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October Market and Economic Update

November 12, 2026



Taylor Schulte, CFP®

Data as of: October 31st, 2026

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Key Takeaways

- Several sectors have contributed to gains in 2026, not just tech.
- The stock market has an enviable track record coming out of midterm elections.
- Bonds are paying more income than they have in nearly 20 years.

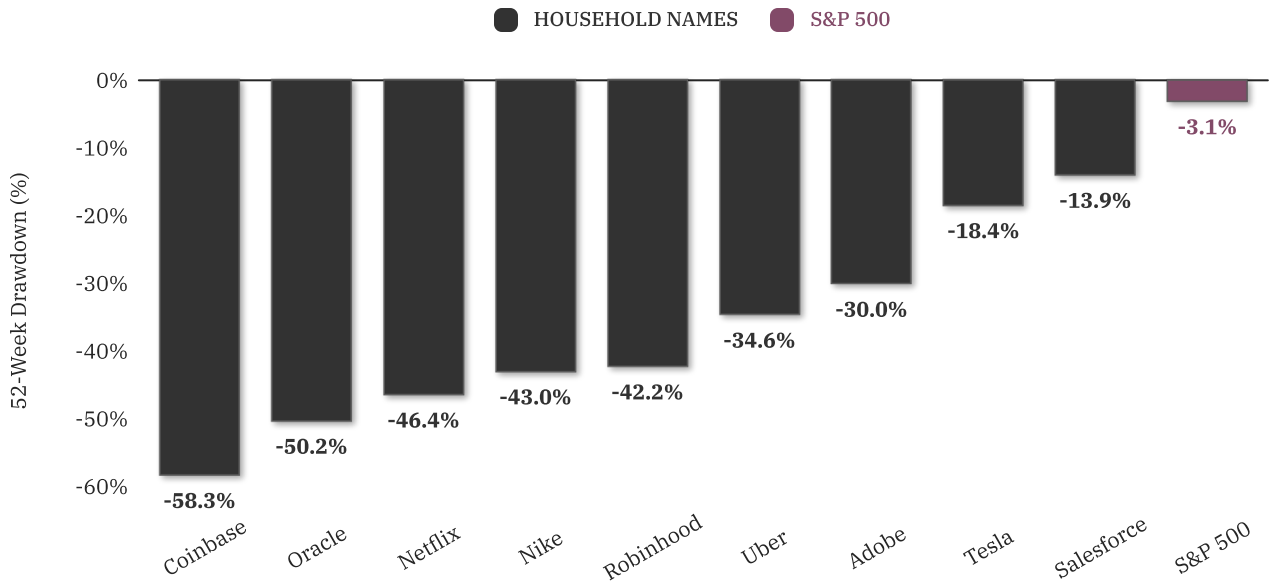
The stock market has held up well in 2026, even as several well-known companies have experienced drawdowns of over 40%.

Exhibit A

A Comparison of Recent Drawdowns

52-Week Drawdown: Household Name Stocks vs. The S&P 500 (%)

As Of Recent Trading Day's Close.



Source: © Exhibit A, FactSet Research Systems Inc., Standard & Poor's | Latest: 2026-10-30

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Being a stockpicker in today's market can be feast or famine. The winners and losers in the AI trade seem to change on a weekly basis. There are a number of name brand companies experiencing severe drawdowns at the moment. Yet the S&P 500 remains close to all-time highs. There has not been a double-digit correction from the highs this year. So while there is some volatility under the surface, it has not broken containment into the broader market just yet.

