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On The Margin

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October 2026 Recap

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PRELUDE

The concept of trick-or-treating on Halloween has roots in ancient Celtic Samhain traditions, when people marked the transition into winter with customs involving spirits, costumes, and various offerings. During the Middle Ages, practices such as "souling" came about in Britain and Ireland, with people going door to door offering prayers or performances in exchange for food on All Saints' and All Souls' Day. European immigrants then brought these traditions to North America and modified them over time, making trick-or-treating a popular community tradition by the early- to mid-20th century. The phrase "trick-or-treat" aptly described global market performance during October, as investors received unpleasant tricks of sorts in certain asset classes, but enjoyable treats in others. At month's end, global asset classes finished with mixed results. Fixed income moved higher, U.S. equities generated varied returns, and international equities moved broadly lower for the full month.



GLOBAL EQUITY

U.S. equities experienced diverging returns during October. While index-level results looked disappointing, with the S&P 500 falling roughly -0.9% during the month, there was much to discuss underneath the surface. The primary driver of large cap stocks' generally negative result during October was ongoing investor concern about whether rapidly expanding artificial intelligence infrastructure expenditures would generate sufficient returns, particularly amid higher borrowing costs. Several major S&P 500 constituents declined sharply during the month, including Intel, Alphabet, Meta, NVIDIA, Broadcom, and Micron, creating an outsized drag on index-level returns. Interestingly though, over 70% of the S&P 500's constituents generated positive returns during October, partly amid strong earnings growth, indicating a significant change in market leadership during the month. Despite the S&P 500's negative returns for October, we find greater participation of companies generating positive returns to be encouraging. However, we continue to acknowledge that roughly 40% of the S&P 500 consists of just 10 companies, which will continue to lead those companies' performances to have a substantial impact on index-level returns, for better or worse.

TABLE 1: GLOBAL EQUITY	OCT	QTD	YTD	1 YR
Dow Jones Industrial Average	1.76	1.76	9.08	10.70
S&P 500 Index	-0.87	-0.87	11.77	12.41
Russell 2000	0.58	0.58	14.37	15.43
Russell 1000 Growth	-6.09	-6.09	-0.17	-2.30
Russell 1000 Value	4.38	4.38	24.50	29.16
MSCI ACWI USD	-1.64	-1.64	11.18	12.45
MSCI EAFE USD	-0.74	-0.74	9.52	13.27
MSCI EM USD	-8.05	-8.05	13.45	13.24
MSCI ACWI ex US USD	-2.81	-2.81	11.01	13.92

Source: Morningstar, as of 10/31/2026. Past performance does not guarantee future returns.

International markets generated broadly negative returns in October amid continued U.S. dollar strength vs. several other major currencies during the month. Developed international markets, as represented by the MSCI EAFE Index, returned -0.7% for the month. Japanese stocks were among the biggest laggards in October partly due to a weakness in technology companies closely involved with artificial intelligence. Additionally, investors remained attentive to the possibility of additional policy tightening from the Bank of Japan, despite the central bank keeping interest rates unchanged at its October meeting. Emerging markets moved sharply lower during October, as the MSCI EM Index returned -8.1%. Similar to the U.S. large cap growth space, several large emerging market companies struggled amid the global market selloff in companies

operating nearest to the artificial intelligence infrastructure buildout. Particularly, Taiwan Semiconductor Manufacturing Company, Samsung Electronics, and SK hynix all fell between -6.7% and -19.0%, cumulatively. Those three companies represent over 28% of the MSCI Emerging Markets Index, leading their struggles during October to drag the index's performance down.

FIXED INCOME

U.S. fixed income markets reversed course again and moved broadly higher during October as the Bloomberg Aggregate returned +2.4%. Treasury yields moved lower during October, reflecting some moderation in the aggressive rate repricing that previously occurred amid concerns over persistent inflation, strong economic growth, and elevated energy prices. The Federal Reserve's decision to hold interest rates steady at its October meeting also helped stabilize the rates market, although policymakers continued to emphasize inflation risks and the potential need for further tightening. As we look ahead, the Federal Reserve remains the key focus for fixed income investors in the fourth quarter. Investors are pricing in a roughly 73% chance of another rate hike before year end, with perhaps one or two more coming in 2027. Outside of the Treasury market, investment grade and high yield corporate bonds also generated positive returns amid falling interest rates. However, high yield corporate bonds lagged their investment grade counterparts given their lower duration (less sensitivity to interest rate movements), leading them to benefit less from rate declines during the period.

TABLE 2: FIXED INCOME	OCT	QTD	YTD	1 YR
Bloomberg US Aggregate	2.44	2.44	-0.54	-0.15
Bloomberg 1-3 Yr Gov/Credit	0.92	0.92	1.51	2.37
Bloomberg Treasury 5-7 Yr	2.41	2.41	-1.14	-0.49
Bloomberg Investment Grade Corp	2.15	2.15	-0.93	-0.70
Bloomberg High Yield Corp	0.30	0.30	0.40	1.49
JPMorgan EMBI Global Diversified	1.26	1.26	-0.27	0.40

Source: Morningstar, as of 10/31/2026. Past performance does not guarantee future returns.

POSTLUDE

U.S. mid-term elections are just around the corner (for reference, I wrote this month's version of On The Margin on November 1) so I wanted to conclude the piece with a few thoughts on the subject. According to polls and betting odds, the Democratic Party should regain control of both the House and Senate at the conclusion of mid-term elections, resulting in a split-party government. We do not know what the results of the various elections will be, but we are not trying to position client portfolios around the potential election results for several reasons. First, polls and betting odds sometimes make incorrect predictions (polls can struggle to reach an appropriate mix of respondents, respondents can change their minds, betting houses want to set odds that result in roughly equal betting on both sides of a potential outcome, etc.). Second, even if we knew results ahead of time, it would be extremely difficult to predict financial markets' reaction to such results. Finally, and perhaps most importantly, over the long term, financial markets have advanced to similar degrees under various governmental regimes domestically. Our goal remains to help clients pursue their long-term financial goals as best we can regardless of the political environment, not to insert our own short-term political views or opinions into investment portfolios.



Joe Nitting serves as the Director of Research for the centralized investment research function of the Retirement & Investment Solutions practice at CBIZ, Inc. Joe conducts investment research in both traditional and alternative asset classes, and he assists in the portfolio construction process for the firm's centralized investment research function. Joe has a B.S. in both Finance and Accounting from the University of Dayton. He began his career in investments at a boutique registered investment advisory firm in the greater Chicago area, focusing on traditional investments. He also served as an analyst for a registered investment advisory firm in the Cleveland area, where he specialized in alternative investments. Joe plays an important role in fostering a culture of collaboration and creativity within CBIZ while offering unique insights based on his experience across a wide spectrum of investment types.

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