D|A|DAVIDSON WEALTH MANAGEMENT

The Weekly Market Update - 9/28/26: Equity Gains Narrow as Interest Rates Rise

Major Indices (Price Returns)	Close	Last Week	Quarter-to-Date	Year-to-Date	LTM	All-Time High	% from High
S&P 500	7,743.41	1.21%	3.25%	13.12%	19.86%	7,798.99	0.7%
Dow Jones Industrial Average	51,828.62	0.28%	-0.94%	7.83%	13.80%	54,349.12	4.9%
NASDAQ Composite	27,068.72	2.06%	3.26%	16.46%	26.16%	27,244.28	0.6%
Russell 2000	2,837.55	-0.80%	-6.18%	14.33%	19.91%	3,068.42	8.1%
MSCI EAFE (USD)	3,148.63	0.18%	1.02%	8.85%	15.66%	3,262.58	3.6%
MSCI Emerging Markets (USD)	1,732.35	1.26%	0.55%	23.35%	37.66%	1,802.77	4.1%
Bloomberg Commodity Index	144.32	-0.77%	17.16%	31.57%	40.41%	237.95	64.9%
Barclays U.S. Aggregate Bond	89.61	-0.90%	-3.70%	-4.75%	-3.71%	112.07	25.1%

Source: FactSet

The 2026 surge in interest rates continued in September, with U.S. Treasury yields reaching multi-year highs. While leading large-company equity indices remain close to all-time highs, gains have narrowed considerably, indicating potential investor concern. The U.S. 2-year Treasury yield (TY) closed at 4.93% on 9/24/26, its highest level since May 2024. We view the 2-year Treasury note as a proxy for U.S. short term interest rates, and in recent years the 2-year rate fluctuations have accurately reflected future interest rate moves from the Federal Reserve Bank (Fed), although with uncertain timing. Two-year yields have moved sharply higher since the beginning of the year (3.48% on 12/31/25) and as recently as 8/31/26 at 4.34%. The U.S. 10-year TY (a proxy for long-term interest rates) was 5.23% on 9/28/26, the highest level in 19 years. Higher interest rates, especially rapid increases in a short period of time, can weigh on economic growth. Higher borrowing rates for consumer debt (mortgages, car loans, credit cards) can erode budgets and slow spending. According to data from FactSet, the U.S. average 30-year fixed mortgage interest rate moved to 7.17%, the highest level since February 2025. The 2026 mortgage rate low was 6.44% in March. Companies will also face higher interest expense on bank lines of credit and corporate debt. Monthly economic data reported for July and August (third quarter-to-date) has remained solid, in our view, but investor caution has elevated, driving narrow leadership for equities. The S&P 500 equity index, on 9/25/26, closed at a price of 7,743. This reflected a 2026 year-to-date (YTD) increase of +13.1%, and a 3Q-to-date (6/30/26 to 9/25/26) gain of +3.3%. For the YTD period, 9 of 11 macro sectors (from MSCI's Global Industry Classification Standards, or GICS) have posted gains. But, in 3Q-to-date, just 5 of the 11 sectors were positive, and more recently in September (as of 9/25), just 3 sectors were higher. Communication Services and Technology lead September gains. Both sectors include market leaders tied to artificial intelligence (AI) infrastructure investment, which remains robust despite the interest rate headwinds. More down sectors in September reflect broad-based weakness from interest rate-sensitive groups like Utilities, Financials, and REITs, as well as Consumer Discretionary, which is tied to consumer spending.

Several factors have contributed to rising interest rates and higher rates for longer could limit equity market upside. The 2026 surge in Treasury yields is correlated with the start of the Iran conflict causing inflation from petroleum products and other commodities. In addition, tepid demand for U.S. Treasury debt has pushed rates higher as investors consider another year of a higher U.S. budget deficit, as through August (11 months of fiscal 2026), the FY26 U.S. deficit was -$1.97 trillion. If rates remain near current levels (i.e., don't move meaningfully higher), it may reflect interest rates normalizing more in-line with historical levels after the Fed kept rates abnormally low for more than a decade following the Global Financial Crisis and COVID shutdown, and supporting sustained economic growth. Capital markets appear healthy, and many companies are issuing bonds to finance AI capital investment, creating competition for financing.

The last week of September includes important data on inflation and the labor market as investors continue to assess the impact of higher interest rates. As 3Q26 comes to a close, October and 4Q26 begin on Thursday. But September economic data will be reported over the next few weeks, with September PCE inflation on 9/30/26. September CPI inflation was reported already but the Federal Reserve Bank watches PCE closely and this inflation measure is expected to show an increase of +3.8% Y/Y, up from +3.7% in August. Friday's September labor report is expected to show an increase of +100 thousand jobs, reflecting solid growth.

