SpirePoint
PRIVATE CLIENT

WEEKLY MARKET OUTLOOK

Week Ahead — October 12, 2026

WEALTH MANAGEMENT & ADVISORY
VERO BEACH & PALM BEACH GARDENS, FL

THIS WEEK'S THEME

Defensive Stocks Power Record-Breaking Rally As Seasonal Tailwinds Build

01 · THE WEEK IN BRIEF

What happened. The S&P 500 rallied 1.15% last week to a record weekly close of 7,811.54, ending Friday just 0.09% below Tuesday's all-time closing high. 9-of-11 major market sectors advanced, led by traditionally defensive sectors, including utilities and consumer staples, along with energy, while the average stock in the S&P 500, as measured by the "equal-weight" S&P 500 index ETF, RSP, rose 1.58%, its first weekly gain in two months. Technology lagged with semiconductors retreating a steep 4.30% while economically-sensitive small cap and transportation stocks also posted weekly losses. Treasury yields eased from fresh multi-decade highs set early in the week, with the 10-Yr yield ending Friday at 5.24%.

Why it matters. The stock market gains were broad for a change. Sectors that had been lagging for months, including utilities, staples and financials, led the advance on heavy trading volume, and the share of S&P 500 stocks trading above their respective 50-day moving averages jumped to 35% from 24%. The strength in defensive sectors is worth noting, and derivatives market money flows suggest convicted buyers are behind the advance. Bond yields also stopped rising, for now, as the 10-Yr yield topped 5.31% Monday, a fresh high not seen since 2002, prior to pulling back over the balance of the week. Market-based odds of a Fed rate hike on October 28 also edged down from 20% to 18% last week. Looking ahead, the trend in equities remains higher, and seasonal tailwinds are building ahead of the midterm elections (see the Chart of the Week below).

What we believe stocks are worth. On the median Wall Street estimate for next year's earnings ($420 per share), the S&P 500 trades at ~18.6X, **slightly below the 19X we view as "fair value"** (the rough average market multiple of the past 10 years). Based on those figures, the S&P 500's "earnings yield," or expected earnings as a percentage of the index level, sits at ~5.4%, only slightly above the 10-Yr Treasury yield (5.24%), so **"fair value" does not necessarily mean "underpriced" in the current market environment.**

WHAT WE'RE WATCHING

- Wednesday's September inflation report (CPI), the last major economic release before the Fed's October 28 meeting.
- Whether last week's broad gains, led by utilities, staples and energy, continue or fade back to technology alone.
- Third-quarter earnings season, which begins with several of the largest banks on Tuesday.

S&P 500	10-YEAR TREASURY	SECTORS UP / DOWN	MARKET-BASED ODDS OF AN OCT. 28 RATE HIKE
+1.15%	5.24%	9 / 2	18%
7,812 · +14.1% this year	down from 5.28% · touched 5.31% Monday	average S&P 500 stock (RSP) rose 1.58%	little changed from 20% a week ago

02 Markets at a Glance

WEEK ENDED OCTOBER 9

MARKET	LEVEL	THIS WEEK	THIS YEAR	QUICK TAKE
S&P 500	7,812	+1.15%	+14.1%	A record weekly close; 9 of 11 sectors rose.
Nasdaq	27,366	+0.64%	+17.7%	Another record weekly close despite a 4.3% drop in semiconductors.
Dow Industrials	51,655	+0.93%	+7.5%	Rose with financial and health care stocks; still 5% below its August high.
Small Caps (Russell 2000)	2,807	−0.91%	+13.1%	Slipped while the broader market rose; 8.5% below its August record.
Dow Transports	19,804	−1.03%	+14.1%	Gave back about half of the prior week's 2.2% rebound.
Growth Stocks (VUG)	$91.97	+0.88%	+13.1%	Set a record early in the week, then faded on light volume.
Value Stocks (VTV)	$220.59	+1.55%	+15.5%	Rebounded from multi-month lows on heavy volume; widened its lead over growth this year.
Oil (WTI)	$91.66	+0.44%	+59.7%	Steadied above $90 a barrel after three weekly declines.
Gold	$4,220	+1.16%	−2.6%	Bounced from a two-month low as Treasury yields eased.
U.S. Dollar	102.23	+0.30%	+4.0%	A fourth straight weekly gain, to the highest weekly close since April 2025.

