



Q4 Market & Economic Outlook

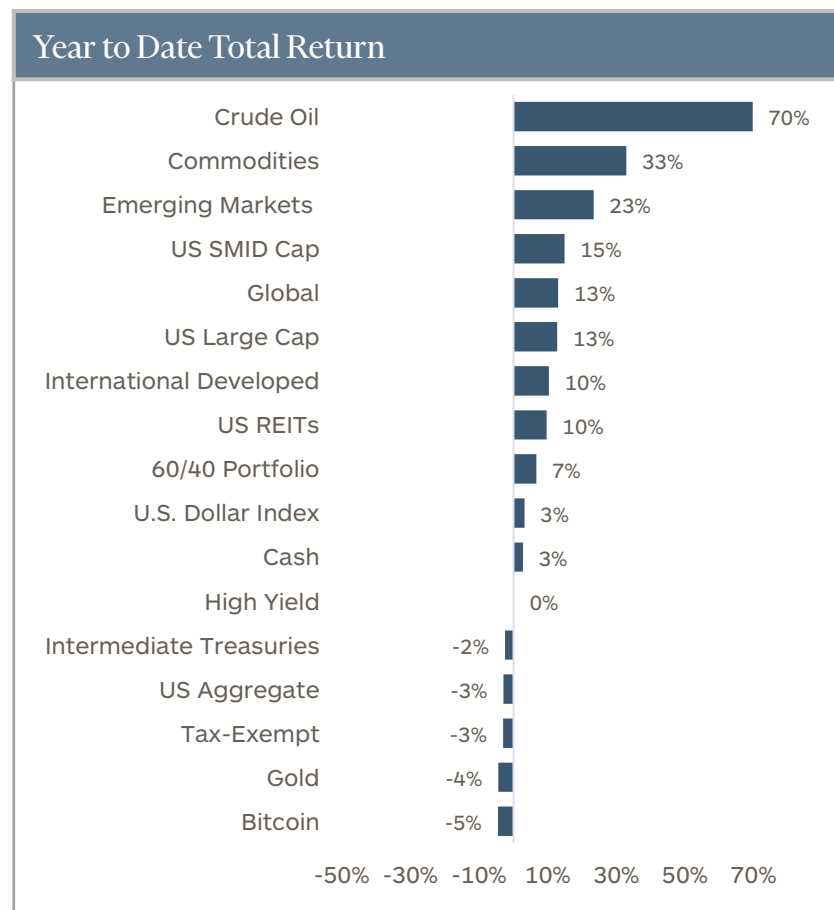
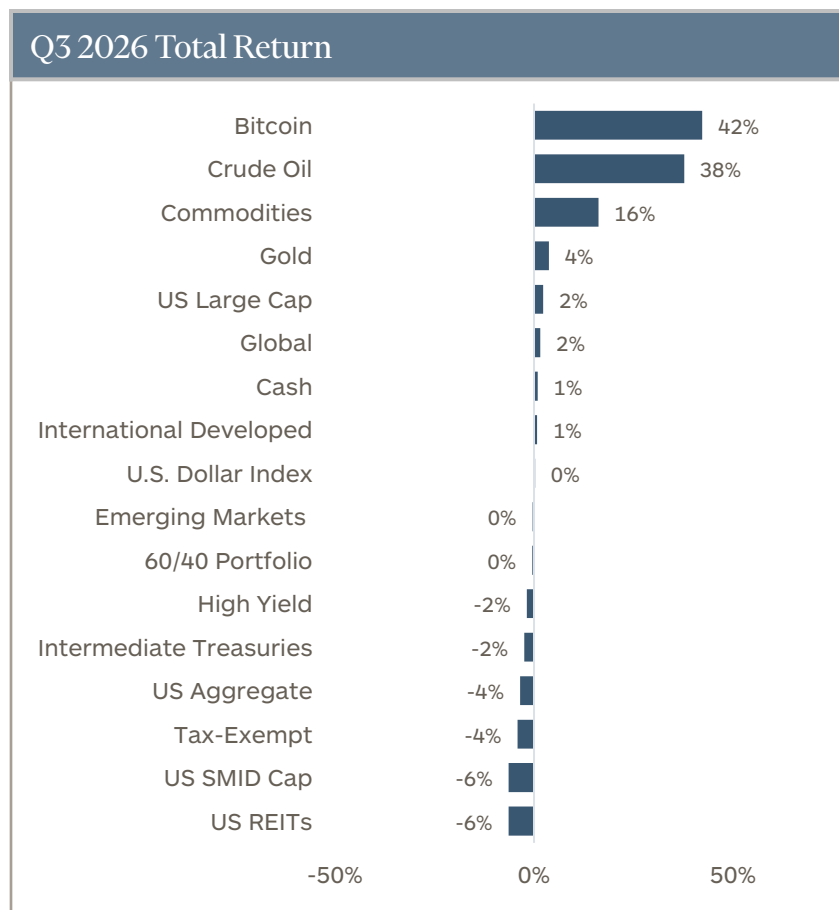
October 2026

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The Year So Far

After a choppy Q3, stocks are still on track for a solid year. Bonds have a tougher go at it.



Source: Ycharts, FactSet, Cerity Partners, 9/30/2026

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Notes: Asset classes represented by the following benchmarks: MSCI ACWI Net Total Return, S&P 500 Total Return, Russell 2500 Total Return, S&P US REIT Net Total Return, MSCI EAFE Net Total Return, MSCI Emerging Markets Net Total Return, Bloomberg US Aggregate, Bloomberg US Treasury Bills 1-3 Month, Bloomberg Municipal Bond 1-10 Year Blend (1-12 Year), ICE US Treasury 3-7 Year Index Total Return, Bloomberg US Corporate High Yield, Bloomberg Commodity Index Total Return, S&P GSCI Gold, Bloomberg WTI Crude Oil Subindex, United States Dollar index, S&P Bitcoin Index. 60/40 portfolio is 60% Global, 40% US Aggregate

Our Key Themes for 2026

New risks and uncertainties, but still a supportive backdrop for markets.

Key Themes for 2026 (Updated as of September)

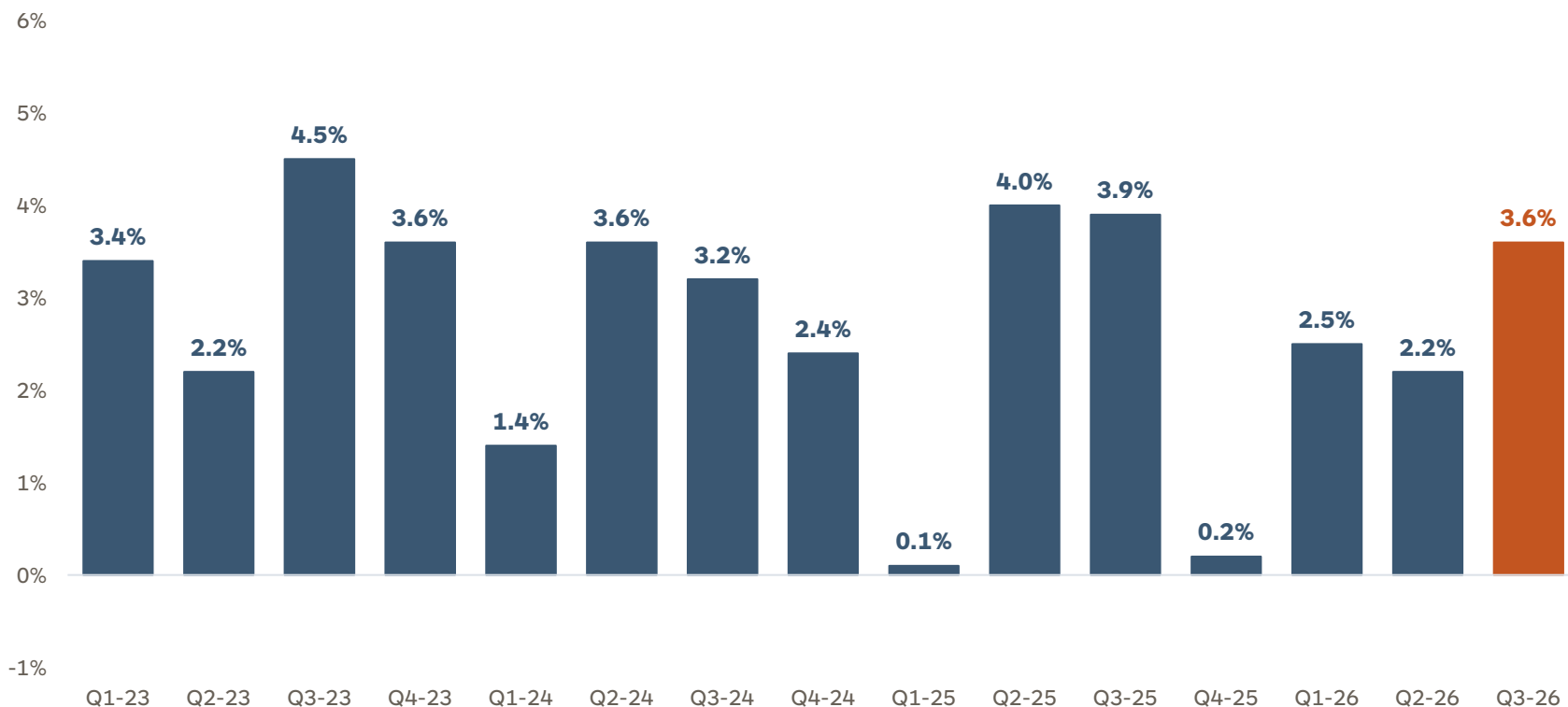
- 1) Monetary policy moves to neutral or slightly restrictive, fiscal policy moves to neutral or slightly positive, while the AI infrastructure buildout remains a key structural tailwind.
- 2) OBBBA corporate tax changes are spurring a reacceleration in non-AI business investment.
- 3) Global growth on net remains positive as trend-or-better U.S. growth offsets supply shocks overseas.
- 4) Broader economic activity lifts employment, while labor force growth remains sluggish.
- 5) Inflation remains above the Fed target, but progress should resume when the current supply shock fades.
- 6) We see a handful of rate hikes at the most, not another full-scale hiking cycle.
- 7) We see stability or slight upward pressure for long-term rates, based on strong economic activity.
- 8) We believe it's hard to fight strong fundamentals for equity markets, with double-digit profit growth balancing high earnings multiples.
- 9) Better earnings breadth was delayed, not cancelled.
- 10) International stocks still offer diversification benefits, and an impressive fundamental outlook considering geopolitical headwinds.

