

Markets fear wider conflict after Hamas attacks Israel - One story has dominated the news the past seven days. The extremely difficult and complex Israel-Hamas war has been covered extensively by the main news outlets. Meanwhile, markets have remained surprisingly calm. As of this writing, US equities are unchanged on the week and bond yields have lost some of the early-week safe-haven bid after mixed US inflation data and a series of tepid Treasury auctions pushed yields back up on. Oil and gold are up about 4% on the week, with most of the gains coming Friday, while the dollar has gained modestly on the week. The war has brought back memories of the oil spike following the 1973 Yom Kippur War; however, it's important to note that the geopolitical and oil supply landscape have shifted dramatically in the past half-century.

US CPI data mixed, sticky - Consumer prices in the US rose 0.4% in September from August, slightly exceeding expectations, and gained 0.3% with food and energy stripped out. Compared with a year ago, prices rose 3.7%, unchanged from the month before, while core rose 4.1%, a level slightly lower than the 4.3% recorded in August. However, the so-called supercore measure — core services except for housing — watched closely by the US Federal Reserve, rose 0.61% month over month, its third monthly rise in a row. Yields backed up modestly after the release of the data.

Another Chinese developer warns of default - After sales plunged, China's largest private property developer, Country Garden, warned last week it could default on its international debt. The company has almost \$200 billion in debt, about \$10 billion of it dollar-denominated. The company's USD bonds trade at between \$0.05 and \$0.10 on the dollar, in line with the values of its peers that are headed toward liquidation. Country Garden has more than four times as many projects underway than Evergrande, another giant Chinese property developer, according to the Financial Times. Concerns are lingering that a Country Garden default could impact Chinese wealth management products issued by shadow banks.

Stubborn U.K. inflation puts Bank of England in a bind - Headline consumer price inflation unexpectedly held firm at 6.7 per cent in September, official data showed on Wednesday, while services inflation — a gauge of domestic pricing pressures closely followed by the BoE — ticked higher. The figures followed separate data that showed UK wage growth remained close to record highs in the three months to August. The BoE's plan for dealing with the UK's persistent inflation is to hold interest rates at high levels until the inflation threat has passed. The bank's chief economist Huw Pill has labelled the strategy "Table Mountain", an allusion to the flat-topped landmark in South Africa.



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