

Global Fixed Income Team

Outlook & Strategy

Oil prices, inflation and affordability issues drove the US mid-term results.



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Market Recap & Outlook

The US Congressional mid-term elections demonstrated that American voters do not like $4 per gallon gasoline and $6 dollar per gallon diesel prices. Exit poll interviews named other significant issues that contributed to the Blue Wave (ICE conduct, Trump family enrichment, data centers) but inflation and affordability topped the list. These are linked in obvious ways to the war with Iran, in our view.

Iran and AI remain the key factors driving market sentiment. First, Iran. The Brent nearby futures price has dropped $20 to $93 per barrel since Halloween. Earlier, markets may have feared an upsurge in violence once the midterms were over (the Eurasia Group base case), but sentiment has shifted to look for an earlier end to the conflict. This may not be as formal as the stillborn Memorandum of Understanding, but rumors of new deals have re-emerged. Separately, even the current standoff may allow additional oil price declines. In our view, high oil prices have encouraged substitution via accelerated electrification, greater supplies of non-Gulf oil production, and even a revival of Mideast production that is reaching markets by various means. OPEC has just reported that October production was 88%-90% of prewar output, with the biggest monthly increases coming from Saudi Arabia and Kuwait. Stable or falling oil prices would be good news for both headline inflation and the bond markets. The current Brent price is only 3% above levels seen last May. The oil impulse to inflation is fading.

After a Wednesday post-electoral relief rally, equity investors apparently looked at incoming Democratic governors in Texas, Georgia, and Ohio, where nearly 50% of data centers reside, and sold off the semiconductor names. Semi stocks have since bounced, but a datacenter slowdown would alter the profits landscape, easing cash flow worries for the hyper-scalers while directly slowing chip demand.

Next up is the Anthropic IPO, which may also influence sentiment around frontier AI revenues and profitability. We believe that at least part of the recent rally in US 10-year yields was due to equity sellers.

Both oil and equities have helped the fall in Treasury 10-year yields since early October's 5.3%. At just under 4.9%, almost one half of the summer sell-off has been reversed. These levels look fair for now, as levels currently balance 50bp of expected future Federal Reserve policy interest rate hikes and still-elevated headline and core PCE inflation with increasingly plausible predictions by most macro forecasters of ongoing inflation declines in 2027. With headline GDP growth expected to remain firm, near-term prospects for range-bound Treasuries, credit spreads and the dollar are boring but reasonable, in our view.

Our Strategy

We do not, however, expect to be bored. The Trump Presidency has been a generator of volatility, not an absorber, (tariffs, Greenland, Venezuela, Iran) and this is likely to remain the case for the final two years of this term, in our view. We believe, an opposition Congress will be a near-by and obvious target. More quietly, bond supply from unresolved government deficits and the AI investment boom can have the potential to push yields slowly higher and credit spreads slowly wider, in our view. Whether they will also push the dollar lower will, we believe, depend on equity sentiment and the unknown future profitability of what is already the greatest investment gamble in the history of capitalism.

Sources: Bloomberg, as of October 9, 2026.

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Key Risks:
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About the Team

Our strength is rooted in decades of honing our research and investment processes to consistently navigate ever-changing global markets.

1986	Global Bond Portfolio Established
80+	Institutional Accounts & Commingled Vehicles
$38.6	Team Assets Under Management (Billion USD)

As of 9/30/2026

