

SUMMARY

US stocks fell last week in a sharp, tech-led selloff, though the damage was far from uniform. The Nasdaq tumbled 4.48% and the S&P 500 lost 1.94%, yet the Dow actually rose 0.67% and the Russell 1000 Value gained 0.88%; the small-cap Russell 2000 fell 3.04%. The split across sectors was stark: Information Technology dropped 6.37%, while defensives and cyclical rallied, led by Consumer Staples (up 5.05%), Energy (up 5.02%) and Health Care (up 3.44%). Overseas, the story was a rout in emerging Asia set against resilient Europe. EAFE rose 1.44%, helped by Switzerland, the UK and Germany, but EM tumbled 5.14% as South Korea collapsed 15.1%, Indonesia fell 16.3% and Taiwan dropped 7.0%.

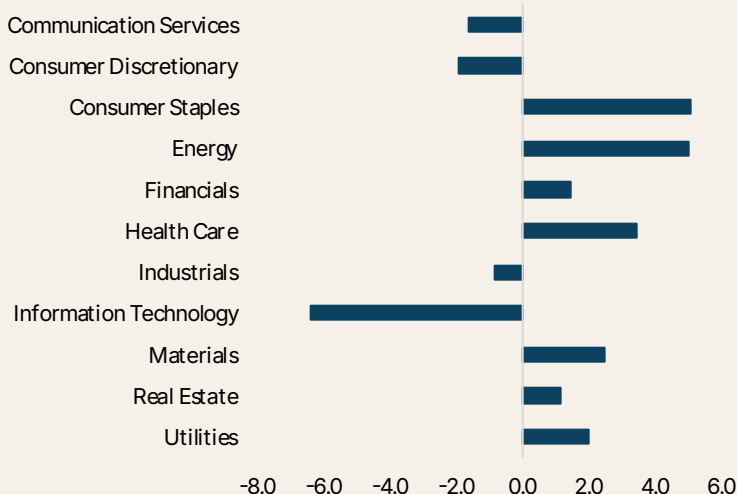
In Treasuries, yields fell sharply as investors sought safety, even with the week's inflation data running hot. The 10-year yield dropped 17 basis points to 5.07%, the 30-year fell 17 basis points to 5.42%, and the 2-year eased 8 basis points to 4.71%. The rally lifted the Bloomberg US Aggregate 0.88% for the week. In other markets, the risk-off tone showed up clearly in volatility: the VIX jumped 5.15 to 19.99. Crude surged 9.56 to close back above \$100, at 101.41 a barrel, while gold slipped 28.66 to 4,165.58 an ounce. In currencies, the trade-weighted US\$ eased 0.37%, and Bitcoin was little changed, down about 1% near 81,600.

The selloff came despite firm economic data. September CPI rose 0.6% on the month, pushing the annual rate up to 3.7%, with core prices up 0.3% and the core rate at 2.6%, both a touch hotter than expected. Producer prices were hotter still, jumping 1.3% on the month and 6.3% over the past year. Activity held up as well: retail sales rose 0.8%, the Empire manufacturing index surged to 25.5, and industrial production beat at 0.7%. Weekly jobless claims stayed low at 199k. This week is lighter and tilted toward housing. The flash S&P Global PMIs and the final University of Michigan sentiment reading, both on Friday, are the main releases. Before that, we get housing starts and building permits on Tuesday, pending home sales, and the leading index, along with the usual weekly jobless claims on Thursday.

Index	Level	Total Return (%)	
		1 Week	YTD
S&P 500	7,659.44	-1.94	12.89
DJIA	52,002.41	0.67	9.53
NASDAQ	26,140.03	-4.48	12.99
MSCI EAFE	3,122.04	1.44	10.83
MSCI EM	1,620.63	-5.14	17.48
Bloomberg US Agg	2,310.65	0.88	-1.63

	Level	Value Change	
		1 Week	YTD
US 2 Year Yield	4.71	-0.08	1.24
US 10 Year Yield	5.07	-0.17	0.91
US 30 Year Yield	5.42	-0.17	0.58
VIX Index	19.99	5.15	5.04
Gold Spot Price	4,165.58	-28.66	(153.79)
WTI Crude Oil Spot	101.41	9.56	44.49

Week Total Return (%)



