



QUARTERLY MARKET REVIEW

Third Quarter 2026

A resilient economy and solid company earnings carried stocks to new highs, even as oil topped \$100 and interest rates climbed to their highest levels since 2007.

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catalystfg.com | (832) 657-7735

THE QUARTER AT A GLANCE

New highs, higher rates, and \$100 oil

+2.0%

S&P 500

Price return for the quarter, after record highs in August and September

5.29%

10-YEAR TREASURY YIELD

Sept. 30 close, the highest level since 2007

3.75%–4.00%

FED FUNDS TARGET

After the Sept. 16 increase, the Fed's first since 2023

\$109

BRENT CRUDE PEAK

Futures price on Sept. 15, up from \$72 on July 1

01

Stocks rose, but the gains were narrow.

Large technology and energy companies did most of the lifting. Many other stocks were flat to down, and smaller companies fell about 7%.

02

Interest rates moved sharply higher.

The Federal Reserve raised its benchmark rate in September, and the 10-year Treasury yield climbed nearly a full percentage point from the end of June.

03

Oil was the main source of worry.

Renewed conflict in the Middle East pushed oil back above \$100 a barrel, keeping overall inflation at 3.4% even as underlying inflation continued to cool.

U.S. STOCKS

Stocks finished higher, but a few large companies did the lifting

The S&P; 500 gained about 2% in the third quarter and reached record highs in August and early September. The Nasdaq, home to many of the largest technology companies, did slightly better. The Dow Jones Industrial Average, which holds fewer technology names, fell 2.7%.

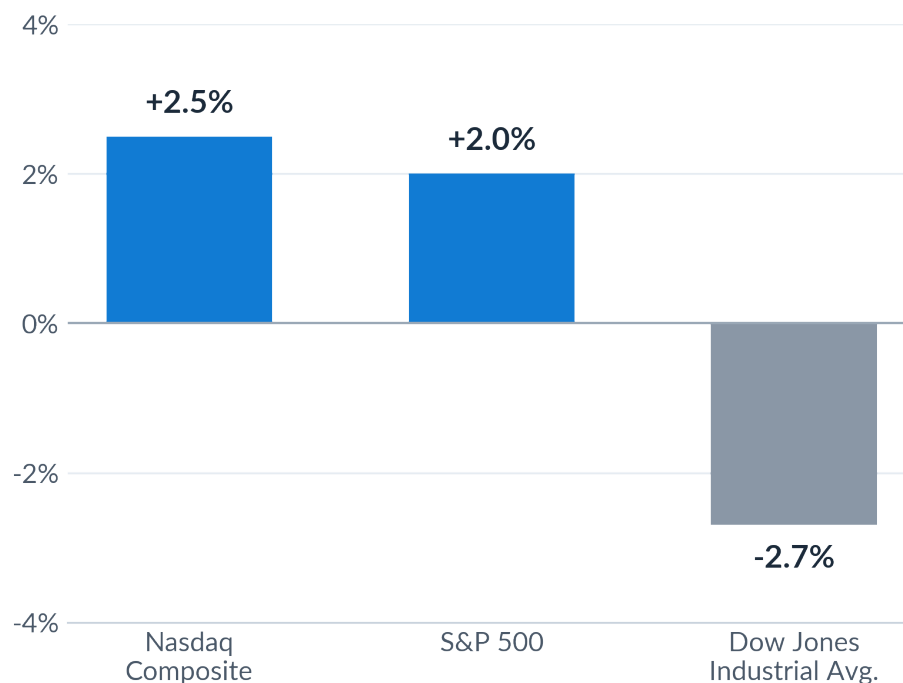
Beneath the headline numbers, the rally was narrow. Energy was the strongest sector, helped by higher oil prices, and only four of eleven sectors finished the quarter higher: energy, technology, health care, and communication services. Utilities, industrials, and real estate fell the most. In September, the average S&P; 500 stock trailed the index itself by more than four percentage points.

Smaller companies had a harder time, falling about 7% for the quarter after a strong spring. Higher interest rates tend to weigh more on businesses that rely on borrowing.

WHY IT MATTERS

When a handful of large companies drive most of the gains, a diversified portfolio can trail the headline index for a while. That is the trade-off for not depending on any single group of stocks.

Third-quarter price returns, major U.S. indexes



Source: S&P Dow Jones Indices; Nasdaq. Price returns, June 30 to September 30, 2026. Indexes are unmanaged and cannot be invested in directly. Past performance is not a guarantee of future results.