Not all sectors are moving together

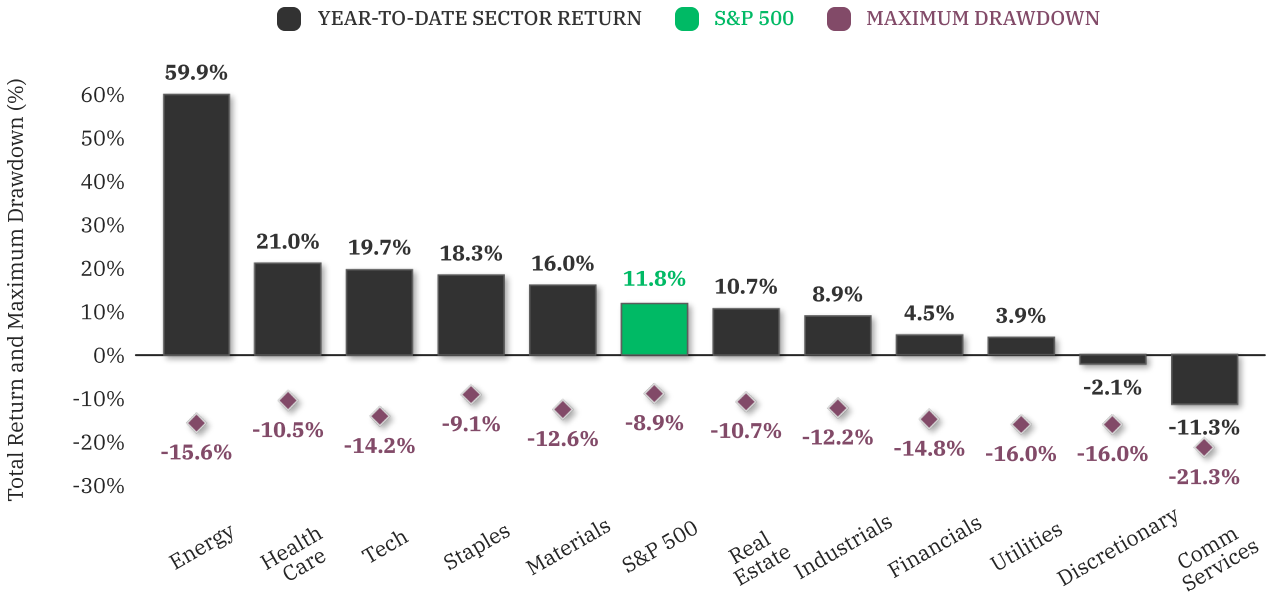
One of the reasons the S&P 500 has been able to withstand drawdowns in a number of well-known names this year is because sector leadership has broadened.

Exhibit B

S&P 500 Sector Performance in 2026

S&P 500 Year-to-Date (YTD) Sector Performance in 2026 (Including Dividends) With Maximum Drawdown

YTD 2026



Source: © Exhibit A, FactSet Research Systems Inc., Standard & Poor's | Latest: 2026-10-30

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It's not just tech stocks holding up the market. Energy stocks have had a banner year.

Even defensive sectors such as health care and consumer staples have outperformed the index. Picking the winning sectors in any given year is difficult, but the beauty of owning the market is you don't have to choose. The index does it for you.