Economic Activity Looks Increasingly Solid

Q3 looks like a step-up from the trend-like growth of Q1 and Q2.

U.S. Real GDP Growth (Quarterly, Seasonally Adjusted Annual Rate)

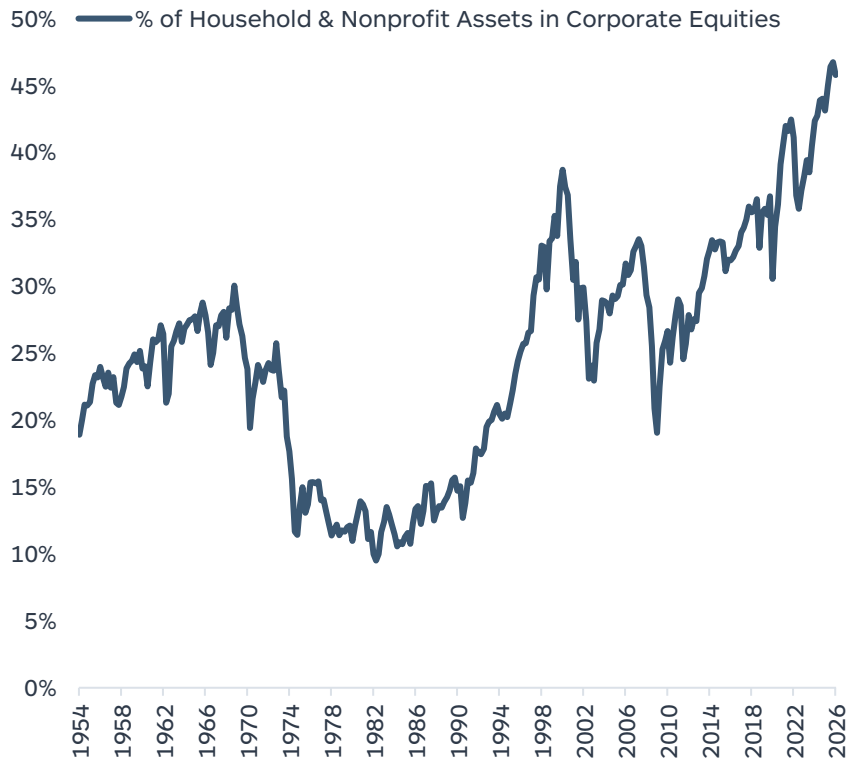
■ Real GDP Growth (BEA) ■ Atlanta Fed GDPNow Estimate (Oct 8)



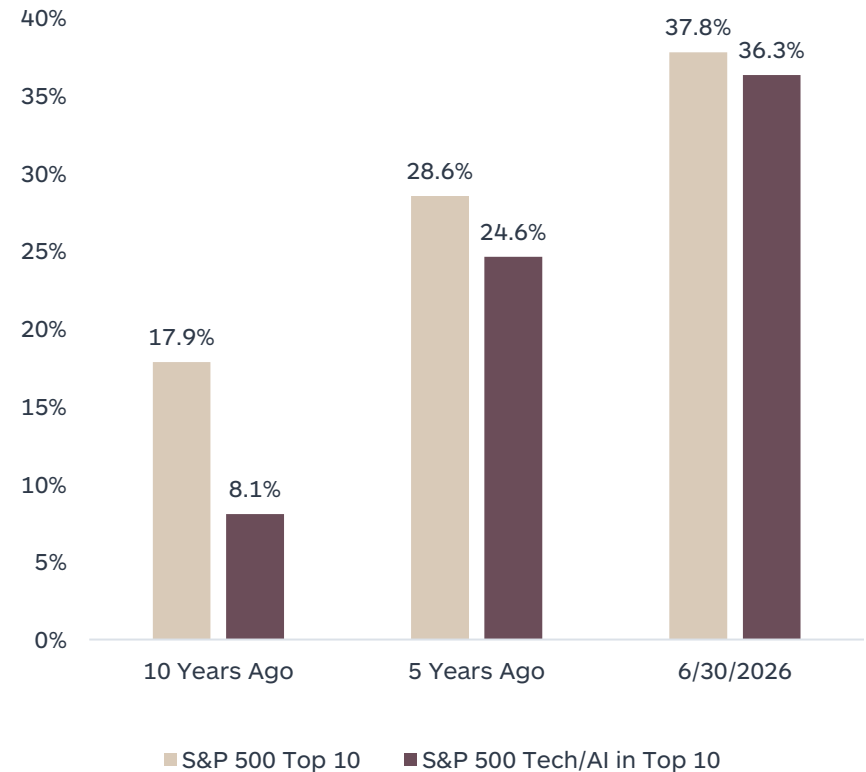
Source: U.S. Bureau of Economic Analysis, FRED, Federal Reserve Bank of Atlanta (GDPNow, as of Oct 8, 2026), Cerity Partners. Q3 2026 is a model estimate; the first BEA estimate is due Oct 29.

