WINTHROP WEALTH

# OCTOBER 2026 Market Recap

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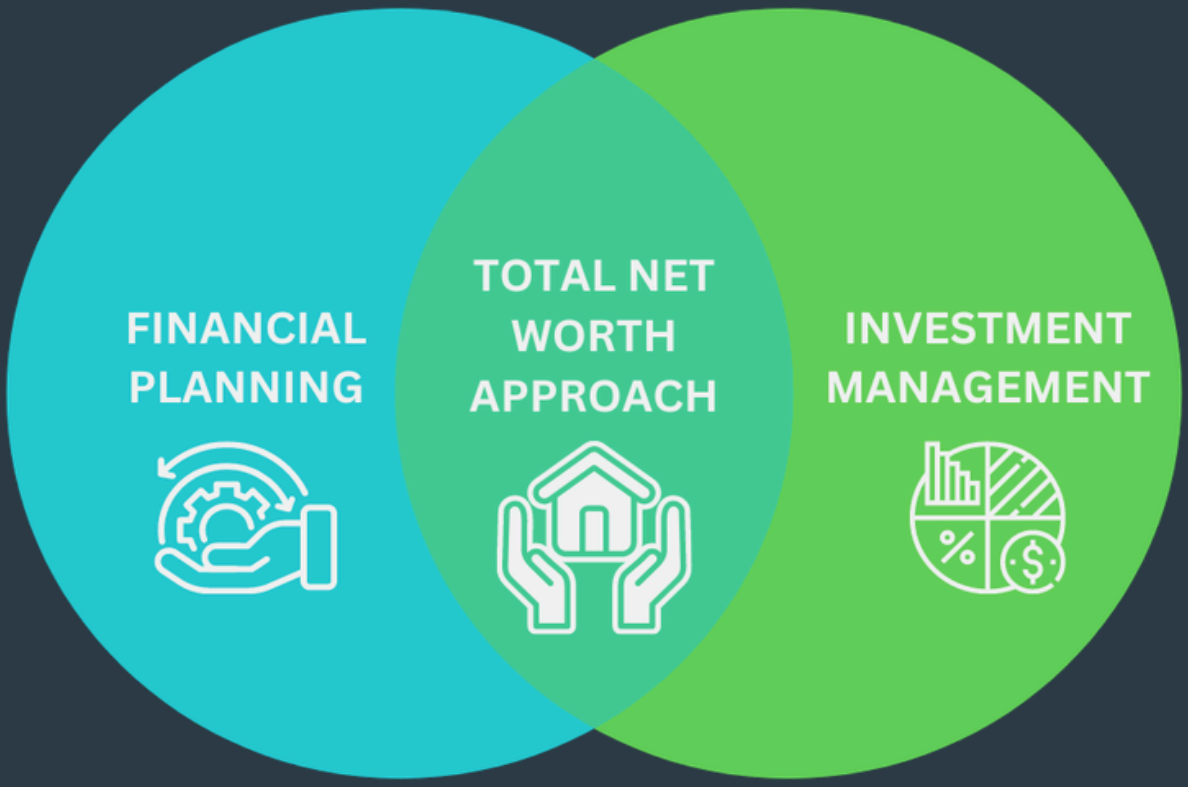



At Winthrop Wealth, we follow a **Total Net Worth Approach** to wealth management that combines both comprehensive financial planning and investment management. The financial plan helps define cash flow needs, seeks to optimize account structures, considers tax mitigation strategies, and determines the appropriate asset allocation based on the client's willingness and ability to take risk. Based on the output of the financial plan, our investment management process designs a well-diversified portfolio constructed with a long-term methodology based on prudent risk management, asset allocation, and security selection. For clients who receive both financial planningand investment advisory services under agreement. No strategy assures success or protects against loss. Investing involves risk, including loss of principle.

The S&P 500 declined by -0.9% in October, bringing the year-to-date gain to +11.8%. The index remained positive for most of the month despite the ongoing US/Iran war and growing concerns over AI-related debt financing, which helped push long-term Treasury yields lower. However, disappointing earnings results and guidance from several large tech companies drove a -2.1% decline in the market over the final two trading days, erasing the earlier gains. This type of market volatility reinforces our belief in the importance of maintaining a disciplined long-term perspective. Please see our Principles for Long-Term Investing.

