MARKET UPDATE

Q3 2026

FOCUS FINANCIAL®

THE LAYTON TEAM

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 again approached record levels in August and early September, although that favorable performance masked an underlying narrowness and shift to large technology and AI companies, while other sectors simply underperformed. The divergence between the different sectors in the quarterly market gain was narrowly driven and not representative of the market in general.

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 causing bonds to lose value. 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.

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.

Despite persistent inflation, high energy costs, tighter financial conditions and geopolitical tensions, the U.S. economy showed surprising resilience. Gross domestic product (GDP) held steady at an annualized rate of 2.2% during the quarter. While growth was modest, it reduced 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 (CPI) 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 moved slightly 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 staying relatively flat for the quarter. Food prices were comparatively moderate throughout the quarter.

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	3.50%-3.75%	3.75%-4.00%	25 bps	25 bps	25 bps
10-yr. Treasuries	4.16%	5.29%	54 bps	88 bps	113 bps

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.

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GHOST TAPPING SCAMS ARE ON THE RISE: WHAT YOU NEED TO KNOW

As more people use tap-to-pay technology for everyday purchases, scammers have found a new way to exploit that technology in the form of ghost tapping. And while ghost tapping sounds like something out of a scary movie, it's a scam that can have very real consequences.

Tap-to-pay technology is designed to make payments quick and convenient. Whether you use a contactless bank or credit card or a smartphone wallet, the systems rely on near-field communication, or NFC, to send payment information when placed near a card reader. It's typically a faster, more secure way of paying that is protected by layers of encryption.

Unfortunately, criminals are always looking for new ways to take advantage of consumers and have begun to use contactless payment technology to steal money and personal data. In a ghost tapping scam, fraudsters use hidden card payment readers, fake terminals, or compromised devices to trigger an unauthorized contactless transaction. In some cases, they may try to get close enough to a person's wallet, pocket, or handbag to read a contactless card. In others, they use social engineering to trick someone into tapping their phone or card against a fake or altered payment terminal. Some scams may also involve stolen card details being loaded onto a fraudster's digital wallet and then used to make contactless purchases.

While the idea of someone stealing your money with a quick tap sounds frightening, most major banks and card providers have security systems that monitor unusual account activity, and many contactless transactions are limited in value. In addition, mobile wallets typically require facial recognition or a passcode before payment is approved. Still, there are steps consumers can take to help reduce the risk of falling victim to a ghost tapping scam, such as:

- Keep your cards and phone secure, especially in crowded places, such as airports, shopping centers, and public transportation.
- Be cautious if someone carrying a device gets unusually close to you for no obvious reason.
- See if your bank offers card controls through its online app and consider using contactless features only when necessary.
- Check your account regularly for fraudulent activity and set up fraud alerts with your bank or credit card provider so you are notified of any suspicious card activity.
- Consider using a wallet with RFID-blocking technology.

If you are targeted by a ghost tapping scam, contact your bank or credit card provider immediately and request that they freeze/cancel your card. You should also update any passwords that are linked to your banking and digital wallet accounts.

MEDICARE OPEN ENROLLMENT: A TIME FOR CHOICES

Each year from October 15 to December 7, Medicare offers an Open Enrollment period during which beneficiaries can review coverage options and make changes. During this period, you can change from Original Medicare to a Medicare Advantage (MA) plan or vice versa; switch from one MA plan to another; and join a Medicare Part D prescription drug plan, switch Part D plans, or drop Part D coverage completely.

If you're satisfied with your current coverage, you don't need to take action; you will be renewed with the same coverage. But this is a good time to examine any changes in your plan for the coming year and explore your options.

REVIEW YOUR COVERAGE

Before enrollment begins, you should receive two documents from your plan: (1) an Annual Notice of Change that lists changes to your plan's coverage, costs, or service area that will take effect in January; and (2) a comprehensive Evidence of Coverage document that includes detailed information on the plan's benefits, how the plan works, and your rights and responsibilities. Reviewing these documents should help you decide whether your current plan is appropriate and cost-effective for your needs.

