

MARKET HIGHLIGHTS

- > **The S&P 500 set a record high** as rates stabilized and market breadth improved, setting the stage for third-quarter earnings season, which begins this week with high expectations for revenue and profit growth.
- > **Oil prices swung sharply on Middle East volatility**, with West Texas Intermediate crude dipping below \$90 per barrel before jumping to \$93 on renewed attack fears, then easing after President Donald Trump said he would not strike Iran before the midterm elections.
- > **September Federal Open Market Committee meeting minutes showed all 19 members supported the 25-basis-point hike**, though Governor Christopher Waller struck a more dovish tone, noting hikes don't need to occur at consecutive meetings. October rate-hike odds fell to 18%.
- > **The October preliminary University of Michigan sentiment survey fell to 46.3**, with the current-conditions component dropping to its lowest level since the survey began in 1951, driven by weaker buying conditions for durable goods.

MARKET PERFORMANCE

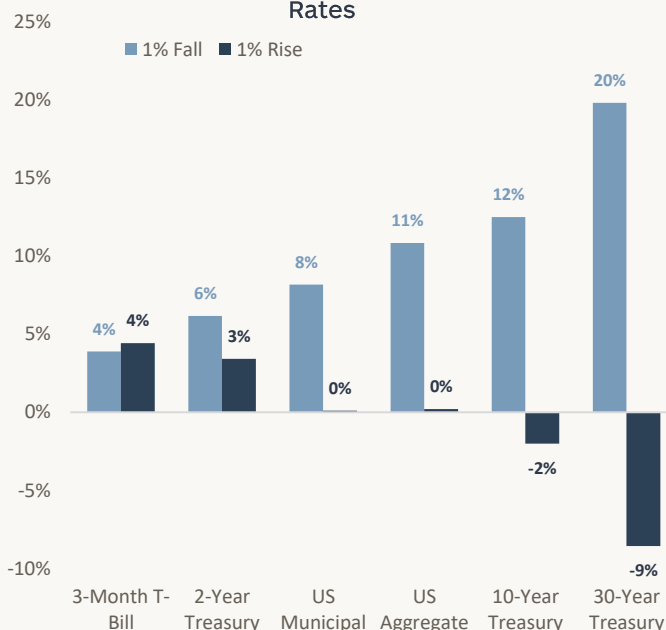
ASSET CLASS	1-WEEK	YTD
U.S. Aggregate Bond (Agg)	0.39%	-2.48%
Municipal Bonds 1-10Y	0.05%	-2.22%
U.S. High Yield	0.20%	0.25%
S&P 500	1.17%	15.14%
Russell 2500 (SMID cap)	-0.38%	16.15%
MSCI EAFE (International)	-0.54%	8.69%
MSCI Emerging Markets	0.03%	23.71%
MSCI ACWI (Global)	0.66%	14.31%
Crude Oil (NYMEX WTI)	-4.38%	60.53%
Gold LBMA PM	1.08%	-4.16%
60/40 ACWI/Agg Portfolio	0.55%	7.59%

WHAT CAUGHT OUR EYES THIS WEEK

The Path Forward for Fixed Income

Bonds have had a tough go at it lately. The Bloomberg US Aggregate index has around a 0% return over the past five years—a byproduct of bond markets recalibrating away from the zero-interest-rate policy environment of the post-Global Financial Crisis era. Looking forward, higher starting yields don't just mean higher income. They also add significant cushion against further yield increases. For example, if yields for the Bloomberg US Aggregate index go up another 1% from 5.5% today, total return would be roughly flat after a year. In other words, the income earned and the price losses would offset each other. But if yields fall 1%, the index could deliver a double-digit return over the next year. We don't know where the top is for rates, but we do know that as it stands today, intermediate-duration fixed income offers an attractive asymmetry of return on top of a solid income component.

One-Year Forward Total Return With 1% Rise or Fall in Rates



Please see important disclosures and other key information on page 4.

OUR 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, and 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 US 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 canceled.
- 10) International stocks still offer diversification benefits and an impressive fundamental outlook considering geopolitical headwinds.