- **AI Growth and the Cost of Expansion:** Corporate earnings remain strong overall, while evidence of AI-related productivity gains continues to build. A recent Janus Henderson analysis found that 69% of the 109 companies reviewed reported margin improvements associated with AI-related productivity gains and cost reductions. Cloud revenue growth for Amazon, Alphabet, and Microsoft accelerated to +54% year-over-year, providing tangible evidence of growing demand for AI services. To support this growth, these companies, along with Meta and Oracle, are expected to spend approximately $800 billion on capital expenditures in 2026 and $1.2 trillion in 2027. However, the enormous cost of these investments pushed the combined free cash flow for the five companies into negative territory during the third quarter, with some increasingly turning to debt and equity markets to finance additional spending. Amazon, Alphabet, and Meta experienced significant selling pressure following earnings, while the weakness spread across the AI ecosystem as semiconductor stocks declined -13.6% during October. In our view, investors will increasingly want to see a return to positive free cash flow and less reliance on issuing new debt and equity to finance future growth.

- **Market Rotation and Diversification:** October saw a notable shift in market leadership, with Growth stocks declining -6.1% compared with a +4.4% gain for Value. The weakness in Growth was particularly evident in the Technology (-6.8%) and Communication Services (-15.1%) sectors. Following earnings, Alphabet (-12.6%) recorded its largest one-day percentage decline since going public in 2004, while Intel (-28.6%) experienced its worst single-day decline since 1974. The Magnificent 7 declined -4.7%, compared with a +1.3% gain for the other 493 companies in the S&P 500. Meanwhile, Energy (+14.0%), Consumer Staples (+11.6%), Utilities (+10.2%), and Health Care (+9.9%) generated strong gains.
    - Market rotations have been pronounced in recent years, reinforcing the importance of diversification. In many of our managed portfolios, we aim to have meaningful exposure to companies and industries benefiting from long-term AI-related growth, while also maintaining diversification across other areas of the market that may benefit from different economic and market cycles. Our view remains that diversification can help deliver more consistent and less volatile results than an all-eggs-in-one-basket approach. *There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.*

- **Upcoming Catalysts:** Apple Earnings (11/2), Midterm Elections (11/3, please see our Pre-Election Commentary), BLS Employment Report (11/6), CPI Inflation (11/10), Nvidia Earnings (11/17), Anthropic IPO (mid-November, tentative), PCE Inflation (11/25).

**Short-Term Outlook:** We continue to take a measured view of the market. The fundamental backdrop remains constructive, supported by strong earnings and upward revisions to estimates. However, the ongoing US/Iran war has kept oil prices elevated, adding to inflation pressures and complicating the outlook for Federal Reserve policy. October's AI-related selloff also highlighted growing investor concerns about negative free cash flow and reliance on debt and equity issuance. Potential new IPOs, including Anthropic, and the growing use of options and leveraged products could amplify volatility. In this environment, we believe it is prudent to stay disciplined by maintaining regular rebalancing toward long-term targets, opportunistically raising cash for distributions, and positioning portfolios to manage downside risk while being prepared to participate in potential upside.

**Long-Term Philosophy:** We apply a Total Net Worth Approach to wealth management that integrates comprehensive financial planning with a structured investment process. Markets have historically increased over time despite frequent drawdowns as successful corporations generate profits through advances in innovation and productivity. To capitalize on the power of compounding, we believe in the benefits of staying **D**isciplined, **O**pportunistic, and **D**iversified, while striving to **M**itigate fees, taxes, and expenses.

*Historically, equity markets have recovered from recessions and downturns. Past performance is no guarantee of future returns. There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.*

**All data sourced from Bloomberg as of 10/31/26**

## Fixed Income Markets

### Interest Rates

Treasury yields continued moving higher in early October, extending a trend driven throughout the year by elevated oil prices and inflation, stronger economic data, heavy borrowing tied to AI infrastructure, continued concerns around federal debt and deficits, and a broader rise in global yields. The 10-Year Treasury yield peaked at 5.36% on October 7th, the highest level since 2002. However, yields subsequently reversed course amid growing concerns about whether the market could continue to absorb the enormous amount of debt being issued to finance AI infrastructure. Declining prices for some AI-related bonds and reports of tighter financing conditions indicated that investors were becoming more selective, making new debt issuance more difficult and expensive, or even prohibitive, particularly for companies with weaker financial positions. The prospect of less AI-related debt issuance and reduced investor appetite for those bonds meant less competition and greater demand for Treasuries, which helped push yields significantly lower during the month.

