



The Weekly Market Update - 10/12/26: October Breadth Improves Ahead of Earnings

Major Indices (Price Returns)	Close	Last Week	Quarter-to-Date	Year-to-Date	LTM	All-Time High	% from High
S&P 500	7,811.54	1.15%	2.09%	14.11%	16.79%	7,818.93	0.1%
Dow Jones Industrial Average	51,654.95	0.93%	1.47%	7.47%	11.33%	54,349.12	5.2%
NASDAQ Composite	27,366.17	0.64%	1.88%	17.74%	20.77%	27,599.79	0.9%
Russell 2000	2,806.98	-0.91%	0.36%	13.10%	15.21%	3,068.42	9.3%
MSCI EAFE (USD)	3,078.66	-0.54%	-1.51%	6.43%	11.26%	3,262.58	6.0%
MSCI Emerging Markets (USD)	1,708.77	-0.01%	0.23%	21.68%	26.95%	1,802.77	5.5%
Bloomberg Commodity Index	143.93	1.71%	1.51%	31.22%	37.56%	237.95	65.3%
Barclays U.S. Aggregate Bond	89.22	0.34%	0.29%	-5.16%	-4.93%	112.07	25.6%

Source: FactSet

All S&P 500 macro sectors posted gains to start October as positive investor sentiment anticipates above-trend third quarter earnings growth. Through early October, as of 10/9/26, the S&P 500 index increased +2.1% (price return) for the month-to-date with broad participation from all 11 sectors (MSCI's Global Industry Classification Standards, or GICS). Admittedly, the month is not yet two weeks old, but the recent gains have reversed broad September weakness after all 11 sectors decreased for the month and the S&P 500 declined -0.5%. Investor headwinds in September included surging interest rates, stubborn inflation, geopolitical uncertainty, and the fast-approaching midterm elections. Those concerns remain in October but are balanced by expectations for strong corporate performance from earnings. S&P 500 year-over-year (Y/Y) earnings growth exceeded estimates in the first half of 2026, driving increased estimates for third quarter (3Q26) earnings and earnings growth as well. S&P 500 1Q26 earnings growth was +29.5% and 2Q26 earnings grew +52.9% (we estimate +30% after adjusting for one-time investment gains). The FactSet consensus S&P 500 3Q26 earnings per share (EPS) estimate is \$89.73 (as of 10/9/26), a Y/Y growth rate of +29%. The growth estimate increased +2% since the end of June, indicating that analysts remain positive for earnings growth prospects. According to FactSet, actual S&P 500 earnings growth has exceeded the final pre-report estimate in 37 of the past 40 quarters. If the pattern holds again, actual 3Q26 earnings growth is likely to exceed +30%, in our opinion. A strong earnings season is a potential catalyst for equities, and because earnings growth has exceeded index gains in 2026-to-date, the S&P 500 valuation multiple, on a P/E (or price divided by estimated earnings) ratio basis, has moved lower. As of 10/9/26, the S&P 500 traded at 19.6x the next four quarters estimated earnings, compared to 22.4x at the beginning of the year. Even so, on 10/6/26, the S&P 500 closed at 7,819, an all-time closing high for the first time in nearly two months. This week, 25 S&P 500 companies are scheduled to report quarterly financial results.

All 11 GICS sectors are expected to show Y/Y 3Q26 earnings growth, led by Energy (+129%) and Technology (+64%). Applying the representative sector weights (Energy and Technology comprised 3.5% and 39.6% of the market capitalization weight of the S&P 500 as of 10/9/26), those two sectors are estimated to contribute 22 points to the +29% estimated index earnings. This suggests that the other 9 sectors are estimated to grow earnings +7%. While still a solid number, the index's underlying, or non-Tech and Energy, growth rate is quite a bit lower than the headline estimate suggests. We believe that continuing the early-October broadening of sector gains will be dependent upon better-than-expected earnings results from several of these non-Tech sectors. Some of the key sectors (and expected 3Q26 Y/Y earnings growth estimates) are Financials (+3%), Consumer Discretionary (+3%), Industrials (+14%), and Materials (+28%). Strong earnings from these more economically exposed companies (cyclicals) would support expectations for continued solid growth in the U.S. economy.

U.S. economic data through August supported a solid growth outlook, and this week we await key September inflation data for a peek at inflation pressure beyond energy. The Bureau of Labor Statistics will report September consumer inflation (consumer price index, or CPI) on Tuesday. Largely due to elevated gasoline prices, the headline CPI is expected to rise +0.6% month-to-month (M/M) and +3.6% Y/Y. We are closely watching core CPI (excluding food & energy) with M/M and Y/Y estimates at +0.2% and +2.4%, respectively. A +2.4% core CPI number remains above the Federal Reserve Bank's +2% target but has continued to improve (lower) since May.

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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 held 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.

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.

The forward S&P 500 price-to-earnings ratio (P/E) is a valuation measure, calculated by dividing the price of the S&P 500 index over the weighted average earnings per share (EPS) estimate of each company in the index. Earnings are based on "forward" consensus estimates expected over the next 12 months (NTM), using quarterly analyst estimates as provided by FactSet. An alternative valuation method, the P/E-to-growth rate, or PEG ratio, compares the P/E ratio to the expected earnings growth rate, often an average over a multi-year period

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. "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.

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.

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). Brent crude reflects pricing for oil from the Atlantic basin. Many believe that Brent crude represents 66% to 80% of the global trade in oil. Brent contracts are traded on the Intercontinental Exchange.

The Strait of Hormuz is located in the gulf between Oman and Iran. According to the U.S. Energy Information Administration, an estimated 20 million barrels are transported on ships through the Strait daily. This includes liquified natural gas (LNG) as well and is an essential waterway for Gulf energy exports. As of 9/30/26, shipping vessels were using the Strait of Hormuz under U.S. protection. But risks of attack remain.

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). The Automobile Club (AAA) monitors daily fuel prices in the U.S., which can be tracked at: gasprices.aaa.com.

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.