



MONTHLY HOUSE VIEW

● OCTOBER | 2026

FISCAL DOMINANCE IN **SLOW MOTION**

Bond markets are no longer pricing the cycle. They are pricing the sovereign.

DEBASEMENT IS THE DESTINATION, BUT WE ARE NOT THERE YET

In September the Fed, the ECB and the Bank of Japan all tightened within eight days. Yet the US 10-year yield broke above 5.3% for the first time in 24 years, and the 30-year reached 5.6%, its highest level since 2001.

The market is not questioning whether central banks will fight inflation. It is questioning who will absorb the supply of long-dated debt, and at what price. Until policymakers blink, we position for high real yields, steep curves and selective risk-taking.

Our views across asset classes this month:

Multi-asset	NEUTRAL	Neutral on risk; underweight long-dated government bonds, overweight real assets.
Rates	UNDERWEIGHT	Underweight the long end; prefer 2–5 year carry and steepeners.
Credit & EM debt	SELECTIVE	Short-dated credit for carry; selective on EM hard currency.
Equities	NEUTRAL	Real assets and pricing power over long-duration growth; Japan preferred.
Commodities	OVERWEIGHT	Gold is our highest-conviction overweight; constructive on copper.
FX	NEUTRAL	Tactically neutral USD, strategically bearish; favour high-carry EM FX.
Private markets	SELECTIVE	Senior secured private credit; selective on secondaries and pre-IPO; cautious on buyouts.



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THE MONTH IN NUMBERS

5.3%

US 10-year yield, highest in 24 years

2.4%

US core inflation, year on year

3 of 3

Fed, ECB and BoJ all hiked in September

~\$4,200

Gold per ounce, after a 4% dip

"Bond markets are no longer pricing the cycle. They are pricing the sovereign."

OVERVIEW

THE BIG PICTURE

Textbook logic says tighter policy should anchor long-term yields. Instead, long yields rose. US core inflation is 2.4% and the Treasury has doubled its long-bond buybacks, yet investors still demand more compensation to hold duration.

That divergence is the story of the month and, in our view, of the year ahead. The market is questioning who will absorb the supply of long-dated debt, and at what price.

Our central thesis is fiscal dominance in slow motion. Debasement is the destination, but we are not there yet. We position for high real yields, steep curves and selective risk-taking, and watch closely for the signals that mark the turn.

OUR THESIS
IN ONE LINE

Earn carry in Phase 1; own the assets that work in both phases.

5.3%

US 10-year yield, a 24-year high

2.4%

US core CPI, year on year

5.6%

US 30-year yield, highest since 2001

LONG YIELDS BREAK AWAY FROM INFLATION

US 10-year Treasury yield and US core CPI (y/y), %, monthly, 1962–Aug 2026

— 10-year yield — Core CPI, y/y



Source: Federal Reserve Bank of St. Louis (FRED), CPILFESL and US 10-year Treasury yield; data to August 2026.

CENTRAL BANK ACTIONS

Fed: 3.75–4.00% ▲ 25 bps

First hike since 2023; 16 of 18 officials expect at least one more.

ECB: 2.50% ▲ 25 bps

Inflation projected at 3.0% this year.

BoJ: 1.25% ▲ 25 bps

Highest since 1995, on a split 7–2 vote.

KEY THEMES

FIVE THEMES THAT SHAPE OUR VIEW

01

The long end is repricing sovereign risk, not growth.

A 10-year yield above 5% with core CPI at 2.4% is not a cyclical signal. It is a rebuilding of the term premium: the extra return investors demand for lending long to governments running large deficits.

OUR RESPONSE

Underweight 10–30 year bonds; hold steepeners

02

Crowding out is back.

The AI build-out is increasingly financed with debt, on and off balance sheet. Corporate issuers now compete with governments for the same pool of long-duration savings.

OUR RESPONSE

Short-dated IG over long-dated issuance

03

Washington is pulling in two directions.

The Treasury is quietly easing at the long end through buybacks and bill issuance, while the Fed tightens at the short end. We believe fiscal needs will ultimately prevail over monetary orthodoxy.

OUR RESPONSE

Prefer TIPS; watch the Fed closely

04

The energy shock keeps central banks hawkish for now.

With Strait of Hormuz traffic a fraction of pre-war levels and Brent in the \$90s, headline inflation leaves little room to ease. This prolongs the current phase.

OUR RESPONSE

Energy equities over outright crude

05

Debasement is priced as a narrative, not yet in markets.

Gold fell around 4% in September and the dollar held steady. The debasement trade is paused, not broken: an opportunity to build positions ahead of the policy pivot.

OUR RESPONSE

Build gold positions on weakness

//

Debasement is the destination. But we are not there yet.

