



ARGUS ECONOMIC COMMENTARY

October 12, 2026

Rising Rates Pressure Consumers: Our Monthly Survey of the Economy, Interest Rates, and Stocks

The stock market has entered what is typically its best performance quarter of the year. Stocks are not inexpensive, and the beaten-up bond market is now offering attractively high income. Still, we do not believe stocks have drifted into overvaluation territory.

We have different ways of looking at market valuations, and most are signaling that stocks are reasonably valued. Our primary asset allocation model is our Stock/Bond Barometer, which has over five decades of data and takes into account real-time price levels, historical growth rates, and forward-looking forecasts. The output is expressed in terms of standard deviations to the mean, or sigma. The mean reading is a modest premium for stocks of 0.18 sigma, with a standard deviation of 1.06. The current valuation is a 1.03 sigma premium for stocks, just outside of the normal range for the first time in 25 years.

Beyond our Stock/Bond Barometer, valuation measures show reasonable multiples for stocks. The current forward P/E ratio for the S&P 500 is 19, within the range of 15-24, as earnings estimates continue to rise. On price/book and price/sales ratios and dividend yield, stocks are priced at the high end of historical ranges, given that tech stocks, with low capital bases and generally low yields, are the biggest component of the market. The earnings yield (blended five-year average S&P 500 earnings divided by the S&P 500 price level) is just below the 10-year Treasury bond yield, signaling value for stocks. The ratio of the S&P 500 price to an ounce of gold is 1.8, within the normal range of 1-3.

These valuation measures suggest the stock market is not in danger of entering bubble territory at this juncture but could benefit from lower interest rates down the road. Oil flows through the Strait of Hormuz continue to improve toward prewar levels. Normalization of oil flows won't immediately cause energy prices to fall. Over time, though,

a sustained decline in energy prices should help reduce inflation, which in turn could begin to reverse the trend in interest rates.

The Economy, Interest Rates, and Earnings

The final (third) gross domestic product (GDP) report for the second quarter of 2026 reflected annualized growth of 2.2%, rising from 1.5% in the advance and preliminary reports and down slightly from 2.5% in 1Q26. GDP data stretching back several years were revised on September 30; previously, 1Q26 GDP growth was reported at 2.1%. Second-quarter 2026 GDP captures the full three-month effects of the war in the Middle East, whereas 1Q26 GDP included just the initial month of the conflict.

In broad strokes, the GDP report shows a resilient consumer economy rebounding from weak consumer spending in the first quarter and a commercial economy pulling back only slightly from 1Q's aggressive spending on artificial intelligence (AI). The need to import semiconductors and servers to support AI build-outs, along with impediments to the president's tariff agenda, contributed to a surge in imports that meaningfully reduced 2Q26 GDP.

Second-quarter 2026 Personal Consumption Expenditures (PCE) increased a healthy 3.8%, rebounding sharply from PCE growth of 0.7% (revised) in 1Q26. Total spending on goods increased 4.5% in 2Q26, led by a 7.4% rise in durable goods spending. Motor vehicles & parts and home furnishings & durable household equipment contributed to this strong growth. Nondurable goods spending rose 3.1% in 2Q26, even though spending on gasoline declined. Services spending, the biggest part of GDP, grew 3.4% in 2Q26, up sharply from 0.7% (revised) in 1Q26.

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Altogether, PCE contributed 2.51 percentage points to 2Q26 GDP, after contributing just 0.49 point in 1Q26. Consumer spending on goods contributed 0.94 point to 2Q26 GDP, and spending on services contributed 1.57 points.

Nonresidential fixed investment, the proxy for corporate capital spending, rose by 9.0% in 2Q26, down from 9.9% in 1Q26. The AI boom drove 13.4% growth in equipment spending and 9.2% growth in intellectual property products; corporate spending on structures declined 1.8%. Nonresidential fixed investment contributed 1.25 points to total 2Q26 GDP. Residential investment delivered 2.8% growth in 2Q26.

PCE and nonresidential fixed investment normally constitute 80%-85% of GDP. These two categories contributed 3.76 percentage points to 2Q26 GDP growth after contributing 1.85 points to 1Q26 GDP growth. So why wasn't overall 2Q26 GDP growth stronger? Mainly because of negative trends in key categories of net exports-imports and private inventories.

