

By the numbers

Chart of the week (Oct. 23, 2026)



10-Year Treasury Yields and Expected Inflation

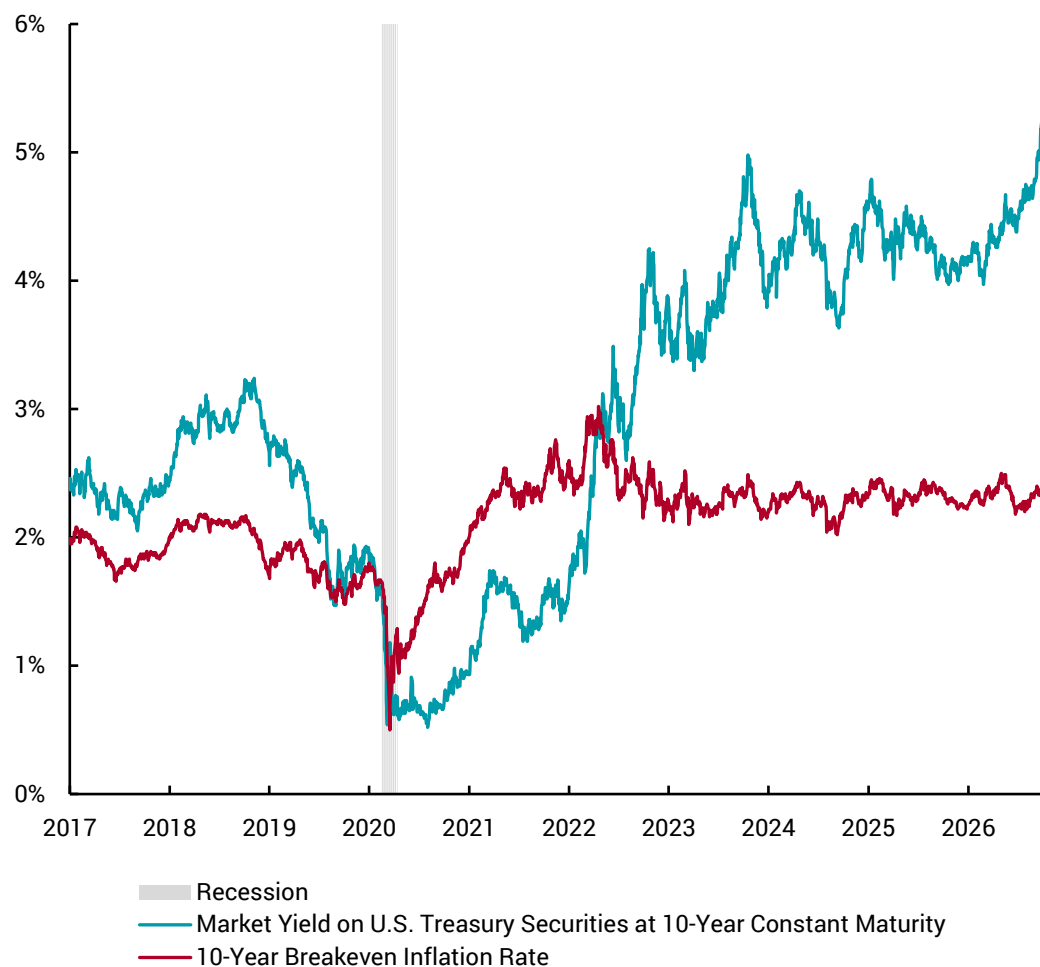


Chart data sources: Board of Governors of the Federal Reserve System (US); Federal Reserve Bank of St. Louis via FRED®.

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The reason why interest rates move is important. While the shorter end of the Treasury yield curve (out to about two to three years) is highly dependent on Federal Reserve monetary policy and the outlook for any changes to current policy, the longer end of the Treasury curve is impacted by numerous factors. These include: inflation, growth and the nation's fiscal position, which are among the leading explanations of long-term yield movements.

