MARKET REVIEW & OUTLOOK

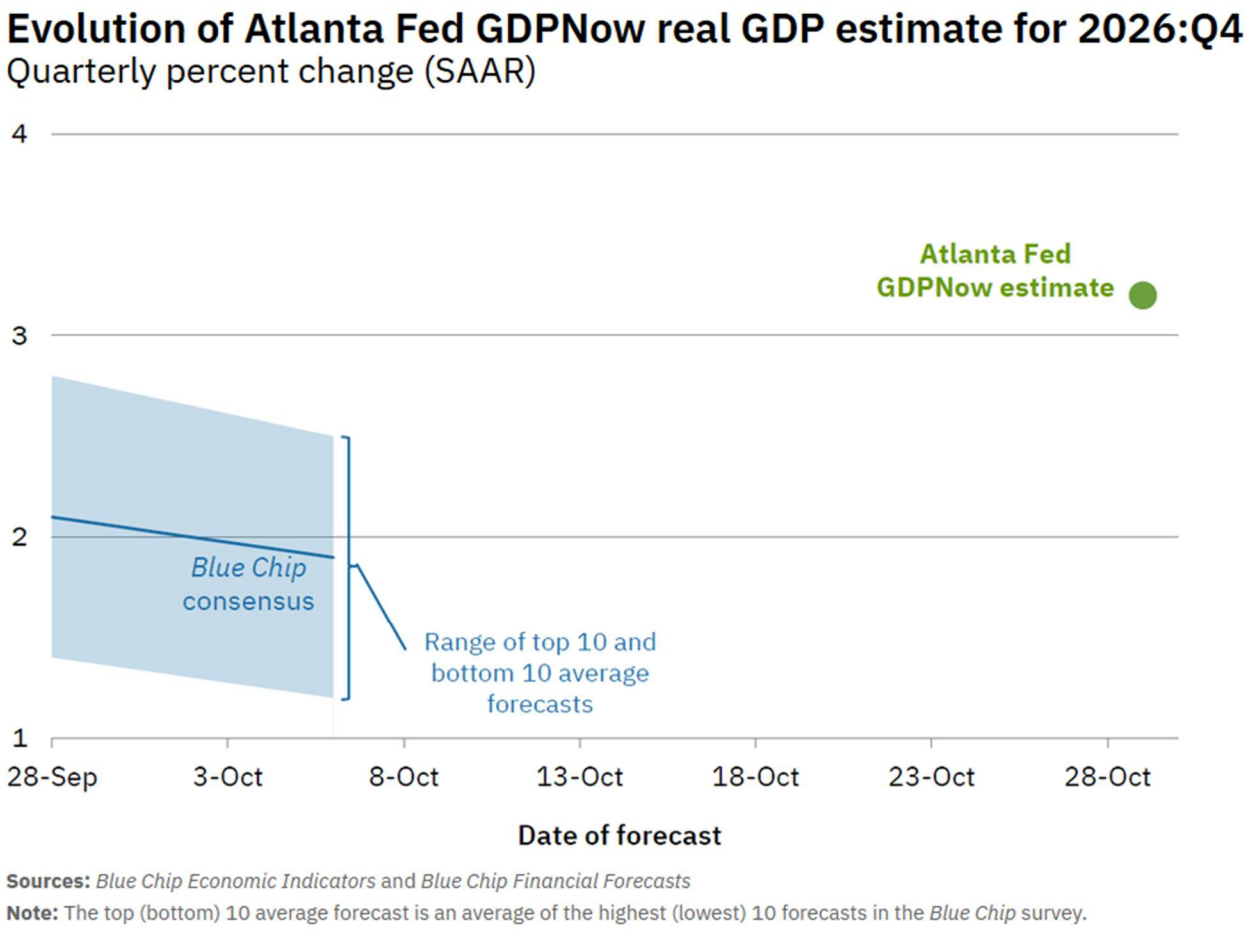
OCTOBER 2026

KEY TAKEAWAYS

- **Equities:** The markets again largely traded within the range of August 4th, though last day selling took it back to the August 3rd candle, as measured by the S&P 500.
- **Fixed Income:** The U.S. 10-year Treasury Yield started the month chopping around 5.3%, then had a pretty steady decline into month end, finishing below 5%.
- **Crude oil** prices regained steam and marched higher throughout the first half of the month, before grinding along the mid-September highs.

The U.S. Economy

The initial read on 3rd quarter GDP came in at 3.4% versus a forecast of 3.2%. Core PCE, the embedded GDP inflation, increased 2.5% down from 3.3% reported last quarter. With the 3rd quarter in the rear view, we turn to the 4th quarter GDPNow estimate which is at +3.2%, while the Blue-Chip consensus forecast is under 2.0%, as shown in the chart below. Steady growth continues as we near year end.



