



Weekly Market Note

October 16th, 2026

Economic Data & Markets Summary

Index	Asset Class	MTD	YTD
MSCI World	Equity	1.25%	13.35%
MSCI Asia Pacific	Equity	-0.98%	18.50%
MSCI Europe	Equity	-1.78%	4.82%
MSCI China	Equity	-0.57%	-12.31%
MSCI Emerging Markets	Equity	0.27%	24.00%
Bloomberg Barclays Global Aggregate Index	Fixed Income	-0.08%	-2.73%
Bloomberg Commodities Index	Commodities	1.52%	30.87%
HFRX Global	Hedge Fund	0.12%	4.05%
HFRX Macro/CTA	Hedge Fund	0.57%	7.65%
HFRX Equity Hedge	Hedge Fund	0.29%	7.09%

*Index data as of October 9, 2026

Global Markets and Economic Data:

First came the "AI is over" trade on Wednesday which of course was followed by a sharp de-risking short squeeze on Thursday.

- **US:** The Sep. PPI experienced its sharpest increase since 2022 amid worrying signs of inflation broadening beyond food and energy. Mich. Sentiment figures remain near all-time lows. Sep. Existing Home Sales picked up slightly M/M, activity picked up in the South and West but was offset by a drop in sales in the Northeast.
- **Switzerland/UK/Europe:** Swiss consumer confidence edged up but failed to meet expectations. UK Aug. GDP was up 0.1%, ahead of expectations for a contraction. Germany's Sep. wholesale prices jumped by 8.7% y/y.
- **Japan/China:** Japanese Machinery Orders jumped 18.6% y/y. China's trade surplus widened to \$133.5b in Sep, its second largest surplus on record driven by Chinese high-tech exports.

• Messy days

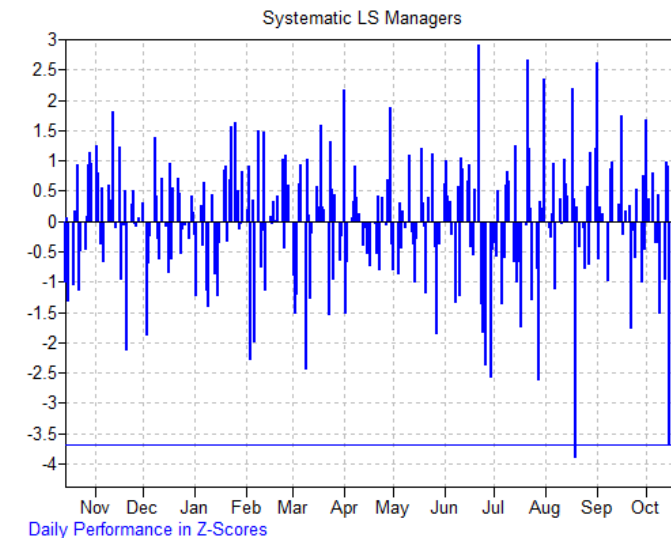


Chart Source(s): Goldman Sachs

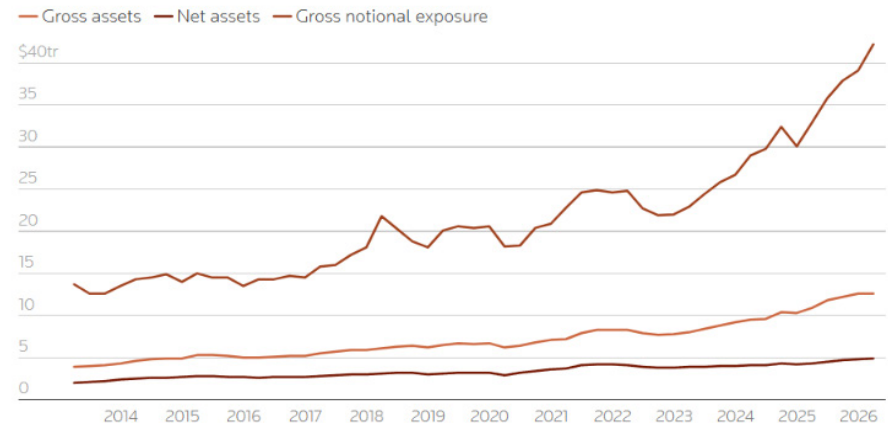
- Prime broker performance and positioning tracking is flashing red warning signals for HF results MTD.
- Goldman Sachs estimates that Fundamental L/St, Global Systematic L/S and Multi-Strats were all negative on Thursday October 15th.
- They go on to note the interesting dynamics where these three strategies never fell more than 80bps each on a single day from 2020 to 2025 and this year it has now happened three times; Feb. 4th ("Sass-apocalypse"), Jul. 28th (Situational blow-up), and now yesterday.
- The violent movements adversely impacting hedge fund strategies YTD appear to be driven by the vicious combination of crowded positioning driven by narrow market leadership combined with ongoing elevated macro instability.
- As long/short hedge funds struggle and passive equity indices surge, casual investors may mistakenly believe that making money in stocks is effortless, a conclusion that belies the genuine difficulty hedge fund managers are facing this year.

