

Boston, Massachusetts

MONTH ENDING OCTOBER 31, 2026

Market Navigator

The month was highlighted by a sell-off in the technology names that had been driving recent index rallies. However, the broad market performed much better than headline index returns indicated. A flight to quality led to U.S. Treasury yields turning sharply lower and bonds providing some ballast to portfolios.

Quick Hits

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Beyond the Headlines: The Rest of the Market Takes Center Stage

Despite the sell-off in technology stocks, which dragged the Nasdaq down more than 5 percent, market breadth was quite strong, with the market environment best being described as a rotation rather than risk-off. The Dow Jones Industrial Average closed up almost 2 percent, and the small-cap Russell 2000 rose as well. Perhaps more impressively, the equal weight S&P 500, which removes the impact of a company's size, rallied 5 percent even though the market-cap weighted index declined by almost 1 percent.

In a reversal of September, only the communication services and technology sectors declined in October, by more than 15 percent and 6 percent, respectively. But that left the other nine sectors all with positive returns. With oil prices rising by more than 15 percent in the month, it was no surprise the energy sector led the way, up 14 percent.

Other double-digit returns were seen in consumer staples and utilities, and health care was up just shy of 10 percent.

On the positive side, earnings season is well underway and has remained strong. Sixty percent of S&P 500 companies have now reported earnings, and expectations for growth is tracking at just over 30 percent. This would make it the second consecutive quarter of 30 percent-plus growth.

This quarter is also the first one since the fourth quarter of 2022 where, if expectations hold, the Magnificent Seven stocks will not grow earnings as fast as the remaining 493 names. Analysts now expect that when all seven big names have reported, growth for those companies will be at a respectable 22 percent. However, the other 493 companies have seen expectations rise during the month. Analysts now expect those companies to grow earnings by more than 32 percent.



Fixed Income Update: Yields Drop as Bonds Provide Portfolio Ballast

After hitting a 25-year high of more than 5.3 percent, the 10-year Treasury bond yield declined 35 basis points and closed the month back below 5 percent. Although October reports showed inflation accelerating and oil prices continuing to march higher, investors looked to the Treasury market for safety. This led to fixed income holdings providing their historic diversification role within a portfolio. The Bloomberg U.S. Aggregate Bond Index rallied more than 2.4 percent. Strong returns were seen across the fixed income market, including a rally of more than 3.5 percent in municipal bonds.

Bloomberg Aggregate Bond Index

⇧2.44%

In the month of October

Bloomberg U.S. Corporate High Yield Index

⇧0.30%

In the month of October



North Andover, Massachusetts

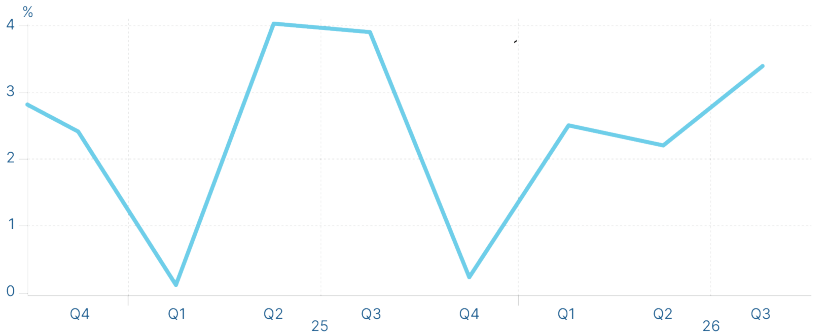
Geopolitical and Economic Update: Growth Accelerates Despite Headwinds

The highlight of the month's economic data was a particularly strong third-quarter gross domestic product (GDP) report. It showed U.S. economic growth had accelerated to 3.4 percent annualized growth after growing at 2.4 percent over the first six months of the year. Growth was driven in large part by business investment, particularly around AI infrastructure. But positive contributions were also seen from a resilient consumer and the government.

On the other hand, the September employment report came in weaker than expected with only 29,000 jobs created. In addition, the July and August reports were revised lower. At the same time, both consumer and producer price inflation moved higher due to tariffs and higher oil prices. There were also signs that pricing pressures were beginning to spread to other areas such as core goods.

The Federal Reserve took all of this into consideration and decided to leave short-term interest rates unchanged at the end of the month. However, the vote was not unanimous this time, with two dissenters wanting to raise rates now. Chair Kevin Warsh's comments in his post-meeting press conference remained consistent with those from previous meetings. He mentioned the Fed will remain data dependent and will focus on returning inflation growth back to the Fed's 2 percent target, a level not seen in more than five years.