Knowing this allows us to decompose the yields on longer bonds, like the 10-year Treasury, and understand the importance of the factors involved. Candidly, the impact of our fiscal position is difficult to ascertain and quantify. We have been worried about the nation's fiscal position since I started my career in the bond market in 1982. On one hand, there have been times when the bond market has played a bigger role in limiting fiscal policy than it is now. On the other hand, it is hard to disagree with the idea that a fiscal position of running 6% annual budget deficits, as we did in fiscal year 2026, and spending nearly 20% of tax revenues on interest expenses, all while unemployment is at 4.2% and gross domestic product (GDP) growth is positive, is not having some effect on long-term rates. The size of this effect is hard to say but, in relative terms, we remain the cleanest shirt in a pile of dirty fiscal laundry. France anyone? The direction of the nation's fiscal position is not one that will lead to regaining a AAA/Aaa credit rating.

When considering the impact of inflation, it becomes a bit more quantifiable, as we have several longer-term inflation measures to consider. Our chart this week uses the 10-year breakeven inflation rate from the Fed. When viewed from this perspective, it appears clear that higher long-term inflation expectations are not the primary reason for higher rates. Shorter-term inflation expectations have been impacted by higher energy prices, but longer-term inflation expectations have remained remarkably stable.

This means higher rates have been leading to higher "real" rates of return, which points to increasing growth expectations as the primary driver of increasing longer-term rates. Frankly, this is not all bad as our indebted fiscal position means additional growth is vitally important.

The bond market's recent action illustrates this point. Despite the Consumer Price Index (CPI) and Producer Price Index (PPI) recently coming in hotter than expected, interest rates have fallen. Recently, the 10-year Treasury yield appeared headed toward a 5.5% yield. It has since reversed course and fallen below 5% as I write this. Why? Possible cracks in the artificial intelligence (AI) story have developed, leading to questions about the future growth from AI. Since the AI buildout is driving a material portion of our current GDP growth, questions about its future quickly morph into overall GDP growth. Also, lower growth will lead to rates declining—at least the portion of rates tied to growth, that is. Lower growth expectations might also take some pressure off the Fed from a rate-increase standpoint. Even so, the implications of reduced growth will be felt across capital markets.

By the numbers

Commentary (Oct. 23, 2026)



Domestic equities

- Mega-cap earnings and surging oil prices fueled U.S. stock volatility during the week. The S&P 500 Index ended the week lower.
- Mega-cap technology companies like Meta Platforms and Tesla reported earnings which beat expectations but saw their stock prices fall. Plans to aggressively boost capital spending to fund AI buildout reignited fears over mounting debt and long-term profitability. The Nasdaq Composite Index underperformed for the week, declining over 1%.
- Fears over tech valuations drove investors into value-oriented sectors and the Dow Jones Industrial Average was positive for the week. Declining interest rates also helped drive small-cap stocks higher and the Russell 2000 Index was up over 1% for the week.
- Crude oil hit a five-month high with Brent crude climbing over \$110 a barrel. Geopolitical tensions and deadly attacks on Saudi Arabian energy infrastructure intensified supply anxieties. Additionally, weekly jobless claims unexpectedly dropped, further complicating the outlook for interest rates and weighing on broad equity sentiment.

Bonds

- U.S. Treasuries surged as investors sought safety from the sell-off in companies related to the AI spending boom. Rising energy prices only put a slight damper on the rally. Fed rate-hike expectations also fell during the week, with fed fund futures no longer pricing in a full hike for December.
- French bond market stress continued to intensify with the French-German 10-year spread surging past 1.78%.
- Argentine sovereign bonds hit fresh highs for 2026 with investors growing increasingly concerned regarding the political risks ahead of next year's presidential election and how the government will meet billions of dollars in debt payments coming due in 2027.
- South Korea's central bank decided to leave policy rates unchanged at 3%, which was largely in-line with market expectations. Indonesia also decided to leave policy rates unchanged. This decision was more of a surprise for markets who thought a hike might help contain the damage from a likely MSCI downgrade and recent weakness in the Rupiah.

International equities

- Foreign markets continued to face higher volatility as escalating Middle East tensions lifted oil prices and fueled inflation fears, while renewed concerns about the financing and profitability of the AI boom also weighed on technology stocks.
- In developed markets, many European stock markets fell amid renewed concerns about France's finances and political unrest, alongside the economic impact of higher energy costs. UK inflation hit an 11-month high after a surge in gas and diesel costs, with consumer prices rising 3.5% in the 12 months through September. Consequently, the Bank of England is widely expected to raise borrowing costs at its next meeting.
- Emerging markets struggled for the second consecutive week, with stocks trading down across most regions and countries. In central bank news, Hungary left its policy rate unchanged at 5.5%, while Indonesia kept rates at 5.75%. Turkey cut its rate by 1% to 36%. Meanwhile, the Philippine central bank lifted its key rate by 0.50%, surprising investors as it seeks to contain inflation driven by the substantial rise in energy prices.

