

Macro Pulse for October 11

- The global sovereign selloff continues. In the U.S., the term premium – which captures uncertainty around supply and demand for long-term government debt – continues to rise, while France leads the selloff among other developed markets due to uncertainty around its budget and April 2027 presidential elections. We continue to expect volatility in long rates, remain cautious on duration, and favor short-maturity buy-and-hold opportunities in credit.
- This week's U.S. CPI and PPI data will be a critical input to the Fed's Q4 decision making, particularly with inflation concerns pushing consumer confidence to a five month low in the University of Michigan survey. We believe elevated diesel prices have the greatest potential to accelerate core inflation, as higher trucking costs can translate to food and goods costs. We expect one further hike this calendar year, but hotter-than-expected core inflation remains an upside risk to the policy rate.

A new era in global liquidity

There are countless long-term trends, from immigration to innovation, that have the potential to shape markets. But to make it into our team's [Megatrends research program](#), a long-term theme must be at an inflection point: approaching a point of rapid change and adoption that creates both near- and long-term implications for macro conditions, market winners, and asset allocation.

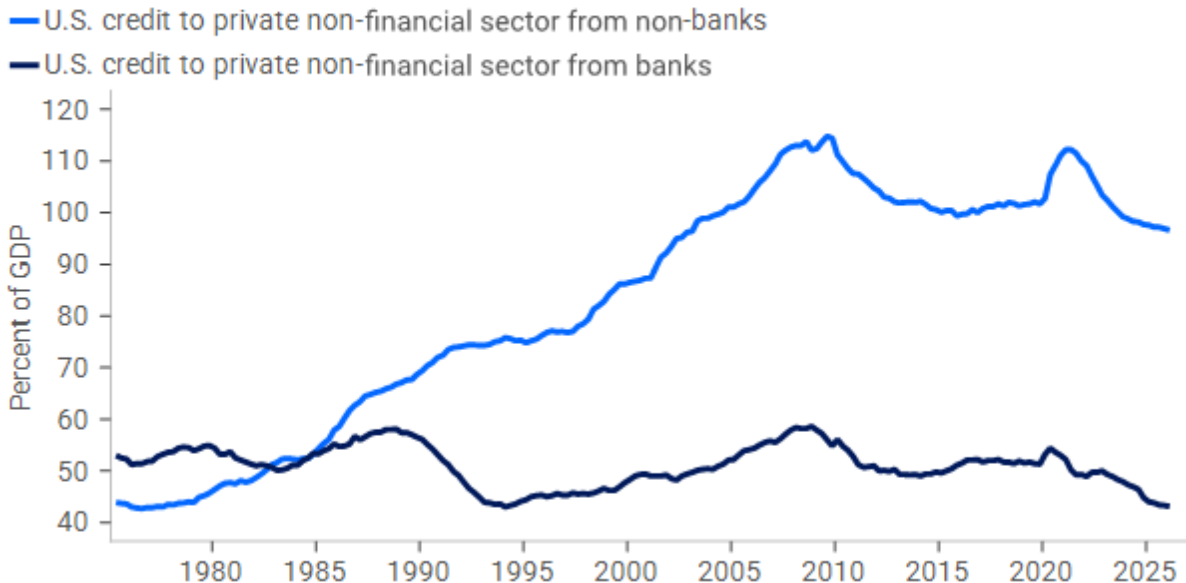
In past years, we've examined inflection points in [supply chain shifts](#), [artificial intelligence](#), as well as [sovereign debt sustainability](#).

This year, we see one such inflection point in [global liquidity dynamics](#).

Liquidity is a fundamental underpinning of markets, but there is no single definition of it. At the macro level, liquidity boils down to: can market participants access capital when they need it? Our research argues that **who provides that liquidity is becoming just as important as how much liquidity is available.**

Over recent decades, banks and central banks have played an outsized role in providing and intermediating liquidity. Today, we see that architecture becoming more fragmented, with nonbank financial institutions – including institutional investors themselves – playing an increasingly important role. We see these evolving market structures as distinct **liquidity regimes**, and see the U.S. leading markets toward an increasingly non-bank and market-led liquidity regime.

Non-banks, including institutional investors and private market funds, have stepped into the liquidity gap left by banks



Sources: New York Life Investment Management, Global Market Strategy, BIS (The Bank for International Settlements), Macrobond, October 2026.