Both Markets and the Economy Have Grown More Dependent on AI

HOUSEHOLDS HOLD MORE STOCKS THAN EVER...¹



...WHILE MAJOR INDICES ARE MORE EXPOSED TO AI²

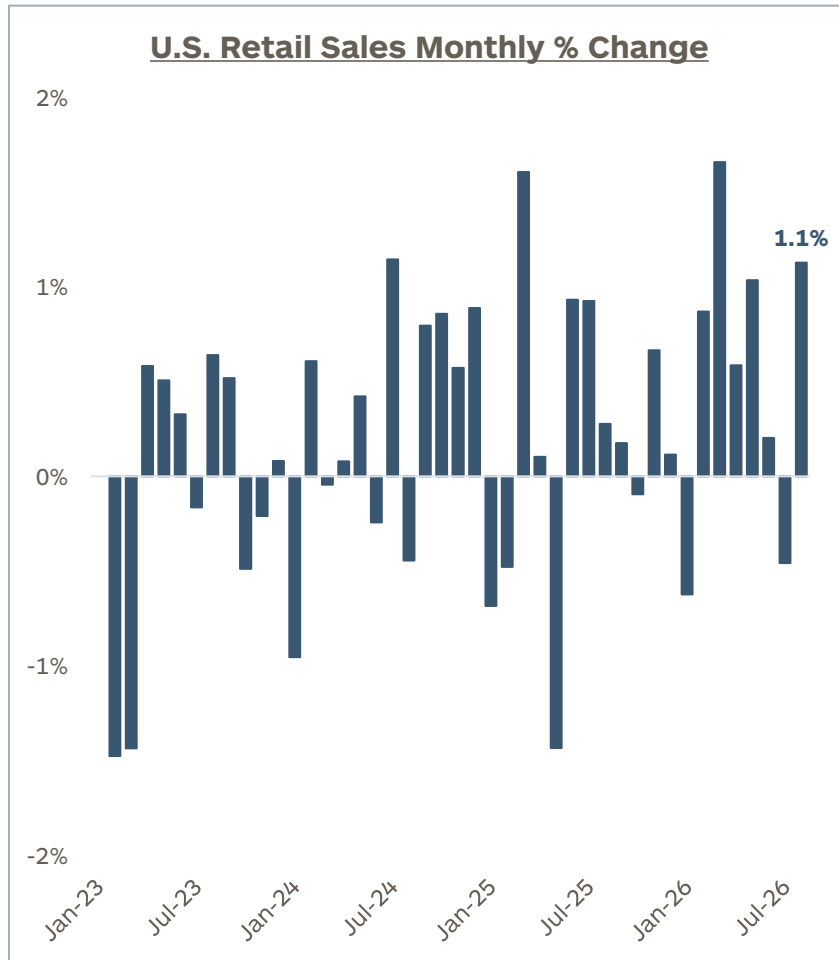


- Source:** Federal Reserve Bank of St. Louis for Households and Nonprofit Organizations; Directly and Indirectly Held Corporate Equities as a Percentage of Financial Assets, as of 1Q'26.
- Source:** Goldman Sachs and CP OCIO estimates. Graph shows the top 10 stocks in the S&P 500 for the period mentioned and which of those stocks are tech/AI-related as determined by CP OCIO.

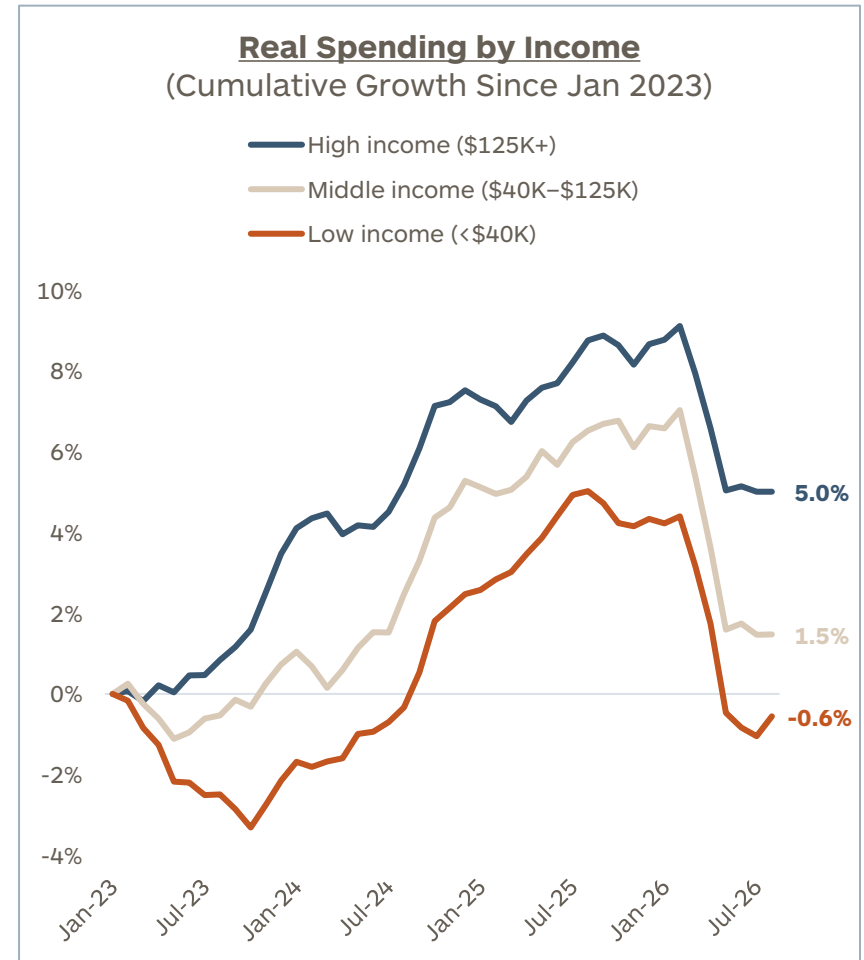
Forecasted and estimated data involves assumptions, is subject to change and may differ from actual results.

Reinforcing the “K”

Spending data is holding up, but under the surface, lower-income consumers are struggling to keep up with inflation.



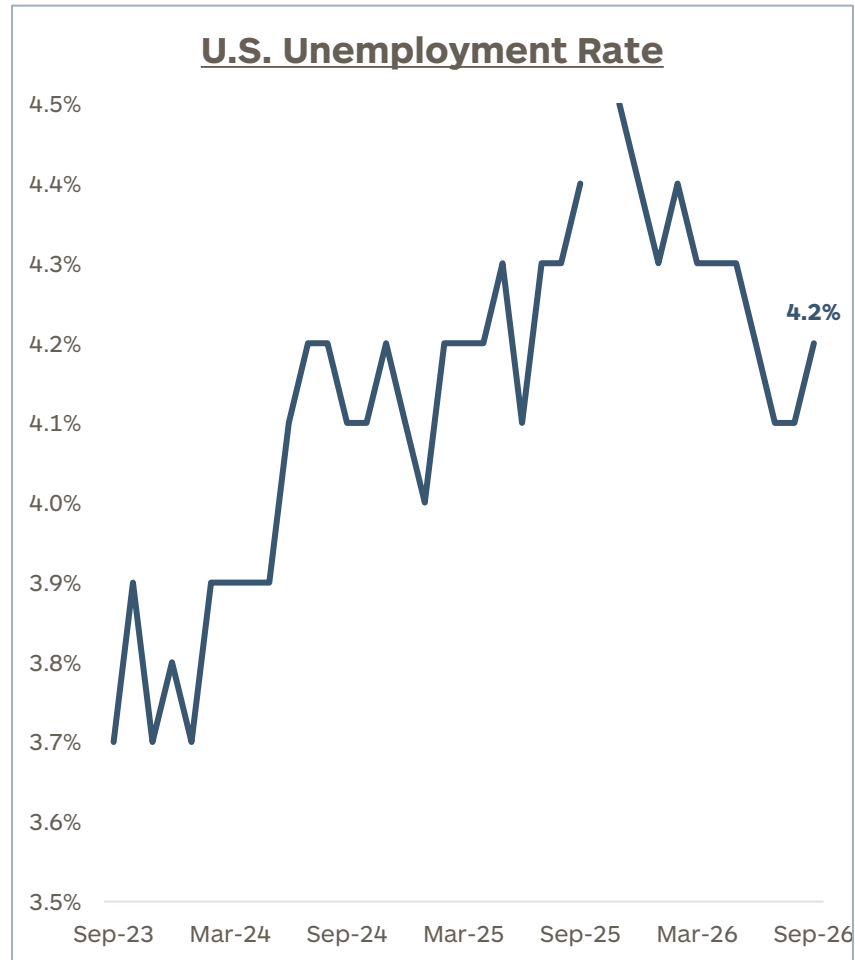
Source: U.S. Census Bureau, FRED, Cerity Partners, Feb 2023 – Aug 2026. Advance retail and food services sales, seasonally adjusted.



