

October 2026 Technology Losses and Broader Market Gains

MONTHLY MARKET COMMENTARY

Investor Summary

October split the U.S. stock market in two. The Nasdaq Composite fell 5.30%, its weakest month since March 2025, while the Dow Jones Industrial Average rose 1.70% and the Russell 2000 gained 0.54%. The S&P 500 slipped 0.93%, even though nine of its 11 sectors advanced. Technology and communication services were the only two sectors to fall, and their size in the index outweighed gains elsewhere.

The month began at record levels. The S&P 500 closed at a record 7,818.93 on October 6, and the Nasdaq set its own record the same day. Semiconductor and artificial intelligence (AI) shares then weakened through mid-month amid concern over the cost of AI infrastructure. Selling resumed in the final two sessions after results from Alphabet, Amazon and Intel. The S&P 500 finished at its lowest close of the month, 3.1% below the October 6 record.

Energy remained a central influence. The war involving Iran entered its ninth month, and attacks on ships near the Strait of Hormuz continued. West Texas Intermediate (WTI) crude oil rose about 15% to $104.12 a barrel, its fourth straight monthly gain. Gold futures fell about 6.9% to $3,898.90 an ounce, a second straight monthly decline, as expectations for higher U.S. interest rates built.

The Federal Reserve held its target range at 3.75%–4.00% on October 28 in a 10–2 vote, with both dissenters favoring an increase. Third-quarter gross domestic product (GDP) grew at a 3.4% annual rate, while consumer prices rose 3.7% from a year earlier. Hiring slowed sharply: payrolls rose only 29,000 in September. The 10-year Treasury yield ended at 4.94%, down from 5.29% at the end of September.

Households and companies told different stories. S&P 500 third-quarter earnings were tracking 30.2% growth, according to FactSet. Consumer sentiment stayed near record lows at 48.0, and pending home sales fell to the lowest level in the history of that index.

U.S. Equity Market Review

Market Direction at a Glance

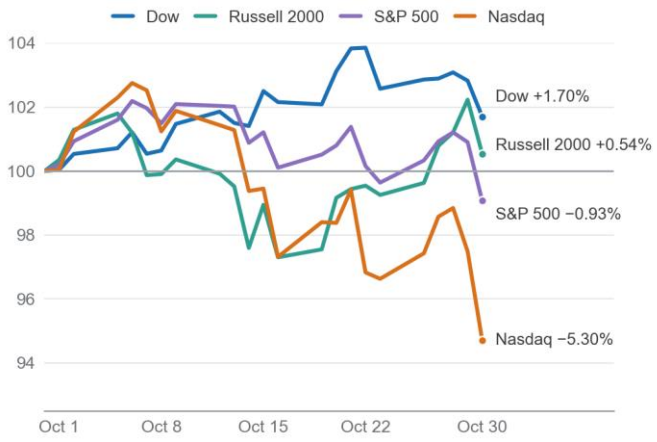
Markets	Oct. 30 Close	Oct. % Chg.	2026 YTD
DJIA	51,770.31	+1.70%	+7.71%
S&P 500	7,580.07	−0.93%	+10.73%
NASDAQ	25,437.00	−5.30%	+9.44%
Russell 2000	2,811.84	+0.54%	+13.29%
Crude Oil Futures	$104.12	+15.15%	+81.33%
Gold Futures	$3,898.90	−6.87%	−10.19%

Sources: WSJ Market Data; Yahoo Finance; FTSE Russell, as of October 30, 2026. Equity changes are price changes and exclude dividends. Commodity figures use front-month futures, which reflect contract rolls. Indexes cannot be invested in directly. Past performance does not guarantee future results.

The gap between the Nasdaq and the Dow, about seven percentage points, reflected where the losses fell. Alphabet dropped 12.6% on October 29 after third-quarter results disappointed. Amazon reported a record $42.4 billion free-cash-flow outflow over 12 months as AI spending grew. On October 30, Intel fell 28.58% after a weak fourth-quarter outlook, and the Nasdaq lost 2.86%, its largest one-day decline since June.