This shift in liquidity regime has several key implications for long-term asset allocation, including:

- A more diversified base of liquidity providers may enhance the financial system's ability to respond to shocks.
- However, a greater share of liquidity provision falling outside the formal banking system means that central bank backstops are more opaque. We expect central banks will continue to intervene primarily when core market functioning, such as within sovereign debt markets, is disrupted.
- Institutional investors are no longer just consumers of market liquidity; they are contributors to a market's liquidity architecture. This has begun prompting shifts to total-portfolio approaches to risk and liquidity management.

We collaborated with investors from across NYLIM to explore what the sea-change in liquidity means in practice.

Michael DePalma, Co-Head of Global Fixed Income and Senior Portfolio Manager, MacKay Shields:

"In today's fragmented financial architecture, liquidity in fixed income markets is not merely a risk constraint – it is a strategic asset. Because daily pricing does not guarantee market-clearing liquidity, we structure our multi-sector portfolios with explicit liquidity tiers that act as operational pressure valves. When market leverage unwinds and dealer balance sheets tighten, immediate collateral availability allows us to absorb systemic stress and convert forced selling into compelling entry points across global rates, credit, and securitized markets."

The implications of this shift are global, but the liquidity regime, and the potential policy response to stress, can look very different from one market to another.

Florence Pisani, Chief Economist, Candriam, and Emile Gagna, Deputy Head of Economic Research, Candriam:

“The 2008 global financial crisis is a stark reminder of liquidity’s vital role: when combined with excessive risk-taking, a sudden liquidity freeze can threaten the stability of the entire financial system. In today’s environment of geopolitical uncertainty and persistent fiscal deficits in some European countries, abrupt market repricing could expose funding vulnerabilities and force leveraged investors to sell assets. Credible medium-term deficit-reduction plans, alongside central bank readiness to address – within its mandate – market dysfunction, are essential to containing these risks.”

These changes are also reshaping how investors think about liquidity within portfolios, particularly in private markets.

Jeremy Held, Managing Director, Apogem Capital:

“Investors’ perception of liquidity in private markets has long been driven by distribution dynamics in addition to asset class structure. The faster exit environment in private markets preceding the 2022 rate hike cycle made illiquid assets ‘feel’ more liquid than they really were, whereas the current environment has done the reverse, challenging allocators to maintain discipline through choppy markets. Evergreen funds have emerged as a potential solution to provide more precision and discipline to private market deployment in an uncertain exit environment.”

Meanwhile, technology may change the infrastructure through which liquidity itself is created, transferred, and accessed.

Tom Sy, Head of Digital Asset Solutions and Head of Multi-Asset Solutions, NYLIM:

“Tokenization may be one of the most significant structural shifts in financial services in my career. The full range of market infrastructure may look different over the coming years, from the way assets move through the system, the way ownership is recorded and transferred, to the way markets are accessed. But however transformative, digital plumbing is just that: plumbing. Market structures, liquidity expectations and provision, and investor trust will all need to evolve along with technology.”

Taken together, these shifts point to a larger change: institutional investors are not simply responding to a new liquidity environment. Increasingly, they are part of the liquidity architecture itself.

Simon Martin, Senior Partner, Chief Investment Strategist and Head of Research, Tristan Capital Partners:

“The shift to institutional liquidity provision represents a tectonic shift in the way in which capital markets function and opens up a range of different challenges and opportunities for private markets investors ... it is shifting the way in which our clients allocate their capital in real time and we need to adapt even more rapidly as the landscape changes to make sure we continue to serve their evolving needs as they seek to build portfolios for the challenges of tomorrow.”

Explore the research

[Read the full 2026 Megatrends report, watch the overview video and explore the key takeaways.](#)

This material contains general information only and does not take into account an individual's financial circumstances. This information should not be relied upon as a primary basis for an investment decision. Rather, an assessment should be made as to whether the information is appropriate in individual circumstances, and consideration should be given to talking to a financial advisor before making an investment decision.

"New York Life Investment Management" is the brand name and service mark used to represent a group of affiliated investment advisors of New York Life Insurance Company, including New York Life Investment Management LLC, a registered investment advisor. Securities distributed by NYLIFE Distributors LLC, 30 Hudson Street, Jersey City NJ 07302

SMRU: 8796839