Summary

Economic data included gains in S&P manufacturing and services PMI, further into expansion, and a rise in new home sales, while durable goods orders and jobless claims remained stable.

Equities gained around the world last week generally, with technology optimism outweighing concerns about inflation and the resulting higher yields. Bonds fared negatively due to those influences of higher rates. Commodity prices were pulled down by energy and precious metals, as hope for a Middle East solution rose.

Economic Notes

(+) The preliminary **S&P US Global Manufacturing PMI** for September rose by 3.1 points to 57.0, exceeding a slight decline expected to 53.5. This moved the index further into expansion signified by readings over 50 and reached a four-year high. The underlying composition was strong as well, with gains of several points in output, new orders, and employment, which all moved into further expansion. From an inflation standpoint, input prices turned upward again (just short of a very expansionary 70 mark), output prices ticked down slightly but remained at an expansionary 59. Future output fell by a few tenths but remained at a solidly expanding 68.

(+) The preliminary **S&P US Global Services PMI** for September rose by 2.2 points to 58.7, above the 56.0 level expected, also moving further into expansion and to a four-year high. Several segments reflected this positivity, with gains in new business and employment, each up several points, further into expansion. However, on the inflation side, while output prices rose a point to 57, input prices rose to their strongest level in nearly four years, by 7 points to 66, strongly in expansion. Future output ticked up slightly to just under 64, solidly expansionary.

S&P's commentary noted that aside from the spike just after the Covid lockdowns, the "latest improvement" of business activity is the "greatest recorded since early 2015." However, the growth "is being accompanied by" the most severe supply chain disruptions and bottlenecks in the 20-year history of the survey, excluding the pandemic years, with companies noting "increasing problems finding suitable staff." From a global standpoint since the pandemic, U.S. has grown at a far faster clip than Europe, for example. Lately, trailing six-month PMI has been the largest of any developed economy, reiterating the economic growth strength despite fiscal concerns also having come to the forefront again.

(0) **Durable goods orders** were flat in August, just above expectations for a -0.3% decline, and below the revised July gain of 0.9%. Removing transportation boosted that to an increase of 0.3%, while core capital goods orders rose 1.6%, exceeding the 0.6% expected. Gains in the areas of electrical equipment, defense aircraft, machinery, and primary metals were offset by declines in fabricated metals, commercial aircraft, and autos. Total durable goods orders were up 8.5% over the past year, and 11.2% if excluding more volatile transportation orders, as transportation is the only segment not having seen double-digit gains. Core capital goods shipments rose by 0.6% as well. As might have been expected,

much of the positive durable goods activity has been related to AI infrastructure build (computer/electronic products were just off their largest one-year gains in 20 years), as well as defense industry restock following the Middle East conflict and arsenal drawdown.

(+) **New home sales** rose 6.4% in August to a seasonally-adjusted annualized rate of 684k units, including a prior-month revision to a smaller decline, surpassing the 1.3% median forecast gain expected and the fastest rate this year. Regionally, Midwest sales up 85% set a record for the series, offset by declines in the Northeast (-36%) and West (-15%). Year-over-year, national new home sales remained down by -2.0%. The median new home sales price rose 0.4% for the month to $393,700, but remained down -5.8% over the past year. The median price is also down nearly -15% from the late 2022 recent peak, with supply around 260% higher. The average price was $478,700, down -9% over the past month and year, but still pointing to a top-heavy bias. Inventory fell by -0.5 to 8.5 months' supply, similar to the reading a year ago, with builder incentives continuing to be offered. As has been the case for a while, conditions remain challenging for buyers of new (and existing) homes, with 30-year fixed mortgage rates rising to over 7% last week, not to mention difficulties in homebuilding due to higher materials costs and a scarcity of labor in certain specialized jobs, which have been difficult to measure at times, but mentioned anecdotally in business sentiment surveys.

(0/+) **Initial jobless claims** for the Sep. 19 ending week fell by -1k to 197k, below the median forecast calling for 200k. Continuing claims for the Sep. 12 week rose by 2k to 1.719 mil., also well below expectations calling for 1.740 mil. Claims rose in NY slightly, but otherwise were flat around the country, with conditions continuing to look benign from the standpoint of layoff activity.

Market Notes

Period ending 9/25/2026	**1 Week %**	**YTD %**
DJIA	0.28	9.13
S&P 500	1.23	14.09
NASDAQ	2.07	16.98
Russell 2000	-0.79	15.31
MSCI-EAFE	0.20	10.95
MSCI-EM	1.29	25.22
Bloomberg U.S. Aggregate	-0.82	-2.28

U.S. Treasury Yields	**3 Mo.**	**2 Yr.**	**5 Yr.**	**10 Yr.**	**30 Yr.**
12/31/2025	3.67	3.47	3.73	4.18	4.84
9/18/2026	4.14	4.76	4.86	5.01	5.34
9/25/2026	4.24	4.81	4.98	5.17	5.49

U.S. stocks saw gains last week as global manufacturing PMIs came out stronger than expected Wed., reemphasizing the current U.S. growth boom. That was coupled with excitement over Meta's new Muse consumer AI agent app that offered promise for higher demand in that specific segment. However, the growth and persistent inflation combination continued to keep interest rates higher, keeping that as a potential headwind over time. The U.S.-China state visit from Xi Jinping's showed little progress on either trade or AI, largely as expected.