ROQ CAPITAL INVESTMENT TEAM

WHAT WOULD CHANGE OUR MIND

- A growth scare or AI productivity gains that pull inflation and yields lower
- Credible fiscal consolidation that eases long-end supply
- A diplomatic breakthrough in Hormuz that removes the energy shock

“Earn carry and protect capital in Phase 1, while owning the assets that work in both phases.”



OVERALL RISK

Neutral, with dry powder



Phase 1

Where we are today: high real yields

2 of 5

Phase 2 signposts on watch

CHANGES VS LAST MONTH

First edition. Changes will be shown here from November.

WHAT WOULD MAKE US ADD RISK

Two or more Phase 2 signposts triggered, confirmed by a weaker dollar.



OUR STANCE

DEFENSIVE ON DURATION, PATIENT ON DEBASEMENT

We are underweight long-dated government bonds and overweight real assets. We think of the path ahead in two phases.

PHASE 1 · WHERE WE ARE TODAY

Central banks defend credibility while the term premium rebuilds. Real yields stay high, curves steepen, and stocks and bonds can fall together.

PHASE 2 · THE PIVOT

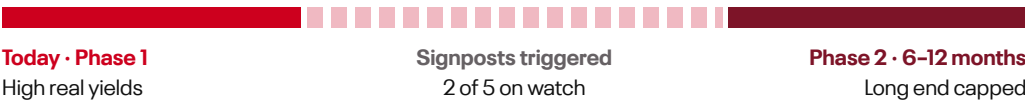
Fiscal strain forces policymakers to cap the long end. Debasement assets rally broadly and the dollar weakens. We add risk once signals are confirmed.

SCENARIOS

Phase 1 persists Base case	Hawkish central banks, elevated long yields. Works: front-end bonds, short-dated credit, gold, energy, value.
Phase 2 pivot 6–12 months	Long end capped, dollar weakens. Works: equities broadly, EM assets, gold, commodities.
Disinflationary slowdown	Growth scare pulls yields lower. Works: long-duration government bonds, quality equities.

SIGNPOSTS FOR PHASE 2

Treasury shifts issuance towards bills or expands buybacks	WATCHING
Weak long-bond auctions or Treasury market dysfunction	NOT TRIGGERED
Fed pauses despite above-target inflation	NOT TRIGGERED
Political pressure on the Fed after the midterms	WATCHING
Weaker dollar with rising gold and breakevens	NOT TRIGGERED



WHEN PHASE 2 IS CONFIRMED, WE WOULD

01

Close duration underweights

02

Broaden into growth and EM equities

03

Add EM local-currency duration

“Buybacks can smooth the supply of long-dated debt, but they cannot offset it.”

OUR STANCE

Underweight long duration



5.3%
US 10-year yield, highest in 24 years

4%+
Carry available at the front end

16 of 18
Fed officials expecting another hike

KEY RISK TO OUR VIEW
A sharp growth slowdown that pulls long yields lower, as in our disinflationary scenario.



RATES

THE LONG END HAS NO NATURAL BUYER

The front end now prices a hawkish Fed and offers carry above 4%. The September hike was unanimous. Further repricing would need a clear re-acceleration in core inflation, which is not our base case.

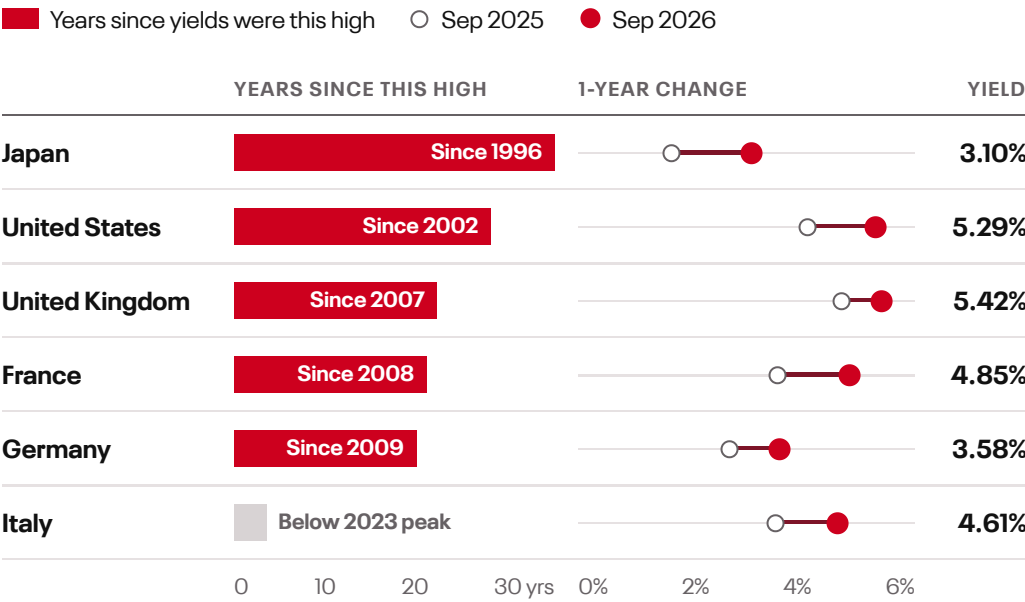
The long end faces a structural problem. Supply is rising from fiscal deficits, record AI-related issuance and the retreat of price-insensitive buyers such as foreign central banks and Japanese investors.