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Index Paths in October



Daily closes rebased to 100 at the September 30, 2026 close. Price changes. Source: Yahoo Finance.

Sector and Style Rotation

Value shares led growth by a wide margin. The iShares Russell 1000 Value ETF, used here as a proxy, rose 4.32% while its growth counterpart fell 6.11%. The Invesco S&P 500 Equal Weight ETF gained 4.95%, compared with the 0.93% decline in the market-value-weighted S&P 500. That gap shows how concentrated the month's losses were: the typical S&P 500 company did far better than the index.

Macroeconomic Context

Growth accelerated in the third quarter while inflation stayed above the Fed's 2% objective. Long-term yields eased from the highest levels in more than two decades. The 10-year Treasury yield reached 5.31% on October 5, then fell 35 basis points (a basis point is 0.01 percentage point) over the month as a whole. The 2-year yield fell 32 basis points to 4.56%.

Global Market Overview

Global stocks declined modestly, with the sharpest losses in emerging markets. The MSCI World Index fell 0.82% in U.S. dollars and the MSCI EAFE Index, which tracks developed markets outside North America, fell 0.80%. The MSCI Emerging Markets Index dropped 8.11%, as the AI-related selling hit markets with large semiconductor industries. South Korea's Kospi fell about 17% during the first half of the month, and Taiwan saw heavy foreign selling. Indonesia also declined sharply after a warning from MSCI.

Commodities

Oil rose despite a partial recovery in shipments through Hormuz. Brent crude touched $110 a barrel on October 16 as attacks on shipping escalated. Late in the month, tankers were again struck near the strait. Gold moved the other way. It pays no interest, and firmer growth and inflation data lifted expectations for higher rates. Selling also intensified during the October 30 stock decline.

Volatility and Global Risk Trends

The CBOE Volatility Index (VIX) ended at 19.42, up from 16.34 at the end of September. It closed as low as 14.84 on October 9 and as high as 19.99 on October 16. Diplomacy continued without a settlement: Qatari mediators returned to Tehran late in the month, and President Trump said he believed the war would end soon, while the United States also said renewed hostilities remained possible.

Other major central banks also held steady. The European Central Bank kept its deposit rate at 2.50% and the Bank of Japan kept its policy rate at 1.25%. China reported 4.5% third-quarter growth from a year earlier, supported by exports, while domestic demand remained soft.

Regional and International Market Performance

Results varied widely by region. Europe and the Pacific excluding Japan posted small gains, while the Far East fell more than 4% as semiconductor weakness weighed on Asian shares. North America fell 0.83%, close to the S&P 500's result. Developed markets outside the U.S. held up slightly better than the world index for the month and remained behind it for the year.

Index Returns	October 2026	2026 YTD
MSCI EAFE	−0.80%	+7.19%
MSCI Europe	+0.29%	+4.13%
MSCI Far East	−4.13%	+14.29%
MSCI North America	−0.83%	+10.58%
MSCI Pacific	−2.69%	+13.62%
MSCI Pacific ex Japan	+0.88%	+9.26%
MSCI World	−0.82%	+9.75%
MSCI World ex USA	−0.26%	+7.72%
MSCI Emerging Markets	−8.11%	+11.55%

Source: MSCI end-of-day index levels, U.S. dollar price returns, as of October 30, 2026. Past performance does not guarantee future results.

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Sector Performance Details

October reversed September's leadership. Information Technology was the only sector to rise in September; in October, it was one of only two to fall, with a decline of 8.29%. Communication Services fell 10.12%, the largest decline, after the drop in Alphabet.

Energy led with a 13.85% gain as oil prices rose. Defensive sectors, which had all declined in September, rebounded strongly: Consumer Staples rose 10.73%, Utilities 10.11% and Health Care 9.75%. Economically sensitive groups also recovered, including Materials, Consumer Discretionary and Financials. Real Estate gained 5.37% as Treasury yields eased. Industrials barely moved, adding 0.24%.

