

Monthly Market Review

Multi-Asset Class | October 2026

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U.S. Equity

- U.S. equities declined in September. The S&P 500 Index returned -0.3%, while the broader Russell 3000 Index fell 0.8%. Despite the monthly pullback, both indices remained positive for the third quarter, returning 2.3% and 1.4%, respectively.¹
- Only two of the 11 S&P 500 sectors posted positive returns in September. Information Technology led with a 4.5% gain, followed by Communication Services at 4.3% as investors continue to favor companies with strong expected profit growth, particularly those linked to artificial intelligence. Financials was the weakest sector, declining 7.2%.
- Performance was negative across all capitalizations though magnitude varied. Large-caps (Russell 1000) performed the best, with a nearly flat return of -0.6%, while mid-caps (Russell Midcap) and small-caps (Russell 2000) fell 4.2% and 5.3%, respectively. Growth outperformed value among large-cap stocks, gaining 2.2% versus a 3.1% decline for value index. Both styles declined in mid- and small-caps, however growth fared better in mid-caps while underperforming value in small-caps.
- According to FactSet Earnings Insight as of October 2, 2026, analysts are projecting earnings growth of 29.5% year-over-year (YoY) for the third quarter. All 11 sectors are projected to report growth, with five sectors projected to deliver double-digit growth, led by Energy, Information Technology, and Communication Services. Analysts also projected earnings growth of 27.6% for the fourth quarter and 32.4% for calendar year 2026.

Non-U.S. Equity

- Non-U.S. equities struggled in September, lagging U.S. equities. The MSCI ACWI ex-U.S. Index returned -2.4% for the month. Within the MSCI ACWI ex-U.S. Index, Information Technology was the only sector to post a gain in September, returning 3.7%. Materials was the weakest sector, declining 7.9%, followed by Consumer Discretionary at -7.1%.
- Developed markets, represented by the MSCI EAFE Index, returned -3.1% in September, driven by sharp declines in Europe (MSCI Europe) which fell 4.6%. Japan (MSCI Japan) gained 1.5%, supported by AI-linked industrial and tech names.
- Emerging markets performed better relative to developed market equities, with the MSCI Emerging Markets Index down 0.6%. Emerging markets performance dispersion fell along the same lines as developed markets with Taiwan (MSCI Taiwan) and Korea (MSCI Korea) advancing 4.1% and 3.0% due to AI and semiconductor names, while China (MSCI China) and India (MSCI India) fell 4.6% and 6.9%, respectively.

Fixed Income

- Fixed income posted negative returns in September as yields moved higher across the curve. The Bloomberg U.S. Aggregate Index declined 2.6%. Investment-grade credit fell 2.7%, even as investment-grade spreads remained tight. High-yield credit (ICE BofA US HY) declined 2.5% as spreads widened 50 basis points (bps) to 311 bps. Both sit well below their long-term averages.

- Treasury yields rose across maturities in September as the Federal Reserve (Fed) raised its policy rate for the first time in more than three years. The 2-year yield increased 55 bps to 4.9%, the 5-year yield rose 59 bps to 5.1%, and the 10-year yield increased 54 bps to 5.3%, the highest rate in nearly 20 years. The 30-year yield rose 39 bps to 5.6%.
- The U.S. Treasury Master Index returned -2.3%, while shorter-duration 1–5 year Treasury and agency indices held up better, each declining approximately 1.0%. Bond market volatility increased, reaching its highest level since the onset of the conflict in the Middle East.

Listed Real Assets

- Higher rates weighed on listed real estate investment trusts (REITs), leading to negative returns in September, with the FTSE NAREIT All Equity REITs Index returning -5.7%. Lodging and resorts was the only positive segment, gaining 0.7%. The office and diversified segments were the weakest, declining 8.2% and 7.5%, respectively.
- Listed infrastructure also declined in September, lagging broader global equities, as interest rates increased. The FTSE Global Core Infrastructure 50/50 Index returned -5.4% for the month.

