October 2026 Investment Newsletter



Key Takeaways

>> October was characterized by a sharp rotation in market leadership, as defensive and value-oriented areas advanced while technology and growth stocks came under pressure amid growing questions about the returns on AI-related investment.

>> Economic activity remained solid, with U.S. Manufacturing PMI at 54.9 and Services PMI at 57.9, both above the 50-expansion threshold, even as a softer September jobs report and weakness in more rate-sensitive areas pointed to pockets of softness beneath the headline strength.

>> Consumer confidence improved in October as consumers viewed current business and labor market conditions more favorably, although forward expectations remained subdued as elevated prices and affordability concerns continued to weigh on households.

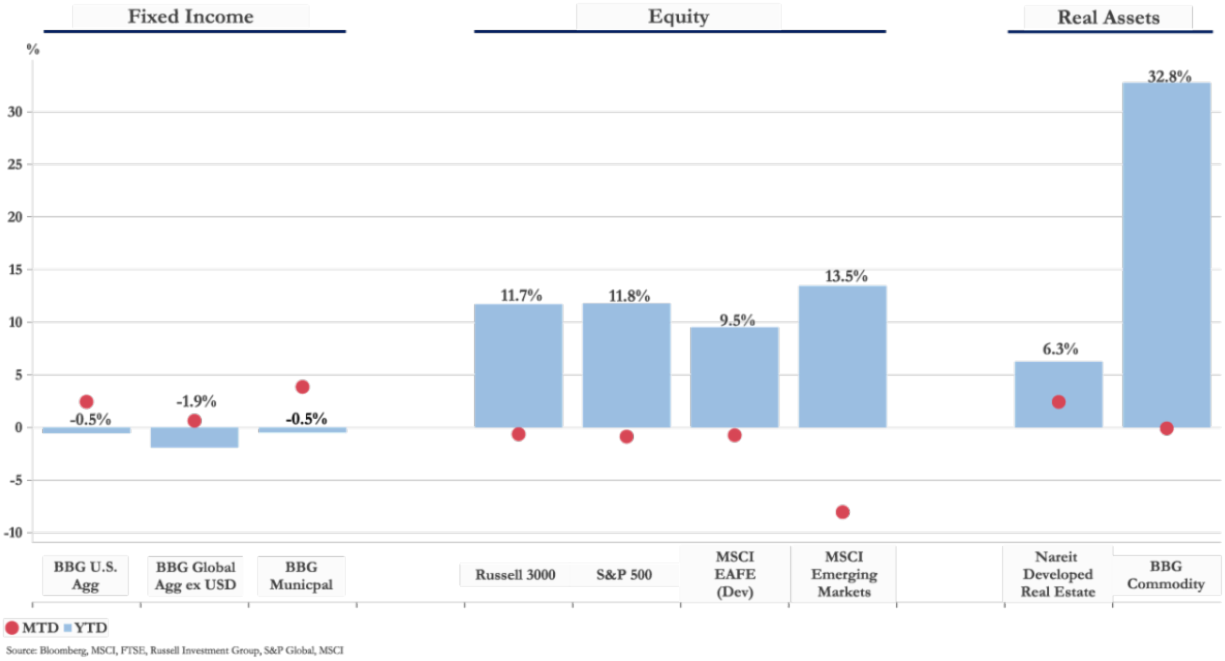
>> The Federal Reserve held the federal funds rate at 3.75%–4.00% on October 28th, maintaining a tightening bias while emphasizing a gradual, data-dependent approach to future policy decisions.