Economics

- On Tuesday, the Housing Starts & Permits report showed that housing starts dropped 5.2% in September. Compared to September 2025, starts were down 7.4%. This figure was weaker than consensus estimates and reflects continued pressure on the housing market due to high mortgage rates.
- On Wednesday, the EIA Petroleum Status Report showed that crude oil inventories declined by 3.1 million barrels week-over-week. This followed the previous week's drawdown of over 8 million barrels. Additionally, refineries continue to operate at over 90% capacity, which is unusually high for this time of year. These conditions reflect price pressures driven by the ongoing conflict involving Iran.
- Initial jobless claims came in at 194,000 for the week. This was below the consensus estimate of 200,000 and the previous week's revised figure. This week marks another report below the 200,000 threshold, highlighting the labor market's continued resilience.
- This week, the Federal Reserve will hold its October meeting. The Fed will announce its interest rate decision on Wednesday afternoon.

Weekly Market Update

For Week Ending October 23, 2026

Markets

	Last Price	Change From Prior Week	Change From Year End	Change From Year Ago
Capital Markets				
Dow Jones Industrial Avg	52,215.16	0.4%	10.0%	13.5%
S&P 500 Index	7,623.68	-0.5%	12.4%	14.4%
NASDAQ Composite	25,955.34	-0.7%	12.2%	13.8%
S&P 400 Midcap Index	3,616.59	0.0%	10.6%	11.8%
S&P 600 Smallcap Index	1,681.71	1.7%	16.0%	16.6%
MSCI EAFE	11,514.12	-1.5%	8.6%	12.3%
MSCI Emerging Markets	875.95	-2.6%	14.3%	16.6%
Bloomberg US Agg	2,323.04	0.5%	-1.1%	-1.1%
Bloomberg Municipal 5 Yr	519.58	0.8%	0.0%	0.5%
Bloomberg US Corporate	3,492.33	0.3%	-1.5%	-1.8%
Bloomberg Glb Agg ex US Hdq	613.55	0.1%	0.7%	0.3%
Bloomberg High Yield	2,911.74	-0.1%	-0.1%	1.2%
MSCI US REIT Index	2,621.78	1.1%	11.6%	8.3%
Bloomberg Commodity Index	372.91	-0.4%	35.0%	38.3%

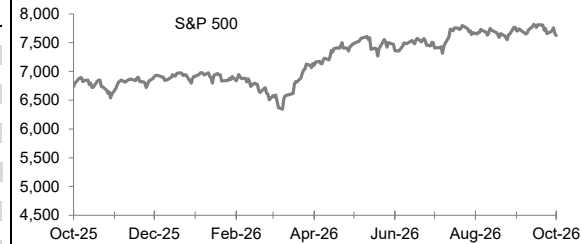
	Last Price/Yield	Prior Week	Year End	Year Ago
Key Rates				
Fed Funds Target	4.00%	4.00%	3.75%	4.25%
3-Month Treasury	4.12%	4.16%	3.63%	3.88%
1-Year Treasury	4.39%	4.41%	3.47%	3.58%
2-Year Treasury	4.68%	4.71%	3.47%	3.49%
5-Year Treasury	4.81%	4.87%	3.73%	3.61%
7-Year Treasury	4.89%	4.97%	3.94%	3.79%
10-Year Treasury	4.99%	5.07%	4.17%	4.00%
30-Year Treasury	5.32%	5.42%	4.84%	4.58%

Consumer Rates				
30-Year Mortgage	7.40%	7.51%	6.25%	5.83%
BOKF National Prime Rate	7.75%	7.75%	7.50%	8.00%
SOFR	3.92%	3.88%	3.71%	4.24%

Commodities				
Gold	3,996.10	4,165.58	4,319.37	4,126.28
Crude Oil WTI	103.27	101.41	57.42	61.79
Gasoline	4.30	4.31	2.83	3.07
Natural Gas	2.64	3.12	3.69	3.34
Copper	6.51	6.57	5.68	5.11

