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October 2026

Market Update
(all values as of 09.30.2026)

Stock Indices:

Dow Jones	50,906
S&P 500	7,651
Nasdaq	26,861

Bond Sector Yields:

2 Yr Treasury	4.88%
10 Yr Treasury	5.29%
10 Yr Municipal	4.13%
High Yield	8.16%

YTD Market Returns:

Dow Jones	5.91%
S&P 500	11.77%
Nasdaq	15.57%
MSCI-EAFE	8.05%
MSCI-Europe	3.83%
MSCI-Far East	19.22%
MSCI-Emg Mkt	21.40%
US Agg Bond	-2.91%
US Corp Bond	-3.11%
US Gov't Bond	-2.85%

Commodity Prices:

Gold	4,189
Silver	60.75
Oil (WTI)	90.34

Currencies:

Dollar / Euro	1.13
Dollar / Pound	1.32
Yen / Dollar	157.37
Canadian /Dollar	0.70

Macro Overview

A warning about the evolvement of Artificial Intelligence from three of the most influential figures surrounding AI drew attention about how humanity could be affected. The development of superhuman machine intelligence, also know as SMI, has become a focal point of concern for some scientists and engineers.

Crude exports from the Middle East rebounded in September to their highest level since the war began in February. Shipments via the Strait of Hormuz and bypass routes were delivering just under 80% of their prewar regional flows as of the end of the quarter.

Because of the anticipation of a Fed rate hike, analysts believe that equity markets are not expected to contract following a rate increase, but rather may even rally on the news. Equity and bond markets continue to be enthusiastic about expanding revenue and margins stemming from AI, thus placing a greater emphasis on that rather than on an already anticipated rate increase.

OPEC continues to endure challenges with its single largest producer, Saudi Arabia, seeing a significant drop in production. Saudi Arabia's crude oil production plunged to the lowest level since 1990, as renewed hostilities between the U.S. and Iran have hindered the kingdom's export routes and oil production.

Recent data suggest that sustained consumer and business demand is outweighing the spike in energy costs and supply chain snarls brought on by the conflict with Iran. This type of domestic economic activity tends to buffer global political riffs from overseas.

Government bond yields have been rising worldwide, with yields on the 10-year Japanese government bond breaching 3% in September, the highest level since 1996. Bond yields also rose in Germany, South Korea, France, U.K., Italy, Australia, and the United States.

U.S. consumer sentiment, as measured by the University of Michigan Consumer Sentiment Index, fell in September to a four-month low amid deepening worries about rising prices and the outlook for economic growth. The gauge decreased to 48.1 in September from a month earlier, with respondents' economic outlook for the year ahead falling to the lowest level since 2022.

A growing number of fixed income analysts believe that the Federal Reserve's stance on fighting inflation with continued rate increases might push the economy into a recession. The cost to borrow for consumers has risen on everything from homes and cars, to credit cards and personal loans, prompting consumers to reconsider future expenditures.

More than 34,600 people died in five Western European countries due to heat this summer as the region posted its hottest June, July and August on record.

A growing number of equity analysts expect that the fourth quarter of 2026 will bestow favorable earnings, resulting in a lift to equity indices heading into 2027.

Sources: Federal Reserve, Treasury Dept., Univ. of Michigan, OPEC, Bloomberg

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CURRENT STOCK MARKET VALUE OF $78 TRILLION IS 230% OF U.S. GDP

Equities Endure Volatility – Domestic Stock Market Update

Volatility jolted equities in the third quarter, as uncertainty surrounding the conflict with Iran and rising rate jitters drove stock prices in varying directions. Earnings have become a focal point in the fourth quarter, as analysts estimate that the S&P 500 index will have favorable earnings reported for the 4th quarter heading into 2027. Technology and communications sector stocks led the S&P 500 index in September, while all other nine sectors were negative. Some analysts believe that such a disparity is indicative of an AI-driven stock index, meaning that AI-related companies are accounting for the majority of S&P 500 gains so far this year. Semiconductor stocks currently account for roughly 60% of the average daily activity for the S&P 500 index, divulging the extent of the run-up in the sector over the past year and a half. Such exposure could exert undue volatility to the broad index should a pullback in the sector occur.