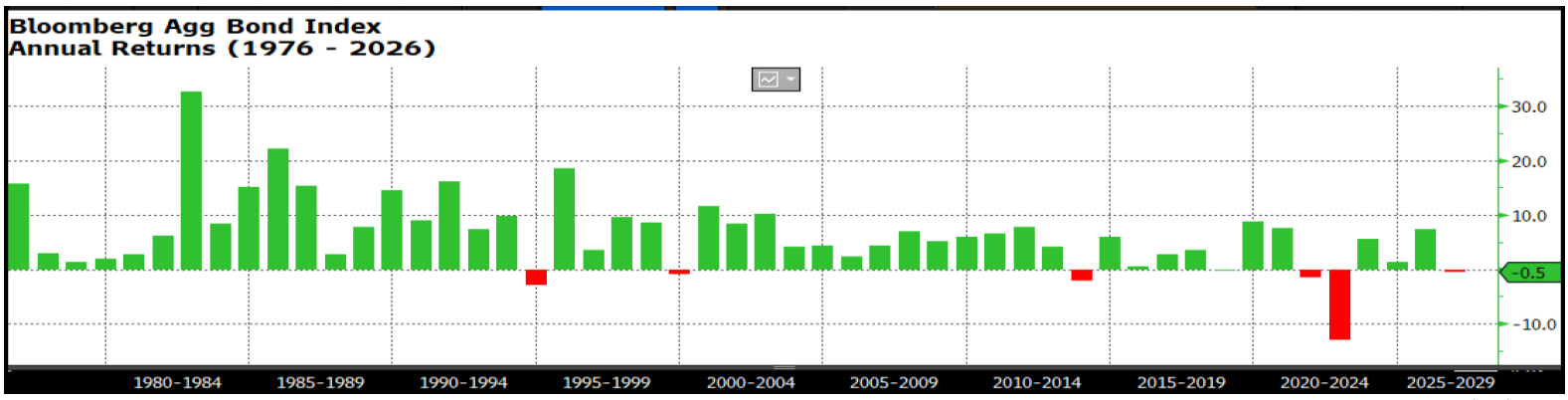
- **Short-Term Treasury Yields:** The Federal Reserve influences short-term interest rates by setting the Federal Funds rate.
  - Month-end levels: 3-Month: 4.08% (0%), 6-Month: 4.26% (-0.1%), 12-Month: 4.37% (-0.2%).
  - According to Bloomberg, markets are now pricing in two additional rate hikes by the end of 2027.
  - Short-term Treasury yields remain attractive for cash management or funding anticipated liabilities. For longer-term capital, we continue to favor extending duration or using a diversified fixed income portfolio to lock in higher yields and reduce reinvestment risk. *Investing involves risk including loss of principal. No strategy assures success or protects against loss.*
- **Long-Term Treasury Yields:** The market determines long-term yields based on supply dynamics, including elevated federal debt issuance and investor demand, which vary with expectations for future inflation and economic growth.
  - Month-end levels: 10-Year: 4.93% (-0.4%), 20-Year: 5.34% (-0.3%), 30-Year: 5.31% (-0.3%).

### Intermediate-Term Bonds

The Bloomberg US Aggregate Bond Index (Agg), which serves as a proxy for the intermediate-term investment-grade bond market, increased by +2.4% as yields moved lower. Year-to-date, the Agg is lower by -0.5%. Bond prices move inversely to interest rates and credit spreads. Please see our Bond Primer.

As a reminder, we hold fixed income to seek ballast, stability, and income. Higher inflation expectations and rising rates have weighed on bond returns this year, but October provided a reminder of the value of intermediate-term bonds as yields declined and prices recovered. The Agg has gained approximately +2.5% since the 10-Year Treasury yield reached the recent high. Although year-to-date returns remain slightly negative, the rebound helped offset earlier losses and demonstrated how bonds can provide ballast during periods of market uncertainty. Taking a longer-term perspective, the Agg has generated over +18% in total return since the 10-Year Treasury yield reached 5% in October 2023.

