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Quarterly Market Review: July-September 2026

The Markets (third quarter through September 30, 2026)

The third quarter was a volatile yet generally positive period for Wall Street. The NASDAQ and the S&P 500 each advanced, while the Dow and the small caps of the Russell 2000 lagged. During the third quarter, the major indexes reached record levels in August and early September, although that favorable performance masked an underlying shift to large technology and AI companies, while other sectors largely underperformed. The divergence between benchmark indexes and the broader market indicates that the quarterly market gain was narrowly driven and not representative of the average large company. Overall, the stock market in the third quarter was dominated by large-cap technology and AI stocks, while market breadth deteriorated. Energy was the strongest-performing sector. Treasury yields rose sharply. Higher crude oil prices revived inflation concerns. Corporate earnings remained strong. All of these factors helped create a scenario where growth of major market indexes was not indicative of broader stock market health.

Stock Market Indexes

Market/Index	2025 Close	As of September 30	Monthly Change	Quarterly Change	YTD Change

DJIA	48,063.29	50,906.05	-4.29%	-2.70%	5.91%
NASDAQ	23,241.99	26,861.06	1.86%	2.47%	15.57%
S&P 500	6,845.50	7,651.54	-0.45%	2.03%	11.77%
Russell 2000	2,481.91	2,796.86	-5.40%	-7.52%	12.69%
Global Dow	6,169.34	6,868.61	-2.80%	0.66%	11.33%
fed. funds target rate	3.50%-3.75%	3.75%-4.00%	25 bps	25 bps	25 bps
10-year Treasuries	4.16%	5.29%	54 bps	88 bps	113 bps
US Dollar-DXY	98.26	101.50	2.07%	0.35%	3.30%
Crude Oil-CL=F	$57.46	$90.55	5.07%	29.26%	57.59%
Gold-GC=F	$4,323.90	$4,188.40	-6.86%	4.02%	-3.13%

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark performance of specific investments.

Energy, information technology, health care, and communication services were the only market sectors to close Q3 in positive territory. The remaining sectors ended the third quarter in the red, with utilities, industrials, and real estate falling the furthest.

Fixed-income investors faced considerable tumult

during the third quarter. Treasury yields rose sharply as markets moved away from expectations of monetary easing toward the likelihood of additional Federal Reserve tightening. Higher oil prices, a somewhat resilient economy, and persistent inflation were the primary factors in the bond selloff. By the end of the third quarter, 10-year Treasury yields had risen about 85.0 basis points, the largest quarterly increase in several years. The increase in bond yields coincided with a drop in bond prices. The increase in bond yields occurred virtually across the entire curve with both two-year and 30-year Treasury yields moving higher.

Third-quarter earnings season has not yet begun in earnest. However, industry analysts continue to evaluate estimates for Q3, while projecting Q4 earnings. That said, FactSet recently indicated that analysts predict the S&P 500 will see a price increase of 20.4% over the next 12 months. At the sector level, all 11 sectors are predicted to see a price increase of more than 10%, led by utilities (+28.0%), consumer discretionary (+26.0%), and industrials (+25.1%). In addition, analysts increased earnings per share (EPS) estimates in aggregate for the third quarter, which is atypical since analysts usually reduce earnings estimates during the first two months of a quarter. Thus, the Q3 revision was considerably more favorable than historical norms.

Gold rebounded somewhat in the third quarter from a notable downturn in Q2. However, investors in the precious metal contended with significant volatility throughout the period. A sharp rally in August was quelled by a September correction, which exemplified the price movement that occurred throughout the third quarter. Gold prices began the quarter at roughly $4,027 per ounce, surged more than 13.0% in August, then gave most of the gain back in September. The result was a quarter characterized by unusually large swings between investment demand, interest rate expectations, the dollar, and geopolitical risk.

