Week Ahead — October 19, 2026

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

THIS WEEK'S THEME | How Inflation Impacts the Stock Market: Earnings Up, Multiples Down

01 · THE WEEK IN BRIEF

What happened. The S&P 500 fell 1.95% to close Friday at 7,659.44, its first weekly close below the 50-day moving average since July and 2.0% below the October 6 record high. Technology shares dropped 7.70% and semiconductor stocks 11.41% as many of this year's leadership names faced heavy selling pressure; however, 7-of-11 major market sectors advanced, led by consumer staples, energy and health care, with the latter two breaking out to fresh all-time highs. Growth shares fell 4.39%, value stocks rose 1.28%, and the equal-weight S&P 500 ETF edged higher. Longer-term Treasury yields notably fell alongside stocks for a change, with the 10-Yr yield closing Friday at 5.09%.

Why it matters. The catalyst was inflation. September consumer prices rose 3.7% from a year earlier and wholesale prices jumped 1.3% month-over-month, the biggest monthly increase since March 2022, with energy driving prices higher in both instances. Rather than selling stocks broadly, investors rotated out of richly valued technology names and into traditionally defensive sectors with steadier earnings, a move that coincided with a flight to safety into Treasuries instead of gold or the dollar, both of which fell. The market-based odds of an October 28 Fed rate hike rose to 34% after Wednesday's inflation report and faded back to 18% by Friday, unchanged on the week. Looking ahead, the trend in equities has softened in the near term, albeit with the S&P 500 still just 2% from its record, and the shift in leadership within the index is the development worth understanding (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 ~18X, **about 4% below the 19X we view as "fair value"** (the rough average market multiple of the past 10 years), compared with 2% below a week ago. The S&P 500's "earnings yield," or expected earnings as a percentage of the index level, sits at ~5.5%, versus 5.09% on the 10-Yr Treasury, a gap of roughly 0.4 percentage points that widened from 0.1 as stock prices fell and yields declined.

What's the mood on Wall Street? Investor sentiment deteriorated considerably last week. CNN's Fear & Greed Index, a widely followed gauge of market-based investor sentiment, plunged 27 points from a "Neutral" reading of 45 to an "Extreme Fear" reading of 18 (readings below 25 qualify as Extreme Fear, so the gauge moved from Neutral straight through the "Fear" zone in one week), with six of its seven components in Extreme Fear territory by Friday. Meanwhile, the AAII's weekly investor sentiment survey of retail traders, which closed Wednesday, showed bears edging out bulls 42% to 39%. The VIX rose to 19.99, its highest weekly close since June, while the SKEW Index and the put/call ratio both rose meaningfully, pointing to heavy demand for protection against further declines.

S&P 500	10-YEAR TREASURY	SECTORS UP / DOWN	MARKET-BASED ODDS OF AN OCT. 28 RATE HIKE
−1.95%	5.09%	7 / 4	18%
7,659 · +11.9% this year · first weekly close below its 50-day average since July	down from 5.24% · largest weekly drop since February	average S&P 500 stock (RSP) rose 0.42%	unchanged from a week ago; rose to 34% midweek

02 Markets at a Glance

WEEK ENDED OCTOBER 16

MARKET	LEVEL	THIS WEEK	THIS YEAR	QUICK TAKE
S&P 500	7,659	−1.95%	+11.9%	Worst week since June; 7 of 11 sectors rose.
Nasdaq	26,140	−4.48%	+12.5%	Worst week since June; semiconductors fell 11.4%.
Dow Industrials	52,002	+0.67%	+8.2%	A second straight weekly gain; 4% below its August high.
Small Caps (Russell 2000)	2,721	−3.05%	+9.7%	Below its 200-day average; 11% off its record.
Dow Transports	19,880	+0.38%	+14.5%	Edged higher for a second week; 12.5% off its July high.
Growth Stocks (VUG)	$87.93	−4.39%	+8.1%	Worst week since April 2025 as tech stocks plunged.
Value Stocks (VTV)	$223.41	+1.28%	+17.0%	The 5.7% weekly performance gap over growth has only occurred five times since 2004.
Oil (WTI)	$99.04	+4.48%	+72.5%	December contract +4.5% on increasingly intense Persian Gulf shipping attacks (note the active contract rolled forward from November).
Gold	$4,187	−0.80%	−3.4%	Slipped; the flight to safety went to Treasuries and defensives instead.
U.S. Dollar	101.78	−0.44%	+3.6%	First weekly decline in five weeks; the fear bid bypassed it.

