Macro & Market Outlook

as at September 30, 2026

Central Banks

(unchanged*)

- The Federal Reserve ("Fed") raised rates during the third quarter of 2026, bringing the federal funds rate range to 3.75%-4.00%. The Committee remains focused on doing what is necessary to bring inflation in line with its target.
- Expectations are for another rate hike prior to year-end, although this remains highly dependent on economic data. Continued strength in employment and consumer spending will likely be required for the Fed to continue its rate-hike cycle.
- The European Central Bank has an implied 83% probability of a rate hike in December 2026, while the Bank of England has an implied 93% probability of a rate increase in November 2026. The European economy continues to face pressure from elevated oil prices, further complicating the outlook.
- While higher interest rates have not significantly slowed market performance, we continue to closely monitor market reactions to changing interest rate expectations and central bank policy guidance.

Liquidity & Credit

(unchanged*)

- Total household debt decreased by $13 billion to $18.8 trillion in the second quarter, representing a 0.1% decline, according to the latest Quarterly Report on Household Debt and Credit. Aggregate delinquency rates improved slightly, with 4.7% of outstanding debt in some stage of delinquency. Transitions into early delinquency increased for auto loans and mortgages but were largely unchanged for credit cards and other debt.[1]
- Elevated short-term interest rates may encourage consumers to save more and focus on paying down debt due to higher borrowing costs, thereby reducing overall liquidity in the economy.
- According to S&P, unsettled market conditions have halted improvements in its Global Credit Cycle Indicator (CCI), while corporate credit risk continues to build. This environment could persist through the fourth quarter of 2026.[2]

Economics

(unchanged*)

- Global growth eased during the first half of 2026 but proved more resilient than anticipated. The economic fallout from the Middle East conflict was contained by substantial oil inventories, additional supply from outside the Gulf region, and government support measures. Continued strength in AI-related investment also helped sustain production, trade, and economic growth.[3]
- According to the OECD, global GDP growth estimates for 2026 increased to 2.9% but 2027 decreased to 3.0%.[4]
- Economic data remain strong despite ongoing uncertainty. However, both CPI and Core CPI increased in October, adding to inflation concerns. At the same time, retail sales and initial jobless claims were better than expected, highlighting continued economic resilience.

Valuations

(unchanged*)

- Overall valuations have stayed relatively steady since last quarter. The US equity market remain on the higher end of their historical range. For reference, the S&P 500's price-to-earnings (P/E) ratio is currently at 24. In comparison, the P/E ratio for the S&P 500 Equal Weight Index Fund is at 18, which falls within its 10-year range of 15 to 25.
- S&P 500 valuations remained stretched due to the technology sector and assumed high growth rate.

Legend:

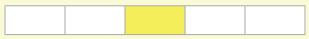


*Change from the previous 12-month outlook.

[1] https://www.newyorkfed.org/microeconomics/hhdc
[2] https://www.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/101707533
[3] https://www.oecd.org/en/publications/oecd-economic-outlook-interim-report-september-2026_f751d02b-en.html
[4] https://www.oecd.org/en/publications/oecd-economic-outlook-interim-report-september-2026_f751d02b-en.html

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Valuations *(cont.)*



(unchanged*)

- International stocks (MSCI EAFE) maintain a lower valuation (P/E at 17) compared to domestic US Equity, as less growth is priced in.
- Elevated bond yields remain a challenge for valuations. Higher borrowing costs can weigh on growth companies by reducing future earnings expectations, while bond-proxy sectors such as utilities and real estate face increased competition from higher-yielding fixed-income investments.

Sentiment



(unchanged*)

- The University of Michigan Consumer Sentiment Index, which measures U.S. consumer confidence, stood at 48 in September 2026, slightly above the low of 45 recorded in May 2026. Consumer sentiment remains well below its long-term average and near 10-year lows.[5]
- The October 14th, 2026, American Association of Individual Investors Sentiment Survey showed a bullish split of 38.7% bullish, 41.6% bearish and 19.7% neutral.[6]
- Only 19% of CEOs reported that economic conditions were better than six months ago, down from 23% in Q3 2026. Meanwhile, 13% of CEOs expected economic conditions to improve over the next six months, down from 25% in Q3 2026.[7]

Technical

(US Large Cap)[8]



(unchanged*)

- The S&P 500 remains in a rising trend channel over the medium to long term. Rising trends suggest positive market development and indicate increasing investor demand for equities.
- The index has broken above resistance at 7,600, which signals the potential for further gains. Overall, the index continues to be assessed as technically positive over the medium to long term.

Overall



(unchanged*)

Conclusion: Our overall assessment remains neutral, reflecting a balance between resilient economic fundamentals and persistent macroeconomic uncertainty. Strong employment, stable consumer spending, and continued investment in technology remain supportive of markets, while elevated valuations, restrictive central bank policy, and geopolitical risks warrant caution. With inflation pressures still present and liquidity conditions mixed, we continue to favour a balanced approach while monitoring developments in economic growth, inflation, and monetary policy.

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[5] https://tradingeconomics.com/united-states/consumer-confidence [6] https://www.aaii.com/sentimentsurvey
[7] https://www.conference-board.org/topics/CEO-Confidence/
[8] https://www.investtech.com/main/market.php?CompanyID=99200005&product=4

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* Change from the previous 12-month outlook.
** The weights to calculate the Overall rating are determined by Argus Wealth at its discretion.

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