GLOBAL MARKET INTELLIGENCE

The World in 5 Minutes

"Iran reports the war's biggest attack on tankers -seven vessels mined or hit in Hormuz-; Trump calls it a "hoax" to push up oil prices before the midterms, and Brent closes at $116,72, its highest level since the conflict began"

Iran reported the war's biggest attack on tankers: seven vessels hit or mined in Hormuz in the early hours of October 22. Trump rejected the claim -"they're inventing fake attacks to push up oil prices before the midterms"- and traffic remains collapsed: just 101 transits between the 22nd and the 24th, versus 138 before the crisis.

Saudi Arabia's "Dawn of Yemen" offensive entered its third week while the Houthis, having broken the U.N.'s 2022 truce, struck Dammam's King Fahd airport on October 21 -2 dead, 8 wounded-, the latest episode in a campaign that has killed 22 since October 6, the worst such run since 2015. The GCC condemned the attacks on the 18th.

Russia combined Iskander-M, S-400, Zircon and Onyx missiles with 210 drones over Kyiv on October 22 -9 dead, 56 wounded-, a day after a deadly drone attack on Kharkiv. Kyiv is also preparing its own sanctions list -51 people and 44 Russian companies- on top of the one already approved by the EU.

The Fed entered its blackout period ahead of the October 27-28 FOMC -no central bank comments this week- and the only data point was jobless claims, which fell to 194.000, the sixth straight week below 200.000.

The Chinese navy shadowed the USS Charleston near Sabina Shoal, in the South China Sea, on October 20. Near Taiwan, the U.S.-Japan "Keen Sword" exercise continued without incident and the Washington-Beijing trade truce stayed calm.

Markets digested the scare more calmly than last week: Brent closed at 116.72 dollars (+6.2%), its highest since the war began, with Goldman Sachs putting the freight-cost markup at $20 a barrel -$7 of pure Hormuz risk premium-. The S&P 500 gave up only 0.5% thanks to the semiconductor rebound (KOSPI +4%) and the Baltic Dry rose 5.9%, its second straight weekly gain.

RESEARCH TEAM VIEW

What to watch in the days ahead

- The October 27-28 FOMC, with Warsh now out of the blackout period and September CPI (3.7%) already known.
- Healey's U.K. budget, October 28, with fiscal headroom cut to 11,000-15,000 million pounds.
- Whether the attack on the seven tankers in Hormuz that Trump called a "hoax" is confirmed or denied.
- SK Hynix (Oct 28) and Samsung (Oct 29) earnings, after this week's semiconductor rebound.
- Whether the Saudi "Dawn of Yemen" offensive continues after the Houthi breach of the U.N. truce.

QUANTITATIVE MODEL

Knightford Global Risk Index · as of 2026-10-23

The alleged attack on seven tankers in Hormuz and the fourth straight week of credit widening keep the KGRI anchored in the elevated range, with Fed liquidity tightening in the opposite direction

WEEK
+0.6

4 WEEKS
+7.3

INTERNAL DISPERSION
54%

CONFIDENCE SCORE
72/100

Why this reading this week?

The KGRI rises 0.6 points to 61,6, already 7.3 above four weeks ago, again driven by the geopolitical block (84.9 out of 100): the attack on seven tankers in Hormuz, which Trump dismisses as a hoax. Credit rises to 47.4 with HY at 340 bps, and Fed liquidity tightens to 51.5 with the TGA at highs. Only the market improves, to 31,2, on the semiconductor rebound.

Technical note: weighted average of the eight sub-indexes with VSMRI inverted · confidence 72/100 reflecting indicators without a free data source.

What is the KGRI? A 0-100 index that summarizes global market risk by combining eight Visual Sigma™ "thermometers" (liquidity, monetary policy, activity, inflation, credit, financial stability, geopolitics and markets), weighted by relative importance and compared with their own history.