In our opinion, intermediate-term bonds offer an attractive investment opportunity. The yield to maturity on the US Aggregate Bond Index ended the month at 5.2%. Yield to maturity represents the estimated annualized return an investor can expect if bonds are held to maturity and all interest and principal payments are made as scheduled. Historically, higher starting bond yields have been associated with higher future returns, which strengthens our conviction over the long term. *Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and bonds are subject to availability and change in price.*




Source: Bloomberg.

## Monetary Policy

*"Economic activity is expanding at a strong pace. … But inflation remains elevated. … Since our policy action in September, we have started to see some changes in financial and credit conditions. … And while overall financial conditions are tighter, I'm unwilling and unable to call them tight."*

- Fed Chair Kevin Warsh, FOMC Press Conference (October 2026)

At the October 28th meeting, the Federal Reserve left the top end of the Federal Funds rate unchanged at 4.00%, following September's 0.25% increase. Despite holding rates steady, the Fed upgraded their description of economic growth from "solid" to "strong," citing resilient spending, robust business investment and positive employment conditions. Inflation remains above the Fed's 2% target, and Chair Warsh reiterated his pledge that "The Committee will deliver price stability." Chair Warsh also acknowledged that borrowing conditions have tightened since September's rate hike, with investors becoming more selective about where they lend. More expensive or less readily available financing can slow spending and investment, helping reduce inflation over time. However, Warsh said he would not call financial conditions tight, suggesting he believes further rate increases may be needed.

Market expectations for future rate hikes changed little after the meeting. According to Bloomberg, markets are now pricing in a rate hike at the December FOMC meeting and then another hike by the end of 2027. Two rate increases would bring the top end of the Federal Funds rate to 4.50%, close to the 2-Year Treasury yield of approximately 4.6%. The 2-Year yield tends to be particularly sensitive to expectations for Fed policy over the next several years. As we have emphasized in recent updates, the duration of the conflict in the Middle East and the direction of oil prices will have an important influence on inflation and future Fed decisions. If oil prices stay elevated and inflation does not improve, the Fed will likely continue raising rates. A meaningful decline in energy prices would reduce some of that pressure and could allow the Fed to slow or pause the tightening cycle.

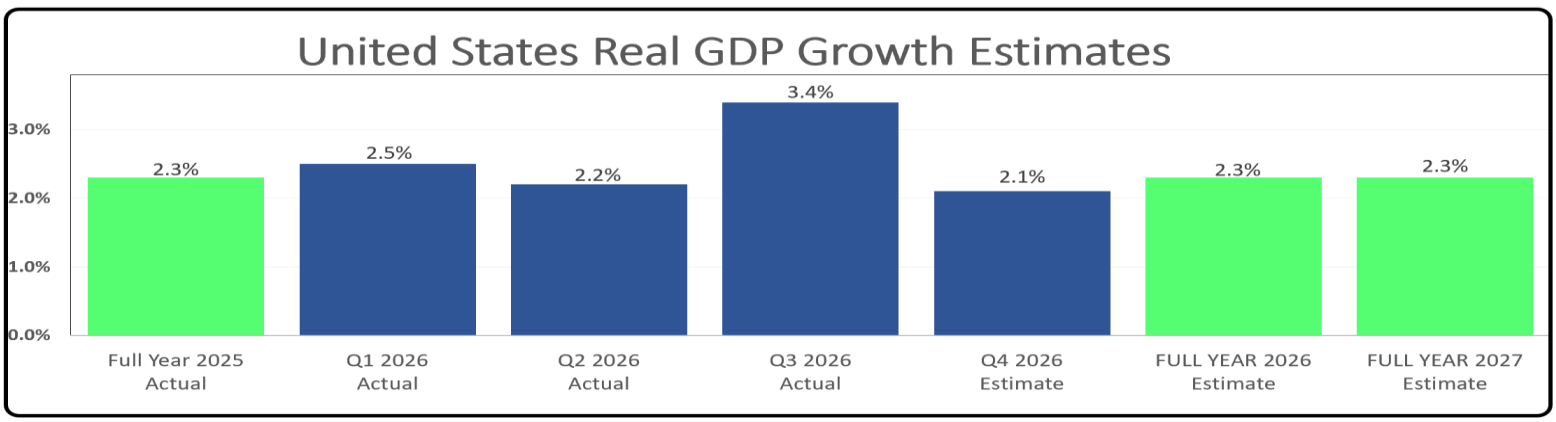
## US Economy

*"The US economy continues to demonstrate resilience while managing through inflation and elevated interest rates and is supported by strong corporate earnings, healthy consumer spending, and continued investment in AI and digital infrastructure."*

