Your Weekly Investment
Insights
October 26, 2026

VERDENCE CAPITAL ADVISORS

Key **Takeaways:**

- Volatility as measured by the VIX Index has jumped over 30% in last two weeks.
- Geopolitical tensions intensify and oil prices threatening inflation and growth.
- AI financing fears take center stage.
- Midterm elections causing uncertainty with Democrats gaining ground.
- Many reasons for additional volatility.

Understanding the Recent Increase in Volatility

Over the past couple of weeks, equity investors have experienced a sharp increase in volatility. The VIX Index has risen to the highest levels seen since the summer. Investors have also been whipsawed by a swing in interest rates as buyers emerged after the 10YR Treasury yield reached the highest level since 2002. Using history as a guide, October tends to bode well for investors. Going back to 1945, the S&P 500 typically returns ~1% in October and has been positive more than 60% of the time. Therefore, history suggests that equities can rally to end the month higher. However, in this Weekly Insights, we offer investors the reasons that are causing the spike in volatility.

- **Geopolitics tensions:** While investors are accustomed to the ever changing headlines around the war with Iran, events last week renewed investor angst. The attacks from Houthi rebels towards Saudi Arabia have escalated. In fact, they are now directly targeting oil fields and export outlets. This is threatening the already tight oil supply. In addition, the U.S. continues to fuel speculation that additional Iran strikes will begin in the coming weeks.
- **Oil prices surge:** Due to the renewed geopolitical tensions, oil prices renewed their upward trend last week adding to inflation and economic growth fears. Brent crude jumped above $116 bbl and crude oil is above $100 bbl.
- **Inflation expectations rising**: Aside from the elevated reading on the Consumer Price Index and Producer Price Index, we are also seeing consumer inflation expectations rise. This is important because if consumers think inflation will be higher in the future, they may fuel inflation in the short term by pulling purchases forward. Last week, the final reading on the University of Michigan consumer inflation expectations show that 12 month and five to 10 year inflation expectations rose to a five month high in October.
- **AI financing fears:** Last week 3Q26 earnings for the big tech companies kicked off. Unfortunately, the euphoria around massive spending on capex is starting to fade. Investors are growing more concerned about the cost of the capex and the rising cost of capital. For example, Meta earnings beat expectations but its free cash flow turned negative and they announced additional spending. The stock fell 7% after its earnings announcement. The credit concern is spreading to other hyperscalers. An Index of credit default swaps for the major hyperscalers rose to at least a one year high last week.[1]
- **Midterm elections**: The midterm elections are about a week away and current polls suggest Democrats will gain control of the House with a tight Senate race. While gridlock tends to be good for equities, ballot items like AI data centers and financial regulation are causing uncertainty.

The Bottom Line:

We are in the early stages of 3Q26 earnings season and with growing uncertainty around AI spending, volatlity is likely to remain elevated. While equity markets may get short term relief we see risks for additional downside. Geopolitical tensions are not improving, inflation is sticky and global credit spreads for AI debt are at a seven month high.

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Weekly Economic Recap –

Housing Market is in a Steep Downturn

Homebuilder sentiment in October as measured by the NAHB Housing Market Index fell to the lowest level seen since the housing crisis (2012). All three components declined (sentiment on present, future conditions and prospective buyers' traffic). However, sentiment on future conditions and prospective buyers' traffic led the weakness. Buyers' traffic fell to the lowest level seen since the pandemic.

Housing starts fell much more than anticipated in September (-5.2% vs +1.9% est) marking the third consecutive month of declines in starts. The weakness was broad based but was led by starts of multi-family structures.

Building permits, a sign of future construction activity, dropped for the second consecutive month in September. The drop in permits was concentrated in permits for single family homes as permits for multifamily homes increased.

The Pending Home Sale Index fell to the lowest level on record in September (records began in 2001) far surpassing the COVID and housing crisis lows in 2020 and 2010. Surging mortgage rates and high costs are creating a massive headwind for housing.

Key Takeaways:

- Homebuilder sentiment plummets.
- Housing starts disappointing.
- Pending home sales at a record low.
- Global equities drop as tech suffers.
- Investors rotate from tech stocks to bonds for safety.
- Commodities fall despite rally in energy.

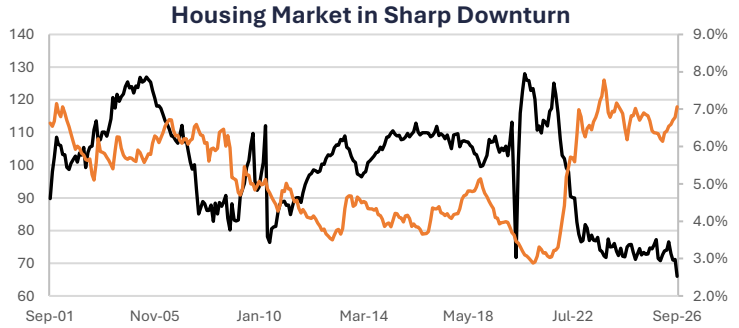
Weekly Market Recap –

Global Equities Drop as Tech Stocks Sell Off

Equities: The MSCI AC World Index declined for the second consecutive week as worries about AI spending and their debt resurfaced. International developed equities and emerging market equities led the weakness. European equities were dragged lower by domestic political tensions and higher oil prices while the emerging markets fell on tech weakness. Within the U.S., the Nasdaq and Russell 1000 Growth declined but small and midcap stocks and large cap value ended the week positive.

