

WEEKLY ECONOMIC UPDATE OCT. 19, 2026

Stocks were under pressure last week as corporate earnings results, rising oil prices, and AI valuation anxieties unsettled investors.

The Standard & Poor's 500 Index lost 1.95 percent, while the Nasdaq Composite Index declined 4.48 percent. By contrast, the Dow Jones Industrial Average gained 0.67 percent. The MSCI EAFE Index, which tracks developed overseas stock markets, rose 0.96 percent.^{1,2}

Tough Week for Tech

Markets traded in a tight range over the first two days of the week as investors awaited a slew of Q3 corporate earnings results, mostly from big financial services companies, later in the week. That first batch of earnings announcements came in Tuesday, with mostly strong results, but high investor expectations kept markets from moving much.³

Then midweek, investors appeared to rotate out of AI names as they digested a warm retail inflation report. Those two factors shifted sentiment, and stocks trended lower. However, the Dow Industrials proved more defensive, ending the session essentially flat.⁴

On Thursday, AI stocks were under pressure again as investors appeared to favor more value-oriented names.⁵

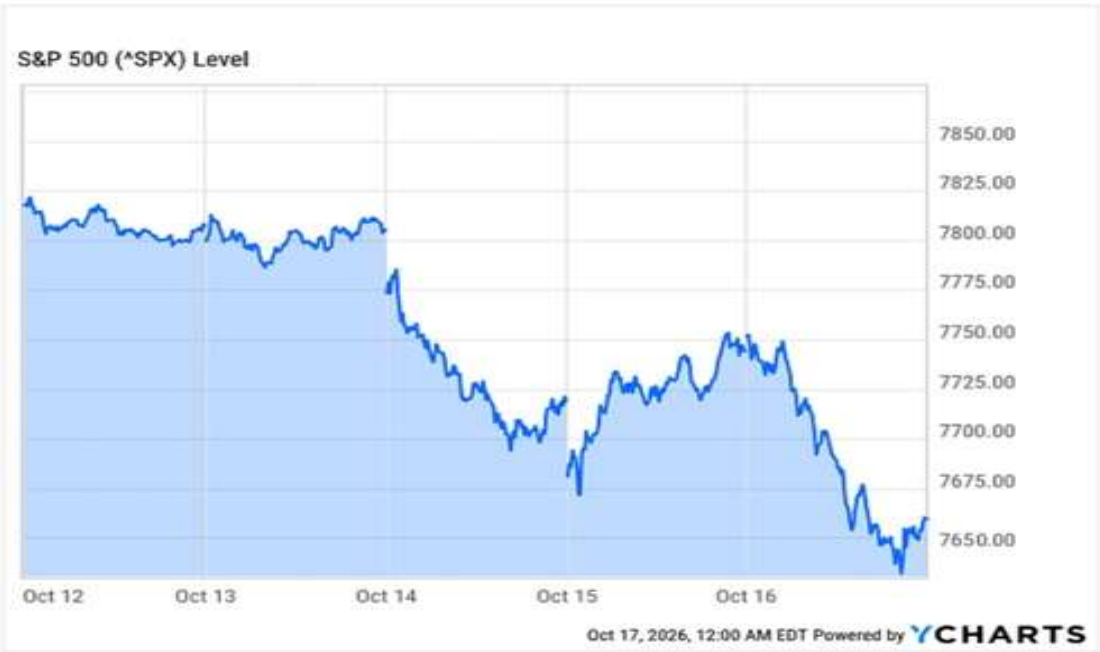
As the week wrapped up, oil prices rose to their highest level since May, while sellers targeted AI- and tech-related names. The Nasdaq found some support at the close but still had its worst week since June.⁶

Weekly Market Insights (WMI)

Major Index Return Summary

Name	1M TR	YTD TR	1Y TR	5Yr TR
Nasdaq Composite	2.84%	15.46%	18.54%	85.98%
S&P 500	2.16%	14.16%	17.44%	85.99%
Dow Jones Industrial Average	0.20%	9.90%	14.63%	62.47%
MSCI EAFE	-1.93%	9.34%	14.36%	54.98%

S&P 500 Daily Close



10-Year Note Review

Indicator Name	Latest Value	1M Ago	1M Change
Date		3M Ago	3M Change
		1Y Ago	1Y Change
10 Year Treasury Rate	5.09%	5.01%	1.60% ▲
10/16/26		4.57%	11.38% ▲
		3.99%	27.57% ▲

Inflation Jitters

Fresh retail and wholesale inflation reports were out last week. Both came in hotter than expected, which put the spotlight on the Fed's meeting in late October.