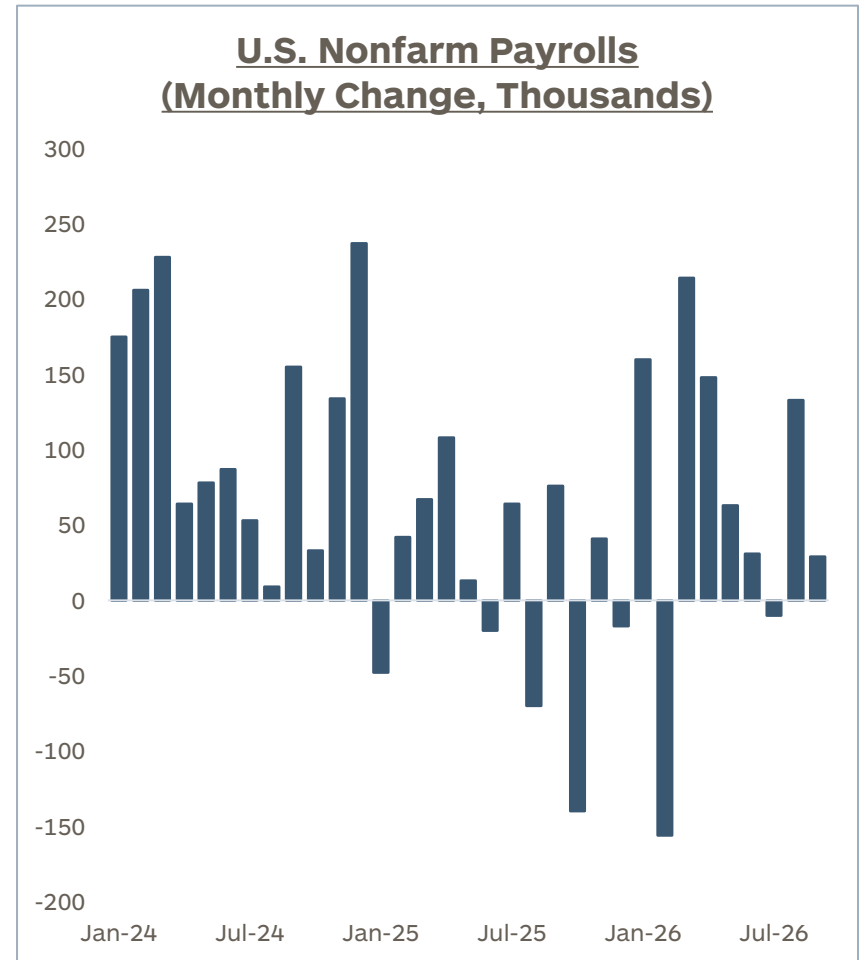
Source: New York Fed Economic Heterogeneity Indicators, Numerator, Cerity Partners, Jan 2023 – Aug 2026. Retail ex-autos.

It's Still “No Hire, No Fire” for Labor Markets

Not a lot of hiring, but more importantly, not a lot of people who need jobs.



Source: U.S. Bureau of Labor Statistics, FRED, Cerity Partners, Sep 2023 – Sep 2026. Oct 2025 not published (government shutdown).



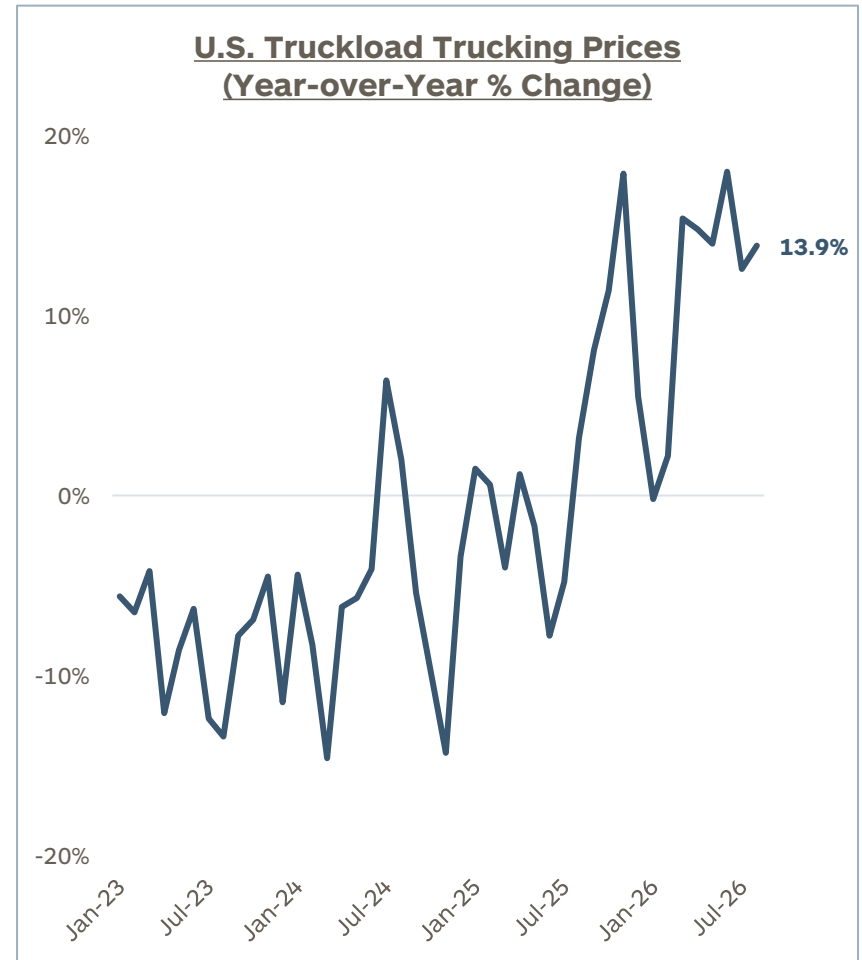
Source: U.S. Bureau of Labor Statistics, FRED, Cerity Partners, Sep 2023 – Sep 2026. Seasonally adjusted.

Diesel Prices Are Becoming Dizzying

Companies face a difficult choice: take the hit, or pass it on?



Source: FactSet, Cerity Partners, weekly, Jan 6, 2023 – Oct 9, 2026.

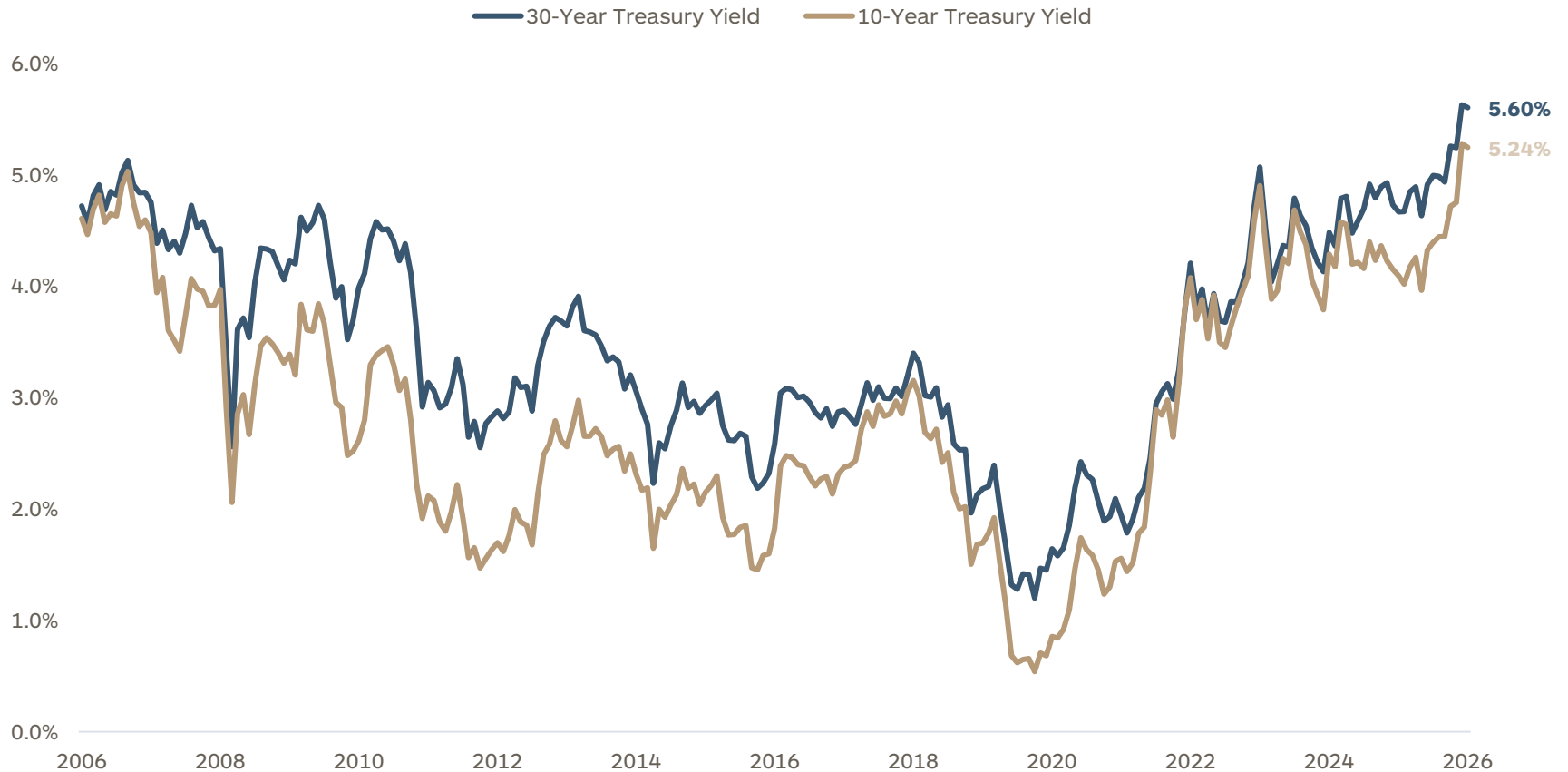


Source: U.S. Bureau of Labor Statistics, FRED, Cerity Partners, Jan 2023 – Aug 2026. PPI: general freight trucking, long-distance truckload.

