Richard Rose Wealth Management October 26, 2026

WEEKLY COMMENTARY **Richard Rose AIF®**

Good morning,

What's in this week's Report:

- Understanding Why A Falling 10 Year Yield Hasn't Been Positive for Stocks
- Weekly Market Preview: A Critical Week for AI/Tech (Key Earnings Reports)
- Weekly Economic Cheat Sheet: FOMC Decision Wednesday, Inflation Thursday
- Earnings Preview
- Earnings Update

Futures are slightly higher as markets digest a decline in oil prices and a mostly quiet weekend of news.

Officials from numerous Gulf states will be in Tehran this week, raising hopes of diplomatic progress between the U.S. and Iran and pressuring oil prices.

On tech, AI sentiment took another hit over the weekend as Elon Musk warned hundreds of neo-clouds will fail (though the warning was general, not specific).

Economically, the only notable report was German Ifo Business Expectations, which beat estimates (91.6 vs. (E) 90.2).

This week has many potential market-moving catalysts, including a Fed decision, a key inflation report, and critical AI earnings. Still, those come later in the week, and today there are no notable economic reports. So, geopolitical headlines and AI sentiment should drive trading today ahead of the key events later this week.

Market	Level	Change	% Change
S&P 500 Futures	7,690.75	31.00	0.40%
U.S. Dollar (DXY)	101.72	0.07	0.07%
Gold	4,031.50	23.60	0.59%
WTI	101.15	-2.12	-2.05%
10 Year	4.984%	-0.002	-0.04%

Stocks

Last Week (Needed Context as We Start a New Week)

Worries over the flow of AI capex and AI-linked credit weighed on stocks late last week and erased early week gains. The S&P 500 fell 0.46% on the week.

Stocks started the week with solid gains, driven by two main factors: dip buying in tech ahead of key earnings and lower oil prices on renewed hopes of diplomatic progress in Russia and, perhaps, Iran. The S&P 500 rallied 0.41% on Monday, 0.28% on Tuesday and 0.58% on Wednesday thanks to those two aforementioned factors. Specifically, a solid start to tech earnings from SpaceX (SPCX) and Super Micro Computer (SMCI) pushed back on AI concerns. At the same time, Russian and U.S. officials announced a new round of trilateral talks between the U.S., Russia and Ukraine.

Those headlines, along with some conciliatory remarks from Iran, pushed oil lower through Wednesday while Treasury yields largely chopped sideways (but didn't recoup any of the losses from two weeks ago). The S&P 500 was up more than 1% on the week through Wednesday. However, Thursday brought another bout of intense tech weakness as the Nasdaq plunged nearly 3% on "not-good-enough" META earnings and a continued rise in META CDS.

Additionally, numerous publications reported that the U.S. is planning to resume widespread bombing across Iran after the midterms, and those headlines sent oil sharply higher on Thursday. Even plunging Treasury yields didn't support stocks, as they reflected credit market worries rather than falling inflation. The S&P 500 fell 1.21%.

Stocks extended losses early Friday, driven mostly by momentum and underwhelming non-tech earnings, though the moves were modest as the S&P 500 fell slightly in quiet trading.

Economic Data (What You Need to Know in Plain English)

Last Week

The economic calendar was sparse, but the reports we got showed the economy continued to run hot, which will support Treasury yields beyond any intermittent AI weakness (and strengthens the case for additional rate hikes). The October flash PMI was the key economic report last week and the first national economic report for October; it was solid but showed further acceleration in inflation.

The October manufacturing PMI rose to 56.0 vs. (E) 55.4, while the Services PMI slipped slightly to 57.9 (meeting expectations) but down from 58.4. Both metrics are solid and clearly are signaling expansion and strong growth. Prices continued to rise in October. Price pressures reached levels last seen in August 2022, implying inflation pressures are not receding and may be accelerating (which matters because it could reverse this mild dovish tone from Fed officials). Bottom line, flash PMIs were "hot" as growth remained solid while inflation pressures continued to build.

Important Economic Data This Week

The economic calendar is sparse this week, but that doesn't mean it can't move markets, thanks mostly to the week's biggest event: Wednesday's Fed decision.

We will have our regular FOMC Preview in tomorrow's Report, but a rate hike is not expected. The FOMC statement is now a general non-event, so the key will be Fed Chair Warsh's comments at the press conference and whether he signals more rate hikes than expected going forward (right now the market only expects one more hike in December).

Bottom line, easing Fed rate-hike concerns has helped yields fall and stocks weather (to a point) recent AI weakness, and we will not want to see that "not-as- hawkish-as-feared" momentum reversed on Wednesday (otherwise it'd add new downward pressure on stocks and bonds).

Integral to the outlook for rates and inflation, the Core PCE Price Index will be released one day after the Fed decision, creating a potentially complicated market reaction (if the Core PCE Price Index implies something other than what the Fed hints at in its decision/press conference). The Core PCE Price Index is above 3.0%, far above the 2.0% target, and one reason for the September rate hike was that inflation metrics were not returning to 2.0% fast enough. Point being, ideally, we'd want to see the Core PCE Price Index beat expectations and decline from the 3.1% y/y reading in August, and if that's the case, it'll further pressure yields and help support stocks.