Net import-exports and private inventories were highly volatile in 2025 as companies sought to optimally position their overseas goods flows around the Liberation Day announcements in April and actual tariff implementation in August. The Supreme Court in February 2026 struck down the use of the International Emergency Economic Powers Act (IEEPA) for tariffs, and the White House responded by using Section 122 of the Trade Act of 1974 to implement blanket 10% tariffs.

Beginning in February, companies sued (many successfully) for the return of tariffs levied under the IEEPA. Tariffs levied under Section 122 of the Trade Act of 1974 expired in July after a 150-day window. Congress has elected not to extend this usage, a required step to keep them in effect. Most recently, the White House levied 10% tariffs under section 301 alleging widespread forced-labor violations. The tariff situation, which seemed settled, remains confusing and is a hindrance to business planning.

In addition to tariffs, many semiconductors and other technology hardware products vital to U.S. AI investments are imported. We expect the combination of AI imports and tariff turbulence to keep imports elevated in the intermediate term.

Exports rose 5.0% in 2Q26, moderating from 13.9% growth (revised) in 1Q26. At least some of that growth was in oil exports after the Strait of Hormuz was closed by Iran. Imports rose 12.6% in 2Q26 after rising 11.5% in 1Q26. Net exports-imports subtracted 1.10 percentage points from 2Q26 GDP after subtracting a tiny 0.04 point in 1Q26. The change in private inventories, part of gross private domestic investment, subtracted 0.53 percentage point from 2Q26 GDP. Net exports and change in private inventories combined subtracted 1.63 percentage points from 2Q26 GDP.

Government spending declined 0.1% in 2Q26. This formerly stable and now volatile category edged lower in the second quarter after 4.6% growth in 1Q26, which reflected recovery from a 5.7% decline in shutdown-impacted 4Q25. The decline in government spending subtracted 0.01 point from 2Q26 GDP growth after adding 0.80 point in 1Q26.

Argus Chief Economist Christopher Graja, CFA, notes that indicators point to further strengthening in gross domestic investment, as companies seek to boost productivity and improve return on investment by spending on AI. Chris continues to model positive GDP growth for 2026 and 2027 but now expects a slightly bigger drag on GDP growth from AI imports. Argus is forecasting 2026 GDP growth of 2.2%, followed by identical 2.2% growth for 2027. Argus expects acceleration in business investment to support AI infrastructure build-outs, including imports of technology hardware that reduce GDP.

Outside the GDP accounts, the picture remains mixed. Based on sentiment surveys and diffusion indexes, the business community is guardedly optimistic due to the AI-related business surge, while consumers remain worried about inflation, affordability, and new jobs availability. Concerns about the war appear to be having a moderately negative impact on sentiment, while inflation is directly impacting business and consumer spending.

After multiple years of strength, the U.S. employment economy slowed in 2H25. Employment growth was better than expected across the first half of 2026 but has been volatile in the second half. The U.S. economy added 29,000 nonfarm payroll jobs in September 2026, missing the consensus call of 90,000 new jobs. Reflecting downward revisions to August and July, nonfarm payrolls averaged a monthly gain of 51,000 for July-September, compared with a previously reported average gain of 71,000 for June-August.

The unemployment rate rose to 4.2% for September, breaking a two-month string of 4.1% readings for August and July. The still low unemployment rate amid tepid jobs growth partly reflects slower population growth due to immigration policy and fewer native-born births, as well as baby boomers exiting the workforce. Average hourly earnings for September grew 3.0% annually, down from 3.2% for August; annual wage growth had mainly been in the 3.5%-4.0% range for the past few years. Over that span, hourly workers could at least count on annual wage growth staying ahead of rising prices. Wage growth is now running behind inflation.

The age of AI has moved beyond the first phase of generative AI, characterized by training of large language models by hyperscalers building AI data centers. The next phase is agentic AI, now rolling out to enterprise and sovereign customers. The U.S. industrial sector is helping to build the necessary infrastructure to support this transition.