- Adena Friedman, Chair and Chief Executive Officer, Nasdaq (October 2026)

The US economy gained momentum as real GDP grew at a 3.4% seasonally adjusted annual rate in the third quarter, up from 2.2% in the second quarter. Consumer spending, which accounts for approximately 70% of GDP, increased at a 3.8% annual rate. Low unemployment has helped support spending, while higher-income households have also benefited from the wealth effect as rising asset values strengthened their finances. Business investment accelerated, led by spending on artificial intelligence infrastructure. According to ING, AI-related technology investment could account for roughly one-third of US GDP growth in 2026. Real GDP is estimated to increase by approximately 2.3% in both 2026 and 2027.

Inflation is still above the Fed's 2% target, with higher energy prices adding pressure as oil increased to approximately $100 per barrel. The path of growth will depend on whether consumer spending and AI-related investment can sustain their current pace despite higher energy prices and borrowing costs.




Source: Bloomberg.

# OCTOBER 2026 MARKET RETURNS

**US Equity**

| Index | October | 2026 | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 1-Year | 3-Year | 5-Year | 10-Year | 20-Year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| S&P 500 | -0.87% | 11.75% | 17.86% | 25.00% | 26.26% | -18.12% | 28.68% | 18.39% | 12.09% | 23.35% | 12.04% | 15.41% | 10.97% |
| Russell 3000 | -0.64% | 11.70% | 17.13% | 23.80% | 25.93% | -19.22% | 25.64% | 20.88% | 11.98% | 23.05% | 11.01% | 14.88% | 10.74% |
| Dow Jones Industrial Average | 1.76% | 9.08% | 14.92% | 14.99% | 16.18% | -6.86% | 20.95% | 9.72% | 10.60% | 18.17% | 9.69% | 13.37% | 10.10% |
| Nasdaq | -5.28% | 9.96% | 21.17% | 29.60% | 44.70% | -32.51% | 22.21% | 45.06% | 7.86% | 26.41% | 11.25% | 18.27% | 13.75% |
| S&P 400 | 1.90% | 11.96% | 7.48% | 13.89% | 16.39% | -13.12% | 24.73% | 13.65% | 14.33% | 17.35% | 7.16% | 11.01% | 9.64% |
| Russell 2000 | 0.58% | 14.53% | 12.79% | 11.52% | 16.88% | -20.46% | 14.78% | 19.93% | 14.96% | 20.78% | 5.58% | 10.45% | 8.15% |
| Russell 1000 Growth | -6.09% | -0.18% | 18.55% | 33.35% | 42.67% | -29.14% | 27.59% | 38.49% | -2.59% | 22.24% | 10.38% | 17.67% | 12.85% |
| Russell 1000 Value | 4.38% | 24.46% | 15.88% | 14.35% | 11.42% | -7.56% | 25.12% | 2.78% | 28.62% | 23.21% | 11.73% | 12.06% | 8.64% |

**International Equity**

| MSCI Index | October | 2026 | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 1-Year | 3-Year | 5-Year | 10-Year | 20-Year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| EAFE | -0.74% | 9.52% | 31.22% | 3.82% | 18.24% | -14.45% | 11.26% | 7.82% | 13.51% | 19.73% | 8.62% | 9.20% | 5.14% |
| Europe | -3.27% | 3.66% | 40.30% | 2.64% | 22.94% | -17.86% | 13.54% | 7.89% | 8.28% | 20.20% | 8.49% | 9.48% | 4.52% |
| Japan | -4.17% | 17.56% | 24.60% | 8.31% | 20.32% | -16.65% | 1.71% | 14.48% | 17.37% | 21.56% | 9.59% | 9.00% | 4.90% |
| China | -7.00% | -18.03% | 31.17% | 19.42% | -11.20% | -21.93% | -21.72% | 29.49% | -21.07% | 8.70% | -4.11% | 2.77% | 4.81% |
| Emerging Markets | -8.05% | 13.45% | 33.57% | 7.50% | 9.83% | -20.09% | -2.54% | 18.31% | 14.05% | 22.25% | 6.91% | 8.16% | 5.79% |
| All Country World (ACWI) | -1.64% | 11.18% | 22.34% | 17.49% | 22.20% | -18.36% | 18.54% | 16.25% | 12.33% | 22.28% | 10.10% | 12.38% | 7.99% |
| ACWI ex US | -2.81% | 11.01% | 32.39% | 5.53% | 15.62% | -16.00% | 7.82% | 10.65% | 14.31% | 21.07% | 8.41% | 9.09% | 5.28% |

