



CEO'S CORNER

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The Battle of the Bulls and Bears enters Q4 October 1, 2026

It's been a long time since we've seen such a battle between bulls and bears. Chris comments frequently that he's never experienced such pessimism among shareholders while the major stock indexes are doing so well. Here's a sample of year-to-date returns for several of the major U.S. stock market indexes and market sectors.

Year-to-Date (YTD) Total Return (Through September 30, 2026)

Ticker	Fund Name / Asset Class	YTD Total Return
XLE	Energy Select Sector SPDR Fund	+40.23%
QQQ	Invesco QQQ Trust (Nasdaq-100)	+20.78%
IWM	iShares Russell 2000 ETF (Small Caps)	+14.07%
SPY	SPDR S&P 500 ETF Trust	+12.70%
DIA	SPDR Dow Jones Industrial Average ETF	+6.96%
IYT	iShares U.S. Transportation ETF	+6.31%
XLRE	Real Estate Select Sector SPDR Fund	+4.38%
XLU	Utilities Select Sector SPDR Fund	-6.21%

The Nasdaq 100 and the S&P 500 are up double digits for the year, and for the third year in a row. The Energy Select Sector SPDR Fund (XLE) leads the way, up over 40%, and that's one of the sources of worry for both shareholders and consumers. The XLE is up because oil and gas prices are way up, a consequence of the war with Iran. We need this ETF, and oil and gas prices, to recede in Q4 to fuel the rise of other indexes and major sectors. While markets are up for 2026, Q3 was pretty much flat to down. That's added to shareholder anxiety, and begs the question "what will Q4 bring?"

Third Quarter (Q3) Total Return (July 1 – September 30, 2026)

Ticker	Fund Name / Asset Class	Q3 2026 Total Return
XLE	Energy Select Sector SPDR Fund	+17.51%
SPY	SPDR S&P 500 ETF Trust	+2.38%
QQQ	Invesco QQQ Trust (Nasdaq-100)	+0.56%
DIA	SPDR Dow Jones Industrial Average ETF	-1.46%
XLRE	Real Estate Select Sector SPDR Fund	-5.74%
IWM	iShares Russell 2000 ETF (Small Caps)	-6.93%
IYT	iShares U.S. Transportation ETF	-9.32%
XLU	Utilities Select Sector SPDR Fund	-12.28%

Both Chris and I read enough conflicting forecasts to make our heads spin. We've certainly noticed the bears getting louder about their pessimistic perspective. The bulls are in a bit of a retreat. They remain bullish, but many have reduced their forecasts for Q4 gains. I've mentioned Ed Yardeni in my last few newsletters. He's consistently forecast a year-end value of 8400 for the S&P 500 but brought it down to 7900 just a few weeks ago. On the other hand, Tom Lee, of Fundstrat, recently raised his year-end target from 8000 to 8200. He expects a "robust end-of-year market run, a face-ripping rally. Core drivers of the rally will be ongoing AI momentum, leadership from major tech, the Magnificent Seven, and better than expected corporate earnings". (Source: CNBC.com) We remain in the bullish camp. We don't state specific price targets, but we feel strongly

that corporate earnings can support a Q4 rally. It would sure help if the war ended, oil and gas supplies trend back toward normal, and prices drop!

Rising interest rates are also challenging stock prices, while depressing bond prices. Here's a list of six ETF's that are invested in bonds. Note that all of them are down year-to-date. Interestingly five of them were up in Q3. If we see any significant decline in rates during Q4 these will all rise in value. If rates continue to rise in Q4 they will likely all continue to decline in price. The markets would welcome stable or declining rates.