S&P 500 Sector	Oct 2026	YTD 2026
Information Technology	−8.29%	+24.62%
Energy	+13.85%	+56.40%
Health Care	+9.75%	+19.35%
Real Estate	+5.37%	+6.70%
Consumer Staples	+10.73%	+14.80%
Consumer Discretionary	+5.99%	−3.39%
Industrials	+0.24%	+7.89%
Financials	+5.78%	+3.10%
Materials	+8.33%	+16.35%
Communication Services	−10.12%	−15.25%
Utilities	+10.11%	+1.69%

Source: *S&P Dow Jones Indices — S&P Select Sector Indices.*
Past performance does not guarantee future results.

U.S. Economic and Earnings Summary

GDP in 3Q2026 Rose 3.4%

Real GDP grew at a 3.4% annual rate in the third quarter, up from 2.2% in the second, according to the Bureau of Economic Analysis (BEA) advance estimate. Investment, consumer spending and government spending rose. Investment gains came mainly from private inventories and equipment, led by computers. Exports fell and imports rose, which subtracted from growth.

Real final sales to private domestic purchasers rose 4.9%, after 4.6%. The gross domestic purchases price index rose 3.0%, down from 5.6%. The Personal Consumption Expenditures (PCE) price index rose 2.1%, and the measure excluding food and energy rose 2.5%. The BEA's second estimate is scheduled for November 25.

September Inflation Up 0.6%, Driven by Gasoline

The Consumer Price Index rose 0.6% in September and 3.7% over 12 months, up from 3.4% in August. Core prices, which exclude food and energy, rose 0.3% for the month and 2.6% over the year. Gasoline jumped 9.1% and accounted for more than half of the monthly increase.

Energy rose 5.2% for the month and 20.4% over the year, with gasoline up 34.2% and fuel oil up 74.2% over 12 months. Shelter rose 0.4%, with owners' equivalent rent up 0.3%, rent up 0.2% and lodging away from home up 2.0%. Medical care rose 0.1%. Airline fares rose 1.2%, used cars and trucks rose 0.7%, recreation rose 0.5%, and new vehicles rose 0.2%. Food was unchanged for the month and up 2.5% over the year.

Producer prices rose more quickly. The Producer Price Index for final demand climbed 1.3% in September, its largest monthly gain since March 2022, and 6.3% over 12 months. Energy rose 10.8%. The PCE price index rose 0.5% in September and 3.6% from a year earlier; core PCE rose 0.3% and 3.1%.

Hiring Slowed as Layoffs Stayed Low

Payrolls rose 29,000 in September, and revisions removed 60,000 jobs from July and August. The unemployment rate was 4.2%. Average hourly earnings rose 0.1% for the month and 3.0% over the year. Initial jobless claims stayed low at 194,000 in the week ended October 24.

The Fed Held Rates With Two Dissents

The Federal Reserve kept its target range at 3.75%–4.00% on October 28, six weeks after raising it. Governor Lisa Cook and Cleveland Fed President Beth Hammack dissented in favor of a quarter-point increase. Policymakers described inflation as elevated and economic activity as strong. Futures pricing near month-end reflected a meaningful chance of a December increase. Such pricing changes often and is not a Fed commitment.

Strong Corporate Earnings Continue

Research firm FactSet released the following key metrics for S&P 500 companies as of October 30:

Earnings Scorecard: For Q3 2026, with 60% of companies reporting actual results, 82% reported a positive earnings-per-share (EPS) surprise and 70%

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reported a positive revenue surprise. The five-year averages are 78% and 70%.

Earnings Growth: The blended year-over-year growth rate is 30.2%. That rate would mark the third straight quarter of growth above 25%. Blended revenue growth is 13.4%.