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New orders for durable goods were fractionally lower in August, following a 0.9% increase in July. Orders excluding the volatile transportation component increased 0.3% in September; durable goods orders excluding defense rose 0.1%. Computer and electronic orders were unchanged in August after declining 1.1% in July; this series grew in nine of the past 12 months in support of AI build-out.

Industrial production was unchanged in August after growth of 0.2% in July. Manufacturing output fell 0.3%, while mining production rose 0.1%. In a hot month, utilities delivered 1.8% growth. Industrial production increased 0.9% at an annual rate in August, slowing from year-over-year growth of 4.0% in 2Q26. Capacity utilization was 76.3% in August, unchanged from July. Capacity utilization is more than 3 percentage points below its long-run (1972-2025) average.

Diffusion (sentiment) indexes from the manufacturing and commercial economy signal high confidence in future growth. The purchasing managers' reports from the Institute for Supply Management showed the industrial and services economies in expansion territory though slightly decelerating in September. The Manufacturing Purchasing Managers' Index was at 54.5% in September, down a tick from 54.6% in August. The Services PMI, which is on a lagged release schedule from manufacturing PMI, was at 55.4% in August, up 1.3 percentage points from 54.1% in July. Both PMI reports were comfortably above the 50 demarcation line between expansion and contraction. The Services PMI has spent two years in expansion territory, while the Manufacturing PMI has posted seven straight months of expansion.

The Conference Board's Consumer Confidence Index fell to 81.9 in September 2026 from 88.6 in August, hitting a seven-month low as the fragile truce with Iran unraveled. The University of Michigan Index of Consumer Sentiment was 48.1% in September, down from 51.7% in August; this series continues to reflect consumer anxiety about the war, high gas prices, and uncertain job prospects. Levels for these consumer surveys are near historical lows and remain well below pre-Iran War levels.

Actual and diffusion (sentiment) data reflect inflation anxiety and concerns the ongoing war with Iran will keep gasoline prices high. The memorandum of understanding between the U.S. and Iran lapsed in June, but traffic through the Strait of Hormuz is now approaching prewar levels. In the U.S., consumers and companies are mainly going about their business amid the ongoing state of war. Consumers are employed, and businesses are investing in the AI opportunity.

Kevin Warsh began his tenure as chairman of the Federal Reserve (Fed) in May 2026. At the June and July 2026 Federal Open Market Committee (FOMC) meetings, the Fed's board of governors expressed increasing concern about the trend in inflation but made no change to policy. At the September

FOMC meeting, the central bank for the first time in three years hiked the Fed Funds rate, by 25 basis points.

Fed Chairman Warsh has noted that in the past, commentary from the Fed seemed to drive the fixed-income market; he would like to see the fixed-income market drive the Fed's response. Currently, the fixed income market is giving an unequivocal message that rates need to be higher, due to worsening wartime and tariff-related inflation.

Within the final 2Q26 GDP report, the PCE Price Index rose by 5.0%, compared with 4.2% in 1Q26 (revised down from 4.6%). The Core PCE Price Index, which strips out energy and food, was up 3.3% in 2Q26, compared to 3.9% growth in 1Q26 (revised from 4.4%). In the Personal Income and Outlays report for August, the annual change of 3.0% in the Core PCE Price Index was stable with 3.0% in July; both moderated from 3.3% in June, which was the highest in three years. Core PCE metrics are monitored by the Fed as part of its rate-setting deliberations.

August 2026 inflation data from the consumer and commercial economies showed that inflation remains a problem. The annual change in the all-items Consumer Price Index (CPI) for August was 3.4%, unchanged from July. The August Core CPI (excluding food and energy) rose 2.4% from a year earlier, compared with 2.5% for July.

The all-items Producer Price Index (PPI) in August 2026 increased 5.4% on a year-over-year basis, rising from an annual change of 4.7% in July. On a core basis, which strips out food, energy, and trade services, August PPI rose 4.7% annually, flat with July. Energy and gasoline prices flared across summer 2026 and are likely to remain elevated even as traffic improves through the Strait of Hormuz.

