

Beacon Weekly Investment Insights

Equity indices were mostly lower last week, with the notable exception being the Nasdaq. The S&P 500 index closed the week down 0.27%, with the Dow Jones down 1.26%, and the Nasdaq up 0.45%. Investors continued to focus on the geopolitical landscape, rates, inflation, alongside a wide variety of economic data released last week. There was limited progress with respect to Iran last week, with diplomatic efforts not gaining much traction. Uncertainty on this front and on-going concerns about re-escalation continue to drive volatility in energy prices, although WTI crude oil prices were down 1.4% last week (third consecutive week of declines) closing at \$91.11, with some attention being paid to improved flows through the Strait of Hormuz and the announcement of coordinated G7 stockpile releases.

Yields continue to be a focus, with the 10-yr. and 30-yr. treasury yields hitting their highest levels since 2002, although ending the week slightly off of those highs with the 10-yr at 5.28% and the 30-yr. at 5.63%. Comments from NY Fed President Williams about there being no need for urgency following September's rate hike, a softer-than-expected payrolls report for September, as well as a cooler than expected Core PCE reading for August, all served to ease nearer-term Fed rate hike expectations. Expectations are now for the Fed to hold steady for the October meeting, and for just one more rate hike by the end of the year.

The headline figure for the September payrolls report came in at just 29,000 job gains, relative to the consensus for 84,000, and down significantly from the prior reading of 162,000 jobs. The unemployment rate also ticked up to 4.2% from 4.1%, although this came alongside a 0.2% increase in the labor force participation rate to 61.8%. The August Core PCE reading showed inflation coming in at a lower-than-expected increase of 0.2% (expectations were for a 0.3% increase) for August, and 3% year-over-year relative to expectations for a 3.3% increase. However, it was noted that methodological changes to the calculation for PCE caused larger than expected downward adjustments. The ISM Manufacturing report for September was also released last week, coming in at a lower-than-expected reading of 54.5 (expectations were for a reading of 54.9), although still firmly in expansionary territory.

Consumer confidence readings dropped for the month of September and increases in personal income of 0.2% for August were lower than the expected 0.4% increase. However, consumers continued to spend at a higher-than-expected pace, with the monthly increase in consumer spending for August coming in at 0.9%, relative to expectations for a 0.8% increase, and up meaningfully from the prior month's increase of 0.2%. In addition, the third estimate for Q2 GDP came in at 2.2%, well above the prior 1.5% reading, and initial jobless claims remained at cycle lows coming in at 197,000 relative to expectations for 200,000 claims. There also continues to be a great deal of focus on hyperscaler (e.g. Google, Microsoft, Amazon) capex and the ongoing AI infrastructure buildout, alongside safety concerns for AI, pushback on datacenter construction, and on-going questions surrounding the timing and magnitude of the ROI on these investments.

Expectations and company results continue to point to significant increases in spending on the AI buildout, and strong demand across AI infrastructure companies. Micron, a memory and storage company that is one of the key proxies with respect to the AI infrastructure buildout, reported much better than expected revenue and earnings growth last week, with exceptionally strong demand driving an 11-fold increase in data-center revenue year-over-year.

The Q3 earnings season will begin in earnest next week, with the major money-center banks set to report earnings. It will be a lighter week from an economic data standpoint, with the ISM Services PMI, the FOMC meeting minutes, and the University of Michigan's consumer confidence survey all set to be released, alongside weekly jobless claims and some additional Fed speak.

Market Scorecard:	10/2/2026	YTD Price Change
Dow Jones Industrial Average	51,176.96	6.48%
S&P 500 Index	7,722.72	12.81%
NASDAQ Composite	27,190.86	16.99%
Russell 1000 Growth Index	5,117.63	7.41%
Russell 1000 Value Index	2,452.63	18.39%
Russell 2000 Small Cap Index	2,832.90	14.14%
MSCI EAFE Index	3,095.35	7.01%
US 10 Year Treasury Yield	5.28%	+111 basis points
WTI Crude Oil	\$91.11	58.67%
Gold \$/Oz.	\$4,162.30	-4.12%

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