- Investor scrutiny of AI spending intensified as concerns about rapidly increasing capital requirements, valuations, and prospective returns contributed to a sharp reversal in technology shares.
- Market leadership shifted toward defensive and value-oriented sectors, with Consumer Staples, Energy, and Utilities outperforming while Information Technology and Communication Services came under pressure.
- U.S. corporate credit spreads widened as risk appetite weakened, with the deterioration more pronounced in high-yield credit while investment-grade spreads remained comparatively stable.
- Energy emerged as a major macroeconomic force during the month, with WTI crude rising 15.2% to ~$104 per barrel and Brent gaining 13.6% to ~$118 amid elevated supply risks.
- Precious metals moved sharply lower despite the rise in oil prices, with gold declining 6.8% and silver falling 18.7%, highlighting significant dispersion across commodity markets.

Several headwinds converged during October, including higher real yields amid oil-driven inflation, a more hawkish Fed, and thin liquidity potentially amplifying the selloff.

- Overall, October highlighted an increasingly selective investment environment in which resilient economic activity remained supportive, but tighter credit conditions, elevated energy prices, and questions surrounding the returns on AI-related spending challenged the market leadership that had driven gains earlier in 2026.

Asset Class Performance as of 10/31/2026



Economy



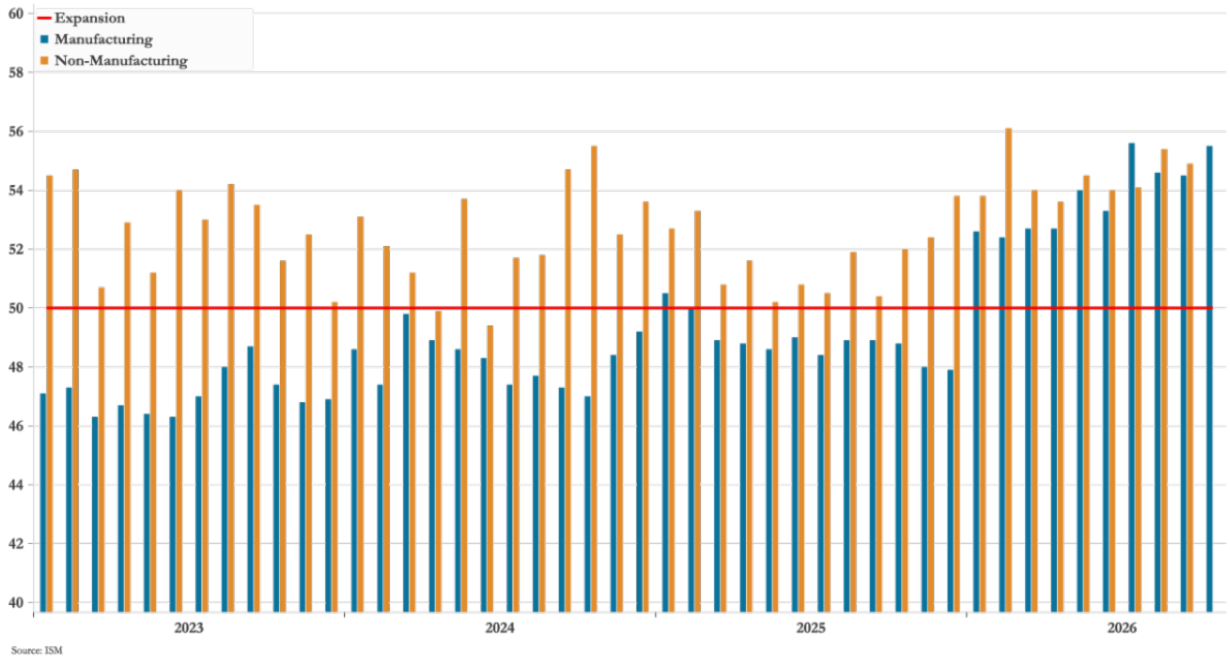
Growth Remains Solid, but Uneven

- U.S. economic activity remained solid in October, with the Manufacturing PMI at 54.9 and Services PMI at 57.9, both comfortably above the 50-threshold that separates expansion from contraction.

- The September employment report showed fewer jobs added than economists expected, briefly pushing back expectations for additional rate increases without materially changing the Federal Reserve's broader tightening bias.

