

Weekly Market Perspectives

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“Bank results and outlooks this week will provide a clear current read on the economy and could shape how investors view the macroeconomic environment heading into year-end.”

Will the Q3 earnings season set the tone for how stocks finish the year?

U.S. stocks were mostly higher last week, with the S&P 500 Index and NASDAQ Composite setting fresh record highs early in the week as broader market participation improved and Treasury yields stabilized. This week, September CPI and the start of the third-quarter earnings season will be in focus.

Last week in review:

- The S&P 500 Index rose +1.2% last week, the Dow Jones Industrial Average gained +1.0%, and the NASDAQ Composite added +0.6%. The Russell 2000 Index fell 0.9%, its fifth straight weekly decline. Notably, the equal-weight S&P 500 outperformed the cap-weighted Index and posted its first weekly gain in eight weeks. Consumer Staples, Utilities, and Energy led sector performance, while Industrials and Technology lagged.
- Treasury yields moved lower across the curve, with the 10-year yield ending the week at 5.24% and the 30-year at 5.60%. Demand at the week's 10-year and 30-year Treasury auctions was solid. The U.S. Dollar Index rose +0.3%. Gold gained +1.3% after two straight weekly declines, and West Texas Intermediate (WTI) crude traded in a volatile range.
- The AI trade also showed volatility. The Philadelphia Semiconductor Index fell 4.3%, pressured in part by a report that OpenAI's annualized revenue was approaching \$50 billion, below the widely cited \$70 billion figure. Later reports attributed the gap largely to methodology, with OpenAI expecting annualized revenue to reach or exceed \$70 billion by year-end. Marvell Technology raised its long-term targets, and Lumentum said its optical components for AI servers are sold out through early 2029.
- Economic data kept inflation in focus. ISM Services prices paid rose to their highest level since July 2022. Preliminary October University of Michigan consumer sentiment came in below expectations, with the current conditions index falling to its lowest reading in the survey's history. One-year inflation expectations rose to +4.7%.
- Middle East tensions remained elevated. Iranian attacks on tankers in the Strait of Hormuz reached their highest level of the conflict, though President Trump said he would not attack Iran before the midterm elections and described talks with Tehran as productive.

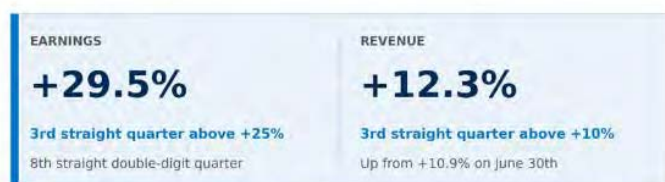
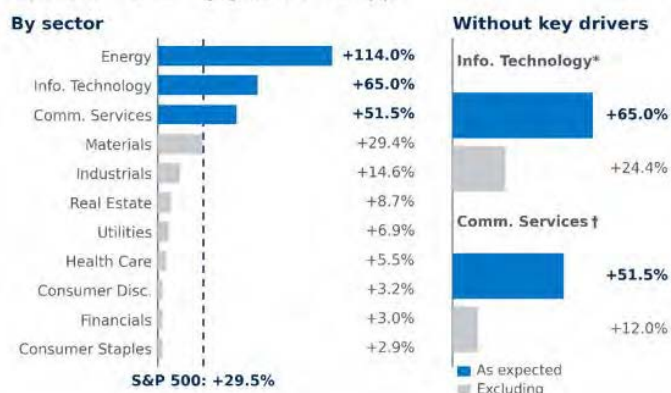
Will the Q3 earnings season set the tone for how stocks finish the year?

The third-quarter earnings season shifts into gear this week, and profit expectations for the S&P 500 Index are elevated to say the least. According to *FactSet*, analysts expect Q3 earnings per share (EPS) to grow +29.5% year-over-year on revenue growth of +12.3%. If achieved, that would mark a third straight quarter of earnings growth above +25% and an eighth straight quarter of double-digit growth. Analysts also raised their Q3 bottom-up S&P 500 EPS estimate by +1.4% during the quarter, compared with an average decline of 2.2% over the past five years, leaving companies with less of a cushion than usual to hurdle above estimates. That said, S&P 500 EPS grew by a staggering +52% year-over-year in Q2, topping estimates by over +25% at the end of June. So, the slightly higher bar this go around might very well be a non-factor.