**US Fixed Income**

| Bloomberg Index | October | 2026 | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 1-Year | 3-Year | 5-Year | 10-Year | 20-Year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Aggregate | 2.44% | -0.54% | 7.30% | 1.25% | 5.53% | -13.01% | -1.54% | 7.51% | -0.07% | 5.45% | -0.15% | 1.46% | 3.03% |
| Treasury Bills | 0.36% | 3.12% | 4.29% | 5.32% | 5.14% | 1.52% | 0.04% | 0.54% | 3.79% | 4.55% | 3.87% | 2.47% | 1.63% |
| Corporates | 2.16% | -1.02% | 7.77% | 2.13% | 8.52% | -15.76% | -1.04% | 9.89% | -0.57% | 6.39% | -0.09% | 2.35% | 4.03% |
| Securitized MBS/ABS/CMBS | 2.95% | -0.27% | 8.49% | 1.45% | 5.08% | -11.67% | -1.04% | 4.18% | 0.57% | 6.30% | 0.34% | 1.30% | 2.88% |
| High Yield | 0.30% | 0.40% | 8.62% | 8.19% | 13.45% | -11.19% | 5.28% | 7.11% | 1.56% | 8.55% | 3.70% | 5.01% | 6.31% |
| Munis | 3.85% | -0.48% | 4.25% | 1.05% | 6.40% | -8.53% | 1.52% | 5.21% | -0.17% | 4.48% | 0.61% | 2.01% | 3.28% |

**US Equity Sectors**

| Index | October | 2026 | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 1-Year | 3-Year | 5-Year | 10-Year | 20-Year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Technology | -6.80% | 19.65% | 24.04% | 36.61% | 57.84% | -28.19% | 34.53% | 43.89% | 14.23% | 33.40% | 19.90% | 25.05% | 17.28% |
| Real Estate | 5.08% | 10.66% | 3.15% | 5.23% | 12.35% | -26.13% | 46.20% | -2.17% | 10.39% | 13.64% | 1.73% | 7.41% | 4.07% |
| Industrials | 0.30% | 8.87% | 19.27% | 17.30% | 18.08% | -5.51% | 21.10% | 11.05% | 9.29% | 21.01% | 11.54% | 13.00% | 10.04% |
| Energy | 14.00% | 59.92% | 8.68% | 5.72% | -1.42% | 65.47% | 54.39% | -33.68% | 64.22% | 22.01% | 23.97% | 11.74% | 7.84% |
| Consumer Discretionary | 3.93% | -2.11% | 6.04% | 30.14% | 42.30% | -37.03% | 24.43% | 33.30% | -3.71% | 16.69% | 4.25% | 12.81% | 11.14% |
| Communication Services | -15.11% | -11.31% | 33.56% | 40.23% | 55.80% | -39.89% | 21.57% | 23.61% | -6.60% | 23.33% | 8.63% | 11.60% | 8.58% |
| Consumer Staples | 11.62% | 18.30% | 3.90% | 14.87% | 0.52% | -0.62% | 18.63% | 10.75% | 21.11% | 14.67% | 8.99% | 9.29% | 9.85% |
| Utilities | 10.17% | 3.94% | 16.04% | 23.43% | -7.08% | 1.56% | 17.67% | 0.48% | 0.38% | 16.84% | 8.66% | 9.50% | 8.35% |
| Materials | 6.57% | 15.97% | 10.54% | -0.04% | 12.55% | -12.28% | 27.28% | 20.73% | 23.49% | 13.22% | 6.25% | 10.59% | 8.19% |
| Financials | 5.90% | 4.39% | 14.97% | 30.50% | 12.10% | -10.57% | 34.87% | -1.76% | 9.60% | 22.30% | 8.86% | 13.17% | 5.53% |
| Health Care | 9.87% | 21.02% | 14.60% | 2.58% | 2.06% | -1.95% | 26.13% | 13.45% | 30.48% | 16.06% | 8.51% | 12.56% | 10.99% |

**Calendar Year Returns** | **Annualized Returns**

Source: Bloomberg.