Valuations are not excessive

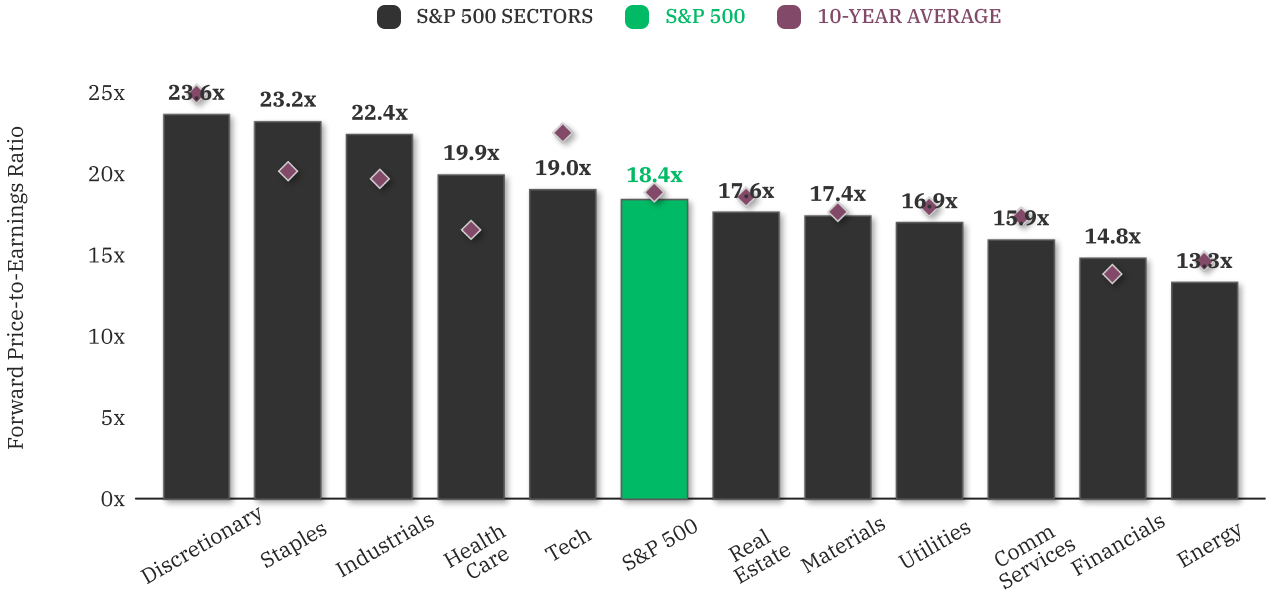
Sir John Templeton famously said, "Bull markets are born on pessimism, grow on skepticism, mature on optimism, and die on euphoria." Euphoria can be measured in many ways, but valuations are a good gauge of investor sentiment. The good news about the current cycle is that investors aren't bidding up valuations to excessive levels. In fact, on a forward P/E basis, the S&P 500 is right in line with its 10-year average.

Exhibit C

Forward Valuations by Sector

Price-to-Earnings Ratio Using Consensus Estimated Earnings Over the Next 12 Months for S&P 500 Sectors

Current valuation and 10-Year Average



Source: © Exhibit A, FactSet Research Systems Inc., Standard & Poor's | Latest: 2026-10-30

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The tech sector is actually trading *below* its 10-year average which is surprising given that technology has powered the market higher for most of this bull market.

Bond yields have risen

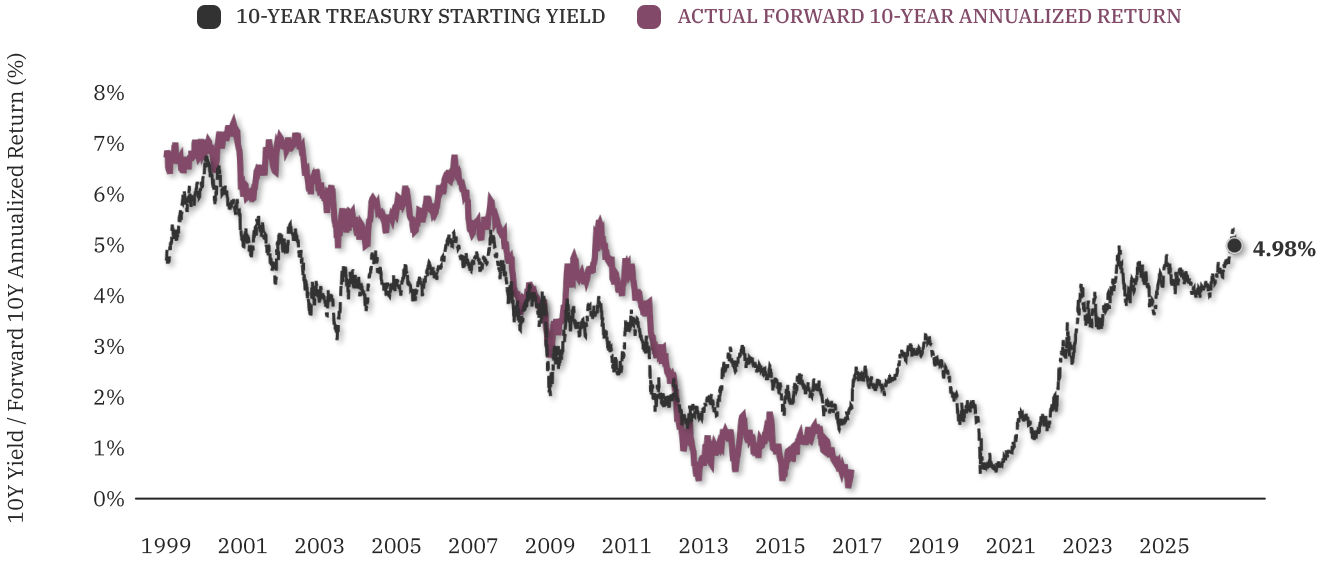
If you are worried about stock market valuations, the AI trade, or equity risk in general, bonds now have the potential to provide income and act as a diversifier. Bond yields are now higher than they have been since before the Great Financial Crisis kicked off at the end of 2007. That's nearly 20 years with ultra low bond yields. This is important because starting bond yields have historically been a strong indicator of forward bond returns.

