

Weekly Update

October 26, 2026

Economic Calendar

Monday, October 26

No Major Release.

Tuesday, October 27

Durable Goods, S&P Home Price Index, New Home Sales.

Wednesday, October 28

Mortgage Applications, Wholesale Inventories, FOMC Policy Decision.

Thursday, October 29

Jobless Claims. Q3 GDP, Personal Consumption Expenditure (PCE) Index

Friday, October 30

Employment Cost Index (Q3).

This Week on X [@CeteraIM](#)

[Jobless Claims Continue to Remain Low](#)

[Mortgage Activity Falls on Elevated Borrowing Cost](#)

[LEI Stalls but CEI Continues to Expand](#)

Did You Know?

On October 27, 1997, circuit breakers built after the 1987 crash were used for the first time. A 7.2% drop in Dow Jones Industrial Index triggered two halts, and the second one closed the market at 3:30 p.m., the only early close in its history.

Oil Rises on Geopolitical Risk, AI Continues to Face Scrutiny

Recap

In the absence of major economic news, earnings and geopolitical tensions continued to take center stage. Both Iran and the Houthis renewed attacks on oil infrastructure, sending crude oil (+4.3%) and the Energy sector (+1.6%) higher. Although only 9% of S&P 500 companies have reported, earnings growth is projected at 29.5% for Q3 2026 and 29.2% for Q4. However, concerns over returns on AI and data center spending fueled a risk-off trade, pushing the U.S. 10-year Treasury yield down from 5.10% to 4.99%. Unlike in previous quarters, higher capex is now facing greater scrutiny, with investors punishing undisciplined spending.

Looking Ahead

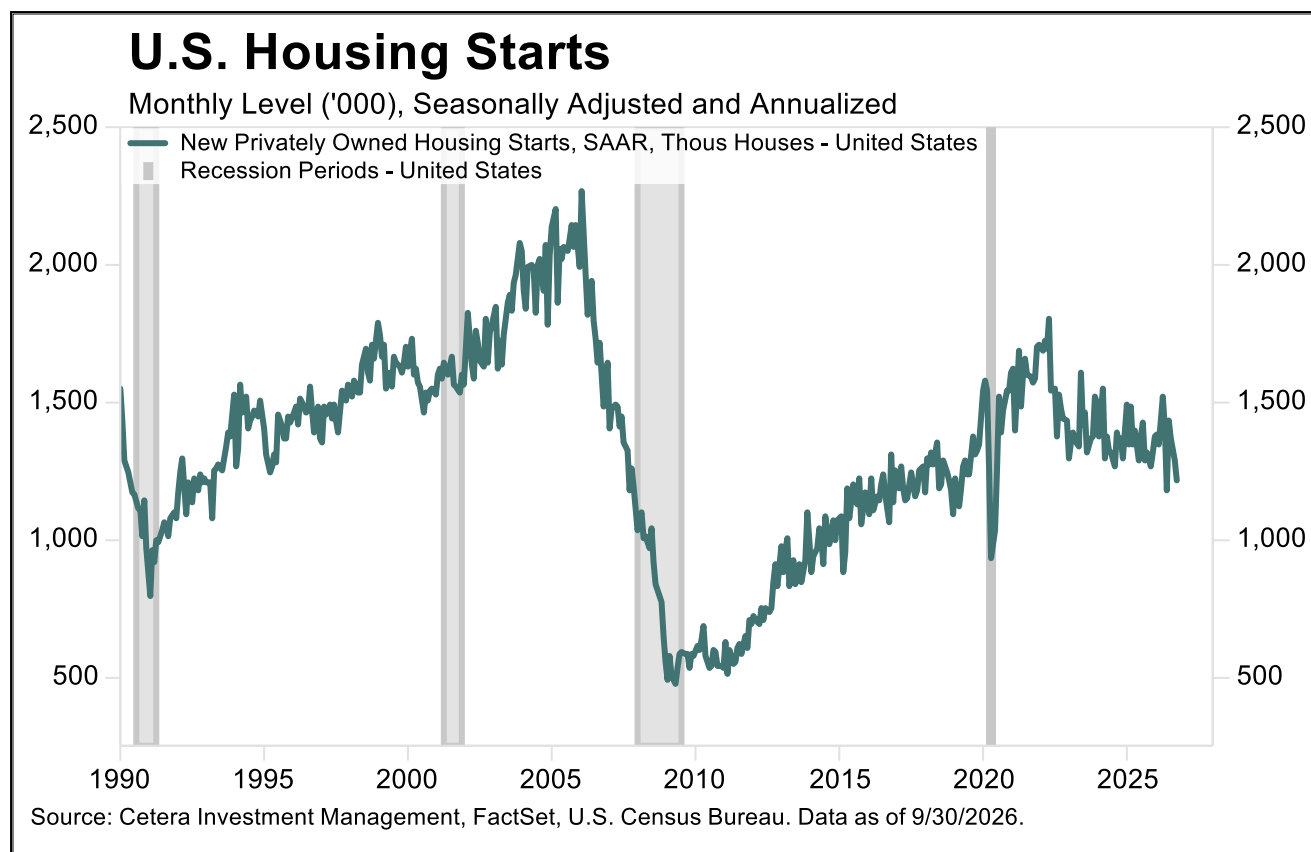
As oil continues to trade near its 52-week high, any military countermeasures by U.S. forces in the Middle East to ease shipping disruptions could push crude prices even higher in the short term. The FOMC policy decision is on Wednesday. No rate hike is expected, but markets will look to the Fed for guidance on the path ahead. Another earnings-heavy week lies ahead, with three Mag 7 names and several AI-related companies reporting. With the bar set high, beats may see a muted response, while any disappointment could be punished by investors.