## DISCLOSURES

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Diversification and asset allocation are investment techniques intended to help manage investment risk. Neither diversification nor asset allocation guarantees a profit, enhances returns, or protects against loss in declining markets. A diversified portfolio may underperform a non-diversified portfolio.

Equity securities are subject to market risk and may experience substantial price fluctuations. Growth-oriented investments may be more volatile than the broader market and may underperform during certain market environments. Small-capitalization, mid-capitalization, international, and emerging-market investments involve additional risks, including greater volatility, currency fluctuations, political and economic uncertainty, differing regulatory frameworks, and varying accounting standards.

Bond investments are subject to market, interest-rate, credit, inflation, and liquidity risks. Bond prices generally decline when interest rates rise and may fluctuate before maturity. Yield and yield-to-maturity figures are estimates based upon prevailing market conditions and assumptions and are not guarantees of future results. Actual investor returns may differ materially from quoted yields.

References to market indexes, economic statistics, industry data, and other third-party information are believed to be reliable but are not guaranteed as to accuracy, completeness, or timeliness. Unless otherwise noted, market and economic data are sourced from Bloomberg as of October 31, 2026.

The Market Returns chart on Page 4 is provided for informational purposes only. Indexes are unmanaged, cannot be invested in directly, do not reflect fees, expenses, transaction costs, or sales charges, and are shown solely for comparative and illustrative purposes. Index performance is not indicative of the performance of any investment, portfolio, or advisory account.

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## INDEX AND MARKET REFERENCE GLOSSARY

Significant terms and indexes referenced throughout the report and in the Market Returns chart on Page 4.

S&P 500 Index: A capitalization-weighted index of 500 large U.S. companies designed to measure the performance of the broad U.S. equity market.

S&P MidCap 400 Index: An unmanaged index generally representative of the market for mid-sized U.S. companies.

Russell 2000 Index: An unmanaged index measuring the performance of approximately 2,000 small-cap U.S. companies within the Russell 3000 Index.

Russell 1000 Growth Index: Measures the performance of Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

Russell 1000 Value Index: Measures the performance of Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

Russell 3000 Growth Index: Measures the performance of growth-oriented companies within the Russell 3000 universe.

Russell 3000 Value Index: Measures the performance of value-oriented companies within the Russell 3000 universe.

MSCI EAFE Index: A free float-adjusted market-capitalization index designed to measure equity-market performance across developed markets outside the United States and Canada.

MSCI Emerging Markets Index: A free float-adjusted market-capitalization-weighted index designed to measure equity-market performance across emerging-market countries.

MSCI U.S. Broad Market Index: Represents broad exposure to the U.S. equity market across large-, mid-, small-, and micro-capitalization companies.

Bloomberg U.S. Aggregate Bond Index: A broad benchmark that measures the investment-grade, U.S. dollar-denominated, fixed-rate taxable bond market.

Bloomberg U.S. Treasury Bills 1-3 Month Index: Measures the performance of public obligations of the U.S. Treasury with remaining maturities of at least one month and less than three months, subject to the index methodology.

High-Yield Bonds: Below-investment-grade bonds that generally offer higher yields but involve greater credit, market, and liquidity risks than investment-grade securities.

Yield to Maturity: An estimate of a bond's annualized return if held to maturity and if all scheduled interest and principal payments are made. It is based on assumptions and is not a guarantee of realized return. An index yield is not the return an investor or portfolio will necessarily realize.

Basis Point: One one-hundredth of one percentage point. For example, 25 basis points equals 0.25 percentage points.

Diversification: An investment approach that allocates assets across different investments or asset classes. Diversification does not guarantee a profit or protect against market loss.

Asset Allocation: The process of dividing a portfolio among asset classes based on factors such as objectives, time horizon, liquidity needs, and risk tolerance. Asset allocation does not guarantee a profit or protect against loss.

International & Emerging-Market Investing: International and emerging-market investments involve risks not typically associated with domestic investments, including currency fluctuations, political uncertainty, regulatory differences, and varying accounting standards. These risks may be heightened in emerging markets.