



KN Market View

Main Topics

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Key Events

Economy at a glance

In September, the US economy saw a surge in employment, with 254,000 new positions added. This marked a significant increase from the 159,000 jobs reported in August, following an upward revision, and far exceeded the anticipated 140,000. **It's the highest monthly employment growth in six months,** surpassing the average of 203,000 jobs added per month over the past year [link](#).

US Non Farm Payrolls (Thousand)



Source: Trading Economics | U.S Bureau of Labor Statistics



On Friday, **the European Union voted to implement permanent tariffs on battery electric vehicles (BEVs) produced in China.** However, the EU emphasized that it remains engaged with China in search of "an alternative solution," despite moving forward with the tariffs [link](#).

A large-scale dockworker strike at seaports in the U.S. East and Gulf coasts is projected to cause significant **disruption to global supply chains** and the economy. **Ocean shipping routes have already faced severe challenges this year**, including conflict in the Red Sea, a prolonged drought impacting the Panama Canal, and the collapse of the Baltimore bridge [link](#).

In September, **the FAO Food Price Index climbed by 3%, reaching 124.4**, marking the steepest monthly rise since March 2022 and the highest point since July 2023 [link](#).

In August, **France's industrial production surged by 1.4% compared to the previous month**, exceeding both market forecasts and the revised 0.2% growth recorded in July. **This represents the most significant rise in industrial output since May 2023**, largely fueled by a strong recovery in **manufacturing**, which grew by **1.6%**, up from July's modest 0.2% increase [link](#).

U.S. President Joe Biden and Mexico's newly appointed President Claudia Sheinbaum have expressed possible discussions aimed at



enhancing **economic and trade cooperation** between the two countries. However, the upcoming U.S. elections could impact these plans. If **Kamala Harris secures the presidency**, her trade stance is expected to **mirror Biden's**, while **Donald Trump has pledged to introduce tariffs** on products such as automobiles [link](#).

In September, **the ISM Services PMI in the US jumped to 54.9**, up from 51.5 in August, significantly outpacing the expected 51.7. This marks the **most robust expansion in the services sector since February 2023** [link](#).

Next week is set to be crucial in the United States, with the spotlight on **September's CPI report, FOMC Meeting Minutes, and the kickoff of earnings season**. Investors will also closely monitor key data on **producer prices, Michigan consumer sentiment, and foreign trade**.

Also, **inflation** figures are expected from **Brazil, Mexico, and Russia**. In Europe, **Germany** will release reports on **factory orders, industrial production, foreign trade**, while the **Euro Area** is set to publish **retail sales** data. The **UK** will report on August's **GDP growth and factory activity**. **Canada's unemployment rate and foreign trade statistics** are also on the radar. Additionally, **major interest rate decisions** are anticipated from **South Korea, India, and New Zealand**.



Government Bonds and Currencies

Yen Drops Amid Mixed Signals from New Government and BOJ

This week, the **yen dropped 454 bps** against the dollar, closing the week at 148.65 yen per dollar. This occurred after newly appointed Prime Minister Shigeru Ishiba, in his first days in office, took a stance that **diverged from the direction the Bank of Japan** had been following. Ishiba stated that he did not consider the current environment conducive to an additional interest rate hike. “The comments came after a flurry of signaling on the first full day of Ishiba’s new government that it has no desire for now to see the central bank raise borrowing costs further” [link](#).

US Dollar Japanese Yen



Source: Trading Economics



Following these comments, Bank of Japan Governor Kazuo Ueda was forced to clarify that the central bank remains aligned with the goals of the new government, despite the prime minister's statements. **"We will need to carefully examine how these developments will affect the outlook for Japan's economy and prices,** risks surrounding them, and the likelihood of realizing the outlook" [link](#).