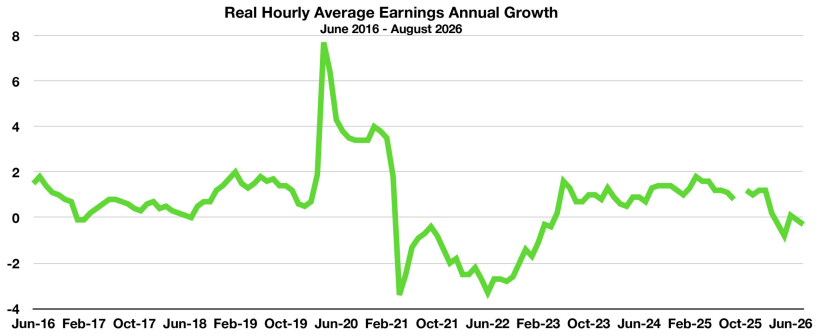
Currently, the total U.S. stock markets' value of approximately $78 trillion is 230% of U.S. GDP, which is roughly $32 trillion. The current ratio is nearly double of what it was in 2000, before the dot-com fallout. This gauge is followed by analysts and investors alike, but only for a long-term perspective on company and market valuations. (Sources: S&P, Bloomberg)

Fed Leans Towards More Hikes – Fixed Income Overview

Treasury Secretary Scott Bessent attempted to curtail falling Treasury bond prices in September by buying $6 billion in long-term Treasury bonds. Markets were expecting a more sizable buyback and reacted with a lackluster reception. Short-term yields elevated approaching long-term yields in the third quarter as the Fed communicated its intention to raise short-term rates in order to combat inflation. The Treasury yield curve has been flattening since the beginning of the conflict with Iran. A flattening yield curve for Treasuries can also be indicative of a slowing economic environment and tightening availability of credit. U.S. mortgage rates rose to the highest level in more than two years, weighing on a housing market which has been suppressed by inflated prices and sluggish sales. The average 30-year fixed mortgage rose to 7.12% in mid-September, from 6.06% at the beginning of the year. (Sources: Freddie Mac, U.S. Treasury)

Wages Are Not Keeping Up With Inflation – Labor Market Update

For the past five months, prices have been rising faster than wages, a dynamic that might have pushed consumers to scale back. Instead, consumers have kept spending regardless of rising prices and lingering wage growth. The Federal Reserve Bank of Richmond reported that consumer consumption rose at the fastest pace in over a year in August, with government data revealing an increase in sales for cars, clothing and restaurants. To keep spending, households across the country are drawing on a wide range of resources, including home equity lines of credit, going to food banks to free up money for other purchases, and using AI-driven web applications to find grocery deals. Economists and analysts wonder how much longer can consumers maintain spending as wages aren't keeping up with inflation. Any pullback in interest rates would help substantially, as variable rates would fall offering consumers some relief. (Source: Fed)



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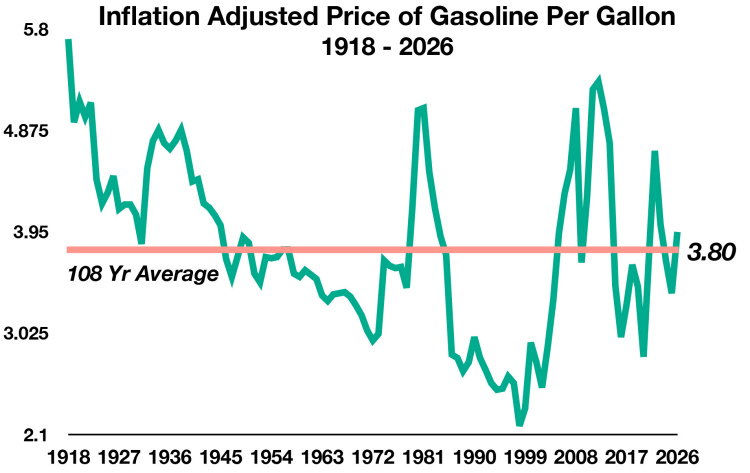
GASOLINE IN 1918 IN TODAY'S DOLLARS WAS ROUGHLY $3.80 PER GALLON

Gasoline Prices Aren't As Bad As They Appear – Energy Markets Overview

After adjusting for inflation, gasoline prices are actually not as bad as they appear. When taking inflation into account, the average cost of a gallon of gasoline in 1918 in today's dollars was roughly $3.80 per gallon, versus $4.46 at the end of September. Gasoline prices traded around $2.80 per gallon on average a few days before the conflict erupted.

Advancements in processing and transporting gasoline have lowered gasoline prices over the decades, compared to what the fuel used to cost when taking inflation into account. Limited production at the turn of the century (early 1900s) made gasoline more difficult to find as stations and pumps were sparsely located. Today, roughly 150,000 gasoline stations exist across all 50 states, according to data from the Bureau of Transportation Statistics.



Gasoline prices vary from state to state due to imposed state regulations and fuel grade guidelines. As of the end of the third quarter, California had the most expensive gasoline of all 50 states, at $6.24 gas is about 40% above the $4.46 national average. Washington, Hawaii and Alaska also ranked as states with the priciest gasoline. States with the cheapest gasoline include Indiana, Texas and Oklahoma, with an average price of about $3.69. Distance and proximity to refineries and pipelines is also a factor in determining gasoline prices. (Sources: U.S. Dept. of Energy, Bureau of Transportation Statistics)

Consumers Aren't Feeling It – Consumer Behavior

A Federal Reserve study titled "Tracking Consumer Sentiment Versus How Consumers Are Doing Based on Verified Retail Purchases", suggests that consumers don't want to give up their lifestyles regardless of rising prices and lower wages. A gauge of the outlook for the economy slumped in September to the lowest level since 2022. Consumer expectations for personal finances also deteriorated as rates rose and wages stagnated.

