

# HIGHER RATES RESHAPE THE MARKET

OCTOBER 2026



In the third quarter of 2026, the S&P 500 Index gained 2%, while mid- and small-cap stocks declined. The S&P MidCap 400 and S&P SmallCap 600 had quarterly declines of 6% and nearly 8%, respectively.

Looking at the year-to-date period, small-cap stocks remained ahead of their large-cap peers despite their third-quarter pullback. Through September 30, the S&P SmallCap 600 gained 14%, compared with 13% for the S&P 500 and 10% for the S&P MidCap 400.

AI-related spending continued to support semiconductor and technology stocks, particularly companies tied to chips, memory and data-center infrastructure. For example, Technology was one of only two S&P 500 sectors to post a gain in September, rising over 4%.

In September, the Federal Reserve raised the federal funds target range by 25 basis points, citing persistent inflation. Market expectations are for an additional one or two more rate increases in the near term.

Bonds in particular felt the effects of higher interest rates. The 10-year Treasury yield ended September at 5.3%, its highest level in over 20 years. Higher yields pressured bond prices, particularly longer-duration securities.

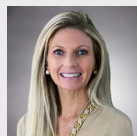
Inflation remained elevated in August, with consumer prices rising 3.4% over the past year.<sup>1</sup> Oil prices added to inflation concerns during September, with Brent crude

finishing the month over \$100 per barrel as Middle East tensions created uncertainty around global supplies.

At the same time, economic growth also proved stronger than previously estimated. Real GDP grew at a 2.2% annualized rate in the second quarter, revised up from an earlier estimate of 1.5%, supported by consumer spending and investment. Consumer spending remained firm in August, rising 0.9% during the month.<sup>2</sup>

As of the end of September, more than 40% of S&P 500 stocks were trading at least 20% below their 52-week highs, even as the index itself remained near a record high.<sup>3</sup> That wide gap between winners and losers is a reminder that headline index performance can mask very different experiences across individual stocks and sectors.

With that in mind, now is a good time to review with your Jemma Financial Advisor how market moves may have changed your portfolio's allocation, plan for any upcoming cash and tax needs, and discuss any lifestyle changes that may affect your longer-term financial plan.



**KATHARINE DUDLEY, AIF®**  
*Senior Vice President, Client Advisor*  
443.279.2007  
jemmafinancial.com

<sup>1</sup> U.S. Bureau of Labor Statistics. <sup>2</sup> Bureau of Economic Analysis. <sup>3</sup> MarketWatch.

Advisory services offered through Jemma Investment Advisors, LLC. Securities offered through Thurston Springer Financial, a registered Broker-Dealer (Member FINRA & SIPC). No content published here constitutes a recommendation of any particular investment, security, a portfolio of securities, transaction or investment strategy.

To the extent any of the content published may be deemed to be investment advice, such information is impersonal and not tailored to the investment needs of any specific person. Consult your advisor about what is best for you.

In addition, no content published here should be construed as professional, legal or tax advice. To determine your individual tax situation and specific needs, please consult a professional tax advisor.

**Past performance is no guarantee of future results.**

Jemma Financial Services | Copyright 2026