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Financial Week Newsletter

Summarized by Smith Shellnut Wilson

October 26, 2026

"A ship in port is safe, but that's not what ships are built for." Grace Hopper

MARKETS

Macro Recap: Economic data was relatively light this week, leaving market action and volatility as the primary focus. Equity markets experienced increased selling pressure, particularly within the technology sector, while energy prices remained volatile. U.S. crude oil traded in a wide range throughout the week, briefly topping $104 per barrel before retreating and ultimately ending the week near those highs. The move extended oil's recent rally, with prices advancing roughly 12% over the past two weeks.

Equity Market Recap: U.S. equities finished the week modestly lower, though performance varied significantly across market segments. Large-cap indexes faced headwinds from continued weakness in technology shares, while small-cap stocks outperformed and posted solid gains. Value-oriented stocks also outpaced growth stocks as investors rotated away from some of the market's highest-valued names.

Technology stocks came under particularly heavy pressure late in the week. On Thursday, a broad sell-off in the sector pushed NASDAQ to its largest single-day decline since June, with the index falling 2.6%. That drop followed a 4.5% decline the prior week and left the index approximately 6.0% below the record high it had reached just two and a half weeks earlier. The pullback highlights growing investor sensitivity to valuations, earnings expectations, and the outlook for interest rates.

Earnings season remains a key focus, with roughly one-quarter of companies having reported results. While the largest technology companies are still expected to deliver strong earnings growth, analysts anticipate a broader contribution from the rest of the market than in recent quarters. This shift has led investors to closely evaluate whether earnings leadership will continue to expand beyond the largest technology names.

Fixed Income and Rates Recap: Treasury yields moved lower during the week as the bond market continued to recover from its recent sell-off. The 10-year Treasury yield briefly fell below the 5.00% level before ending the week near that threshold, well below the cycle high reached earlier this month.

Market participants increasingly expect the Federal Reserve to leave interest rates unchanged at its upcoming meeting. However, investors continue to monitor inflation and economic data closely, as expectations for an additional rate hike later in the year remain elevated. Overall, bond market trading reflected a view that policymakers are nearing the end of the current tightening cycle, though uncertainty remains regarding the timing of future policy adjustments.

Week Ahead: The coming week will feature several important catalysts, including additional corporate earnings reports, the conclusion of the Federal Reserve's policy meeting, the first estimate of third-quarter GDP growth, and the latest reading on the Personal Consumption Expenditures (PCE) Price Index, the Fed's preferred measure of inflation. Together, these releases should provide further insight into the strength of economic growth, the path of inflation, and the outlook for monetary policy through year-end.

INDICES

	Oct 12 Open	Oct 16 Close	Weekly Change	Dec 31 2025	YTD Change
DJIA	52,002	52,215	0.4%	48,063	8.6%
S&P 500	7,659	7,624	-0.5%	6,846	11.4%
NASDAQ	26,140	25,955	-0.7%	23,242	11.7%
Russell 2000	2,721	2,776	2.0%	2,482	11.8%
KBW Bank Indx	169.0	170.5	0.9%	164.0	4.0%
Bitcoin	$81,088	$80,363	-0.9%	$87,648	-8.3%
Oil (WTI)	$101.41	$101.01	-0.4%	$57.42	75.9%
Gold	$4,166	$4,024	-3.4%	$4,319	-6.8%
Prime	7.00	7.00	0.00	6.75	0.25
Effective Fed Funds	3.88	3.88	0.00	3.64	0.24
3m Tbill	4.16	4.14	-0.02	3.63	0.51
2yr UST	4.71	4.70	-0.01	3.47	1.23
10yr UST	5.07	4.99	-0.08	4.17	0.83
2-10yr UST Spread	36	29	-7	69	-40
2y AAA Muni/2y UST	66.2%	61.8%	-4.4%	70.3%	-8.5%
10y AAA Muni/10y UST	73.8%	70.8%	-3.0%	65.4%	5.4%
5yr Inflation Forecast	2.39	2.47	0.08	2.27	0.19

Week Ahead

- **Monday:** No major reports
- **Tuesday:** Durable goods, New home sales, Consumer conf, Case-Shiller
- **Wednesday:** FOMC Decision
- **Thursday:** 3rd Q GDP, PCE
- **Friday:** No major reports

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