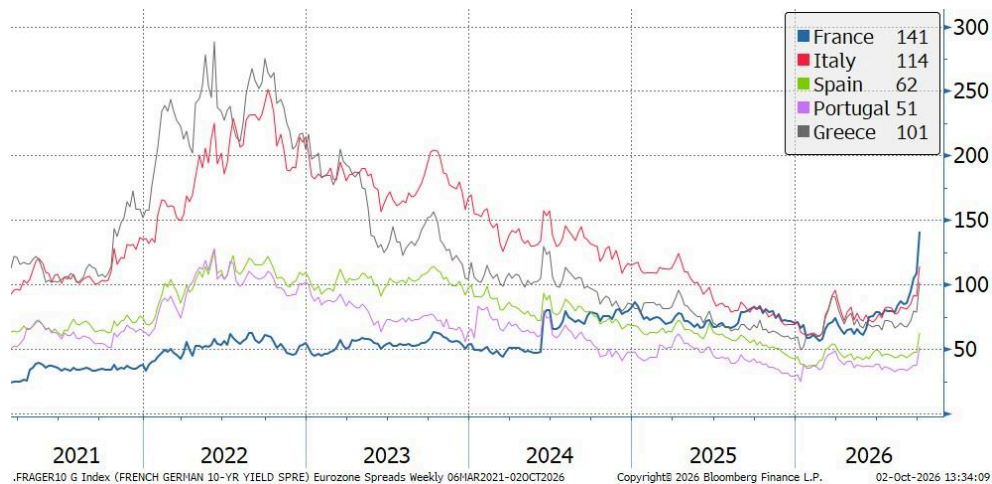
Banco de Mexico releases its minutes Thursday. At the September 24 meeting, Banco de Mexico kept rates steady at 6.5% for the third straight meeting and removed language suggesting the rate would remain steady going forward. Instead, the bank said, "Looking ahead, the board will make its decisions considering the ongoing disinflation process and the expected behavior of its determinants, including the exchange rate pass-through to consumer prices, the slack conditions, and inflation expectations." Next meeting is November 5 and no change is expected. However, the swaps market is starting to price in the start of a tightening cycle over the next three months.



## Europe

All eyes are on France as austerity ignited unrest. Last week, the embattled Macron government released a 2027 that was heavy on tax hikes and spending cuts. Protests by public sector employees and students have devolved into sporadic unrest and violence. In addition, the spotlight on France's problems come ahead of an election next year where polls point to a second round runoff between the far right candidate Le Pen and far left candidate Melenchon. These negative impulses from France are a major factor behind recent euro weakness.

