Beyond the Midterms: Investing Through an AI Recalibration

The LPL Strategic & Tactical Asset Allocation Committee (STAAC) determines the firm's investment outlook and asset allocation that helps define LPL Research's investment models and overall strategic and tactical investment thinking and guidance. The committee is chaired by the chief investment officer and includes investment specialists from multiple investment disciplines and areas of focus. The STAAC meets weekly to closely monitor all global economic and capital markets conditions to ensure that all the latest information is being digested and incorporated into its investment thought.

Color Key:

- Strong Overweight View
- Overweight View
- Neutral View
- Underweight View
- Strong Underweight View

Key changes from STAAC in October:

- **No Changes**

STAAC Asset Class Tactical Views as of 11/01/26 (GWI)

Asset Class					
Equity				●	
U.S.				●	
International Developed (EAFE)			●		
Emerging Markets			●		
Large/Mid Growth			●		
Large/Mid Value				●	
Small Growth		●			
Small Value			●		
Fixed Income		●			
Treasuries			●		
MBS		●			
IG Corporates		●			
TIPS			●		
International Developed			●		
Preferred			●		
High-Yield			●		
Bank Loans			●		
Emerging Markets			●		
Cash		●			
Alternatives				●	
Thematic Equity				●	

STAAC Sector Tactical Views as of 11/01/26

Sector					
Materials			●		
Consumer Staples			●		
Financials			●		
Real Estate		●			
Communications Services			●		
Energy				●	
Industrials			●		
Information Technology				●	
Consumer Discretionary		●			
Healthcare			●		
Utilities			●		

Source: STAAC as of November 1, 2026. All sector and asset allocation recommendations must be considered in the context of an individual investor's goals, time horizon, liquidity needs and risk tolerance. Not all recommendations will be in the best interest of all investors. The STAAC views expressed are based on a Tactical Asset Allocation (TAA) for a portfolio that has a Growth With Income (GWI) investment objective.

Investment Takeaways

Stocks finished mixed in October with the S&P 500 logging a modest 0.9% loss, remaining in its three-month range. After hitting its first all-time high since August, the equity benchmark was dented as the market narrative began shifting to artificial intelligence (AI) financing concerns following signs of credit stress and mounting capital needs. Semiconductors dropped in eight straight sessions through mid-month, and a rebound was later challenged by big tech earnings as signs of cooling in some AI hyperscalers' core businesses, elevated earnings expectations, cash flow and spending concerns, and disappointing guidance fueled a global technology rout. However, AI weakness drove a rotation and improved breadth that padded major averages, powering a 5.0% gain in the equal-weight S&P 500.

Core bonds pared back some of September's losses as the Bloomberg U.S. Aggregate Index rose 2.4% in October. Long-end yields started the month at 24-year highs on sticky inflation, AI financing needs, and global fiscal worries. But despite rising oil prices, strong Treasury auctions, and some easing in fiscal concerns, stabilized Treasuries before a haven bid amid the global AI unwind pushed yields lower. While Treasuries posted their best month since December 2023, corporate bonds added 2.2% and mortgage-backed securities outperformed with a 3.1% advance.

Looking forward, LPL Research expects that steady economic growth and AI-driven earnings will remain key pillars of support for stocks through year-end despite a tricky macro, political, and geopolitical backdrop. Seasonal forces post-midterms favor stocks here, which have historically fared well under divided government in Washington, D.C.

In fixed income, the AI buildout has become a bond market story as well, as the buildout is simultaneously keeping growth and inflation elevated and flooding the long end with corporate duration that competes directly with Treasuries. That makes any slowdown in AI investment a potentially powerful catalyst for lower Treasury yields. Until then, though, rates will likely stay elevated, and bond returns may remain primarily driven by income. We favor owning core bond sectors over lower-quality, riskier sectors.

