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INVESTMENT MANAGERS

ECONOMIC UPDATE — NOVEMBER 2026

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Markets experienced a volatile October as investors weighed strong economic growth against persistent inflation, elevated interest rates and growing concerns about technology valuations. The S&P 500 declined -0.87% for the month, international developed markets slipped roughly -0.74%, while US small-cap stocks gained approximately 0.58%. Bonds rebounded as Treasury yields retreated from September highs.

Market leadership continued to shift away from large-cap growth stocks toward value-oriented and more economically sensitive sectors. Technology pulled back as investors questioned whether substantial AI investments would generate sufficient returns. Energy and other value-oriented sectors remained relatively resilient. Meanwhile, the economy continued to demonstrate strength, with third-quarter GDP expanding at a 3.4% annualized rate, supported by investment and consumer spending.

Inflation remained a challenge for the Federal Reserve. September CPI increased 3.7% from a year earlier, while core PCE inflation measured 3.1%. The Fed held its target rate at 3.75%-4.00% at its October meeting. The 10-year Treasury yield ended October at 4.93%, down from September's 5.29%.

Key themes shaping markets

- **Market leadership rotates:** Leadership has rotated and now value stocks have significantly outperformed growth stocks in 2026, reversing several years of growth dominance. Investors have become increasingly selective about AI-related spending, emphasizing profitability and returns on investment rather than growth expectations alone.
- **Economic resilience versus inflation:** Third-quarter GDP growth of 3.4% demonstrated the economy's underlying strength. Continued consumer spending and business investment support economic growth, but persistent inflation complicates the Fed's ability to ease monetary policy.
- **Interest rates and Federal Reserve policy:** The Fed maintained rates in October following September's increase, but additional tightening cannot be ruled out. Higher borrowing costs present challenges for consumers, businesses and interest-rate-sensitive investments.

Risks on the horizon

- Elevated equity valuations, particularly among companies making substantial AI investments, could lead to further volatility if earnings growth fails to justify expectations.
- Persistent inflation, rising energy costs or renewed geopolitical tensions could keep interest rates elevated and potentially pressure economic growth.
- Trade uncertainty, slowing employment growth and geopolitical developments could weigh on business confidence and consumer spending, even as the economy remains resilient.

Key takeaways

- **Maintain discipline after strong gains** –Periodic rebalancing can help maintain appropriate portfolio risk levels.
- **Evaluate income opportunities** – Higher interest rates continue to provide attractive income opportunities in high-quality fixed income and money markets. Buffer ETFs and premium income strategies may also play a role in managing risk and generating cash flow, depending on investment objectives.
- **Stay diversified** – The significant performance differences between growth and value stocks in 2026 reinforce the importance of diversification across investment styles, company sizes, sectors and international markets.

As always, if you'd like a deeper dive into your personal portfolio's alignment or a review of income-planning for the years ahead, we'd be happy to assist.

Key Statistics

Consumer Price Index (September)	3.7%
Core PCE Deflator (September)	3.1%
Unemployment Rate (September)	4.2%
10-Year US Treasury Yield (10/31)	4.93%
Fed Funds Rate (10/30)	3.75%-4.00%

Index Returns

	October	YTD
S&P 500	-0.87%	11.77%
MSCI EAFE	-0.74%	9.52%
Russell 2000	0.58%	14.37%
US Agg Bond	2.44%	-0.54%