Market Spotlight: European themes

- The European government bond market is increasingly dominated by hedge fund activity.
- The uptick in HF participation in European bond markets is partially due to wide inter-country spreads providing a fertile environment to operate carry strategies. However, that strategy would be facing some difficulties lately as spreads have widened and HF de-risking potentially amplified the movements.
- The bear case on Europe is that the challenging political backdrop combined with an energy shortage crisis leave the continent at a competitive disadvantage.
- A contrarian bull/constructive case could be made that 1) There are green shoots emerging in French politics with both parties now considering tax hikes to tackle its debt issues 2) European stocks are heavily discounted versus global peers.

HF, liquidity providers in EU bonds

Hedge funds' market footprint has surged



Note: Gross assets include leverage, gross notional exposure includes synthetic leverage through derivatives
Source: IMF | Reuters, October 16, 2026 | By Alun John

10yr Yield Spread: France vs. Germany



The Daily Shot®

The "European Discount"

Navigating dire straits

Oil and gas companies' forward price-to-earnings ratio



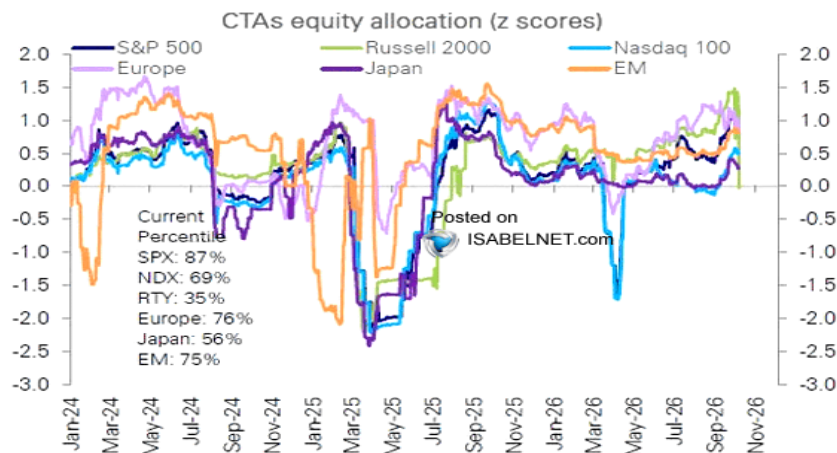
US companies are Exxon, Chevron, Conoco, European companies are BP, Shell, Total, Eni, Equinor, Repsol
Source: S&P Capital IQ

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Market Spotlight: A look at CTA exposures

