

WEEKLY INSIGHT

October 7, 2026

Record Highs, Then a Reality Check

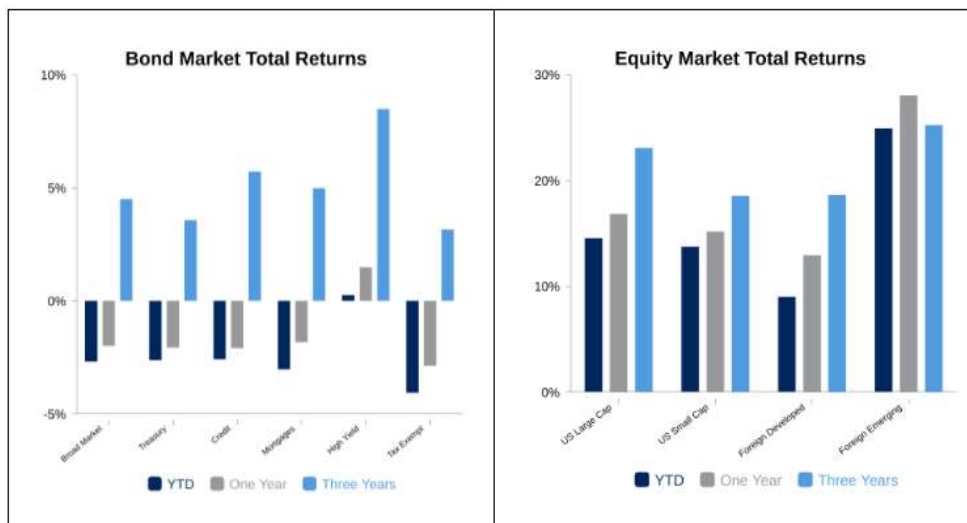
U.S. equity markets posted modest gains over the past five trading days, with the Russell 1000 Index advancing 1.8% and reaching a new intraday record-high on Wednesday before retreating into the close. The S&P 500 Index also crossed a new high, driven by renewed enthusiasm around artificial intelligence and growing conviction that third quarter earnings will demonstrate corporate resilience in the face of elevated energy costs and interest rates.

That run ended on Wednesday. The release of hawkish Federal Open Market Committee (FOMC) minutes — confirming all 19 Fed officials backed the September rate hike and that current financial conditions are viewed as “not or only mildly restrictive” combined with oil crossing \$100 per barrel to snap the week’s momentum. The minutes reinforced that the Fed remains comfortable tightening further to slow growth and bring inflation down.

Bonds declined 0.1% for the week, reversing gains accumulated in the first half after September payrolls came in well below expectations. At the peak of the bond rally this week, 3-year Treasury yields fell as much as 10 basis points as the probability of an October rate hike dropped below 20%, a sharp reversal from near-certainty just three weeks prior. However, the hawkish minutes erased much of that move. Despite heavy auction supply, the benchmark 10-year Treasury Note attracted exceptional demand and ended the week at 5.28%, unchanged from the prior week. Both stocks and bonds posted negative returns in September, with bonds down 2.6% and equities down 0.7%, reflecting the degree to which inflation and rate risk are driving both markets simultaneously.

The housing market continued to deteriorate under the weight of rising borrowing costs. The 30-year fixed mortgage rate climbed to 7.49% this week — the highest level since 2023. Mortgage applications fell 4.2% this week, with both purchase and refinancing activity declining. Existing home closings fell to their weakest pace in more than a year, as sellers have resisted cutting asking prices sufficiently to offset buyers’ higher financing costs.

ISM Services PMI edged down to 54.9 in September from 55.4 in August, marking the 27th consecutive month of expansion in the services sector. New orders remained strong and order backlogs rose to new highs, prompting additional hiring and pointing to a robust pipeline of work heading into the fourth quarter. Cost pressures, however, intensified across every industry surveyed — fuel costs and tariffs were the most frequently cited drivers. The prices paid component climbed to 74.0, its highest reading since July 2022, adding to the inflation narrative that continues to define the macro environment.



Interest Rates (%)	Current	12M Ago	3YR Ago
Fed Funds Rate (Upper b	4.00	4.25	5.50
3-Month T-Bill	4.13	3.93	5.51
10-Year Treasury	5.28	4.12	4.80
30-Year Treasury	5.67	4.71	4.97
10-Year Corporate AA	6.05	4.84	5.91
10-Year High Yield Corp.	7.40	6.18	7.99
Commodity Prices (\$)	Current	12M Ago	3YR Ago
Gold (\$/oz.)	4,111	4,042	1,833
Oil (WTI, \$/barrel)	88.28	62.55	82.79
Currencies	Current	12M Ago	3YR Ago
USD (Dollar Index Spot)	102.24	98.92	106.04
USD/EUR	0.89	0.86	0.94
USD/JPY	158.08	152.69	149.32

Sources: BTC Capital Management, FactSet Research Systems Inc., Federal Open Market Committee (Federal Reserve) LSEG I/B/E/S, FTSE Russell (an LSEG Group company), S&P Global, U.S. Bureau of Labor Statistics, U.S. Census Bureau

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