Weekly Data Releases

Data	As of Date	Value	1Y Ago	%Change
US Existing Home Months' Supply	09/30/26	4.80	4.50	6.67%
US Existing Home Sales	09/30/26	3,990,000	4,080,000	-2.21%
US Consumer Price Index	09/30/26	336.30	324.25	3.72%
US Nonstore Retailer Sales	09/30/26	124,283	114,879	8.19%
US Producer Price Index	09/30/26	159.78	150.25	6.35%
30 Year Mortgage Rate	10/15/26	7.40%	6.17%	19.94%
US Retail Sales	09/30/26	652,115	614,111	6.19%

The Week Ahead

Tuesday (10/20)
Housing Starts
Pending Home Sales MoM
Wednesday (10/21)
MBA Mortgage Applications
Thursday (10/22)
Initial Jobless Claims
Leading Index
Friday (10/23)
S&P Global US Manufacturing PMI
S&P Global US Services PMI
U. of Mich. Sentiment

Please see important disclosures on last page.

Source: Bloomberg, YCharts, Modelist

HOW WE'RE TALKING ABOUT MARKETS

1

AI's Next Test: Can the Returns Justify the Spending?

The Nasdaq fell roughly 4.5% as investors questioned the financing and profitability of massive AI infrastructure investments. Higher borrowing costs are exposing the difference between companies generating cash flow from AI and those relying on debt to build capacity. The AI growth story remains intact, but markets are becoming more selective. Upcoming technology earnings will be critical in determining whether this is a healthy valuation reset or the beginning of a broader repricing.

2

Inflation Is Rewriting the Fed's Playbook

September inflation surprised to the upside, with headline CPI reaching 3.7%, complicating expectations for monetary policy. Oil prices above \$100 add another inflationary pressure, while Treasury yields remain near multidecade highs despite a late-week retreat. Investors must increasingly consider a higher-for-longer rate environment, even as market volatility supports demand for bonds. Attractive fixed-income yields offer opportunities, but duration positioning matters when inflation and Fed expectations remain unsettled.

3

The Market Is Rotating, Not Necessarily Breaking

While technology stocks struggled, value-oriented and defensive sectors held up better, with the Dow posting a modest weekly gain. Meanwhile, September retail sales rose 0.8%, and industrial production exceeded expectations, suggesting economic activity remains resilient. This divergence matters: investors are reassessing concentrated growth exposure rather than abandoning equities altogether. If corporate earnings continue to broaden beyond technology, market leadership could become healthier and more diversified, creating opportunities across sectors previously overshadowed by AI.

S&P 500 Top & Bottom Performing Stocks for the Week

Top 10

Ticker	Name	Price	Total Return
FICO	Fair Isaac Corp	769.93	15.5%
CTSH	Cognizant Technology Solutions Corp	65.77	11.5%
ACN	Accenture PLC	224.92	10.7%
EFX	Equifax Inc	161.26	10.6%
BRO	Brown & Brown Inc	67.98	10.4%
ERIE	Erie Indemnity Co	238.69	9.8%
AJG	Arthur J Gallagher & Co	250.10	9.5%
TYL	Tyler Technologies Inc	363.62	9.5%
DRI	Darden Restaurants Inc	214.31	9.5%
BF/B	Brown-Forman Corp	28.58	9.4%

Bottom 10

Ticker	Name	Price	Total Return
CIEN	Ciena Corp	356.52	-26.0%
COHR	Coherent Corp	250.60	-25.5%
LITE	Lumentum Holdings Inc	869.54	-25.3%
HPE	Hewlett Packard Enterprise Co	58.63	-25.0%
FLEX	Flex Ltd	98.50	-24.5%
SMCI	Super Micro Computer Inc	35.09	-24.4%
DELL	Dell Technologies Inc	473.39	-22.9%
BE	Bloom Energy Corp	236.30	-21.1%
P	Everpure Inc	133.40	-19.7%
TER	Teradyne Inc	343.21	-19.3%