For the second straight week, there aren't many economic events (that changes next week), but the ones we get are important, starting with the Fed decision followed closely by the Core PCE. For stocks to get support from these events, we'll want to see the Fed not hinting at more hikes than expected (one in December and maybe one in 1H' 27) and the Core PCE not implying that inflation pressures are rising quickly. If we get those results, yields should fall, and that should help stocks.

Special Reports and Editorial

Earnings Preview

In many ways, the "heart" of earnings season started last week, even though earnings season is almost two weeks old. I say that because the market's most important stocks will release results over the next two weeks. So, without getting in the weeds on specific financial metrics, I want to share a few broader points to keep in mind as key sector earnings come in over the coming weeks.

Tech Earnings: Two key questions... Will cap-ex stay strong, and does AI produce more direct revenue? Last week and this week bring major results across the AI/tech spectrum, including most hyperscalers, semiconductor companies, memory companies, neoclouds, and others.

Markets will want to see 1) a very strong order backlog from the "AI infrastructure" names (semiconductors, memory, networking, cybersecurity) to reinforce that demand and AI spending are strong and accelerating. A sudden drop in backlog or an otherwise underwhelming growth rate will be a negative, as it could signal that AI capex spend is starting to slow (not good for the economy). 2) Direct revenue from AI spend: The hyperscalers META, GOOGL, AMZN, MSFT, and others have spent hundreds of billions on building computing and networking capacity. Last quarter, MSFT and AMZN reported stronger-than-expected revenue from those buildouts, and we will want to see more of the same to help ease cash flow concerns for these companies.

In the end, the major theme for tech this quarter is that the results show the money is still flowing. Semiconductor and memory companies report growing order backlogs (implying hyperscalers and AI companies are still spending), and hyperscalers show AI spend is generating cash flow (which makes more spending in the future possible). If the results raise doubts about the "money still flowing," it will be negative for markets.

Industrial Earnings: Key question... How bad are transportation costs? Diesel prices are at/near all-time highs and much, much higher than last year. That's a potential margin and earnings problem for industrials, as they use a lot of diesel to move and produce things. Certain railroads, airlines, and industrials have already warned about this via management commentary on margin compression. If that concern expands across industrials, it won't just hurt the sector; it will also raise margin concerns for non-tech sectors.

Financials/Banks Earnings: Key question... Is consumer spending healthy? The banks mostly answered this question, and the answer, at least so far, is "yes."

None of the major consumer banks (Bank of America, Wells Fargo, Citi, JPMorgan) cited weakness in consumer spending. On the contrary, even the lower-income cohorts were referred to as "stable." Meanwhile, government consumer statistics and private market measures such as Mastercard SpendingPulse and Bank of America Consumer Checkpoint have remained solid.

Most bank earnings are behind us, so focus will now turn to the credit card companies. If they show strong spending and stable charge-offs (meaning credit quality isn't deteriorating), that will be positive for markets.

Earnings Update

The first "real" day of potentially market-moving earnings reports last week was pretty solid, as AI companies reaffirmed strong demand, intense cap-ex, and AI-related revenue generation. In contrast, a key credit card company posted stronger-than-expected results.

Starting with tech, put simply, SPCX and SMCI reaffirmed many of the bullish AI points. At the same time, the first hyperscaler to report, META, reported a positive "status quo" of increased spending and offered some (reasonable) hope that all this cap-ex will translate into revenue in the not-too-distant future.

SpaceX, which is really viewed more as an AI company than a rocket/communications company, reported strong revenue from AI-related computing power and committed to boosting cap-ex to fund even more computing power.

Super Micro Computer, meanwhile, boasted a much-larger-than-expected order backlog and demolished expectations on revenue and margins, reinforcing that demand for AI infrastructure remains strong.

META, meanwhile, beat on revenue and free cash flow (though that looks like it is because they didn't spend as much as anticipated, which likely will be pushed into Q4). The 2027 cap-ex was increased slightly (a positive because it wasn't a blowout number), and management commentary was positive on pretty much everything. Bottom line: the META report wasn't jaw-dropping, but it gave bears nothing to grab onto if they were looking for a weak point in the results.

Put plainly, tech earnings season has to prove the "money is still flowing" into AI. And while it's just a few reports, so far, so good (and that's why stocks rallied Wednesday).

Turning to another earnings focus, the consumer: Capital One Financial (COF) beat earnings and offered generally positive commentary (financial and qualitative) on the consumer. Not only did earnings handily beat estimates, but provisions for credit card losses beat estimates by $700 million, implying credit performed better than feared. Again, it's just one company, but COF is a major credit card provider and lower on the spectrum of credit quality customers, so this underscores the "stable" commentary we got from JPMorgan management about the state of the consumer. Bottom line, it's just one day, but earnings results were positive for stocks on Wednesday.

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