

The Data

- Major equity indices were mixed last week, as AI names masked underlying weakness.
 - S&P 500 -0.22% Dow -1.26% Russell 2000 -0.16%, Nasdaq +0.45%¹
 - The All-Country World Index declined -0.6%.¹
 - S&P 500 sub-sectors were mixed for the week.
 - Tech & Energy led to the upside.¹
 - Financials & Healthcare led to the downside.¹
 - The CBOE Volatility Index (VIX) rose 3% to end at 15.31.¹
- US Treasury bond yields saw a continuation of their volatile move higher.
 - US 2yr -0.01% at 4.84%, 10yr +0.08% to 5.28%, 30yr +0.14% to 5.63%.¹
 - A soft jobs report brought down the 2yr while longer maturities rose.
- Commodities as an aggregate asset class were lower last week.
 - WTI Crude declined by -1.41%.¹
 - Gold lost -3%.¹
 - The US Dollar index gained +0.95%.¹
- In our opinion, U.S. economic data was mixed last week.
 - Nonfarm payrolls increased much less than expected at +29k jobs.¹
 - Mortgage rates rose to a multi-year high of 7.28%.¹
 - Consumer confidence ticked lower for its lowest reading since 2014.¹
- An index of equities outside the US (FTSE All-World ex-US) lost -1.1%.¹

¹ Source: Bloomberg – 10/1/2026

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Conclusion

- US equity markets closed mostly lower on the week.
 - The S&P 500 was only slightly lower despite most constituents ending the week much lower, while the Nasdaq ended the week positive.
 - Large Cap tech names masked deeper losses, showing the S&P to be resilient.
 - Strong earnings and a torrent of AI spending kept major indexes near record territory despite market breadth thinning even further.
 - Only 25% of S&P 500 members ended Friday trading above their respective 50-day moving average.¹
 - Underneath the headline index level, many equities continue to struggle with:
 - Housing remaining stuck
 - Consumer credit rates are becoming more punishing
 - Cost of liquidity continues to rise
- S&P 500 sectors were mostly lower last week.
 - Tech led to the upside by a wide margin.
 - Energy also showed strength as fighting continued to expand in the Middle East.
 - Financials led to the downside as higher rates threaten several of their major sources of revenue heading into earnings season.
- US Treasury yields continued their absolute rip higher.
 - The global benchmark 10yr rate reached 5.34%...it's highest level since 2002.¹
 - It was even higher before the softer than expected monthly jobs report brought some relief to bond yields.
 - With the nonfarm payroll # coming in lower than expected, future estimates of whether the Fed will raise rates came down dramatically.¹
 - This provided relief to rates, especially the 2yr which most closely tracks the expected policy rate decisions from the Federal Reserve.
- Non-US equities felt the pressure of a strengthening US Dollar.
 - The popular institutional carry trade using foreign currencies saw significant pressure during the week which spilled over into other assets.
- From a near-term risk management perspective, here are some of the things we're watching:
 - Systematic Positioning: With large systematic investors' positioning near neutral, a spike in realized volatility could force vol-control funds & CTAs to become aggressive sellers.
 - Will Yields Stabilize: Will the 10yr yield stabilize in its current range or will upward momentum continue? Further upside most likely bleeds shares of small-caps & financials even further.
 - Corporate Credit: With S&P 500 forward P/E multiples near their lowest since March, will persistent rate pressure finally bleed into credit spreads or are corporate balance sheets well-insulated?
 - Global Carry & US Dollar: We're monitoring whether the unwind in emerging market currencies deepens under sustained Treasury volatility, creating additional forced liquidations across asset classes.

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