Your Weekly Investment
Insights
October 5, 2026

VERDENCE CAPITAL ADVISORS

Key **Takeaways:**

- Global equities end the quarter in positive territory despite September sell-off.
- Fed raises rates for the first time since 2023.
- Inflation remains sticky.
- Tech trade resumes leadership in 3Q.
- Global bond yields rise sharply in 3Q.

3Q26 Market Recap – September Sell Off Fails to Ruin Entire Quarter

Despite the first Fed rate hike since 2023, surging bond yields, sticky inflation and high oil prices, the MSCI AC World Index was able to post a modest gain in the third quarter. This was despite September living up to its historically weak reputation as volatility surged and global equities saw their second worst month this year. In this Weekly Insights, we offer a review of 3Q26 from an economic and asset class perspective.

- **Fed raises rates:** The Federal Reserve unanimously agreed to raise its benchmark rate to a range of 3.75-4.00% in September. The committee noted that "inflation remains elevated." In addition, the rate hike "will support a timelier return to 2% inflation."
- **Inflation remains elevated.** Inflation, at the core level, as measured by the Consumer Price Index and PCE Core is growing 2.4% and 3.0%, respectively on a year over year basis.
- **Manufacturing strong.** As the AI build out continues, the ISM Manufacturing Index has been in expansion territory for the past nine consecutive months.
- **Consumer continues to spend:** Retail sales have been surprisingly resilient in the face of rising energy prices. Core retail sales grew at the fastest month over month pace since December 2024 in 3Q.
- **Housing gets hit:** Housing data has struggled with higher home prices and soaring mortgage rates. The 30YR mortgage rate finished the quarter at the highest level (7.3%) since 2023.
- **Labor market cools:** The U.S. economy added only 29K jobs in September and the unemployment rate ticked higher (to 4.2%).

Global equities: Near record highs despite seasonal weakness: The MSCI AC World Index rallied for the second consecutive quarter as solid earnings overshadowed higher interest rates, globally.

- **Japanese equities lead:** The MSCI Japan Index led the global rally. Japanese banks led the gains as the Bank of Japan raised interest rates for the second time this year.
- **Concentration in the U.S.:** The resumption of the tech trade won out in 3Q as the Russell 1000 Index outperformed the Russell 2000 by 903 bps in 3Q. In addition, while the Nasdaq (+2.6%) and S&P 500 (+2.3%) rallied, the S&P 500 Equal Weight Index declined (-1.9%).

Global bonds: A global bond sell off: The Bloomberg Aggregate Index posted its worst quarterly decline since the COVID induced inflation period in 2022. Surging debt and stickly inflation led to the weakness.

- **Long term bond yields surge:** The weakness was led by long term bonds as the 30YR Treasury yield rose to the highest yield since 2002, the German 30YR to the highest since 2011 and the Japanese 10YR since 1996.
- **Municipals fall sharply:** The Bloomberg Managed Municipal Index posted its third worst quarterly decline on record as demand fell on surging yields.

Commodities: The Bloomberg Commodity Index rose for the second quarter this year as geopolitical tensions supported prices.

- **Energy leads gains:** Energy was the biggest beneficiary of the ongoing war with Iran.

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Weekly Economic Recap –

Inflation Unchanged; Labor Market Cools

Consumer confidence as measured by the Conference Board fell to the lowest level since 2014 in September. Both confidence on the present situation and future conditions declined. Consumer confidence in the labor market fell to the lowest level since 2021 (jobs plentiful vs. jobs hard to get).

Job openings as measured by the JOLTS report showed job openings fell to the lowest level in five months in August. However, layoffs fell to the lowest level since March 2025. The quits rate which measures those voluntarily leaving their job is at the lowest level since 2020.

The Fed's preferred inflation indicator (i.e., PCE Core YoY) remained unchanged on a year over year basis in September (+3.0% YoY). However, the super core measure which includes services but excludes housing is rising 3.5% on a year over year basis.

Personal spending exceeded personal income in August which drove the personal savings rate to the lowest level since 2022.

Manufacturing as measured by the ISM Manufacturing Index dipped slightly in September but has been in expansion territory (a level above 50) for the past nine consecutive months. The weakness was driven by export orders while prices paid jumped to a four month high.

The U.S. economy added fewer jobs than anticipated in September (+29K vs. +90K). In addition, the unemployment rate rose modestly (+4.2% vs. 4.1%). The weakness was concentrated in government, temporary workers and information services jobs.

Key Takeaways:

- Fed's preferred indicator unchanged.
- Manufacturing prices jump.
- Labor market cools in September.
- Global equities fall on weak U.S. data.
- Bonds fall despite odds of an imminent rate hike falling.
- Crude oil takes a breather as emergency supply released.