Earnings Revisions: On September 30, the estimated growth rate for Q3 2026 was 29.1%. Eight sectors are reporting higher earnings than estimated on that date.

Earnings Guidance: For Q4 2026, 19 S&P 500 companies have issued negative EPS guidance and 28 have issued positive EPS guidance.

Valuation: The forward 12-month price-to-earnings ratio is 18.7, below the five-year average of 19.8 and the 10-year average of 19.1.

Consumer and Retail Data

Consumer Sentiment Holds Near Record Lows

The University of Michigan's final October index was 48.0, little changed from 48.1 in September and 10.4% below its level a year earlier. The current conditions index fell 8.3% to 46.7, as views of buying conditions for durable goods dropped 18%. The expectations index rose 5.4% to 48.8. Year-ahead inflation expectations rose to 4.7% from 4.6%, and long-run expectations rose to 3.5% from 3.4%. The Conference Board's consumer confidence index rose to 91.7 from 84.2.

Retail Sales Rise in September

Retail and food services sales reached an estimated $745.0 billion in September, up 0.8% from August and 6.3% from a year earlier. August's gain was revised up to 1.3%. These figures are not adjusted for inflation, and gasoline stations accounted for much of the increase, with sales up 6.4% for the month and 28.1% over the year. Excluding gasoline stations, sales rose 0.2%. Over the past year, nonstore retailers rose 8.2% and food services and drinking places rose 7.0%.

Pending Home Sales Drop to a Record Low

The Pending Home Sales Index fell 7.3% in September to 66.0, the lowest in its history, and was down 11.3% from a year earlier. All four regions declined. The West fell 9.2% for the month and 15.0% over the year; the South fell 8.2% and 12.0%; the Midwest fell 6.5% and 8.7%; and the Northeast fell 4.2% and 9.4%. The National Association of Realtors linked the decline to fast-rising mortgage rates. The average 30-year mortgage rate was 7.24% on October 29.

In the Realtors Confidence Index, 8% of members expected buyer traffic to increase over the next three months, down from 20% a year earlier. Thirteen percent expected more seller traffic, down from 19%.

Manufacturing and Industry Indicators

A Mixed Picture of Manufacturing

The Dallas Fed's October Texas Manufacturing Outlook Survey showed continued expansion at a slower pace of output. The production index fell to 15.8 from 29.5, new orders to 9.3 from 30.7, and shipments to 8.4 from 24.8. Employment eased to 11.6 from 15.1. Sentiment improved: general business activity rose to 13.4 from 9.8, the company outlook index rose to 16.1 from 8.7, and the six-month business activity index rose to 38.1 from 20.8. Prices paid for raw materials rose to 55.3.

The Richmond Fed's Fifth District survey was weaker. Its composite index held at –2. Shipments improved to 0 from –5, but new orders slipped to –8 from –6 and employment eased to 3 from 7. Local business conditions fell to –8 from –6, and the backlog of orders dropped to –21 from –10. Together, the two surveys showed activity growing in Texas and softening across the Fifth District.

An Everyday Comparison

A market-value-weighted index works like a vote in which each member's voice is sized by company value. A few very large members can swing the result even when most others lean the other way. The comparison has limits: weights shift as prices move, and an index result does not show how any single holding performed.

What October Showed

October showed how a market can fall at the headline level while most of it rises. A concentrated decline in technology outweighed gains across other sectors, as high oil prices, firm growth and elevated inflation kept interest rates at the center of the market story.

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Sources

WSJ Market Data, Yahoo Finance, MSCI, ChartRow, U.S. Treasury, BEA, BLS CPI, BLS PPI, BLS Employment, U.S. Census Bureau, FactSet, Federal Reserve, European Central Bank, University of Michigan, The Conference Board, National Association of Realtors, Realtors Confidence Index, Freddie Mac, Dallas Fed, Richmond Fed, CNBC, The National, Kitco/Reuters, Seoul Economic Daily, Bloomberg, Reuters via Rallies, Xinhua

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