The STAAC's recommended tactical asset allocation includes:

- A modest overweight stance toward equities, with a preference for high-quality large-cap U.S. equities backed by resilient economic growth, strong corporate profits, and AI innovation.
- A preference for the value style over its growth counterpart due to cyclical tailwinds in a strong economy, relatively attractive valuations, and energy strength on the value side.
- Favor a modest overweight to large caps at the expense of small caps for AI opportunities, though cyclical tailwinds may support small caps in the near term if credit markets remain calm and interest rates stay contained.
- Favor technology. Strong earnings growth, technical momentum, and neutral positioning are supportive. Slower data center spending post-midterms is not a bad thing.
- Energy still makes sense to own to help mitigate some Iran-related seaborne shipping risk, while oil prices may remain elevated.
- Within fixed income, the Committee continues to believe the risk/reward favors owning core bond sectors over the riskier sectors.
- Within taxable markets, with yields still elevated, particularly for high-quality sectors within the fixed-income universe (Treasuries, MBS, and shorter-maturity corporates), income opportunities remain attractive.

2026 MARKET FORECASTS

S&P 500 Tracking Above Bull Case Scenario

	Current
10-Year U.S. Treasury Yield	4.75% to 5.25%*
S&P 500 Index Earnings per Share	$350
S&P 500 Index Fair Value	7,950–8,050**

Source: LPL Research, FactSet, Bloomberg
All indexes are unmanaged and cannot be invested into directly.

*Our updated 2026 year-end target for the 10-year Treasury yield is based on a Fed reversing (some of) the maintenance rate cuts from 2025 but also an elevated Treasury term premium due to ongoing concerns about sticky inflation and Federal debt/deficits.

**Our year-end 2026 fair-value target range for the S&P 500 is 7,950–8,050, based on a price-to-earnings ratio (PE) of 20.5 and our S&P 500 earnings per share (EPS) forecast of $390 in 2027.

Any forward-looking statements including economic forecasts may not develop as predicted and are subject to change.

All data, views, and forecasts herein are as of 11/01/26.

2026 ECONOMIC FORECASTS

U.S. Economy Expected to Slow This Year

	2026 (Y/Y, real GDP)
United States	2.0%
Eurozone	0.6%
Advanced Economies	1.5%
Emerging Markets	3.7%
Global	2.2%

Source: LPL Research, Bloomberg 11/01/26
The economic forecasts may not develop as predicted. Advanced Economies are the G-8.

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Tactical Asset Allocation as of 11/01/26

