

Weekly Market Commentary

OCTOBER 26, 2026

MARKET UPDATES

October 23, 2026:
Recorded Leadership Discussion Featuring: Regions Chief Economist, Chief Investment Officer, and Chief Market Strategist.

October 30, 2026:
For access to this call please contact your Regions Wealth Advisor or Portfolio Manager.

WHAT WE'RE WATCHING



The Conference Board releases its October Consumer Confidence survey on Tuesday, with the reading expected to fall to 80.5 from 81.9 in September.



The Federal Open Market Committee (FOMC) concludes its two-day meeting on Wednesday and is expected to leave the Fed funds rate unchanged at this meeting, with the futures market currently pricing in a 25-basis point rate hike at the FOMC's December meeting.



September Personal Consumption Expenditure (PCE), the FOMC's preferred inflation gauge, is released Thursday. Headline PCE is expected to have risen 0.5% month over month and 3.6% year over year, which would compare to 0.3% and 3.4% readings in August. Core PCE, which is more closely monitored by policymakers, is expected to rise 0.3% month over month and 3.1% year over year, which would also be modest upticks from 0.2% and 3.0% readings the prior month.

KEY OBSERVATIONS



Optimism surrounding a recovery in the AI trade early in the week faded but the S&P 500 information technology sector ultimately managed to finish the week with a modest gain as money rotated into software stocks. Encouragingly, both the equal weight S&P 500 index and the S&P Small Cap 600 index have fared much better thus far in October, evidence that outside of the AI arena, things aren't as bad as they might appear given less constructive headlines. This too shall pass and we view the current ills facing the technology sector as a healthy, albeit painful recalibration of expectations that could put the sector on firmer footing into year-end.



Abroad, it was a tough week for both developed and emerging markets with both the MSCI EAFE developed markets index and the MSCI Emerging Markets index posting losses of over 1%. For developed markets there were few places to hide as Europe, Japan, and the U.K. each posted a weekly decline, with broader Europe's almost 2% drop notable. Within emerging market indices, Latin America and South Korea held up best, while India and Taiwan were notable drags on the broader MSCI EM index.



Treasuries caught a safe-haven bid as news that countries were pulling diplomats and workers from the Middle East led to concerns surrounding escalation in the ongoing conflict there. The closely watched 10-year Treasury yield fell 7-basis points on the week to finish with a yield of 4.99%, the lowest closing yield on that bond tenor seen in over a month. The now over 25-basis points drop in the 10-year yield so far this month has boosted spirits and improved sentiment surrounding the prospects and outlook for higher quality bonds. The 10-year yield, specifically, tested the 4.95% level last week, which was where yields broke out to the upside last month, and this area could act as a floor for yields and cap the recent rally in longer-dated bonds.

	Price/Yield			Total Return (%)			
	10/23/2026	1 Week Ago	1 Month Ago	Year to Date	1 Year	3 Years	5 Years
S&P 500	7,623.68	-0.46	-1.00	12.40	14.46	23.12	12.49
NASDAQ 100	28,957.53	-0.79	-4.95	15.25	16.11	26.15	14.41
S&P Mid Cap 400	3,616.59	0.03	-0.87	10.56	11.77	16.63	6.91
S&P Small Cap 600	1,681.71	1.72	0.11	16.01	16.62	17.54	5.79
MSCI World ex US	457.22	-1.72	-4.22	10.70	14.41	20.68	8.18
MSCI EM	1,578.04	-2.62	-9.58	14.28	16.58	22.34	6.60
Bloomberg U.S. Aggregate	5.33	0.54	0.91	-1.10	-1.11	5.13	-0.16
Bloomberg Corporate	5.87	0.34	0.44	-1.49	-1.76	6.03	-0.02
Bloomberg U.S.High Yield	8.39	-0.11	-1.38	-0.09	1.17	8.43	3.62
Bloomberg EM USD Aggregate	6.85	-0.08	-0.77	-0.67	0.69	8.87	1.74
Bloomberg Global Agg ex-USD	3.68	0.21	0.62	-1.09	-1.89	2.78	-0.40
Bloomberg Municipal Bond	4.31	1.14	1.47	-1.13	-0.87	4.22	0.50

Source: Bloomberg (3- and 5-Year Returns Annualized)

	Price/Yield						
	10/23/2026	1 Week Ago	1 Month Ago	12/31/2025	1 Year Ago	3 Years Ago	5 Years Ago
SOFR (yield)	3.90	3.88	3.87	4.49	4.24	5.30	0.05
30 Year Mortgage (average rate)	7.43	7.51	7.06	7.28	6.34	7.98	3.19
2 Year Treasury (yield)	4.68	4.71	4.90	4.24	3.49	5.05	0.45
10 Year Treasury (yield)	4.99	5.07	5.11	4.57	4.00	4.85	1.63
30 Year Treasury (yield)	5.32	5.42	5.40	4.78	4.58	5.00	2.07
WTI Crude (closing price)	103.27	101.41	92.16	71.72	61.79	85.49	83.76
Gold (NYM \$/oz)	3,991.10	4,159.50	4,284.80	2,641.00	4,125.50	1,976.30	1,795.50

Source: Bloomberg (3- and 5-Year Returns Annualized)

WHAT HAPPENED LAST WEEK?

