

TALKING POINTS

Data through September 2026

Climite

In a widely anticipated decision, the Federal Reserve ("Fed") increased its benchmark interest rate by 25 basis points (bps) on September 16, 2026, bringing its target rate to 4.00% (upper bound) for the first time since December 2025. Additional rate hikes are expected as the Fed grapples with resurgent inflation and stronger-than-expected U.S. economic data. Tellingly, "core" GDP for Q2'26, which excludes more volatile categories like government, inventories, and trade, was revised upward from a 4.2% annualized rate to 4.6%, marking the fastest growth rate for the category since 2023, according to Brian Wesbury, Chief Economist at First Trust Portfolios, LP. Personal consumption continued to march higher, increasing at an annualized rate of 3.8% in Q2'26. Coincident data appear to support an increasingly strong consumer, with the net worth of U.S. households and non-profits surging to \$195.9 trillion in Q2'26, up from \$183.1 trillion in the previous quarter. The increase brings Americans' ratio of net worth to disposable personal income (DPI) to a record 8.28 during the quarter, while the ratio of household debt to DPI was just 0.90, near its lowest level since the late 1990s (excluding pandemic-era figures). Even so, consumer sentiment has soured, with the University of Michigan's Survey of Consumers showing that it declined 12.7% year-over-year (YoY) in September 2026.

Stock Market

The S&P 500 Index ("Index") closed at 7,651.54 on September 30, 2026, representing an increase of 14.4% (price return) YoY, according to data from Bloomberg. The Index is now 53.6% above its most recent low of 4,982.77, which occurred on April 8, 2025. The Index posted a total return of -0.4% in September 2026. Just two of the 11 major sectors that comprise the Index registered positive total returns for the month. Information Technology was the top-performing sector, increasing by 4.5%, while Financials had the worst showing, declining by 7.2%. Equity performance was negative across market capitalizations in September 2026, with total returns of -4.2% and -5.6% for the S&P MidCap 400 and S&P SmallCap 600 Indices, respectively. Even so, year-to-date (YTD) total returns for these Indices remain positive, reflecting strengthening earnings and revenue growth-rate estimates. As of September 30, 2026, earnings per share for the S&P 500, S&P MidCap 400, and S&P SmallCap 600 Indices were estimated to increase by 31.7%, 26.9%, and 24.1%, respectively, in 2026, up from estimates of 14.8%, 19.1%, and 15.5% at the start of the year. Revenue estimates are compelling, with analysts estimating the Index's 2026 calendar-year revenue will increase by 12.9% YoY. Profit margins are also noteworthy, with FactSet reporting that the Index's Q2'26 net profit margin was a record 17.0%, well above its 5-year average of 12.6%. As of September 30, 2026, the YTD total returns for the S&P 500, S&P MidCap 400, and S&P SmallCap 600 Indices were 12.7%, 9.9%, and 14.2%, respectively. By contrast, the Bloomberg Magnificent 7 and NASDAQ 100 Indices saw total returns of 9.2% and 21.0%, respectively, over the same period.

Bond Market

The yield on the benchmark 10-year Treasury note (T-note) stood at 5.29% at the close of trading on September 30, 2026, an increase of 114 bps from its 4.15% close on September 30, 2025, according to data from Bloomberg. The 5.29% yield towers 241 bps above its 2.88% monthly average for the 10-year period ended September 2026 and represents the highest 10-year T-note yield since June 12, 2007. The yield on the 2-year T-note stood at 4.89% at the close of September 2026, up 128 bps from 3.61% in September 2025. As shown in the "Bloomberg Fixed Income" section to the right, bond prices have declined in the wake of the Fed's decision to increase its target rate in September, with all but one of the Indices we track now showing negative total returns YTD (yields and prices typically move in opposite directions). We continue to point out that real yields offered by U.S. Treasuries remain compelling, with the real yield (yield minus inflation) on the 10-year and 2-year T-notes totaling 189 bps and 149 bps, respectively, on September 30, 2026, up from 24 bps and -19 bps on May 29, 2026. That said, the pace at which government bond yields have increased is noteworthy. As many investors are likely aware, both equity and fixed income valuation models can undergo significant adjustments in these scenarios, as a higher cost of capital reduces the present value of future cash flows and pushes prices lower. Default data published by Moody's tell the story plainly, revealing rising default rates and deteriorating year-end default-rate estimates. Moody's reported that the U.S. speculative-grade default rate was 5.3% in August 2026, up from 4.7% in December 2025. Moody's baseline scenario now sees the U.S. speculative-grade default rate declining to 4.3% in December 2026, which is significantly higher than its estimate of 2.5% at the start of the year.

