

~ Prevailing Winds ~

A Quarterly Market Update

September 30, 2026

Quarterly Recap:

In general, the past quarter can be summarized by two words..."unease" and "exhaustion". In general, the markets seem to be burnt-out, too tired of reacting, speculating, positioning, and forecasting. Market participants appreciate that there is a lot going on, with many questions, but few answers. It is hard to recall a singular event that had an undue influence on the markets in the past few months. Instead, the mood and data seemed to flip-flop between optimistic and pessimistic narratives. This is the perfect formula for creating a sense of "unease" and "exhaustion".



Quarter Ending September 30, 2026

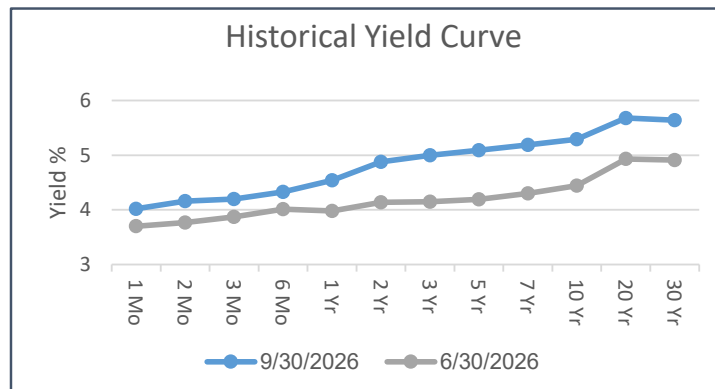
Equity Indexes	Close	% Change
DJIA	50906.05	-2.7%
S&P 500	7651.54	2.0%
NASDAQ	26861.06	2.5%
Treasuries	Close	Change
10-Year Yield	5.29%	0.85
2-Year Yield	4.88%	0.74

The Stock Market:

The chart to the left provides a clear illustration of the mood of the stock market. There is a sizeable spike seen in late July as companies reported their earnings and annual projections. On either side of this period, the equity markets generally traded in a range. In short, there is substantial unease knowing that the health of the market is very dependent on earnings momentum. This may be true for all stocks. It is more acute for "AI" stocks which are valued on high earnings growth expectations. Investors are facing more unease not knowing if the hype is real, or if the downsides of AI will come to bear.

The Bond Market:

Few expected that the fixed income markets would become the center of attention. After all, rates were supposed to fall. Instead, rates across maturities have risen due to a perfect storm of challenges. Inflation has not declined and for many, the cost of groceries, fuel, insurance, and medical care all have been pain points. Government spending also reached alarming levels. Concern is emerging that the growing deficit could lead to a spiral of higher long-term rates and slower economic growth. Going forward, Washington (and not the Fed) will need to address this concern.



Looking Ahead:

As we evaluate the notion of "unease" and "exhaustion", we note that these two words are kindred spirits. Being uneasy does tax one's energy and likewise, it is far from comfortable to be exhausted. As we enter the final quarter of the year, it is time to prepare. That often means to assess the current status of everything and to take stock of what still needs to be accomplished. Such is the same with investments. For our part, there are a variety of administrative issues that need to be tackled before year-end. More importantly, we must assume that surprises lie ahead and we must position portfolios for earnings reports, elections, Fed meetings.....No rest for the weary. Carry on!