

Beacon Weekly Investment Insights

Last week US equity markets finished mostly higher, with both the S&P 500 and NASDAQ Composite reaching all-time highs early in the week before a mid-week pullback. Without a great deal of economic data releases, investors focused on geopolitical events, comments by Federal Reserve Governors regarding inflation, and movement along the yield curve. With Friday's positive day, the S&P gained 1.15%, the Dow Jones Industrials gained 0.93% and the NASDAQ Composite gained 0.64%. Yields as measured by the benchmark 10-year US Treasury fell by 3 basis points for the week to close at 5.24% despite reaching 5.36% mid-week, a level not seen since 2002.

Geopolitical tensions are keeping energy prices elevated around the globe. Russia and Ukraine continue to escalate and attack energy infrastructure keeping a lid on capacity. Diesel prices have risen steadily and the US national average sits at roughly \$6.32 per gallon. According to AAA, this is up from \$3.69 per gallon at this time last year. Previous highs were experienced back in 2022 when average prices reached \$5.82 per gallon in the wake of economic strains of the COVID-19 pandemic and the beginning of the Russia/Ukraine conflict. This is an important development as sustained elevated costs for transportation tend to work their way into higher prices for everyday goods and services.

On the inflation front, comments made during the week by a variety of Federal Reserve officials generally highlighted inflation as a primary concern, but no clear sense of urgency to raise short term interest rates was apparent. As of this writing, futures markets are pricing only about a 25% chance of a Fed Funds rate hike at the October Federal Open Market Committee meeting.

Rising yields have also been a pressure point for investors overall. Yields have been moving higher since the first quarter of the year but have accelerated since August. The re-emergence of inflation, primarily due to the sharp rise in energy costs along with the global increase in sovereign debt, are the primary drivers of these higher rates. The US has already topped the \$40 trillion mark in debt issuance, and France was in the news all week about their debt levels and financing costs relative to GDP. France's deficit stands at about 5.4% of GDP and is facing political upheaval from one side to increase spending on education and public services, and from the other side for massive spending cuts. Corporations, mainly for AI infrastructure and compute buildout are also issuing massive amounts of debt to finance this expansion. Estimates by Standard and Poor's have debt issuance at \$1.3 trillion next year. On a positive note, a stronger economic backdrop also is reflective in higher yields. Consensus GDP estimates for the third quarter are close to 3.0%, and earnings expectations stand at a robust estimate of 29% for third quarter year over year growth.

This week the economic calendar is full of important data points. Inflation takes the forefront with Consumer Price Index on Wednesday followed by Producer Price Index on Thursday. The Fed's Beige Book, which is a summary of current economic conditions by district will be released on Wednesday. Consumer data in the form of weekly and hourly wages is also released Wednesday and Advance Retail Sales data is set for Thursday. On the manufacturing side, regional surveys from the Empire (NY) region will be released Thursday, followed by industrial production and capacity utilization figures on Friday. As mentioned earlier, this week is the official beginning of third quarter earnings releases. Money center banks lead the way on Tuesday with earnings from JP Morgan, Goldman Sachs, Citigroup and Wells Fargo followed by Morgan Stanley and Bank of America on Wednesday. Expectations are high and we will be paying particular attention to managements forward guidance all throughout earnings season.

Market Scorecard:	10/12/2026	YTD Price Change
Dow Jones Industrial Average	51,654.95	7.47%
S&P 500 Index	7,811.54	14.11%
NASDAQ Composite	27,366.17	17.74%
Russell 1000 Growth Index	5,152.20	8.14%
Russell 1000 Value Index	2,493.09	20.35%
Russell 2000 Small Cap Index	2,806.98	13.10%
MSCI EAFE Index	3,078.66	6.43%
US 10 Year Treasury Yield	5.24%	+107 basis points
WTI Crude Oil	\$91.85	59.96%
Gold \$/Oz.	\$4,194.24	-2.90%

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