Weekly Market Recap –

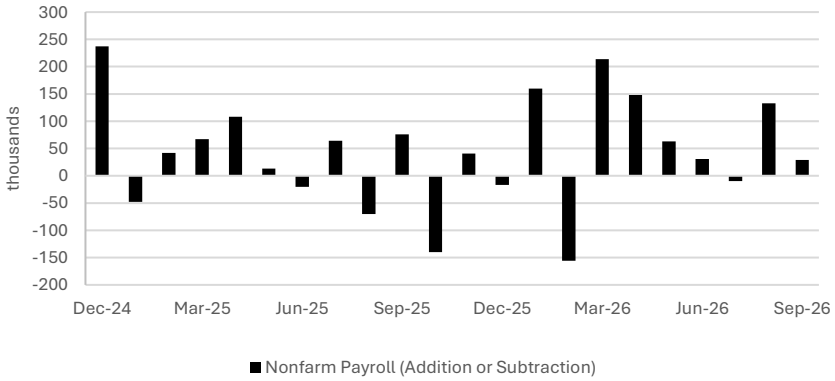
Global Equities Fall on Weak U.S. Data

Equities: The MSCI AC World Index declined last week as a rally in U.S. tech failed to lift the broader market. U.S. equities declined as a weak jobs report fueled fears of an economic slowdown. The Nasdaq and the Russell 1000 Growth rallied for the week as strong earnings fueled a rebound in semiconductor names. Europe and the UK led the global decline on rising bond yields and economic uncertainty.

Fixed Income: The Bloomberg Aggregate Index fell for the fifth consecutive week despite odds for a rate hike in October declining on the weak jobs report. Long term Treasuries and EM debt led the drop in fixed income. Municipal bonds rebounded after six consecutive weekly declines as higher yields drew demand.

Commodities/FX: The Bloomberg Commodity Index posted its worst weekly drop in nine weeks led by crude oil. Crude oil declined after the release of crude and diesel emergency stockpiles. Copper posted its worst week since March on a strong U.S. dollar and concern about demand slowing in China.

Job Creation Cools in September



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

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Global Equities Fall on Weak Economic Data

		Current	1WK	1MO	3MO	1YR	YTD
U.S. Equities	Dow Jones Industrial Average	51,177	-1.3%	-3.5%	-2.9%	11.8%	7.8%
	S&P 500	7,723	-0.2%	0.8%	3.5%	16.3%	13.8%
	Russell 1000 Growth	5,118	0.7%	4.4%	4.9%	8.3%	7.9%
	Russell 1000 Value	2,453	-1.0%	-2.6%	1.4%	24.3%	20.0%
	Russell 2500	5,014	0.0%	-3.3%	-4.2%	18.2%	16.6%
	Russell 2000	2,833	-0.1%	-3.9%	-5.1%	16.8%	15.3%
	Nasdaq	27,191	0.5%	3.8%	5.4%	19.7%	17.5%

		Current	1WK	1MO	3MO	1YR	YTD
International Equities	MSCI AC World (USD)	1,140	-0.7%	-0.1%	2.2%	16.6%	13.6%
	MSCI EAFE (USD)	3,095	-1.5%	-3.1%	-1.0%	13.7%	9.3%
	MSCI Europe ex UK (USD)	3,338	-2.2%	-4.8%	-4.3%	8.7%	4.3%
	MSCI Japan (USD)	5,768	0.0%	2.3%	4.6%	27.6%	22.2%
	MSCI UK (USD)	1,645	-2.2%	-4.6%	-1.9%	13.3%	6.5%
	MSCI EM (USD)	1,709	-1.2%	0.8%	2.1%	27.5%	23.7%
	MSCI Asia ex Japan (USD)	1,134	-1.2%	1.4%	2.4%	28.7%	26.0%

		Current Yield	1WK	1MO	3MO	1YR	YTD
Fixed Income	U.S. Aggregate	5.6%	-0.6%	-2.4%	-3.3%	-2.2%	-2.9%
	U.S. Govt/Credit	5.4%	-0.5%	-2.2%	-3.2%	-2.3%	-2.8%
	U.S. 10 Year Treasury	5.3%	-0.8%	-3.4%	-4.9%	-4.7%	-5.3%
	U.S. TIPS (1-10YR)	5.2%	-0.2%	-2.0%	-2.1%	-0.7%	-0.9%
	U.S. High Yield	8.3%	-0.6%	-2.3%	-1.9%	1.3%	0.1%
	EM Bonds (USD)	6.9%	-1.2%	-3.0%	-3.7%	0.3%	-1.9%
	Municipal Bonds	4.6%	0.5%	-2.9%	-5.3%	-1.9%	-3.2%

		Current	1WK	1MO	3MO	1YR	YTD
Commodities	Bloomberg Commodity Index	366	-1.9%	-0.8%	16.1%	40.1%	32.6%
	Crude Oil (USD/bbl)	$102.3	-2.7%	6.3%	30.4%	38.0%	41.7%
	Gold ($/oz)	$4,141.2	1.0%	-5.6%	-0.2%	5.0%	-3.8%
	Copper	$14,258.5	-2.5%	0.3%	7.0%	35.9%	14.8%
	Wheat	$241.5	5.3%	-0.3%	17.0%	15.9%	22.4%
	U.S. Dollar	102	1.0%	3.1%	1.4%	4.6%	4.0%
	VIX Index	15.3	3.0%	0.7%	-5.2%	-7.9%	2.4%

Footnotes: Data is as of October 2, 2026.
Source: Bloomberg Finance LP, Verdence Capital Advisors.

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