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Dear Valued Investor,

Markets have always had ups and downs, but there are times when the headlines point more to downs while stocks deliver more ups. This seems to be one of those times as stocks maintain strong 2026 returns – the Nasdaq just set a fresh all-time high this week — even as the list of investor concerns is long. The so-called “wall of worry” that stocks have been climbing includes geopolitical conflict, rising interest rates, and concerns about artificial intelligence (AI). Any one of these issues could spark volatility, though they haven’t recently. What is it about this backdrop that is helping support stocks? Should we expect it to last?

To answer that, let’s start with the positives. Corporate fundamentals remain supportive, with S&P 500 earnings still growing rapidly — potentially approaching 40% in the third quarter once all the numbers come in. While cash flows for the big tech companies building data centers have been deployed, the broader cash flow outlook remains healthy.

The economy has also shown resilience, helped by strong household balance sheets and low pandemic-era fixed rate mortgages that are reducing consumer sensitivity to higher rates. In addition, the AI buildout is creating opportunities beyond the builders of the technology — known as hyperscalers — and supporting demand for semiconductors, memory, and infrastructure equipment.

There are real risks to watch, of course. There always are. For markets, the biggest risk right now might be rising interest rates. Higher Treasury yields raise borrowing costs and can pressure equity valuations, increasing the odds of short-term pullbacks and limiting upside potential. High oil prices, Federal Reserve rate hikes, solid economic growth, U.S. and European budget pressures, and corporate debt to fund the AI buildout are creating upward pressure on rates that may not abate soon. But before you get the urge to sell stocks, keep in mind 5% Treasury yields were normal before the Global Financial Crisis, before quantitative easing became a household term. The 10-year Treasury yield spent much of the late 1990s near 6%.

Other risks to consider include the need for companies making significant AI capital commitments to demonstrate tangible productivity and profit gains, while energy disruptions in the Middle East could keep inflation elevated and weigh on confidence. And while markets tend to handle political gridlock well, election-related uncertainty could spark bouts of volatility.

From a portfolio management perspective, we continue to recommend investors emphasize diversification, balancing AI beneficiaries, attractive income opportunities, and commodity-linked exposures to hedge against macro risks. There are genuine uncertainties, but also a solid foundation in corporate profitability and steady economic growth that points to staying the course.

As always, please reach out to your financial advisor with questions.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Jeffrey Buchbinder'.

Jeffrey Buchbinder, CFA
Chief Equity Strategist
LPL Research

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All data is provided as of October 7, 2026.

All index data from FactSet.

The Standard & Poor's 500 Index (S&P 500) is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The NASDAQ Composite Index measures all NASDAQ domestic and non-U.S. based common stocks listed on The NASDAQ Stock Market. The market value, the last sale price multiplied by total shares outstanding, is calculated throughout the trading day, and is related to the total value of the Index.

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There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.

Past performance does not guarantee future results.

Asset allocation does not ensure a profit or protect against a loss.

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