

WEEKLY ECONOMIC UPDATE OCT. 12, 2026

Stocks ended last week higher after an up-and-down week where a kitchen sink of economic, geopolitical, and AI-related events competed for investors' attention.

The Standard & Poor's 500 Index rose 1.15 percent, while the Nasdaq Composite Index advanced 0.64 percent. The Dow Jones Industrial Average gained 0.93 percent. The MSCI EAFE Index, which tracks developed overseas stock markets, fell 0.45 percent.^{1,2}

A Choppy Advance

Stocks opened higher to start the week, demonstrating continued resilience despite rising Treasury yields. Stocks continued their climb on Tuesday as cooler yields prevailed and oil prices treaded water. AI chipmakers led the broad market higher, with the S&P 500 closing above 7,800 for the first time and the Nasdaq also notching a record close.^{3,4}

Then markets stumbled midweek, opening lower on Wednesday after Treasury yields hit fresh multidecade highs. However, stocks rebounded after an encouraging 10-year Treasury auction appeared to allay some fears, with the S&P 500 and the Nasdaq reversing the lion's share of declines by the closing bell.⁵

Jitters crept back into market sentiment as stocks opened lower Thursday. The Nasdaq closed down nearly 1½ percent, its biggest one-day decline since mid-August.⁶

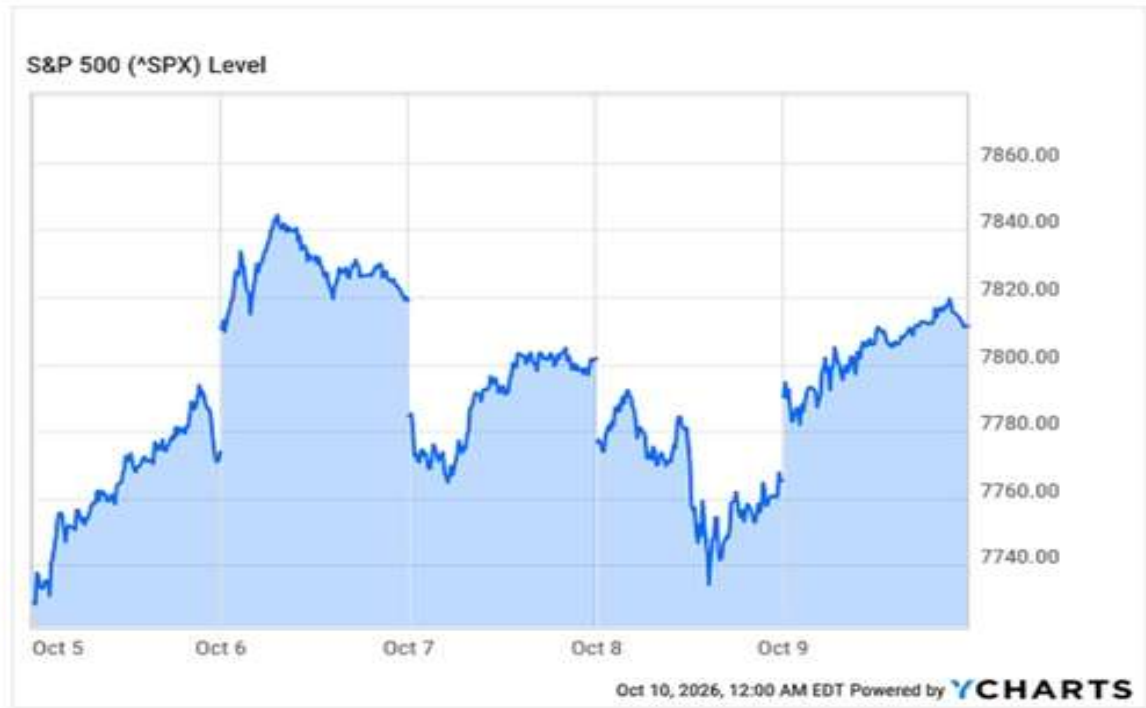
Stocks rebounded Friday to finish the week strong, with megacap tech stocks rallying and oil prices falling on news of a deal to supply diesel to U.S. and global markets. Healthcare stocks also contributed to the gains as the Nasdaq logged its fourth consecutive weekly gain.⁷

Weekly Market Insights (WMI)

Major Index Return Summary

Name	1M TR	YTD TR	1Y TR	5Yr TR
Nasdaq Composite	2.97%	17.54%	18.71%	93.45%
S&P 500	1.29%	14.45%	16.32%	89.89%
Dow Jones Industrial Average	-2.86%	7.90%	11.72%	62.03%
MSCI EAFE	-5.36%	8.48%	12.29%	57.47%

S&P 500 Daily Close



10-Year Note Review

Indicator Name Date	Latest Value	1M Ago 3M Ago 1Y Ago	1M Change 3M Change 1Y Change
10 Year Treasury Rate 10/09/26	5.24%	4.83% 4.54% 4.14%	8.49% ▲ 15.42% ▲ 26.57% ▲

As the Fed Turns

Three things happened on Wednesday that made the Federal Reserve's job a bit more complex as it weighs its decision on interest rates at its next meeting later this month.

Yields on both the bellwether 10-year Treasury note and the 30-year Treasury bond hit new 24-year highs, which contributed to mortgage rates reaching a near-three-year high. However, a well-received auction of 10-year Treasury notes seemed to suggest that buyers believed yields would eventually fall again.⁸

This Week: Key Economic Data

Tuesday: NFIB Small Business Optimism Index. Existing Home Sales. Monthly Treasury Statement and Outlays.

Wednesday: Consumer Price Index (CPI). Federal Reserve Beige Book.