Notably, profit growth is expected to be concentrated in Energy (+114.0%), Information Technology (+65.0%), and Communication Services (+51.5%), while six of eleven sectors are forecast to grow earnings in the single digits. In our view, three groups will likely shape how investors read the season: 1) Banks (consumer and business health), 2) Big Tech (AI monetization), and 3) Energy (the durability of oil-driven profits). Underneath these areas, the health of consumers and businesses amid higher interest rates, elevated costs, and concerns about the macroeconomic environment will be closely monitored across sectors throughout the season.

Q3 earnings growth leans heavily on a few sectors

Expected S&P 500 earnings growth, Q3 2026 (y/y)



Same three sectors lead revenue: Info. Tech +40.5%, Energy +21.4%, Comm. Svcs. +15.4%

*Excluding Semiconductors & Semiconductor Equipment

†Excluding Meta Platforms and EchoStar, the two largest contributors to sector earnings growth.

These figures are shown for illustrative purposes only and is not guaranteed.

Banks will show their report cards first this week.

JPMorgan Chase, Wells Fargo, Goldman Sachs, and Citigroup report on Tuesday, followed by Bank of America and Morgan Stanley on Wednesday. Financial Q3 earnings are expected to grow just +3.0% year-over-year, but up from the +1.3% expected at the end of June. Stocks in the sector have been pressured by higher interest rates since mid-August, even as Q3 profit estimates moved higher. Financials currently trade at a forward price-to-earnings (P/E) ratio of roughly 14x, among the lowest of any sector and well below the S&P 500's forward P/E of roughly 19x.

In our view, the consumer will be front and center here. Investors will be looking to bank results for insights on whether households are still paying their bills, borrowing, and spending at healthy levels. For example, consumer spending rose +0.9% in August while disposable income was flat, pushing the savings rate down to 4.1%, its lowest level since November 2022, according to *Oxford Economics*. And average hourly earnings rose just +3.0% year-over-year in September, the slowest pace since 2021. With the average 30-year mortgage rate climbing well above 7.0% (the highest level since November 2023), and updated readings on current credit card delinquencies, charge-offs, and loan-loss reserves, early bank results should provide a firmer read on consumer health.

The health of the business environment will also play an important role in shaping early reactions to the earnings season. At a September industry conference, JPMorgan guided to mid-to high-teens year-over-year growth in investment banking fees and markets revenue, while Bank of America expects investment banking fees to decline. Commentary on loan demand, deal pipelines (amid a choppy market environment), and AI-related lending will show whether business confidence extends beyond the AI buildout.

Lastly, net interest income (NII), or the difference between what banks earn on loans and pay on deposits, will also capture attention. The Federal Reserve's September rate hike could boost loan yields moving forward. Yet, with short-term Treasury bills and money markets paying competitive yields, banks are competing harder for deposits. **Bottom line: Bank results and outlooks this week will provide a clear current read on the economy and could shape how investors view the macroeconomic environment heading into year-end.**

But it's still all about Big Tech. Information Technology is expected to post the second-highest earnings growth of any sector in Q3 at +65.0% year-over-year and the highest revenue growth at +40.5%, per FactSet.

Unsurprisingly, Semiconductors & Semiconductor Equipment is expected to be the largest contributor to that profit growth, and excluding it, sector earnings growth falls to +24.4%. Importantly, analysts raised Q3 estimates for 61 of the sector's 74 companies since June 30, and Information Technology accounts for 44 of the 72 S&P 500 companies issuing positive EPS guidance, tying the sector's record. In addition, Communication Services is expected to grow earnings by +51.5% year-over-year, which falls to just +12.0% excluding its two largest contributors. In a nutshell, expectations for Tech earnings are high. The bar has been reset higher heading into the season. And much of the S&P 500's Q3 earnings growth is contingent on these two sectors delivering what investors have already priced into stocks.

Also, *Goldman Sachs* recently noted that it expects hyperscaler capital spending to grow +116% year-over-year in Q3, up from +87% in Q2. Suppliers continue to report strong demand, and Micron recently said more than 75% of its 2027 output is already committed. That said, we expect investors to increasingly focus on the returns being generated and the outlooks provided for signs of continued strength, given rising AI debt issuance. Simply, the cost of capital and debt is rising for the hyperscalers as risk-free rates climb. As such, we expect analysts to pressure Big Tech companies during earnings calls to justify spending amid rising capital costs. Of course, cloud revenue metrics, AI outlooks, hardware and software trends, and data center updates and constraints will also be important factors shaping how investors interpret Big Tech earnings this season.

