

Week in Review

Equity Markets:

US stock markets delivered mixed results last week, with the S&P 500 Index giving up (-0.25%) as the Third Quarter concluded. The Nasdaq delivered positive gains of 0.46% last week, although the Dow Jones Industrial Average fell by (-1.25%).¹ As of the end of last week, the Forward 12-Month Price/Earnings Ratio for the S&P 500 stood at 19.0. That brings it down below both its 5-Year Average (19.8) and its 10-Year Average (19.1). It's also well off the 20.4 Forward P/E Ratio posted at the end of the Second Quarter.²

For the month of September, the S&P 500 Index declined by (-0.5%) while the DJIA retracted (-4.3%), a significant one-month depreciation. Meanwhile, the Nasdaq recorded a 1.9% gain last month, led by advances in the Information Technology sector. Indeed, the Nasdaq has outperformed both the S&P 500 Index and the DJIA for six consecutive weeks.³

Fixed Income Markets:

A sustained bond market sell-off has pushed yields to multi-decade highs. This has been predicated by a September that saw the Federal Reserve raise interest rates; robust economic data; relatively weak Treasury auctions; heavy corporate supply; maintained volatility in the Middle East; and renewed stresses to European sovereign debts. Last week, yields on the 10-Year Treasury steepened by 11 basis points to 5.27%; they rose 54 basis points last month. The 30-Year Treasuries' yield is currently 5.62%, having reached a recent high not seen since 2007. The Bloomberg US Aggregate Bond Index came down by (-0.60%) last week, with Investment-Grade Corporates declining (-0.70%) and High-Yield Bonds falling (-0.65%).⁴

Economic Updates:

Personal Consumption Expenditures rose 0.3% in August, bringing Headline PCE to 3.4% over the past 12 months. Core PCE (which removed volatile Energy and Food prices) rose 0.2% in August and is up 3.0% year/year. This metric remains the Fed's preferred measure for gauging inflation and is, in fact, moderating.⁵

Nonfarm Payrolls recognized September job growth of 29,000, which missed Wall Street's estimate for 90,000. The report also downwardly revised the NFPs for both July and August by a total of 60,000 new jobs. These results combined to raise the Unemployment Rate to 4.2%.

Last week also saw US Gross Domestic Product grow at a 2.2% estimated annualized rate throughout the Second Quarter. And the ISM Manufacturing Purchasing Managers' Index (PMI) recognized a ninth consecutive month of expansion.

Looking Ahead

Equity Markets:

Wall Street has been giving significant attention to Market Breadth: the difference between the number of stocks rising versus those declining. Last week, the S&P 500 ended near its all-time high. However, less than half of its component companies have traded above their 200-day moving averages, indicating their non-participation in the broader market rally. Indeed, only two of the market's sectors – Energy and Information Technology – have remained positive over this time period while the other nine sectors have underperformed the S&P 500.⁶

Investors should bear these factors in mind as they consider their portfolio diversification.

Fixed Income Markets:

We have seen yields on bonds steepening across multiple classes of fixed income types due to broader economic conditions and factors. These rising bond yields present an interesting dichotomy. For many bond investors who do not hold through duration, such yield swings can have negative implications for their portfolio performance. However, for those new investors seeking income, current bond yields present an opportunity to buy into yields at levels not seen since before the Great Recession of 2008.⁷

Investors considering fixed income should consider speaking with their investment advisors to discuss these factors and how they could impact their existing financial plans.

Economic Updates:

This week sees the publication of the Minutes from the Federal Open Market Committee's September meeting, providing insight into future movement of interest rates. We also will see the release of the S&P Global US Services and Composite PMI as well as the ISM Services Index. Further announcements include August's Consumer Credit Report, Wholesale Trade Sales, and Wholesale Inventories, as well as the preliminary October Consumer Sentiment Report from the University of Michigan.

**** 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
https://advantage.factset.com/hubfs/Website/Resources%20Section/Research%20Desk/Earnings%20Insight/EarningsInsight_100226.pdf
- 3) John Hancock Investment Management, LLC
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<https://www.nuveen.com/en-us/insights/investment-outlook/fixed-income-weekly-commentary>
- 5) T. Rowe Price
<https://www.troweprice.com/personal-investing/resources/insights/global-markets-weekly-update.html>
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- 7) LPL Research
<https://www.lpl.com/research/blog/weekly-market-performance-octoberr-2-2026.html>

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