Takeaway

Inflation remains elevated, pushing global bond yields higher as markets adjust to increasing benchmark interest rates. Notably, seven of the 11 countries in the so-called "G10" are currently reporting inflation rates in excess of their targets. In the U.S., inflation, as measured by the trailing 12-month rate of change in the Consumer Price Index (CPI), was 3.4% in August 2026, unchanged from July 2026, but up from its recent low of 2.3% in April 2025. August's reading marked the sixth consecutive month the CPI had exceeded its 25-year monthly average of 2.6%. With seemingly little relief in sight, the Fed voted unanimously to increase its benchmark rate to 4.00% on September 16. At least one more rate hike is expected this year, with the federal funds futures market forecasting a 2026 calendar-year-end target rate of 4.18% on September 30, 2026. Oil prices remain volatile, trading in a range from \$89.38 to \$105.83 per barrel in September 2026 alone. For context, the price per barrel of West Texas Intermediate (WTI) crude oil increased by 57.5% YTD through September 2026. Diesel prices are surging, with the U.S. on-highway price per gallon of diesel fuel rising to nearly \$6.20 on October 5, 2026, up from \$3.71 per gallon a year earlier, according to data from the U.S. Energy Information Administration. The increase prompted the U.S. government to temporarily allow commercial vehicles to use red-dyed, tax-free diesel fuel that was previously available only to farmers and off-road vehicles. Despite weakness in September, equity markets remain positive on the year, spurred by record earnings estimates and profit margins. As shown in our table to the right, estimates for the Index's 2026 and 2027 calendar-year earnings were 361.81 and 417.15, respectively, on September 30, 2026, up from 311.19 and 357.49 at the start of the year.

Sources: Bloomberg, FactSet, and Investment Company Institute

Past performance is no guarantee of future results. Historical performance figures for the indices are for illustrative purposes only and not indicative of any actual investment. Indices are unmanaged and an investor cannot invest directly in an index. There can be no assurance past trends will continue or estimates will be realized.

Open-End Net Fund Flows (\$)	8/26	7/26	YTD (Aug)
Equity	-104.5B	-102.8B	-690.6B
Taxable Bond	14.3B	10.9B	139.7B
Municipal Bond	3.2B	3.9B	34.7B
Hybrid	-7.1B	-6.8B	-57.1B
Taxable Money Market	56.0B	-57.9B	45.9B

Key Interest Rates/Yields	9/30/26	8/31/26	9/30/25
Federal Funds Target Rate	4.00%	3.75%	4.25%
2-Year T-Note	4.89%	4.34%	3.61%
5-Year T-Note	5.09%	4.48%	3.74%
10-Year T-Note	5.28%	4.72%	4.15%
Bond Buyer 40	5.41%	4.84%	4.65%

Commodities/U.S. Dollar	9/26	YTD	12 Mo.
U.S. Dollar Index (DXY)	2.03%	3.18%	3.76%
FTSE/CC CRB Excess Ret.	-0.08%	37.31%	36.48%
Crude Oil/WTI (per Barrel)	5.43%	57.47%	44.97%
Natural Gas (per million BTUs)	3.10%	-17.91%	-8.39%
Gold Bullion (Ounce)	-6.31%	-3.75%	7.73%

S&P 500 Full-Year Earnings Estimates	2026	2027
9/30/26	361.81	417.51
8/31/26	361.23	415.30
12/31/25	311.19	357.49

Total Return Performance

U.S. Stock Indices	9/26	YTD	12 Mo.
S&P 500	-0.35%	12.73%	15.72%
DJIA	-4.12%	7.19%	11.50%
Nasdaq 100	3.30%	21.00%	24.00%
S&P MidCap 400	-4.22%	9.87%	11.67%
Russell 2000	-5.25%	13.87%	16.36%
Russell 3000	-0.84%	12.41%	15.11%