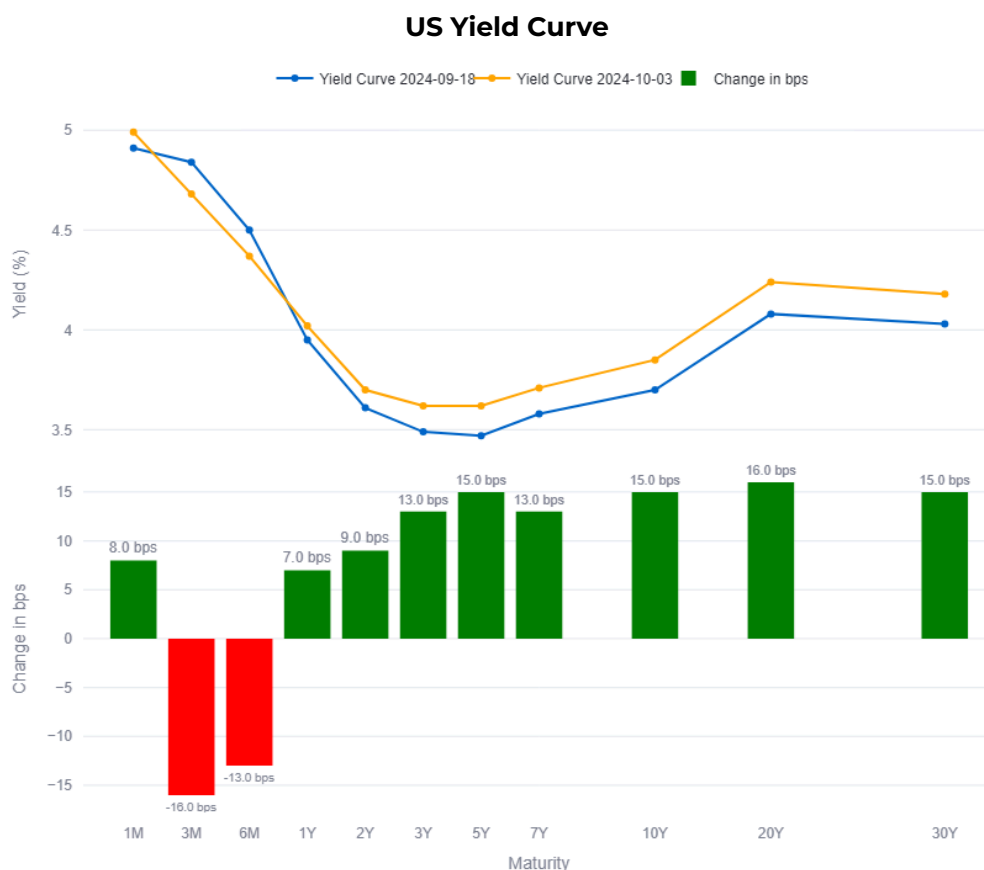
At the end of the week, Ishiba sought to soften his remarks, emphasizing that he does not intend to pressure the Bank of Japan's decisions on monetary policy. He stressed the importance of evaluating the economic situation and market conditions before making any decisions. This is because **"before becoming national leader, Ishiba had expressed support for the BOJ's policy normalization** course in order to help support the weak yen, leading some in the market to assume he would be in favor of continued rate hikes by the central bank" [link](#).

Without a doubt, it will be crucial to observe how the relationship between the new government and monetary authorities develops over the remainder of the year. For now, the comments made by both parties seem to **reinforce expectations that the Bank of Japan's decision at its next meeting on October 31 will be to keep interest rates unchanged.** However, the market still anticipates that a rate hike could come at the beginning of next year.



Strong Labor Data Reshapes Rate Cut Expectations for Year-End

The **first rate cut by the Federal Reserve in four years marked a turning point in U.S. monetary policy**, driving a decline in the Treasury bond yield curve, particularly in short-term maturities. **This 50 basis point cut led to a 16 and 13 basis point drop in the 3- and 6-month yields, respectively.** This reflected the market's interpretation that the **Fed was signaling a commitment to maintaining an expansive approach to support the economy**, which boosted demand for short-term bonds, pushing yields down.



