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Financial Week Newsletter

Summarized by Smith Shellnut Wilson

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"Do one thing every day that scares you." Eleanor Roosevelt

MARKETS

Macro Recap: The Federal Reserve left interest rates unchanged last week in a 10-2 vote, choosing to remain on hold after September's first rate increase since 2023. Markets continue to expect the possibility of another quarter-point hike at the Fed's December meeting, although expectations will remain highly dependent on upcoming economic data. Inflation remains stubbornly above the Fed's target, as the Personal Consumption Expenditures (PCE) Index, the Fed's preferred inflation measure, accelerated to 3.6% year-over-year in September from 3.4% in August. Core PCE, which excludes food and energy, also moved higher to 3.1%. Meanwhile, the economy continued to show surprising resilience, with third-quarter GDP expanding at a 3.4% annualized pace, surpassing expectations and improving from the prior quarter's 2.2% growth rate.

Equity Market Recap: Stocks started the week on firm footing but lost momentum late in the week as renewed weakness in large-cap technology shares weighed on broader indexes. The NASDAQ declined 2.0% for the week, including a sharp 2.9% drop on Friday alone. The S&P 500 and Dow Jones Industrial Average also finished modestly lower. October continued a trend that investors have seen throughout much of the year, with significant performance gaps between growth and value-oriented stocks. Technology and other growth sectors struggled, contributing to a 5.3% monthly decline in the NASDAQ, while the more value-oriented Dow Jones Industrial Average gained 1.7% during the month.

Fixed Income and Rates Recap: Bond markets extended their recent recovery as Treasury yields edged lower. The benchmark 10-year Treasury yield remained below the important 5.00% threshold, ending the week near 4.91%, while the 2-year Treasury yield fell to approximately 4.57%, its lowest level in more than six weeks. The decline in yields reflects growing investor confidence that restrictive monetary policy and moderating economic activity may limit the need for significantly higher interest rates going forward.

Week Ahead: Investors will focus heavily on Friday's employment report for further clues on the health of the labor market and the path of Federal Reserve policy. September payroll growth came in well below expectations, and prior months were revised lower, raising questions about whether hiring is beginning to cool more meaningfully. Markets will be watching not only the headline job creation number but also unemployment and wage growth figures for signs that labor market conditions are moving into better balance, which could influence expectations for the Fed's December meeting.

INDICES

	Oct 19 Open	Oct 23 Close	Weekly Change	Dec 31 2025	YTD Change
DJIA	52,215	51,770	-0.9%	48,063	7.7%
S&P 500	7,624	7,580	-0.6%	6,846	10.7%
NASDAQ	25,955	25,437	-2.0%	23,242	9.4%
Russell 2000	2,776	2,812	1.3%	2,482	13.3%
KBW Bank Indx	170.5	172.0	0.9%	164.0	4.9%
Bitcoin	$80,363	$77,485	-3.6%	$87,648	-11.6%
Oil (WTI)	$101.01	$104.12	3.1%	$57.42	81.3%
Gold	$4,024	$3,875	-3.7%	$4,319	-10.3%
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	4.14	4.08	-0.06	3.63	0.45
2yr UST	4.70	4.59	-0.12	3.47	1.11
10yr UST	4.99	4.93	-0.07	4.17	0.76
2-10yr UST Spread	29	34	5	69	-35
2y AAA Muni/2y UST	61.8%	60.8%	-1.0%	70.3%	-9.5%
10y AAA Muni/10y UST	70.8%	69.4%	-1.4%	65.4%	4.0%
5yr Inflation Forecast	2.47	2.47	0.00	2.27	0.20

Week Ahead

- **Monday:** ISM manufacturing index, Construction spending
- **Tuesday:** JOLTS, Factory orders
- **Wednesday:** ADP Employment, ISM nonmanufacturing, Trade balance
- **Thursday:** Productivity and labor costs
- **Friday:** Nonfarm payrolls, U of M consumer sent, Consumer credit

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