Exhibit D

Starting Bond Yields Have Been a Solid Guide to Actual Returns

Starting 10-Year Treasury Yield vs. Actual Forward 10-Year Annualized Return

Since 1999



Source: © Exhibit A, FactSet Research Systems Inc. | Latest: 2026-10-30

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Interest rates, inflation and economic growth can and will change in the future, but high quality bonds yielding around 5% may provide an income cushion for the first time in a very long time.

The stock market vs. midterm elections

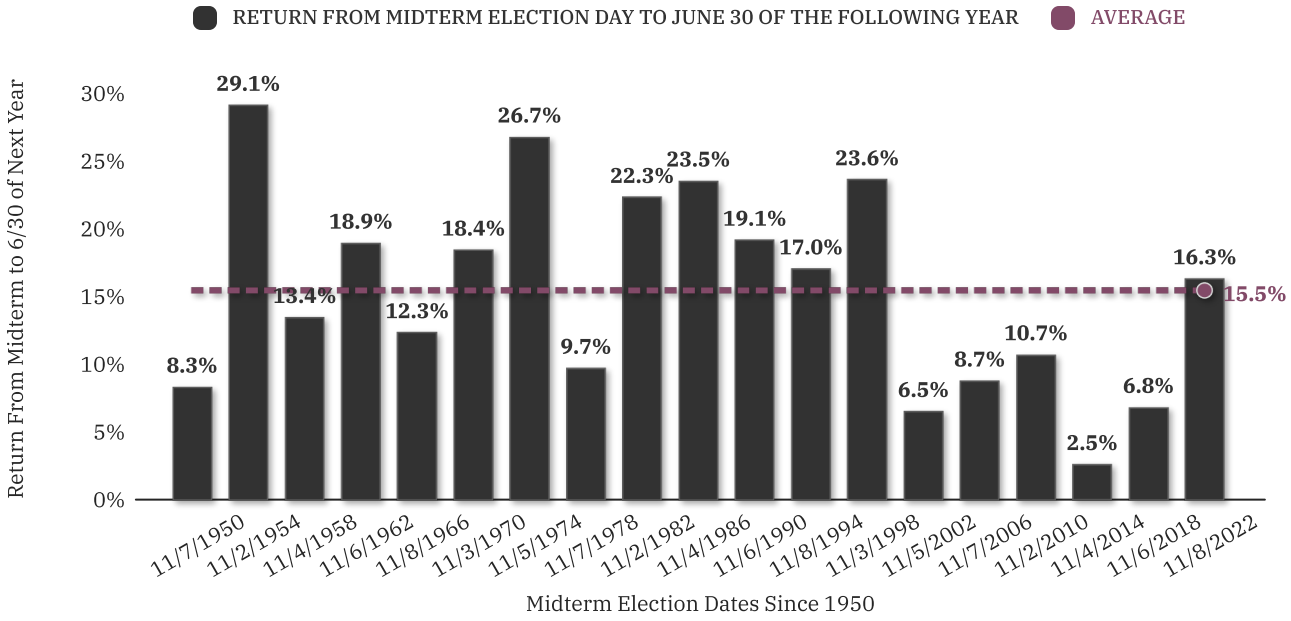
Politics and investing don't mix so it's never a good idea to allow your political leanings to invade your investment decisions. But it is noteworthy that the stock market has an enviable track record coming out of midterm elections. After every midterm election going back to 1950, the S&P 500 has had a positive return through June 30th of the following year.