03 Sector Performance

TWO CHANGES, FOUR TO WATCH

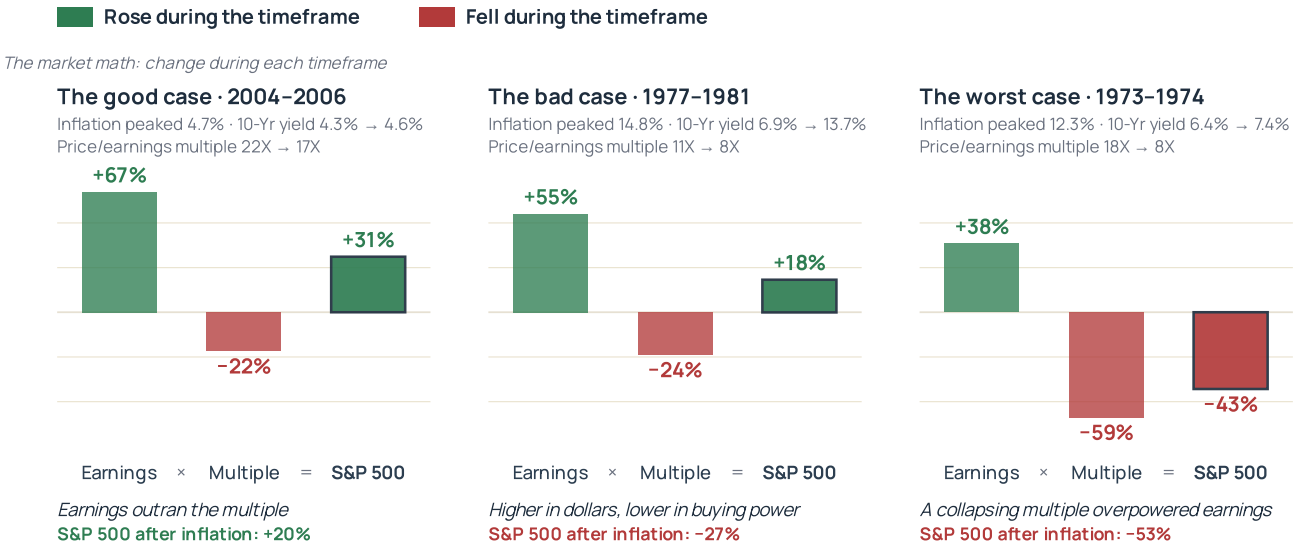
SECTOR	THIS WEEK	THIS YEAR	PERFORMANCE	NOTE
Energy	+4.86%	+52.6%	Outperforming	Record highs as oil approached $100/barrel, on the lightest volume in five weeks.
Health Care	+3.45%	+14.2%	Outperforming	Record highs; lead over the S&P 500 at a multi-month high.
Consumer Staples	+5.02%	+12.8%	▲ Neutral	**Best sector of the week**; highest close since February; a further upgrade is possible.
Technology	−7.70%	+27.4%	▼ Neutral	Worst week since April 2025 and worst against the S&P 500 since 2009; a further downgrade is possible.
Utilities	+1.93%	−1.1%	Neutral	A third straight weekly gain from its 2026 lows.
Materials	+3.01%	+12.3%	Underperforming	A five-week high on light volume; still lagging.
Financials	+1.44%	+1.4%	Underperforming	Within 50 cents of the $56 level it broke down from; continue to watch for an upgrade.
Real Estate	+1.32%	+4.5%	Underperforming	A second strong week on heavy volume; a new sector to watch for an upgrade/breakout.
Communication Services	−0.05%	−6.3%	Underperforming	Lowest weekly close since late July, on heavy volume.
Consumer Discretionary	−0.35%	−5.8%	Underperforming	Held up well but failed a test of a key downtrend line.
Industrials	−0.88%	+8.2%	Underperforming	Lowest weekly close since early April.

