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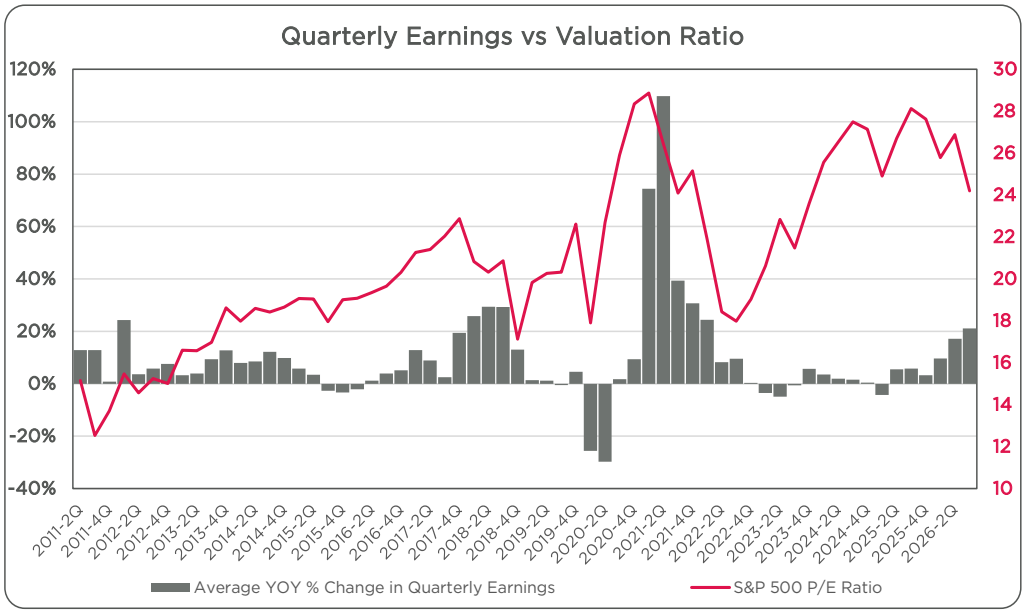
Market update

November 2, 2026

October highlighted the resilience of the U.S. economy amid persistent inflation, rising interest rates, and growing uncertainty surrounding artificial intelligence investment. Third-quarter GDP expanded at a 3.4% annualized pace, supported by consumer spending and a 9.4% increase in business investment, largely reflecting the substantial AI infrastructure buildout. However, inflation remained stubborn, with September CPI rising 3.7% year-over-year and producer prices accelerating to 6.3%, marking the largest annual increase since December 2022 and reinforcing concerns that higher energy costs could prolong inflationary pressures.

	OCTOBER	1 YEAR
• U.S. Taxable Bonds	+2.4%	-0.1%
• U.S. Stocks	-0.6%	+12.0%
• Foreign Stocks	-2.8%	+14.8%

The Federal Reserve held interest rates steady at 3.75%–4.00% during its latest meeting, although two officials favored another rate increase. Policymakers acknowledged stronger economic activity but emphasized that inflation remains above their 2% objective. Treasury yields remained volatile, with the 10-year yield briefly reaching 5.36%, its highest level since 2002, before retreating toward 4.93%. While higher yields have pressured bond prices, they have also improved prospective returns, creating more attractive opportunities for longer-term fixed-income investors.



Equity markets faced increasing scrutiny as investors questioned elevated valuations and the sustainability of AI-related capital expenditures. Although corporate earnings remained strong, profit growth was increasingly concentrated among technology, energy, and AI-related companies. Concerns about monetizing substantial AI investments contributed to volatility and highlighted the risks of concentrated market leadership. Looking ahead, inflation, Federal Reserve policy, geopolitical developments, and political uncertainty surrounding the midterm elections will remain important market drivers. These conditions reinforce the importance of maintaining a diversified portfolio across equities, high-quality fixed income, international markets, and alternative assets.

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