Exhibit E

19 for 19: S&P 500 Up From Every Midterm to the Next June Since 1950

S&P 500 Return From Midterm Election Day to June 30 of the Following Year, With Average

Midterm Election Years, Since 1950



Source: © Exhibit A, FactSet Research Systems Inc., Standard & Poor's | Latest: 2023-06-30

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It's impossible to know whether the market will be up coming out of this year's midterms. Still, this track record is worth remembering before claiming either party is better or worse for stocks.

AI is moving very fast

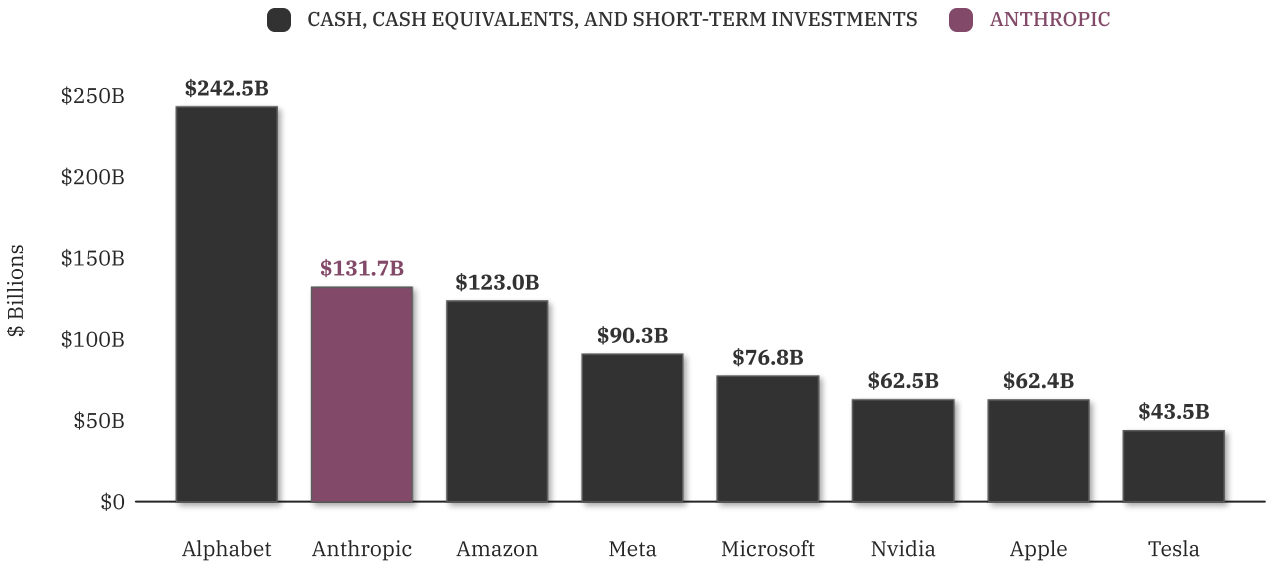
Anthropic was founded in January of 2021. You could reasonably make the claim that it's the fastest growing company in history since its founding. As the company prepares to go public, it now has more cash on hand than every Magnificent 7 company except for Alphabet.