	Investment Objective														
	Aggressive Growth			Growth			Growth with Income			Income with Moderate Growth			Income with Capital Preservation		
	TAA	Benchmark	Difference	TAA	Benchmark	Difference	TAA	Benchmark	Difference	TAA	Benchmark	Difference	TAA	Benchmark	Difference
Stocks	98.0%	95.0%	3.0%	84.0%	80.0%	4.0%	63.0%	60.0%	3.0%	42.0%	40.0%	2.0%	21.0%	20.0%	1.0%
U.S. Equity	79.0%	76.0%	3.0%	68.0%	64.0%	4.0%	51.0%	48.0%	3.0%	34.0%	32.0%	2.0%	17.0%	16.0%	1.0%
Large/Mid Growth	28.5%	28.5%	0.0%	24.0%	24.0%	0.0%	18.0%	18.0%	0.0%	12.0%	12.0%	0.0%	6.0%	6.0%	0.0%
Large/Mid Value	31.5%	28.5%	3.0%	26.5%	24.0%	2.5%	20.0%	18.0%	2.0%	13.5%	12.0%	1.5%	6.5%	6.0%	0.5%
Small Growth	1.5%	9.5%	-8.0%	1.5%	8.0%	-6.5%	1.0%	6.0%	-5.0%	0.5%	4.0%	-3.5%	0.5%	2.0%	-1.5%
Small Value	9.5%	9.5%	0.0%	8.0%	8.0%	0.0%	6.0%	6.0%	0.0%	4.0%	4.0%	0.0%	2.0%	2.0%	0.0%
Thematic Equity	8.0%	0.0%	8.0%	8.0%	0.0%	8.0%	6.0%	0.0%	6.0%	4.0%	0.0%	4.0%	2.0%	0.0%	2.0%
U.S. Quality	8.0%	0.0%	8.0%	8.0%	0.0%	8.0%	6.0%	0.0%	6.0%	4.0%	0.0%	4.0%	2.0%	0.0%	2.0%
International Equity	19.0%	19.0%	0.0%	16.0%	16.0%	0.0%	12.0%	12.0%	0.0%	8.0%	8.0%	0.0%	4.0%	4.0%	0.0%
Developed (EAFE)	12.0%	12.0%	0.0%	10.0%	10.0%	0.0%	8.0%	8.0%	0.0%	5.0%	5.0%	0.0%	4.0%	4.0%	0.0%
Emerging Markets	7.0%	7.0%	0.0%	6.0%	6.0%	0.0%	4.0%	4.0%	0.0%	3.0%	3.0%	0.0%	0.0%	0.0%	0.0%
Bonds	0.0%	0.0%	0.0%	12.0%	15.0%	-3.0%	32.0%	35.0%	-3.0%	53.0%	53.0%	0.0%	74.0%	70.0%	4.0%
U.S. Core	0.0%	0.0%	0.0%	12.0%	15.0%	-3.0%	32.0%	35.0%	-3.0%	53.0%	53.0%	0.0%	74.0%	70.0%	4.0%
Treasuries	0.0%	0.0%	0.0%	7.0%	7.0%	0.0%	16.5%	16.5%	0.0%	27.5%	25.5%	2.0%	37.5%	33.5%	4.0%
MBS	0.0%	0.0%	0.0%	1.5%	4.0%	-2.5%	7.5%	9.5%	-2.0%	13.0%	14.0%	-1.0%	19.5%	19.0%	0.5%
IG Corporates	0.0%	0.0%	0.0%	3.5%	4.0%	-0.5%	8.0%	9.0%	-1.0%	12.5%	13.5%	-1.0%	17.0%	17.5%	-0.5%
Alternatives	0.0%	0.0%	0.0%	2.0%	0.0%	2.0%	3.0%	0.0%	3.0%	3.0%	0.0%	3.0%	3.0%	0.0%	3.0%
Tactical: Global Macro	0.0%	0.0%	0.0%	2.0%	0.0%	2.0%	1.5%	0.0%	1.5%	1.0%	0.0%	1.0%	0.0%	0.0%	0.0%
Multi-Strategy	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.5%	0.0%	1.5%	2.0%	0.0%	2.0%	3.0%	0.0%	3.0%
Cash	2.0%	5.0%	-3.0%	2.0%	5.0%	-3.0%	2.0%	5.0%	-3.0%	2.0%	7.0%	-5.0%	2.0%	10.0%	-8.0%

For investors who have their own benchmarks, we would recommend emphasizing underweights or overweights relative to the individual benchmark at the most similar overall risk level.

Equity benchmark style weights are equally distributed across growth and value. Cap weights are based on the underlying holdings of the domestic benchmark indexes.

Bond benchmark sector allocations are based on a look-through analysis of the major sector components of the Bloomberg US Aggregate Bond Index. The exact percentage mix may fluctuate moderately throughout the year based on the relative market cap weights of each component within the Bloomberg US Aggregate Bond Index. The bond sector allocations in the TAA and benchmark will be updated twice per year, or as necessary, in January and July where the absolute values are subject to change, but the difference between the TAA and benchmark will remain constant (absent any Tactical Asset Allocation changes from the STAAC).

Treasuries include other government related debt. MBS includes other securitized debt.

To better align with STAAC's asset allocation framework, mid caps have been combined with large caps in the TAA. Accounts with distinct mid cap allocations may disaggregate mid caps from the “Large & Mid” exposure shown in the table roughly in-line with relative market cap values: 80% Large Cap 20% Mid Cap. For a more detailed breakdown and explanation, please refer to the Supplemental Mid Cap Reference Guide on page 9.

Equity Asset Classes

Stay Overweight Equities With Emphasis on Quality

We maintain our equity overweight recommendation, with an increased emphasis on large caps over small caps, value over growth, and an overall thematic preference for quality. This equity mix diversifies the AI theme and potential rotation beneficiaries. With the midterms behind us, historical seasonal patterns usually turn more positive. Meanwhile, broad market indexes remain in uptrends, underpinned by steady economic growth and strong earnings.