- Beneath the headline strength, economic conditions remained uneven as housing activity stayed weak, income growth moderated, fiscal headwinds increased, and factory output continued to lag the strength suggested by PMI surveys.

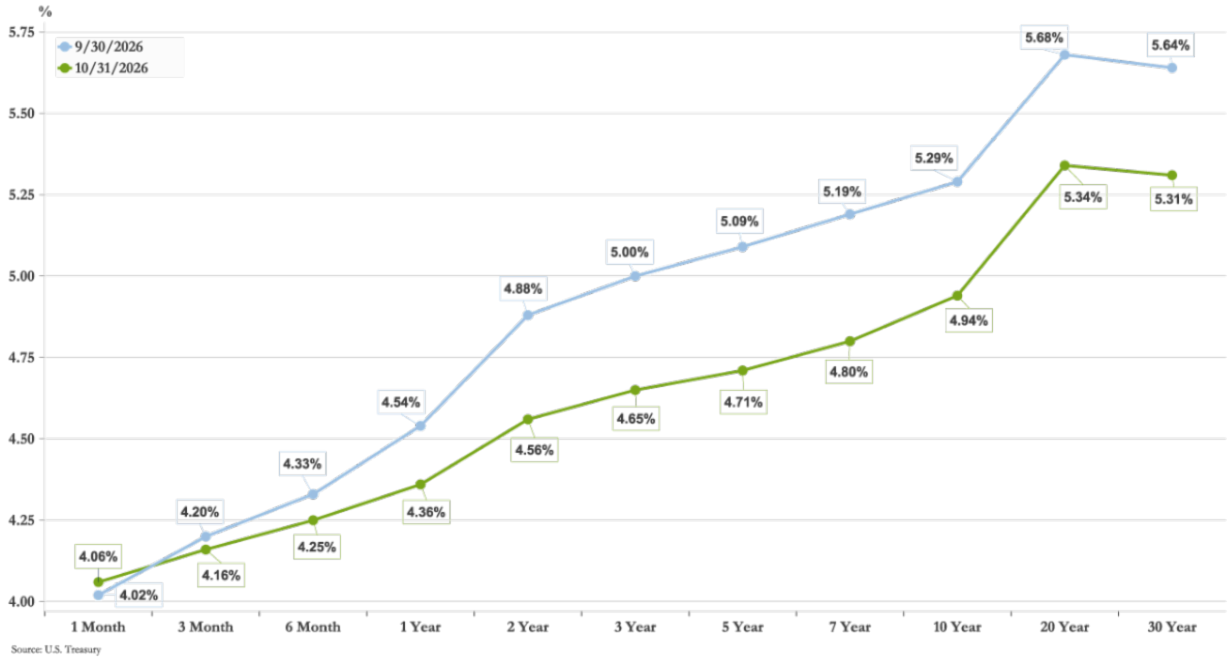
U.S. ISM Index



Yields Fall as Growth Concerns Build

- Following a sharp rise over the past few months, Treasury yields declined across the curve despite the Federal Reserve's tightening bias, with the 2-, 10-, and 30-year yields ending October at 4.59%, 4.93%, and 5.31%, respectively.
- The decline suggested that bond investors were placing greater weight on emerging growth risks, even as higher energy prices introduced the potential for renewed near-term inflation pressure.
- The FOMC held the federal funds rate at 3.75%–4.00% on October 28th and emphasized that additional information would help determine the appropriate policy stance, reinforcing a gradual, data-dependent approach even as policymakers maintained a tightening bias.