Long-End Yields Are Breaking Out

Out of a multi-year range to multi-decade highs

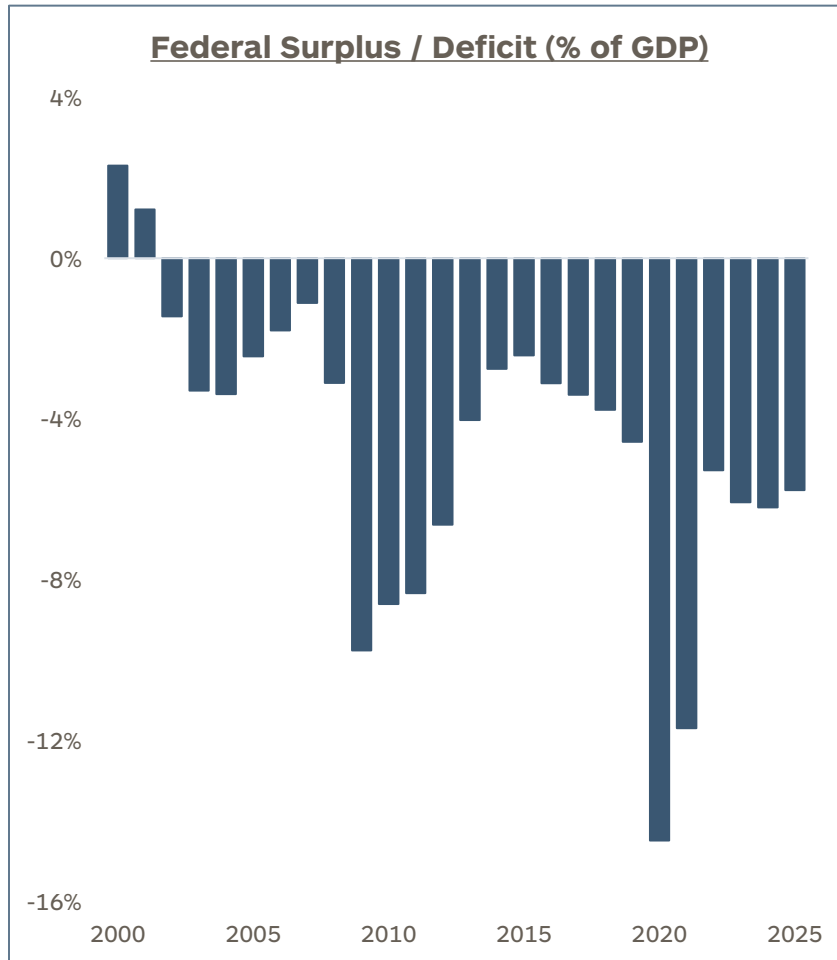
U.S. 30-Year and 10-Year Treasury Yields



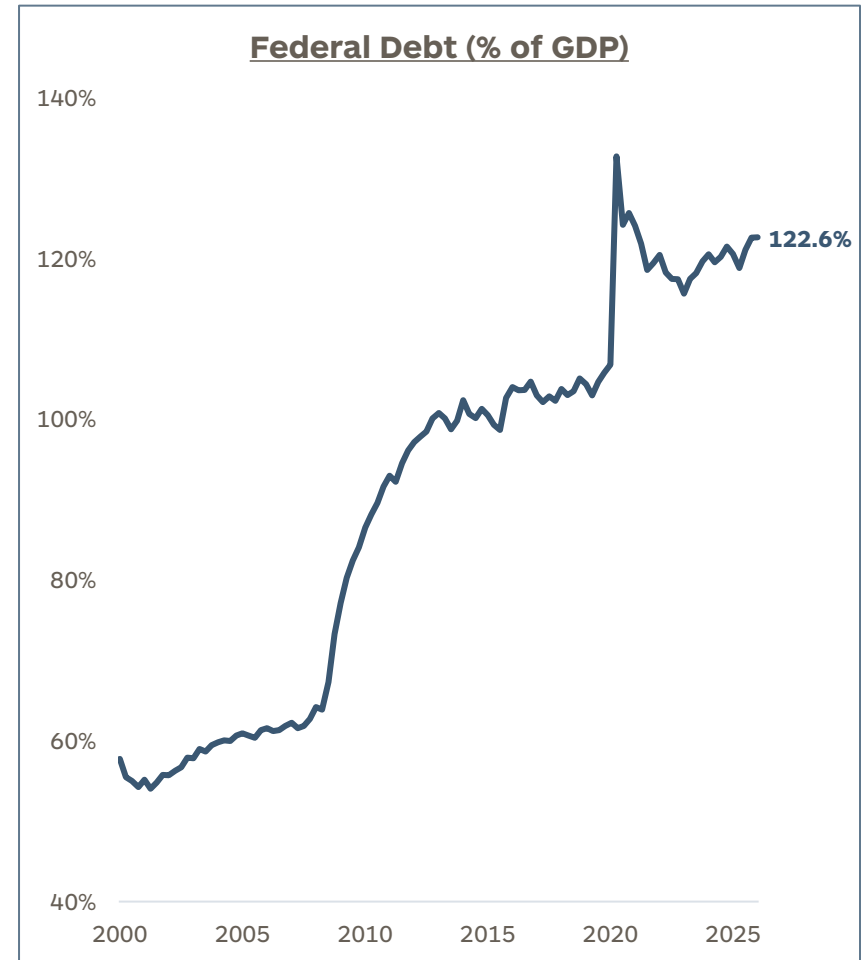
Source: FactSet, Cerity Partners, Oct 2006 – Oct 9, 2026.

Deficit Worries Are Not Going Away

Structural fiscal deficits are not “new news”, but they remain in the back of investors’ minds



Source: U.S. Office of Management and Budget, FRED, Cerity Partners, FY2000 – FY2025. Negative values are deficits.