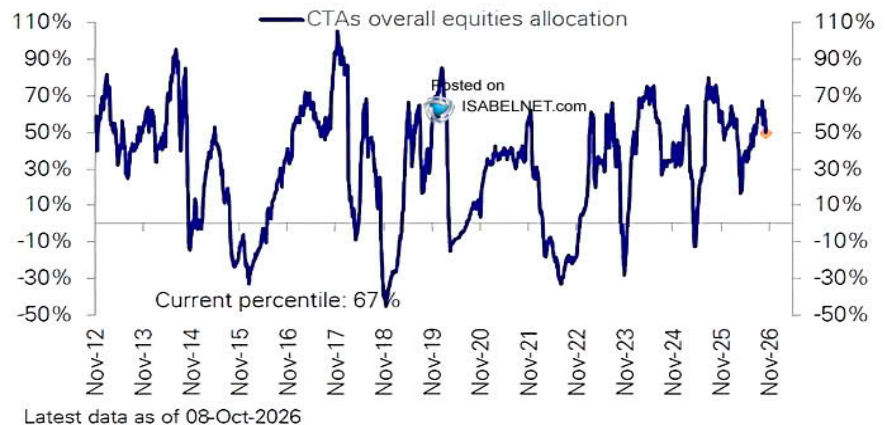
- Many investors look to their quantitative futures strategies as a source of diversification.
- Some investors even consider CTA trend following strategies to provide “Stress Absorbing” qualities in the case when the markets enter a “risk-off” period.
- The empirical evidence of CTA trend follower’s risk mitigation capabilities is somewhat checkered.
- Given the nature of classic CTA trend following to hold directional exposures to a universe of futures instruments across stocks, bonds, currencies and commodities based upon technical indicators, the alignment of CTA exposure with market price action during a crisis period is more of an episodic phenomenon rather than a structural core aspect of the strategy.
- Take for example the present day positioning of CTAs as evidence of perhaps YTD profitable exposure, that otherwise holds extreme risks to a market reversal and uptick in volatility because CTAs are net long AI-driven equity indices, net short non AI indices (Russell 2000) and extremely short bonds.
- As the market rolls on to trade hard against crowded positions, watch out for a sharp Russell 2000 rally and big rally in bonds to rapidly erase CTA trend following YTD returns at a time when investors need them the most.

Figure 38: CTAs exposure to equity categories (z scores)



Source : Bloomberg Finance LP, Deutsche Bank Asset Allocation

Figure 37: CTAs exposure to equities



Source : Bloomberg Finance LP, Deutsche Bank Asset Allocation

Market Spotlight: A look at CTA exposures cont.

Positioning Highlights

- US Equities: Long SPX, NDX, short RTY
- FX: Long USD/EUR and long BRL, KRW vs USD
- Bonds: SHORT
- Commodities: Long Oil & Copper, flat/short precious

Current CTA Positioning Overview:

Currency	10/15/2026	1 Week Change	10/8/2026	1 Month Change	9/17/2026
EURNOK	-100%	-8%	-92%	-17%	-83%
PLN	-100%	0%	-100%	-8%	-92%
CZK	-100%	-8%	-92%	-41%	-59%
EUR	-92%	0%	-92%	-67%	-25%
NZD	-92%	-9%	-83%	-42%	-50%
CAD	-92%	0%	-92%	-76%	-16%
CHF	-92%	8%	-100%	8%	-100%
SEK	-92%	8%	-100%	8%	-100%
THB	-92%	8%	-100%	-25%	-67%
GBP	-75%	0%	-75%	-67%	-8%
TWD	-75%	-50%	-25%	-92%	17%
HUF	-58%	0%	-58%	-17%	-41%
AUD	-50%	-9%	-41%	-117%	67%
MXN	-50%	0%	-50%	-92%	42%
IDR	-42%	0%	-42%	-51%	9%
ZAR	-42%	0%	-42%	-76%	34%
INR	-25%	75%	-100%	33%	-58%
NOK	-16%	-24%	8%	-83%	67%
JPY	16%	-17%	33%	-42%	58%
EURSEK	50%	-25%	75%	-42%	92%
BRL	67%	25%	42%	67%	0%
CNH	92%	9%	83%	9%	83%
KRW	92%	0%	92%	0%	92%