Stocks

'Buy The Dip' Briefly Returns As Technology Stocks Rebound From Prior Week's Pullback Before Encountering Tougher Sledding Into The Weekend; Small Caps Catch A Bid Even As Credit Spreads On Corporate Bonds Continue To Widen; Technical Damage Worth Watching When It Comes To The MSCI Emerging Markets Index.

• **Fear Battling Fundamentals As Technology Stocks Rebound Then Fall Into The Weekend.** Market participants' reaction to earnings highlighted the growing tension between sentiment and fundamentals last week. Prominent mega cap names such as Meta Platforms, Tesla, and SpaceX turned in mixed results that ultimately pulled the NASDAQ 100 lower by 1.1% on the week. The SpaceX release on Tuesday was viewed by the market as being the most bullish of the three releases with the stock opening higher by 8.6% following the report after the company surpassed estimates for both revenue and EPS by a substantial margin largely due to superintelligence (AI) revenue. Tesla's modest EPS miss and lowered capex guidance created concerns surrounding the timeline for the company's futuristic aspirations that weighed on the stock post earnings. Meta Platforms, the first so-called hyperscaler to report, put up a solid beat-and-raise quarter that wasn't enough to stave off sellers as the stock was off by over 6% on Thursday due to another hike in 2026 capex guidance while declining to give specifics surrounding its 2027 plans. The obvious contradiction here is that capex spending by Tesla was viewed as being too low while the spending number out of Meta was perceived to be too high despite the company showing AI-driven growth. That dynamic illustrates how thin the margin for error is for the market's leading tech spenders, but all told it reminds us of one of Warren Buffett's greatest lines; "the stock market is a device for transferring money from the impatient to the patient." While concerns around AI-spending are likely to stick around, accelerated earnings growth and sustained demand for compute indicate to us the secular growth trends remain largely intact for now.

Encouragingly, breadth underneath the surface has improved this month with the equal weight S&P 500 moving higher in each of the last three weeks, its longest stretch of relative outperformance since January. Improved participation has been most evident at the sector level with the S&P 500 health care index making new all-time highs and the S&P 500 consumer staples sector on the verge of a new high as

well. From our perspective, market participants are taking profits out of information technology stocks and are hiding out in defensive sectors but are rotating within equities for the most part instead of selling stocks and moving into bonds in a big way. From a technical perspective, we've seen a surge in breakouts with roughly 21% of the S&P 500 reaching overbought territory last Thursday, the highest level since mid-February, which is potentially a sign that market turbulence may not be behind us just yet.

• **Small Caps Catch A Bid Even As Credit Spreads Continue To Widen But Remain Below Key Technical Levels.** It's been a challenging couple of months for smaller capitalization stocks with the S&P Small Cap 600 index falling over 9.5% from its peak on August 14 through October 16, while its lower quality peer the Russell 2000 fell over 11% peak-to-trough. Small cap weakness over that time frame was broad-based with economically and interest rate sensitive sectors falling alongside secular growth sectors, with industrials and information technology two of the worst performing sectors. While small caps have experienced a painful reset in recent months, price action last week leaves us incrementally more constructive on this cohort of stocks for a few reasons.

First, the S&P 600 rallied even as credit spreads on lower quality higher yielding corporate bonds continued to widen, which is a deviation from the relationship that has been in place in recent months which saw credit spreads move wider and small caps sell off. Secondly, the move lower in Treasury yields could lead to a narrative shift and provide some comfort that at least in the near-term yields on longer-dated bonds may have peaked. This could alleviate some of the concerns surrounding higher funding/interest costs for smaller companies and improve sentiment around the sub-asset class. Lastly, the lower quality Russell 2000 small cap index rallied from oversold conditions with the index's 14-day relative strength index (RSI) reading coming in at 27 on October 14, and an RSI below 30 is typically viewed as 'oversold.' Oversold bounces are hard to trust as they

can be short-lived due to trapped investors looking to sell into any strength but if the Russell 2000 can trade back above its 200-day moving average, that could potentially force some trend followers to cover their shorts and potentially increase long exposure to the space.

