OCT
2026

EXECUTIVE SUMMARY

Monthly Market Commentary

Benchmark Returns AS OF OCTOBER 31, 2026

	MONTH	YTD
S&P 500	-0.87%	11.77%
Dow Jones Industrial Average	1.76%	9.08%
Nasdaq	-5.28%	9.95%
Bloomberg Agg Bond Index	2.44%	-0.54%
Developed International	-0.72%	10.00%
Emerging Markets	-8.04%	13.78%



October Crosscurrents: Profits, Prices, and Policy

Investors navigated competing crosscurrents in October as strong economic growth and rising corporate profits met persistent inflation and heightened scrutiny of technology spending. Third-quarter corporate earnings largely exceeded expectations, but enduring inflation and questions about artificial intelligence spending weighed on sentiment. On a total return basis, the S&P 500 declined 0.87% for the month, while the Nasdaq Composite fell 5.28%. The Dow Jones Industrial Average gained 1.76%, highlighting the divergence beneath the broader market's surface.

Technology shares faced particularly intense scrutiny as earnings season progressed. Investors increasingly questioned whether substantial AI investments would generate sufficient profits to justify their cost. Those concerns culminated in a sharp sell-off on the month's final trading day.. The technology-heavy Nasdaq dropped 2.9%, and the S&P 500 lost 1.8%. Still, year-to-date returns are solid and show that the bull market which began in October 2022 is intact.

Despite disappointing results from a handful of large cap leaders, broader corporate earnings remained strong. Through October 30, 60% of S&P 500 companies had reported third-quarter results, with 82% exceeding earnings estimates. FactSet's blended growth rate, combining reported results with estimates for companies still to report, reached 30.2%. All eleven industry sectors are showing year-over-year earnings growth. However, aggregate earnings exceeded estimates by just 1.9%, below historical averages. So, while most companies exceeded earnings expectations, the modest margin of those "beats" offered investors less reassurance.

Key economic indicators released in October reflected continued domestic strength and resilience. According to the initial estimate, real Gross Domestic Product expanded at an annualized rate of 3.4%. Business investment, consumer spending, and government spending contributed to the growth, which accelerated from 2.2% in the second quarter. September retail sales rose 0.8%, following an upwardly revised 1.3% increase in August. Because retail sales are not adjusted for inflation, the increase may reflect higher prices and not necessarily greater purchasing activity.

The labor market offered a more subdued signal. September payrolls increased by only 29,000, while unemployment stood at 4.2%. Revisions reduced July and August employment gains by a combined 60,000. These figures suggested limited hiring momentum despite solid overall economic growth. For investors, softer hiring tempered expectations for further Fed rate hikes, while stronger output alongside modest job growth suggested potential productivity gains.

Inflation remained a central concern. September's Consumer Price Index rose 0.6%, bringing annual inflation to 3.7%. A 9.1% increase in gasoline prices accounted for more than half the monthly advance. Excluding food and energy, CPI increased 2.6% over the year. Separately, the Federal Reserve's preferred PCE inflation measure rose 3.6% annually, with core PCE increasing 3.1%. Inflation-adjusted consumer spending was essentially flat in September, underscoring the pressure rising prices placed on purchasing power.

Against this backdrop, the Fed held its benchmark rate at 3.75%–4.00% on October 28. The vote was not unanimous. Two FOMC members dissented in favor of a quarter-point increase. When asked by reporters why the Fed did not raise rates again at this meeting, Fed Chair Kevin Warsh said, "quashing inflation is not about some fixed individual date on a calendar" or a single data point. He argued that September's rate hike was beginning to tighten financial conditions and that measures of inflation expectations were moving in the right direction. Policymakers wanted more information before deciding their next step, while acknowledging that price stability had not yet been achieved. The FOMC meets again on December 8 – 9.

On October 26, Anthropic, PBC, a central player in the artificial intelligence arena, officially filed its registration form to become a publicly traded company. The details in the filing buoyed investors who were encouraged by Anthropic's rapid revenue growth, but its steep losses and the prospect that a massive offering could draw money away from existing technology stocks tempered that enthusiasm. While unconfirmed at this writing, the IPO may come to market the week of November 16.

Meanwhile, bonds recovered as the 10-year Treasury yield retreated from 5.31% in early October to 4.94% at month-end, lifting prices (which move inversely to yield) and providing some relief after September's sell-off. Many market observers credited the move as demand for a "safe haven" in the face of turbulence in the technology sector.

For long-term investors, October reinforced the value of diversification and realistic expectations. Strong earnings and economic growth can support markets while still leaving individual stocks vulnerable to disappointment. As November begins, the key questions concern inflation's persistence, the durability of consumer demand, and whether corporate investment translates into sustainable profits.

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