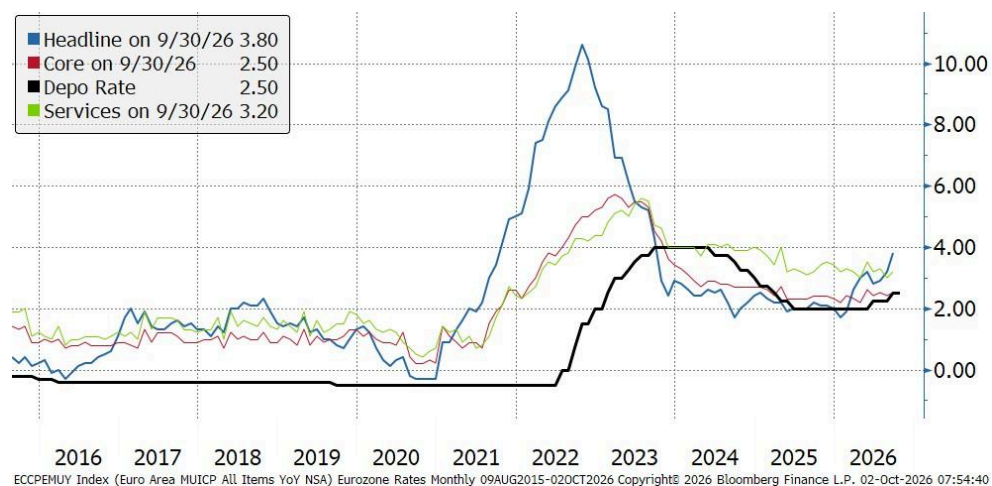
Eurozone 10-year Spreads to Germany, bp



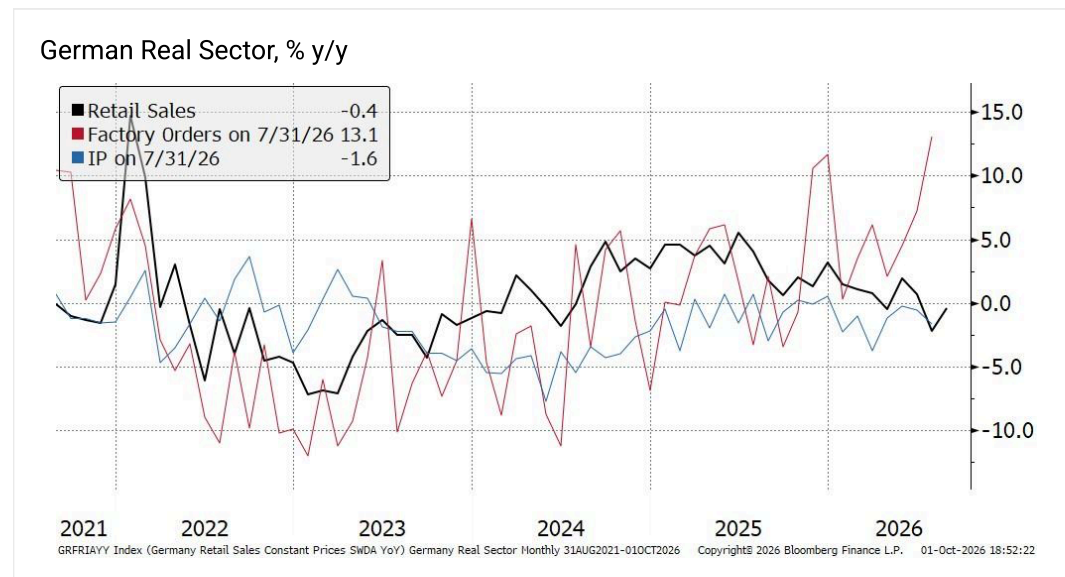
The European Central Bank publishes the account of its September 9-10 meeting Thursday. At that meeting, the bank hiked rates 25 bp and said it would continue to make decisions on a meeting by meeting basis. However, leaks afterward suggest policymakers are leaning towards another hike at the October meeting. Despite this guidance as well as last week's eurozone CPI data for September that ran hot, markets see less than 15% odds of a hike this month after being fully priced in right after the September hike.

This week brings quite a few ECB speakers. Kocher (twice), Buch, Nagel, Lane, Schnabel, and Escriva speak Monday. Zigman and Cipollone speak Tuesday. Cipollone and Vujcic (twice) speak Wednesday. Zigman and Lane speak Thursday. Wunsch, Cipollone, and Schnabel speaks Friday.