03 Sector Performance

ONE CHANGE THIS WEEK

SECTOR	THIS WEEK	THIS YEAR	PERFORMANCE	NOTE
Energy	+3.60%	+45.6%	Outperforming	Climbed back near its record high on rising volume; still the best sector of 2026.
Health Care	+2.79%	+10.3%	Outperforming	Rallied to the top of its recent range on rising volume; on watch, as it trails the S&P 500 this year.
Technology	−0.52%	+38.1%	Outperforming	Touched a record high, then faded on the lightest volume in a month. A pause, not a reversal, so far.
Utilities	+3.97%	−3.0%	▲ Neutral	**Best performing sector of the week** on the heaviest volume in nearly three years; momentum is turning up.
Consumer Staples	+3.60%	+7.4%	Underperforming	A strong rebound from its lows of the year, but not yet enough to change its primary trend.
Consumer Discretionary	+2.55%	−5.5%	Underperforming	Jumped on heavy volume, but remains below its average price of the past three months.
Financials	+2.32%	−0.1%	Underperforming	Back-to-back weekly rebounds put it in focus; a recovery above $56 would improve its primary trend.
Real Estate	+1.96%	+3.1%	Underperforming	Rebounded from multi-month lows on the heaviest volume since spring; still well below its recent trend.
Materials	+1.17%	+9.0%	Underperforming	Reclaimed $49 after dipping below it the prior week; momentum improving but still negative.
Communication Services	+0.05%	−6.2%	Underperforming	Flat; the weakest sector relative to the S&P 500 in several years.
Industrials	−0.41%	+9.1%	Underperforming	Little changed inside a tight range; trading volume has faded for four weeks.

What changed. Utilities moved to neutral from underperforming after a 3.97% gain completed a three-week turnaround, with weekly volume in each of the last two weeks the heaviest since late 2023. That leaves 3 sectors outperforming, 1 neutral and 7 underperforming. Financials are in focus following strong back-to-back weekly rebounds; XLF would need to recover above $56 in order for its primary trend to improve. Health care remained resilient but is still on watch as bullish momentum has deteriorated in recent weeks. Four of the seven lagging sectors beat the S&P 500 last week, a welcome change, though one week does not reverse a trend.