The Consumer Price Index report, out Wednesday, showed inflation rose 3.7 percent in September, higher than the 3.6 percent economists expected. And Thursday's Producer Price Index report showed wholesale inflation hit 6.6 percent year over year—the highest level in four years.^{7,8}

This Week: Key Economic Data

Monday: NAHB Housing Market Index.

Tuesday: Housing Starts. Pending Home Sales.

Thursday: Weekly Jobless Claims. Leading Indicators. Kansas City Fed Survey.

Friday: Purchasing Managers' Index (PMI)—Manufacturing. PMI—Services. U. Michigan Consumer Sentiment Survey (final).

Quote of the Week



“As a general rule, if you want to get at the truth - hear both sides and believe neither.”

– **Josh Billings**

Of Note



Everyone knows the story. Governments have too much debt, deficits are too large and none of it can continue forever. What is new, or at least increasingly difficult to ignore, is the price of keeping the game going.

The debt accumulated during the cheap-money era is steadily being refinanced at much higher rates. Interest expense is exploding, deficits remain enormous and the bond market is beginning to demand a higher price for absorbing it all.

Herbert Stein famously observed that “if something cannot go on forever, it will stop.” Nobody knows when. Nobody knows exactly how. But right now, the arithmetic matters more than ever.

In the first 11 months of fiscal 2026, the US government collected \$4.8 trillion — and spent \$6.8 trillion. A \$2 trillion hole, and we're not even talking about a recession. Don't try this at home.

The problem with borrowing \$2 trillion a year is, surprise surprise, that you have to pay interest on it. US net interest expense has now overtaken both defense and Medicare as a share of GDP. US net interest costs are expected to double from ~\$1trillion today to \$2.1 trillion by 2035, nearly 5% of GDP.

Much of America's debt still carries coupons from the cheap-money era. As that debt matures, it is steadily being refinanced at today's much higher rates. The fiscal pain arrives with a lag.

Deficits across much of the developed world are already far larger than they were before the GFC. If this is what the fiscal picture looks like when everything is fine, what happens when something actually goes wrong?

Years of deficits have done exactly what you'd expect. Government debt-to-GDP ratios have surged — leaving governments far more exposed to higher real rates. And the bond market has of course noticed. The 30-year Treasury yield just posted its highest weekly close in more than 22 years.

And governments aren't the only ones demanding capital. The AI capex boom has arrived just as sovereign issuance is exploding, and central banks are stepping back. Governments, hyperscalers and infrastructure are increasingly competing for the same private capital. Money has a price again.

Cutting a few government programs won't solve this. Roughly 70% of US federal spending is driven by entitlements. Meaningful fiscal consolidation ultimately requires entitlement reform, higher taxes — or another way out.

Net interest plus Social Security, Medicare, healthcare and veterans' benefits now consume 98.4% of federal government receipts, near a record high. Something eventually has to give: spending, taxes, inflation or interest rates. Judging by the political appetite for the first two, investors may want to keep an eye on the latter two.¹⁰

Footnotes And Sources

1. WSJ.com, October 16, 2026
2. Investing.com, October 16, 2026
3. CNBC.com, October 13, 2026
4. WSJ.com, October 14, 2026
5. CNBC.com, October 15, 2026
6. WSJ.com, October 16, 2026
7. WSJ.com, October 14, 2026
8. CNBC.com, October 15, 2026

9. [HealthLine.com](https://www.healthline.com), July 21, 2026

10. [zerohedge.com/the-market-ear/endgame-has-begun](https://www.zerohedge.com/the-market-ear/endgame-has-begun)

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The forecasts or forward-looking statements are based on assumptions, may not materialize, and are subject to revision without notice.

The market indexes discussed are unmanaged, and generally, considered representative of their respective markets. Index performance is not indicative of the past performance of a particular investment. Indexes do not incur management fees, costs, and expenses. Individuals cannot directly invest in unmanaged indexes. Past performance does not guarantee future results.

The Dow Jones Industrial Average is an unmanaged index that is generally considered representative of large-capitalization companies on the U.S. stock market. The Nasdaq Composite is an index of the common stocks and similar securities listed on the Nasdaq stock market and considered a broad indicator of the performance of stocks of technology and growth companies. The MSCI EAFE Index was created by Morgan Stanley Capital International (MSCI) and serves as a benchmark of the performance of major international equity markets, as represented by 21 major MSCI indexes from Europe, Australia, and Southeast Asia. The S&P 500 Composite Index is an unmanaged group of securities that are considered to be representative of the stock market in general.

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