PREFER	2–5 year Treasuries	TIPS	5s30s steepeners
AVOID	10–30 year Treasuries	Long JGBs	

UNITED STATES	Underweight 10–30 year; neutral to positive on 2–5 year. Hold 5s30s steepeners; prefer TIPS to nominals.
EURO AREA & UK	Euro area neutral; UK cautious on limited fiscal room and heavy gilt supply.
JAPAN	Most cautious. A disorderly rise in JGB yields is the main spillover risk.
IN PHASE 2	Close duration underweights, but keep the TIPS preference.

LONG-END YIELDS ARE AT MULTI-DECADE HIGHS

10-year government bond yields, 30 September 2026



Source: Bloomberg, Trading Economics, Reuters. Closing yields, 30 Sep 2026; "since" = last time the 10-year yield was higher.

CREDIT & EM DEBT

OWN THE BORROWER,
NOT THE DURATION

Financial repression is kind to borrowers. Nominal growth stays high, debt erodes in real terms and default risk stays contained. We prefer to be paid for credit risk rather than duration risk.

Commodity exporters are the clearest winners. Elevated energy, metals and gold prices lift export receipts, fiscal revenue and FX reserves, strengthening their capacity to service hard-currency debt. Spreads remain wider than improving fundamentals justify, offering attractive carry.

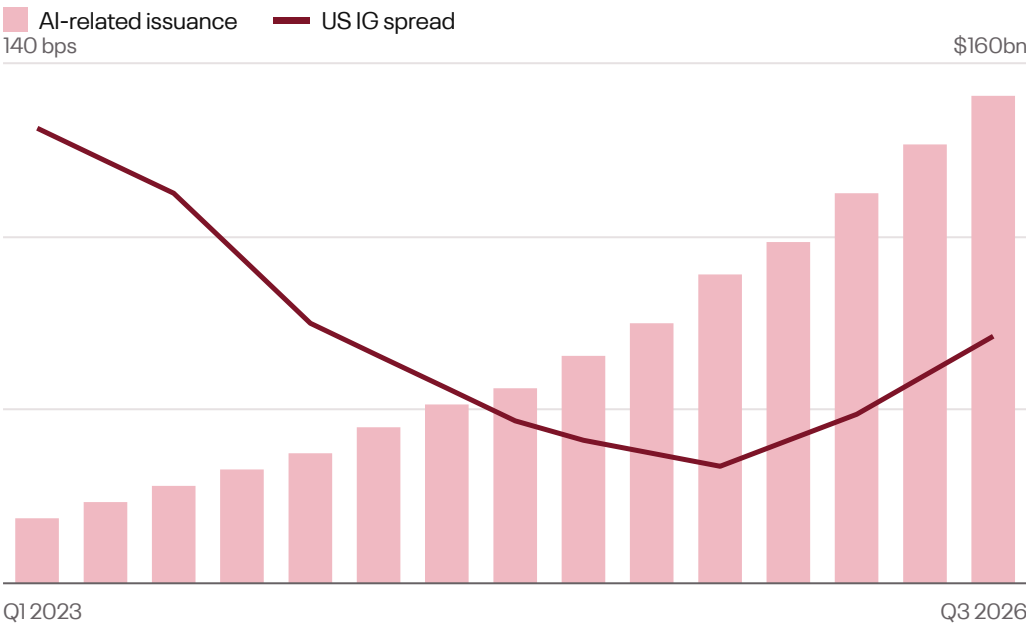
The risk is duration and supply. Long-dated investment grade is sensitive to a rising term premium and carries the heaviest supply pipeline as hyperscalers fund the AI build-out.

PREFER	Short-dated IG	Short HY	EM hard currency
AVOID	Long-dated IG	Weak HY	

DM CREDIT	IG: short and intermediate maturities. HY: short maturities for carry; avoid rate-sensitive issuers.
EM DEBT	For EM, the dollar is the swing factor. Favour short hard-currency sovereigns with strong external balances.
LOCAL CURRENCY	Selective, where real rates are high and inflation is falling. Add duration in Phase 2.
WATCH LIST	Private credit and data-centre financing, where leverage is hardest to see.