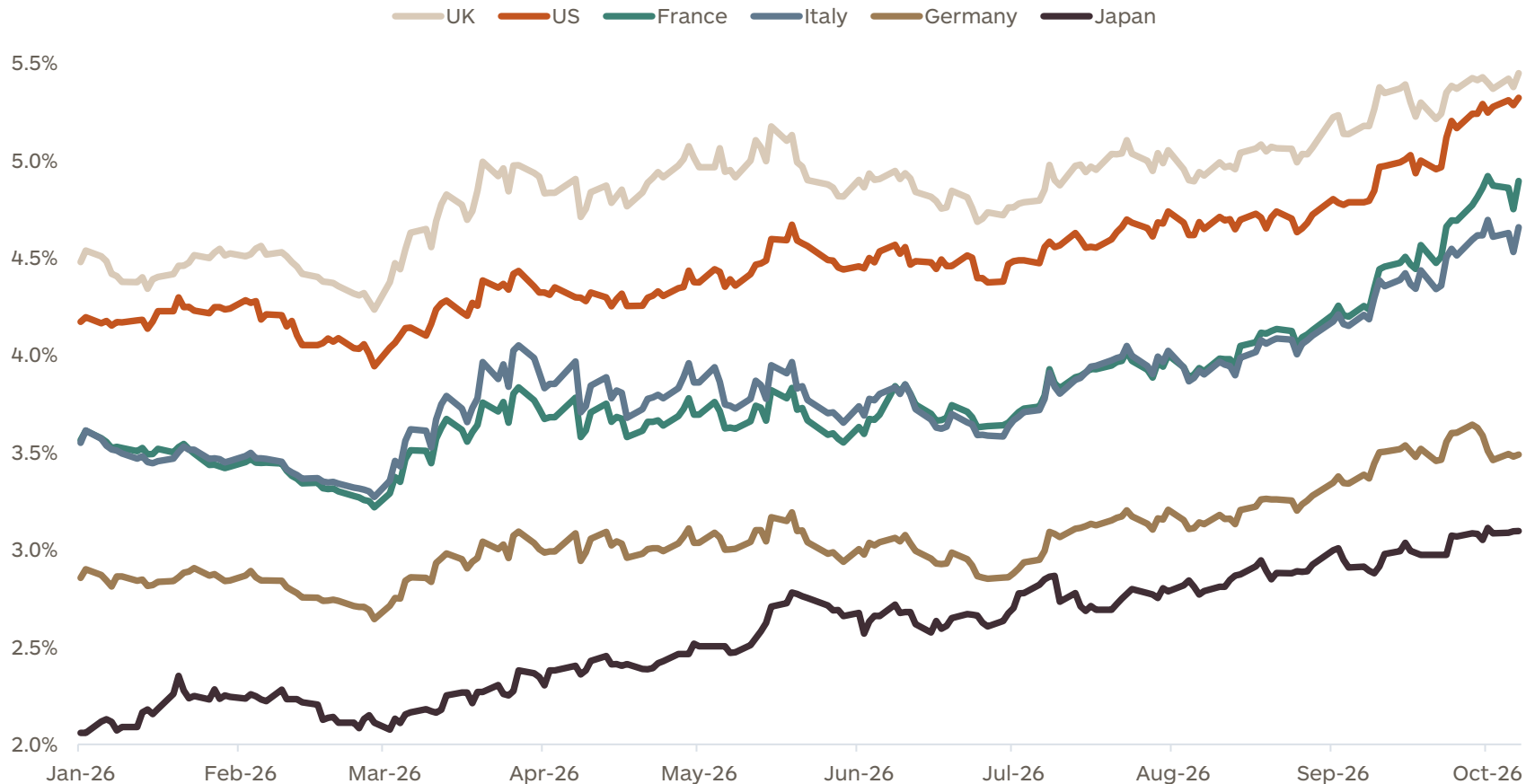


Source: U.S. Office of Management and Budget, FRED, Cerity Partners, Q1 2000 – Q1 2026. Total public debt.

Higher Yields are a Global Phenomenon

It's not just about domestic issues.

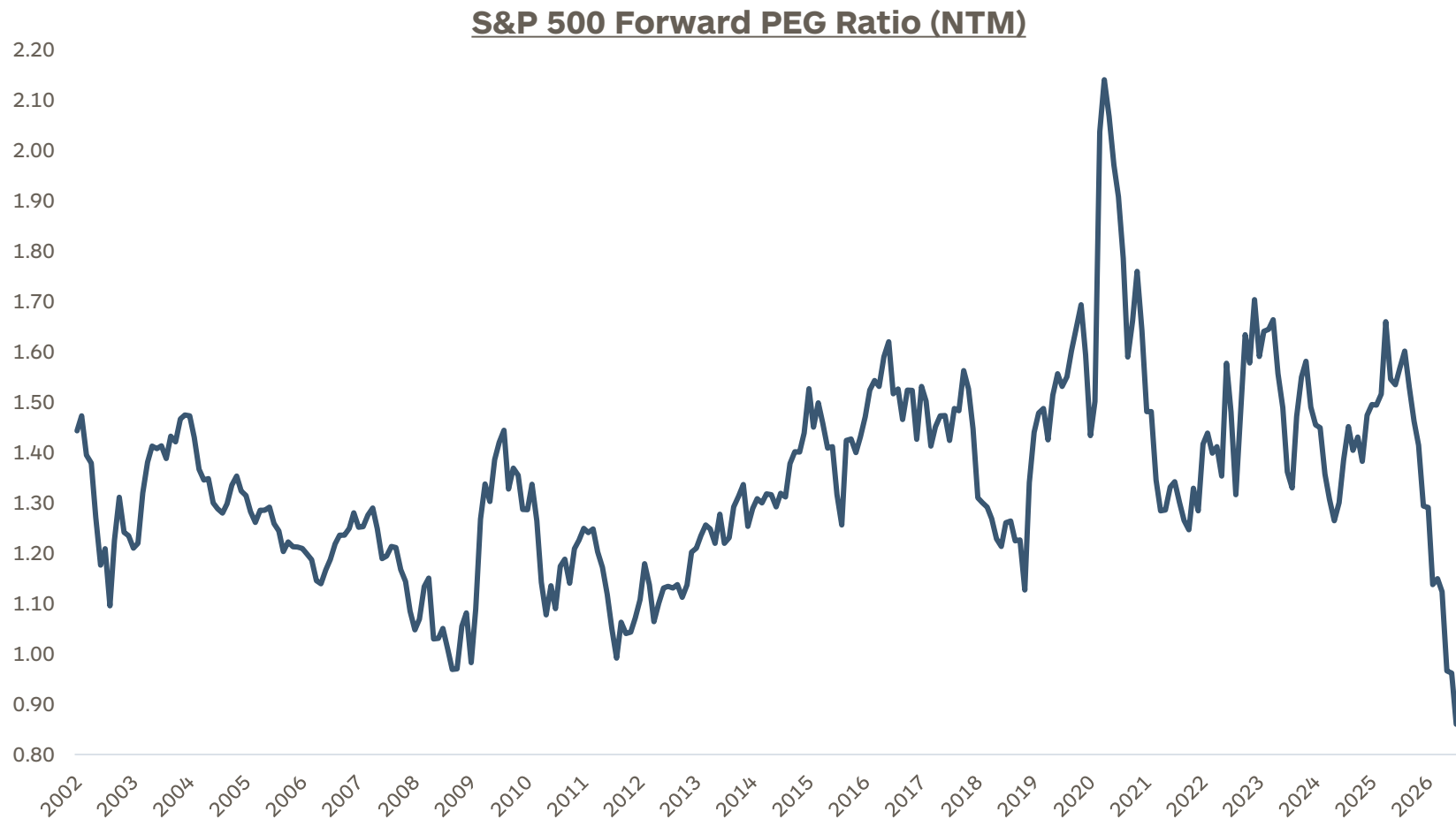
Global 10-Year Bond Yields



Source: Bloomberg as of 9-30-26.

Are Stocks Cheap? The PEG Ratio Says So

This metric – which incorporates earnings growth – hasn't been lower in more than 20 years.



Source: Cerity Partners, YCharts, February 2002 through August 2026

Where Do Markets Go in Q4?

Headlines like this will matter for interest rates.

The Desperate Hunt for AI Computing Power Is Upending Silicon Valley

THE WALL STREET JOURNAL.



Watch: How Larry Ellison Built His Empire

Paramount Debt Drop Spells Trouble for Borrowers

The average yield on a high-grade US corporate bond topped 6% this week for the first time since 2023, and risk premiums in the US climbed to their highest in six months.