We don't often discuss Energy earnings because of its limited impact on the S&P 500, but the sector is top of mind for investors amid elevated energy costs. Sector earnings are expected to grow +114.0% year-over-year in Q3, the highest of any sector and up from the +79.3% growth forecast at the end of June. Simply, higher oil prices drove the improvement, with WTI rising roughly +30% in Q3. Additionally, Russian fuel export dynamics and offline Middle East refineries left fuel supplies tighter than crude supplies, widening the gap between crude costs and fuel prices. For example, earnings in the Oil & Gas Refining & Marketing sub-industry are expected to grow more than +400%, per *FactSet*.

Importantly, investors will be looking to companies in the sector for more color on whether Q3 will likely mark the peak of Energy profit growth. Crude flows through the Strait of Hormuz have been volatile, transportation costs have skyrocketed, and G7 governments are scrambling to release barrels of emergency crude and diesel reserves to help ease energy prices. As such, Q4 corporate guidance and capital-return plans will likely matter more to Energy stocks than Q3 results.

Bottom line: The Q3 earnings season starts with stocks near record highs and little room for disappointment. The 10-year Treasury yield is well above 5.0%, oil dynamics keep the inflation outlook uncertain, and investors are asking tougher questions about the payoff from AI spending. The market is also top-heavy. Just a handful of Tech and Communication Services companies are driving much of the Index's profit growth and price gains as of late. And underneath the surface, sector trends are far more mixed. With yields this high, stocks need follow-through on earnings delivery over the coming weeks. Fortunately, strong profit growth has fueled this bull market for multiple quarters despite various headwinds. **We believe for stocks to have an opportunity to grind higher from here, corporate America needs to turn in more A's and B's on their latest report cards and show they can maintain that momentum into year-end.**

The week ahead:

- September CPI on Wednesday is the week's key release, followed by September PPI and retail sales on Thursday. Fed Chair Kevin Warsh speaks at the IMF annual meeting on Friday.
- As discussed above, the third-quarter earnings season begins with JPMorgan Chase, Citigroup, Goldman Sachs, and Wells Fargo on Tuesday, followed by Bank of America, Morgan Stanley, and BlackRock on Wednesday.
- Other notable reports include Johnson & Johnson and UnitedHealth Group on Tuesday, Charles Schwab on Thursday, and Travelers on Friday.

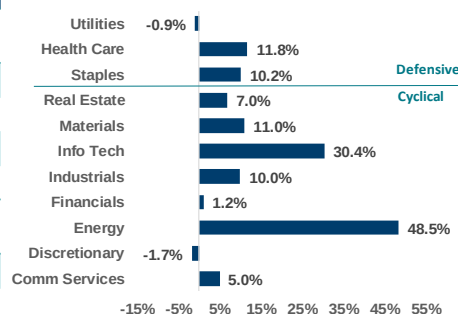
Stock Market Recap							
Benchmark	Total Returns			LTM PE		Yield %	
	Weekly	MTD	YTD	Current	5-Year Median	Current	5-Year Median
S&P 500 Index: 7,812	1.2%	2.1%	15.1%	26.6	25.3	1.0	1.3
Dow Jones Industrial Average: 51,655	1.0%	1.5%	8.8%	20.5	22.2	1.5	1.8
Russell 2000 Index: 6,976	-0.9%	0.4%	14.1%	70.6	46.5	1.2	1.3
NASDAQ Composite: 27,366	0.6%	1.9%	18.3%	36.7	37.5	0.5	0.7
Best Performing Sector (weekly): Consumer Staples	4.0%	4.0%	10.2%	23.9	23.1	2.3	2.5
Worst Performing Sector (weekly): Industrials	-0.4%	1.4%	10.0%	26.3	25.6	1.1	1.4

Source: Factset. Data as of 10/09/2026

Bond/Commodity/Currency Recap			
Benchmark	Total Returns		
	Weekly	MTD	YTD
Bloomberg U.S. Universal	0.4%	0.4%	-2.2%
West Texas Intermediate (WTI) Oil: \$91.92	-6.1%	-5.4%	60.5%
Spot Gold: \$4,194.65	1.3%	0.9%	-3.0%
U.S. Dollar Index: 102.21	0.3%	0.8%	4.0%
Government Bond Yields	Yield Chg		
	Weekly	MTD	YTD
2-year U.S. Treasury Yield: 4.79%	-4 bps chg	-9 bps chg	131 bps chg
10-year U.S. Treasury Yield: 5.24%	-4 bps chg	-3 bps chg	106 bps chg

Source: Factset. Data as of 10/09/2026. bps = basis points

YTD Total Returns by S&P 500 Sector



Source: S&P Global, Factset. Data as of 10/09/2026

These figures are shown for illustrative purposes only and are not guaranteed. They do not reflect taxes or investment/product fees or expenses, which would reduce the figures shown here. An index is a statistical composite that is not managed. It is not possible to invest directly in an index. Past performance is not a guarantee of future results.

