

MARKET HIGHLIGHTS

- › **Equity markets continued questioning the AI trade's durability**, with funding costs and capital expenditures sustainability in focus. The equal-weight S&P 500 outperformed as rotation favored broader earnings strength over mega-cap AI names.
- › **AI-related companies are increasingly turning to debt markets for financing**, which could strain funding, slow capital spending, and weigh on technology sector earnings.
- › **Widespread protests broke out across France** over high living costs and poor youth prospects, with similar demonstrations in Milan, Lisbon, and Brussels—raising concerns about a broader Eurozone fiscal crisis.
- › **West Texas Intermediate crude broke above \$100 per barrel** while the 10-year Treasury yield fell below 5.0%, breaking the recent correlation between oil and yields.
- › **Housing weakness deepened** as the October National Association of Home Builders Housing Market Index fell to 29, its lowest since 2012, while housing starts dropped 5.2% and pending home sales fell 7.3%.

MARKET PERFORMANCE

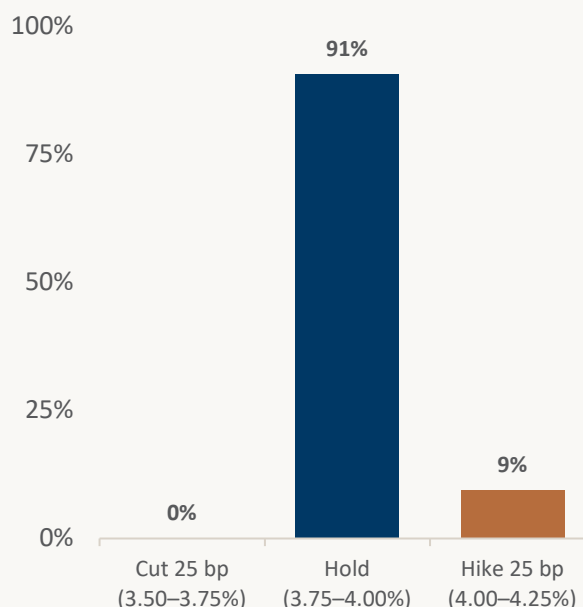
ASSET CLASS	1-WEEK	YTD
U.S. Aggregate Bond (Agg)	0.54%	-1.10%
Municipal Bonds 1-10Y	0.92%	-0.37%
U.S. High Yield	-0.15%	-0.14%
S&P 500	-0.46%	12.40%
Russell 2500 (SMID cap)	1.16%	15.09%
MSCI EAFE (International)	-1.52%	8.57%
MSCI Emerging Markets	-2.62%	14.28%
MSCI ACWI (Global)	-0.89%	11.51%
Crude Oil (NYMEX WTI)	-6.22%	80.18%
Gold LBMA PM	-3.24%	-8.12%
60/40 ACWI/Agg Portfolio	-0.32%	6.46%

WHAT CAUGHT OUR EYES THIS WEEK

Should We Expect the Unexpected?

We expect the Federal Open Market Committee (FOMC) to hold interest rates steady at this week's meeting. So does the federal funds futures market, which currently puts the odds at 91%. This may be the clear base case, but Federal Reserve (Fed) Chair Kevin Warsh has shown a willingness to surprise the market in ways past FOMC chairs would have preferred to avoid. Based on recent speeches, we still see the majority of the FOMC in wait-and-see mode. But against a backdrop of oil prices still north of \$100, consumer prices growing at 3.7% year over year and producer prices growing even faster at 6.3%, perhaps a surprise should not be that surprising. In the press conference, we'll be looking for hints at how the committee is interpreting the ongoing energy disruption. Is it still just a temporary supply shock nearly nine months later? How long can we reasonably look through this without expecting meaningful pass-through to broader inflation pressures? Even if we get a pause, markets overwhelmingly expect another rate hike in December (which appears to be corroborated by the Fed's most recent dot plot).

Implied Probability: October 2026 FOMC Meeting



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

[2026 Year-End Opportunities Guide](#)

[Webinar Recording: Q4 2026 Market & Economic Outlook](#)