Source: Trading Economics



However, this week saw the release of **surprisingly strong labor market data**, with job creation exceeding expectations and the unemployment rate falling to 4.1%. “Surprisingly strong hiring in September has **taken pressure off the Federal Reserve by reducing worries over the US labor market, giving policymakers room to continue cutting interest rates at a more gradual pace in coming months**” [link](#). In response, medium- and long-term bond yields rose significantly, with increases ranging from 13 to 16 basis points for bonds maturing in 3, 5, 7, 10, 20, and 30 years.

This rise in yields, particularly in longer-term maturities, reflects a reassessment of market expectations. Investors now **anticipate that the Fed may slow the pace of rate cuts to prevent the economy from overheating and to control inflation**. “Matus, chief market strategist at MetLife, said the report suggests the **decision in November 'is between zero and 25, not 25 and 50**” [link](#).

Target rate probabilities for 7 Nov FED Meeting			
Target rate	Today	Last Week	Last Month
425-450	0.00%	53.30%	17.60%
450-475	97.40%	46.70%	53.50%
475-500 (Current)	2.60%	0.00%	28.90%

Source: CME Group



This is further supported by the data from Target Rate Probabilities for the 7 November FED meeting, from the [CME Group FEDWatch](#), showing a significant shift in rate cut probabilities from one week to the next. **The probability of a 25 bps cut jumped from 46.7% last week to 97.4% after the release of the unemployment data.**

Undoubtedly, while the market now overwhelmingly expects a smaller rate cut, **nothing is completely certain**, as demonstrated by the unexpected labor market reports. It will be crucial to closely **monitor the state of the economy and key indicators** as we approach the end of the year, as these will play a pivotal role in shaping future monetary policy decisions.

Commodities

Palm Oil and Crude Surge Amid Global Market Shifts

Malaysian palm oil futures neared MYR 4,270 per tonne, reaching a six-month high after modest losses. The market is set for a third straight weekly gain, up 2.94% for the day, 9.85% for the month, and 19.35% for the year, driven by gains in **Chicago soyoil** and a weaker ringgit. Support also comes from a possible one-year delay on **EU deforestation import laws**. In India, demand remains strong ahead of Diwali as import duties ease.



Crude oil prices, nearing a four-week high, are poised for their largest weekly gain since March 2023 due to rising concerns over Middle East tensions, though weak September exports capped gains. [link](#).

Palm Oil (MYR/T)



Source: Trading Economics

Natural Gas Slips on Surplus, Eyes Winter Price Rebound

US natural gas futures dropped over 3.5% to below \$2.9/MMBtu, pulling back from a three-month high near \$3 due to **continued surplus supply**. The Energy Information Administration (EIA) reported a storage increase of 55 billion cubic feet (bcf) for the week ending September 27, slightly below expectations and much lower than last year's 87 bcf. This brought total inventories to 3,547 bcf, **reducing the five-year surplus to 5.7%**. Despite the recent 3.91% price drop, down 18.71% for the year, the potential for price



recovery remains as supplies shrink ahead of winter and drilling slows. Additionally, natural gas demand is picking up following the resolution of a major longshoreman strike, though clearing port backlogs will take time.. [link](#).

Natural gas (USD/MMBtu)



Source: Trading Economics

Stocks

Hong Kong takes this week's place as the top performer, as the index had the **best performance WoW in the last 5 months**. Worst performer is the Sensex exchange, with a -4.54% WoW.