By style, despite strong earnings on the growth side and a constructive outlook for the technology sector, our technical work and cyclical tailwinds support a tilt toward the value style. Regionally, the Committee favors the U.S. for continued steady economic growth and strong earnings, bolstered by AI innovation. The Iran conflict, sticky inflation, interest rates, regulatory pushback on data centers, and increasing scrutiny of AI monetization remain key risks.

Color Key:

Strong Overweight | Overweight | Neutral | Underweight | Strong Underweight

	Sector	Overall View	Relative Trend	Rationale
Market Capitalization and Style	**Large/Mid Growth**		Negative	Stretched positioning and overbought technical conditions for technology have reset, and growth-style earnings remain strong, supporting our market weight position in large growth. But cyclical tailwinds and relatively more attractive valuations tilt slightly toward value. Our preference for large and mid-caps over small caps primarily reflects interest-rate risk and technical conditions.
	Large/Mid Value		Positive	Our large value overweight reflects attractive relative valuations, cyclical tailwinds, and broader positive technical trends. Despite our constructive outlook for technology, an energy overweight, consumer discretionary underweight, and emphasis on the quality factor are consistent with a tilt toward the value style.
	Small Growth		Negative	Our caution reflects interest-rate risk and softening technical conditions. Small growth stocks have not been getting credit for the resilient economy or strong profit rebound due to sticky inflation and tightening monetary policy, although the market's AI skepticism and recent dip in interest rates are supportive.
	Small Value		Positive	Positives include financial deregulation, robust capital investment, cyclical tailwinds, strong earnings, and a domestic focus. Interest-rate pressures have eased somewhat, but the inflation problem has not been solved. Valuations and technicals support a neutral stance for now.
Region	**United States**		Positive	Favor the U.S. for continued strong growth, AI innovation, booming earnings, and relative insulation from high oil prices. The Iran conflict, skepticism about AI monetization, pushback against data center construction, and narrow breadth are among the key market risks. Seasonality has turned positive.
	Developed International		No trend	Fiscal expansion, more European defense spending, corporate reforms in Japan, and valuations are supportive. In the short term, an opening of the Strait of Hormuz could boost Europe and Asia, but economic and earnings growth are modest. Europe is well positioned for an AI selloff given limited technology exposure.
	Emerging Markets		Negative	An unresolved Iran conflict, tight energy markets, China's lackluster economic growth, subpar technicals, and the latest AI chipmaker selloff all suggest a neutral EM stance may be overly optimistic. EM is largely an AI trade with high semiconductor and memory allocations and can be highly volatile.

Relative trend is an assessment of the intermediate term price trend and performance between various asset classes and sectors. For regions and styles, the relative trends are compared to each other.

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Equity Sectors

Technology Still Well Positioned For a Strong Finish to 2026

STAAC recommends a modest overweight to technology due to strong earnings growth, reasonable valuations, favorable seasonality, and neutral positioning. A slower data center buildout under a Democrat-controlled Congress is a headwind for semiconductors but could help reduce cash flow risk for hyperscalers. We continue to overweight equities via a quality factor tilt and view energy as a way to help mitigate geopolitical risk while we wait for a sustainable resolution to the Iran conflict. Generally, businesses with strong balance sheets have the best opportunity to benefit from AI, while continued inflationary pressure supports our recommended consumer discretionary underweight. Healthcare has an attractive opportunity to benefit from AI adoption and Democratic support in 2027.

Color Key:

Strong Overweight | Overweight | Neutral | Underweight | Strong Underweight

	Sector	Overall View	Relative Trend	S&P Wgt.	Rationale
Cyclical	Basic Materials	Neutral	Positive	1.8	Solid October performer (+6.6%) and among YTD leaders (+16.0%). Chemicals and steel stocks drove recent gains, while mining and agriculture-commodities-linked stocks lagged. U.S. supply-demand balance is favorable, but China's economy is soft.
	Consumer Discretionary	Strong Underweight	No Trend	8.6	Outperformed with a modest October gain (+3.9%), supported by cruise lines, while casinos, travel-related stocks, and Amazon (AMZN) lagged. Down 2.1% YTD on high oil prices and sticky inflation. Negative technicals. Maintaining modest underweight but recognized tariff and oil-related upside risk to retail post-midterms.
	Financial Services	Neutral	Positive	12.6	October outperformer (+5.9%) as strength in insurers offset weakness in capital markets and asset managers. YTD underperformer (+4.4%). A stable rate environment and executing the Anthropic IPO (ANT) are keys to the near-term outlook.
	Real Estate	Strong Underweight	No trend	1.9	Solid October performer (+5.1%) as interest-rate pressure eased and wireless cell towers got a boost from SpaceX (SPCX). Still a slight YTD laggard (+10.7%). Real estate fundamentals appear to be holding up, but we're not finding much value here.
Sensitive	Communication Services	Neutral	Negative	9.8	Worst performer in October (-15.1%) on Meta (META) and Alphabet (GOOG/L) weakness and worst sector performer YTD (-11.3%). Cable and entertainment stocks held up well except Netflix (NFLX). Reasonable valuations but poor technicals.
	Energy	Overweight	Positive	3.5	Top sector in October (+14.0%) with gains in line with WTI crude on continued disruptions in the Middle East. Top YTD performer (+59.9%). Majors and exploration-and-production names performed best, while refiners lagged. Attractive risk hedge with reasonable valuations. Favorable technicals despite post-election weakness.
	Industrials	Neutral	Negative	8.1	Lagged for the fourth straight month in October (+0.3%) amid skepticism toward the AI buildout and high diesel prices. Underperformer YTD (+8.5%). Business tax incentives remain supportive, but prospects for AI data center builds have dimmed somewhat post-midterms. Reasonable valuations. Negative technicals.
	Technology	Overweight	No trend	36.6	Lagged in October (-6.8%) because of pushback on AI spending that weighed on semiconductors and neoclouds. Still a strong YTD outperformer (+19.7%). Positive view underpinned by strong AI-driven earnings growth, reasonable valuations, neutral positioning, supportive seasonality, and positive technical analysis trends.
Defensive	Consumer Staples	Neutral	Positive	5.1	Gained 10.2% in October as interest rates fell and AI concerns drove a rotation into defensive, income sectors. Up a solid 18.3% YTD. Consumer headwinds and margin pressures remain but have probably peaked. Rich valuations. Mixed technicals.
	Healthcare	Neutral	Positive	10.4	October outperformer (+9.9%) and a top YTD performer (+21.0%). Likely beneficiary of a Democratic sweep and a historically strong performer in midterm years. Upside as an AI user. Accelerating earnings. Fair valuations. Positive technicals. Upgrade candidate.
	Utilities	Neutral	Positive	2.1	Gained 10.2% in October as lower interest rates and AI concerns drove a rotation into defensive, income-oriented sectors. Still only up 3.9% YTD despite AI power tailwinds, which will likely fade some post-midterms. Subpar technicals. Negative bias.

Any company names noted herein are for educational purposes only and not an indication of trading intent or a solicitation of their products or services.

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Fixed Income

Financing the Future: AI's Impact on the Bond Market

While the Fed remained on hold in October, the outlook for further tightening has come under pressure of late as post-midterm uncertainty around data center development raises questions about whether the breakneck pace of AI investment can continue, potentially easing some of the growth and inflation pressures that have weighed on bond markets. With markets pricing continued acceleration, any slowdown in the buildout could become an underappreciated tailwind for Treasuries in 2027.

In taxable markets, with yields still elevated, particularly for high-quality sectors within the fixed-income universe (Treasuries, MBS, and shorter-maturity corporates), income opportunities remain attractive.

Color Key:

Strong Overweight | Overweight | Neutral | Underweight | Strong Underweight

Current Stance

	Low	Med	High	Rationale
Credit Quality Preference			✓	We recommend an up-in-quality approach to fixed income allocations. Yields in lower-quality sectors remain at or below longer-term averages, so we believe the risk/reward favors core bonds over riskier sectors. Higher yields are also beginning to pressure lower-quality issuers.