U.S. Styles/Market Caps	9/26	YTD	12 Mo.
S&P 500 Growth	1.95%	15.84%	18.40%
S&P 500 Value	-3.10%	8.99%	12.47%
S&P MidCap 400 Growth	-2.92%	13.65%	15.09%
S&P MidCap 400 Value	-5.60%	5.99%	8.17%
Russell 2000 Growth	-5.31%	10.78%	12.12%
Russell 2000 Value	-5.20%	17.22%	21.03%

Foreign Stock Indices (USD)	9/26	YTD	12 Mo.
MSCI World NET (Ex-U.S.)	-3.27%	10.16%	15.89%
MSCI Emerging Markets NET	-0.56%	23.38%	29.22%
MSCI Europe NET	-4.56%	6.03%	12.61%
MSCI BRIC NET	-4.46%	-10.12%	-12.38%
MSCI EM Latin America NET	-0.30%	14.75%	24.16%
Nikkei 225	2.77%	33.75%	41.77%

Bloomberg Fixed Income Indices	9/26	YTD	12 Mo.
U.S. Treasury: Intermediate	-1.53%	-1.46%	-0.33%
GNMA 30 Year	-3.47%	-3.09%	-1.57%
Municipal Bond (22+)	-5.66%	-5.02%	-3.48%
U.S. Aggregate	-2.61%	-2.91%	-1.84%
Intermediate Corporate	-1.95%	-1.57%	-0.30%
U.S. Corporate High Yield	-2.52%	0.10%	1.41%
Global Aggregate	-2.38%	-2.67%	-2.43%
EM Hard Currency Aggregate	-3.12%	-1.91%	0.26%