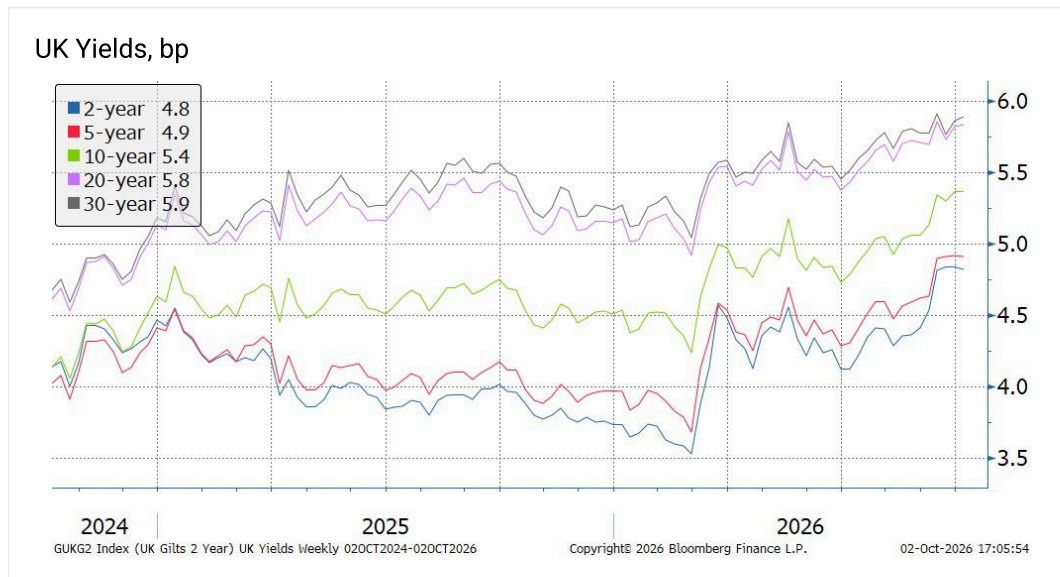
Eurozone Rates



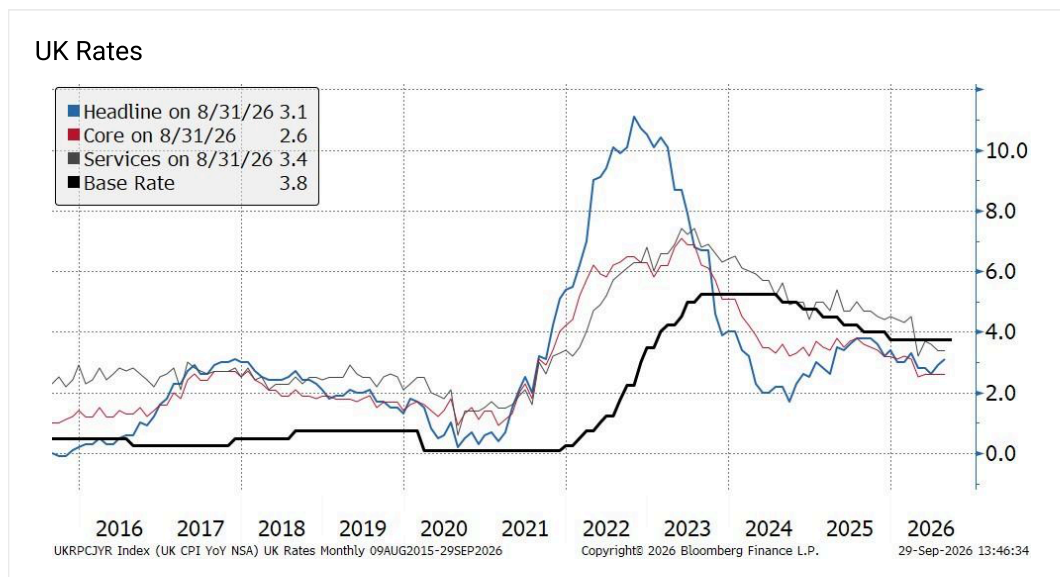
Germany reports key real sector data for August this week. Factory orders will be reported Tuesday and are expected to remain steady at 13.1% y/y. IP will be reported Wednesday and is expected at 0.7% y/y vs. -1.6% in July. Trade data will be reported Thursday, with exports expected at 0.7% m/m vs. -0.8% in July and imports expected at 2.8% m/m vs. -5.5% in July. Last week, retail sales remained soft at -0.4% y/y vs. -2.2% in July.



UK Prime Minister Burnham made a lot of promises at the Labour conference last week, including a pledge of no new taxes. Gilt yields rose anyway so clearly, the bond market is skeptical about how his agenda will be funded. It will now be up to Chancellor Healey to deliver the goods in his autumn budget October 28. He is well aware of the need to avoid another "Liz Truss moment" and should act accordingly, but markets are in a very unforgiving mood.

