The Weekly Market Update - 11/02/26: Markets Mixed in October, GDP Shines

Major Indices (Price Returns)	Close	Last Week	Quarter-to-Date	Year-to-Date	LTM	All-Time High	% from High
S&P 500	7,580.07	-0.57%	-0.93%	10.73%	10.82%	7,818.93	3.2%
Dow Jones Industrial Average	51,770.31	-0.85%	1.70%	7.71%	8.85%	54,349.12	5.0%
NASDAQ Composite	25,437.00	-2.00%	-5.30%	9.44%	7.22%	27,599.79	8.5%
Russell 2000	2,811.84	1.29%	0.54%	13.29%	13.41%	3,068.42	9.1%
MSCI EAFE (USD)	3,100.62	0.85%	-0.80%	7.19%	10.83%	3,262.58	5.2%
MSCI Emerging Markets (USD)	1,566.63	-0.72%	-8.11%	11.55%	11.78%	1,802.77	15.1%
Bloomberg Commodity Index	141.21	-1.73%	-0.41%	28.73%	31.60%	237.95	68.5%
Barclays U.S. Aggregate Bond	90.90	0.50%	2.19%	-3.37%	-3.47%	112.07	23.3%

Source: FactSet

Technology sector weakness grabbed October headlines, but multiple sectors gained and U.S. Treasury yields retreated. The widely followed S&P 500 equity index, after three consecutive weekly declines, ended October down -0.9% for the month (this followed a modest decline of -0.5% in September as well). The October index drop at the sector level was limited to Communication Services (Comm Services, -15.2%) and Technology (Tech, -6.8%) as each of the other nine sectors (as measured by MSCI's Global Industry Classification Standards, or GICS) posted a monthly gain. Tech and Comm Services are both highly linked to investment spending for artificial intelligence (AI) infrastructure, which has encountered intermittent investor support in recent months. In June and July, AI weakness was attributed to concerns about a potential peak in capital spending, but then AI stocks rallied in August and September. In October, investor concerns rotated to high levels of AI spending eroding corporate cash flow, causing many of the Tech and Comm Services leaders to access the capital markets (raising debt and equity). Over the two-month period from September to October, just 4 of the 11 sectors were positive (Energy, Consumer Staples, Utilities, and Health Care). This likely reflected investor uncertainty ahead of the midterm elections and geopolitical worries, even as third quarter earnings reports run ahead of expectations. Interest rate pressure eased in October as both the 2-year (a proxy for U.S. short-term interest rates) and 10-year (a proxy for long-term rates) Treasury yields (TY) backed off from multi-year highs. The U.S. 2-year TY closed October at 4.60%, down from 4.81% on 9/30/26, and the 10-year TY dropped to 4.93% from 5.24%. While Treasury yields remain elevated on a year-to-date basis, the recent pullback provides some relief for interest-rate-sensitive sectors of the economy.

U.S. economic growth exceeded estimates in the third quarter (3Q26), led by business investment and consumer spending. According to the Bureau of Economic Analysis (BEA), the U.S. economy, as measured by gross domestic product, or GDP, grew +3.4% annualized, adjusted for inflation, in 3Q26. The pace of growth exceeded both 2Q26 (+2.2%) and 1Q26 (+2.5%) as both business investment (+12.7% annualized) and consumer spending (+3.8%) delivered the best growth quarters of the year. Business investment was led by AI infrastructure spending, including information processing equipment, software, research & development, and industrial equipment. Consumer spending reflected growth in both services and goods, with services spending growth picking up from the prior quarter (2Q26) and spending on goods growing slowing from 2Q26. Consumer growth of +3.8% was the best in nine quarters and was a strong result despite weak consumer sentiment due to inflation and affordability concerns. In our view, spending is driven by high-income consumers, a solid labor market, and a willingness to dip into savings. Business comprised 16.7% of inflation-adjusted GDP in 3Q26, up from 15.3% in 3Q24 (two years ago). This has been the largest contributor to better-than-expected GDP growth in 2026, in our view, but creates a high bar for sustained growth contribution in 2027.

The U.S. midterm election is on Tuesday, 11/3/26, and some market volatility should be expected. Despite solid year-to-date equity market gains and U.S. GDP growth that has exceeded expectations, markets are prepared for a change in control at the congressional level. Political polarization remains elevated and perhaps equity markets (the S&P 500 increased +10.7% YTD as of 10/31/26) welcome the likelihood of split government (control of the House of Representatives, Senate, and President split between the two parties). In the six prior mid-term election since 2000, change in control in Congress has happened each time.

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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).

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. The most recent GDP report, for the third quarter of 2026 was released of 10/29/26 and can be found at bea.gov.

When we discuss "growth stocks" we are referring to companies that generate expected earnings growth (over a multi-year period) that is above expected earnings growth for the overall market (typically the S&P 500 index). The largest sector weights (by market capitalization) in the Russell 1000 growth index (as of 12/31/25) were Information Technology, Consumer Discretionary, and Communication Services.

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"Value" stocks are characterized by companies that trade at discounted valuations to an index, sector, and/or a peer group. The largest sector weights in the Russell 1000 value index (as of 12/31/25) were Financials, Industrials, and Health Care. Defensive sectors are considered less exposed to a slowing business cycle as revenue streams can continue. Defensive sectors include Consumer Staples, Utilities, and Health Care. Interest rate sensitive sectors include Financials, Utilities, REITS, as well as consumer sectors that are dependent upon financial such as housing and automobiles.

The 2026 U.S. national mid-term election will be held on 11/3/26. While this is the middle of the Presidential four-year term, all of the U.S. House of Representatives will be on the ballot (two-year terms) and about 1/3 of the U.S. Senate (six-year terms). In recent mid-term elections (since 2000), political party control of one or both houses of Congress have flipped to the opposing party. In 2026, Republicans have narrow majorities in both the House of Representatives and Senate. In addition to the national election, 34 of 50 State Governor elections will be held on the same day. Real Clear Politics (RCP) is a U.S. political news, analysis and polling website. One of its best-known products is the RCP Poll Average, which aggregates polling results from multiple polling organizations for elections. Instead of deciding which individual poll is "right," RCP combines a group of recent polls to produce an average.

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. AI infrastructure refers to spending on data centers, graphic processors (GPUs), networking, power, and cloud computing capacity.

On 2/28/26, the U.S. and Israel launched an air attack on Iran designed to eliminate weapons capabilities and critical infrastructure. On 3/1/26, the White House published a release detailing the operation. Iran and the U.S. announced a ceasefire on 4/8/26 and a Memorandum of Understanding (MOU) on 6/17/26. The MOU did not hold and as of 9/30/26 no framework for peace was in place. Negotiators have held discussions with limited progress.

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. As of data reported through 10/30/26, third quarter S&P 500 year-over year earnings growth (with 60% S&P 500 companies reported) was up +30.1% year-over-year.

Volatility looks at to what degree and how quickly prices move over a given span of time. In the stock market, increased volatility, in the form of rapidly falling prices, is often a sign of rising uncertainty.

Personal Income and Savings is reported monthly by the Bureau of Economic Analysis for individuals and is defined as personal income less personal outlays and taxes. The personal savings rate is personal savings as a percentage of disposable personal income.