POSITIONING FRAMEWORK

Research team view: what to do at each KGRI range, reviewed weekly

0-20	Very low	Overweight risk, maximum exposure to equities and cyclicals, minimal hedging.	
20-40	Low	Maintain full exposure, favor quality, no additional hedging needed.	
40-60	Neutral	Neutral exposure with quality selectivity; partial tactical hedging against surprises.	◂ we are here (61.6)
60-80	Elevated	Reduce beta, add quality and duration, activate hedges (options, gold).	
80-100	Extreme	Defensive mode, maximum cash and hedging, minimize risk exposure.	

THE EIGHT VISUAL SIGMA™ · KGRI COMPONENTS

Level 0-100 and weight in the KGRI. Color follows the direction of risk.

VSLI · 18%
Visual Sigma™ Liquidity Index

51.5

Neutral

Rises 3.8 points: the Fed balance sheet eases slightly to 6,753,604 M but the TGA jumps to 952,002 M (+68,629 M), trimming bank reserves to 2,962,607 M, now below the July peak.

Conf. 100 ▲ 3.8

VSMPI · 10%
Visual Sigma™ Monetary Policy Index

76.3

High

No change: the Fed enters its blackout period ahead of the October 27-28 FOMC -neither Warsh nor any other central banker spoke this week- and none of the four major central banks met.

Conf. 100 = 0.0

VSEAI · 14%
Visual Sigma™ Economic Activity Index

52.6

Neutral

Essentially flat (-0.1): no payrolls, industrial production or retail sales this week; weekly jobless claims fall to 194.000, the sixth straight week below 200.000.

Conf. 72 ▼ 0.1

VSIPI · 6%
Visual Sigma™ Inflation Pressure Index

67.4

High

Rises 1.8 points: no new CPI reading, but breakevens rise to 2.48%/2.34% at 5- and 10-year as the Brent spike starts filtering into inflation expectations ahead of the FOMC.

Conf. 80 ▲ 1.8

VSCCI · 8%
Visual Sigma™ Credit Conditions Index

47.4

Neutral

Rises 3.8 points: HY widens another 17 bps to 340 bps and IG rises to 89 bps, a fourth consecutive week of widening, just as cash flows back into money-market funds.

Conf. 54 ▲ 3.8

VSFSI · 12%
Visual Sigma™ Financial Stability Index

43.9

Neutral

Falls 0.9 points: the FRED VIX eases to 19.03 on Thursday -Friday's press-reported close, 19,45, also below last week's scare- and the 10-2 year slope barely moves.

Conf. 76 ▼ 0.9

VSGRI · 14%
Visual Sigma™ Geopolitical Risk Index

84.9

Very high

Rises 0.4 points: Iran reports the war's biggest attack on tankers in Hormuz, the Houthis strike another Saudi airport and Russia hits Kyiv with its most varied arsenal yet.

Conf. 30 ⚠ ▲ 0.4

VSMRI · 18%
Visual Sigma™ Market Reaction Index

31.2

Fragile

▲ high = favorable (the only inverted index). Rises 2.2 points: the S&P 500 gives up only 0.5% on the week -the semiconductor rebound (KOSPI +4%) cushions the Hormuz scare- and the VXN eases.

Conf. 66 ▲ 2.2

What do these numbers mean? Every indicator runs from 0 to 100 on actual data; in the seven risk blocks a high number is bad news, but in market reaction it is the reverse, so always read the color, not just the figure. Confidence shows how much of the block is covered by free official sources: paid indicators (CDX, MOVE, Citi, Conference Board, ISM) are not estimated, they are deducted from confidence.

RESEARCH TEAM VIEW · QUALITATIVE

Not model output; analyst judgment, reviewed weekly

BASE CASE — 45%

Iran keeps Hormuz closed de facto and keeps reporting attacks that Washington does not confirm; the Saudi offensive advances without breaking the Houthi front. Brent trades between 105 and 125 dollars and the KGRI moves between 55 and 68.