AI ISSUANCE CLIMBS AS IG SPREADS TURN WIDER

AI-related issuance, \$bn per quarter (RHS); US IG spread, bps (LHS), 2023–today



“Parts of the IG market are not a hedge against crowding out. They are the crowding out.”

OUR STANCE

Selective: short-dated carry



WHERE WE SEE OPPORTUNITY

- Short-dated IG and HY carry
- Strong hard-currency sovereigns
- Frontier and Central Asian Eurobonds

WHERE WE SEE RISK

- Long-dated hyperscaler issuance
- Weaker, rate-sensitive HY
- Off-balance-sheet AI financing

KEY RISK TO OUR VIEW

Defaults rise among weaker, rate-sensitive borrowers if Phase 1 lasts longer than expected.

EQUITIES

NOMINAL ASSETS, REAL SELECTIVITY

Equities have looked through the bond sell-off. Stocks near record highs and a 10-year yield above 5% leave the equity risk premium at historically thin levels.

Debasement helps equities only when yields are capped, as in 2020–21. When yields rise freely, as in the 1970s, stocks and bonds fall together. Phase 1 argues for selectivity over broad beta.

PREFER

Japan

Equal-weight US

Energy

Banks

AI infrastructure

AVOID

Mega-cap growth

UNITED STATES	Neutral. Prefer equal-weight and value to mega-cap growth.
JAPAN	Positive. Weak yen, the end of deflation and governance reform.
SECTORS	Energy, materials and banks, plus AI’s physical infrastructure: power, grids and capital goods.
EUROPE & EM	Europe neutral. In EM, favour commodity exporters and Latin America.

“When debasement comes with freely rising yields, only real assets protect purchasing power.”

OUR STANCE

Neutral, selective



MAIN INDICES · 30 SEPTEMBER

S&P 500	7,651.54
Nasdaq	26,861.06
Dow Jones	50,906.05
FTSE 100	10,489.04
Nikkei 225	68,956.72
Hang Seng	24,613.27
Shanghai Comp.	3,842.20
DAX	25,146.82
VIX	16.34

FTSE, Nikkei, Hang Seng, Shanghai and DAX at local close.

KEY RISK TO OUR VIEW

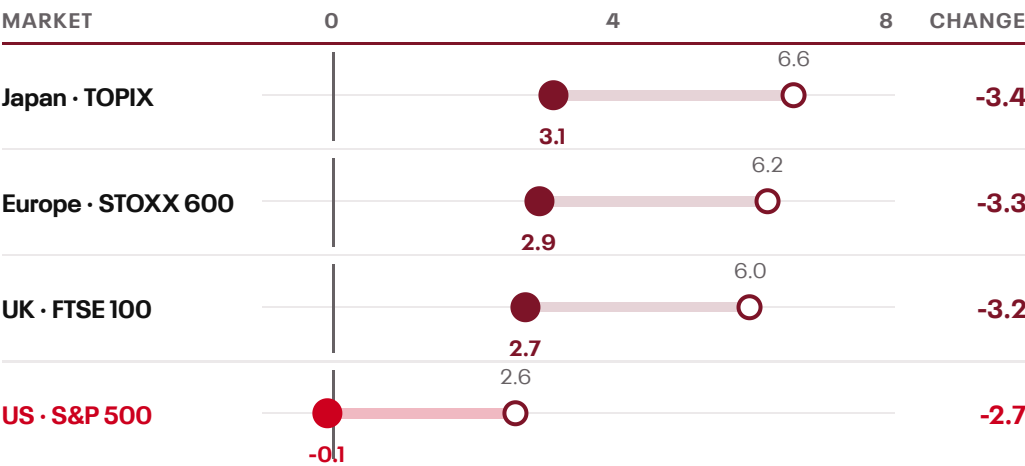
An AI-led earnings surge keeps mega-cap growth leading, even with yields above 5%.



RISK PREMIUMS HAVE COMPRESSED EVERYWHERE. THE US IS AT ZERO

12-month forward earnings yield minus local 10-year government bond yield, percentage points

○ Average, 2015–2025 ● September 2026



READ-ACROSS US equities offer no extra return over Treasuries today. Japan and Europe keep a cushion of about 3 pp.

Source: FactSet, IBES/LSEG, Sibilis Research, MacroMicro (forward P/E); Federal Reserve, Bundesbank, Bank of England, MoF Japan (10-year yields). Average of year-end values 2015–2025; latest Sep 2026.

COMMODITIES

THE ASSET CLASS THAT WORKS IN BOTH PHASES

Gold is our highest-conviction overweight. Central banks and Chinese investors, less sensitive to real yields, now drive demand. We would use weakness to build positions ahead of Phase 2.