Interest rates shot higher on inflation fears after the war with Iran began at the end of February 2026. Rates remained elevated across the second quarter and then moved higher again in the third quarter. The Treasury Department's debt repurchase program has so far proved insufficient to slow the uptick in rates. September marked the sharpest rise yet in this cycle in market rates of interest, with 10-year and 30-year yields routinely making new multidecade highs. Both medium and long-term yields rose about half a percentage point in September alone.

The 10-year Treasury yield was 5.24% as of the end of September 2026, compared with 4.70% as of the end of August and 4.14% at year-end 2025. The two-year Treasury yield was 4.78% as of the end of September 2026, versus 4.24% as of the end of August and 3.45% as of year-end 2025.

The two-10 slope in the yield curve was relatively stable at 46 basis points (bps) at the end of September 2026, versus 42 bps at the end of August. The year-end 2025 two-10 slope of 69 bps was the steepest since 2021, before the Fed began its fight against inflation.

Argus Fixed Income Strategist Kevin Heal now expects a total of two hikes in the Fed Funds rates in 2026. The

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first has already occurred at the September FOMC meeting. Weak nonfarm payrolls data for September and energy prices coming off peak reduce pressure on the Fed to hike rates at the October FOMC meeting. Kevin expects the Fed to raise rates for a second time, also by a quarter point, at the December meeting, after the midterm elections.

By year-end 2026, the CME FedWatch tool shows a 67% probability that the Fed Funds rate will be 50 bps higher than it was before the Fed began this rate-hiking cycle in September. The monetary policy outlook for 2027 is uncertain.

The calendar 2Q26 earnings season, like the 1Q26 earnings season, delivered exceptional annual EPS growth that is allaying fears of excess valuations, even with stocks near all-time highs. S&P 500 earnings from continuing operations for calendar 2Q26 rose 50%-52% from 2Q25, according to the tracking firms Bloomberg, FactSet, and Refinitiv. The 50% growth rate includes massive onetime gains from two GAAP-only reporting companies, Alphabet Inc. (GOOGL) and Amazon.com Inc. (AMZN). Excluding those gains, the blended 2Q26 EPS growth rate is closer to 28% — still the second-best growth since 2Q21.

Among companies reporting earnings growth, 86% surpassed prereporting consensus expectations — well above the 75%-80% range prevailing for the past 10 years. After backing out the AMZN and GOOGL onetime gains, the 11% EPS beat against expectations was meaningfully above the typical EPS beat range of 5%-8%.

AI is driving technology earnings growth, but it is not all Magnificent 7. The best AI-driven growth has been coming not from the hyperscalers, but from the companies whose hardware — semiconductors, memory & data storage, and networking — supports the transition from generative AI to agentic AI.

While AI captures the headlines, an equally important story for the reporting quarter was across-the-board earnings strength. Sectors such as Materials, Energy, Industrial, Financial, and Utilities delivered strong double-digit EPS growth and are on track to sustain the positive trend going forward.

In June 2026, we raised our forecast for 2026 S&P 500 earnings from continuing operations to \$340 per share from a prior \$315. Our 2026 estimate assumes 24.8% growth in continuing operations earnings from 2025. At that time, we also raised our 2027 forecast for S&P 500 earnings from continuing operations to \$390 per share from a prior \$363. Our 2027 estimate assumes 14.5% growth in continuing operations earnings from our 2026 estimate.

Domestic and Global Markets

The performance discussed herein captures the market status as of end of September 2026. This data does not reflect what has happened in the market in recent days.

The major indices have vacillated between growth leadership and everything else — defensive, cyclical,

commodity, and rate sensitive — for much of 2025 and all of 2026 to date. After a risk-off and down first quarter and a growth-led second quarter, leadership was broad-based but volatile in 3Q26. The market overall is up nine months into 2026, generally a highly positive sign that stocks will finish the year in the green.

Although 2026 has included some profit taking in AI names and bouts of leadership rotation, technology continues to drive the major indexes higher. Meanwhile, the spike in yields has pushed the fixed income market into negative territory for 2026 as of the nine-month mark, while also taking a toll on interest-rate-sensitive stocks.