BULL CASE — 20%

It is confirmed that there were no real attacks on the tankers and tension eases; Riyadh and the Houthis accept a truce before the U.K. budget. Brent falls below 100 dollars and the KGRI drops below 55.

BEAR CASE — 35%

The mining of the seven tankers is confirmed and a U.S.-flagged vessel is damaged, forcing a military response from Washington. Brent tops 130 dollars and the KGRI enters the extreme range, above 70.

GLOBAL GEOPOLITICAL RISK MAP

Research team view. List curated manually each week; not VSGRI output (see next page).

Very high · High · Medium

Middle East · Strait of Hormuz — VERY HIGH

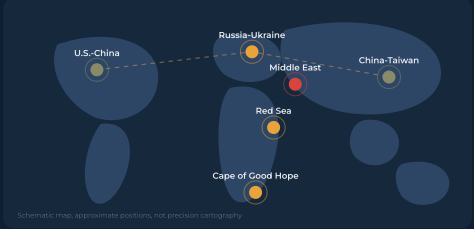
Iran reported the war's biggest attack on tankers: seven vessels hit or mined on October 22, according to Tehran. Trump rejected it as a "hoax" to push up oil prices before the midterms. Traffic remains collapsed (101 transits between the 22nd and the 24th, versus 138 a day before the crisis) and the IRGC claimed the downing of a MQ-9 drone, its 54th.

Red Sea · Bab el-Mandeb — VERY HIGH

The Houthis, having broken the U.N.'s 2022 truce, struck Dammam's King Fahd airport on October 21 (2 dead, 8 wounded); the campaign against Saudi airports since October 6 has now killed 22 and wounded more than 380, the worst such run since 2015. The GCC condemned it on the 18th.

Routing · Cape of Good Hope — HIGH

The Baltic Dry rises 5.9%, to 2,660 points, a second straight weekly gain, with the Capesize segment firm on demand, even as the detour around the Cape stays unchanged amid the closure of Hormuz and the Red Sea.



China-Taiwan — MEDIUM

The Chinese navy shadowed the USS Charleston near Sabina Shoal on October 20, the eighth such episode this month in the South China Sea. The U.S.-Japan "Keen Sword" exercise near Taiwan continues without incident.

Russia-Ukraine — VERY HIGH

Russia combined Iskander-M, S-400, Zircon and Onyx missiles with 210 drones over Kyiv on October 22 (9 dead, 56 wounded), a day after a deadly drone attack on Kharkiv. Ukraine is preparing its own sanctions list -51 people and 44 companies- on top of the one already approved by the EU.

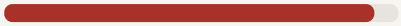
U.S.-China trade — LOW

The truce extended to January 10, 2027 remains incident-free despite naval tension in the South China Sea; no news this week on tariffs or the "30-for-30" relief lists.

Context for the week under review, updated manually by the team. Not VSGRI output (see the quantitative breakdown on the next page).

QUANTITATIVE MODEL

VSGRI, breakdown of its six components (as of 2026-10-23)

SCON 24%	Intensity of international geopolitical conflict		94 · Very high
SGEO 20%	Global geoeconomic fragmentation		74 · High
SENE 18%	Energy and strategic commodity risk		90 · Very high
SSUP 14%	Global supply chain risk		85 · Very high
SSOV 12%	Sovereign risk and international sanctions regime		80 · Very high
SUNC 12%	Structural geopolitical uncertainty		82 · Very high

0-100 scale; a higher value means greater risk pressure. The percentage shows its relative weight. Block scored by the team from verified facts of the week: with no freely available quantitative source, its confidence is 30/100.

