



The Weekly Market Update - 10/19/26: A Test for the Market Leaders

Major Indices (Price Returns)	Close	Last Week	Quarter-to-Date	Year-to-Date	LTM	All-Time High	% from High
S&P 500	7,659.44	-1.95%	0.10%	11.89%	14.52%	7,818.93	2.1%
Dow Jones Industrial Average	52,002.41	0.67%	2.15%	8.20%	12.08%	54,349.12	4.5%
NASDAQ Composite	26,140.03	-4.48%	-2.68%	12.47%	15.36%	27,599.79	5.6%
Russell 2000	2,721.37	-3.05%	-2.70%	9.65%	11.69%	3,068.42	12.8%
MSCI EAFE (USD)	3,122.04	1.41%	-0.12%	7.93%	12.83%	3,262.58	4.5%
MSCI Emerging Markets (USD)	1,620.63	-5.16%	-4.94%	15.40%	20.40%	1,802.77	11.2%
Bloomberg Commodity Index	144.42	0.34%	1.86%	31.67%	38.04%	237.95	64.8%
Barclays U.S. Aggregate Bond	89.97	0.85%	1.14%	-4.36%	-4.13%	112.07	24.6%

Source: FactSet

The S&P 500 equity index had its worst week since late June due to broad Technology sector weakness, but many sectors traded higher. The S&P 500 declined -2.0% for the week ended 10/16/26, after a -6.4% plunge in the S&P 500 Technology (Tech) sector. This was the worst week for the Tech sector in 2026 as artificial intelligence (AI) infrastructure-connected sub-industry groups - semiconductors, communications equipment (networking equipment for data centers), and electronic equipment (components for data centers) - saw pervasive selling. Three other S&P 500 sectors (as measured by MSCI's Global Industry Classification Standards, or GICS) were also lower on the week, but 7 of the 11 sectors posted gains, with Energy +5.0% and Consumer Staples +5.0% leading the way. Technology, by a wide margin, represents the largest S&P 500 sector based on market capitalization, comprising 38% of the index as of 10/16/26, and the 2nd and 3rd largest sectors were Financials (at 12%) and Communications Services (at 10%). We believe multiple factors contributed to recent weakness in AI-affected stocks related to high levels of capital spending driving the infrastructure build-out. Outstanding debt of a few specialized cloud-based data center providers (referred to as neoclouds) traded substantially lower (driving yields higher) for the week. This weighed on equity prices and raised questions about the ability to increase borrowing in the current environment. In addition, while AI capital spending growth by most accounts is robust, growth rates are likely to slow, and the uncertain timing of "peak" investment becomes an investor risk. Even after last week's Technology decline, however, the sector's year-to-date (YTD) increase as of 10/16/26 was +21.4%, well above the index gain of +11.9% (not including dividends). The semiconductor S&P 500 sub-industry group YTD gain was +34.1% and the communications equipment group increased +39.5%, a testament to the strong rally in the sub-industries through most of the year. With Tech comprising such a large weight in the S&P 500, upside in the index is limited by relative underperformance of the sector. We expect some relief as third quarter earnings results are reported, with Tech-sector and AI-related earnings growth expected to remain on a solid trajectory.

September consumer inflation was a bit higher than expected but long-term Treasury yields moved lower on the week. The consumer price index (CPI, from the Bureau of Labor Statistics) increased +3.7% year-over-year (Y/Y) in September, up from +3.4% in August and the highest Y/Y month since May. Much of the uptick was attributed to energy (gasoline and fuel oil) but core CPI, which excludes energy (and food), was +2.6% vs. +2.4% in August. On a month-to-month basis, prices for both goods and services categories surged, creating more concern that inflation pressures are rising. The yield on the U.S. 10-year Treasury bond (a proxy for U.S. long-term interest rates) closed the week at 5.08%, the lowest level in nearly one month and down from 5.24% the prior week. A logical reason for the rally in bond prices (driving yields lower) was that investor money coming out of the Technology sector was allocated to long-term bonds, viewed as a safe haven amid rising uncertainty.

Third quarter earnings reports take center stage this week, and expectations remain high. Through early Monday, 47 S&P 500 companies (9%) had reported 3Q26 financial results, and 79 index constituents are scheduled to report this week. For the overall index, the consensus 3Q26 earnings growth estimate (FactSet) was an increase of +29.1%, and the early reports have tracked above that number. The consensus estimate for Y/Y sales growth was +9.3%, as of 10/16/26, with all sectors expected positive. This reflects deceleration from 2Q26 sales (+15.7%) and 1Q26 sales (+11.9%).

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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. Each of the GICS sectors has multiple sub-industry groups, allowing further categorization of S&P 500 constituents. The Information Technology sector has six sub-industry groups. Software, Semiconductors/Semiconductor Equipment, Communications Equipment, Electronic Equipment, Instruments and Components, IT Services, and Technology Hardware, Storage & Peripherals.

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 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).

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. Data on earning and sales growth estimates are reported daily by FactSet and further data is provided in a weekly publication titled, Earnings Insight.

U.S. Treasury bonds are often referred to as a safe haven, as the bonds are backed by the full faith and credit of the U.S. government. The U.S. Treasury market is among the largest and most liquid in the world allowing for ease of trading.