INTEREST RATES AND THE FED

Interest rates climbed to their highest levels in nearly two decades

The Federal Reserve raised its benchmark rate by a quarter point on September 16, to a range of 3.75% to 4.00%. It was the Fed's first increase since 2023, and the vote was unanimous. The Fed's own projections leave room for one more increase before year-end.

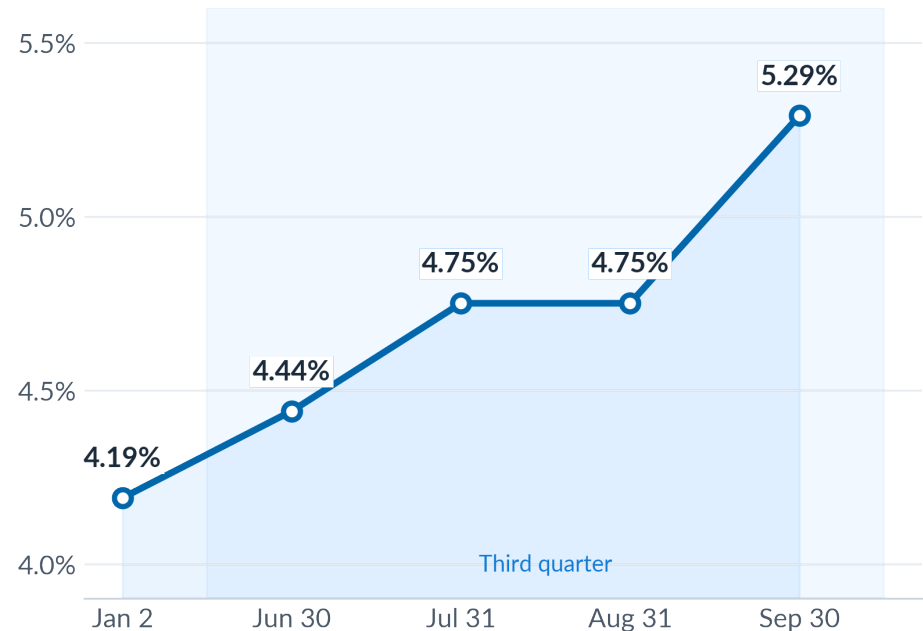
Longer-term rates rose even faster. The 10-year Treasury yield, which influences mortgage and loan rates, ended September at 5.29%, up from 4.44% at the end of June and the highest level since 2007. Higher oil prices, a strong economy, and heavy government and corporate borrowing all pushed rates up.

When rates rise, the prices of existing bonds fall, so many bond investments had a difficult quarter. The other side of that coin: new bonds, CDs, and money market funds now pay noticeably more than they did a few years ago.

WHY IT MATTERS

Higher yields mean more income from bonds and cash. For investors who hold bonds for income over time, short-term price swings tend to matter less than the yield they lock in.

10-year U.S. Treasury yield, selected 2026 closes



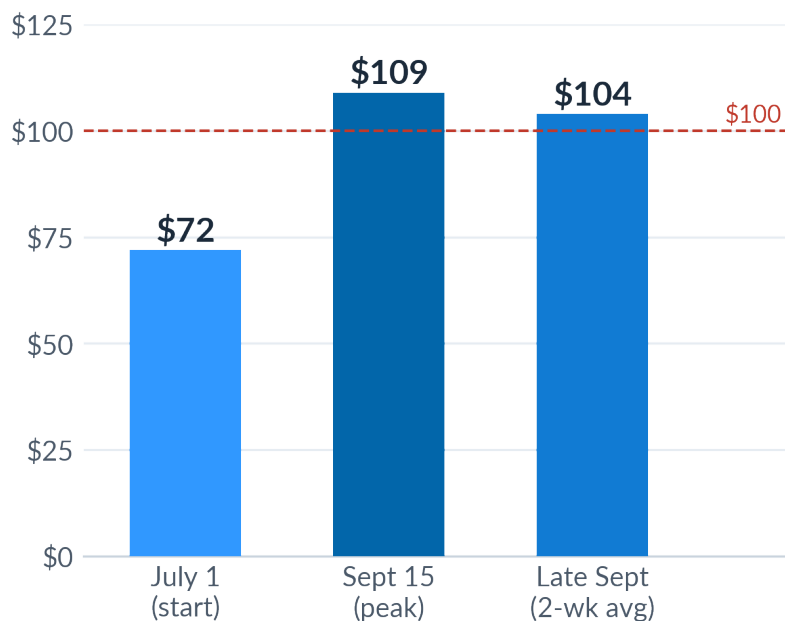
Source: Board of Governors of the Federal Reserve System, H.15 Selected Interest Rates; U.S. Department of the Treasury. Constant-maturity yields.