Exhibit F

Anthropic's Cash on Hand Compared with the Mag 7

Cash, Cash Equivalents, and Short-Term Investments of the Mag 7 Plus Anthropic

As of October 29, 2026



Source: © Exhibit A, Company Filings | Latest: 2026-10-29

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The AI cycle is moving at lightning speed. The winners and losers seemingly change with each new model or earnings release. It's much better to show humility rather than certainty when attempting to handicap how this will play out, but it is important to recognize that the speed of market cycles is unlike anything we have ever seen before.

Longevity risk

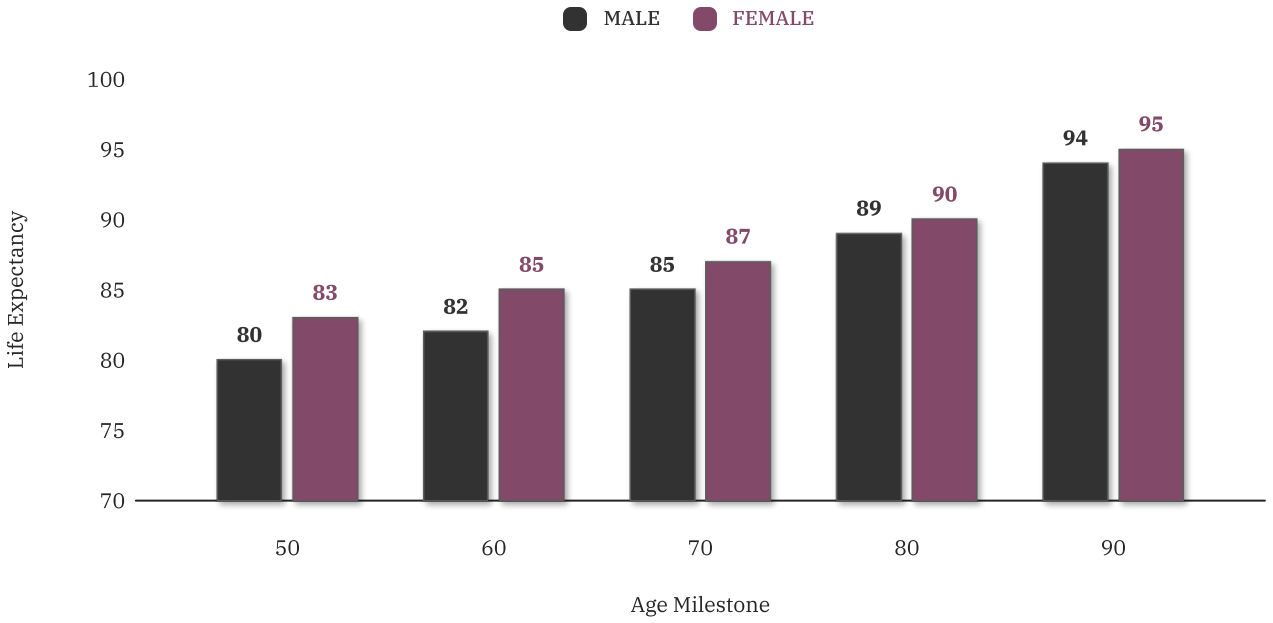
As technology improves, it's highly likely that people will be living longer as well. But keep in mind, retirement is still a relatively new concept. In the late-19th century, more than three-quarters of all men aged 65 and older were still in the labor force. Most people didn't have to plan for retirement because the concept didn't exist for much of the population. Now people are living longer than ever. You could have 20-30 years or more in your post-work life.

Exhibit G

Longevity Risk: Plan to Live Longer Than You Expect

Life Expectancy of Males and Females by Various Age Milestones

As of 2023



Source: © Exhibit A, Social Security Administration

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This makes financial planning more important than ever.

As always, if you have any questions about any of this, please don't hesitate to reach out.