Main Equity Markets Movers WoW

Major	Price	Day	%	Weekly	Monthly	YoY
SHANGHAI	3336	▲ 249	8.06%	21.37%	18.69%	7.74%
HK50	22737	▲ 623	2.82%	10.20%	30.34%	32.08%
NZX 50	12620	▲ 47	0.38%	1.30%	-0.46%	11.59%
TSX	24163	▲ 194	0.81%	0.86%	5.11%	26.26%
STI	3589	▲ 12	0.33%	0.44%	3.77%	13.76%
US500	5751.07	▲ 51.13	0.90%	0.22%	4.50%	35.06%
ES35	11659	▲ 41	0.35%	-2.58%	3.42%	27.32%
JP225	38636	▲ 84	0.22%	-3.00%	5.40%	24.33%
FR40	7541	▲ 64	0.85%	-3.21%	1.47%	7.76%
IT40	33594	▲ 424	1.28%	-3.26%	-0.27%	22.20%
SENSEX	81688	▼ 809	-0.98%	-4.54%	-0.62%	24.47%

Source: Trading Economics

Looking at US Sectors, **Energy finally takes a big WoW win, after the sector has experienced some struggles all year round.**

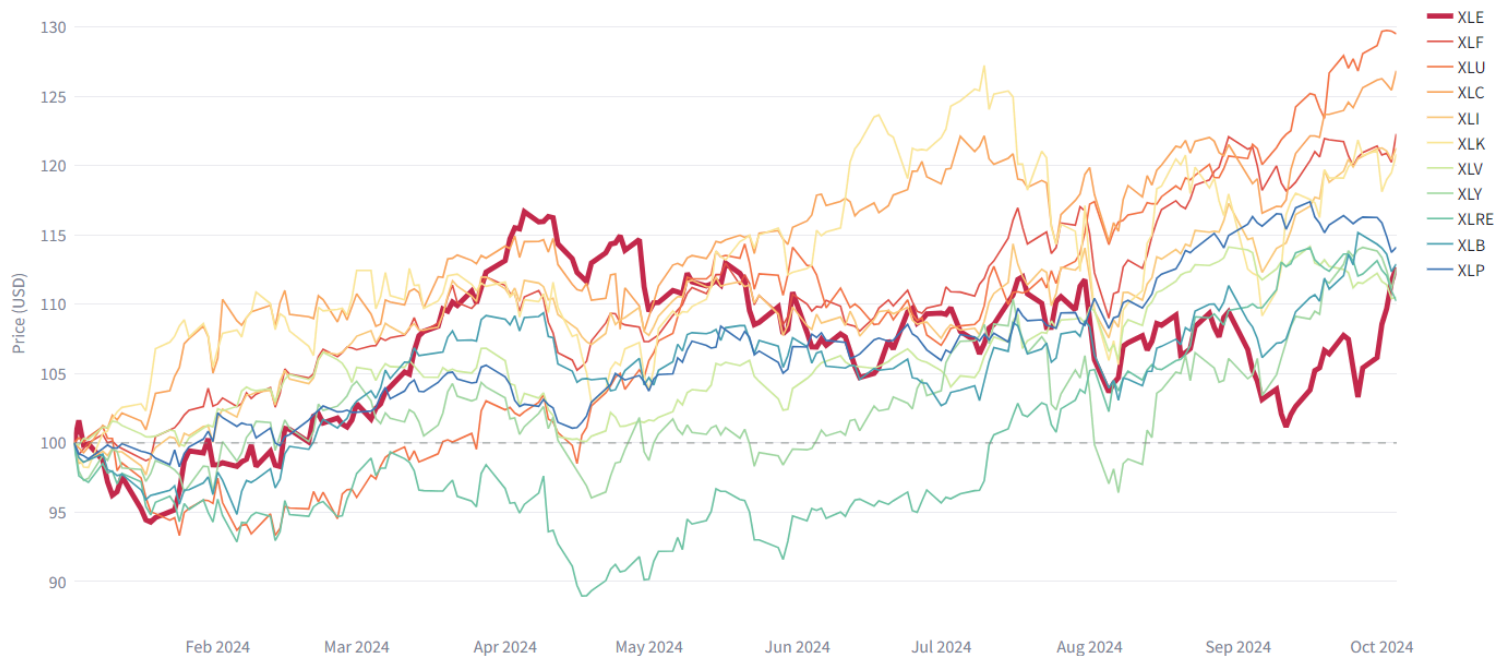
US Sector Performance

	WoW	YTD
Consumer Staples (XLP)	-1.87%	14.12%
Materials (XLB)	-1.81%	12.89%
Real Estate (XLRE)	-1.74%	10.23%
Consumer Discretionary (XLY)	-1.33%	12.58%
