WORLD MARKET PROGNOSIS

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MARKETS NOW: Wall Street advanced on Wednesday, the Nasdaq Composite closing 1.1% higher at 26,702, the S&P 500 up 0.6% at 7,757 and the Dow 0.7% firmer at 52,856, extending Tuesday's gains. SpaceX rose about 8% after revenue climbed 161% to $14.6 billion, while Netflix fell roughly 4% and AT&T 6.5% on soft guidance. Treasuries stayed heavy: the ten-year yield held near 5.12% and the two-year rose to 4.81%. Tokyo's Nikkei closed 0.9% higher at 64,621 and Frankfurt's DAX gained 1.4% to 25,665, but Hong Kong's Hang Seng slipped 0.9% to 23,652.

COMMODITIES: Energy set the tone. Brent pushed above $110 a barrel after a strike on a Saudi Aramco field in the Eastern Region, having settled at $108.79 on Tuesday, while US West Texas Intermediate traded near $98. Metals were heavy: gold was quoted at $4,134.90 an ounce late in the session, silver at $58.00 and copper at $6.56 a pound, with gold sliding for a fourth day as dearer oil revived rate-hike pricing. Grains fell on Russia-Ukraine peace-deal hopes, December wheat dropping 15 cents to $6.28, a three-month low.

THE PROGNOSIS: The base case is a market carried by earnings but capped by rates. With the ten-year near 5.12% and futures pricing December Fed tightening at close to 90%, equity gains rest on AI results continuing to beat; most economists surveyed expect no move at the October 27-28 meeting pending the PCE report. The clearest risk is energy, as renewed Gulf shipping attacks would lift Brent further and harden the inflation case. Housing is already soft, with September starts at 1.221 million and builder sentiment at 2012 lows. Watch Friday's PMIs.

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