	Short	Inter.	Long	Rationale
Duration Preference		✓		The combination of still-high inflation due to the Iran conflict and ongoing AI-related growth uncertainty argues for continued caution in interest-rate exposure. For now, we remain neutral on duration relative to benchmarks, waiting for more attractive entry points.

	Neg.	Neut.	Pos.	Rationale
Municipal Bond View		✓		The muni market rebounded in October as attractive income opportunities drew investors back into the asset class. With new-issue supply expected to slow and monthly redemptions set to rise, the supply-demand backdrop should remain favorable through year-end. We favor maintaining exposure to high-quality municipal bonds, emphasizing intermediate maturities and allowing attractive tax-exempt income to compound over time.

	Overall View	Overall Trend	Rationale
Core Sectors			
U.S. Treasuries	Neutral	Negative	Treasury yields fell in October, with the 10-year falling 36 basis points due to a sharp selloff in technology stocks, which drove a flight-to-quality bid into Treasuries. We recently raised our year-end 10-year yield target and now expect it to finish the year between 4.75% and 5.25%. Further tech/AI weakness could allow yields to fall below our fair value target.
Mortgage-Backed Securities	Underweight	Negative	With uncertainty around Fed guidance, interest-rate volatility will likely remain elevated, creating a headwind for MBS. However, supply-demand dynamics remain favorable, and attractive yields and wider spreads have improved the asset class's appeal. Still, elevated volatility will likely limit meaningful spread tightening from current levels.
Investment-Grade Corporates	Underweight	Negative	We prefer high-quality intermediate credit and would take spread risk in the front-to-belly of the curve, not the long end, where AI supply is expanding and the buyers aren't. At these spread levels, you aren't paid to be a hero in the sector absorbing the largest capital cycle in a generation. One- to five-year corporate ladders remain attractive.
TIPS	Neutral	Negative	Despite recent high inflation prints, inflation expectations remain well anchored. But all-in real yields for TIPS remain attractive, particularly shorter-maturity TIPS, and could provide a good hedge against unexpected inflation surprises.
Plus Sectors			
Preferred Securities	Neutral	Negative	Higher Treasury yields pressured preferreds, but the sell-off largely reflected interest-rate volatility rather than weaker issuer fundamentals. Attractive income, generally sound bank balance sheets, and limited net issuance provide support, although longer-duration structures remain sensitive to further increases in rates.
High-Yield Corporates	Neutral	Negative	Yields remain attractive, but spreads offer limited compensation for a potential deterioration in credit conditions. Fundamentals remain broadly supportive, though dispersion is increasing and elevated refinancing costs favor higher-quality issuers and active security selection.
Bank Loans	Neutral	Positive	Elevated floating-rate income remains supportive, particularly if policy rates stay higher for longer. However, weaker borrowers face rising interest burdens, and heavy exposure to software and other AI-sensitive industries increases the risk of greater rating downgrades and defaults.
Foreign Bonds	Neutral	No trend	Higher developed-market yields have improved income potential, but divergent monetary policies, currency volatility, and fiscal concerns remain meaningful risks. Political and fiscal uncertainty in France has widened European spreads, reinforcing the case for selective country and duration exposure.
EM Debt	Neutral	No trend	High starting yields and generally credible policy frameworks continue to support the asset class, particularly in select local-currency markets. Hard-currency spreads remain tight, however, while dollar strength, energy-driven inflation, and geopolitical risks warrant an emphasis on carry, quality, and country selection.

Commodities and Currencies

Three-Month Win Streak Snapped

The Bloomberg Roll Select Commodity Total Return Index settled 0.5% lower in October, snapping three consecutive monthly gains. Precious metals weighed on the complex, with gold's 6.8% loss flagged as the largest contributor. Before bouncing off support in early November, the yellow metal fell to a one-year low as the global tech rout prompted traders to cover losses with bullion, accelerating five straight weeks of speculator selling. Energy-driven inflation concerns, a stronger dollar, and December rate hike expectations also offset support from falling real rates. Silver faced a sharper 18.7% drop, while industrial metals declined modestly.