As of the end of September 2026, the S&P 500 was up 13.9% year-to-date on a total return basis (including hypothetical dividends). The Dow Jones Industrial Average was up 7.4% as of the end of September, dropping sharply from a low-double-digit gain at the end of August. The Nasdaq Composite, which was neck and neck with the indices at the end of August, is again pulling away with a 17.4% year-to-date gain as of the end of September.

Value and growth had been vying for leadership all year. Value remained in front as of the end of 3Q, but its lead has been whittled away. The FT Wilshire US Large Cap Value index was up 13.4% year-to-date at the end of September, versus 9.4% for the FT Wilshire US Large Cap Growth index — a 4.0 percentage point premium that is down from a 10-point lead a month earlier. Small caps continue to relatively outperform but also gave back in the past month. The Russell 2000 Index was up 15.7% at the end of September, putting it behind the Nasdaq for the first time this year. Stock performance has been headline driven. While awaiting reduced pressure on inflation from the decline in oil prices, stocks remain positive for the year.

Sector leadership in 2Q26 diverged sharply from leadership in 1Q26. In 3Q, sector momentum remained in flux. In 1Q, Energy was the clear leader, with a 36% gain. Materials, which like Energy is seen as an inflation hedge, rose 14% in 1Q26. Also winning in 1Q was the high-yielding Utilities sector, up 7%, and the defensive Consumer Staples sector, up 6%. First-quarter laggards included Information Technology, Consumer Discretionary, and Communication Services; the three growth sectors dropped 6%-12%.

Investors flipped the script in 2Q26, with growth leadership reasserting itself and defensive, income, and inflation hedging stepping to the rear. Information Technology rose over 32% in 2Q26 as agentic AI drove a new round of AI fever. Consumer Discretionary, Industrial, and Financial all rose in mid-single-digit percentages for 2Q26 on signs of acceleration in economic activity. Many of 1Q's winners were in the loss column in 2Q26, with Energy most notably falling after a strong 1Q26.

In 3Q26, the best performers spanned a variety of investing styles, from inflation hedge to growth to defensive.

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Energy led, with a 14.5% gain. Other winning sectors in 3Q26 included Healthcare (up 6.8%), Information Technology (up 5.0%), and Communication Services (up 3.6%). Sectors that declined in 3Q26 were Consumer Discretionary, Consumer Staples, Financial, Industrial, Utilities, Real Estate, and Materials.

Nine months of volatile trading have led to a balanced advance for the market heading into October 2026. Energy leads, with a mid-30% gain for 2026 year-to-date. Information Technology is up in the low-30% range year-to-date, and Materials is up in the high-teens range. Four sectors — Healthcare, Industrial, Real Estate, and Consumer Staples — are up in single-digit percentages. And four sectors — Communication Services, Consumer Discretionary, Financial, and Utilities — are down for the year.

We have always believed that rotation away from growth and toward more diversity in sector leadership is positive for sustaining the health and length of the bull market. A balanced advance lessens the risk of a thin, topmy market and can help a shaky bull get steadier on its hooves.

In September, investors piled back into AI and technology names, even the software stocks that they disdained across midyear. Information Technology ended 3Q with a 39.7% weighting within the S&P 500, close to its all-time high and up 180 bps in just a month. Information Technology was so voracious that even sectors that did well in September lost weight in the S&P 500.

Communication Services was the only other sector to increase its weighting in September, rising by 40 bps from the end of August to 9.9%. Healthcare held steady at 9.3%, despite being a leading sector in September. And Energy ticked down to 3.4% from 3.5%, despite being the best-performing sector in 3Q26. Industrial and Materials, both year-to-date winners, lost a combined 40 bps in September.

Among sectors that lost the most weight in the past month, Financial was hit hardest. As rates spiked across the yield curve, the Financial sector gave up 90 bps to finish September with an 11.4% weighting. Financial gave up 240 bps year over year, compared with its 13.8% weighting at the end of September 2025. Consumer Discretionary and Consumer Staples lost a combined 60 bps in September; both are recommended to be Under-Weight. Rate-sensitive Utilities and Real Estate each lost 10 bps in September as interest rates spiked.

