November 2, 2026

October Market Recap

October reminded investors that markets rarely move in response to a single factor. The US economy continued to expand at a moderate pace, supported by healthy consumer spending and solid business activity, even as markets contended with higher energy prices, renewed inflation concerns and heightened geopolitical tensions.

Demonstrating the month's push and pull churn, rising oil prices added to inflation expectations – which can lead to higher Treasury yields – while concerns surrounding AI spending and challenges overseas heightened demand for US Treasurys, lowering yields. The outcome: The 10-year Treasury yield declined, and longer-term bonds benefited as investors sought safety.

Equities remained relatively resilient despite the volatility and concerns surrounding the sustainability of AI-related financing and investment. Weaknesses in areas closely tied to AI were offset by strength in more value-oriented sectors. Moderating interest rates also helped improve sentiment toward traditionally rate-sensitive areas of the market, helping to broaden it beyond growth and technology.

According to Chief Investment Officer Larry Adam, "Volatility gets investors' attention, but it shouldn't change their game plan. In fact, this is exactly why diversification matters. The technology and communication services sectors were both down more than 7% this month, yet most other sectors were higher, and bonds helped cushion the portfolio as yields fell. The other key is perspective. Despite the recent volatility, most major equity indices are still up double digits this year, and technology is up nearly 20%. Successful investing isn't about avoiding every market pullback. It's about staying disciplined, staying diversified and staying invested."

Before we get into the details, let's look at where the major indices stand.

	12/31/25 Close	10/30/26 Close*	Change Year to Date	% Gain/Loss Year to Date
DJIA	48,063.29	51,770.31	3,707.02	+7.71%
NASDAQ	23,241.99	25,437.00	2,195.01	+9.44%
S&P 500	6,845.50	7,580.07	734.57	+10.73%
MSCI EAFE	2,892.71	3,100.62	207.91	+7.19%
Russell 2000	2,481.91	2,811.84	329.93	+13.29%
Bloomberg Aggregate Bond	2,348.85	2,336.13	-12.72	-0.54%

Data represents index values as of market close on October 30, 2026.

Growth continued as inflation pressures build

Economic data continued to point to an expanding US economy, although the picture was far from uniform. Both manufacturing and services remained in expansion territory, and industrial production increased more than expected. Durable goods orders also pointed to continued investment in AI and data centers. Against a backdrop of growing pressure from inflation and a softening labor market, nonfarm payrolls rose only slightly, while the Producer Price Index saw its largest increase since March 2022. Much of that increase came from fuel prices, underscoring how energy market disruptions are affecting production costs. At its October Federal Open Market Committee meeting, the Federal Reserve held interest rates steady, as policymakers indicated they would wait for further data to assess the effects of September's rate increase.

Geopolitical risks remained in focus

Geopolitical developments took center stage in Washington during October, with Iran posing the largest threat. The US expanded its regional military presence as attacks on Gulf shipping and energy infrastructure contributed to elevated oil and diesel prices. The administration responded with several measures intended to provide relief from diesel prices, including temporarily expanding use of tax-exempt dyed diesel and pursuing greater fuel supplies. Those efforts offered some near-term relief to fuel-intensive industries, though they do not address the underlying supply constraints.

A shift in the rate outlook

One of October's more notable market developments came from fixed-income markets. Weaknesses tied to AI technology sparked a late-month push toward Treasury securities, lowering yields, even as inflation data ran hot. Headline consumer inflation and producer prices rose more than expected. Oil prices also remained elevated. Those conditions would ordinarily exert upward pressure on yields, but demand for safety became strong enough to counteract the influence from inflation and economic resilience.

Diesel costs rippled through the economy

Higher energy prices took a toll well beyond the gas pump last month. Diesel fuel has been particularly affected by disruptions stemming from Russia's war in Ukraine and the US-Iran conflict, with prices more than doubling year-to-date and approaching record highs. Since diesel fuels trucking, freight railroads and much of the nation's agricultural equipment, sustained price increases can cascade down supply chains and increase the cost of transporting goods. The effects can also vary considerably by region. New England households have relatively high exposure to heating oil – another term for diesel – while farmers in the Midwest face higher diesel costs compounded with higher fertilizer costs.

Stocks diverged over ties to AI

The headline performance of the stock market did not tell the full story in October. The S&P 500 had moved largely sideways since early August, but beneath the surface nearly half of S&P Composite 1500 stocks, representing about nine-tenths of the US market by capitalization, were well below their highs. The market has also become increasingly divided between companies closely tied to AI and the rest of the index. That segmentation reinforces the importance of diversification as leadership rotates.

France put fiscal discipline in the spotlight

France was the standout development in international markets during October. The country's fiscal challenges intensified as political and public opposition complicated efforts to reduce government spending and stabilize its debt burden. Those concerns spilled into the sovereign bond market, with France's 10-year government bond yield rising above multi-year highs, while its yield spread over comparable German government bonds widened sharply. France's primary budget deficit is substantially larger than those of other major euro area economies, increasing pressure on policymakers to pursue fiscal consolidation despite resistance to proposed austerity measures.

The bottom line

October highlighted that markets rarely follow clean narratives, and outcomes are the sum of often intense competing forces. The economy continues to expand and corporate fundamentals remain supportive, but investors are also navigating a variety of potentially destabilizing headwinds. These factors can create periods of volatility and lead to rapid changes in market leadership. Diversification across asset classes, sectors and regions can help investors navigate those shifts while remaining focused on the economic and corporate fundamentals that ultimately matter most over the long term.

I hope this update finds you well. If you have any questions, please reach out at your earliest convenience.

Sincerely,

Jeff

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Consumer Price Index (CPI) A consumer price index is a price index, the price of a weighted average market basket of consumer goods and services purchased by households.

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