James D. Ragan, CFA
Co-CIO, Director of Investment Management & Research
(206) 389-4070
jragan@dadco.com

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Market Indices: The information on indices is presented for illustrative purposes only and is not intended to imply the potential performance of any fund or investment. Indices provide a general source of information on how various market segments and types of investments have performed in the past. Index performance assumes the reinvestment of all distributions, but does not assume any transaction costs, taxes, management fees, or other expenses. You may not invest directly in an index. Past performance is not an indicator of future results. The S&P 500 Index is a market cap weighted index that is designed to measure the US large-cap equity performance. The index is composed of the 500 leading publicly traded US companies based on size, liquidity, industry, and profitability criteria. The Dow Jones Industrial Average is a price weighted index that tracks 30 large, exchange-traded companies trading on the New York Stock Exchange (NYSE) and the NASDAQ. The NASDAQ Composite Index measures all NASDAQ domestic and international based common type stocks listed on The NASDAQ Stock Market. Today the NASDAQ Composite includes over 3,000 companies. The Russell 2000® Index is a market cap weighted index that measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The MSCI EAFE® Index (Europe, Austral, Asia, Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US and Canada. The MSCI EAFE® Index (Europe, Austral, Asia, Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US and Canada. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The S&P 500 Equal Weight Index is compiled by S&P Dow Jones. It is an equal-weight version of the widely used S&P 500. The index includes the same constituents as the capitalization-weighted S&P 500, but each company is allocated a fixed weight, or 0.2%, of the index total at each quarterly rebalance.

The Russell 1000 index includes the largest 1000 companies (by market capitalization in the Russell 3000 index. The Russell 1000® Growth Index is a market cap weighted index that measures the performance of the large-cap growth segment of the U.S. equity market. It includes those Russell 1000 companies with relatively higher price-to-book ratios and higher expected earnings growth rates. The Russell 1000® Value Index includes those Russell 1000 companies with relatively lower price-to-book ratios and lower expected earnings growth rates.

The Global Industry Classification Standard (GICS) is a four-tiered, hierarchical industry classification system. Companies are classified quantitatively and qualitatively. Each company is assigned a single GICS classification at the Sub-Industry level according to its principal business activity. MSCI and S&P Dow Jones Indices use revenues as a key factor in determining a firm's principal business activity. The 11 sectors are: Communication Services, Consumer Discretionary, Consumer Staples, Energy, Financials, Health Care, Industrials, Information Technology, Materials, Real Estate, and Utilities.

FactSet is a data aggregation software utilized by D.A. Davidson's Wealth Management Research. The FactSet consensus refers to the aggregate of all analysts estimates from firms that submit estimates to FactSet for a given financial metric.

The Federal Reserve Bank's Open Market Committee (FOMC) consists of twelve members – the seven members of the Board of Governors of the Federal Reserve System, the president of the Federal Reserve Bank of New York, and four of the remaining eleven Federal Reserve Bank presidents, who serve one-year terms on a rotating basis. The FOMC holds eight regularly scheduled meetings per year. At these meetings, the Committee reviews economic and financial conditions, determines the appropriate stance of monetary policy, and assesses the risks to its long-run goals of price stability and sustainable economic growth. The most recent FOMC was on 9/15/26 and 9/16/26. The Fed balance sheet represents the value of Treasury securities and mortgage securities that the Fed owns and are held as assets.

The term "monetary policy" refers to the actions undertaken by a central bank, such as the Federal Reserve, to influence the availability and cost of money and credit to help promote national economic goals. The Board of Governors of the Federal Reserve System is responsible for the discount rate and reserve requirements, and the Federal Open Market Committee is responsible for open market operations. The Federal Reserve influences the demand for, and supply of, balances that depository institutions hold at Federal Reserve Banks and, in this way, alters the federal funds rate. The federal funds rate is the interest rate at which depository institutions lend balances at the Federal Reserve to other depository institutions overnight. The Summary of Economic Projections (SEP) represent individual projections from Federal Reserve Board members and Fed bank presidents and rely upon individual assumptions. Federal Reserve Bank statements can be found at federalreserve.gov.

The Treasury yield curve displays the market interest rate across different contract lengths for U.S. Treasury securities, indicating the relationship between the interest rate and the time ("term") to maturity. The yields of the 2-year and 10-year U.S. Treasury notes are widely followed barometers of the current U.S. interest rate environment. Treasury security data used in calculating interest rate spreads is obtained directly from the U.S. Treasury Department, through FactSet.