OUR READ · RESEARCH TEAM VIEW

"This week Iran reported the war's biggest attack on tankers -seven vessels mined or hit in Hormuz-, but Trump dismissed it as a "hoax" to push up oil prices before the midterms. Brent, doubts notwithstanding, closed at war-era highs (116.72 dollars), with Goldman Sachs now putting the pure risk premium for crossing the strait at 7 dollars. And yet money did not flee: 28,160 million flowed into global equities and 15,860 million went back into cash, the fifth consecutive week of inflows into stocks, according to Refinitiv/LSEG Lipper. Hartnett sums it up with his headline of the week, "Goldilocks Meets the Dragon": markets keep buying the scare instead of hedging against it."

MARKET DATA · WEEKLY CLOSE

Live from FRED, the ECB Data Portal and Japan's Ministry of Finance, with no analyst intervention.

S&P 500
7,623.68 (e)
▾ -0.5% *(e)*
FRED stops on Wednesday (7,757.17), a bigger lag than usual; the press-reported close is used. The semiconductor rebound (KOSPI +4%) cushions the drop.

STOXX EUROPE 600
635.77
▾ -1.4%
Worst week since mid-September; falls despite Wall Street's rebound, weighed down by Kering and the oil rally.

VIX
19.45 (e)
▾ -0.54 *(e)*
FRED stops on Thursday (19.03); the press-reported close is used, somewhat below last week's scare.

UST 10-YEAR
4.96% (e)
▾ -0.14 *(e)*
FRED had not yet posted Friday's reading, Thursday the 22nd is used; the market keeps prioritizing geopolitical risk over inflation.

EURO AAA CURVE, 10-YEAR
3.36% (e)
▾ -0.06 *(e)*
The ECB Data Portal remains unstable; the German bund is used.

HY CORPORATE SPREAD
340 bps (e)
▴ +17 bps *(e)*
Fourth consecutive week of widening; FRED stops on Thursday. IG rises to 89 bps.

DOLLAR (DXY INDEX)
101.80 (e)
▾ -0.0% week over week *(e)*
Essentially flat on the week; the Fed's broad index (H.10) still has not updated since October 16.

EUR/USD
1.1204 (e)
▾ -0.2% week over week *(e)*
Slips moderately, with the dollar firm after the oil spike.

GOLD (SPOT)
$4,007.90 (e)
▾ -3.6% week over week *(e)*
Worst week in more than four months: rising yields and a firm dollar outweigh geopolitical risk.

BRENT
$116.72 (e)
▴ +6.2% week over week *(e)*
Highest since the war began; Goldman Sachs raises the freight-cost markup to $20 a barrel, $7 of it pure risk premium for crossing Hormuz.

JGB 10-YEAR
2.80% (e)
▾ -0.13 *(e)*
Japan's MOF fails again; a third consecutive weekly decline, sourced from press reports.

BALTIC DRY INDEX
2,660
▴ +5.9% week over week
A second consecutive weekly gain: the Capesize segment holds firm even as the detour around the Cape of Good Hope stays unchanged.

"Dollar" uses the DXY, not the FRED broad index. The ECB Portal, Japan's MOF and the U.K. DMO all failed this week: the euro AAA curve, the gilt curve and the JGB curve are estimated (e); the S&P 500, UST 10-year and the VIX/HY/IG on FRED also did not yet reflect Friday, also (e). Brent uses press sources, not FRED's DCOILBRENTEU, given the known divergence between the two series.

MONETARY POLICY AND LIQUIDITY

FED	BCE	BOE	BOJ
3.75-4.00%	**2.50%**	**3.75%**	**1.25%**
target rate	deposit facility	bank rate	policy rate
no meeting; in its blackout period ahead of the October 27-28 FOMC	no meeting this week	no meeting this week; Healey's budget, October 28	no meeting this week

Fed balance sheet: 6,753,604 M (Oct 21); the TGA rises to 952,002 M and bank reserves ease to 2,962,607 M, now below the July peak.

WHERE DID THE MONEY GO THIS WEEK?

Week closed October 21 (Refinitiv/LSEG Lipper, standing in for BofA as usual).