Market Watch

Stocks	1-Week	MTD	3-Month	YTD	1-Year
Dow Jones Industrial Avg.	0.42%	2.62%	1.34%	9.99%	13.52%
S&P 500	-0.46%	-0.31%	3.19%	12.40%	14.46%
NASDAQ Composite	-0.71%	-3.36%	3.40%	12.19%	13.81%
Russell 2000	2.01%	-0.71%	-5.28%	12.90%	13.19%
MSCI EAFE	-1.52%	-1.59%	-0.47%	8.57%	12.32%
MSCI Emerging Markets	-2.62%	-7.38%	-5.10%	14.28%	16.58%
Bonds	1-Week	MTD	3-Month	YTD	1-Year
Bloomberg U.S. Aggregate Bond	0.54%	1.87%	-0.42%	-1.10%	-1.11%
Bloomberg Short-Term Gov/Corp	0.10%	0.32%	0.97%	2.89%	3.69%
Bloomberg U.S. Corp High Yield	-0.11%	-0.20%	-1.61%	-0.09%	1.17%
Commodities	1-Week	MTD	3-Month	YTD	1-Year
Bloomberg Commodity	-0.27%	0.61%	11.65%	35.01%	41.33%
S&P GSCI Crude Oil	4.29%	14.21%	12.02%	79.85%	67.13%
S&P GSCI Gold	-4.14%	-4.27%	-2.46%	-7.68%	-3.32%

Source: Cetera Investment Management, FactSet. Total returns used, which includes dividends and interest.

Chart of the Week: Higher Rates Weigh on Housing Demand



Housing construction slowed further in September, with housing starts falling 5.2% to an annualized rate of 1.22M, below expectations of 1.31M. Building permits, a leading indicator, also edged down 0.2% to 1.4M but exceeded estimates by 15k. Pending home sales also fell 7.3% in September from August and 11.3% year-over-year, with declines across all four regions. Higher mortgage rates continued to weigh heavily on affordability.

Is the AI Theme Over?

