BearBull Global Investments Group

MACRO RESEARCH INSIGHT

CROSS-ASSET ANALYSIS — *U.S ASSETS*

October 2026



HIGH CONCENTRATION RISK IN U.S STOCKS – Part 3

- ✓ Rising volatility and bond yields
- ✓ The Fed's tightening reignites interest in the greenback
- ✓ High concentration risk in equities

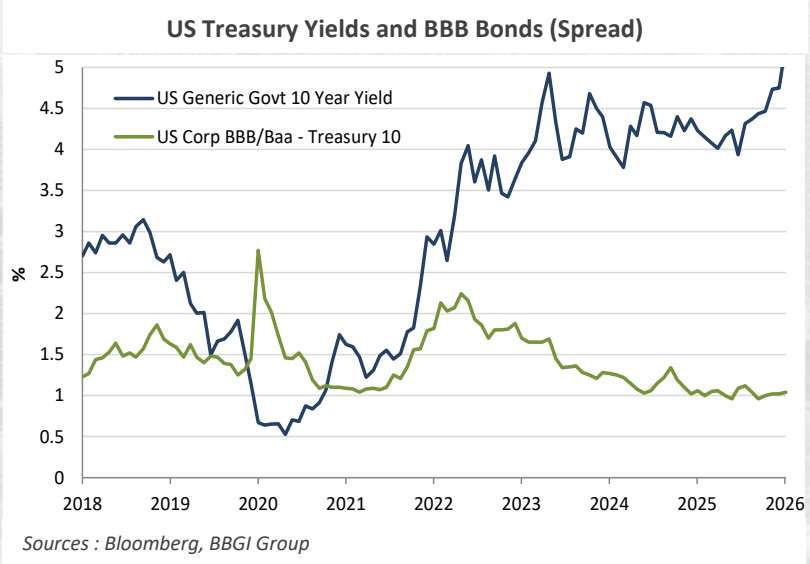
HIGH CONCENTRATION RISK IN U.S STOCKS – Part 3

Treasury Volatility and Surging Bond Yields

The U.S. Treasury market faces a systemic shock as the Fed's rate hike pushes 10-year yields above 5.25%. Foreign central banks are reducing Treasury purchases due to prohibitive hedging costs, while massive federal debt issuance forces domestic markets to demand higher term premiums. At the same time, mega-cap tech bond issuances for AI infrastructure are crowding out capital for regional banks and commercial real estate. Furthermore, this sustained upward shift in long-term borrowing costs threatens to impose prolonged financial friction on capital-intensive sectors across the broader domestic economy.

Sovereign Debt Dynamics and Corporate Crowding

Long-term Treasury yields are projected to remain firmly above 5.0% through the end of 2026 as the Fed leaves the door open for an additional rate hike in December. This prolonged environment of elevated sovereign yields is driving a widening of credit spreads for lower-rated corporate bonds. Institutional savings continue to shift heavily toward high-grade tech issuances, further constraining capital access for vulnerable sectors. Consequently, credit availability for non-tech enterprises faces severe friction heading into the fourth quarter. As a result, smaller firms may be forced to scale back expansion plans or accept significantly higher debt-refinancing terms over the coming months.



Sources : Bloomberg, BBGI Group

Greenback Attractiveness and Monetary Divergence

The U.S. dollar strengthened significantly at the start of Q4, propelled by the Fed's monetary tightening and long-term Treasury yields surpassing 5.3%. Widening policy differentials with foreign central banks alongside U.S. energy independence have bolstered the greenback's structural competitiveness during ongoing crude oil price volatility. Global capital continues to flow into U.S. markets seeking attractive real yields and safe-haven stability, pushing the trade-weighted dollar index up 4% year-to-date. As a result, the dollar has moved back toward its historical trading range median of 102–103 points.

Global Capital Allocation Holds Dollar High

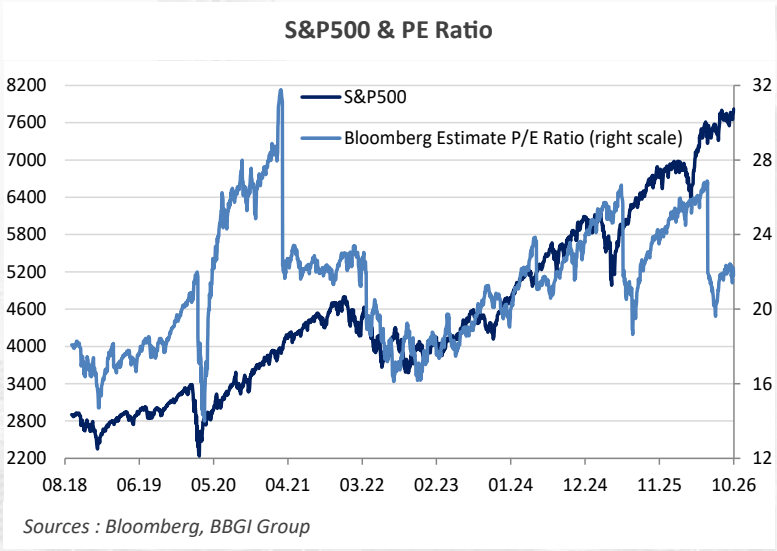
Attractive yield spreads and resilient economic activity continue to position the greenback as the preferred safe-haven asset across international FX markets. Foreign capital inflows remain robust despite elevated hedging costs, reinforcing the dollar's strength against major European and Asian currencies. However, the persistent strength of the currency adds pressure to foreign trade balances and unhedged international borrowers. Moving forward, sustained high real interest rates are expected to maintain the dollar's upward trajectory through the end of the year.

Extreme Concentration Risks in Equity Indices

U.S. equity markets demonstrate surface-level resilience supported by expected corporate earnings growth near +10% and ongoing cash flow deployment into AI infrastructure. However, underlying market breadth reveals severe technical degradation, characterized by extreme index concentration in mega-cap technology stocks. While leading tech names reach new record highs, small- and mid-cap equities suffer under high borrowing costs and elevated capital expenditures. Currently, only 40% of listed stocks trade above their 200-day moving average, well below the three-year median of 65%.

Equity Market Technical Consolidation

Broader stock market health shows further vulnerability as nearly 75% of equities trade below their 50-day moving average, signaling a widespread downtrend outside the tech sector. Rising cost of capital and compressed corporate margins for non-tech firms indicate an imminent broad-based consolidation phase for major indices. Equity valuations offer diminishing margins of safety as high bond yields provide institutional investors with a compelling risk-adjusted alternative. Consequently, market indices face increasing headwinds as capital rotates toward higher-yielding sovereign and high-grade corporate debt.



Sources : Bloomberg, BBGI Group

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