

HB Wealth | Market Sense: Weekly Market Recap

For the Week Ending: October 16th, 2026

Week in Review

Inflation Remains a Problem for the Fed. Despite hopes that inflation may start to decelerate, both CPI and PPI ran hot yet again. However, it didn't change rate hike forecasts much with one hike still on tap for 2026 and two more in 2027 expected by the market. Core CPI came in at 2.6% (above the forecast for 2.5%) and core PPI at a whopping 5%, reflecting the price pressures facing producers – a possible warning sign for ex-tech margins should these trends persist. Likewise, the Fed's Beige Book highlighted the inflation problem with some noting fuel costs are driving "widespread margin compression." Jobless and continuing claims reflected stable employment conditions.

Stocks Continue Their Slide on Inflation, AI Fears. US indices fell this week with small caps leading the selloff and dipping into correction territory (a peak-to-trough drop of more than 10%). Growth stocks particularly struggled across capitalizations as CoreWeave's bonds trading at distressed levels roiled AI stocks, sparking fresh fears about the AI trade. Defensive sectors like staples, health care, real estate and utilities held up well, joining energy and financials as outperformers for the week in the Russell 3000. Telecom, tech and discretionary lagged and emerging markets slid thanks to lofty tech exposures. Developed markets were flat.

Financials Kick off Earnings Season with a Dud. Big bank results were somewhat uneven this week though generally the bond selloff took a chunk out of FICC trading and resulted in a handful of misses. Most banks noted consumer resilience and lending is so far unharmed from the surge in rates, but muted comments left stocks uninspired.

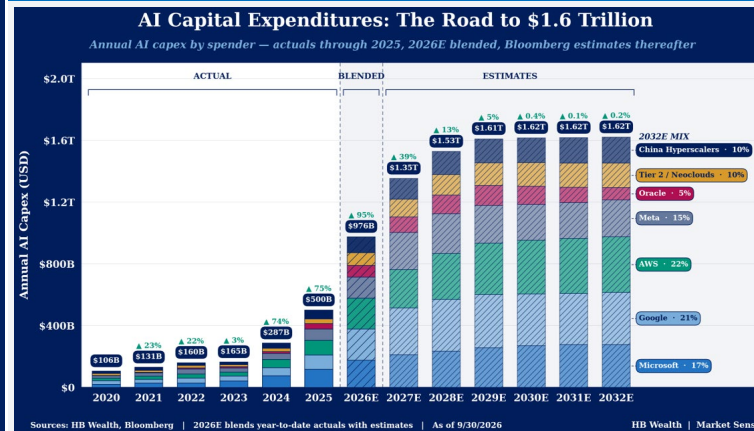
Bonds Finally Returned to Providing Safe Haven. After recent periods of heightened stock/bond correlation we finally saw bonds playing the ballast role as rates rallied on AI volatility. The short end of the curve rose, with 3-month yields now at 4.17%, but AI fears and perceptions the Fed is likely to continue to fight off inflation with rate hikes outweighed inflation concerns from the hot PPI print, enabling a rally in the 10-year back to near 5%.

The Week Ahead

Light Week of Economic Data Ahead. Next week will feature housing starts and building permits – which have been weak for some time – on Monday. Initial jobless claims and continuing claims will look to continue their trend of stabilization on Thursday and S&P will release their series of Purchasing Managers Indexes (PMIs) on Friday alongside University of Michigan Consumer Sentiment.

Earnings Season Is Starting to Heat Up. Earnings season will continue next week with 76 S&P 500 companies (14.3% of index market cap) reporting with large swaths of communications (32.1% of market cap), industrials (29.9%) and discretionary (24.4%) reporting. Tesla and Meta will likewise kick off mag-7's season and investors will likely be watching free cash flow and AI capex with a keen eye. On the small cap side, 154 Russell 2000 companies (8.9% of index market cap) will report, led by financials (32.1% of market cap), staples (9.8%) and real estate (9.1%).

Chart of the Week & Commentary



Neoclouds added to nervousness in stocks over the last two weeks, and markets may continue to eye AI stocks with skepticism unless hyperscalers can revive confidence in the trade. CoreWeave dropped 25.2% for the week and the Roundhill Neocloud ETF, which holds 16 neocloud companies, dropped 23.8%, as dual concerns about the industry business model and CoreWeave's debt load weighed. A report from Gartner that 80% of neoclouds could cease to exist by 2030 combined with comments from the company's co-founder suggesting a goal to access large pools of capital from the insurance sector sparked a sell-off in credit default swaps to imply greater than 60% probability of default in the next five years.

