

October 2026

Since the first week of August, the market has been relatively rangebound, with some analysts viewing the stagnation largely due to the continued war with Iran (source: Riverfront).

Mostly, the headlines have been around what is happening with the Treasury yields. Treasury yields matter because they serve as an important guide for mortgage rates, new auto loans and other fixed rate consumer debt, higher rates mean companies and consumers can borrow less. Global bond markets have been under significant pressure as the 30-year Treasury hit its highest level since 2004 at 5.44%; much of this has been driven by the surge in oil prices following Iran's threat to expand the war (Source: Morgan Stanley). Remember when bond prices fall, interest rates go up. It is impacting the markets because the bond market is signaling that the Federal Reserve might need to raise rates further.

The Fed did raise rates for the first time in three years in September and they have penciled in at least one more increase this year. Warsh said the quarter-point move "removed a dose of accommodation" (accommodation means stimulus) so the phrase suggested officials don't think rates are restraining the economy even after lifting them (Source: WSJ). Our Morgan Stanley economists are expecting another hike in December, skipping the October meeting. Their reasoning is that inflation should continue to improve, allowing the Fed to move gradually rather than meeting by meeting. Inflation data that came out at the end of September could further help support this view. According to the Bureau of Economic Analysis, the personal consumption expenditures (PCE) index rose 0.3% from July to August and was up 3.4% year-over-year, taking out food and energy prices put annual inflation in August at 3%. This was below the Federal Reserve Bank of Cleveland expectations that annual prices would be up 3.7% year over year, and core inflation would be at 3.4% (source: The Hill)

We continue to see the K-shaped economy in play as those with higher incomes and investments can continue spending. However, the University of Michigan's Consumer Sentiment Index and the Conference Board Consumer Confidence Index fell in the month of September. These indices measure consumer attitudes toward personal finances and broader economic conditions like inflation. Lower readings show a more pessimistic outlook. The Conference Board Consumer Confidence Index dropped to 81.9 in September, its lowest reading since 2014, with consumers becoming more evidently pessimistic about their current economic situation (Source: Morgan Stanley).

In other data notes- ADP reported that private sector companies added 90,000 jobs in September, up from 36,000 the prior month and better than the Wall Street consensus for 68,000. The unemployment rate stayed steady in August at 4.1%, which is still at a historically low level indicating the labor market remains generally healthy (source: WSJ).

We continue to closely monitor the different data points and how it could impact client's portfolios.

Enjoy the fall foliage and cooler temps. If you have any questions or need anything, please let us know.

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