INFLOWS

Global equities (5th straight week of inflows)	**+$28,160M**
Money-market funds (cash)	**+$15,860M**

OUTFLOWS

High yield	**-$1,680M**
U.S. bonds (1st outflow in 26 weeks)	**-$969M**

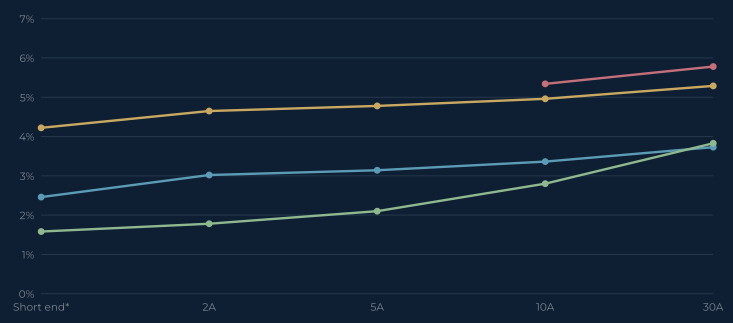
Money is not fleeing, it is flowing back everywhere at once: $28,160M flowed into global equities -a fifth straight week of inflows- and $15,860M went back into money-market funds, reversing the prior $47,510M outflow. Only high yield and U.S. bonds (first outflow in 26 weeks) are left out. BofA ("Enter the Dragon") puts its own global equity inflow figure at $55,600M and sums it up as a market buying the geopolitical scare instead of hedging against it.

YIELD CURVES, CROSS-COUNTRY COMPARISON

United States, euro area, United Kingdom and Japan; official data from each treasury or central bank.

Full curve · U.S., euro area, U.K. and Japan

Yield (%) by maturity



- United States (Treasury): 4.22 · 4.65 · 4.78 · 4.96 · 5.29%
- Euro area (ECB, AAA curve): 2.46 · 3.02 · 3.14 · 3.36 · 3.73%
- United Kingdom (gilts): 5.34 · 5.78%
- Japan (Ministry of Finance): 1.58 · 1.78 · 2.10 · 2.80 · 3.83%

*The short end is not the same maturity across the four regions; from two years onward the tenors are identical. The ECB Portal, Japan's MOF and the U.K. DMO had no stable access: the euro curve uses the bund and the Japan and U.K. curves use press sources, flagged (e).

Research team read

The sovereign curve moved in the same direction as recent weeks. The American Treasury fell another notch (10-year at 4.96%, -14 points) despite Brent's jump, a sign the market keeps prioritizing geopolitical risk over inflation ahead of the FOMC. The gilt stayed close to its three-week lows (5.78%/5.34% at thirty and ten years), with the Healey budget a week away and fiscal headroom narrowed to 11,000-15,000 million pounds. The JGB posted its third straight weekly decline (2.80%/3.83%) and the bund eased slightly (3.36%). The team keeps its underlying read —the United Kingdom as the sovereign stress focus— with the same nuance: oil, via Hormuz, remains the dominant channel of contagion.

What is the yield curve? The interest government debt pays by maturity. Normally the long end pays more than the short end (a positive slope); when it inverts, the market is usually pricing a slowdown.

RESEARCH TEAM VIEW · QUALITATIVE

Recommendation, idea selection and scenario probability; analyst judgment

Current KGRI range. Neutral (40-60), at 61,6. The recommendations below develop the page 1 positioning framework for this range, for equities and fixed income.

Equities

Semiconductors cushion the Hormuz scare, but markets still are not hedging against it

The S&P 500 gave up only 0.5% -well below the previous week's 1.9%- thanks to the semiconductor rebound (KOSPI +4%), while the Stoxx 600 fell 1.4% weighed down by Kering and oil. Despite the dispute over the seven Hormuz tankers, 28,160 million dollars flowed into global equities, a fifth consecutive week. The team keeps the neutral stance with a preference for quality, but warns that markets are still not hedging against a risk that, verified or not, is already showing up in oil.