IN CASE YOU MISSED IT

INSIGHTS

[Diversification Strategies for AI Concentration Across Asset Classes](#)

[Third Quarter 2026 Review and Fourth Quarter 2026 Economic and Market Outlook](#)

[Video: October 2026 Economic and Market Outlook](#)

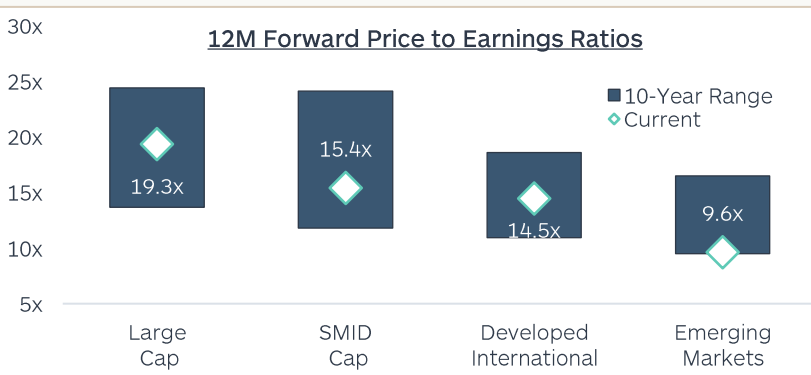
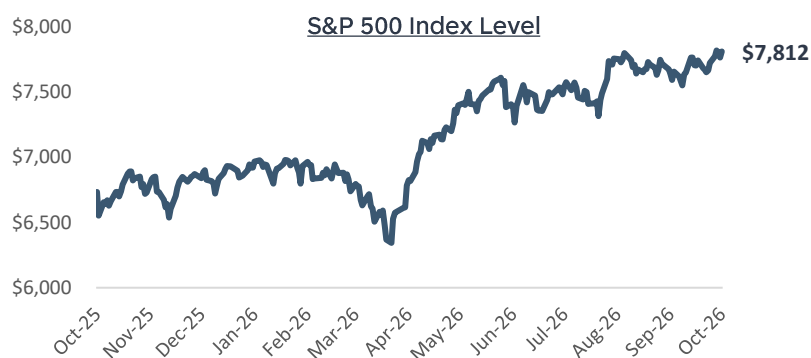
ARCHIVE

[Historical Economic and Market Outlooks Insights](#)

WEBINARS

[Recording: Q3 2026 Market & Economic Outlook](#)

EQUITIES



S&P 500 SECTOR	1-WEEK	YTD
Consumer Staples	4.0%	10.2%
Utilities	4.0%	-0.9%
Energy	3.6%	48.5%
Consumer Discretionary	3.1%	-1.7%
Health Care	2.8%	11.8%
Financials	2.4%	1.2%
Real Estate	1.8%	7.0%
Materials	1.4%	11.0%
Comm. Services	0.9%	5.0%
Information Technology	-0.3%	30.4%
Industrials	-0.4%	10.0%

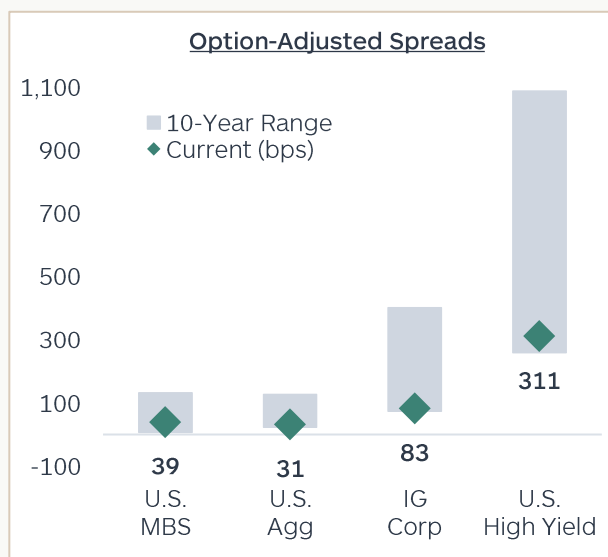
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What's on Our Minds

October 12, 2026

FIXED INCOME

KEY INTEREST RATES	10/9/2026	Δ YTD
Effective Federal Funds Rate	3.88%	0.24%
Municipal Bonds 1-10Y	4.14%	1.17%
3M T-Bill	4.16%	0.53%
10Y Treasury Yield	5.24%	1.07%
U.S. Aggregate	5.51%	1.19%
Prime Rate	7.00%	0.25%
30Y Mortgage Rate	7.48%	1.22%
U.S. High Yield	8.41%	1.33%