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

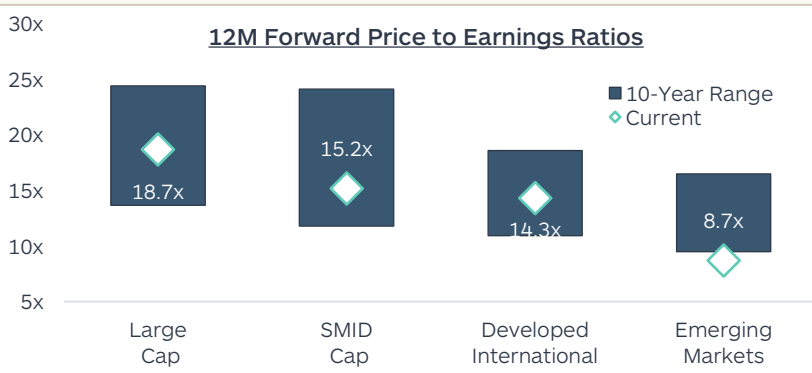
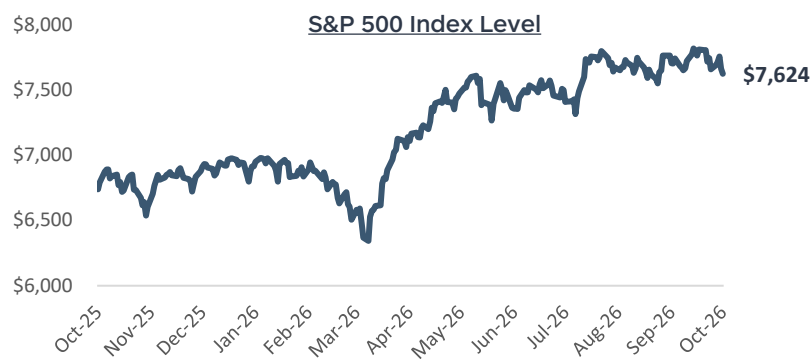
ARCHIVE

[Historical Economic and Market Outlooks Insights](#)

WEBINARS

[Recording: Q4 2026 Market & Economic Outlook](#)

EQUITIES



S&P 500 SECTOR	1-WEEK	YTD
Energy	1.5%	58.3%
Health Care	1.5%	17.3%
Real Estate	0.9%	9.2%
Utilities	0.8%	1.9%
Financials	0.7%	3.4%
Consumer Staples	0.6%	16.4%
Consumer Discretionary	0.5%	-3.1%
Materials	-0.1%	13.7%
Information Technology	-0.2%	21.8%
Industrials	-1.9%	7.0%
Comm. Services	-6.2%	-3.1%

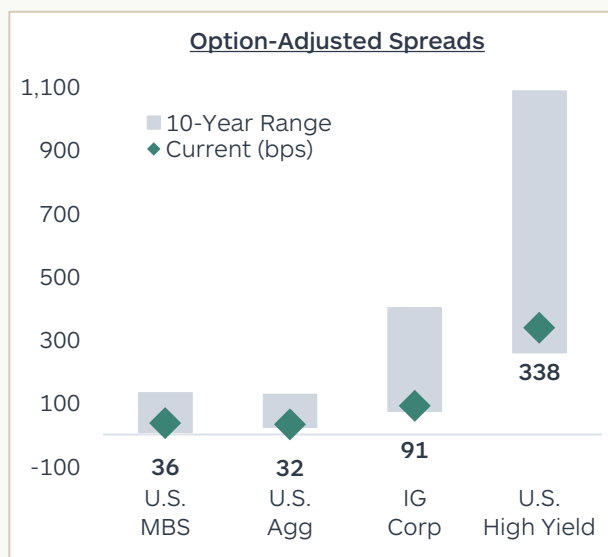
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What's on Our Minds

October 26, 2026

FIXED INCOME

KEY INTEREST RATES	10/26/2026	Δ YTD
Municipal Bonds 1-10Y	3.74%	0.77%
Effective Federal Funds Rate	3.88%	0.24%
3M T-Bill	4.14%	0.51%
10Y Treasury Yield	5.00%	0.83%
U.S. Aggregate	5.33%	1.01%
Prime Rate	7.00%	0.25%
30Y Mortgage Rate	7.43%	1.18%
U.S. High Yield	8.50%	1.42%



COMMODITIES, CURRENCIES, CRYPTO

Asset Class	10/26/2026
Crude Oil	\$103.17
Gold	\$4,013.30
U.S. Dollar Index	\$101.81
Bitcoin	\$81,205.00

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THE WEEK AHEAD

Oct. 26 (Mon.)	Oct. 27 (Tue.)	Oct. 28 (Wed.)	Oct. 29 (Thu.)	Oct. 30 (Fri.)	Coming Up
	Sep. Durable Goods Orders	FOMC Meeting	Weekly Initial Claims	Q3 ECI	Q3 Productivity Data (11/5)
	Oct. Consumer Confidence	Sep. Wholesale Inventories	Sep. Personal Income and Expenditures	Oct. Chicago PMI	Oct. Employment Data (11/6)
	Sep. New Home Sales		Q3 GDP		Oct. CPI (11/10)
	Aug. FHFA Home Price Index				

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

CHART OF THE WEEK: Cerity Partners, CME FedWatch as of 10/26/2026

MARKET PERFORMANCE: All returns represent total return for the stated period. 1-Week and Year-to-Date (YTD) returns are as of 10/23/26. 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 10/23/26 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 10/23/26. 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 10/23/26.

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 10/23/26. 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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