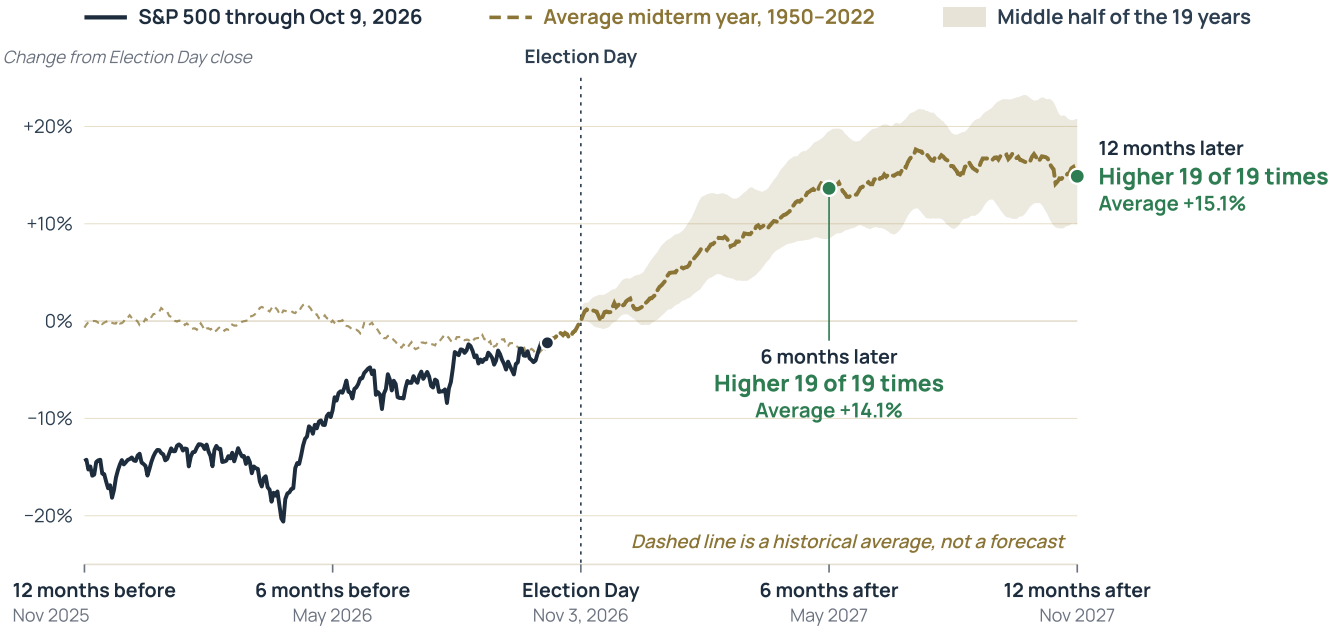
Performance column. *Outperforming: rising faster than the S&P 500 over recent weeks. Underperforming: lagging the S&P 500 over recent weeks. Neutral: moving roughly in line with the index. Based on 14 weeks of relative price movement. An observation about relative performance, not a recommendation to buy or sell any security. ▲▼ marks a change from last week.*

04 Chart of the Week

TIMELY MARKET PERSPECTIVE

Are Midterms Bullish for Stocks? History Suggests Yes.

S&P 500 in the 12 months before and after Election Day: this year through October 9, and the average of the 19 midterm election years from 1950 through 2022. Source: Yahoo Finance; S&P 500 daily closes, price only.



Since 1950, the S&P 500 has been higher six months after every midterm Election Day, 19 of 19 times, with an average gain of 14.1%, and higher twelve months later in all 19 years as well, averaging 15.1%. The usual explanation is that uncertainty builds ahead of national elections but tends to ease in their wake, regardless of the outcome. To be clear, the data showed a wide variance in post-midterm election gains with a range of +1.1% to +33.2%, while the S&P 500 experienced a pullback of 5% or more in 6-of-the-19 years. Point being, historical market patterns offer investors context, but do not guarantee a given outcome. As a reminder, Election Day is Tuesday, November 3.

05 Rates and the Fed

WHAT THE COST OF MONEY IS DOING

10-YEAR TREASURY

5.24%

▼ 0.04 pt on the week · touched 5.31% Monday, a 24-year high

30-YEAR MORTGAGE RATE

7.40%

up from 7.28% · highest since November 2023

FED'S NEXT MEETING · OCT 28

18% odds of a hike

market-based · was 20% a week ago

current range 3.75–4.00%

Treasury yields finished the week slightly lower after reaching new multi-decade highs in the front half of the week. The 10-Yr yield hit 5.31% on Monday and the 30-Yr yield 5.67% on Wednesday, both the highest since 2002, before both widely-followed yields eased to 5.24% and 5.60%, respectively, by Friday's close. The minutes of the Fed's September meeting, released Wednesday, showed most officials expected one more rate increase by year-end, and the futures market agrees: the market-based odds of a hike at the October 28 meeting held near 18% (our estimate, calculated from futures contracts tied to the Fed's policy rate), while the rate priced for December, 4.07%, sits about one quarter-point hike above today's 3.88%. In plain terms, investors expect one more rate increase this year, most likely in December rather than October.