While the volatility has given the market plenty to chew on, we doubt CoreWeave is the canary in the coal mine for the AI trade. Neoclouds have been playing an increasing role in the buildout of AI infrastructure, and any disruption to their businesses or default on their credit will have ripple effects through both equity and credit markets, including pressure on semiconductors that supply them, and the rate of growth of AI infrastructure that they fund. However, their role as an indicator of the economic and earnings outlook for the AI theme should not be over-exaggerated. Neoclouds are expected to carry about 9% of AI capital spending this year and that may grow to 10% by 2032. While that's about twice as large as Oracle, it still pales in comparison to the 80% share from U.S. hyperscalers - Microsoft, Google, AWS, Meta and Oracle. Thus, a bigger factor to watch will be the revenue results and spending plans for this group. They will report on their progress beginning with Meta next Wednesday.

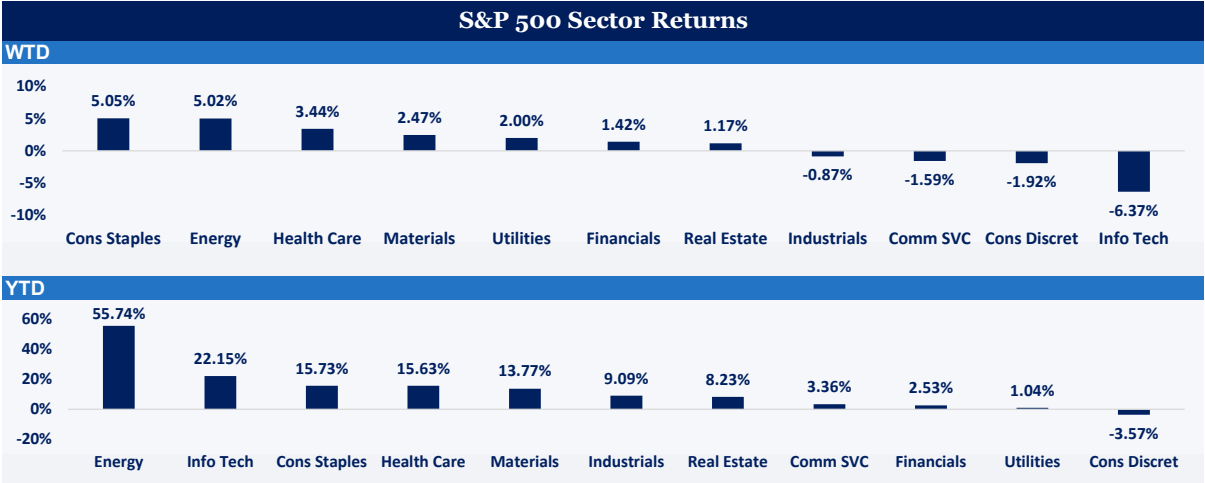
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Equities						
	Level	1 Wk %	QTD %	YTD %	1 Yr %	3-Yr Cum
S&P 500	7,659	-1.9%	0.1%	12.9%	16.9%	82.0%
NASDAQ	26,140	-4.5%	-2.7%	13.0%	16.6%	96.8%
Dow Jones 30	52,002	0.7%	2.2%	9.5%	15.0%	61.3%
Russell 3000	4,329	-2.0%	0.1%	12.5%	16.1%	79.8%
Russell 1000	4,162	-2.0%	0.2%	12.5%	16.2%	80.6%
Russ. 1000 Growth	4,892	-5.0%	-3.0%	3.1%	5.1%	79.7%
Russ. 1000 Value	2,514	0.9%	3.2%	23.0%	28.9%	78.5%
S&P 400	3,616	-1.4%	0.6%	10.5%	13.9%	52.2%
S&P 600	1,669	-0.2%	0.9%	15.2%	18.1%	55.0%
Russell 2000	2,721	-3.0%	-2.7%	10.8%	11.8%	62.3%
Russ. 2000 Growth	1,731	-5.0%	-5.0%	5.3%	4.0%	58.2%
Russ. 2000 Value	3,121	-1.0%	-0.3%	16.9%	20.6%	66.8%
MSCI ACWI Ex US	460	-1.7%	-2.4%	11.9%	15.8%	75.1%
MSCI Developed Ex US	3,171	0.4%	-0.8%	9.9%	14.3%	71.2%
MSCI EM	1,608	-5.9%	-5.7%	16.5%	19.2%	83.8%