Chart Source: UBS

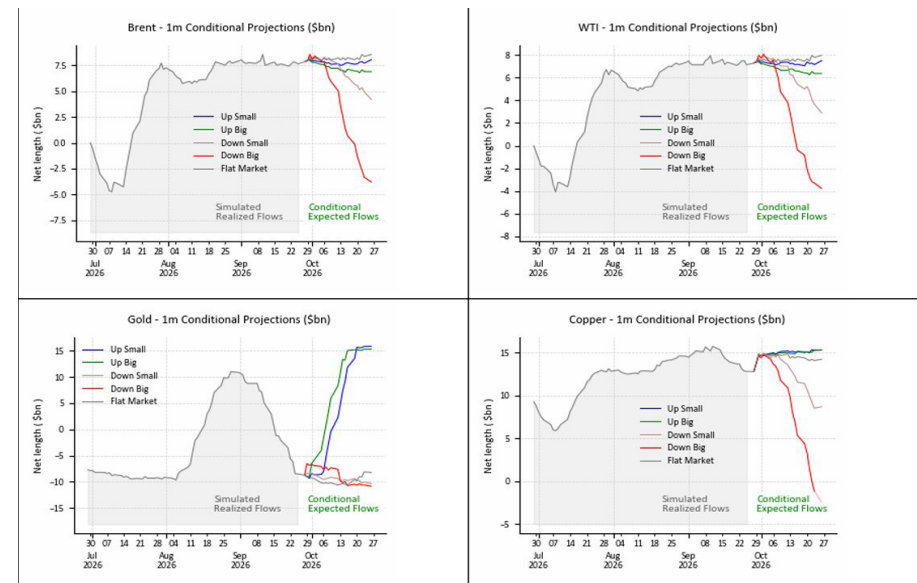
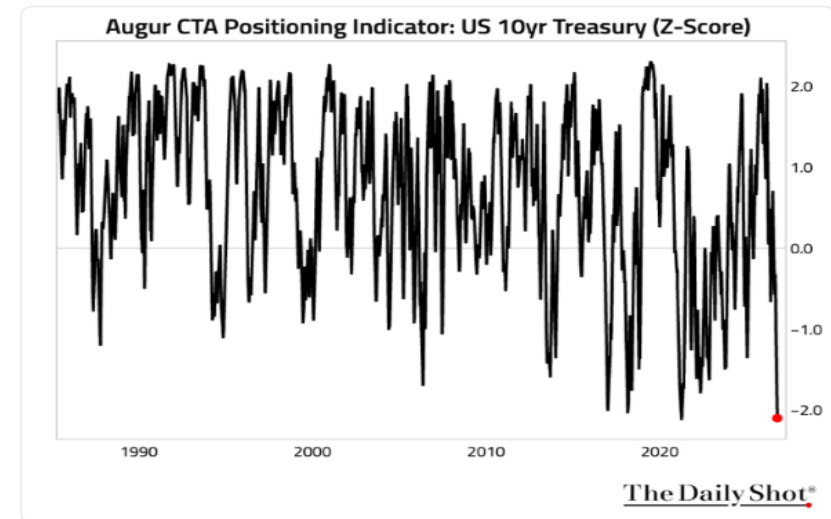


Chart Source: Kpler

Axolotls are fascinating creatures!

Axolotls

One fascinating rare animal that some people keep as pets is the **axolotl**. These are remarkable creatures that are critically endangered in their natural habitat but widely bred in captivity for the pet trade.

Axolotls are aquatic salamanders native to just two lakes in southern Mexico City. They're often described as having a perpetually "smiling" expression thanks to their wide mouths and prominent eyes, which has made them incredibly popular online and as pets. They're about 8-10 inches long and have a unique feathery appearance with external gills that look like delicate crowns on the sides of their heads.

What makes axolotls particularly interesting as rare pets is that they stay in their larval form for their entire lives, a phenomenon called neoteny. This means they never develop into their adult terrestrial form like other salamanders typically do. They're also quite long-lived for a pet, often reaching 10-15 years in captivity.

These animals are relatively easy to care for compared to many exotic pets since they can be captive-bred successfully, and legitimate breeding facilities exist. In fact, captive-bred axolotls often have white or pink coloring, which differs from the darker brown wild types. They require a cool aquatic environment, so they're actually better suited to cool water temperatures than the tropical tanks many people might assume.

However, despite their popularity, the wild axolotl population is severely threatened by habitat loss, pollution, and the pet trade itself, making their conservation status quite precarious.





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