Oil: neutral, with high two-way risk. We prefer energy equities, with cash flows and dividends, to outright crude. **Copper: constructive** on electrification, grids and data centres.

PREFER

Gold

Copper

Energy equities

AVOID

Outright crude

ROLE IN PHASE 1

Hedge the supply-driven inflation that keeps central banks hawkish.

ROLE IN PHASE 2

The most direct beneficiaries of currency debasement.

COPPER

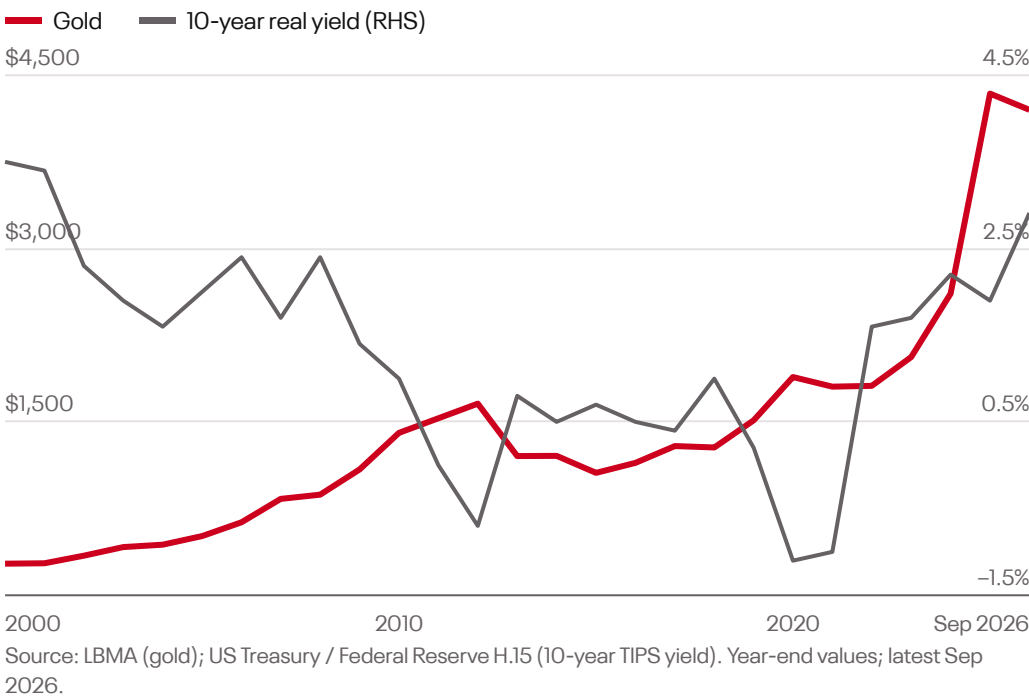
Constructive. Electrification, grids and data centres support a structural deficit.

AGRICULTURE

Watching food prices: energy and fertiliser costs raise second-round inflation risk.

GOLD HAS DECOUPLED FROM REAL YIELDS

Gold, \$ per ounce (LHS); US 10-year real yield (TIPS), % (RHS), year-end 2000–Sep 2026



“We see gold’s September dip as a consolidation, not a peak.”

OUR STANCE

Overweight gold

UW  OW

~\$4,200

Gold per ounce, after easing ~4%

10 vs 130

Hormuz vessels a day, today vs pre-conflict

±\$15–20

Brent two-way risk per barrel

KEY RISK TO OUR VIEW

A Hormuz breakthrough sends Brent \$15–20 lower, while high real yields weigh on gold.

ROQ
CAPITAL

“The dollar’s rate advantage is a bridge. It does not offer a floor.”

FX

THE DOLLAR’S CARRY IS A BRIDGE, NOT A FLOOR

The dollar has held up despite the debasement debate, supported by a Fed that is hiking while most other central banks move more cautiously.

Once policy shifts towards capping long-term yields, the same rate advantage that supports the dollar today would erode quickly. We expect the decisive move lower to coincide with Phase 2.

PREFER

High-carry EM FX

Yen via options

AVOID

Low-yield Asian FX

US DOLLAR	Tactically neutral, strategically bearish.
EURO	Neutral. ECB support offset by growth and energy exposure.
JAPANESE YEN	Cheap on every long-term measure, but the rate gap keeps the carry trade alive.
IN PHASE 2	Move decisively underweight the dollar; add EM local-currency exposure.
ARMENIA & CIS	Dollar cash still earns carry. Diversify gradually; see page 13.