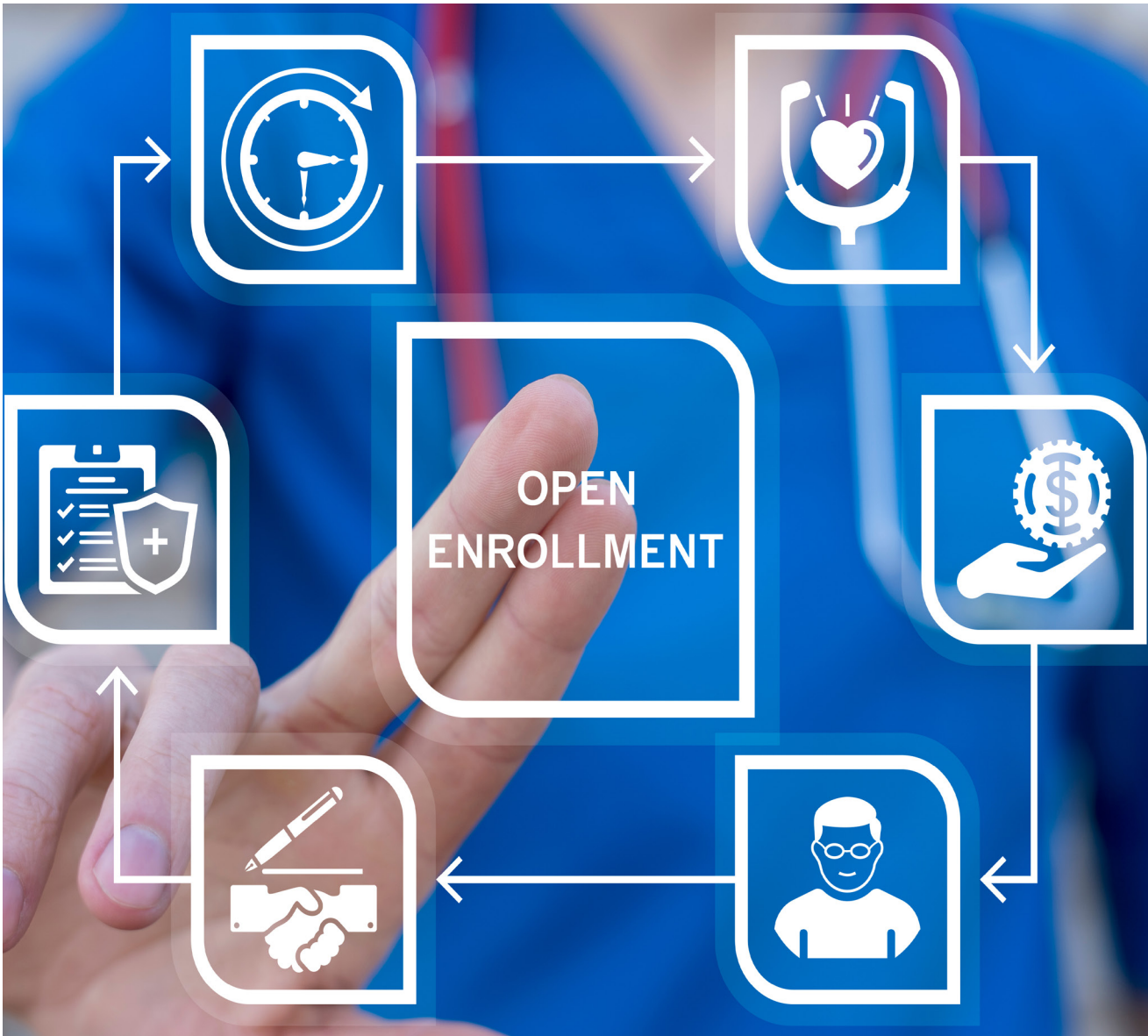
If you're interested in a Medicare Advantage Plan or a Medicare prescription drug plan, you can use the plan finder at medicare.gov/plan-compare to see which plans are available in your area and check their quality ratings. For personalized information, log into your account (or create one if you have a Medicare number) to compare plans and see drug costs.

MEDICARE ADVANTAGE OPEN ENROLLMENT

If you enroll in a Medicare Advantage Plan and are unhappy with your choice, you have an opportunity to make one change from January 1 to March 31. During this time, you can switch to another Medicare Advantage Plan (with or without prescription drug coverage) or drop the Medicare Advantage Plan and return to Original Medicare, with the option to enroll in a Part D prescription drug plan.

Caution: Although you can change from a Medicare Advantage Plan to Original Medicare during an Open Enrollment period, you may not be able to obtain a supplemental Medigap plan without medical underwriting. Medigap plans are often paired with Original Medicare (which has no out-of-pocket maximum) to limit out-of-pocket expenses. You may have "guaranteed issue rights" to enroll in a Medigap plan without underwriting if you return to Original Medicare within 12 months of signing up for a Medicare Advantage Plan when you were first eligible for Medicare or if the Medicare Advantage Plan stops serving your area.

In addition to Open Enrollment periods, there are Special Enrollment periods for certain life events, such as moving or losing another form of coverage.



LAYTON TEAM TRIVIA CORNER

Can you match the fun facts to the correct team member?

WHO SAID IT?

Choose from: **John, Trent, Angela, Lauren, Tara, Josue or Spencer**

1. "If I could take a dream vacation tomorrow, I'd head to Switzerland to ski in the mountains."
2. "I've recently picked up golf and am still deciding whether it's more relaxing or frustrating."
3. "My favorite way to spend a weekend is attending my kids' activities and sporting events."
4. "Nothing beats a fresh cup of loose-leaf tea."
5. "My wife and I love to go on dates... to Costco."
6. "My ideal Friday night is relaxing at home rather than going out."
7. "On this planet, you don't get what you don't ask for."

GUESS WHO...

Choose from: **John, Trent, Angela, Lauren, Tara, Josue or Spencer**

1. Which team member is most likely to respond to your email first thing in the morning?
2. Which team member is most likely to spend their Saturday morning mountain biking before most people have finished their breakfast?
3. Which team member is most likely to pick up a guitar at a party and start playing?
4. Which team member is most likely to be in Duluth for the weekend?
5. Which team member is most likely to have paper notes and a checklist for everything?
6. Which team member is most likely to know the answer to a random trivia question?
7. Which team member is most likely to have the best recommendation for a local restaurant?

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ONE ITEM ON MY BUCKET LIST IS:

Choose from: **John, Trent, Angela, Lauren, Tara, Josue or Spencer**

1. Flying 1st class to an international destination.
2. Visit Yosemite National Park.
3. I LOVE animals! Go on an African Safari.
4. Attend a World Series game 7.
5. Land a marlin, tuna or sailfish deep-sea fishing.
6. Complete 40 American Birkebeiner cross-country ski races.
7. Travel to France to race in the UTMB World Series Finals.

REVEAL NEXT ISSUE!

We'll share the answers in our next newsletter. In the meantime, if you think you've matched them all correctly, let us know the next time we connect or email us your answers!

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