Fixed Income: The Bloomberg Aggregate Index rallied for the third consecutive week as investors rotated out of tech stocks and into the safety of Treasuries. The gains were led by high quality fixed income (e.g., Treasuries and investment grade) and municipal bonds. High yield bonds declined for the second consecutive week.

Commodities/FX: The Bloomberg Commodity Index declined for the week as steep declines in gold and wheat overshadowed the gains in energy. Oil prices jumped for the week as Iran targeted supply in Saudi Arabia and the U.S. hinted at additional strikes. Gold prices failed to gain as investors were more concerned about inflation and what it means for future rate hikes. Wheat futures fell into bear market territory (a drop of 20% or more) as supply increased and demand forecasts slowed.



Footnotes: Data is as of September 2026.
Data Source: Bloomberg Finance LP, Verdence Capital Advisors.

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Global Equities Fall as Tech Weakens

		Current	1WK	1MO	3MO	1YR	YTD
U.S. Equities	Dow Jones Industrial Average	52,215	0.4%	1.4%	1.3%	13.5%	10.0%
	S&P 500	7,624	-0.5%	-1.0%	3.2%	14.4%	12.4%
	Russell 1000 Growth	4,818	-1.5%	-4.6%	1.0%	1.8%	1.5%
	Russell 1000 Value	2,531	0.7%	2.4%	5.0%	27.7%	23.9%
	Russell 2500	4,949	1.2%	-1.4%	-3.6%	16.1%	15.1%
	Russell 2000	2,776	2.0%	-2.1%	-5.3%	13.3%	13.1%
	Nasdaq	25,955	-0.7%	-3.6%	3.4%	13.8%	12.2%

		Current	1WK	1MO	3MO	1YR	YTD
International Equities	MSCI AC World (USD)	1,119	-0.9%	-2.2%	1.3%	13.9%	11.5%
	MSCI EAFE (USD)	3,074	-1.5%	-1.9%	-0.5%	12.3%	8.6%
	MSCI Europe ex UK (USD)	3,311	-1.8%	-3.0%	-2.5%	7.7%	3.5%
	MSCI Japan (USD)	5,570	-1.7%	-1.9%	2.1%	20.5%	18.0%
	MSCI UK (USD)	1,702	-1.4%	1.1%	1.8%	16.2%	10.4%
	MSCI EM (USD)	1,578	-2.6%	-9.6%	-5.1%	16.6%	14.3%
	MSCI Asia ex Japan (USD)	1,033	-2.6%	-10.8%	-6.5%	16.5%	14.8%

		Current Yield	1WK	1MO	3MO	1YR	YTD
Fixed Income	U.S. Aggregate	5.3%	0.5%	0.9%	-0.4%	-1.1%	-1.1%
	U.S. Govt/Credit	5.2%	0.5%	0.9%	-0.4%	-1.3%	-1.1%
	U.S. 10 Year Treasury	5.0%	0.7%	1.2%	-1.1%	-3.3%	-2.9%
	U.S. TIPS (1-10YR)	4.9%	0.5%	1.3%	-0.3%	0.4%	0.7%
	U.S. High Yield	8.4%	-0.1%	-1.4%	-1.6%	1.2%	-0.1%
	EM Bonds (USD)	6.9%	-0.1%	-0.8%	-1.4%	0.7%	-0.7%
	Municipal Bonds	4.3%	1.1%	1.5%	-1.4%	-0.9%	-1.1%

		Current	1WK	1MO	3MO	1YR	YTD
Commodities	Bloomberg Commodity Index	373	-0.4%	-0.5%	6.5%	38.3%	35.0%
	Crude Oil (USD/bbl)	$116.7	6.2%	11.4%	18.9%	49.8%	54.9%
	Gold ($/oz)	$3,996.1	-3.3%	-2.7%	-1.7%	0.6%	-7.3%
	Copper	$14,322.5	-0.6%	-2.0%	5.4%	31.9%	15.3%
	Wheat	$234.0	-4.2%	-1.5%	-1.3%	12.7%	16.3%
	U.S. Dollar	102	0.0%	1.0%	0.5%	3.0%	3.7%
	VIX Index	19.5	-2.7%	28.1%	4.0%	12.4%	30.1%

Footnotes: Data is as of October 23, 2026.
Source: Bloomberg Finance LP, Verdence Capital Advisors.

1. *This is an index created by Bloomberg that has only been around for the past year as hyperscalers started increasing debt sales.*

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