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ECONOMIC REVIEW[1]

- Job openings fell by 256,000 to 7.079 million from July's upwardly revised 7.335 million, though the Bureau of Labor Statistics (BLS) characterized the August figure as "little changed."
    - Worker churn remained low as hires barely budged at 5.2 million, total separations held at 5.1 million, and quits were unchanged at 3.1 million (1.9% quit rate). The low-hire, low-fire balance continues.
- The Personal Consumption Expenditures (PCE) price index rose 0.3% in August, meeting consensus expectations, and stands 3.4% higher than a year ago.
    - "Core" prices, which strip out the volatile food and energy categories, rose 0.2% in August and 3.0% in the past year; both figures lagged consensus expectations.
- Economic growth was stronger than previously reported, as the third and final Q2 estimate showed Real GDP increased at a 2.2% annualized growth rate, having been revised up 0.7% from the previous estimate.
    - The upgrade reflected stronger consumer spending, investment, and government spending. Real final sales to private domestic purchasers, consumer spending plus private fixed investment {and a key metric for Federal Reserve (Fed) Chairman Warsh}, rose 4.6%.
- The ISM Manufacturing Index declined to 54.5 in September, lagging the consensus expected 55.0, though remaining firmly in expansion territory as it has for the last nine consecutive months.
- September payroll growth was essentially flat, as nonfarm payrolls rose just 29,000 while combined July and August figures were revised 60,000 lower than previously reported.
    - The unemployment rate ticked up marginally to 4.2%, as did the labor force participation rate (61.8), and again the BLS said the labor market "changed little" in September.

How does the most recent economic data impact you?

- Recent reports indicate the economy is still growing at a healthy rate, although labor market momentum has slowed
    - Consumer spending and business investment continue to drive economic growth, but cooling labor demand and negative revisions may keep the Fed from raising rates again later this month.
- Despite modest improvement in the central bank's preferred measure, inflation remains a key constraint on monetary policy and American consumers.
    - Most market participants still expect another quarter-point increase before year-end, and rates will likely remain higher for a bit longer, but broad macro conditions are supportive of an eventual easing bias.

A LOOK FORWARD[1]

- This week is fairly light on economic data, but ISM Services, Federal Open Market Committee (FOMC) meeting minutes, and a preliminary reading of the University of Michigan Consumer Survey will demand investors' attention.

How does this week's slate of economic data impact you?

- Given the services sector accounts for roughly 70% of the U.S. economy, the forthcoming ISM report should provide a good indication of recent broad economic activity.
- And Fed minutes will clarify how committee members are thinking about and planning to address those conditions with potential monetary policy changes.

MARKET UPDATE[2]

Market Index Returns as of 10/2/26	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	-0.25%	0.94%	13.81%	16.33%	23.83%	13.75%
NASDAQ	0.46%	1.23%	17.52%	20.07%	28.55%	14.13%
Dow Jones Industrial Average	-1.25%	0.54%	7.76%	11.23%	17.80%	10.39%
Russell Mid-Cap	0.02%	1.50%	13.53%	12.88%	18.86%	8.09%
Russell 2000 (Small Cap)	-0.11%	1.30%	15.18%	15.81%	19.53%	6.25%
MSCI EAFE (International)	-1.51%	-0.96%	9.27%	12.79%	19.12%	9.28%
MSCI Emerging Markets	-1.23%	0.24%	23.68%	26.89%	24.78%	9.11%
Bloomberg U.S. Agg Bond	-0.60%	0.05%	-2.86%	-2.03%	4.59%	-0.68%
Bloomberg High Yield Corp.	-0.65%	0.04%	0.14%	1.34%	8.53%	3.61%
Bloomberg Global Agg	-0.51%	-0.11%	-2.78%	-2.67%	4.23%	-1.94%

OBSERVATIONS

- U.S. large-cap indices delivered mixed performance over the past week, as the Dow pulled back -1.25%, the S&P 500 declined a more modest -0.25%, and the NASDAQ improved +0.46%.
    - AI-related companies led a relatively narrow advance of Technology and growth-oriented stocks.
- The Russell Mid-Cap was the only other major index to register a positive return last week, but improved just 2 basis points, while the Russell 2000 (Small Cap) Index pulled back just -0.11% despite continued higher interest rates.
- International equities declined broadly, with developed and emerging markets falling -1.51% and -1.23%, respectively.
- Fixed income markets were negative domestically, internationally, and across the credit spectrum, with the Bloomberg U.S. Aggregate Bond (-0.60%), the Bloomberg Global Agg. (-0.51%), and the Bloomberg High Yield Corporate (-0.65%) indices all declining last week.

BY THE NUMBERS

Spending on AI Is Becoming Almost Impossible for Businesses to Budget: First, there was #tokenmaxxing, whereby American businesses encouraged their workers to use as much AI as possible. Then came the bill. Companies started to realize they need to be more careful about counting their tokens, the units that measure AI use. And that's hard to do: A recent study found that only 11% of nearly 400 businesses surveyed were able to accurately forecast AI spending. Unlike traditional software, AI behaves more like a human worker: It takes action, makes decisions, sometimes even makes mistakes—all on the clock. While more-advanced models tend to cost more per token, they can sometimes perform tasks more efficiently, leading to lower overall costs. Likewise, asking a "cheap" model to do something it isn't suited to handle could cause a token run-up.[3]