As of the end of September, seven of nine global bourses in our tally were positive for 2026. The two laggards, China and India, are most dependent on oil from the Middle East. Despite signs of improved oil flows through the Strait of Hormuz, global crude oil inventories are near bottom, and refined products are hard to acquire due to refinery outages. The U.S. is mainly energy independent,

and the S&P 500 has remained at least in the middle of the pack since the war in Iran began.

In broad strokes, developed-world economies are gaining ground, and the lag in developing economies is worsening. On a theme basis, mature economies are up 17.6% year-to-date in 2026 on safe-haven demand. Americas markets are up 11.0% in 2026, as double-digit gains from Canada, Brazil, and the U.S. offset the fractional gain from Mexico. Resources economies are up 10.0%. Asian markets are up 4.0% in 2026 to date; most of that gain is attributable to Japan. BRICs-minus-Russia are down 2.5% for the year-to-date.

Conclusion

The S&P 500 is up in double-digit percentages for 2026 to date, belying a host of challenges. Stocks typically struggle in the midterm election year of the presidential cycle. The stock market rose in double-digit percentages in 2023 through 2025, and a fourth consecutive double-digit year is not common. The biggest challenge may be that market interest rates have risen to the highest levels in decades. That is pressuring an already stalled housing market, impacting purchases of big-ticket discretionary goods such as vehicles and appliances, and weighing on consumer sentiment. The Fed hiked interest rates in September for the first time in three years, and investors believe additional rates hikes are inevitable.

Despite the war with Iran, rising inflation, and surging interest rates, the S&P 500 has the calendar on its side. The index was up 11.8% as of the end of September 2026. In years since 1980 in which the S&P 500 rises in double-digit percentages through the nine-month mark, the index tends to deliver a full-year gain that is measurably better than the average gain for all years.

Specifically, in the 19 of 46 years from 1980 to 2025 in which the S&P 500 was up in double-digit percentages at the nine-month mark, the average gain through the end of September was 18.1%. And for those years, average full-year capital appreciation was 22.7%, compared with an average gain of 10.6% for all years from 1980 to 2025.

With a roughly 12% gain for 2026 to date, the index would need a 10% fourth quarter to reach that nearly 23% gain cited above. Over our 1980-2025 survey period, the S&P 500 has averaged a 4.7% gain in the fourth quarter, the best of any quarter. As any positive stock year winds down, money managers window-dress client portfolios with the year's winners, and bearish investors have to capitulate or risk the wrath of their clients. All in all, and despite the current challenges in the economy, stocks are in good shape for the final three-month run.

