

Monthly Market Analysis

October 2026

The Quick Read

- Stocks continued to show remarkable resilience with major indexes moving higher in September despite higher energy prices, a Fed rate hike, and the 10-year moving past the 5% level.
- Technology in general and AI-related stock specifically surged toward the end of the month as renewed enthusiasm overwhelmed concerns over spending and potential regulation.
- September largely had a “macro” focus on geopolitical and Fed issues, but October brings corporate earnings reports, which ultimately drives stocks prices.



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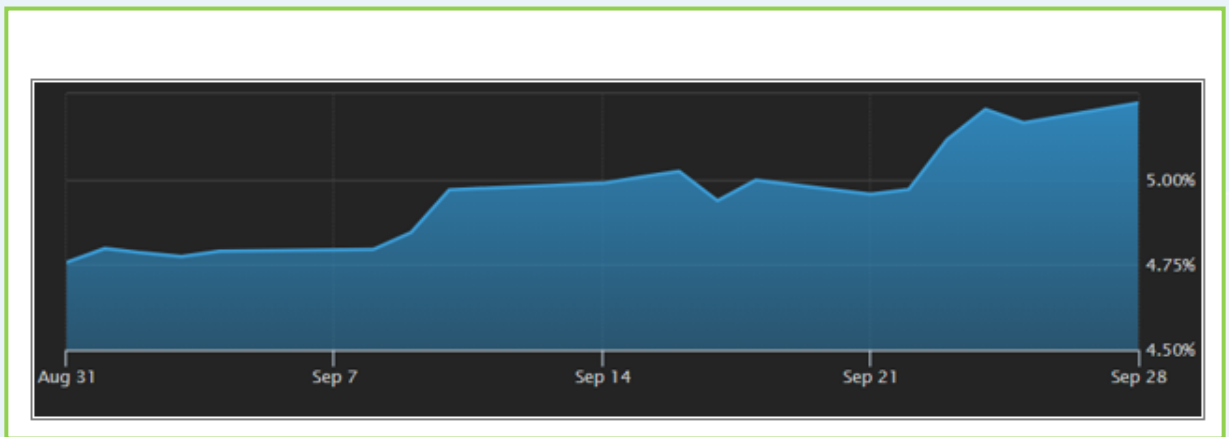
The Details



September

What... Me Worry?!

The month of September can prove to be a volatile one throughout history and this time was no different, with warnings that AI was going to destroy the world combining with rising oil prices and the first Fed rate hike in three years to give investors plenty to worry about. Perhaps most unnerving was the relentless rise in interest rates, with the 10-year Treasury breaching the technically and psychologically important 5% level.



Source: WSJ.com

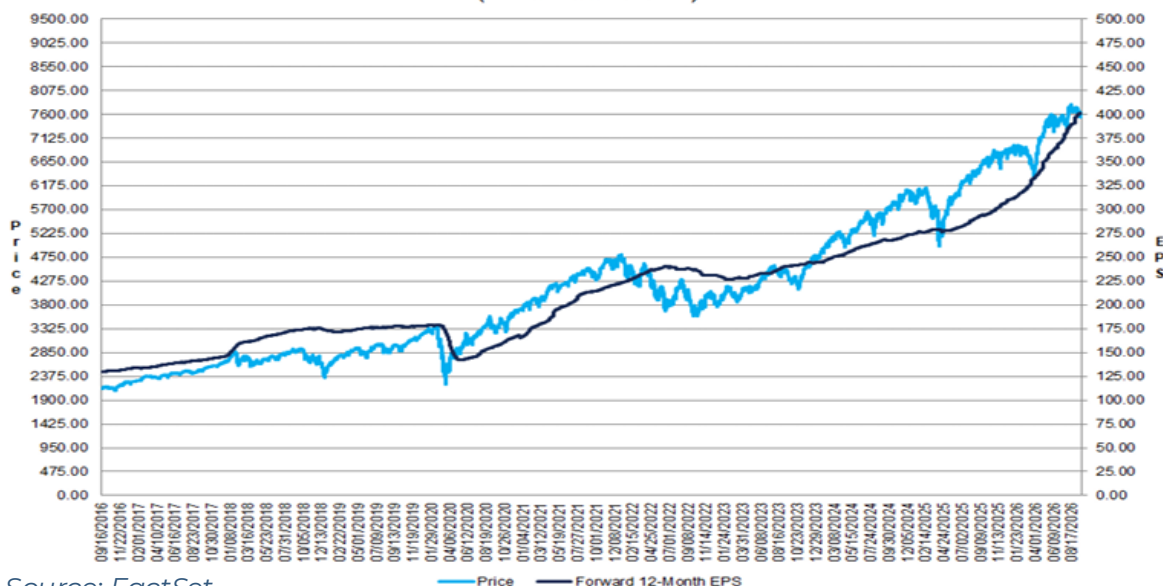
But there's an old adage that stocks like to "climb a wall of worry" and that seemed to hold true in September. After a brief pullback following the Fed meeting, as investors tried to read between the lines into what Chairman Warsh was saying (unsuccessfully), stocks rallied and continued to largely move higher in the latter half of the month, although small cap issues were dragged lower by the rising interest rates. Tech shares, especially those related to AI, have struggled in recent months as investors became concerned about the level of spending along with the potential that regulations could crimp growth were re-energized by the release of another supposed "game-changing" agentic tool whose downloads soared past previous releases by other AI firms. This trend has been prevalent over the past year, with investors growing concerned about some aspect of the AI story and pushing down related shares, but then an announcement or earnings release reignited enthusiasm. This won't last forever but it's helping keep the bull market going in the near term.

October

Will earnings season be a treat?

The macroeconomic focus that largely dominated investors' attention in September will move to the background as 3Q earnings reporting season begins in earnest. Heading into the season, there are reasons to be optimistic that another solid season is in store. According to FactSet, earnings for S&P 500 companies are expected to rise 28.9%, which would make the 3rd straight quarter of 25%+ growth, and that's up from the 26.7% estimate at the beginning of the quarter. Investors pay attention to macro issues and all other events to try to discern how they will impact earnings, which, as seen below, are what ultimately drives stock prices.

S&P 500 Change in Forward 12-Month EPS vs. Change in Price: 10 Yrs.
(Source: FactSet)



Source: FactSet

But there will also be other things to capture investors' attention, with the Fed meeting at the end of the month amid growing odds of another hike, while energy prices and interest rates will continue to be in focus with consumers and businesses increasingly feeling the strain of higher costs. The market and American consumers have proven to be resilient but consistently higher energy costs would eventually start to take a toll, while rising interest rates would dampen housing demand and continue to weigh on small cap stocks. For now, however, the bull market for the broad market remains intact as the American economy continues to grow, American consumers continue to spend, and American companies continue to beat expectations.