Items to Watch

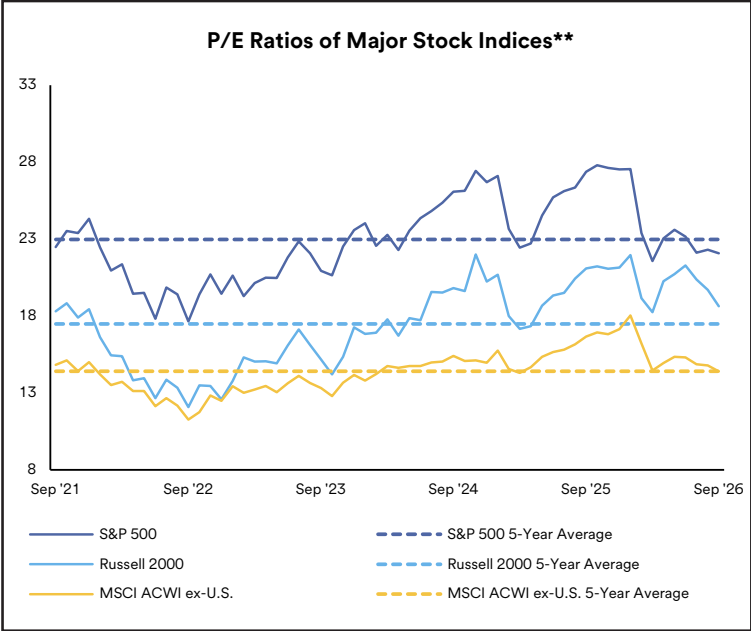
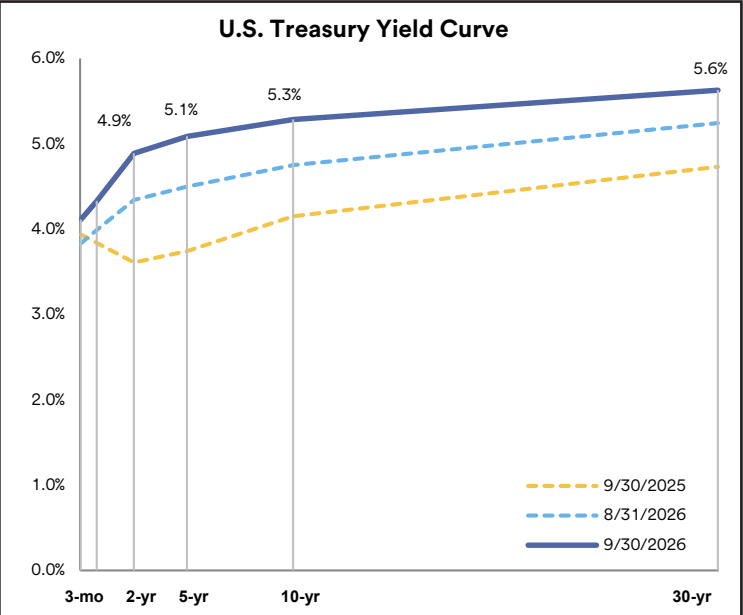
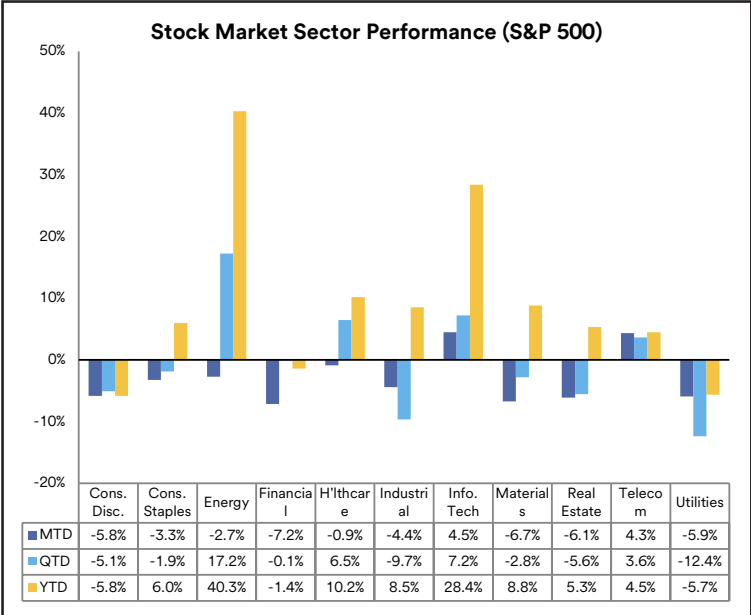
- A new global monetary-tightening cycle is emerging as major central banks raise policy rates and signal more may be needed to tame inflation fueled by the Iran war. The Fed increased its target rate by 25 bps, its first hike since 2023. The Fed's latest "dot plot" indicates at least one additional increase in 2026.
- The European Central Bank (ECB) and Bank of Japan also raised rates for the second time this year as the Middle East energy shock intensified price pressures. Looking forward, inflation in the Eurozone rose to 3.8% YoY in September, its highest level since 2023, keeping pressure on the ECB to consider further rate hikes, while Tokyo core inflation (a leading indicator of nationwide trends) rose 2.7% YoY adding to expectations of a rate hike in December.
- The U.S. and China extended their trade truce through January 2027, maintaining lower tariffs while negotiations continue. The countries further agreed to cut tariffs on \$60 billion worth of goods. U.S. priorities include stronger Chinese compliance with existing commitments, particularly agricultural purchases and rare earth mineral deliveries.
- While shipping risks in the Strait of Hormuz remain elevated due to the ongoing conflict some of the supply pressures eased after repairs to a key Saudi pipeline that bypasses the strait. The G7 also agreed to release crude oil and fuel from emergency reserves, helping reduce near-term supply concerns and partially offset disruption risks across global energy markets in the months immediately ahead.