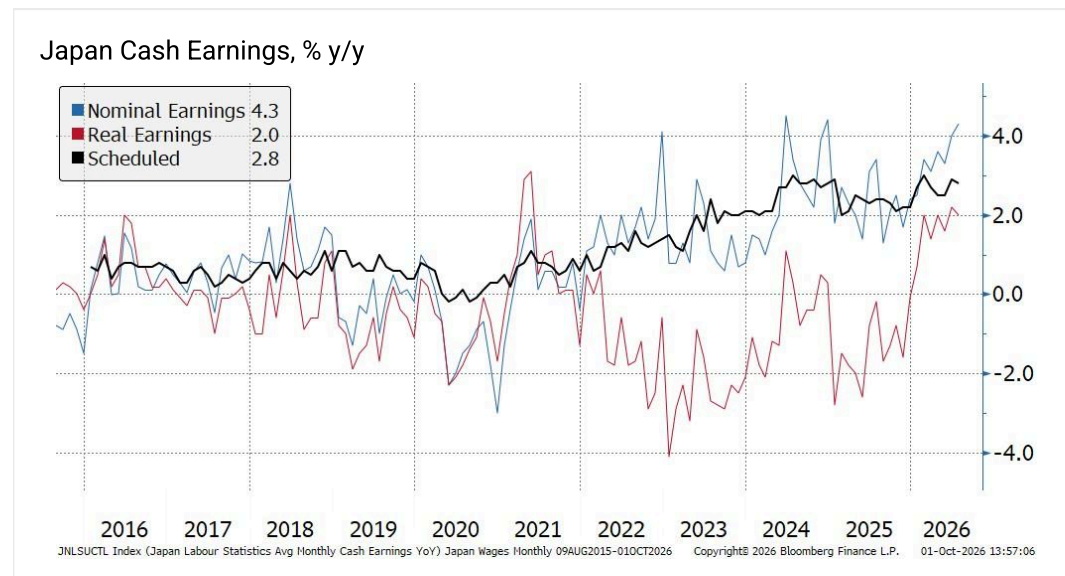


There are several Bank of England speakers this week. MPC member Mann speaks Tuesday. MPC member Greene, Chief Economist Pill, Governor Bailey, and Deputy Governor Lombardelli speak Thursday. Next meeting is November 5 and markets see 85% odds of a hike then. Looking ahead, the swaps market is pricing in 100 bp of total tightening over the next twelve months.

