

Week in Review

Equity Markets:

US markets delivered mixed performance last week amidst heavy negativity related to Artificial Intelligence. The S&P 500 Index generated a weekly decline of (-1.94%). And while the Dow Jones Industrial Average posted a gain of 0.67% last week, the Nasdaq retreated (-4.48%). The Nasdaq is now 5% below its all-time high, which was reached earlier this month.¹ The Forward 12-Month Price/Earnings Ratio for the S&P 500 now stands at 19.0, below both its 5-Year Average [19.8] and its 10-Year Average [19.1].²

The market negativity recognized last week was centered upon the Information Technology sector, especially those companies involved in the development of Artificial Intelligence. This was compounded in the US with new inflation reports. Meanwhile, the Earnings Season for the Third Quarter began in earnest last week, centered upon Large and Regional Banks.³

Fixed Income Markets:

Yields on US Treasuries fell for the second week in a row, with longer-term rates falling more than short-term rates, a.k.a., "bull flattening." Both the 10-Year and the 30-Year Treasuries recognized yield declines of 17 basis points last week, bringing their respective yields back down to 5.08% and 5.42%. Treasuries recognized a rally last week after first seeing their yields rise on hotter-than-expected inflation reports. However, a selloff in AI-related stocks led to an inflow to fixed income in pursuit of safety.⁴

The Bloomberg US Aggregate Bond Index rose by 0.88% last week as investors sought lower risk assets, in the process recognizing its first back-to-back weekly gains since last June. Investment-Grade Corporates were up 0.86% while High-Yield Bonds fell (-0.33%).

Economic Updates:

Two new reports gave indication on the sticky nature of US inflation. The Consumer Price Index showed inflation has risen 3.7% on a year/year basis as of the end of September. The Producer Price Index, which reports on wholesale pricing, is up 6.3% year/year, well above forecasts for 5.4% growth. Concurrent to both reports are higher Energy prices, with Gasoline costs rising 9.1% just in September.⁵

The Retail Sales report showed US sales were up 0.8% last month, positive news that beat Wall Street's expectations. However, that figure includes a 6.4% increase in gas station receipts, which swayed total sales upwards.

Looking Ahead

Equity Markets:

This week begins with a broad rebound in the Information Technology trade, with investors seeking opportune pricing on oversold AI-related stocks. Still, concerns have risen recently over the broader markets, especially noting the role that AI has provided in furtherance of equity appreciation. This caution also reflects concerns over pervasively sticky inflation in the US economy.⁶

These factors combine to raise the significance of this week's corporate earnings announcements. Keep in mind that, following last week's announcements, FactSet lowered their earnings growth rate expectations for the Third Quarter to 29%, a 0.4% decline on what are already robust potentials.

Stock investors should also keep their eyes out for geopolitical instabilities in the Middle East as the Iran War looks to restart following the Midterm Elections. Crude oil prices rose above \$100/barrel last week, driven higher from uncertainties over supplies and a surprisingly large withdrawal from US crude stockpiles.

Fixed Income Markets:

The hot CPI and PPI inflation reports last week infer that sticky inflation will compel the Federal Reserve to raise the Key Rate (Fed Funds rate) before the end of the year. The CME Group's FedWatch Tool points to the Fed's Open Market Committee not raising rates when they next meet later this month but doing so by 25 basis points in December.⁷

Fixed Income investors should keep their eyes out for the state of inflation to provide guidance on future yields. Perhaps most especially, future yields will swing on the severity of our current energy shock onto core inflation, to see if higher fuel costs have expanded into other parts of the economy and are raising prices more broadly. This factor is in tandem with services activity and labor market data.

Economic Updates:

Two major surveys will report on consumer well-being: the Consumer Sentiment Index from the University of Michigan, and the Leading Economic Index from the Conference Board. Other notable economic reports next week include the NAHB Housing Market Index; Pending Home Sales; New Housing Starts; and the preliminary S&P Global US Manufacturing, Services, and Composite Purchasing Managers' Index [PMI].⁸

**** See Important Disclosures on following page

Sources:

- 1) JP Morgan Asset Management
<https://am.jpmorgan.com/us/en/asset-management/adv/insights/market-insights/market-updates/weekly-market-recap/>
- 2) FactSet Earnings Insight
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- 7) CME Group
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- 8) LPL Research
<https://www.lpl.com/research/blog/weekly-market-performance-octoberr-16-2026.html>

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