What changed. Two trend shifts: consumer staples moved up to neutral after its strongest week since February, and technology moved down to neutral after its worst week since April 2025. That leaves 2 sectors outperforming (energy and health care, both at record highs), 3 neutral and 6 underperforming, with four worth watching for a change. Seven of eleven sectors rose in a week the S&P 500 fell, consistent with a rotation rather than broad-based selling. The 12.7% weekly performance gap between the best and worst sector through Friday's close marks the 11th week that a sector-level divergence has topped 10%; since 1999, only 2000 and 2001 saw more cross-sector volatility on a weekly basis this far into the year.

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.*

How Inflation Impacts the Stock Market: Earnings Up, Multiples Down

S&P 500 earnings, price/earnings multiple and index price in three inflationary periods; the bars compound, earnings × multiple = price.
Source: Robert Shiller, Yale University; monthly data, December to December.



Inflation lifts the dollar value of corporate earnings, but it also lifts interest rates, and higher rates reduce the "multiple," the price investors are willing to pay for each dollar of earnings. The balance between those two forces has historically determined the direction of the S&P 500. From 2004 through 2006, with inflation under 5% and the 10-Yr yield little changed, earnings growth of 67% more than offset a 22% decline in the market multiple and the S&P 500 rose 31%. From 1977 through 1981, earnings rose 55% and the S&P 500 18%, yet adjusted for inflation, the S&P 500 lost 27% in "real terms." In 1973 and 1974, the multiple fell 59% and the S&P 500 43% despite 38% earnings growth. In both of the harder cases, the 10-Yr yield trended higher over the full period. Last week's decline in the 10-Yr yield came within a longer-term uptrend that still has it near its highest levels since 2002, and the rotation out of the highest-multiple sector reflected the same arithmetic. As always, historical patterns offer context, not guarantees.

05 Rates and the Fed — WHAT THE COST OF MONEY IS DOING

10-YEAR TREASURY
5.09%
▼ 0.15 pt on the week · largest weekly decline since February

30-YEAR MORTGAGE RATE
7.40%
unchanged · highest since November 2023

FED'S NEXT MEETING · OCT 28
18% odds of a hike
market-based · unchanged from a week ago
current range 3.75–4.00%

Treasury yields fell despite the hottest inflation data of the year. The 30-Yr yield fell 0.17% to 5.43%, and the 10-Yr yield fell 0.15% to 5.09%, its largest weekly decline since February, two weeks after the 10-Yr yield reached 5.31%, its highest since 2002. Most of the move came Thursday, when yields fell in the wake of a 1.3% monthly jump in producer prices, a flight to safety in which bond investors appeared to treat the energy-driven rise in prices as a headwind to growth rather than a reason for the Fed to do more. Underscoring that point, the market-based odds of a rate hike on October 28 (our estimate, calculated from futures contracts tied to the Fed's policy rate) ended the week at 18%, unchanged, after rising to 34% on Wednesday's inflation report. The policy rate markets are pricing in for December, 4.07%, continues to include one more quarter-point rate hike by year-end, most likely occurring at the December FOMC meeting.

What it means for you. The average 30-year mortgage rate held at 7.40%, the highest since November 2023; mortgage rates follow the 10-Yr yield with a lag, so last week's decline has not yet reached borrowers. For savers, shorter-term Treasuries, CDs and money-market funds continue to offer yields above 4% with limited price risk, and longer-term Treasuries yield 5.1% to 5.5%. Falling yields in a week of hot inflation data is an unusual combination, and as we often remind ourselves, one week is not a trend.