OUR STANCE

Neutral USD, bearish longer term

uwow

99-100

US Dollar Index range in September

157+

USD/JPY after the BoJ’s cautious hike

4%+

Dollar carry still on offer in Phase 1

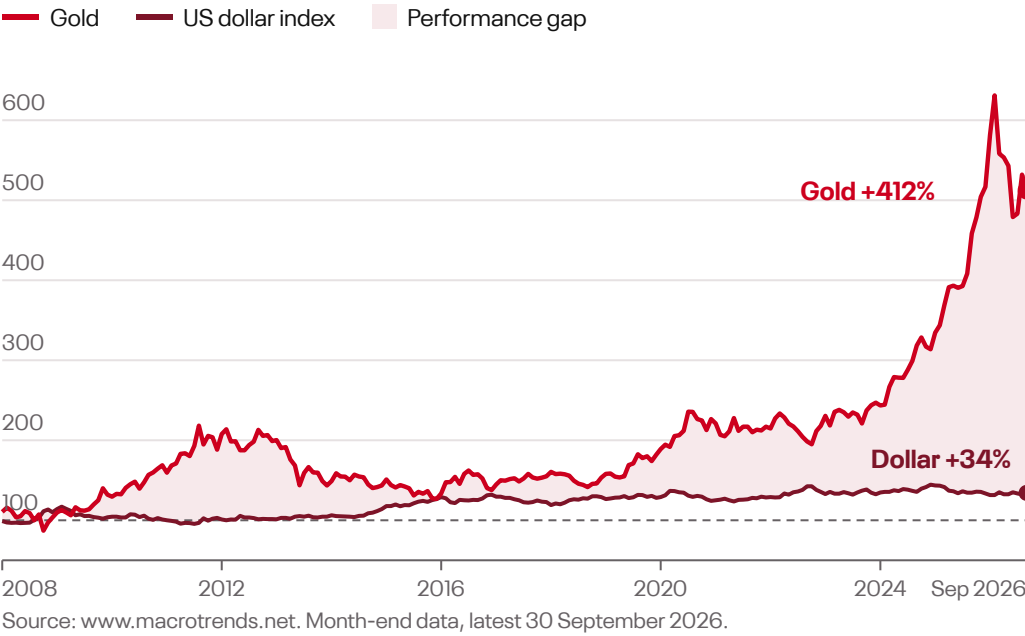
KEY RISK TO OUR VIEW

Renewed Fed hikes extend the dollar’s rate advantage into 2027.



GOLD HAS FAR OUTRUN THE DOLLAR SINCE 2008

Gold vs trade-weighted US dollar index, indexed to Dec 2007 = 100, month-end



PRIVATE MARKETS

WHERE THE AI LEVERAGE HIDES

The AI build-out is the largest private capital spending cycle in decades. A growing share is financed through private credit funds, joint ventures and SPVs that keep debt off corporate balance sheets.

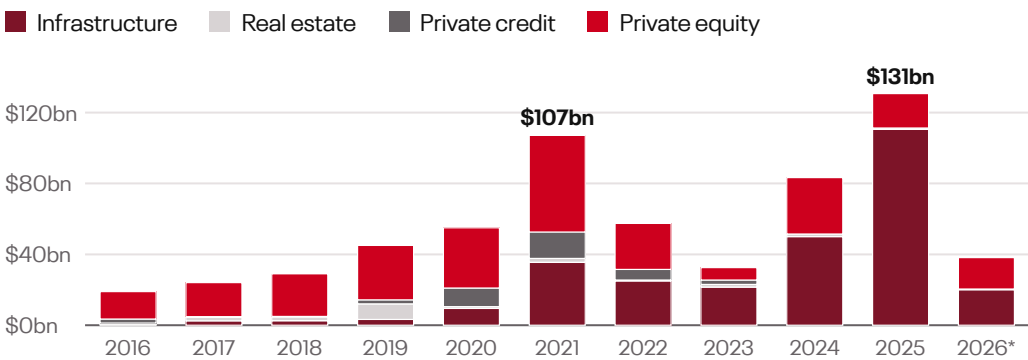
This matters in two ways. Private credit is part of the crowding out we see in public markets. And private valuations adjust more slowly: with long yields above 5%, reported marks may not yet reflect the higher cost of money.

PREFER	Senior secured credit	Infrastructure	Secondaries / pre-IPO
AVOID	PIK borrowers	AI concentration	

PRIVATE CREDIT	Selective. Senior secured lending with strong covenants and floating rates.
PRIVATE EQUITY	Cautious in Phase 1. Financing costs weigh on buyouts and exits.
SECONDARIES & PRE-IPO	Selective. Secondaries offer entry at discounts to marks; pre-IPO only where a listing path is credible.
INFRASTRUCTURE	Positive. Contracted, inflation-linked cash flows fit both phases, especially power and grid assets.