Source : https://www.frbatlanta.org/cqer/research/gdpnow

Stocks and Bonds

The U.S. 10-year Treasury started the month chopping around 5.3% and the highest levels in nearly 20 years. Early in the month, yields popped to their highest level in almost 25 years and that has marked the top in yields so far. The following week saw a "hot" CPI inflation print and yields neared the previous highs but found a lot of buying and lead to steadily lower yields the balance of the month. The Fed met at the end of the month and left rates unchanged with slightly less dissents than the previous hold. So, a less hawkish hold as the weight of debt issuance to support the AI buildout is starting to show cracks and maybe the limits of AI debt issuance. If AI debt issuance subsides, that increases liquidity for Treasuries and supports a decline in interest rates, as well as one of the main growth engines of the economy, i.e. a growth shock. The sharp decline in yields was a major tailwind for High-Quality fixed income, which as measured by the iShares US Aggregate Bond ETF jumping +2.43% for the month. The U.S. 10-year Treasury bond yield ended the month at 4.93%, down significantly from September's close of 5.29%.

The Dow Jones Industrial Average rose +1.70%, the S&P 500 declined -0.93%, and the small cap iShares Russell 2000 ETF increased +0.56%. The International markets again traded like the U.S. markets, though Emerging Markets got rocketed by the Brazil election. The MSCI EAFE iShares Core International Developed Markets ETF Index eased -0.73%, and the MSCI Emerging Markets iShares Core ETF Index plunged -8.76%.

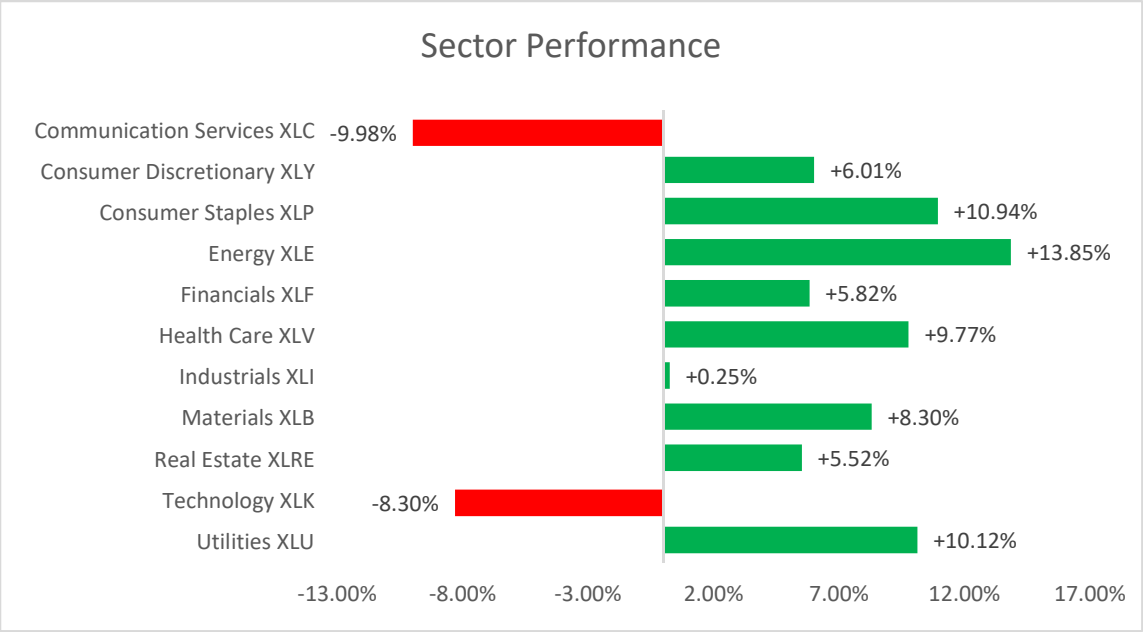
October's Sector performance was exceptionally bifurcated.

