



Weekly Market Note

October 23rd, 2026

Economic Data & Markets Summary

Index	Asset Class	MTD	YTD
MSCI World	Equity	0.15%	12.25%
MSCI Asia Pacific	Equity	-1.62%	17.86%
MSCI Europe	Equity	0.77%	7.37%
MSCI China	Equity	-4.55%	-16.29%
MSCI Emerging Markets	Equity	-4.89%	18.84%
Bloomberg Barclays Global Aggregate Index	Fixed Income	0.81%	-1.85%
Bloomberg Commodities Index	Commodities	1.86%	31.22%
HFRX Global	Hedge Fund	-0.82%	3.11%
HFRX Macro/CTA	Hedge Fund	-1.16%	5.92%
HFRX Equity Hedge	Hedge Fund	-1.38%	5.42%

*Index data as of October 16, 2026

Global Markets and Economic Data:

AI "jitters" triggered a fresh wave of global de-risking resulting in widespread technically driven price movements across asset classes.

- **US:** Sep. housing data remained extremely weak amid high interest rates.
- **Switzerland/UK/Europe:** Switzerland's trade surplus hit its lowest level since Nov. 2022 driven by a rise in chemical and pharma product imports. UK Oct. Services and Manuf PMIs were both above expectations while the annual inflation rate reached 3.5% in Sep. The Germany ZEW Economic Sentiment Index moved lower in Oct after showing positive momentum since hitting multi-year lows in the spring.
- **Japan/China:** Japanese inflation hit 2.1% annualized in Sep., slightly below forecast; Chinese FDI fell at a 4.3% annualized pace in Sep., the indicator has been in contractionary territory since Q3 2023.