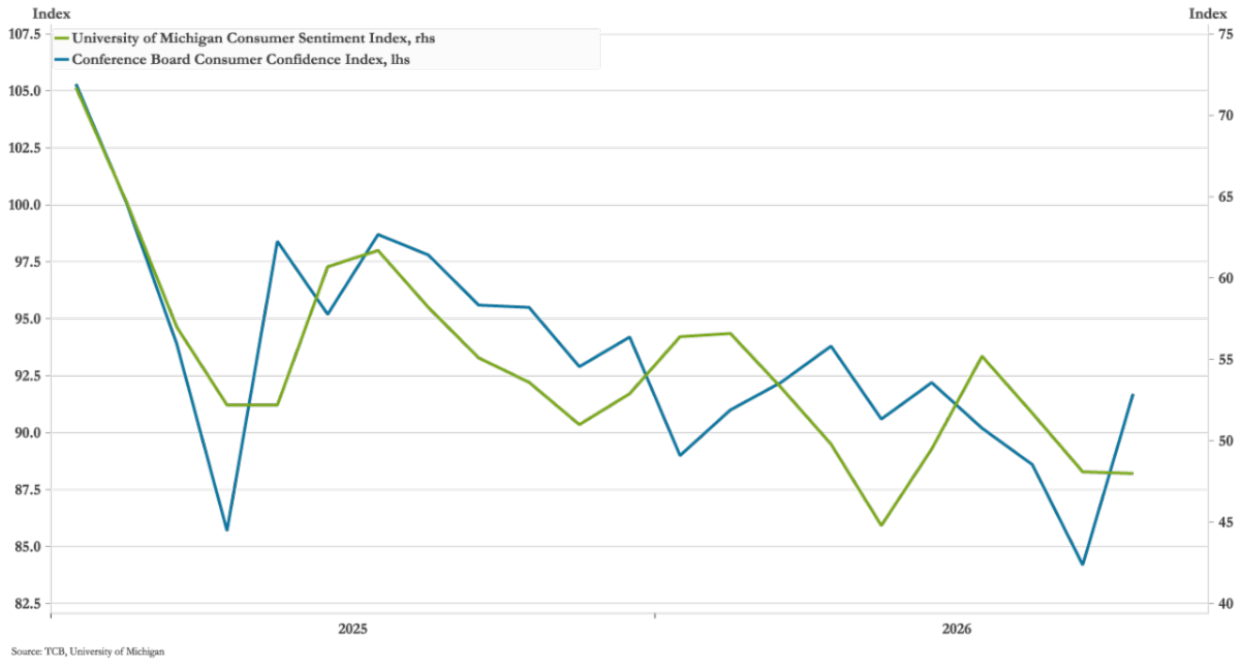
U.S. Yield Curve



Consumer Confidence Rebounds, but Concerns Persist

- Consumer confidence improved in October for the first time in several months, with the Conference Board Consumer Confidence Index rising 7.5 points to 91.7 as consumers reported better assessments of current business and labor market conditions.
- The Expectations Index also strengthened, rising 6.9 points to 72.6, but remained below the 80-threshold associated with recession concerns as elevated prices continued to weigh on household budgets.
- Despite improving confidence, the University of Michigan Consumer Sentiment Index remained subdued at 48.0, as affordability concerns and slightly higher inflation expectations underscored continued caution among consumers.