Figure 1: Real Gross Domestic Product Seasonally Adjust Annual Rate, Third Quarter 2024–Present



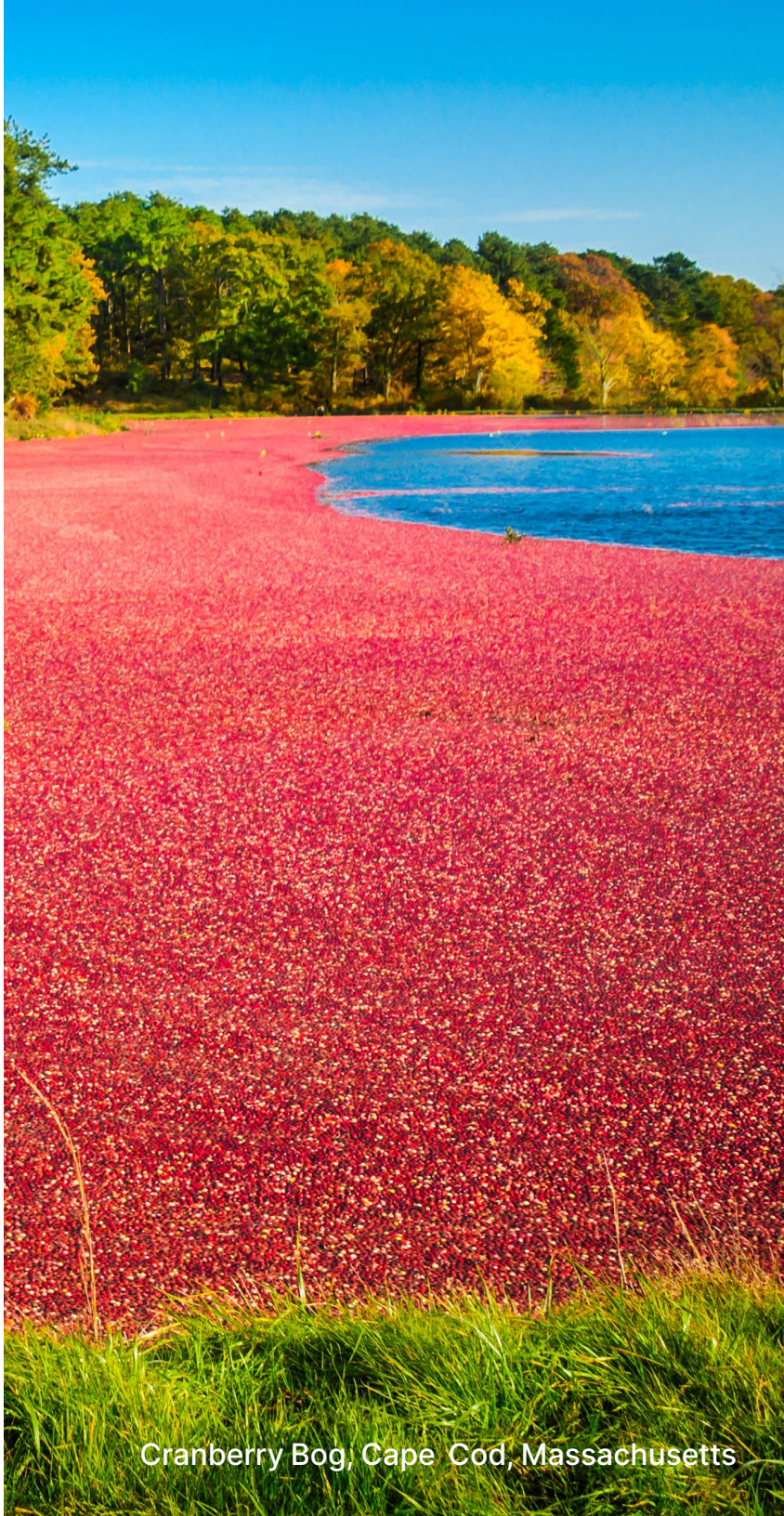
Source: Bureau of Economic Analysis/Haver Analytics, as of October 30, 2026

>> The Takeaway

- The U.S. economy accelerated in the third quarter, showing broad strength.
- The Fed held interest rates steady in October, but the possibility of an increase in December remains strong.

Looking Ahead: Broad Improvement in Fundamentals Should Offset Risks

Risks still exist for investors, and most of them are the same ones that have been in the headlines throughout the year. The Middle East and an escalation in military action or, conversely, progress toward a settlement will impact oil prices and inflation. The Fed is likely to raise rates before the year ends, and Election Day could result in a change in the balance of power in Washington. All of this could impact short-term movements in the market. But a strong economy and strong earnings growth that is being driven by a wide swath of companies is a positive backdrop. Ultimately, we believe this should be supportive for further market appreciation over the long term. If concerns remain, however, speak to your financial advisor to go over your financial plans.



Cranberry Bog, Cape Cod, Massachusetts



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