Shouting fire in a crowded theater

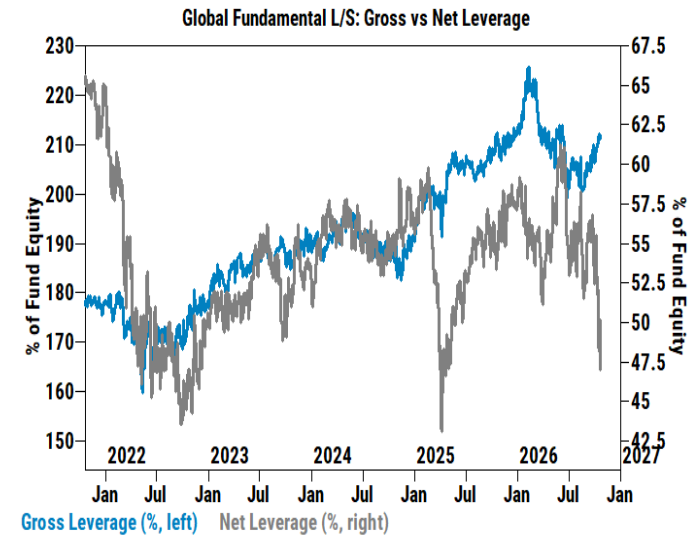


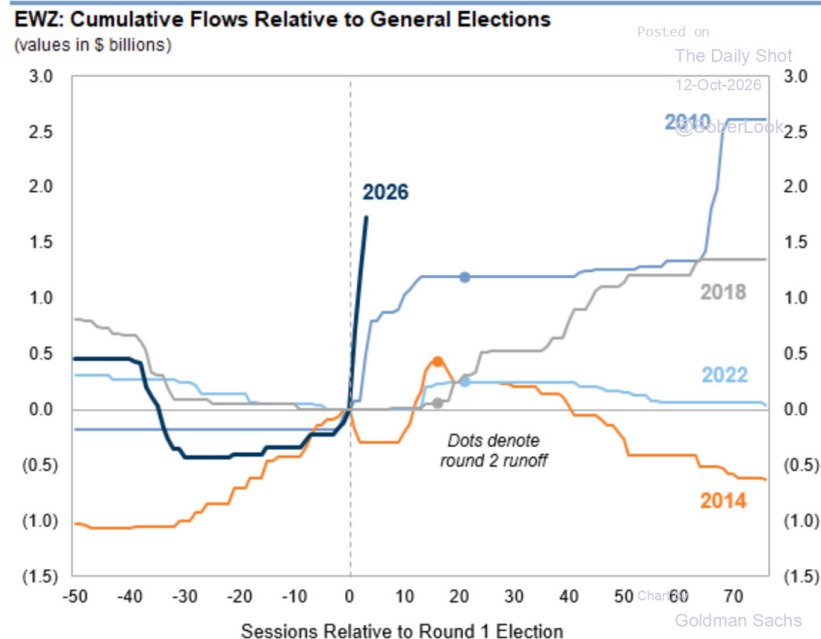
Chart Source(s): Goldman Sachs

- Thursday Oct. 22nd the GS VIP index registered its worst single day loss since US debt downgrade day in August 2011. Again, the trifecta of Quant, Equity Long/Short and Multi-Strat HF strategy cohorts were down in unison and are all negative MTD.
- The challenges are global as Asian Equity Long/Short hedge funds have now given back a sizable portion of H1 gains.
- De-risking appears to be the underlying culprit with yesterday registering the 5th largest de-grossing event of the year, led by long selling.
- Moments such as this challenge hedge fund investors to continue to strive for greater portfolio diversification in hedge fund strategy exposures as de-grossing events tend to expose the interrelationships of seemingly unconnected areas of the capital markets.

Market Spotlight: The case for LatAm

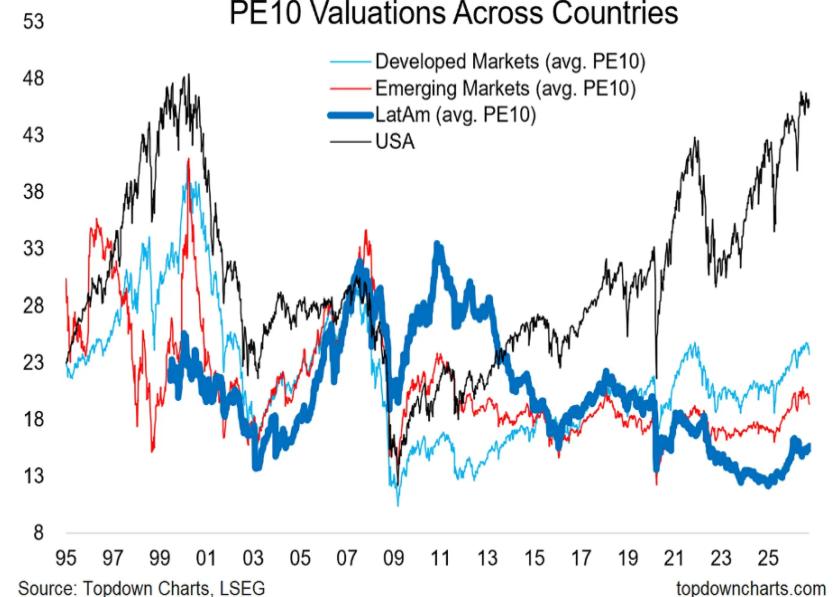
- Latin American investment themes are increasingly looking interesting. The continent features rich natural resources, maturing capital markets and a growing business friendly political backdrop.
- Furthermore, investing in LatAm provides diversification away from the interconnectedness of the AI trade.
- Much of the excitement in recent weeks has centered upon Brazilian equities where US listed MSCI Brazil ETF EWZ has attracted record inflows moving it up over 10% in the past month and up 30% YTD.
- The greater LatAm backdrop is rich with opportunities in equities and fixed income with LatAm equities trading at cheap relative valuations. In fixed income, elevated interest rates leave room for cuts with Brazilian rates forecast to fall from the lofty mid-teens to high single digits over the coming years.
- Global Macro hedge funds are highly focused on extracting returns from the opportunities presented in the region.

Massive EWZ inflows



LatAm is cheap vs ROW

PE10 Valuations Across Countries



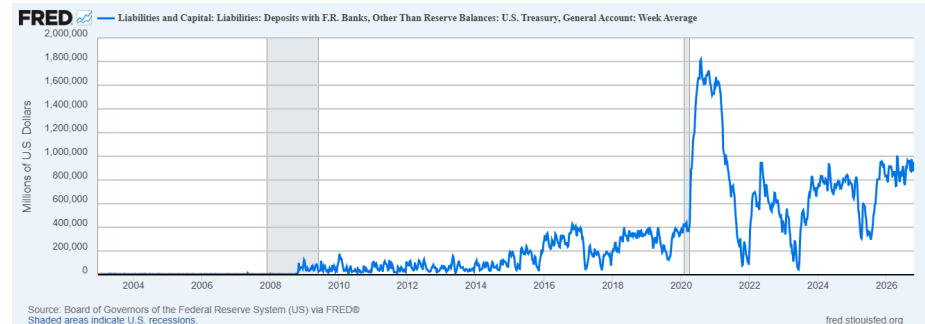
Market Spotlight: When the tide goes out.....