The College Football Stars Who Banked Millions – and Completely Flopped: It was the most crucial snap of the season, and time for Michigan's $3 million investment to deliver. The Wolverines were fighting to keep their hopes in the Big Ten alive, trailing Minnesota 20-14 on Saturday afternoon, when sophomore quarterback Bryce Underwood faced a fourth-and-5. Underwood dropped back, surveyed the field, and chucked a panicked throw straight out of bounds. The game was over. Michigan's season almost certainly was, too. Two years ago, the Wolverines had thrown NIL money at Underwood, the country's No. 1 high school recruit. It was a $3 million-per-year effort bankrolled in part by Larry Ellison and his wife, Jolin. But now, one of college sports' most high-profile investments was amounting to nothing. "We might have to make some tough decisions here," Michigan coach Kyle Whittingham said Saturday night, after the Wolverines dropped to 0-2 in the Big Ten. "The results are unacceptable right now."[4]

Economic Definitions

Employment Report (Jobs Report): Formally known as the Employment Situation, the monthly Bureau of Labor Statistics report provides a broad view of U.S. labor-market conditions using two surveys. It includes key measures such as nonfarm payroll growth, the unemployment rate, labor-force participation, average hourly earnings and the average workweek, along with employment trends across major industries.

Federal Reserve (Fed): The Federal Reserve System is the central banking system of the United States of America.

GDP: Gross domestic product (GDP) measures the final market value of all goods and services produced within a country. It is the most frequently used indicator of economic activity. The GDP by expenditure approach measures total final expenditures (at purchasers' prices), including exports less imports. This concept is adjusted for inflation.

ISM Manufacturing PMI: Measures the direction of U.S. manufacturing activity based on a monthly survey of supply management executives across industries, covering areas such as new orders, production, employment, supplier deliveries and inventories; readings above 50 generally indicate manufacturing expansion, while readings below 50 indicate contraction.

ISM Services Index: The Services ISM PMI (formerly the ISM Report On Business) is based on data compiled from purchasing and supply executives nationwide. Survey responses reflect the change, if any, in the current month compared to the previous month. For each of the indicators measured (Business Activity, New Orders, Backlog of Orders, New Export Orders, Inventory Change, Inventory Sentiment, Imports, Prices, Employment and Supplier Deliveries) this report shows the percentage reporting each response, and the diffusion index. An index reading above 50 percent indicates that the non-manufacturing economy in that index is generally expanding; below 50 percent indicates that it is generally declining. Orders to the service producers make up about 90 percent of the US economy.

Job Openings and Labor Turnover Survey (**JOLTS**): This concept tracks the number of specific job openings in an economy. Job vacancies generally include either newly created or unoccupied positions (or those that are about to become vacant) where an employer is taking specific actions to fill these positions.

Personal Consumption Expenditures PCE (headline and core): PCE deflators (or personal consumption expenditure deflators) track overall price changes for goods and services purchased by consumers. Deflators are calculated by dividing the appropriate nominal series by the corresponding real series and multiplying by 100.

University of Michigan Consumer Sentiment Index: Consumer confidence tracks sentiment among households or consumers. The results are based on surveys conducted among a random sample of households. Target Audience: representative sample of US households (excluding Alaska and Hawaii). Surveys of Consumers collects data on consumer attitudes and expectations summarized in the Consumer Sentiment, in order to determine the changes in consumers' willingness to buy and to predict their subsequent discretionary expenditures. This Index is comprised of measures of attitudes toward personal finances, general business conditions, and market conditions or prices. Components of the Index of Consumer Sentiment are included in the Leading Indicator Composite Index. Unit: Index (Q1 1966=100).

Index Definitions

S&P 500: The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities and serves as the foundation for a wide range of investment products. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

NASDAQ: The NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market. The index was developed with a base level of 100 as of February 5, 1971.

NASDAQ-100: The NASDAQ-100 Index includes 100 of the largest domestic and international non-financial companies listed on The Nasdaq Stock Market based on market capitalization. The Index reflects companies across major industry groups including computer hardware and software, telecommunications, retail/wholesale trade and biotechnology. It does not contain securities of financial companies including investment companies.

Dow Jones Industrial Average: The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

Russell Mid-Cap: Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index, which represent approximately 25% of the total market capitalization of the Russell 1000 Index.

Russell 2000: The Russell 2000 Index is comprised of the smallest 2000 companies in the Russell 3000 Index, representing approximately 8% of the Russell 3000 total market capitalization. The real-time value is calculated with a base value of 135.00 as of December 31, 1986. The end-of-day value is calculated with a base value of 100.00 as of December 29, 1978.

MSCI EAFE: The MSCI EAFE Index is a free-float weighted equity index. The index was developed with a base value of 100 as of December 31, 1969. The MSCI EAFE region covers DM countries in Europe, Australasia, Israel, and the Far East.

MSCI EM: The MSCI EM (Emerging Markets) Index is a free-float weighted equity index that captures large and mid-cap representation across Emerging Markets (EM) countries. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

Bloomberg US Agg Bond: The Bloomberg US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

Bloomberg High Yield Corp: The Bloomberg US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Bloomberg's EM country definition are excluded.

Bloomberg Global Agg: The Bloomberg Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

Bloomberg Municipal Bond Index: The Bloomberg U.S. Municipal Index covers the USD-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and prerefunded bonds.

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[1] Data obtained from Bloomberg as of 10/2/26.
[2] Data obtained from Morningstar as of 10/2/26.
[3] Spending on AI is becoming almost impossible for businesses to budget
[4] The college football stars who banked millions—and completely flopped

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