Fixed income and credit

Credit tightens for a fourth week just as cash starts refilling

Corporate HY widens another 17 bps, to 340, its fourth consecutive week of widening, while 15,860 million dollars flowed back into money-market funds this week, per Lipper, reversing the previous week's cash outflow. The team trims its conviction in high yield further and keeps its caution on long-duration sterling debt, with the gilt steady near three-week lows ahead of the Healey budget.

TRADE OF THE WEEK

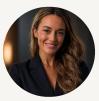
High yield · credit tightens for a fourth week as cash refills again

The high-yield spread widens for a fourth consecutive week, to 340 bps, with IG rising to 89 bps. What stands out this week is that money is not chasing risk the way it did last week: according to Refinitiv/LSEG Lipper, 15,860 million dollars flowed back into money-market funds, reversing the previous week's outflow, while 28,160 million flowed into global equities. The team keeps high yield as the trade of the week: with credit widening even in a week of moderate risk appetite, it remains the first place to look for cracks if sentiment truly turns.

Note on this edition. Covers the week of October 19-25, close on Friday the 23rd. FRED's S&P 500 stops on Wednesday the 21st (a bigger lag than usual); the VIX and the HY/IG spread, on Thursday the 22nd (Brent and WTI, Tuesday the 20th): press sources or FRED's most recent reading are used, flagged (e). The ECB and Japan's MOF had no stable access: the euro curve uses the bund and the JGB curve uses press sources, flagged (e). The broad dollar index and EUR/USD on FRED have not updated since the 16th: DXY and press sources are used, also (e). The gilt curve uses press sources, with dispersion across them. Flows use Refinitiv/LSEG Lipper as the usual stand-in for BofA; "Enter the Dragon" (Hartnett, Oct 22) is cited separately, on a qualitative basis.

Sources. Federal Reserve Bank of St. Louis (FRED): policy rates, the Treasury curve, VIX, ICE BofA spreads, financial conditions indexes, monetary aggregates, CPI/PCE and the S&P 500. U.S. Bureau of Labor Statistics: September CPI and jobless claims. Baltic Exchange: freight index. Refinitiv/LSEG Lipper: weekly fund flows, the usual stand-in for BofA. BofA Global Research (Hartnett, "The Flow Show: Enter the Dragon"): qualitative read and its own flow figures. Goldman Sachs Research (via press reports): freight-cost markup and the Hormuz risk premium. Trading Economics, Investing.com, CNBC, Bloomberg, Reuters, Yahoo Finance and goldprice.org: closing levels given the failure of the ECB Portal, Japan's MOF and the U.K. DMO, and the known divergence in FRED's Brent. Federal Reserve, ECB, Bank of England and Bank of Japan: no meetings; the Fed in its blackout period ahead of the October 27-28 FOMC. CNBC, Al Jazeera, Bloomberg, The Washington Post, The Hill, Reuters, RFE/RL, Kyiv Independent and USNI News: the attack on seven tankers in Hormuz and its denial, the Saudi "Dawn of Yemen" offensive and Houthi attacks, Russian bombardments of Ukraine, and the Chinese navy's shadowing of the USS Charleston. Visual Sigma™ engine (KGRI and the eight sub-indexes), computed under the methodological catalog (Volume II) using ten-year historical percentiles. Indicators without a free public source (CDX IG and HY, MOVE, Citi Economic Surprise, Conference Board LEI, ISM) are not estimated: they reduce the block's confidence. Figures flagged with (e) are estimates or press-sourced substitutes pending official confirmation.

The views expressed herein are based on data collected from sources believed to be reliable; neither the analyst nor the firm is responsible for their accuracy. This report is for informational purposes only and does not constitute investment advice or a personalized investment recommendation.



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