The best performers were…

- Energy: +13.85%
- Consumer Staples: +10.94%
- Utilities: +10.12%

The worst performers were…

- Communication Services: -9.98%
- Technology: -8.30%
- Industrials: +0.25%



Source: https://www.morningstar.com

Oil Report

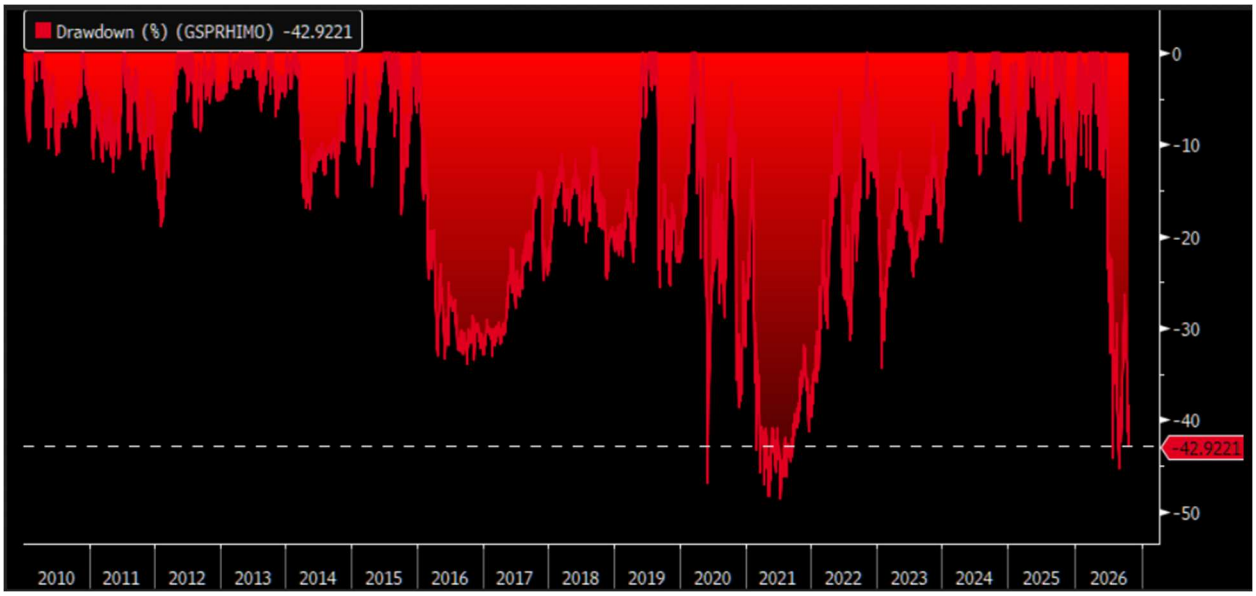
Crude Oil started the month off with another rally, this time more than $10, as Iran continued attacking ships in the Strait of Hormuz and still no progress is being made on ending the conflict/war. Further, Ukraine's continued constant drone attacks on Russian refining capacity, though after a 3-day reprieve, Zelensky felt snubbed that he did not receiving acknowledgement and launched the largest drone attack yet, to end the month. Again, late in the month, we saw VP Vance reach out to the Iranian hardliners and Trump touting a desire for peace between Russia and Ukraine, which seemed to hold prices the last 10 days of the month. El Nino conditions couldn't hold off Atlantic hurricanes the whole season, but by and large this was one of the quietest hurricane seasons in Atlantic history. Unrelated to oil, but important for the Southwest US, El Nino seems to be stirring up a lot of moisture so far this fall. Even Lake Powell added 14 feet from all the moisture. The current NYMEX WTI Crude Oil futures settled at $102.95, jumping almost 14% from the prior month's close of $90.42 a barrel. RBOB gasoline traded opposite Crude and dropped over 4% vs. September's close, with the high price of the month printing on October 1st. Now deep into Fall, we seem to be seeing a reprieve in demand for gas, but for long term relief we need the conflict with Iran and/or Russia/Ukraine to end, preferably both.

The Rest of the Data

The September ISM Manufacturing Index eased to 54.5, down from August's reading of 54.6, remaining above the 50 level. The ISM Services Index decreased to 54.9 in September, from August's print of 55.4, remaining above the 50 level. Any reading above 50 generally indicates improving conditions. The prices paid component for Manufacturing jumped up to highly elevated levels, and Services' prices moved closer to highly elevated levels. Consumer confidence jumped to 91.7 in October, which compares to 81.9, as reported in September. The unemployment rate in September increased to 4.2%. The number of jobs increased 29,000, which was much weaker than expectations of +89,000, further July and August were also revised meaningfully lower. The Consumer Price Index for All Urban Consumers (CPI-U) for September increased +0.6% versus an increase of +0.4% for the month of August, on a seasonally adjusted basis. Over the last 12 months, the All-Items Index rate increased to +3.7% on a non-seasonally adjusted basis. The CPI ex Food and Energy moved up to +2.6% over the last year. Economic growth reports remain decent, though inflation is moving higher from the supply shocks caused by the Iran and Russia/Ukraine conflicts/wars and Employment seems to be in a no hire no fire state. We will continue to monitor economic activity, policy announcements, and inflation reports for potential shifts.

Summary

Well, the expectation was for a turbulent several weeks, that didn't really pan out until the last day of the month, as measured by the S&P 500. Underneath the surface volatility continues to wreak havoc on the Momentum story as shown in the chart below. We made it through the inflation reports and Fed meeting. Now we turn to the mid-term elections on November 3rd. The broken record of inflation continues from global conflicts impact on the energy complex and commodities in general, continues. Will the mid-term elections give the market clarity it is looking for, or will we just continue the endless back and forth of the global conflicts? We should have an answer shortly. We will continue to take it one day at a time and stay focused on our process around risk management.



Source: https://www.zerohedge.com/the-market-ear/gone-baby-gone-70-ytd-june-now-all-ytd-gains-gone

More than ever, the markets can be emotional, so we retain our focus on what we can control, which is the amount of equity risk that is taken in a clients' portfolio in concert with the clients' risk tolerance and long-term goals. The markets will always face different "worries", today it is inflation/war vs. growth and interest rates, tomorrow it will be something else. We have built our asset allocation models with dynamic features and quarterly rebalancing, both in fixed income and equities.

If you have specific questions about your portfolio or financial situation, we are here to help. Long-term financial planning is designed to deal with uncertainty like those we discussed above. Our portfolio management process is to design a prudent allocation across many asset classes. Equities are for long-term growth and several vehicles that we utilize offer defensive mechanisms to mitigate equity market declines.



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