ALTERNATIVE ASSETS ARE FINANCING AI DATA CENTRES

Global data-centre deal value by alternative asset class, \$bn, 2016–2026 YTD



Source: Preqin, Goldman Sachs Research. *2026 year to date, as of 29 May 2026.

EARLY WARNING SIGNS WE MONITOR

01 Slower exits Deal activity and IPO windows for PE-backed companies.	02 Delayed distributions Cash returned to investors lagging reported gains.	03 Rising PIK use Borrowers paying interest with more debt, not cash.
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“Private credit is where we see the most important hidden risk in today’s cycle.”



OUR STANCE

Selective



WHERE WE SEE OPPORTUNITY

- Senior secured, floating-rate lending
- Secondaries and selective pre-IPO at discounts to marks
- Contracted infrastructure cash flows

WHERE WE SEE RISK

- Concentrated AI-infrastructure exposure
- Lower-quality borrowers relying on PIK

KEY RISK TO OUR VIEW

A disorderly markdown of private valuations as marks catch up with 5%+ yields.



VIEWS BY ASSET CLASS

ROQ conviction on a continuous spectrum from cautious to constructive.

	CAUTIOUS	NEUTRAL	CONSTRUCTIVE
EQUITIES			
United States (broad)		●	
US equal-weight / value			●
US mega-cap growth	●		
Europe		●	
Japan			●
EM / Latin America			●
Energy, banks, AI infrastructure			●
GOVERNMENT BONDS			
US 10–30 year	●		
US 2–5 year		●	
US inflation-linked (TIPS)			●
Euro area		●	
United Kingdom		●	
Japan	●		
CREDIT & EM DEBT			
Short-dated IG			●
Long-dated IG	●		
High yield (short maturity)		●	
EM hard-currency sovereigns			●
EM local currency		●	
PRIVATE MARKETS			
Senior secured private credit		●	
Secondaries / pre-IPO		●	
Private equity (buyouts)	●		
Infrastructure			●
FX & COMMODITIES			
US dollar (tactical)		●	
Euro		●	
Japanese yen (via options)		●	
High-carry EM FX			●
Gold			●
Oil (prefer energy equities)		●	
Copper			●

Source: ROQ Capital investment team, views as of 30 September 2026. ▲ / ▼ change vs previous month
IG = investment grade · HY = high yield · EM = emerging markets · TIPS = US inflation-linked Treasuries · JGB = Japanese government bonds · PIK = payment in kind.

STRONGEST OVERWEIGHT

Gold

Works in both phases of our framework.

STRONGEST UNDERWEIGHT

US long end & JGBs

The long end has no natural buyer.

PREFERRED REGION

Japan equities

A live example of nominal assets in debasement.

ARMENIA MARKET SNAPSHOT

Official exchange rates and Central Bank of Armenia policy rate

USD / EUR / RUB AGAINST AMD

USD / AMD 362.82 AMD per 1 US dollar ▼ 0.5% m/m	EUR / AMD 411.75 AMD per 1 euro ▼ 2.6% m/m	RUB / AMD 4.35 AMD per 1 Russian ruble ▲ 3.3% m/m
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AMD is the quote currency. Change from 31 August to 30 September 2026; a lower rate implies a stronger dram.

CBA POLICY RATE

6.75%

REFINANCING RATE · ▲ 25 bps

Decision of 15 September 2026

MONTHLY READ-THROUGH

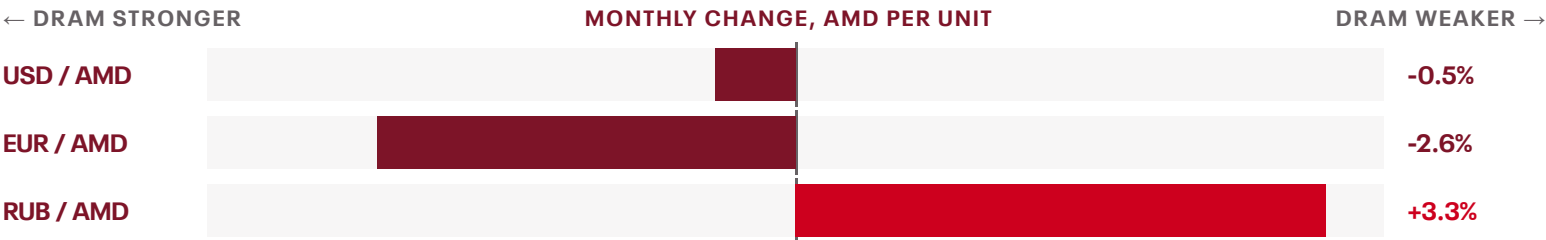
The dram strengthened against the US dollar and euro between 31 August and 30 September, while weakening against the ruble.

