Market Down & Dirty

September 28, 2026

The Data

- Major equity indices were mostly higher last week, driven by Mega Cap AI players.
  - S&P 500 +1.27% Dow +0.28% Russell 2000 -0.75%, Nasdaq +2.06%[1]
    - The All-Country World Index rose +1.10%.[1]
  - S&P 500 sub-sectors were mixed for the week.
    - Healthcare & Tech led to the upside.[1]
    - Utilities & Energy led to the downside.[1]
  - The CBOE Volatility Index (VIX) ended the week flat at 14.87.[1]

- US Treasury bond yields rose to 2 decade highs.
  - US 2yr +0.09% at 4.85%, 10yr +0.15% to 5.16%, 30yr +0.16% to 5.49%.[1]
  - The sharp rise in bond yields continues to put pressure on global financial conditions.

- Commodities as an aggregate asset class were lower last week.
  - WTI Crude declined -7.90%.[1]
  - Gold lost -2.15%.[1]
  - The US Dollar index gained +0.80%.[1]

- In our opinion, U.S. economic data was mixed last week.
  - New home sales rose in August but the current inventory remains at 8.5 months which is well above historical averages.[1]
  - Consumer sentiment came in at 48.1, its lowest level in 4 months.[1]
    - It has declined 15% this year as rising price concerns continue to linger.[1]

- An index of equities outside the US (FTSE All-World ex-US) gained +0.62%.[1]

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[1] Source: Bloomberg –9/25/2026

Conclusion

- US equity markets closed near record highs last week despite several headwinds.
  - Market participants spent another week watching yields hit multi-decade highs, oil hold above $100 and the case for tighter Federal Reserve policy harden.
  - The Nasdaq led to the upside with gains over 2%.[1]
    - AI enthusiasm drove the move higher in the tech-heavy index.
  - Equities closed not far from records and corporate credit spreads stayed in check, even as the global bond selloff roared for most of the week and inflation fears returned to the center of the market.
    - Talk of a potential US-Iran breakthrough to open the Strait of Hormuz pulled down oil on Friday, helping drive markets higher.
- S&P 500 sectors were mixed last week.
  - Market breadth has dropped notably; massive dispersion is unfolding as AI winners climb while "consumer inertia" stocks (banks, brokers, SaaS) sell off on fears that AI agents will erode customer stickiness.
- US Treasury yields continued their ascent higher and selling pressure picked up steam.
  - Forces driving government borrowing costs higher include the AI spending boom, $100-a-barrel oil tests, and yawning US budget deficits against a $40 trillion debt load.
  - Despite the surge in Treasury yields and rate volatility (MOVE Index), corporate credit spreads remained remarkably stable, with high-grade spreads sitting at a tight 0.77%.[1]
- Non-US equities were higher last week despite the US Dollar continuing to show strength.
  - Bullish bets on the USD continuing to go up have declined substantially over the last month.
    - Continued strength could revive this trade which could cause spillover pressure onto other asset classes.
- From a near-term risk management perspective, here are some of the things we're watching:
  - <u>S&P 500 Trend Levels:</u> Breadth has dropped notably; a break below old highs could represent a break in trend and could trigger selling among systematic strategies.
  - <u>Yields vs. Credit:</u> Whether the massive surge in fixed-income volatility eventually bleeds into corporate credit spreads or equity volatility.
  - <u>Oil & Geopolitics:</u> If talks of a US-Iran breakthrough can sustainably keep the Strait of Hormuz open, easing the back end of the crude forward curve.
  - <u>Consumer Inertia Stocks:</u> How legacy financial and software businesses respond to the rapidly expanding capabilities of autonomous AI agents like Meta's Muse.

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