	Fixed Income						
	Yield	Spread	1 Wk %	QTD %	YTD %	1 Yr %	3-Yr Cum
U.S. Aggregate	5.41	--	0.9%	1.3%	-1.7%	-1.7%	14.9%
U.S. Municipal	4.48	--	1.3%	2.0%	-2.2%	-1.6%	10.9%
U.S. Agency MBS	5.72	37	1.0%	1.6%	-1.7%	-1.3%	17.3%
U.S. IG Corporates	5.90	82	0.9%	1.3%	-1.8%	-2.0%	18.1%
U.S. High Yield	8.31	322	-0.1%	0.2%	0.3%	1.6%	27.3%
EM \$ Corporates	7.10	208	0.4%	0.6%	0.1%	0.8%	23.3%

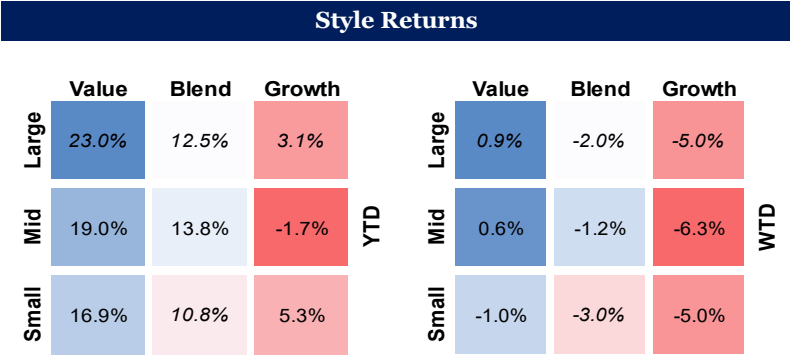
Key Rates						
Rate	Yield	Prior Wk	Qtr-End	Yr-End	1 Yr Ago	Expectations
SOFR	3.89	3.87	3.90	3.87	4.30	3.99
2-yr U.S. Treasury	4.72	4.79	4.89	3.47	3.42	4.09
5-yr U.S. Treasury	4.88	5.02	5.09	3.73	3.55	4.31
10-yr U.S. Treasury	5.09	5.24	5.28	4.17	3.97	4.60
30-yr U.S. Treasury	5.43	5.60	5.63	4.84	4.58	5.04
10-yr German Bund	3.42	3.48	3.58	2.85	2.57	
10-yr UK Gilts	5.37	5.44	5.42	4.48	4.50	
30-yr Fixed Mortgage	7.52	7.48	7.23	6.25	6.39	
1-yr Breakeven	3.01	2.80	2.66	2.29	2.60	
5-yr Breakeven	2.39	2.37	2.38	2.27	2.32	



Index Characteristics				
	NTM P/E	P/B	Div. Yld.	Mkt Cap (B)
S&P 500	18.8	5.6	1.1	69215
NASDAQ	22.7	7.5	0.5	49104
Dow Jones 30	19.8	5.8	1.5	27144
Russell 3000	19.0	5.1	1.1	79519
Russell 1000	18.8	5.4	1.1	76130
Russ. 1000 Growth	20.7	13.3	0.5	51434
Russ. 1000 Value	17.4	3.5	1.6	50163
S&P 400	15.0	2.7	1.4	3611
S&P 600	14.1	2.0	1.7	1858
Russell 2000	25.1	2.4	1.5	3389
Russ. 2000 Growth	35.7	4.3	0.6	2237
Russ. 2000 Value	16.6	1.4	2.4	2113
MSCI ACWI Ex US	12.3	2.3	2.5	58161
MSCI Developed Ex US	15.0	2.3	2.7	29968
MSCI EM	9.0	2.3	2.1	28193

Factor Returns - US (Russell 3000)				
Factor	1 Wk %	QTD %	YTD %	1 Yr %
Multi Factor	1.0%	2.2%	16.1%	18.8%
Size	-3.3%	-4.5%	7.7%	7.0%
Value	0.7%	2.0%	19.3%	21.7%
Quality	0.8%	2.7%	15.1%	16.0%
Dividend Yield	0.7%	1.2%	16.6%	19.8%
Momentum	-2.3%	-2.9%	11.3%	7.6%
Low Volatility	0.9%	1.1%	8.7%	10.8%

Currencies & Commodities				
	Current	Prior Wk	Yr-End	1 Yr
\$ per € (EUR/USD)	1.12	1.12	1.17	1.17
\$ per £ (GBP/USD)	1.33	1.32	1.35	1.34
¥ per \$ (USD/JPY)	157.99	158.31	156.71	150.43
Dollar Index	101.77	102.21	98.32	98.34
Gold (\$/oz)	4168.73	4194.24	4319.37	4326.58
Silver (\$/oz)	57.00	60.82	71.66	54.24
Copper	656.30	669.20	568.20	499.90
WTI Oil (\$/bbl)	101.71	91.85	57.42	57.46
Brent Oil (\$/bbl)	109.59	104.72	60.85	61.06



Disclosure:

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