HIGH/LOW SNAPSHOT

Data through September 2026

Index	10-Yr. High Value	Date	10-Yr. Low Value	Date	Month-End Value	% Off High Value	YTD Return (USD)	Month-End Yield
S&P 500	7798.99	8/13/2026	2085.18	11/4/2016	7651.54	-1.89%	12.73%	1.07%
S&P 500 Growth	5789.51	9/22/2026	1168.78	11/4/2016	5735.11	-0.94%	15.84%	0.51%
S&P 500 Value	2346.35	8/19/2026	814.98	3/23/2020	2250.47	-4.09%	8.99%	1.78%
S&P MidCap 400	3926.98	8/14/2026	1218.55	3/23/2020	3595.97	-8.43%	9.87%	1.43%
S&P MidCap 400 Growth	1929.12	8/17/2026	610.53	3/23/2020	1776.99	-7.89%	13.65%	0.81%
S&P MidCap 400 Value	1211.74	8/14/2026	373.28	3/23/2020	1102.12	-9.05%	5.99%	2.11%
S&P 100	3878.10	9/21/2026	923.84	11/4/2016	3822.99	-1.42%	12.24%	0.92%
DJIA	54349.12	8/5/2026	17888.28	11/4/2016	50906.05	-6.34%	7.19%	1.56%
Nasdaq 100	30732.40	9/22/2026	4660.46	11/4/2016	30408.50	-1.05%	21.00%	0.53%
Russell 2000	3068.42	8/14/2026	991.16	3/18/2020	2796.86	-8.85%	13.87%	1.48%
Russell 2000 Growth	2019.90	8/14/2026	679.88	3/18/2020	1822.04	-9.80%	10.78%	0.54%
Russell 2000 Value	3398.75	8/14/2026	1067.63	3/23/2020	3131.83	-7.85%	17.22%	2.43%
Russell 3000	4439.88	8/13/2026	1230.73	11/4/2016	4327.40	-2.53%	12.41%	1.10%
MSCI World Net (ex U.S.) (USD)	12486.40	9/7/2026	4246.27	3/23/2020	11968.16	-4.15%	10.16%	2.65%
MSCI Emerging Markets Net (USD)	992.73	6/22/2026	359.79	3/23/2020	945.76	-4.73%	23.38%	2.01%
Bovespa/Brazil (USD)	39888.63	4/14/2026	12513.21	3/23/2020	35968.89	-9.83%	22.83%	5.76%
RTS/Russia (USD)	1919.58	10/25/2021	742.91	2/24/2022	N/A	N/A	N/A	N/A
S&P BSE 500/India (USD)	461.76	9/26/2024	129.66	3/23/2020	360.12	-22.01%	-12.58%	1.27%
Shanghai Composite/China (USD)	624.77	5/13/2026	358.39	10/18/2018	572.91	-8.30%	2.75%	2.38%
KOSPI/South Korea (USD)	5.93	6/22/2026	1.16	3/19/2020	5.04	-14.98%	73.70%	0.97%
Hang Seng (USD)	4241.01	1/26/2018	1871.10	10/31/2022	3136.69	-26.04%	-2.18%	3.04%
MSCI Euro (USD)	2455.06	8/17/2026	865.50	3/18/2020	2301.36	-6.26%	7.17%	2.69%
S&P 500 Consumer Discretionary	2024.18	5/28/2026	608.93	11/4/2016	1807.11	-10.72%	-5.82%	0.69%
S&P 500 Consumer Staples	1003.08	2/27/2026	500.59	12/24/2018	900.55	-10.22%	5.98%	2.48%
S&P 500 Energy	1006.74	9/15/2026	179.94	3/18/2020	944.63	-6.17%	40.28%	2.57%
S&P 500 Utilities	482.91	2/27/2026	227.75	3/23/2020	400.64	-17.04%	-5.65%	3.18%
S&P 500 Financials	972.16	9/3/2026	293.55	3/23/2020	888.55	-8.60%	-1.43%	1.61%
S&P 500 Banks	694.22	8/12/2026	192.40	3/23/2020	618.01	-10.98%	2.28%	2.28%
FTSE NAREIT All Equity REITs	980.08	12/31/2021	483.48	3/23/2020	789.65	-19.43%	8.03%	4.01%
S&P 500 Health Care	2045.70	8/19/2026	763.33	11/3/2016	1963.91	-4.00%	10.15%	1.56%
S&P 500 Pharmaceuticals	1610.27	8/19/2026	551.81	11/3/2016	1512.51	-6.07%	18.60%	1.89%
NYSE Arca Biotechnology	9539.76	8/27/2026	2834.14	11/3/2016	9475.79	-0.67%	32.71%	0.20%
S&P 500 Information Technology	7295.25	9/25/2026	775.19	11/14/2016	7267.14	-0.39%	28.38%	0.45%
Philadelphia Semiconductor	14634.72	6/22/2026	802.88	11/4/2016	12628.62	-13.71%	79.08%	0.51%
S&P 500 Communication Services	508.66	5/13/2026	130.86	12/24/2018	470.20	-7.56%	4.48%	0.67%
S&P 500 Industrials	1577.25	8/14/2026	412.06	3/23/2020	1413.31	-10.39%	8.54%	1.18%
S&P 500 Materials	676.35	8/25/2026	241.67	3/23/2020	617.73	-8.67%	8.82%	1.65%
Philadelphia Gold & Silver	470.37	2/27/2026	61.84	11/13/2018	361.15	-23.22%	6.49%	1.21%
FTSE/CC CRB Excess Return	429.15	9/10/2026	106.29	4/21/2020	410.25	-4.40%	37.31%	N/A
ICE BofA Perpetual Preferred	345.64	2/19/2026	224.97	3/23/2020	327.92	-5.13%	-3.29%	7.44%
ICE BofA U.S. High Yield Constrained	634.21	8/27/2026	370.97	3/23/2020	617.56	-2.63%	0.04%	8.45%

Source: Bloomberg

Past performance is no guarantee of future results. Historical performance figures for the indices are for illustrative purposes only and not indicative of any actual investment. Indices are unmanaged and an investor cannot invest directly in an index.

The information presented is not intended to constitute an investment recommendation for, or advice to, any specific person. By providing this information, First Trust is not undertaking to give advice in any fiduciary capacity within the meaning of ERISA, the Internal Revenue Code or any other regulatory framework. Financial professionals are responsible for evaluating investment risks independently and for exercising independent judgment in determining whether investments are appropriate for their clients.