Important Disclosures

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Alternative investments cover a broad range of strategies and structures designed to be low or non-correlated to traditional equity and fixed-income markets with a long-term expectation of illiquidity. Alternative investments involve substantial risks and may be more volatile than traditional investments, making them more appropriate for investors with an above-average tolerance for risk.

Portfolios that hold a limited number of securities or concentrate investments in similar industries, sectors or geographical regions may experience greater volatility and greater risk of loss as the performance of these investments (either positive or negative) will have a greater impact on the portfolio as a whole.

International investing involves certain risks and volatility due to potential political, economic, social, or currency instabilities and different financial and accounting standards. These risks are enhanced for emerging markets.

Diversification does not assure a profit or protect against loss.

Commodity investments may be affected by the overall market and industry- and commodity-specific factors, and may be more volatile and less liquid than other investments.

There are risks associated with **fixed-income** investments, including credit (issuer default) risk, interest rate risk, and prepayment and extension risk. In general, bond prices rise when interest rates fall and vice versa. This effect is usually more pronounced for longer term securities.

Stock investments involve risk, including loss of principal. High-quality stocks may be appropriate for some investment strategies. Ensure that your investment objectives, time horizon and risk tolerance are aligned with investing in stocks, as they can lose value.

Investments in **small cap companies** involve risks and volatility greater than investments in larger, more established companies.

Generally, **large-cap** companies are more mature and have limited growth potential compared to smaller companies. In addition, large companies may not be able to adapt as easily to changing market conditions, potentially resulting in lower overall performance compared to the broader securities markets during different market cycles

The products of **technology** companies may be subject to severe competition and rapid obsolescence, and their stocks may be subject to greater price fluctuations.

Past performance is not a guarantee of future results.

An index is a statistical composite that is not managed. It is not possible to invest directly in an index.

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The **S&P 500 Index** is a basket of 500 stocks that are considered to be widely held. The S&P 500 index is weighted by market value (shares outstanding times share price), and its performance is thought to be representative of the stock market as a whole. The S&P 500 index was created in 1957 although it has been extrapolated backwards to several decades earlier for performance comparison purposes. This index provides a broad snapshot of the overall US equity market. Over 70% of all US equity value is tracked by the S&P 500. Inclusion in the index is determined by Standard & Poor's and is based upon their market size, liquidity, and sector.

The **NASDAQ Composite** index measures all NASDAQ domestic and international based common type stocks listed on the Nasdaq Stock Market.

The **Dow Jones Industrial Average** (DJIA) is an index containing stocks of 30 Large-Cap corporations in the United States. The index is owned and maintained by Dow Jones & Company.

The **Russell 2000 Index** measures the performance of the small-cap segment of the US equity universe. The Russell 2000 is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set. The Russell 2000 includes the largest 2000 securities in the Russell 3000.

The **US Dollar Index** (USDIX) indicates the general international value of the USD. The USDIX does this by averaging the exchange rates between the USD and major world currencies. This is computed by using rates supplied by approximately 500 banks.

West Texas Intermediate (WTI) is a grade of crude oil commonly used as a benchmark for oil prices. WTI is a light grade with low density and sulfur content.

Earnings per share (EPS) is a measure of a company's profit attributable to each outstanding share of common stock. EPS equals Net income available to common shareholders ÷ Average shares outstanding. Generally, a higher EPS indicates greater profitability on a per-share basis.

The **Philadelphia Semiconductor Index** (SOX) is a stock market index that tracks the performance of companies in the semiconductor (chip) industry.

The **ISM Services** is compiled and issued by the Institute of Supply Management (ISM) based on survey data. The ISM services report contains the economic activity of more than 15 industries, measuring employment, prices, and inventory levels; above 50 indicating growth, while below 50 indicating contraction.

University of Michigan Consumer Sentiment Survey is a rotating panel survey based on a nationally representative sample of households in the U.S. that measures how consumers feel about the economy, personal finances, business conditions, and buying conditions.

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