Larry Ellison Risk Exposed by Paramount and Oracle Debt Binges

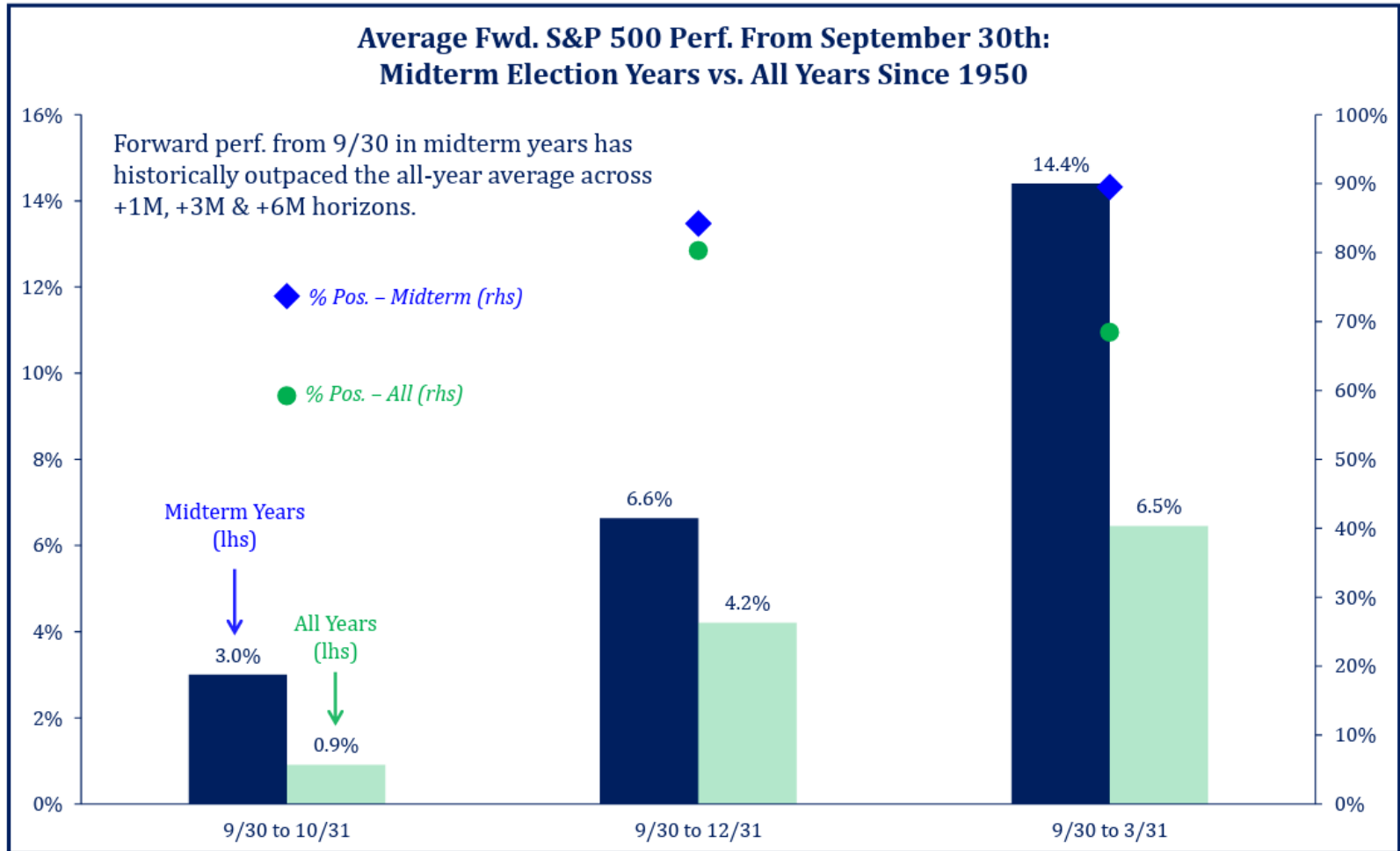
Bloomberg

Truckers Are Using Every Trick They Can to Survive Soaring Diesel Prices

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What About Midterms?

History tell us that stocks tend to do well after moving past the “known unknown” of midterm elections.

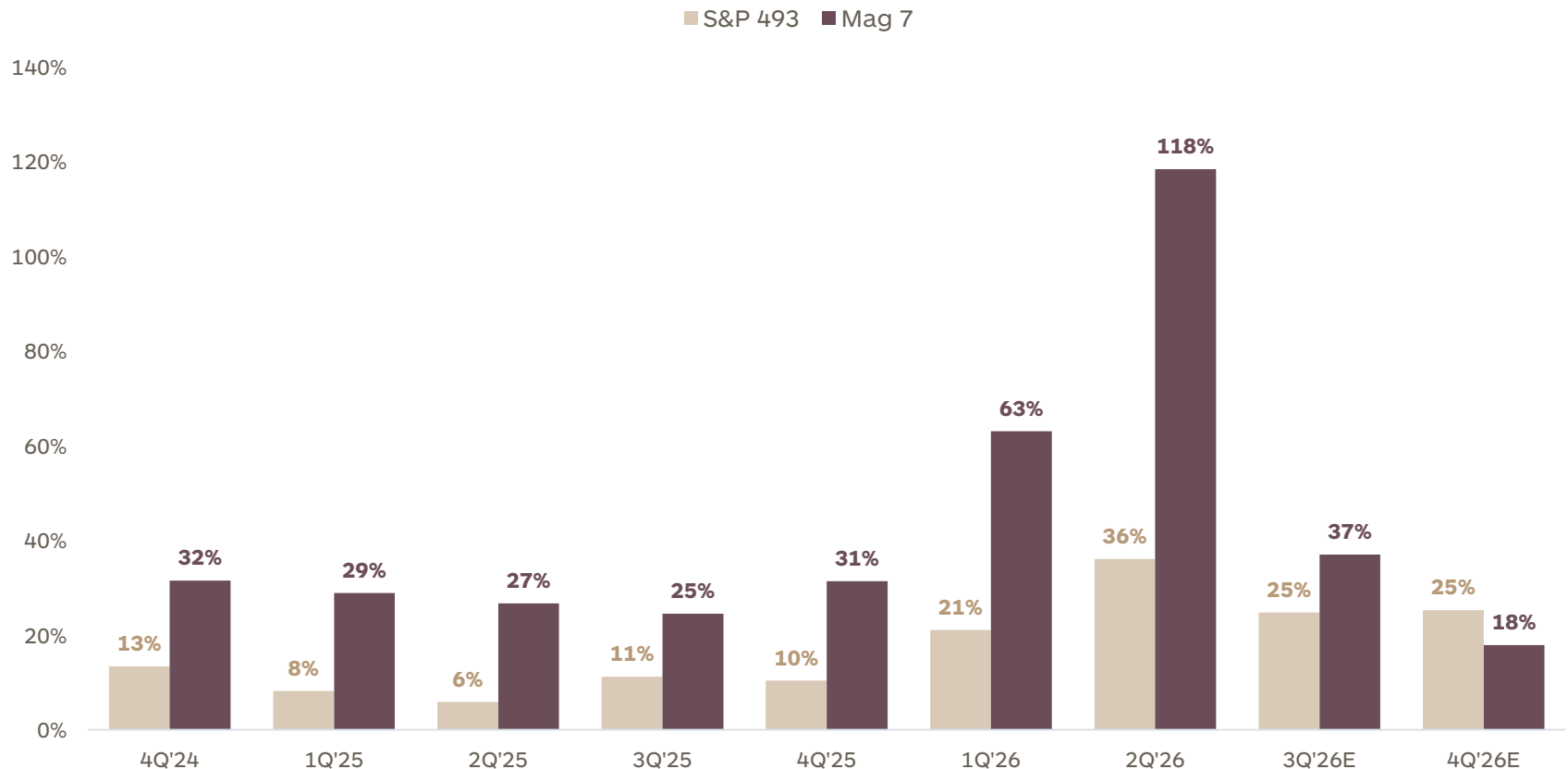


Source: Strategas

Will Earnings Show Signs of Broadening?

Hard to make a call for the rally broadening if earnings don't.

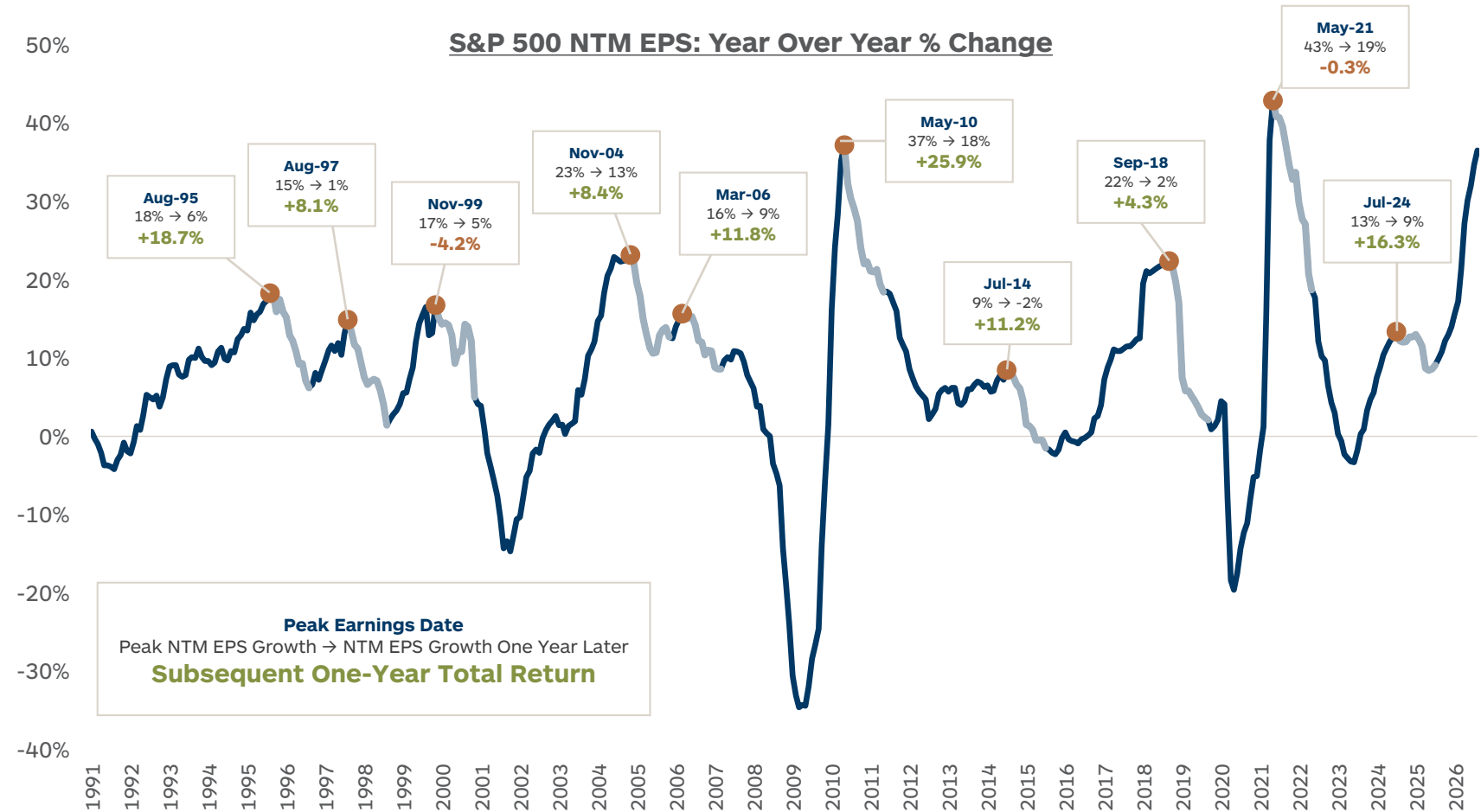
Y/Y Net Income Growth: Mag 7 vs. S&P "493"



