

The Data

- Major equity indices were mostly lower last week.
 - S&P 500 -1.95% Dow +0.67% Russell 2000 -3.05%, Nasdaq -4.48%¹
 - The All-Country World Index declined -1.99%.¹
 - S&P 500 sub-sectors were surprisingly mixed for the week.
 - Energy, Staples, & Healthcare led to the upside on the week.¹
 - Tech led to the downside by a wide margin with a loss of -6.4%.¹
 - The CBOE Volatility Index (VIX) rose 34% to end at 19.92.¹
- US Treasury bond yields dropped despite a hotter than expected inflation reading.
 - US 2yr -0.07% at 4.72%, 10yr -0.16% to 5.08%, 30yr -0.17% to 5.43%.¹
 - Long-term gov't debt posted one of its strongest weekly advances of the year on safe-haven demand, decoupling from hotter CPI and PPI prints.
- Commodities as an aggregate asset class were higher last week.
 - WTI Crude gained +10.77%.¹
 - Gold declined -0.74%.¹
 - The US Dollar index sank -0.43%.¹
- In our opinion, U.S. economic data was mixed last week.
 - The Small Business Optimism Index ticked down to its historical average.¹
 - The Consumer Price Index inflation gauge came in higher than expected at +3.7%.¹
 - Producer Prices also exceeded expectations with an annual increase of +6.3%.¹
- An index of equities outside the US (FTSE All-World ex-US) lost -1.61%.¹

¹ Source: Bloomberg – 10/15/2026

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Conclusion

- US equity markets ended lower at the index level but under the surface offered a different view.
 - The Nasdaq shed almost 5% as the mainstream scrutiny of the borrowing costs for the AI buildout intensified.¹
 - Investors appeared to question the cash-flow returns in the future relative to the capex deployment costs today.
 - Semiconductors, the darlings of the last couple of years, saw 18% wiped out from their index following an 8-session decline; the longest since 2008.¹
 - The Dow Jones Industrial Average led major indices to the upside with a gain of +0.67%.¹
 - Equal-weight S&P 500 outperformed the S&P 500 by over 3% for its sharpest relative gain since 2022.¹
 - We believe the AI infrastructure debt concerns triggered an aggressive market rotation towards areas of the market that had been underperforming.
 - We'll be watching whether this was a sustainable rotation or short covering.
- S&P 500 sectors were mixed but more of them were higher than lower last week.
 - Energy & Staples led to the upside as other defensive and real-asset sectors saw strength.
 - Financials declined for the 6th consecutive week for their longest streak of losses since the financial crisis.¹
- US Treasury yields continued their trend from last week and declined across the board.
 - This broke recent correlation with inflation as yields were lower despite higher-than-expected readings of Consumer & Producer prices.
 - Oil's surge to its highest level since May briefly sent yields climbing again on Friday, exposing the tension between demand for safety and renewed inflation fears.
 - We believe it is notable that treasuries found a bid with credit spreads widening and mega-cap equities experiencing weakness.
- Commodities experienced overall strength last week thanks to oil.
 - Crude touched its highest level since May on the back of infrastructure attacks in the Middle East.
 - Precious metals softened during the week with silver leading to the downside.
 - The US Dollar saw its sharpest decline since early September.¹
 - Despite the move, large speculators expanded their bullish bets on the greenback to the highest levels since July.¹
- From a near-term risk management perspective, here are some of the things we're watching:
 - **Systematic & CTA Trends:** These large investors risk exacerbating downside volatility if key stock market levels give way.
 - **5% Level on the 10yr:** Monitoring if the global benchmark 10yr yield can get pushed below the 5% level OR if energy-driven headline inflation & govt deficits pushes it back higher.
 - **Credit Contagion?:** Watching whether debt distress in the AI infrastructure complex begins spilling into broader high-yield spreads and bank balance sheets.
 - **Energy Supply Shocks:** Tracking crude above \$100 as drone & missile strikes disrupt Gulf export routes, threatening global growth.

Justin Greenhill - Chief Investment Officer – justin@sollinda.com

Ryan A. Mummy, CFP® - CEO – ryan@sollinda.com

Phone: 844/662-1211

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