Chart Disclosures

Exhibit A: 52-Week Drawdown: Household Name Stocks vs. The S&P 500 (%): The 52-week drawdown measures the percentage decline from the highest closing price over the trailing 52 weeks to the most recent closing price, calculated from daily closing prices for each company shown and the S&P 500. The companies shown were selected as illustrative examples of widely recognized U.S.-listed companies and do not represent a recommendation or a complete list. Diversification does not ensure a profit or protect against loss.

Exhibit B: S&P 500 Year-to-Date (YTD) Sector Performance in 2026 (Including Dividends) With Maximum Drawdown: The S&P 500 tracks the performance of 500 large-cap U.S. companies, serving as a benchmark for the U.S. stock market. The index is weighted by market capitalization. The 11 S&P 500 Sectors represent the 11 distinct categories of companies within the S&P 500 index, each reflecting a specific area of the economy. The chart shows the S&P 500 and its sector index total returns in 2026 with maximum drawdowns as diamonds. Total returns include dividends. The maximum drawdown measures the largest decline in the value of each sector index, calculated as the difference between the peak and the trough within the year.

Exhibit C: Price-to-Earnings Ratio Using Consensus Estimated Earnings Over the Next 12 Months for S&P 500 Sectors: The S&P 500 tracks the performance of 500 large-cap U.S. companies, serving as a benchmark for the U.S. stock market. The index is weighted by market capitalization. The 11 S&P 500 Sectors represent the 11 distinct categories of companies within the S&P 500 index, each reflecting a specific area of the economy. The Forward Price-to-Earnings (P/E) Ratio for an index measures its current price relative to expected earnings of the companies within the index over the next 12 months. It's calculated using consensus EPS estimates from FactSet and helps assess whether the index is overvalued or undervalued vs. its 10-year average forward P/E.

Exhibit D: Starting 10-Year Treasury Yield vs. Actual Forward 10-Year Annualized Return: The starting yield is the yield to maturity on the benchmark 10-Year U.S. Treasury note on each date shown. The forward return is the annualized total return realized over the following 10 years, including price changes and reinvested coupons. Because this requires a full decade of forward data, the forward return series ends 10 years prior to the latest date shown. The relationship shown is historical and may not repeat.

Chart Disclosures

Exhibit E: S&P 500 Return From Midterm Election Day to June 30 of the Following Year, With Average: Returns reflect the change in the S&P 500 index from the close on each U.S. midterm election day through June 30 of the following year. The average is the simple arithmetic mean of all periods shown. The original idea for this statistic is credited to Virtus Investment Partners.

Exhibit F: Cash, Cash Equivalents, and Short-Term Investments of the Mag 7 Plus Anthropic: Cash, cash equivalents, and short-term investments as reported in each company's most recent public filing. Anthropic figures are from its S-1 registration statement as of June 30, 2026 and exclude restricted cash. Cash, cash-equivalents and short-term investment amounts may not be directly comparable because the difference in reporting dates and reporting practices. Cash balances should not be interpreted as evidence of comparable business performance, financial strength, or investment merit.

Exhibit G: Life Expectancy of Males and Females by Various Age Milestones: Life expectancy data is sourced from the Social Security Administration's 2023 Period Life Table and reflects the projected average age to which an individual of a given age and sex is expected to live. Figures represent population averages and are not predictions of any individual's lifespan; actual longevity varies based on health, lifestyle, family history, and other factors. Data shown is conditional, meaning life expectancy increases with age because it reflects only those who have already survived to each milestone. This information is provided for educational and illustrative purposes only and should not be relied upon as a guarantee of future results or as the sole basis for any financial, retirement, or insurance planning decision.

Definitions

The S&P 500 tracks the performance of 500 large-cap U.S. companies, serving as a benchmark for the U.S. stock market. The index is weighted by market capitalization. Indices are unmanaged and investors cannot invest directly into them.

The 11 S&P 500 Sectors represent the 11 distinct categories of companies within the S&P 500 index, each reflecting a specific area of the economy. The sectors are listed in the chart along the x axis. Each sector groups companies with similar business activities.

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Exhibit A Disclosures

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