Total returns (capital changes plus reinvested distributions) for each fixed income ETF through the end of the third quarter (September 30, 2026) are summarized below: BlackRock				
Ticker	Fund Name	Asset Class / Focus	Q3 2026 Total Return	YTD 2026 Total Return
BINC	iShares Flexible Income Active ETF	Multi-Sector Active Core-Plus	+2.14%	-0.31%
CGMS	Capital Group U.S. Multi-Sector Income ETF	Active Multi-Sector Fixed Income	+1.85%	-0.67%
MBB	iShares MBS ETF	Mortgage-Backed Securities	+0.61%	-3.25%
GOVT	iShares U.S. Treasury Bond ETF	Broad US Treasury Blend	+0.34%	-2.63%
TLT	iShares 20+ Year Treasury Bond ETF	Long-Term Treasuries (20+ Yr)	+0.85%	-8.00%
HIMU	iShares High Yield Muni Active ETF	High Yield Municipal Bonds	-3.98%	-2.90%

Every week we see data on "official inflation", and it's very misleading in my opinion. I've written about this before. Year to date we've seen several important commodity prices rocket upward, much more than "official inflation. We have small allocations to commodities in most of our strategies. They have acted as ballast against the drop in bond prices.

The year-to-date (YTD) price changes and latest benchmark market prices across key commodities through the close of **September 30, 2026** (entering Q4) are detailed below: [Morningstar](#)

Commodity	Primary Benchmark / Exchange Contract	Latest Price	2026 YTD Change
Diesel Fuel (ULSD / Heating Oil)	NYMEX Heating Oil (HO)	~\$4.61 / gal	+119.1%
WTI Crude Oil	NYMEX Light Sweet Crude (CL)	~\$90.85 / bbl	+59.5%
Steel (HRC)	US Midwest Hot-Rolled Coil	~\$1,302 / metric ton	+38.5%
US Wheat	CBOT Soft Red Winter Wheat (ZW)	~\$6.79 / bushel	+33.9%
Copper	COMEX High Grade Copper (HG)	~\$6.56 / lb	+15.6%
US Corn	CBOT Corn (ZC)	~\$5.03 / bushel	+14.1%
Gold	COMEX Gold (GC)	~\$4,151 / troy oz	-4.5%
Live Cattle	CME Live Cattle (LE)	~\$2.19 / lb (\$218.9 / cwt)	-4.4%
Coffee	ICE Coffee 'C' Arabica (KC)	~\$2.84 / lb (\$284.0 / cwt)	-18.6%

While most of these prices are up from 14% to 119% the “U.S. personal consumption expenditures inflation index”, the Fed’s preferred measure, came in at 3% annualized rate for August, excluding food and energy. Why they exclude food and energy, which we all need and purchase, I will never understand...except maybe for “smoke and mirrors”.

Anyway, I’m drafting this the morning of October 1, 2026. Q4 is officially underway, and the S&P 500, Nasdaq 100, and Dow Jones Industrial Average are down (at least for the moment). Bond prices are up (at least for the moment). We don’t know if there will be a “face-ripping rally”, Tom Lee style, but we remain in the bullish camp for the remainder of the year for reasons he states. We see an economy that is continuing to march steadily forward, so we don’t see any reason for people to pull back meaningfully on risk. We will

continue to adjust our equity exposure to reduce dependence on AI while we continue to be cautiously optimistic about equities across all of our strategies. If the war drags on, if rates rise significantly from here, if the Houthis launch new offenses, we may have to change our perspective. If we do, we will tell you.

For the record, November consistently ranks as the highest average return month for stocks. December ranks 3rd among months for highest average return. They rank #1 and #2 for consistency of positive returns. Year-end strength is historically most pronounced when the market is already trending positively entering Q4, which it is this year. This is not a guarantee of positive returns, but it's a hopeful indicator.

Several seasonal and structural factors often contribute to the late-year strength:

Institutional Window Dressing & Performance Chasing: Fund managers who are trailing their benchmarks often deploy excess cash into winning stocks toward the end of the year to bolster reported performance.

Post-Election Clarity: In election years, political uncertainty typically resolves in early November, often triggering relief rallies into year-end.

The "Santa Claus Rally": Historically, trading days between Christmas and the first two days of the New Year experience lighter trading volume, lower tax-loss selling pressure, and positive retail inflows.

Corporate Buyback Resumption: Companies often lift buyback blackouts in November following Q3 earnings releases.

All the best,



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