OIL AND INFLATION

Oil pushed inflation up while the underlying trend kept cooling

Conflict in the Middle East was the market's biggest worry. Brent crude, the global oil benchmark, started the quarter near \$72 a barrel after a June agreement eased supply concerns. As talks lost momentum, prices climbed, peaking at \$109 in mid-September and averaging about \$104 over the quarter's final two weeks.

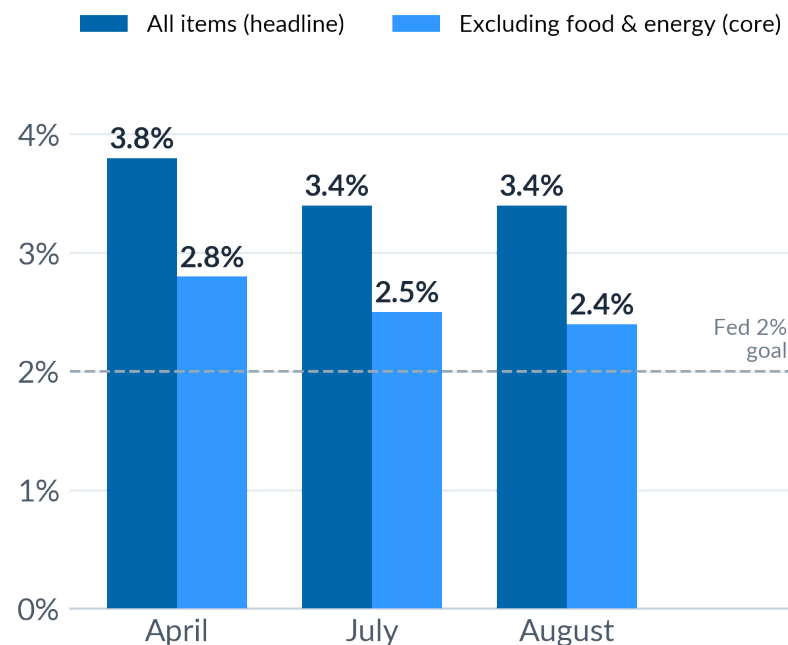
Brent crude oil futures, dollars per barrel



Source: U.S. Energy Information Administration. Front-month futures; late-September figure is the approximate average of the quarter's final two weeks.

Higher gasoline prices kept overall inflation at 3.4% in August. But core inflation, which leaves out volatile food and energy prices, eased to 2.4%, its slowest pace since 2021. Another inflation measure the Fed watches closely, released on the last day of the quarter, came in slightly below expectations.

Consumer price inflation, year over year, 2026



Source: U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers.

LOOKING AHEAD

What we're watching in the fourth quarter

The Fed's next move

The Fed meets October 27–28. Markets are weighing whether higher oil prices lead to another increase, or whether cooling core inflation lets the Fed pause.

Oil and the Middle East

Energy prices remain tied to the conflict and to peace talks. A lasting agreement could ease inflation pressure; further disruption could add to it.

Third-quarter earnings

Strong company profits have been the market's main support this year. Results arriving over the coming weeks will show whether that continues.

November midterm elections

Election seasons often bring short-term swings in markets. Over time, the economy and company earnings have mattered far more than any single election result.

KEEPING PERSPECTIVE

Quarters like this are a normal part of investing. Over the past three months, stocks reached new highs, interest rates jumped, and oil crossed \$100, yet the economy kept growing and the broad market finished higher. A long-term plan is built expecting periods like this. If you have questions about how current conditions relate to your own situation, your Catalyst advisor is always glad to talk them through.

IMPORTANT INFORMATION

Definitions, sources, and disclosures

Definitions. The S&P 500 tracks 500 large U.S. companies. The Nasdaq Composite includes more than 3,000 stocks listed on the Nasdaq exchange and is weighted toward technology. The Dow Jones Industrial Average tracks 30 large U.S. companies. The 10-year Treasury yield is the annual return on a 10-year U.S. government bond held to maturity. The Consumer Price Index (CPI) measures changes in prices paid by urban consumers; core CPI excludes food and energy. Brent crude is the main global benchmark for oil prices. The federal funds rate is the Federal Reserve's benchmark short-term interest rate.

Sources. S&P Dow Jones Indices; Nasdaq; Board of Governors of the Federal Reserve System (H.15 Selected Interest Rates, FOMC statement and Summary of Economic Projections, September 16, 2026); U.S. Department of the Treasury; U.S. Energy Information Administration; U.S. Bureau of Labor Statistics; U.S. Bureau of Economic Analysis. Data as of September 30, 2026, unless otherwise noted.

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