Global oil markets tightened considerably in the third quarter with prices increasing by roughly 30.0%. Crude oil prices began the quarter at levels that suggested some stability. However, renewed disruptions in the Middle East, constrained shipping through the Strait of Hormuz, falling inventories, and disruptions to Russian refineries pushed prices notably higher by mid-September. However, prices receded somewhat at the end of the month and quarter amid signs that some disrupted oil flows are returning, while the possibility of a U.S.-Iran diplomatic arrangement reduced the fear of a prolonged supply shortage. Nevertheless, higher crude oil prices affected transportation costs, fuel expenses, and business operating costs. The retail price for regular gasoline was $4.465 per gallon on September 29, $0.394 above the price at the end of August and $1.347 more than the price a year ago.

Despite persistent inflation, high energy costs, tighter financial conditions, and geopolitical tensions, the U.S. economy showed surprising resilience. Gross domestic product held steady at an annualized rate of 2.2% during the quarter. While growth was modest, it exceeded fears of an economic contraction. In particular, consumer spending and business investment were points of strength. Employment growth remained modest, manufacturing output was flat, inflation remained above the Federal Reserve's 2.0% target, and the housing sector faced affordability and financing constraints.

Inflationary pressures stabilized somewhat in the third quarter. The Consumer Price Index and the personal consumption expenditures (PCE) price index both remained above the Fed's 2.0% target. Monthly inflation accelerated in August, while core prices (excluding food and energy prices) also ticked higher. Energy prices were an important contributor to inflation during Q3. Energy prices in general, and gasoline prices in particular, rose during the third quarter. Shelter prices appeared to wane in July, only

to move higher in August. Food prices were comparatively moderate throughout the summer.

Latest Economic Reports

The following section contains a review of the latest economic data available as of September 30, 2026.

- **Employment:** Job growth exceeded expectations in August as employment rose by 162,000 after increasing 21,000 (revised) in the previous month. The change in employment for June was revised up by 11,000, from 20,000 to 31,000, and the change for July was revised up by 44,000, from -23,000 to +21,000. With these revisions, employment in June and July combined was 55,000 higher than previously reported. The unemployment rate was 4.1% in August, unchanged from the previous month's rate but 0.2 percentage point lower than the rate from a year earlier. The number of unemployed persons in August was 7.0 million, which was 115,000 more than the total from the previous month and nearly 350,000 above the August 2025 estimate. The number of long-term unemployed (those jobless for 27 weeks or more), at 1.9 million in August, rose 159,000 from the July rate and accounted for 27.0% of all unemployed persons. The total number of long-term unemployed in August was essentially unchanged from a year earlier. The labor force participation rate, at 61.6% in August, was up 0.2 percentage point from the July figure but 0.7 percentage point below the rate from a year earlier. The employment-population ratio in August, at 59.1%, increased 0.2 percentage point from July but was 0.5 percentage point below the August 2025 estimate. In August, average hourly earnings rose by $0.10, or 0.3%, to $37.75. Over the year, average hourly earnings have increased by 3.1%. The average workweek edged up by 0.1 hour to 34.4 hours in August from July.

- There were 197,000 initial claims for unemployment insurance for the week ended September 19, 2026. During the same period, the total number of workers receiving unemployment insurance was 1,719,000. The insured unemployment rate was 1.1%, 0.2 percentage point below the rate a year earlier. A year ago, there were 219,000 initial claims, while the total number of workers receiving unemployment insurance was 1,916,000.

- **FOMC/interest rates:** As expected, the Federal Open Market Committee (FOMC) raised the federal funds target rate range by 25.0 basis points to 3.75%-4.00%. The unanimous decision marked the first rate hike in three years. The statement indicated that the rate increase is intended to support a timelier return to the Committee's 2.0% goal. The Committee noted that inflation remained elevated. While economic activity was solid, domestic spending proved resilient despite elevated uncertainty due to geopolitical developments. Based on projections, it appears that at least one more rate hike is in the offing this year.