Health Care (XLV)	-0.90%	10.50%
Technology (XLK)	0.08%	20.82%
Industrials (XLI)	0.50%	21.27%
Communication Services (XLC)	0.97%	26.84%
Utilities (XLU)	1.11%	29.50%
Financials (XLF)	1.11%	22.29%
Energy (XLE)	6.87%	12.66%

Source: FMP



US Sector Performance

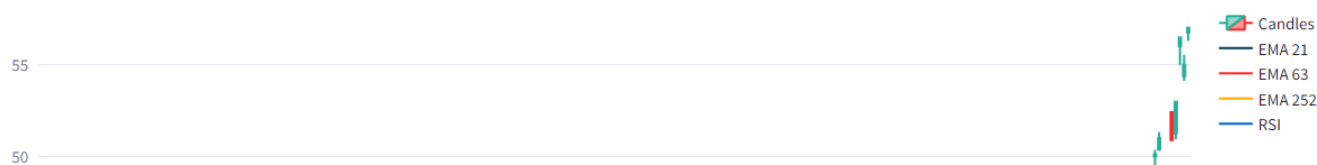


Source: FMP

China's big rally, does it have enough fuel to last?

This week, **markets saw huge increases in Chinese stocks, as Market stimulus was injected into the market**, just like the People's Bank of China announced at the start of september. Several popular China ETFs like the KraneShares CSI China Internet ETF (KWEB), iShares China large-Cap ETF (FXI), iShares MSCI China ETF (MCHI) and Invesco Golden Dragon China ETF (PGJ) had a **great performance throughout the week, leading to a whopping 21% WoW return for the Shanghai market index.**

China's ETF (MCHI)