The CBA raised the refinancing rate by 25 bps to 6.75% at its 15 September meeting.

WHAT THIS MEANS FOR INVESTORS IN ARMENIA AND THE CIS

In Phase 1, dollar cash and short-dated dollar bonds remain attractive, offering carry above 4% with limited risk.

If the dollar enters a debasement phase, portfolios concentrated in dollar cash and long Treasuries would lose purchasing power. We recommend diversifying gradually into gold, real-asset equities and non-dollar exposure.



// Diversify gradually, rather than waiting for the turn to become visible in prices.

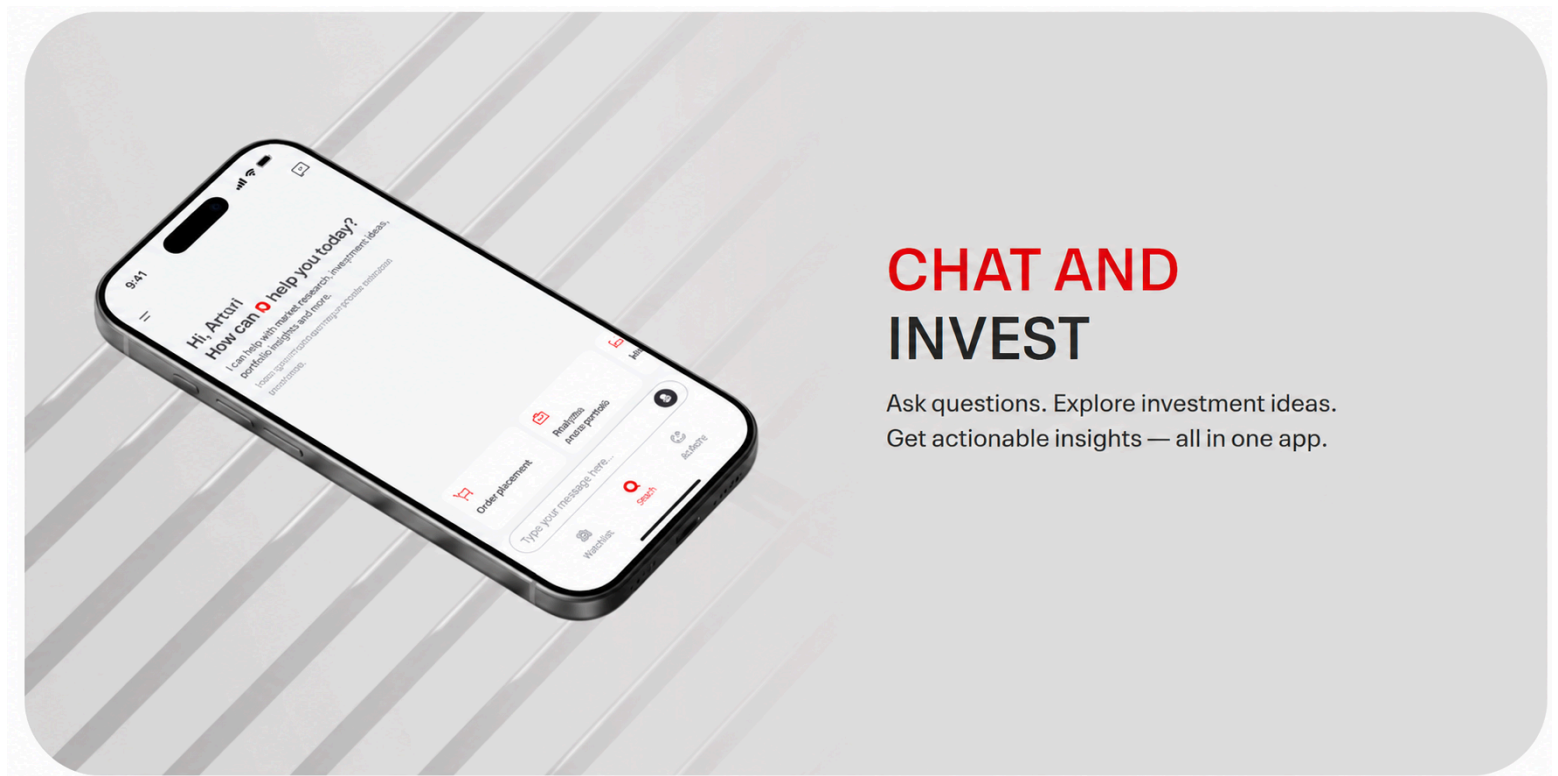
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Ask questions. Explore investment ideas.
Get actionable insights — all in one app.

01

CHAT

Ask investment questions in a natural conversation.

02

EXPLORE

Discover ideas, research and market opportunities.

03

TRADE

Move from insight to execution in the same app.

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