We don't think the AI trade is over, but it is broadening. Our AI Investment Continuum follows three stages: **Semiconductors**, where spending begins with the chips that power AI; **Infrastructure**, where investment expands to data centers; and **Implementation**, where companies across sectors use AI to boost productivity and cut costs. We believe we are entering this third stage, shifting the focus from who builds AI to who can generate real returns from using it. As capital becomes more expensive, investors are likely to demand greater discipline and reward companies that can demonstrate tangible returns from AI adoption. The AI theme is not ending but merely **spreading out**.

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Glossary

The Bloomberg U.S. Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate debt securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency) debt securities that are rated at least Baa3 by Moody's and BBB- by S&P. Taxable municipals, including Build America bonds and a small amount of foreign bonds traded in U.S. markets are also included.

The Bloomberg U.S. Municipal Bond Index covers the USD-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and pre-refunded bonds. Eligible securities must be rated investment grade (Baa3/BBB- or higher) by Moody's and S&P and have at least one year until final maturity, but in practice the index holding have a fluctuating average life of around 12.8 years.

The Bloomberg U.S. Corporate High Yield Index measures the USD-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below, excluding emerging market debt. Payment-in-kind and bonds with predetermined step-up coupon provisions are also included. Eligible securities must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 6.3 years.

The Bloomberg U.S. Government Bond Index is comprised of the U.S. Treasury and U.S. Agency Indices. The index includes U.S. dollar-denominated, fixed-rate, nominal US Treasuries and US agency debentures (securities issued by US government owned or government sponsored entities, and debt explicitly guaranteed by the US government).

The Bloomberg Commodity Index is a broadly diversified index that allows investors to track commodity futures through a single, simple measure. It is composed of futures contracts on physical commodities and is designed to minimize concentration in any one commodity or sector. It currently includes 19 commodity futures in five groups. No one commodity can comprise less than 2% or more than 15% of the index, and no group can represent more than 33% of the index (as of the annual re-weightings of the components).

The MSCI EAFE is designed to measure the equity market performance of developed markets (Europe, Australasia, Far East) excluding the U.S. and Canada. The Index is market-capitalization weighted.

The MSCI Emerging Markets is designed to measure equity market performance in global emerging markets. It is a float-adjusted market capitalization index.

The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe and is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

The Russell 3000 Index measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market.

The S&P 500 is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ.

The Nasdaq Composite Index includes all domestic and international based common type stocks listed on The NASDAQ Stock Market. The NASDAQ Composite Index is a broad-based capitalization-weighted index.

The U.S. Dollar Index is a weighted geometric mean that provides a value measure of the United States dollar relative to a basket of major foreign currencies. The index, often carrying a USDX or DXY moniker, started in March 1973, beginning with a value of the U.S. Dollar Index at 100.000. It has since reached a February 1985 high of 164.720, and has been as low as 70.698 in March 2008.

West Texas Intermediate (WTI) is a crude oil stream produced in Texas and southern Oklahoma which serves as a reference or "marker" for pricing a number of other crude streams. WTI is the underlying commodity of the New York Mercantile Exchange's oil futures contracts.

The S&P GSCI Gold Index, a sub-index of the S&P GSCI, provides investors with a reliable and publicly available benchmark tracking the COMEX gold future. The more widely tracked S&P GSCI index is recognized as a leading measure of general price movements and inflation in the world economy. The index represents commodity market beta is world-production weighted and is designed to be investable by including the most liquid commodity futures.

The S&P GSCI Crude Oil Index is a composite index of commodities that measures the performance of the commodities market. The index often serves as a benchmark for commodities investments. Investing in a GSCI fund provides a broadly diversified, unleveraged long-only position in commodity futures.

The Consumer Price Index (CPI) presents the percentage change in prices that consumers pay for goods and services.

The Producer Price Index measures changes in wholesale prices, offering insights into inflation trends before they reach consumers.