06 The Week Ahead

OCTOBER 19 – 23

Last week's economic data revealed an economy still growing amidst a reacceleration in inflation: consumer prices rose 3.7% from a year earlier and wholesale prices 6.3%, with energy costs behind both. Meanwhile, jobless claims held below 200,000 for a fifth week, consistent with a "tight" labor market. Fed officials are in their pre-meeting "blackout period," leaving investors focused on the first third-quarter earnings releases from large-cap tech companies.

WHAT WE'RE WATCHING

- Tesla, Meta and IBM report Wednesday evening after technology's 7.7% drop.
- Whether staples, health care and energy keep the lead.
- The Fed's October 28 decision; market-based hike odds 18%.

DAY	RELEASE	WHY IT MATTERS
Tue Oct 20 8:30 AM	**Housing starts (September)** **Netflix earnings, after close**	Home building at 7.40% mortgage rates; Netflix is the first large growth name to report since the rotation.
Wed Oct 21 AFTER CLOSE · KEY RELEASE	**Tesla, Meta, IBM earnings** **20-yr Treasury auction, 1 pm**	Three large technology companies on one evening, the first big test since the sector's 7.7% decline.
Thu Oct 22 8:30 AM · KEY RELEASE	**Jobless claims** **Mortgage rate; 5-yr TIPS auction**	Claims after five weeks below 200,000; inflation-protected note demand.
Fri Oct 23 10:00 AM	**Consumer sentiment, final** **Business surveys, 9:45 am**	Preliminary 46.3 was the lowest since May; households expect 4.7% inflation.

Times are Eastern. Consensus estimates are not shown; we report outcomes, not forecasts. The Fed decides October 28.

THE BOTTOM LINE

Inflation sparked a defensive rotation last week. The S&P 500 fell 1.95%, but 7-of-11 sectors advanced and market leadership shifted from technology toward consumer staples, health care and energy, with value shares outperforming growth shares by one of the widest weekly margins in over two decades. The Chart of the Week explains the mechanics: rising prices lift the dollar value of corporate earnings, but higher interest rates reduce the multiple investors are willing to pay for those earnings, and the stocks trading at the richest multiples are the most exposed when that happens. The S&P 500 closed just below its 50-day moving average on a weekly basis for the first time since July, but still sits just ~2% below its all-time high. The recent loss of upside momentum in the broader stock market warrants attention, but is not yet a source for alarm; Treasury yields fell despite hot inflation data, credit spreads widened only modestly, and the market-based odds of an October 28 rate hike ended the week unchanged at 18%. The outcome of the Fed's October policy rate meeting, earnings results from the largest technology companies, and whether the 10-Yr yield holds below its October high of 5.31% are currently the most important market variables to watch. As always, please feel free to reach out to our team with any questions regarding the latest market developments, or to let us know if your long-term goals have changed.

Data sources. U.S. Department of the Treasury; CME Group; ICE BofA Indices; Cboe Global Markets; CNN Business; American Association of Individual Investors; U.S. Bureau of Labor Statistics; U.S. Census Bureau; U.S. Department of Labor; Federal Reserve Board; Freddie Mac; Robert Shiller, Yale University; Yahoo Finance.

Disclosure: This Weekly Market Outlook is prepared by DTR Capital Management, LLC as of October 19, 2026 and disseminated by SpirePoint Private Client, a registered investment advisor with the SEC. Registration does not imply a certain level of skill or training. The views expressed are those of DTR Capital Management and do not necessarily reflect the views of SpirePoint. This commentary is for informational purposes only and is not individualized investment, legal, or tax advice, nor an offer or solicitation to buy or sell any security. Market data and other information are from the sources identified in the commentary and are believed to be reliable, but their accuracy and completeness are not guaranteed. The information and views are as of October 19, 2026 and may change. Past performance is not indicative of future results. All investments involve risk, including possible loss of principal. Contact your SpirePoint advisor before making any investment decision.