	P/E Forward	P/E Trailing	Price to Book	Current Div Yield
Index Characteristics				
Dow Jones Industrial Avg	19.74	19.32	5.78	1.44
S&P 500	18.52	23.23	5.57	1.12
S&P 500 Value	17.80	20.12	3.94	1.75
S&P 500 Growth	19.18	26.85	8.67	0.57
NASDAQ	22.15	29.97	7.39	0.59
S&P Midcap 400	14.89	17.09	2.74	1.66
S&P Smallcap 600	14.15	16.12	2.05	2.31
MSCI EAFE	14.68	16.64	2.29	2.92
MSCI Emerging Markets	8.68	13.88	2.22	2.81

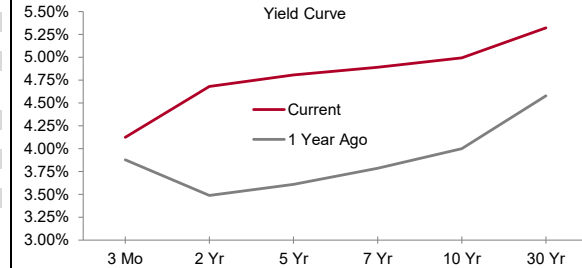
Equity Style



1 Month*				Year to Date*			
Value	Core	Growth		Value	Core	Growth	
Large							
2.70	-1.00	-3.96	> 10%	13.78	12.38	11.23	
Mid							
1.89	-0.87	-3.48	0% - 10%	10.27	10.56	10.76	
Small							
0.96	0.11	-0.83	< 0%	16.88	16.01	15.02	

*S&P Indices

Fixed Income Style



1 Month*				Year to Date*			
Short	Interm.	Long		Short	Interm.	Long	
Govt							
0.75	0.99	1.45	> 10%	1.13	-0.30	-3.57	
Corp							
0.57	0.56	0.20	0% - 10%	1.58	-0.47	-3.68	
HY							
-0.62	-1.23	-9.35	< 0%	1.60	0.06	-8.91	

1-3 Yrs 1-10 Yrs +10 Yrs

1-3 Yrs 1-10 Yrs +10 Yrs

Economic Data

	Last Release	Year Ago
Inflation		
CPI Headline Inflation	3.7%	3.0%
CPI Core Inflation	2.6%	3.0%
Personal Consumption Exp (PCE) Core	3.0%	2.9%

Jobs		
Unemployment Rate (U3)	4.2%	4.4%
Broader Unemployment Rate (U6)	7.6%	8.1%
JOLT Survey (in millions)	7.08	6.92
Jobless Claims (000's)	194	231
Change in Non-Farm Payroll (000's)	29	76
Average Hourly Earnings (Y/Y % Change)	3.0%	3.8%

Consumer & Spending		
Consumer Confidence (Conf Board)	81.9	95.6
Consumer Spending (\$ Bil)	22,309	21,029
Consumer Credit (\$ Bil)	5,197	5,059
Retail Sales (\$ Bil)	745	701

Housing		
Housing Starts (000's)	1,221	1,319
Case-Shiller Home Price Index	337.31	330.92

U.S. Productivity		
Real Gross Domestic Product (\$ Bil)	24,408	23,885
Quarter over Quarter Change	2.2%	4.0%
Year Over Year Change	2.2%	2.4%
ISM Manufacturing	54.50	48.90
Capacity Utilization	76.85	76.05
Markit US Composite PMI	57.60	54.60

U.S. General		
Leading Economic Indicators	99.6	100.1
Trade Weighted Dollar Index	121.4	120.7
EUR / USD	1.12	1.16
JPY / USD	156.87	152.57
CAD / USD	0.71	0.71
AUD / USD	0.70	0.65

S&P 500 Sector Returns

	1 Month	YTD
Energy	11.57%	58.32%
Information Technology	-4.86%	21.79%
Health Care	6.23%	17.32%
Consumer Staples	7.38%	16.40%
Materials	1.55%	13.67%
Real Estate	1.40%	9.16%
Industrials	-3.21%	7.05%
Financials	2.54%	3.40%
Utilities	7.07%	1.87%
Consumer Discretionary	1.30%	-3.07%
Communication Services	-7.30%	-3.08%

Source: Bloomberg

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