Sources: Bloomberg, FactSet, Associated Press.

1 - All returns are expressed as total returns (price returns net of dividends).

Total Return of Major Indices				
Domestic Equity	MTD	QTD	YTD	1 YR
S&P 500	-0.3%	2.3%	12.7%	15.7%
Russell 3000	-0.8%	1.4%	12.4%	15.1%
Russell 2000	-5.3%	-7.2%	13.9%	16.4%
Russell 1000	-0.6%	1.8%	12.3%	15.0%
International Equity	MTD	QTD	YTD	1 YR
MSCI ACWI ex-U.S.	-2.4%	0.5%	14.2%	20.0%
MSCI EAFE	-3.1%	0.8%	10.3%	15.7%
MSCI Emerging Markets	-0.6%	-0.4%	23.4%	29.2%
Fixed Income	MTD	QTD	YTD	1 YR
Bloomberg U.S. Agg	-2.6%	-3.5%	-2.9%	-1.8%
Bloomberg Global Agg	-2.4%	-2.5%	-2.7%	-2.4%
ICE BofA U.S. HY	-2.5%	-1.8%	0.0%	1.4%
Listed Real Assets	MTD	QTD	YTD	1 YR
MSCI U.S. REIT	-5.5%	-6.3%	9.5%	7.3%
FTSE NAREIT All Equity REITs	-5.7%	-6.1%	7.9%	5.6%
MSCI World Core Infrastructure	-6.9%	-5.6%	2.9%	3.3%
FTSE Global Core Infrastructure 50/50	-5.4%	-6.6%	3.3%	4.1%

Economic Indicators		
Domestic	Current	Previous
Unemployment Rate (%)	4.1%	4.1%
Initial Jobless Claims (four week average)	200 K	202.5 K
CB Leading Economic Indicators	-0.1	0.2
Capacity Utilization	76.3%	76.3%
GDP (annualized growth rate)	2.2%	2.5%
University of Michigan Consumer Confidence	48.1	51.7
New Home Starts	684 K	643 K
Existing Home Sales	4 MM	4.1 MM
Retail Sales (YoY)	5.4%	4.5%
U.S. Durable Goods (MoM)	0.0%	0.9%
Consumer Price Index (YoY)	3.4%	3.4%
Producer Price Index (MoM)	0.9%	-0.4%
Developed International*	Current	Previous
EAFE GDP (annualized growth rate)	1.6%	1.1%
EAFE Unemployment	4.9%	4.9%
EAFE Inflation	2.5%	2.5%



Source: Bloomberg, FactSet. Data as of September 30, 2026, unless otherwise noted.

*Developed market data excluding the U.S. and Canada. Aggregate figure calculated by FactSet Economics.

**P/E ratios are calculated based on one-year-forward estimates and adjusted to include only positive earning results for consistency.

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