Consumer Confidence & Sentiment



Source: TCB, University of Michigan

Markets



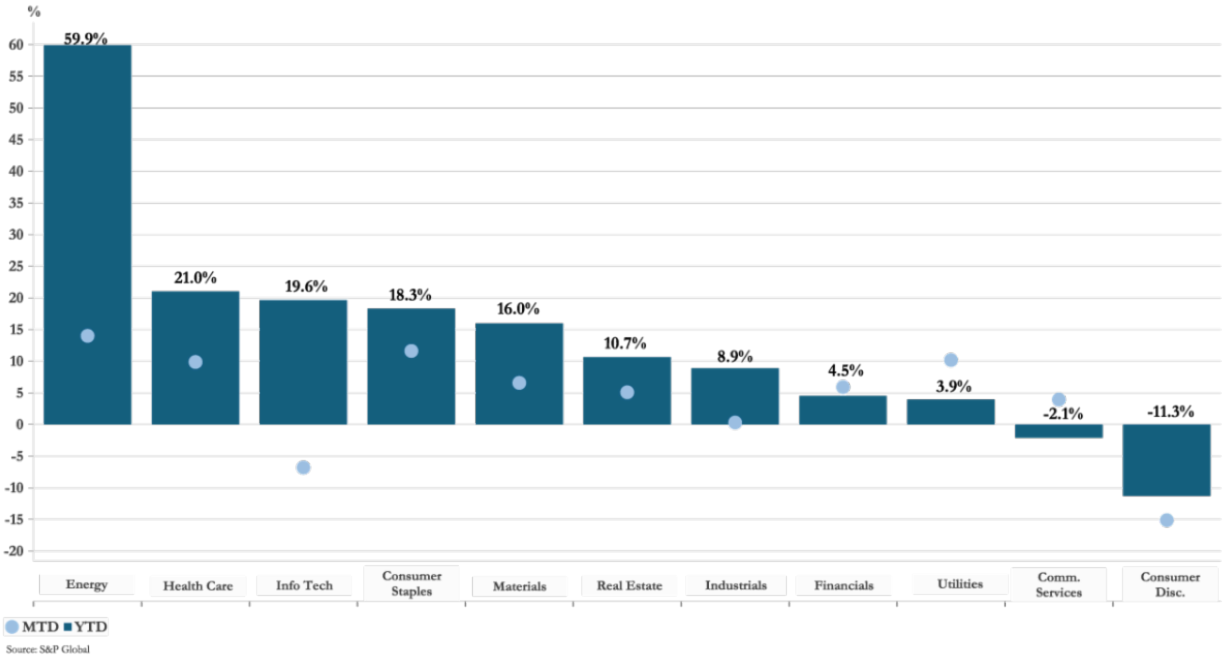
AI Investment Faces Greater Scrutiny

- Investor scrutiny of AI spending intensified during October as Alphabet's results disappointed while Meta raised its capital spending plans, adding to broader questions about whether the returns from rapidly increasing AI investment will justify the significant capital being deployed.

- Those concerns contributed to a sharp reversal in technology shares, with the Nasdaq 100 entering its third technical correction of 2026 as investors reassessed valuations, AI-related capital spending, and the durability of technology-led market gains.

- The resulting rotation favored more defensive and value-oriented areas of the market, with Consumer Staples, Energy, and Utilities outperforming while Information Technology and Communication Services came under pressure.

S&P 500 Sector Returns



Credit Spreads Widen as Risk Appetite Weakens

- U.S. corporate credit spreads widened in October as investors became more cautious toward corporate debt, with increased borrowing needs across the technology sector and higher oil prices contributing to the repricing of credit risk.

- The widening was more pronounced in high-yield credit, with spreads rising above their 200-day moving average, while investment-grade spreads remained comparatively stable, suggesting that investors were demanding greater compensation for taking risk lower in the credit-quality spectrum.

- Wider credit spreads contributed to tighter financial conditions even as Treasury yields declined, highlighting a growing distinction between lower government borrowing rates and the additional risk premium investors demanded to hold corporate debt.

Credit Spreads



Oil Surges as Precious Metals Retreat

- Energy prices rose sharply as tanker attacks in the Persian Gulf and disruptions involving the Strait of Hormuz maintained elevated supply risks, pushing WTI crude 15.2% higher and Brent crude 13.6% higher during October.
- Precious metals moved sharply in the opposite direction, with gold declining 6.8% and silver falling 18.7% as both reversed some of their earlier gains.
- Weakness extended to copper and natural gas, which declined 1.8% and 4.2%, respectively, underscoring substantial dispersion across commodities as geopolitical developments supported crude oil while most other major commodities retreated.

