

CenterPoint Market Outlook – October 2026

As we enter the final months of the year, the investment landscape remains shaped by a combination of economic resilience and ongoing uncertainty. The U.S. economy has continued to grow at a measured pace, supported by consumer spending, business investment, and a stable labor market. Inflation and interest rate expectations remain key areas of focus and, perhaps, concern. Although market volatility persists as economic data and policy developments unfold, the overall backdrop continues to reflect an economy that is adapting and expanding rather than contracting. Against this environment, we remain focused on helping clients navigate short-term uncertainty while staying committed to their long-term financial goals. Please read on for more details about our outlook.

Wages vs Inflation – not quite balanced

Inflation remains elevated, and wage growth is not keeping pace. Wages rose 3% year over year in September, but consumers are increasingly relying on borrowing to maintain their purchasing power. At the same time, the Federal Reserve has raised interest rates for the first time since July 2023, making that borrowing more expensive. The interest rate on a 30-year mortgage is now just under 7%, making new home purchases unattractive or impossible for buyers. Consumer spending remains strong but with average U.S. credit card rates ranging from 20.94% to 24.93%, it remains to be seen how long that can last.

Interest rates across the developed world have been falling since the 1980s. After the Great Financial Crisis (GFC) of 2008, central banks drove yields to nearly zero in order to stimulate the economy. Borrowing was cheap, so both corporations and individuals spent liberally. That spending was terrific for economic growth, but today's higher interest rates make that spending level unsustainable.

Interest rates - good for lenders, bad for borrowers

The Federal Reserve sets short-term interest rates, but the bond market determines longer-term rates, which have been rising steadily. The 10-year Treasury yield is now 5.25%, its highest level in more than two decades. Persistent inflation is one cause of these higher borrowing costs. Demand for capital is also increasing as corporations fund AI buildouts, and the federal government finances a debt that has reached \$40 trillion—double its level nine years ago. With more borrowers competing for capital, lenders are demanding greater compensation.

U.S. Federal debt now exceeds the size of the annual U.S. economy. The debt stands at \$40 trillion (about \$120,000 per person in the US), while nominal Gross Domestic Product (GDP) was just under \$33 trillion at the end of the second quarter of 2026. The current federal deficit—the amount by which expenditures exceed revenue—is approximately \$2 trillion, or more than 5% of GDP. Deficits of this scale are typically

associated with major national crises, including World War II, the 2008 financial crisis, and the COVID-19 pandemic. Yet the economy is currently expanding, a period when the government would ordinarily be generating revenue rather than rapidly adding debt. By 2030–2031, the Congressional Budget Office (CBO) projects that [100% of federal tax revenues](#) will be required to fund entitlements and interest on the federal debt. That is a troubling outlook for the world's largest national economy. [Options](#) exist, but they are beyond the scope of this market outlook.

September's jobs report was weaker than expected, though not disastrous. The U.S. economy added 29,000 jobs, fewer than anticipated, while layoffs also declined. The result is a low-hire, low-fire labor market: relatively stable for people who are employed, but difficult for job seekers and new entrants. Roughly two in five college graduates are working in jobs that do not require college degrees, including positions in coffee shops, restaurants, and grocery stores. The [unemployment rate for college graduates](#) is currently 5.6%, compared with 4.3% for the overall labor market.

The Commerce Department's August inflation report showed that prices were 3.4% higher than a year earlier. Excluding food and energy, core inflation was 3%, still well above the Federal Reserve's 2% target. Core inflation is a useful metric because food and energy prices are volatile. Headline inflation remains highly relevant to household budgets, however, because consumers cannot avoid paying for food, transportation, and heating.

On Friday, the G-7 (the world's wealthiest industrial nations) agreed to release one hundred million barrels of diesel and crude oil. Hopefully, this additional supply will drive down prices at the pump.

Politics drive headlines but not markets

Though it seems hard to believe summer is already in the rearview mirror, the November midterm election is rapidly approaching. Political pontificating dominates the current headlines and will only increase in the coming weeks. Though elections are critical politically, history has shown that markets perform well under a wide range of political environments, including divided governments. That said, politics certainly affects markets in the short-term. During the past year, tax policy, tariffs, the war in Iran, and concern over the national debt have led to market volatility. Though the market has reacted in the short term, strong corporate earnings and positive economic growth have ultimately settled the uncertainty.

What does this all mean for investors?

Rising interest rates and rising stock markets have often coexisted, particularly when corporate earnings and the broader economy are healthy; the last quarter provided one example. Stocks and bonds have also frequently moved in different directions over longer periods, which can help reduce portfolio

volatility. These varied relationships reinforce the case for diversification across stocks and bonds, U.S. and international markets, and conventional and alternative investments.

AI, of course, deserves a mention

No market outlook would be complete without examining AI's implications for markets and the economy. From a market perspective, AI-related companies account for an outsized share of both valuations and returns. A [basket of forty-two stocks](#) has generated 60%–80% of all S&P earnings growth, price returns, and capital spending since January 2024. Although the S&P 500 and Nasdaq are near all-time highs, 60% of S&P 500 stocks remain at least 20% below their own peaks, and only 30% are outperforming the index. Technology's contribution to GDP growth has climbed from almost zero in 2022 to approximately 33% in the second quarter of 2026. AI-related investment accounts for all positive growth in U.S. construction spending, which has risen 38% since January 2024. Even so, planned data-center projects are declining because of capital and energy constraints, as well as growing pushback from communities.

AI has not yet caused broad labor-market disruption, but volatility in hiring and layoffs suggests that change is underway. Technology is boosting productivity and corporate profits without producing equivalent growth in the labor force. AI is creating jobs, as promised, but many of those positions are tied to the current buildout rather than to long-term operations. The outlook for corporate earnings is strong, yet caution remains prudent for workers and the domestic economy. So, for now, we celebrate the advancements in technology but watch carefully for the broad societal and economic implications.

Summary

The financial markets continue to demonstrate resilience despite a backdrop of economic and political uncertainty. While headlines often focus on short-term challenges, underlying fundamentals in many areas of the economy remain constructive, and innovation, corporate adaptability, and consumer strength continue to support long-term growth. Although market fluctuations are likely to persist, we believe maintaining a disciplined investment approach and focusing on long-term objectives remains the most effective strategy for building and preserving wealth.

As always, we appreciate your confidence as we help you navigate the financial world. Should you have any questions or wish to schedule a meeting, please reach out to us. In the interim, we wish you a gorgeous autumn.

Warmest regards,



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