COMMODITIES, CURRENCIES, CRYPTO

Asset Class	10/9/2026
Crude Oil	\$91.92
Gold	\$4,186.30
U.S. Dollar Index	\$102.21
Bitcoin	\$82,470.00

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THE WEEK AHEAD

Oct. 12 (Mon.)	Oct. 13 (Tue.)	Oct. 14 (Wed.)	Oct. 15 (Thu.)	Oct. 16 (Fri.)	Coming Up
	Sep. NFIB Small Business Index	Sep. CPI	Weekly Initial Claims	Sep. Import & Export Prices	FOMC (10/28)
	Sep. Existing Home Sales		Sep. PPI	Sep. Industrial Production	
	Sep. Treasury Budget		Sep. Retail Sales		

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What's on Our Minds

October 12, 2026

ABBREVIATIONS: Agg: Aggregate. EM: Emerging Markets. SOFR: Secured Overnight Financing Rate. MBS: Mortgage-backed securities. IG: Investment Grade.

CHART OF THE WEEK: Cerity Partners, FactSet, as of 10/9/2026. Asset classes represented by the following indices: Bloomberg 3 Month T-Bill, Bloomberg US Treasury Bellwethers (2 Y), Bloomberg Municipal Bond Blend 1-10 Year (1-12 Y), Bloomberg US Aggregate, Bloomberg US Treasury Bellwethers (10 Y), Bloomberg US Treasury Bellwethers (30 Y). Total returns reflect index-level duration and convexity, but not the impact of any potential credit losses or changes in credit spreads.

MARKET PERFORMANCE: All returns represent total return for the stated period. 1-Week and Year-to-Date (YTD) returns are as of 10/9/26. Underlying indices are in descending order: Bloomberg US Aggregate provided by Bloomberg Capital; Bloomberg Municipal Bond 10 Yr provided by Bloomberg Capital; ICE BofA US High Yield Index provided by Bloomberg Capital; S&P 500; provided by: Standard & Poor's. Index; Russell 2500; provided by: Russell Investments; MSCI Europe, Australasia, and the Far East (EAFE) provided by MSCI net official pricing; MSCI EM provided by MSCI net official pricing; MSCI All Country World Index (ACWI) provided by MSCI net official pricing; Crude Oil (WTI) provided by CME; LBMA Gold Price PM provided by FactSet. The 60/40 ACWI/Agg Portfolio (60% ACWI / 40% AGG) is not a recommendation and is provided for reference purposes only.

EQUITIES: Top Left-hand Chart, S&P 500 Index Level as of 10/9/26 and provided by Standard & Poor's. Bottom Left-hand Chart, Forward Price to Earnings Ratios refers to the price-to-earnings ratio for the forward 12 months, which is a valuation measure applied to respective broad equity indices as of 10/9/26. Large Cap data is proxied with the S&P 500 and provided by FactSet. SMID data is proxied by the Russell 2500 and provided by FactSet. Developed International data is proxied with the MSCI EAFE and provided by FactSet. Emerging Markets data is proxied by the MSCI EM and provided by FactSet. S&P 500 Sector performance table, Sectors are based on the GICS methodology. Return data are calculated by FactSet using constituents and weights as provided by Standard & Poor's. Returns are cumulative total return for stated period, including reinvestment of dividends. 1-Week and Year-to-Date (YTD) returns are as of 10/9/26.

FIXED INCOME: Top Table, Effective Federal Funds Rate provided by FactSet. Composite Municipal Bond Yield provided by FactSet. Bloomberg US Aggregate provided by FactSet. 3-Month Treasury Bill rate provided by FactSet. 10-Year Treasury Yield provided by FactSet. 30-Year Mortgage Rate provided by FactSet. ICE BofA US High Yield Index provided by FactSet. Prime Rate provided by FactSet. Bottom Table, Option Adjusted Spreads as of 10/9/26. Bloomberg US Aggregate Securitized – MBS, Bloomberg US Aggregate, ICE BofA US Corporate, ICE BofA US High Yield data provided by Bloomberg Capital.

COMMODITIES, CURRENCIES, CRYPTO: WTI NYMEX Crude Oil provided by FactSet. Gold is proxied with the LBMA Gold PM and provided by FactSet. Bitcoin is proxied by the Bitcoin (CME) Continuous index and provided by FactSet. U.S Dollar prices are proxied with the U.S. Dollar Index and provided by FactSet.

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