Jim Kelleher, CFA,
Director of Research

KEY ECONOMIC FORECASTS

- The \$33 trillion U.S. economy remains on course for productive long-term growth, powered by corporate investments in artificial intelligence (AI). Nvidia Corp. CFO Colette Kress estimated in May that AI infrastructure spending is on track to reach \$3 trillion-\$4 trillion annually by the end of this decade.
- Real potential gross domestic product (GDP) — the sustainable speed limit of the US economy — is poised to increase to 2.1%, on average, through 2030, according to the Congressional Budget Office. AI is likely to raise productivity, offsetting slower growth in the labor force from an aging population and reduced immigration.
- Our 2026 GDP growth forecast is 2.2% (up from 2.1%). Our 2027 forecast is unchanged at 2.2%. In an August 2026 speech, Tom Barkin, president of the Federal Reserve Bank of Richmond, cited the low unemployment rate and a record 59 months with unemployment below 4.5% as keys to the economy's resilience, despite a "slew of challenges." President Barkin added that "consumers aren't feeling as much pressure to cut back" when they have jobs.
- Argus expects S&P 500 earnings per share (EPS) to rise almost 25% to \$340 in 2026 and increase about 15% to \$390 in 2027. EPS are helped by an increase in operating margins to about 19% this year. Growing tech giants such as Microsoft Corp. and Nvidia have higher margins than Dow stalwarts such as Walmart Inc. and Caterpillar Inc. Argus expects the S&P 500 to trade in a range of 6,900-8,450 over the next 12 months. Our year-end 2026 price target for the S&P 500 is 8,000, based on a multiple of 20.5-times our 2027 EPS estimate.
- The Misery Index, which is the Consumer Price Index (CPI) inflation rate plus the unemployment rate, is 7.6%, below the average of 9.2% since 1949 but up from 6.7% in January. Unemployment is low, at 4.2%. Inflation remains elevated at 3.4% in August, but it is below the recent peak of 4.2% in May.
- Gasoline prices at \$4.40 a gallon are straining consumers' preholiday spending. Inflation will be a key issue in fall elections for control of Congress. Looking ahead to 2027, the Energy Information Administration outlook calls for a recovery in oil supply and ultimately a surplus. If that's the case, West Texas Intermediate likely will resume its secular downtrend. Our preliminary 2027 outlook is \$70 a barrel, down from \$80 in 2026.
- The yield on the 10-year Treasury bond has jumped to about 5.25%, up from 3.95% before the escalation of the conflict with Iran. The 10 year has a bigger and more direct effect on the economy than an equivalent move in the Federal Funds rate. We expect the 10 year to end 4Q27 in a range of 4.0%-5.0%.
- Gold, the ancient safe-haven asset, is likely to remain at high levels, in a range of \$4,000-\$6,000 an ounce in 2026, amid buying by central banks, global uncertainty, and concerns about the U.S. budget deficit.
- The Federal Open Market Committee voted 12-0 in September to raise the Fed Funds target by a quarter point to 3.75%-4.0%. Argus Fixed Income Strategist Kevin Heal expects one more hike this year before the central bank moves to the sidelines in 2027. We expect the dollar to be flat to firmer over the next year, helped by higher rates and demand for shares of innovative U.S. companies.
- What could go right? Low unemployment, strong S&P 500 earnings, ongoing innovation, spending by wealthy consumers, massive capital investment in AI, and productivity gains.
- Risks: Higher interest rates, a pause in investment by AI companies, a weak housing market, inflation/strains on affordability, hostilities with Iran, and U.S. budget deficits raising the national debt.

CURRENT ECONOMIC RELEASES

Current Economic Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
1-Oct	ISM Manufacturing	September	54.6	55.0	55.0	54.50
	ISM New Orders	September	53.7	54.0	55.1	55.3
	ISM Prices	September	71.1	71.0	72.5	77.9
	Construction Spending	August	-2.6%	-3.6%	NA	-1.7%
2-Oct	Nonfarm Payrolls	September	133K	115K	90K	29K
	Unemployment Rate	September	4.1%	4.0%	4.1%	4.2%
	Average Weekly Hours	September	34.4	34.4	34.3	34.4
	Average Hourly Earnings	September	3.1%	3.1%	3.2%	3.0%
	Factory Orders	August	9.8%	6.6%	NA	8.5%
5-Oct	ISM Services Index	September	55.4	55.2	NA	54.9
6-Oct	Trade Balance	August	-\$92.8 Bln.	-\$101.0 Bln.	NA	-\$105.6 Bln.
	Total Vehicle Sales	September	16.6 Mln.	16.3 Mln.	NA	16.0 Mln.
8-Oct	Wholesale Inventories	August	5.7%	6.6%	NA	NA
9-Oct	U. Michigan Sentiment	October	48.1	47.0	47.8	NA
13-Oct	Existing Home Sales	September	3.98 Mln.	4.00 Mln.	NA	NA
14-Oct	Consumer Price Index	September	3.4%	3.6%	3.7%	NA
	CPI ex-Food & Energy	September	2.4%	2.4%	2.5%	NA
15-Oct	PPI Final Demand	September	5.4%	5.5%	NA	NA
	PPI ex-Food & Energy	September	4.6%	4.5%	NA	NA
	Retail Sales	September	5.4%	5.6%	NA	NA
	Retail Sales ex-autos	September	6.2%	6.5%	NA	NA
	Business Inventories	August	3.8%	5.5%	NA	NA
16-Oct	Industrial Production	September	1.4%	1.7%	NA	NA
	Capacity Utilization	September	76.3%	76.4%	76.5%	NA
	Import Price Index	September	7.0%	7.5%	NA	NA

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