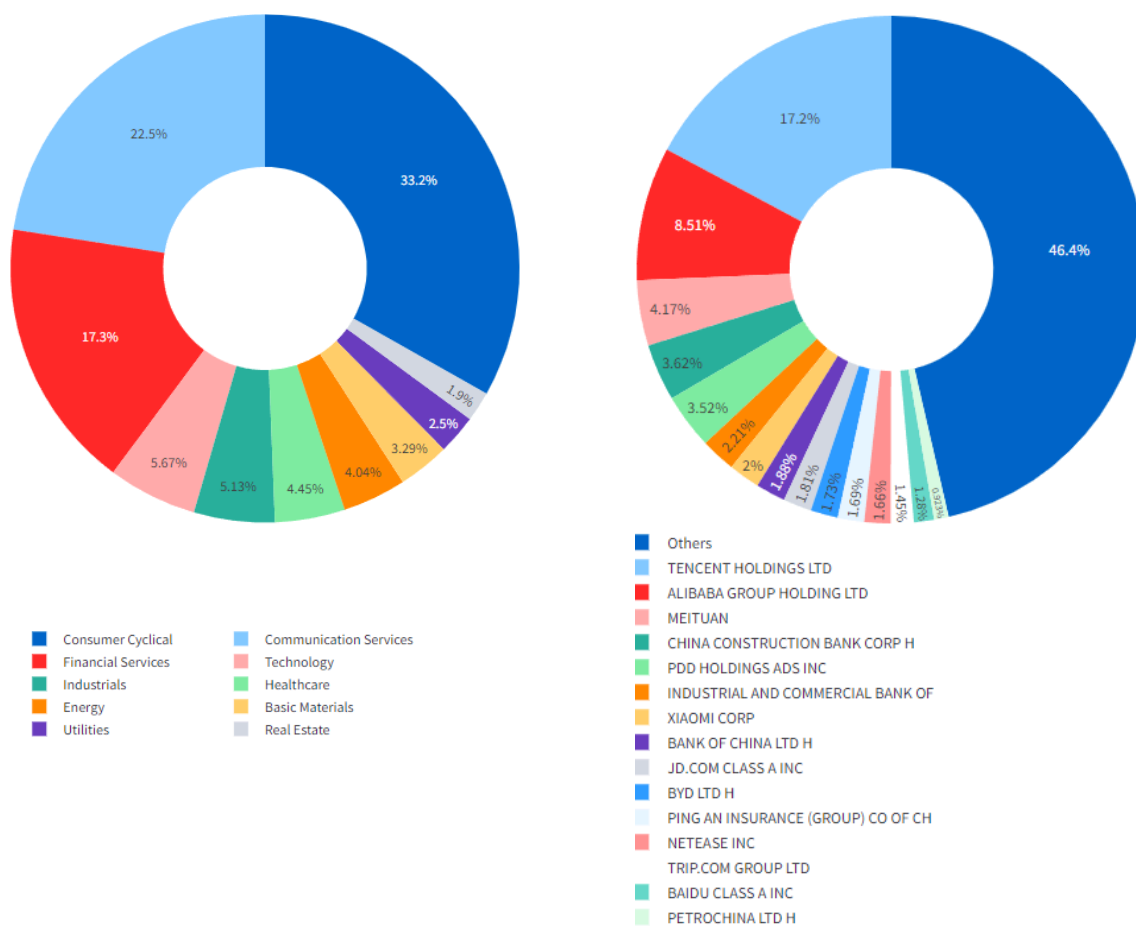




Source: FMP

Recalling our last post about China three weeks ago, where we **detailed how Chinese markets were in big trouble after macroeconomic numbers on consumption revealed weak points on the local consumer**, leading to an underperformance if the country's central bank didn't step in to stimulate the economy.

MCHI Industry and company exposure



Source: FMP



Fast forward to last week, **the PBOC announced a couple of monetary stimulus to help local financial markets and investors**, as the target growth rate for the year seems to be out of reach. The first one was the **lowering of their policy rate**, the main booster of the economy. Second policy was **lowering the reserve requirement ratio**, which is the amount of cash reserves national banks must have available. Combining **both actions is likely to boost local consumption, as loans will get cheaper and banks will have more money available to lend.**

Finally, China's central bank governor, Pan Gongsheng, announced that **800 billion yuan (approximately US\$111.53 billion) would be allocated to "ensure the stability of the national capital market and strengthen investor confidence."** He noted that this marks the first occasion in which the People's Bank of China has introduced structural monetary policy tools specifically aimed at supporting the capital market, adding that the PBOC drew on international experiences in doing so.

Overall, the **Chinese Stock market looks to be poised for a major run for the remainder of the year**, but do not think about grabbing another 20%+ week, as it looks that the major movement has already been priced in. On the other hand, **investors have to be careful on how hot the economy gets, as these are very aggressive monetary policies for an economy who has been very passive on their economic actions.**



Crypto

Crypto Markets Brace for Volatility: Altcoins Fight to Hold Key Levels

This week, Bitcoin dropped to the key psychological support level of **\$60,000** due to escalating geopolitical tensions in the Middle East. Despite a slight recovery to **\$62,000**, analysts suggest that further escalations could drive Bitcoin toward **\$55,000**, although historical data shows that October has typically been a strong month for BTC.