Source: Cerity Partners, Strategas, FactSet, 9/30/2026

What Happens After Earnings Growth Peaks?

In the past, markets have handled decelerating earnings growth surprisingly well.



Source: Cerity Partners, Bloomberg, Monthly S&P 500 data, Jan 1991 - Aug 2026.

Climbing the Wall of Worry

It feels steep now, but it's been steep many times before.



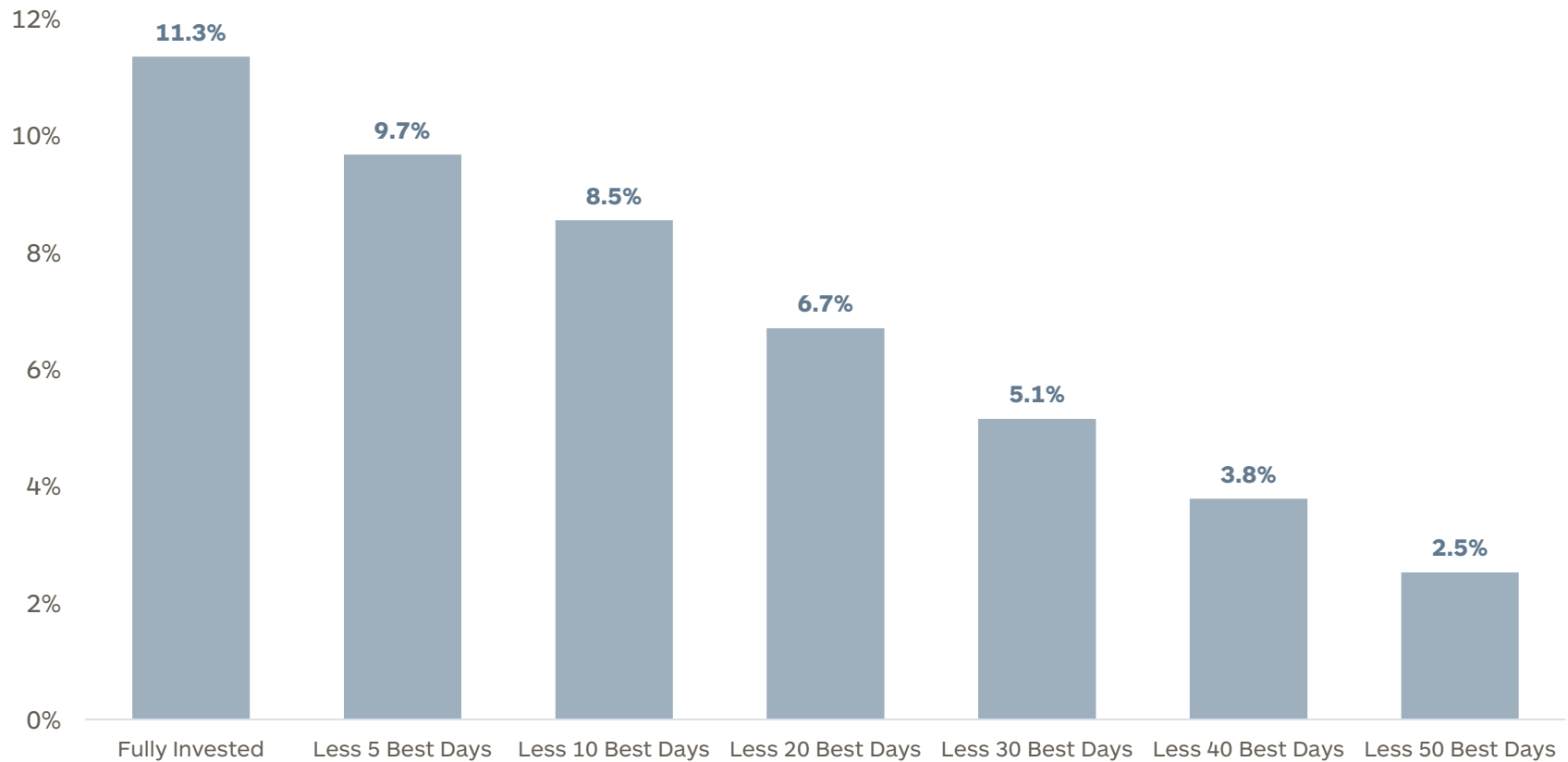
Source: SBBI, FactSet, Cerity Partners, 9/30/2026

Notes: Ibbotson SBBI US Large Stock index from 12/31/1925 to 12/31/2024, S&P 500 index from 1/1/2025 through 9/30/2026. **Past performance is not a guarantee of future performance.**

Market Timing Can Be Costly

Missing just a few of the best days can do some serious damage to long-term returns.

S&P 500 Annualized Total Return



Source: Cerity Partners, FactSet, 1/1/1995 – 10/9/2026

Time Heals All Wounds

Even dollars that were invested with some of the worst timing on record have still grown substantially over time.

\$10,000 invested in large cap stocks right before the bear market of:	Experienced an Immediate drawdown of:	But would still be worth this much today:	For a cumulative total return of:	Or an annualized return of:
2022	-25%	\$17,953	80%	12.9%
2020	-34%	\$26,185	162%	15.3%
2007	-57%	\$74,620	646%	11.1%
2000	-49%	\$89,384	794%	8.6%
1987	-34%	\$573,580	5,636%	10.9%
1980	-27%	\$1,882,998	18,730%	12.1%
1973	-48%	\$2,893,673	28,837%	11.1%
1968	-36%	\$3,759,291	37,493%	10.8%
1966	-22%	\$4,566,282	45,563%	10.6%
1929	-86%	\$90,997,872	909,879%	9.8%

Source: Ibbotson SBBI US Large Stock index from month preceding the daily peak before each recorded bear market through 9/30/2026. Cerity Partners. For illustrative purposes only. Past performance is not a guarantee of future performance.

Year-End Planning

1

Maximize annual limits

Ensure you maximize your 401(k), HSA, gift tax exclusion, and the charitable deduction for non-itemizers. Use your remaining FSA funds before year-end.

2

Review your workplace retirement plan strategy

Cerity Partners can manage your 401(k) and 403(b) directly, rather than leaving assets in a target-date fund chosen years ago.

3

Understand the impact of new tax laws

Many OBBBA provisions apply for the first time this year. Tax strategies you've used before may no longer work for your situation.

4

Rebalance and review distributions

Re-align your portfolio with your target asset allocation. Funds often distribute realized gains in Nov. and Dec., which can have a tax impact.

5

Maximize return on cash

If you have extra liquidity, a 3- to 12-month Treasury ladder can yield roughly 4.5% compared to the 0.37% national savings account average.

6

Access private direct investments

If you're looking to redeploy assets, explore open opportunities vetted by our research team.

7

Access tax-aware growth and diversification

A long-short SMA seeks to outperform a benchmark while generating more harvestable losses than a traditional portfolio.

For more information, review the Year-End Opportunities Guide that will be emailed to our clients.

Important Notes

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2026