



The Weekly Market Update - 10/5/26: Latest Jobs Data Tames Inflation Hawks, For Now

Major Indices (Price Returns)	Close	Last Week	Quarter-to-Date	Year-to-Date	LTM	All-Time High	% from High
S&P 500	7,722.72	-0.27%	0.93%	12.81%	15.46%	7,798.99	1.0%
Dow Jones Industrial Average	51,176.96	-1.26%	0.53%	6.48%	10.30%	54,349.12	6.2%
NASDAQ Composite	27,190.86	0.45%	1.23%	16.99%	19.99%	27,244.28	0.2%
Russell 2000	2,832.90	-0.16%	1.29%	14.14%	16.27%	3,068.42	8.3%
MSCI EAFE (USD)	3,095.35	-1.69%	-0.97%	7.01%	11.87%	3,262.58	5.4%
MSCI Emerging Markets (USD)	1,708.91	-1.35%	0.24%	21.68%	26.96%	1,802.77	5.5%
Bloomberg Commodity Index	141.51	-1.95%	-0.19%	29.01%	35.25%	237.95	68.2%
Barclays U.S. Aggregate Bond	88.91	-0.78%	-0.05%	-5.48%	-5.25%	112.07	26.0%

Source: FactSet

A tepid September jobs report, along with modest wage growth, eases some near-term inflation fears and could extend the timeline for the next Federal Reserve Bank (Fed) interest rate hike. Nonfarm payrolls (jobs) from the Bureau of Labor Statistics (BLS) increased +29 thousand (K) in September, below the +90K FactSet consensus estimate. In addition, August jobs, originally reported +162K for the month, were revised lower to +133K. Average monthly jobs gains over the past three months are now +51K, and the 2026 monthly average (nine months through September) is +68K. In our view, jobs growth in 2026 supports sustained economic growth, but is not accelerating and does not reflect a labor market boom that could add to inflation pressures if labor demand exceeds supply. In addition, September wage growth, as measured by average hourly earnings (AHE, from the BLS), increased +3.0% year-over-year (Y/Y), its lowest monthly Y/Y increase of the year (2026 peak was +3.7% in both January and February). Equities rallied following the jobs release, with the S&P 500 and Nasdaq Composite indices increasing +0.7% and +1.2%, respectively, on Friday. Markets in September reacted to Fed concern that inflation pressures were building, which may require a series of increases to their overnight fed funds interest rate target range beyond the Fed's +0.25% hike in September (the fed funds target is currently 3.75% to 4.00%). As of 9/30/26, the fed funds futures market (as calculated by the CME Group Fed Watch Tool) reflected a 64% chance that the Fed would implement an additional +0.25% rate hike when it next meets on 10/28/26. After the jobs report (10/2/26), the futures market shifted to just a 22% chance of another hike in October but still sees a hike in December. We believe that equity investors remain on edge about the future path of Fed policy as a sustained period of rate hikes (multiple hikes over multiple meetings into 2027) can ultimately become a risk to equity prices if the hikes slow the economy. For now, investors reacted positively to good, not great, labor data, but for the week ended 10/2/26, the S&P 500 was down -0.3%, and market-traded interest rates (beyond Fed control) were higher. The U.S. 10-year Treasury yield (a proxy for long-term interest rates) was 5.28% on 10/2, up from 5.16% and 5.01% one week and two weeks earlier, respectively. Multiple factors, including inflation, have contributed to elevated interest rates, creating challenges for market valuations.

Jobs gains have broadened in 2026, including contribution from construction and manufacturing. September jobs gains were led by healthcare +17K, along with modest gains from manufacturing, construction, transportation/warehousing, and professional/technical. In the third quarter (July, August, September), healthcare also led jobs gains with +59K over the three months, but construction and manufacturing added +45K and +44K, respectively. Transportation and warehousing also added +21K jobs. Over the past 12 months (September 2025 to September 2026), nonfarm payrolls increased +496K, but that was net of a one-year decrease of -232K from the federal government and -120K from information services. Full-year jobs gains from health care, construction, manufacturing, leisure & hospitality, retail trade, and professional indicate that hiring trends in the private economy remain positive.

The first full week of October is quiet from an economic data and earnings standpoint, but that won't last for long. The FactSet consensus for 3Q26 gross domestic product (GDP) is +2.8% (net of inflation, annualized) as of 10/2/26. Business investment and consumer spending data through August were solid, ahead of most September reports. The consensus estimate for S&P 500 3Q26 Y/Y earnings growth was +29% as of 10/2/26, with all 11 macro GICS sectors (Global Industry Classification Standards) expected to report 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 meeting was on 9/15/26 and 9/16/26. The Fed has two more scheduled meetings in 2026, both two-day meetings that end on 10/28/26 and 12/9/26, respectively.

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](https://www.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): a subset of artificial intelligence and machine learning that can produce new text, images, video, or audio clips from users' prompts. GenAI is trained on large datasets of training data, called a large language model (LLM), to find statistical patterns in the LLM. The GenAI uses those statistical relationships to generate unique responses to prompts. 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.

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 10/2/26, the monthly change in nonfarm payrolls was reported as: March: +214 thousand (K), April: +148K, May: +63K, June: +31K, July: -10K, August: +133K, and September: +29K.

S&P 500 earnings growth reflects the year-over-year change in operating earnings on a per share basis. Earnings data are aggregated for all S&P 500 constituents and are measured according to the relative market capitalization weights for each company. Estimated earnings are the combined FactSet estimates of analysts covering each company included in the index.

We track a measure of wages, average hourly earnings, or AHE, of all private employees, which is calculated and reported on a monthly basis by the U.S. Bureau of Labor Statistics. The data measures average hourly earnings of all private employees on a "gross" basis (includes overtime and late shift work but excludes benefits).

The CME Group published a FedWatch Tool that computes the probability of changes to the Fed rate (fed funds interest rate target) implied by 30-day fed funds futures prices. The probability of a rate hike (or conversely, a rate cut) is calculated by adding the probabilities of all target rate levels above (or below) the current target rate. Probabilities of possible fed funds target rates are based on fed funds futures contract prices, assuming that rate hikes/cuts are uniformly sized in increments of 25 bp (0.25%), and that the Effective Fed Funds Rate (EFFR) will react proportionally to the size of the hike/cut.