Among the top altcoins, **Ethereum (ETH)** and **Binance (BNB)** struggled to maintain their positions, with ETH dropping to **\$2,419** and BNB facing sell-offs near its resistance level at **\$635**. **Solana (SOL)** continued to trade within its range, while **Polygon (MATIC)** saw a week-over-week decline of **-12.51%**, **Avalanche (AVAX)** fell **-15.40%**, and **Polkadot (DOT)** was the worst performer, down **-15.49%** this week. [link](#)

Main Crypto Movers WoW



Crypto	Price	Day	%	Weekly	Monthly	YoY	MarketCap	Date
Bitcoin	62063	▲ 1,295	2.13%	-5.55%	10.55%	125.87%	\$1,220,582M	Oct/05
Ether	2414.78	▲ 65.04	2.77%	-10.51%	1.97%	49.34%	\$356,556M	Oct/05
Binance	560.7	▲ 16.9	3.11%	-7.67%	12.07%	162.25%	\$81,562M	Oct/05
Cardano	0.35051	▲ 0.00530	1.54%	-12.71%	7.85%	34.66%	\$12,127M	Oct/05
Solana	142.7000	▲ 5.89	4.31%	-9.42%	10.21%	527.36%	\$66,508M	Oct/05
Ripple	0.52979	▲ 0.00740	1.42%	-10.00%	-2.60%	1.34%	\$30,047M	Oct/05
Polkadot	4.14	▲ 0.01	0.24%	-15.49%	2.87%	2.75%	\$6,166M	Oct/05
Avalanche	25.71	▲ 1.03	4.17%	-15.40%	20.25%	153.30%	\$10,307M	Oct/05
Polygon	0.38	▲ 0.00	0.50%	-12.61%	2.86%	-30.67%	\$1,018M	Oct/05
Cosmos	4.63	▲ 0.25	5.68%	-9.94%	18.43%	-32.38%	\$1,793M	Oct/05
Dai	0.99990	▲ 0.00000	0.00%	0.00%	-0.01%	-0.01%	\$5,365M	Oct/05
Litecoin	66.238	▲ 2.803	4.42%	-6.80%	0.03%	1.74%	\$4,909M	17:52
Uniswap	6.82	▲ 0.25	3.87%	-10.65%	8.12%	58.47%	\$4,054M	Oct/05
Algorand	0.13	▲ 0.00	3.89%	-12.30%	12.27%	26.29%	\$1,049M	Oct/05

Source: Trading Economics

Bitcoin's \$60K Battleground: Will Institutional Buyers Fuel the 'Uptober' Rally Amid Macroeconomic Shifts?

Bitcoin faced **significant volatility this week**, briefly dropping below **\$60,000** due to rising **geopolitical tensions** between **Iran and Israel**. The price hit a low of **\$59,860**, and some analysts, like **Toni Ghinea**, predict it could drop further to **\$56,000** if tensions continue. [link](#)

Bitcoin (BTC)



Source: TradingView

The **RSI** is around **50**, indicating neutral momentum, while the **MACD** remains bearish, signaling potential further downside. Buyers are showing interest at **\$60,000**. This reinforces the idea that \$60,000 remains a key psychological and technical support.

Historically, October has been a bullish month for Bitcoin, with no negative monthly closes in the past five years. **QCP Capital** anticipates a potential **“Uptober” rally**, driven by expectations of Federal Reserve rate cuts and a



strong U.S. labor market. The coming weeks will test whether Bitcoin can hold above **\$60,000** and potentially regain upward momentum.

Bitcoin is navigating a volatile market driven by **geopolitical risks** and **macro uncertainty**. Institutional buying at lower levels and historical **trends suggest a potential rebound**, but the **\$60,000 support** will be critical in determining near-term direction. If support holds, Bitcoin may regain momentum toward the end of the month; otherwise, further declines to **\$56,000** are still possible. [link](#)

Polkadot Prepares for a Breakout: Will DOT Soar After This Accumulation Phase?

Polkadot (DOT) has **faced significant pressure this week**, dropping over **14%**, to **\$4.04**, driven by broader market corrections and geopolitical tensions. However, this decline may signal the end of its accumulation phase, with technical indicators pointing toward a **major breakout**. On-chain data shows resilience, with **active users** up **25%** and daily transfer volumes rising, highlighting growing network activity despite the price drop.