The consumer price index (CPI) is a measure of average change, over time, in the prices paid by urban consumers for a market basket of goods and services. It is reported monthly by the U.S. Bureau of Labor Statistics. The U.S. Personal Consumption Expenditures (PCE) Price Index is an indicator of the growth in consumer spending and measures the value of goods and services purchased by persons who reside in the U.S. It is reported monthly by the Bureau of Economic Analysis. PCE inflation is the percentage rate of change in the price index for personal consumption expenditures (PCE).

Gross domestic product (GDP) refers to the monetary measure of the market value of all final goods and services produced within a country's borders within a specific time period. Real GDP is adjusted for the impact of inflation. GDP numbers are compiled by the Bureau of Economic Analysis (BEA), a division within the U.S. Department of Commerce. Quarterly GDP is reported as a percentage change from the prior quarter, annualized. The BEA also reports data as a year-over-year percentage change from the same period one year prior. The most recent GDP report can be found at www.bea.gov. Major components of GDP include personal consumption expenditures, non-residential fixed investment, residential investment, government expenditures and adjustments for inventories and net exports (imports). Non-Residential Fixed Investment includes several subcategories including software and information processing equipment that measure investment in technology. Imports of goods and services are subtracted from GDP data (products are not produced or performed in the U.S) while exports are added to GDP. Gross domestic final purchases measures the market value of goods and services purchased by U.S. residents, regardless of where the goods and services were produced. It excludes the GDP net exports adjustment. Monthly data on PCE (consumer spending) is reported by the BEA in its Personal Income and Outlays report. This report also includes the personal savings rate, with is personal savings as a percentage of disposable income, measured monthly.

Generative Artificial Intelligence (GenAI): We think of artificial intelligence as using advanced computers to process large amounts of data to ultimately approach human problem solving and decision making. While still predictive models, generative AI can give detailed responses, much better than a search engine, which does a good job of telling the user where to go to find additional information. As generative AI systems access more data, they become larger and learn to make better decisions. At each iteration, the system gains knowledge, enhancing its predictive (reliable) capabilities and ability to produce original content. Generative AI systems become more robust as they are used as all new data can be trained into the system, creating new challenges and opportunities. AI infrastructure refers to spending on data centers, graphic processors (GPUs), networking, power, and cloud computing capacity.

U.S. oil prices are often described using the price per barrel of West Texas Intermediate (WTI. This is a high quality low density crude oil grade sourced primarily from the Permian basin. Futures contracts and spot prices are traded on the New York Mercantile Exchange (NYMEX). Data on the economics of oil price changes on the retail price of gasoline can be found from the Federal Reserve Bank of St. Louis and the U.S. Energy Information Administration (EIA). WTI was quoted at $106 per barrel on 9/15/26, the highest level since late May, but as of 9/21/26, was $92 per barrel.

Retail Sales measures the change in retail sales for the given time period; the Monthly Retail Trade Survey provides current estimates of sales at retail and food service stores and is answered by about 4,900 retail and food service companies that are designed to represent the complete universe of over three million retail and food service firms in the U.S.; the control group excludes volatile items like gasoline, motor vehicles, and building materials; ex-auto excludes motor vehicles and parts dealers; ex-auto fuel excludes gasoline and motor vehicles; data reported by the U.S. Census Bureau. August retail sales increased +1.2% from July and +5.3% year-over-year (vs. July 2025).

The Bureau of Labor Statistics (BLS) compiles U.S. labor statistics from two monthly surveys. The household survey measures labor force status by demographics, while the establishment survey measures nonfarm employment and data by industry. The nonfarm payrolls component of the establishment survey is drawn from private businesses and government entities. The nonfarm payrolls number is among the most widely used data points to assess U.S. employment trends. The unemployment rate is the percentage of the labor force that is jobless and actively willing and available to work. As of 9/4/26, the monthly change in nonfarm payrolls was reported as: March: +214 thousand (K), April: +148K, May: +63K, June: +31K, July: +21K, and August: +162K.

The U.S. Treasury reports monthly revenue and spending data for the Federal government. Updates can be found at fiscaldata.treasury.gov. Also included is the total amount of U.S. Treasury debt outstanding.

The Global Financial Crisis (GFC) was a severe global economic downturn that continued over parts of 2007, 2008, and 2009. The beginning of the downturn was caused a collapse of the real estate market and mortgage lending that exposed risks in the global banking system.

Our mortgage rate data was sourced through FactSet using the Invesco Fixed Rate 30-Year MBS Index. It tracks 30-year fixed mortgages from Fannie Mae and Freddie Mac.