• **Emerging Markets Get A Boost From Latin America And South Korea, But Technical Damage Has Been Done.** The MSCI Emerging Market (EM) index's decline of 2.6% last week wasn't all that troubling in isolation, but when viewed through a technical lens that drop breached some key technical levels that could leave traders reevaluating their stance on the sub-asset class. The index closed the week below its 200-day moving average and reached oversold territory based on a 14-day relative strength index (RSI) reading for the first time since the tariff tantrum in early 2025. The current setup for the EM index appears ominous as we're reminded of the adage that 'nothing good happens below the 200-day moving average,' but considering the emerging market currency index hasn't seen the same weakness we'd stop short of the notion that we're on the verge of something more sinister developing. Last week's index decline was broad based as four of the top five countries in the index posted a negative total return for the week with tech-centric China and Taiwan weighing on the index and offsetting relative strength out of South Korea. The 4.5% decline in the MSCI China index captured our attention as the index is now lower by over 30% from its January high and made fresh year-to-date lows last week due to economic weakness and AI-related selling pressure, even as the government intervened and bought roughly \$12.6B in equity ETFs last week. The MSCI South Korea index ended the week lower by 0.8%, making it now four consecutive weekly declines with the index trading roughly 3% above the July lows. In our opinion, this could be an early sign that fundamental buyers are starting to step in here as the index is trading at just 9.6x trailing earnings, the cheapest valuation level for the country index since the Fall of 2022.



ASSET MANAGEMENT

Bonds

Treasuries Catch A Safe-Haven Bid Amid Fears Of Escalation In The Middle East; Investors Continue To Reprice Credit Risk, Taking Spreads On High Yield Corporate Bonds To Levels Last Seen In Late March.

• **Safe-Haven Bid Forces The 10-Year Treasury Yield Lower As Potentially Market Moving Economic Data Looms.** Higher quality bonds had a good week as the U.S. announced it was pulling diplomats from the Middle East, stoking fears of escalation and leading to a safe-haven bid for U.S. Treasuries, in particular. The 10-year yield fell 17-basis points on Thursday to close at 4.96% before finishing the week at 4.99%, the lowest weekly closing yield on that bond tenor since September 22. The rally in the 10-year contributed to a 0.5% return out of the Bloomberg Aggregate Bond index and back-to-back weekly gains totaling 1.2% for the Bloomberg U.S. Corporate Bond index. However, with the 10-year Treasury yield back near 5% as of Friday's close, it appears to be setting up for a retest of the September breakout level around 4.95%, and how it responds to a plethora of potentially market moving economic data in the coming week could be telling as to the path of least resistance for yields from here.

At present, it's reasonable to view last week's rally in the price of the 10-year bond as little more than a countertrend move which could stall out with the 10-year yield not far below current levels, and the release of September Personal Consumption Expenditure (PCE) on Thursday could be a catalyst for investors to require higher yields to compensate them for buying longer duration bonds. Should the closely watched core PCE come in above consensus estimates, which currently call for a rise of 0.3% month over month and 3.1% year over year, we would expect Treasury yields to resume their climb, acting as a drag on higher quality, longer duration corporate bonds in the process.

• **Repricing Of Credit Risk Ongoing, Leaves High Yield Spreads Above Late March Highs.** The flight to quality that spurred a rally in U.S. Treasuries over the balance of last week didn't translate into a banner week for corporate bonds as credit spreads continued to widen, albeit modestly. Over the past month, investor angst has largely been centered around widening spreads on lower quality corporate issues, particularly bonds rated CCC, and last week's price action did little to calm those fears. The credit spread over the Treasury curve for the Bloomberg U.S. Corporate High Yield index hit 343-basis points (bps) on Thursday before closing the week one basis point below that level, above the previous year-to-date high of 338-bps reached back on March 30 amid the onset of the conflict in the Middle East.

By historical standards, a credit spread of 342-basis points over Treasuries for the high yield index is still extremely tight and since 2001 the average credit spread has been 485-basis points. At this juncture, we see this as a welcome and so far, orderly repricing of credit risk, not a sign of a rush to the exits on the part of investors in corporate bonds, and wider credit spreads and higher yields could ultimately prove to be an opportunity for investors underexposed or allocated to lower quality bonds to get more involved. But we want to be patient and continue to monitor some higher profile lower quality credits tied to issuers in the AI arena for signs that the storm clouds are parting as risk appetite and sentiment could remain subdued in the coming weeks as we approach the midterm election, potentially presenting allocators with more appealing opportunities in this segment of the fixed income marketplace.

Source: Bloomberg

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