Polkadot (DOT)



Source: TradingView

Analysts are closely watching as DOT approaches the end of a falling wedge pattern, a bullish setup that could push the price higher. **If Polkadot mirrors historical cycles like Ethereum Classic**, its long-term potential could **see it skyrocket by late 2025**. [link](#)



CMC Crypto Fear & Greed Index



Source: CoinMarketCap

The current sentiment in the crypto market is characterized by significant volatility and caution. Despite recent daily gains, with **Bitcoin** up **2.13%** and **Ethereum** gaining **2.77%**, the notable weekly declines of **-5.55%** for Bitcoin and **-10.51%** for Ethereum highlight ongoing investor uncertainty.

The **Crypto Fear & Greed Index** further confirms that fear remains dominant, signaling a defensive stance among market participants. However, institutional buying at lower levels and Bitcoin's historically strong performance in October point to the potential for a recovery. If key support levels, such as **\$60,000** for Bitcoin, market sentiment could shift from fear to greed in the coming weeks.

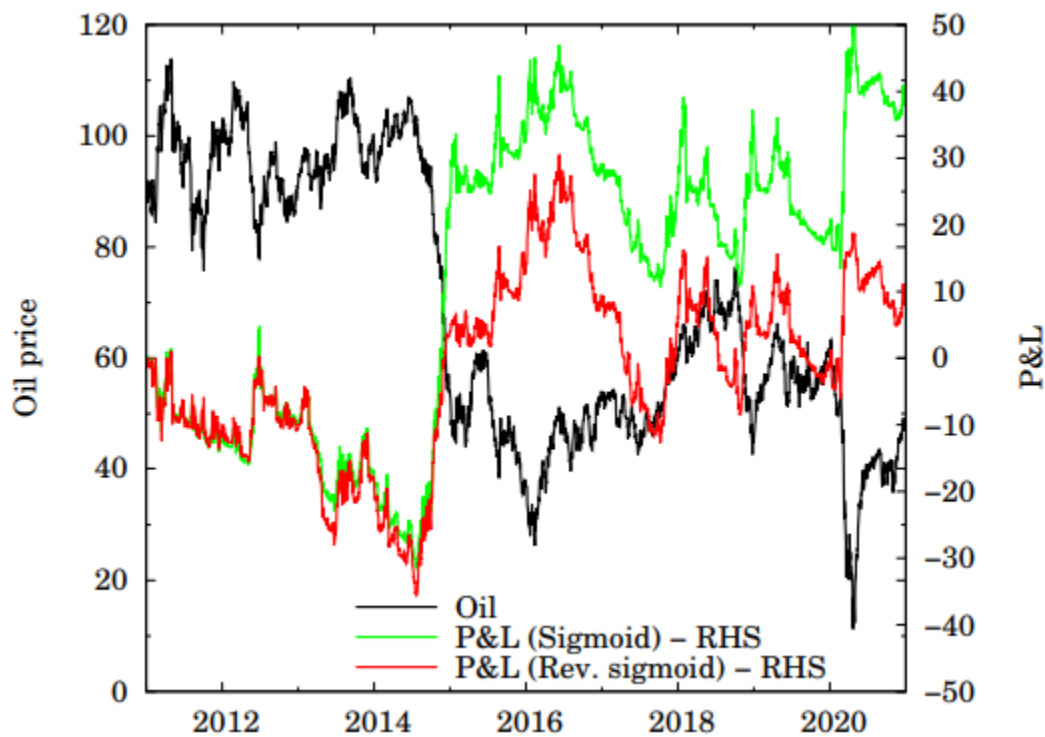


Weekly Paper Picks

Design and analysis of momentum trading strategies

Link: <https://arxiv.org/abs/2101.01006>

The paper gives a complete description of the third-moment (skewness) characteristics of both linear and nonlinear momentum trading strategies, the latter being understood as transformations of a normalized moving-average filter (EMA). Explaining in detail why the skewness is generally positive and has a term structure.



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