- Usually, calibrating risk taking based upon liquidity regimes is more straightforward than handicapping the impact of geopolitics and micro fundamentals.
- Currently, we are in the midst of substantial liquidity tightening as central banks hike interest rates and undergo other measures to fight inflationary forces.
- As liquidity drains across the system there is less marginal capital for speculative pursuits. We are witnessing the situation play out in real time as asset class correlations begin to converge.
- Perversely the combination of a hedonistic AI capex cycle with geopolitical energy shocks has turned an otherwise liquid functioning market into a parched barren hellscape. As liquidity drought conditions persist, investors will continue to seek optimism in liquidity mirages.
- Experienced hedge fund portfolio managers have traded through multiple market cycles, using pattern recognition and experience. They can deftly avoid liquidity optimism traps and position defensively in a contrarian manner to capture opportunities presented by market regime inflection points.

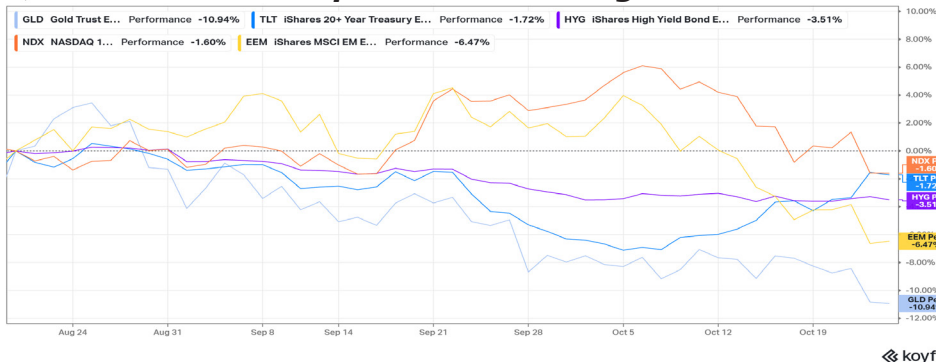
HYLD spreads blowing out



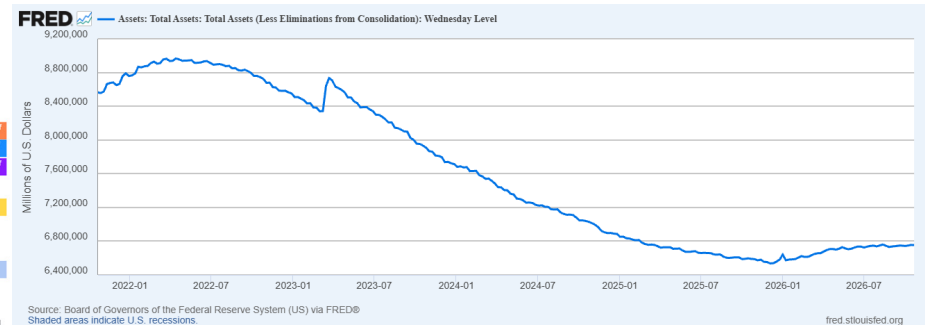
A stretched Treasury cash account



The Sep. rate hike taking its toll....



A shrinking Fed balance sheet



Them Bones!



Why Babies Have More Bones Than Adults

Babies are born with approximately 270 bones, while adults have only 206. This difference occurs through a biological process called ossification and bone fusion.

Initial Structure: Much of a newborn's skeleton is composed of cartilage rather than bone. Cartilage is softer and more flexible than bone, which serves two purposes: it allows the baby's head to compress during birth, and it provides the flexibility needed during rapid growth and development.

Ossification: Over time, cartilage gradually hardens into bone through ossification. However, many bones in an infant are initially separated into multiple distinct pieces, each with its own ossification center. For example, the vertebrae, ribs, and pelvis consist of several separate bony structures.

Fusion: As the child grows, these separate bones gradually fuse together. The cartilage between adjacent bones is replaced with bone, permanently joining them. The spine fuses vertebra to vertebra, the pelvis fuses its component bones into a single structure, and the skull plates gradually join at the sutures.

Timeline: This process begins at birth and continues through childhood and adolescence, accelerating during puberty when hormonal changes drive rapid growth and bone development. By late adolescence, most fusion is complete, leaving the adult with a fully ossified, fused skeleton.

Result: The "disappearing" bones haven't vanished—they've consolidated into stronger, more stable structures suited for a larger body.



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Masterpiece Advisors
1345 Avenue of the Americas
New York, NY 10105
Ph: 646-992-4319