Inflationary expectations took a turn in September, as the University of Michigan Consumer Sentiment Index revealed that consumers actually bought more larger ticket items in September, such as cars and appliances. Many economists believe that this occurs when consumers expect prices to keep rising in the near future. The Fed looks for dynamics such as this in order to justify rate increases that eventually put a damper on rising prices. If consumers have to pay a higher interest rate to purchase a car or a washing machine on credit, then the additional cost to borrow will eventually dissuade consumers from making such a purchase.

Since the start of the year, consumer sentiment has declined for all groups by age, education, geography, political party and income, according to the Fed report. Ironically, buying conditions for durable goods have temporarily improved due to a perception that completing such purchases now would help consumers avoid higher prices in the future. (Sources: Federal Reserve, University of Michigan)

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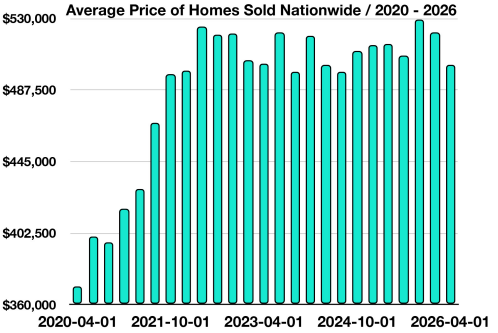
OVER 90 REFINERIES HAVE SHUT DOWN NATIONWIDE SINCE 1990

Home Price Cuts On The Rise – Housing Market Update

Approximately one in five homes for sale had a price cut in August, the highest amount for any August since 2020 according to Freddie Mac data, while 45% of August sales involved a seller concession. The typical home spent 50 days on the market, up from 36 days when rates were approaching 8% nearly three years ago. With 1.5 million homes for sale, up 46% from 2023, buyers have ample room to negotiate.

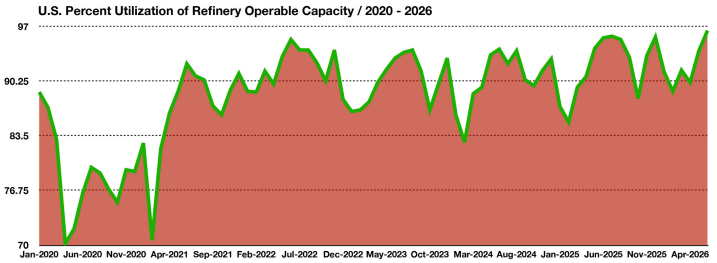


Various factors affect home prices, including supply of homes, economy, labor market, demographics and interest rates. Insurance coverage is becoming more of a growing factor as coastal areas and wildfire-prone areas are seeing heightened premiums and random policy cancellations. With the average selling price of a home nationally at over $500,000, mortgage loan interest becomes much more of an obstacle for buyers.

Sellers have begun to slash asking prices on their homes across the country, resulting in lower sales prices for homes. The average price of a home sold has fallen from $541,000 over the past year to $500,000, representing roughly a 7.5% drop. As asking prices decline, buyers have the upper hand, allowing for stronger negotiation and lower loan payments. (Sources: Freddie Mac)

U.S. Refineries Running At Nearly Full Capacity- Domestic Oil Industry

As passage of crude oil through the Strait of Hormuz remains a tense venture, global oil prices and production have been severely disrupted. Many countries have turned to the U.S. to supplement their oil demand as supplies from the middle east have diminished. Domestic oil production is currently exceeding what the nation consumes, resulting in about 5-6 million barrels a day which are being exported.



The evolvement of drilling and fracking techniques has garnered consistent increases in domestic production over the past few years. This robust production has led to an increased demand for refineries as crude oil supplies expand. The origin of the U.S. oil industry stems from the 1850s, when drilling for oil first occurred in Pennsylvania. Hindering continued expansion of the industry were the buildout of pipelines to transport oil, and refineries to process or refine crude oil into products such as gasoline. Because of the structural complexity and regulations surrounding oil refineries, the industry has struggled for years as the capacity to refine oil has dwindled. Since 1990, over 90 refineries have shut down nationwide, creating a growing shortage for refining capacity. In 1990, the U.S. produced about 9 million barrels of oil per day. As of this past month, U.S. oil production nears 14 million barrels per day. The increase in production, along with limited refining capacity, creates production bottlenecks that contribute to higher gasoline prices. (Sources: Library of Congress, U.S. Dept. of Energy)