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October Market Update

In September, the Federal Reserve delivered its first rate hike since 2023, and long-term Treasury yields jumped as the U.S.-Iran conflict drove oil prices higher. Most stocks and bonds fell together, an uncommon pairing that gave diversified investors little room to gain ground.

With that as context, here's how the major indexes finished the month.

Major U.S. Stock Indexes

[Technology carried the month](#). The Nasdaq 100 rallied on strength in AI and chip stocks, while the S&P 500, the Dow, and shares of smaller companies fell as rising rates hit the rest of the market.

- The S&P 500 [slipped](#) 0.45%.
- The Nasdaq 100 [rallied](#) 3.23%.
- The Dow Jones Industrial Average [slumped](#) 4.29%.

What Shaped the Month

Growth outpaces expectations. Second-quarter growth was revised up to a 2.2% annual rate, lifted by stronger consumer spending and business investment, even as borrowing costs and energy prices climbed. That strength supports paychecks and profits, but it also makes inflation harder to tame.

Diesel crosses \$6. The national average passed that mark for the first time in September and by late September was [up about 70% since the U.S.-Iran conflict began](#), as attacks on tankers and Russian refineries, along with Moscow's export ban, left refiners unable to keep up. Because diesel moves nearly every product to market, its cost flows into freight, food, and delivery prices, making it a broader source of price pressure than gasoline.

The Fed hikes rates. At its September meeting, the Federal Reserve raised its benchmark rate by a quarter point. After this, most policymakers are forecasting another hike in 2026. Even with a softer inflation reading late in

the month, the Fed has little reason to ease while prices are still rising too quickly.

Bond yields climb. The [10-year Treasury yield](#) rose to its highest level since 2007. When yields rise, the value of existing bonds falls, especially for funds holding longer maturities. Over time, higher yields can increase rates on mortgages, car loans, and business borrowing.

What to Watch in October

October will reveal whether September's surge in energy prices and bond yields was a passing shock or the start of something more durable. The mid-month [consumer price report](#) will be the key test. A fuel-driven increase might be manageable, but signs that higher costs are spreading into rents, insurance, and other services would strengthen the case for another hike at the Fed's late October meeting.

Know that we are keeping a close eye on the markets and are here if you have any questions. Please don't hesitate to reach out to your advisor.

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