What it means for you. The average 30-year mortgage rate rose to 7.40%, the highest since November 2023, when mortgage rates peaked at 7.79%; before that stretch, rates had not been this high since 2000. Last week's pullback in Treasury yields has not yet trickled through to borrowers. For savers, shorter-term Treasuries, CDs and money-market funds continue to offer yields of 4% or more with little price risk, and longer-term Treasuries now yield 5.2% to 5.7%. Yields pulling back from their highs is a welcome first sign, but as we often remind ourselves, one week is not a trend, and we would need to see more evidence peak yields are "in" before viewing current yields as a long-term opportunity vs. market "noise."

06 The Week Ahead

OCTOBER 12 – 16

Last week's economic data was mixed. Services businesses grew for a 27th straight month, according to the ISM, and weekly jobless claims held below 200,000 for a fourth week. Consumer sentiment, however, fell to its lowest level since May, with households expecting 4.7% inflation over the coming year, up from 4.6%. The bond market is closed Monday for Columbus Day (stocks trade normally); the week's key reports and events follow.

DAY	RELEASE	WHY IT MATTERS
Tue Oct 13 MORNING	**Bank earnings begin** **Third-quarter results**	Several of the largest banks report; their comments on loan demand and credit quality set the tone.
Wed Oct 14 8:30 AM · KEY RELEASE	**Consumer inflation (CPI), September**	The most important report before the Fed's October 28 meeting. A hot reading would raise the market-based odds of a rate hike; a mild one would lower them.
Thu Oct 15 8:30 AM · KEY RELEASE	**Retail sales (September)** **Producer prices, jobless claims**	Consumer spending into the holidays, plus wholesale inflation and weekly layoffs.
Fri Oct 16 8:30 AM	**Import and export prices (September)**	Whether a stronger dollar is showing up in prices of imported goods.

Times are Eastern. Consensus estimates are not shown; we report outcomes, not forecasts.

Investor mood. Investor sentiment improved considerably last week. CNN's Fear & Greed Index, a widely followed gauge of market-based investor sentiment, jumped 14 points from a "fear zone" reading of 31 to a "neutral" 45. Meanwhile, the AAII's weekly investor sentiment survey of retail traders showed bulls edged out the bears, 40% to 39%, with 21% of respondents holding a neutral view of the stock market. The SKEW Index, which tracks demand for protection against a large decline, or "Black Swan" event, spiked to 154 from 145 even as the VIX, the more widely followed read of near-term implied volatility, held below 15. In our read, that suggests money flows into defensive sectors had conviction behind them, with sophisticated investors hedging new positions while a general sense of complacency remains intact for now.

THE BOTTOM LINE

The S&P 500 ended last week at a record weekly close, and the gains were broad, with 9 of 11 sectors higher. With the midterm elections three weeks away, the history of market performance during election years is worth knowing. Since 1950, the S&P 500 has been higher twelve months after every midterm Election Day, 19 of 19 times, averaging a 15.1% price gain against roughly 9.4% for a typical twelve-month stretch. The likely reason: uncertainty builds ahead of an election, but tends to clear as soon as the results are finalized, regardless of any changes in party control. History offers a guide, not a guarantee, a point underscored by the wide variance in magnitude of post-midterm election rallies, ranging from ~1% to ~33%. As a reminder, a pullback of 5% or more occurred during 6-of-19 post-election advances since 1950, so the path has not necessarily been straight up. This week, market focus shifts to critical inflation data ahead of the October Fed meeting and the start of third-quarter earnings season with major banks set to kick things off Tuesday. As always, feel free to reach out to our team with any questions about how the latest market developments may impact your portfolio in the near term, or if you have any shifts in your long-term investment goals.

Data sources. U.S. Department of the Treasury; CME Group; ICE BofA Indices; Cboe Global Markets; CNN Business; American Association of Individual Investors; Institute for Supply Management; University of Michigan; U.S. Census Bureau; U.S. Bureau of Economic Analysis; U.S. Department of Labor; Federal Reserve Board; Freddie Mac; Yahoo Finance.

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