By sector, technology (several AI-related chip names), communications (Meta up in double-digits), and health care saw gains of a few percent for the week, while utilities and energy pulled back by around -3%, with the former from higher yields and energy from falling oil prices. Real estate also declined by over a percent last week, along with the same rise in yields.

Foreign stocks performed positively in Japan and Europe, with some stronger economic readings, but lagged the U.S. and emerging markets, although the stronger U.S. dollar eroded some of the gains. European and Japanese stocks have been caught between the various drivers of improving growth (relative to the U.S.), AI exposure, as well as high energy costs, with stronger connections to Middle East imports. Within EM, once again, returns were led by technology-correlated South Korea and Taiwan, each up several percent in line with AI optimism; these offset negative returns in most other major nations, especially those with a commodity export focus.

Bonds fell back as a direct result of yields rising in response to hawkish comments from several Fed officials during the week, which alluded to perhaps even more policy rate increases. While the 10- and 30-year parts of the U.S. Treasury curve had already hit and/or surpassed the 5% mark, they were joined by the 5-year note, showing the highest yield in 20 years. A Treasury auction for 7-year notes ended with yields slightly higher than expected, causing further bond market reactions up and down the line. Floating rate bank loans were flattish, leading the way, while international bonds pulled back even further with a rise in the value of the U.S. dollar.

Commodities fell back during the week overall, specifically due to declines in energy and precious metals, while industrial metals and agriculture were little-changed. Crude oil prices fell almost -8% last week to $92/barrel, due to hopes for a potential peace deal to open the Strait of Hormuz. However, critical refined products jet fuel and diesel prices reached new records (the latter, over $6.50/gallon, in addition to already-high gasoline prices) and have continued to drive a negative media narrative, at a critical stretch of time right before mid-term elections. In response, potential restrictions on U.S. exports for diesel, to adjust supplies, have been proposed by the administration. (Over the weekend, the U.S. administration had rejected Iran's latest proposal that would pave the way for a Strait of Hormuz reopening, raising petroleum market volatility yet again early this morning.)

Have a good week.

Ryan M. Long, CFA

Sources: Advisory Solutions Group, LLC, American Association for Individual Investors (AAII), Associated Press, Barclays Capital, Bloomberg, Citigroup, Deutsche Bank, FactSet, Financial Times, First Trust, Goldman Sachs, Invesco, JPMorgan Asset Management, Morgan Stanley, MSCI, Morningstar, Northern Trust, PIMCO, Standard & Poor's, StockCharts.com, The Conference Board, Thomson Reuters, T. Rowe Price, Univ. of Michigan, U.S. Bureau of Economic Analysis, U.S. Federal Reserve, Wall Street Journal, The Washington Post. Index performance is shown as total return, which includes dividends. Performance for the MSCI-EAFE and MSCI-EM indexes is quoted in U.S. Dollar investor terms.

Notes key: (+) positive/encouraging development, (0) neutral/inconclusive/no net effect, (-) negative/discouraging development.

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- **What caused the market to move this week?**

  Market movement is often driven by a combination of economic data, interest rate expectations, corporate earnings, investor sentiment, and geopolitical developments. A single week's movement should usually be viewed in the context of longer-term trends rather than as a stand-alone signal.

- **Why do interest rates affect stock and bond prices?**

Interest rates influence borrowing costs, consumer spending, corporate profits, and the relative attractiveness of different investments. When rates move meaningfully, both stocks and bonds can reprice as investors reassess risk, income, and future growth expectations.

- **How does inflation impact investment portfolios?**

  Inflation can reduce purchasing power and influence interest rate policy, bond yields, consumer behavior, and company margins. Investors should evaluate inflation in relation to their income needs, time horizon, and overall asset allocation.

- **Why do bond yields matter to investors?**

  Bond yields can affect income expectations, borrowing costs, and how investors compare the value of stocks, bonds, and cash. Changes in yields may also influence the price of existing bonds and broader market sentiment.

- **What does economic data mean for investors?**

  Economic reports can influence expectations for growth, inflation, employment, and interest rates. Investors should consider economic data as one input in a broader planning and investment process rather than a reason to make reactive decisions.

- **Why does the Federal Reserve matter to the markets?**

  The Federal Reserve influences short-term interest rates and monetary policy. Markets often respond to Fed commentary because it can affect borrowing costs, inflation expectations, and investor assumptions about future economic growth.

- **Should investors react to short-term market news?**

  Short-term news can be important, but it should not automatically drive major portfolio decisions. Investors are generally better served by reviewing market developments within the context of their goals, risk tolerance, liquidity needs, and time horizon.

- **How can investors stay disciplined during market volatility?**

  A written investment plan can help investors avoid making emotional decisions during volatile periods. Discipline often comes from understanding why a portfolio is positioned the way it is and how it supports long-term objectives.

- **When should investors revisit their financial plan?**

  Investors may want to revisit their plan after major life changes, meaningful market moves, tax-law changes, changes in income, or shifts in retirement goals. Regular reviews can help confirm whether the plan remains aligned with current priorities.

- **Why is diversification important during uncertain markets?**

  Diversification helps spread risk across different asset classes, sectors, and investment types. It does not eliminate risk or guarantee results, but it can help reduce overreliance on any single area of the market.