- **GDP/budget:** The rate of economic expansion was steady in the second quarter of 2026, with gross domestic product (GDP) rising 2.2%, according to the Bureau of Economic Analysis. In the first quarter, GDP rose 2.5% (revised). Compared to the first quarter, the decrease in GDP in the second quarter reflected decelerations in private investment (7.2% to 4.6%), exports (13.9% to 5.0%), and government spending (+4.7% to -1.0%). Consumer spending accelerated from 0.5% in the first quarter to 3.8% in the second quarter. Imports, which are a negative in the calculation of GDP, rose from 11.5% in the first quarter to 12.6% in the second quarter.
- August 2026 saw the federal budget register a deficit of $167 billion following July's $432 billion

deficit. A year earlier, the August deficit was $345 billion. In August, receipts totaled $360 billion, while expenditures were $527 billion. Over the 11 months of the current fiscal year, the government deficit sits at $1,966 billion, $7.7 billion less than the cumulative deficit over the same period of the previous fiscal year. Over the same 11 months, individual income taxes, at $2,548 billion, accounted for more than half of the total receipts of $4,845 billion. Total expenditures for this fiscal year equal $6,811 billion, of which Social Security ($1,526 billion) was the largest outlay.

- **Inflation/consumer spending:** According to the latest Personal Income and Outlays report, personal income rose 0.2% in August, while disposable (after-tax) personal income increased 0.3%. Personal consumption expenditures (PCE) increased 0.9%. Consumer prices, as measured by the PCE price index, increased 0.3% in August. Excluding food and energy, the PCE price index also ticked up 0.2%. From August 2025, the PCE price index rose 3.4%, lower than the increase (3.7%) for the 12 months ended in July. Excluding food and energy, the PCE price index increased 3.0% from August 2025 (3.3% for the year ended in July).
- The Consumer Price Index (CPI) advanced 0.4% in August and 3.4% over the last 12 months, unchanged from the 12 months ended in July. Gasoline rose 3.9% in August, accounting for over one third of the overall monthly increase. Energy prices increased 2.1% over the month. Shelter prices rose 0.3% in August after rising 0.1% in July. Prices for food increased 0.1% in August. Prices less food and energy rose 0.3% in August and 2.4% over the year, following a 2.5% increase over the 12 months ended in July. Energy prices increased 16.3% for the 12 months ended August. Prices for food increased 2.7% over the last year.
- The latest data reveals that the Producer Price

Index increased 0.4% in August, up 0.3 percentage point from the revised July estimate. Producer prices increased 5.4% over the last 12 months. In August, prices for goods rose 1.1% from the previous month. Prices for services increased 0.1% in August. For the year, producer prices for goods rose 7.7%, while prices for services advanced 4.5%. Excluding foods and energy, prices increased 0.2% in August and 4.6% over the year. Excluding foods, energy, and trade services, producer prices moved up 0.3% in August and 4.7% since August 2025.

- **Housing:** Existing home sales decreased 2.0% in August and 1.2% from a year ago. Inventory of existing homes for sale in August, at a 4.9-month supply, was up from the prior month's estimate of 4.6 months. The median sales price in August was $429,100, down from the July estimate of $436,400 but greater than the August 2025 price of $422,400. Sales of existing single-family homes declined 1.9% in August and 1.1% from August 2025. The median sales price for existing single-family homes in August was $434,800, down from the previous month's price of $442,500 but higher than the August 2025 price of $427,700. According to Freddie Mac, the 30-year fixed-rate mortgage averaged 7.03% as of September 24. That's up from 6.30% a year earlier.
- The most recent data shows sales of new single-family houses in August 2026 were 6.4% above the July rate but 2.0% below the August 2025 estimate. Inventory sat at a supply of 8.5 months, which was 5.6% under the July rate and unchanged from August 2025. The median sales price of new single-family homes sold in August was $393,700, 0.4% above the July price of $392,200 but 5.8% below the August 2025 price of $417,900. The average sales price of new single-family homes sold in August was $478,700, 9.1% below the July price of $526,400 and 8.8% below the August 2025 price of $525,100.