Gold & Brent Crude Oil - Spot Prices



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Definitions & Descriptions

U.S. Agg
Bloomberg U.S. Aggregate Bond Index
The Bloomberg U.S. Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS, and CMBS (agency and non-agency).

Global Agg ex USD
Bloomberg Global Aggregate Index
The Bloomberg Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes Treasury, government-related, corporate, and securitized fixed-rate bonds from both developed and emerging markets issuers.

BBG Municipal
Bloomberg Municipal Bond Index
The Bloomberg Municipal Bond Index covers the U.S. dollar-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and pre-refunded bonds.

Russell 3000
Russell 3000 Index
The Russell 3000 Index measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market. It is constructed to provide a comprehensive, unbiased, and stable barometer of the broad market and is completely reconstituted annually to ensure new and growing equities are included.

Russell 2000
Russell 2000 Index
The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. It is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combi-nation of their market cap and current index membership.

S&P 500
S&P 500 Index
The S&P 500 Index is a market capitalization-weighted index of 500 widely held stocks often used as a proxy for the stock market. It measures the movement of the largest issues. Standard and Poor’s chooses the member companies for the 500 based on market size, liquidity, and industry group representation. Included are the stocks of eleven different sectors.

MSCI EAFE (Dev)
MSCI EAFE Index
The MSCI EAFE Index (Europe, Australasia, Far East) captures large- and mid-cap representation across developed markets countries around the world, excluding the U.S. and Canada. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

MSCI Emerging Markets
MSCI Emerging Markets Index
The MSCI Emerging Markets Index captures large- and mid-cap representation across emerging markets countries across the world. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

HFRI Fund Weighted Composite
HFRI Fund Weighted Composite Index
The HFRI Fund Weighted Composite Index is a global, equal-weighted index of single-manager funds that report to HFR Database. Constituent funds report monthly net of all fees performance in US Dollar and have a minimum of $50 Million under management or
$10 Million under management and a twelve (12) month track record of active performance. The HFRI Fund Weighted Composite Index does not include Funds of Hedge Funds.

Nareit Developed Real Estate
FTSE EPRA/NAREIT Developed Index
The FTSE EPRA/NAREIT Developed Index is designed to track the performance of listed real estate companies and REITS worldwide. Index constituents are free float-adjusted, subject to liquidity, size, and revenue screening for inclusion.

BBG Commodity
Bloomberg Commodity Index
The Bloomberg Commodity Index reflects commodity futures price movements and is calculated on an excess return basis. The index rebalances annually weighted 2/3 by trading volume and 1/3 by world production, and weight-caps are applied at the commodity, sector, and group level for diversification. The roll period typically occurs from the 6th-10th business day based on the roll schedule.

DJIA
Dow Jones Industrial Average
The Dow Jones Industrial Average (DJIA), commonly known as “The Dow”, is a price-weighted measure of 30 U.S. blue-chip companies. The index covers all industries except transportation and utilities.

Consumer Confidence Index
The Consumer Confidence Index is a measure based on a survey administered by The Conference Board that reflects prevailing business conditions and likely developments for the months ahead. This monthly report details consumer attitude, buying intentions, vacation plans, and consumer expectations for inflation, stock prices, and interest rates.

U.S. Dollar Index (DXY)
The U.S. Dollar Index (DXY) is an index of the value of the United States dollar relative to a basket of foreign currencies, often referred to as a basket of U.S. trade partners’ currencies. The Index goes up when the U.S. dollar gains “strength” (value) when compared to other currencies.

ISM Manufacturing Index
The ISM Manufacturing Index, also known as the purchasing managers’ index (PMI), is a monthly indicator of U.S. economic activity based on a survey of executives covering all North American Industry Classification System’s businesses in the manufacturing sector.

ISM Non-Manufacturing Index
The ISM Non-Manufacturing Index is a monthly indicator of U.S. economic activity based on a survey of executives covering all North American Industry Classification System’s businesses in the services (or non-manufacturing) sector.

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