PACIFIC GLOBAL
Investment Management Company

Weekly*Recap*

October 16, 2026

Market*Returns*

INDEX[1]	CLOSE	WEEKLY CHANGE	YTD CHANGE
Dow Jones Industrial Avg.	52,002.41	347.46 / 0.67%	8.20%
S&P 500®	7,659.44	-152.10 / -1.95%	11.89%
Nasdaq	26,140.03	-1,226.14 / -4.48%	12.47%
Russell 2000®	2,721.37	-85.61 / -3.05%	9.65%

	10/16/26 CLOSE	10/16/25 CLOSE
10-Year U.S. Treasury	5.08%	3.99%

Data: The Wall Street Journal, Federal Reserve

The*Bottom*Line

Weaker-than-expected earnings reports from the major banks, and growing concerns about economic viability of **AI** initiatives, contributed to the selloff this week. The Dow Jones Industrial Average gained 0.67% while the S&P 500® Index (-1.95%), the Russell 2000® Index (-3.05%) and the Nasdaq (-4.48%) declined. The yield on the 10-Year U.S. Treasury Note dropped to 5.09% from 5.24% last Friday as the equity selloff fueled demand for Treasuries.

Investors are increasingly concerned about the costs of **AI**, specifically, the ability of companies to generate the income needed to support the debt issued to finance the **AI** buildout. Last week several *Tech* firms acknowledged revenue shortfalls and rising costs. Notably, potential *Anthropic* investors reportedly discussed a revised $1.5 trillion valuation, down from earlier expectations for a $2 trillion valuation, for the upcoming IPO. This follows reports of discounting for the cost of subscribing to **AI** programs.

The major banks, including *JPMorgan*, *Bank of America, Citigroup* and *Goldman Sachs,* reported results that, while good, reflected the pullback in both lending and trading activities due to rising interest rates. Even so, the banks did highlight the resilience of the economy. *Citigroup* CEO Jane Fraser stated, "The global economy has held up remarkably well in the U.S.," adding, "While much has been made of the **AI** boom, the consumer is still driving much of the growth."

September PPI rose 1.3%, well above estimates of 0.5%; similarly, **Core PPI** rose 0.7%, above consensus (0.3%). **September CPI** increased 0.6% while **Core CPI** rose 0.3%; year-over-year, **CPI** rose 3.7% and **Core CPI** rose 2.6%, both above projections. **Retail Sales** rose 0.8%, above expectations for 0.4% but short of August's upwardly revised 1.3%. **Initial Jobless Claims** (199,000) and **Continuing Claims** (1.710 million) were in line with projections. Following the inflation reports, analysts lowered the likelihood of an October rate increase from 55% to 16%. Commentary by several Federal Reserve spokespersons expressed a willingness to wait for further data before

considering future rate hikes. Fed Governor Waller stated that higher Treasury yields are helping to cool demand in interest sensitive sectors.

Earnings reports next week will provide more insight into the health of the economy and the outlook through year-end and beyond. Corporate results, the war in Iran, and interest rate movements will likely determine market momentum.

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[1]The Dow Jones Industrial Average is an unmanaged, price weighted measure of 30 U.S. stocks selected by the Averages Committee to represent the performance of all U.S. stocks outside the Transportation and Utilities sectors. The S&P 500® Index is an unmanaged, market capitalization weighted index which measures the performance of the large cap segment of the U.S. equities market, covering approximately 75% of the U.S. equities market. The Index includes 500 leading companies in leading industries of the U.S. economy. The Nasdaq Composite Index is an unmanaged, market capitalization weighted measure of all domestic and international common stocks listed on The Nasdaq Stock Market. The Russell Midcap® Index measures the 800 smallest companies within the Russell 1000® Index based on a combination of their market cap and current index membership. The Russell 2000® Index is an unmanaged, market-weighted measure of stock market performance. It contains stocks of the 2,000 smallest publicly traded companies of the Russell 3000® Index. It is not possible to invest in the Indices.

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