Thursday: Weekly Jobless Claims. Producer Price Index (PPI). Manufacturing & Trade Inventories. Cleveland Fed President Beth Hammack speaks.

Friday: Import Prices. Industrial Production. Capacity Utilization.

(IBKR), Prologis, Inc. (PLD), BNY (BNY), U.S. Bancorp (USB), The PNC Financial Services Group, Inc. (PNC), Marsh (MRSH)

Friday: The Travelers Companies, Inc. (TRV), Truist Financial Corporation (TFC)

Quote of the Week



“Living is easy with eyes closed” suggests that life is simpler when you avoid questioning what you see—but that ease comes at the cost of misunderstanding the world.” - A reflection on the lyrics to the Beatles Strawberry Fields by **Artificial Intelligence**.

Of Note



The Iran war could claim a casualty far more consequential than a missile battery, an air base, or an oil tanker: the petrodollar system.

For more than 50 years, US protection of the Gulf monarchies has helped support global demand for dollars and US government debt. That bargain may now be coming under strain.

The concept is straightforward. The US provides military protection to countries such as Saudi Arabia, Kuwait, the United Arab Emirates, Bahrain, and Qatar. In return, these countries price much of their oil in US dollars and recycle large amounts of their oil revenue into US financial assets, including Treasuries. Call it an alliance. Call it a strategic partnership. I prefer to call it a protection racket. Whatever name you choose, the arrangement has provided enormous support for the dollar since Nixon severed its last link to gold in 1971.

Oil sits at the center of the global economy. Every industrial economy needs it. If countries need dollars to participate in the global oil trade, they have a powerful reason to hold dollars. That creates demand for the currency that has nothing to do with buying American goods or services. It also creates demand for US financial assets.

Oil exporters earn dollars. They need somewhere to put them. For decades, a large portion flowed back into US banks and Treasury securities. That helped deepen the Treasury market, support the dollar, suppress US borrowing costs, and finance deficits that no other country could sustain. But every protection racket depends on one thing: The protector must provide protection. The Iran war threatens that premise.

If the Gulf monarchies conclude that the US cannot protect their oil infrastructure, shipping lanes, cities, and regimes from Iran, why should they continue upholding their side of the bargain? That question could reshape the international monetary system.

And one man warned almost exactly 20 years ago about the signal that would tell us this shift had begun. Ron Paul Saw This Coming 20 Years Ago On February 15, 2006, Congressman Ron Paul delivered a little-known but prophetic speech on the floor of the House of Representatives called "The End of Dollar Hegemony." He identified the signal investors should watch for: "The chaos that one day will ensue from our 35-year experiment with worldwide fiat money will require a return to money of real value. We will know that day is approaching when oil-producing countries demand gold, or its equivalent, for their oil rather than dollars or euros. The sooner the better."

I discussed this subject with Ron Paul at an investment conference years ago. He stood by that assessment. His point was simple. Watch the oil producers. The day they start moving away from dollars and toward gold - or a monetary system that

gives them access to gold - the foundation beneath the dollar-based financial system starts to crack.

We may now be approaching that point. The Gulf Cooperation Council includes Saudi Arabia, Kuwait, Qatar, Bahrain, Oman, and the United Arab Emirates. Together, these countries rank among the most important oil exporters on Earth. China sits on the other side of that trade. It is the world's largest oil importer and the GCC's largest trading partner.

That creates a natural relationship: China needs enormous quantities of energy, and the Gulf states need enormous markets for their oil.

For years, China and the Gulf states have discussed ways to conduct more trade outside the dollar system. But the Gulf monarchies faced a constraint. They depended on the US security umbrella. Moving too far toward China risked alienating the country they counted on to protect them. The Iran war changes that calculation.

If the Gulf states conclude that Washington cannot protect them from Iran - and that the American military presence can turn their countries into targets - the value of that security guarantee falls. They then have a powerful incentive to reach an accommodation with Iran while deepening economic ties with China. That would weaken one of the political foundations supporting the petrodollar.

And China has spent years building an alternative. From the Petrodollar to the Petroyuan - and Gold. China understands the biggest problem with asking an oil producer to accept yuan. Why would Saudi Arabia, the UAE, or another exporter want to accumulate piles of Chinese currency? Beijing has spent years developing an answer. In 2018, the Shanghai International Energy Exchange launched a yuan-denominated crude oil futures contract. That gave oil producers another mechanism for pricing and trading crude outside the dollar.

But China has also built something that makes the yuan far more useful to commodity exporters: a path from yuan into physical gold. An oil producer can sell crude into the Chinese market, receive yuan, spend those yuan on Chinese goods, or use China's financial and gold-market infrastructure to convert surplus yuan into physical bullion.

That changes the proposition. The exporter does not have to choose between holding dollars and accumulating piles of yuan. It can turn part of its trade surplus into an asset with no issuer, no counterparty, and no foreign government standing between the owner and the wealth.

Think about the difference. Under the dollar system, an oil exporter sells a finite natural resource and receives financial claims issued by the US government. Those claims carry political risk. Washington demonstrated that risk when it froze Russia's reserves after the invasion of Ukraine. Gold carries no such counterparty risk. Nobody can print it. Nobody can default on it. And once an oil producer takes physical possession, no foreign government can freeze it with a keystroke.

From the perspective of a country trying to reduce its exposure to Washington, that has obvious appeal. A viable path from oil to yuan to physical gold gives Gulf producers a way to reduce their dependence on the dollar without accumulating large reserves of Chinese currency. If the Iran war weakens confidence in US protection, the financial infrastructure needed to move away from the petrodollar already exists.

The Gulf states have a path from oil to gold that bypasses the dollar. But what happens to your wealth if they take it?¹⁰

Footnotes And Sources

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