- **Manufacturing:** Industrial production (IP) was unchanged in August after increasing 0.2% in July. Manufacturing output decreased 0.3% in August. Mining ticked up 0.1% and utilities increased 1.8%. Total IP in August was 1.4% above its year-earlier level.
- According to the latest report from the Census Bureau, new orders for durable goods in August were virtually unchanged from the prior month. This followed a 0.9% July increase. Excluding transportation, new orders increased 0.3%. Excluding defense, new orders increased 0.1%. Transportation equipment, down three of the last four months, declined 0.6% in August.
- **Imports and exports:** U.S. import prices increased 0.7% in August following a 0.3% decrease in July. Higher prices for nonfuel imports more than offset lower prices for fuel imports in August. Prices for U.S. exports advanced 0.6% in August after falling 1.4% the previous month. Imports advanced 7.0% for the 12 months ended in August 2026, the largest 12-month increase since the prices rose 7.7% for the 12-month period ended August 2022. Export prices rose 8.6% over the 12-month period ended in August.
- The international trade in goods deficit was $132.6 billion in August, up $13.7 billion, or 11.5%, from July. Exports of goods for August were $203.4 billion, $3.7 billion, or 1.9%, less than July exports. Imports of goods for August were $336.1 billion, $17.4 billion, or 5.5%, more than July imports. Since August 2025, exports are up 14.5%, while imports have risen 27.9%.
- The latest information on international trade in goods and services, released September 3, 2026, was for July and revealed that the goods and services trade deficit was $88.6 billion, up $17.4 billion, or 24.4%, from the June deficit. July exports were $310.7 billion, $6.6 billion, or 2.1%, less than June exports. July imports were $399.3 billion,

$10.8 billion, or 2.8%, more than June imports. Year to date, the goods and services deficit decreased $188.4 billion, or 29.6%, from the same period in 2025. Exports increased $237.2 billion, or 12.0%. Imports increased $48.8 billion, or 1.9%.

- **International markets:** European equity markets began the third quarter of 2026 from a position of strength with several notable indexes nearing or surpassing record highs. However, the third quarter proved volatile with a rotation between cyclical growth, financials, technology, and defensive sectors. Throughout the quarter, European equity markets were sensitive to energy prices, European Central Bank monetary policy, Middle East developments, corporate earnings, and AI/technology performance. Asian equity markets also experienced volatility in the third quarter. Second-quarter momentum waned as technology stocks, particularly semiconductor shares, endured significant corrections. By the end of September, the STOXX Europe 600 Index fell 1.4% for the month and 0.4% for the third quarter; the United Kingdom's FTSE fell 1.3% from July but increased 1.3% in the third quarter; Japan's Nikkei 225 Index gained 3.8% for the month but declined 5.3% in Q3; and China's Shanghai Composite Index dropped 2.5% in August and 6.6% for the quarter.

- **Consumer confidence:** The Consumer Confidence Index fell by 6.7 points to 81.9 in September, down from 88.6 in August. The Present Situation Index, based on consumers' assessment of current business and labor market conditions, retreated 7.9 points to 109.3. The Expectations Index, based on consumers' short-term outlook for income, business, and labor market conditions, fell 5.9 points to 63.6, marking its third consecutive monthly decline.

Eye on the Quarter Ahead

The Federal Reserve meets at the end of October, the

result of which may be another interest rate hike.

Data sources: Economic: Based on data from U.S. Bureau of Labor Statistics (unemployment, inflation); U.S. Department of Commerce (GDP, corporate profits, retail sales, housing); S&P/Case-Shiller 20-City Composite Index (home prices); Institute for Supply Management (manufacturing/services). Performance: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates). News items are based on reports from multiple commonly available international news sources (i.e., wire services) and are independently verified when necessary with secondary sources such as government agencies, corporate press releases, or trade organizations. All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Forecasts are based on current conditions, subject to change, and may not come to pass. U.S. Treasury securities are guaranteed by the federal government as to the timely payment of principal and interest. The principal value of Treasury securities and other bonds fluctuates with market conditions. Bonds are subject to inflation, interest-rate, and credit risks. As interest rates rise, bond prices typically fall. A bond sold or redeemed prior to maturity may be subject to loss. Past performance is no guarantee of future results. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful.

The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap

weighted index composed of the common stocks of 500 largest, publicly traded companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2,000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks worldwide. The U.S. Dollar Index is a geometrically weighted index of the value of the U.S. dollar relative to six foreign currencies. Market indexes listed are unmanaged and are not available for direct investment.

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