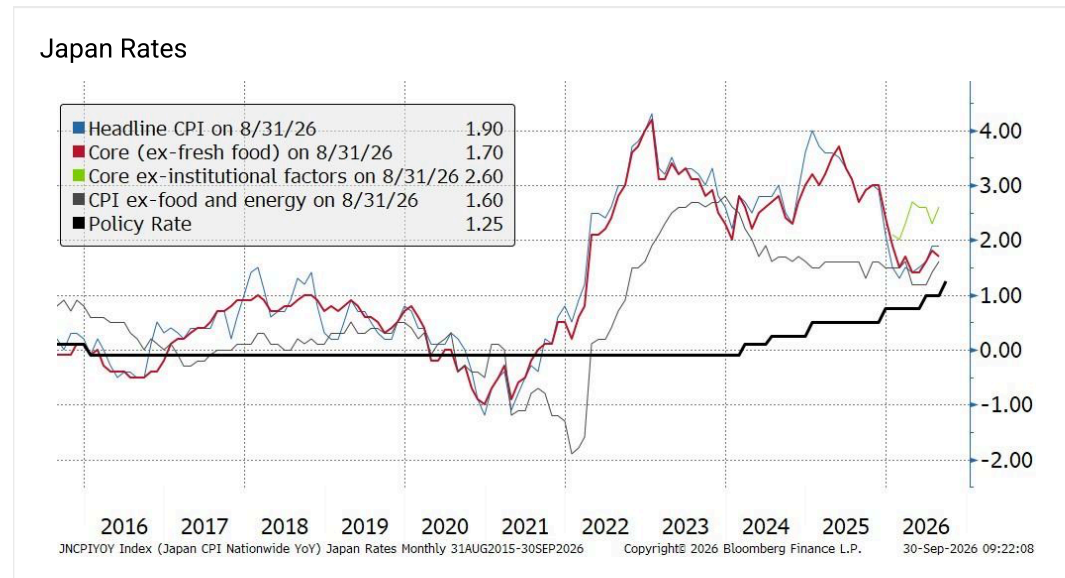


## Asia

Japan highlight will be August cash earnings data Wednesday. Nominal earnings are expected at 3.7% y/y vs. 4.3% in July and real earnings are expected at 1.5% y/y vs. 2.0% in July. If so, the softer wage data would take some pressure off of the Bank of Japan to tightening more aggressively.

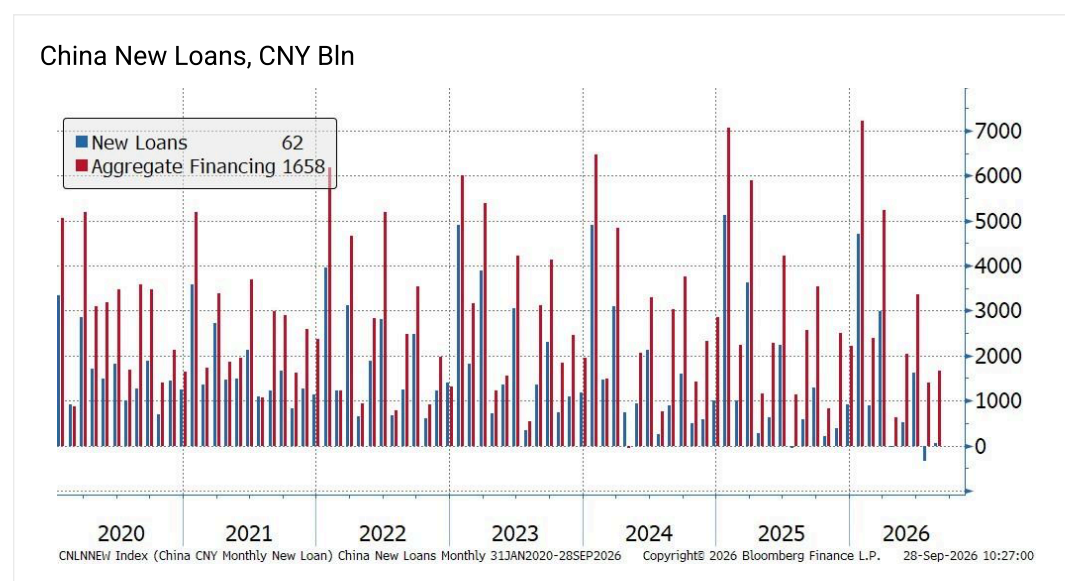


Indeed, Bank of Japan tightening expectations have already fallen a bit. Odds of back-to-back hikes at the October 29-30 meeting have fallen below 15% vs. 40% in late September. Looking ahead, the swaps market is now pricing in 75 bp of total tightening over the next twelve months vs. 100 bp in late September. Governor Ueda speaks Tuesday.



Last week, China policymakers announced a raft of limited stimulus measures. These include the expansion of targeted lending to certain sectors, mortgage subsidies, and cheap loans to pay off overdue bills. Clearly, policymakers have seen enough weak data to bring on another round of stimulus. Whilst limited in scope so far, we'd expect more announcements in the coming week. Indeed, President Xi said as much when he recently urged policymakers to continue those efforts.

Meanwhile, China may report September money and new loan data this week. The last couple of months have been disappointing but given the renewed stimulus push, lending activity is likely to pick up in the coming months.



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