Equity Data

Style Box	1 Week	MTD	YTD	1 Year	3 Year	5 Year	10 Year	Dividend Yield	P/E Ratio	P/B Ratio
Russell 1000	-1.99	0.20	12.51	12.78	23.54	11.53	15.28	1.14	26.18	5.33
Russell 1000 Value	0.88	3.20	23.05	27.16	22.76	11.48	11.93	1.73	21.43	3.50
Russell 1000 Growth	-5.04	-3.00	3.12	0.62	23.59	11.11	18.08	0.49	35.08	13.17
Russell Midcap	-1.19	1.72	13.77	14.89	19.89	7.16	11.71	1.67	20.97	3.14
Russell 2000	-3.04	-2.67	10.83	11.24	19.48	4.89	10.06	2.14	86.57	2.36
S&P 500 Sector										
Communications	-1.61	-1.08	3.34	8.83	29.81	12.00	13.34	0.72	23.86	4.81
Consumer Disc.	-1.92	2.38	-3.57	-5.14	16.13	3.94	12.64	0.69	29.43	7.19
Consumer Staples	5.05	9.20	15.73	18.49	13.85	8.52	9.03	2.34	24.26	7.35
Energy	5.02	11.14	55.90	60.10	21.01	23.36	11.60	2.34	19.20	2.82
Financials	1.42	4.02	2.53	7.64	21.59	8.48	12.99	1.78	16.22	2.40
Health Care	3.44	4.97	15.63	24.67	14.33	7.53	12.12	1.61	26.38	5.70
Industrials	-0.87	0.50	9.09	9.51	21.11	11.59	13.01	1.22	29.06	7.09
Information Tech	-6.37	-4.89	22.10	16.56	34.34	20.40	25.33	0.50	34.23	13.41
Materials	2.47	4.54	13.77	21.14	12.51	5.84	10.38	1.59	23.28	3.28
Real Estate	1.17	2.77	8.23	7.96	12.82	1.28	7.03	3.42	42.44	3.13
Utilities	2.00	7.09	1.04	-2.43	15.76	8.05	8.98	3.01	18.41	2.15

Fixed Income Data

Bloomberg Index	1 Week	MTD	YTD	1 Year	3 Year	5 Year	10 Year	Yield to Worst	Modified Duration	Credit Rating
US Aggregate	0.88	1.32	-1.63	-1.16	5.07	-0.37	1.35	5.39	5.89	AA2/AA3
US Universal	0.80	1.22	-1.43	-0.91	5.48	0.00	1.70	5.62	5.70	
Multiverse	0.84	0.79	-1.72	-1.18	4.78	-1.39	0.61	4.56	6.10	
UST-Bills: 1-3M	0.07	0.20	2.96	3.62	4.50	3.84	2.45	4.11	0.19	AA1/AA1
Short Treasury	0.07	0.21	2.84	3.53	4.48	3.68	2.45	4.25	0.42	AA1/AA1
USTreasury	0.91	1.26	-1.54	-1.26	4.03	-0.79	0.81	4.96	5.72	AA1/AA1
US Long Treasury	2.40	2.86	-4.98	-6.22	3.64	-7.08	-1.43	5.45	13.82	AA1/AA1
USTIPS	1.13	1.44	-0.71	-0.93	4.50	0.06	2.33	5.09	6.54	AA1/AA1
Municipal Bond	1.31	2.02	-2.24	-1.93	3.87	0.25	1.82	4.48	7.28	AA2/AA3
US Corporate	0.86	1.33	-1.82	-1.38	6.11	-0.25	2.26	5.89	6.63	A3/BAA1
US Corp HY	-0.33	-0.09	0.01	1.16	8.42	3.62	5.00	8.38	3.55	BA3/B1
Global-Aggregate	0.89	0.81	-1.88	-1.40	4.51	-1.66	0.41	4.32	6.19	
EM USD Aggregate	0.65	0.93	-0.60	0.07	8.91	1.68	2.92	6.80	5.84	BAA2/BAA3
U.S. Convertibles	-5.81	-5.94	8.09	4.15	15.81	3.97	11.30			

DISCLOSURES

Modelist Inc. is a registered investment adviser. This content is intended for informational and educational purposes only and should not be construed as personalized investment advice or a recommendation to buy or sell any security. All investments involve risk, including the loss of principal. Past performance is not indicative of future performance. Modelist does not guarantee performance outcomes or cost reductions. Any strategies discussed are illustrative in nature and may not be suitable for all investors or advisors. Be sure to first consult with a qualified financial adviser and/or tax professional before implementing any strategy discussed herein. Past performance is not indicative of future performance. Registration with a regulatory authority does not imply a certain skill or training.

Investment advisory services offered through Mutual Advisors, LLC DBA California Retirement Advisors, a SEC registered investment adviser. Securities offered through Mutual Securities, Inc., member FINRA/SIPC. Mutual Securities, Inc. and Mutual Advisors, LLC are affiliated companies. CA Insurance license #0B09076. The views expressed are those of Modelist and do not necessarily reflect the views of Mutual Advisors, LLC, or any of its affiliates. Modelist Inc. is not affiliated with California Retirement Advisors or with Mutual Advisors, LLC.