Lauren Sanfilippo: Hi. This is Lauren Sanfilippo, Senior Investment Strategist, with the market update for September 28, 2026. We're working through a very interesting setup coming into this week with rates higher for longer and oil that's really bouncing around at the mercy of the Middle East development, what's happening in Iran. For now, the macro setup is overwhelming the micro single stock stories. There are few late season reporters that will be closely watched this week related to the A.I. memory trade, but really, most of the action has been with the bond market. For rates, last week's surge in Treasury yield pushed to 10-year above the 5% threshold which called into question, when do equities really feel all the pinch? If 5% is just the psychological level, is it now about 5.5% or 6% on the 10-year, or is it less about the level and more about the speed of the move? With the 10-year at 5.22 as of this morning, its highest level since June 2007, and last Wednesday move the largest one-day move back Liberation Day of April 2025, I'd say level and speed, check and check. The move index, a bond market volatility measure really reflected of that action last week. Contributing to the move the S&P Global Flash PMI, which surprised sharply to the upside and show the fastest pace of business activity growth in more than five years, as well as the strongest employment growth in 2021. As for U.S. equities, most major indices still manage positive weeks. The S&P 500 snapped a two-week losing streak while the Nasdaq Composite climb to a new record high. Elsewhere, the U.S. and China summit that took place last week, one of the most important takeaway is the extension of the existing trade truce by two months, pushing the deadline to January of next year. That was highly anticipated, at least some discussion around in extension on trade talks, which have historically been tough between the two nations. We're going to keep the conversation going with plans for two additional meetings before year-end, and so at least, optics-wise, this went off without a real issue, and that’s good because as I’ll outline today, this equity market, this economy has taken on this series of shock. I have five I’ll mention just from year-to-date basis. The first is the oil shock, specifically the diesel shock. Of course, they are pain at the pump that has been reintroduce as the Iran war continues on, but that pain has extended to diesel with prices now sitting at record highs. Diesel supplies have been hammered by both the wars in the Middle East and Ukraine that have reduced for finding capacity, and that remains a key issue tied to higher-for-longer inflation. It’s diesel at and around $6.50. The second shock, rate hikes. That some didn’t see coming, and it’s a little bit of [central bank convergence here]. We have the Fed, European Central Bank, Bank of Japan, all hiking rates. The odds of a second hike from the Fed for next month, around 60% - 65% chance from the meeting at the end of October. A Fed in motion tends to stay in motion, and markets are coming around into the idea that it’s likely that this is more a one-off adjustment for the Fed. Shock three is the earnings shock. What’s gone on in the first and second quarter for corporate earnings has been stunning, not just attributable to one-off investment gains for some big companies, but healthy, healthy underlying fundamentals. The median company was able to grow their earnings around 14% in the second quarter, that is elevated in keeps us convicted about the health of corporate America, just broadly speaking. Shock four is related. It’s the U.S. economy has more horsepower than the headline growth rate suggests. GDP of 2.1% in Q1 and 1.5% Q2, that sounds like a slowdown, when in fact the underlying strength of the U.S. economy, this real final domestic demand, which strips out trade, is running closer to 4.2% annualized for the second quarter. The Atlanta Fed GDP Now tracker, which is, of course, privy to adjustments based on incoming data, is that 5% for Q3, and that’s anything but a slowdown. The last shock is more of a reset, and that’s what’s getting penciled in for midterms ahead. It’s the odds that the Democrats could control both the House and Senate following the midterm election. Prediction markets are assigning Democrats roughly at 90% chance of retaking the house and about 60% chance of winning the senate, in which case investors can expect more volatility around negotiations over the budget, debt ceiling, defense spending, A.I. regulation, et cetera. If that means more volatility ahead, we'd use a pullback and equities as a key buying opportunity into year end. That will do it for today. Thanks for listening.

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