Meanwhile, higher oil prices padded losses. Brent crude rose 13.6% as geopolitical tensions ratcheted higher amid post-midterm strike threats and Iranian vessel attacks reaching their highest count since the conflict began. Slower crude and refined product combined flows through the Strait supported Brent and heightened ongoing refined product supply concerns, despite a drop in diesel prices.

The U.S. Dollar Index extended September's gain, albeit with a more measured 0.4% advance. The greenback lost steam at short-term overbought levels entering the month and as October rate hike expectations softened ahead of the Fed's hold. However, expectations for a December rate hike and a weaker euro kept the dollar supported.

Color Key: Positive Neutral Negative

Sector	Overall View	Overall Trend	Rationale
Energy		Positive	Oil markets came under renewed selling pressure in early November as recovering supply, softer physical premiums, and easing geopolitical concerns began to surface. Brent has retreated to its 200-day moving average, while gasoline prices and crack spreads have also weakened. Despite the softer technical backdrop, **we remain positive on energy**, as recent weakness appears partly driven by profit-taking from overbought levels, while elevated geopolitical risks leave the market vulnerable to renewed supply disruptions.
Precious Metals		Positive	The technical setup for precious metals has started to improve. A failed breakdown below the summer lows in gold resulted in a snapback toward the upper end of a declining price channel. A sustained move above $4,100 would signal a reversal of the channel, especially if accompanied by a bullish turn in momentum indicators. We are also watching physical gold ETF flows, which recently turned negative, and for a potential trend reversal in real yields. Silver has followed a similar price path, and a close above resistance near $55 would recapture the prior lows/reverse the current downtrend. **We maintain our positive view on precious metals.**
Industrial Metals		Positive	Industrial metals traded lower last month but outperformed their precious metal peers. Copper has more recently faced increased selling pressure as risk-off sentiment and concerns over the scale of AI infrastructure spending dragged prices below the 200-day moving average for the first time this year. Nickel outperformed on the back of a relief rally that failed to produce a downtrend reversal, while zinc and hot-rolled steel continued to trend higher. **We maintain our positive view on industrial metals.**
Agriculture (Ag) & Livestock		Neutral	Agricultural commodities were mixed, with weakness in grains offset by strength in softs. Corn and wheat fell nearly 11% as improving supply conditions, including rising Russian wheat exports, record Chinese corn production, and better-than-expected U.S. yields, added pressure following overbought conditions. Sugar rallied nearly 10% as El Niño-related disruptions in Brazil and India shifted the market from surplus to deficit. In livestock, lean hogs plunged 25% as weak demand and excess supply extended the downtrend from the July highs. We maintain our neutral view on agriculture and livestock.
U.S. Dollar		Positive	The dollar has given back last month's modest gain as lower U.S. rates, falling oil prices, the unwind of the AI trade, and gridlock in Washington have created fresh headwinds. Technically, the Dollar Index has broken below support at 101.75, putting 100 in focus. Meanwhile, the euro has formed a potential short-term double bottom, with a breakout above 1.13 likely adding further pressure on the dollar.
Crypto		Neutral	Bitcoin fell 7% in October after failing to hold support near $82,500. Regulatory concerns following the Democratic congressional victory and Binance's $6 billion hack weighed on sentiment. The technical setup still suggests the bear market low was likely set in June, but further upside will be needed to confirm a breakout from the broader bottoming pattern.

The Bloomberg Commodity Index (BCOM) is made up of 24 exchange-traded futures on physical commodities, representing 22 commodities which are weighted to account for economic significance and market liquidity

Any futures referenced are being presented as a proxy, not as a recommendation. The fast price swings in commodities will result in significant volatility in an investor's holdings. Commodities include increased risks, such as political, economic, and currency instability, and may not be suitable for all investors.

Precious metal investing involves greater fluctuation and potential for losses.

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Alternative Investments

Factor Unwind

Alternative investment strategies faced a challenging environment in October as investors reassessed the durability and profitability of AI-related capital spending. Unlike September, when narrow technology leadership supported capitalization-weighted indexes, October brought a sharp reversal. The S&P 500 declined 0.9%, while the technology-heavy Nasdaq Composite fell 5.3%. Beneath the headline indexes, however, market breadth improved considerably. The equal-weighted S&P 500 gained 4.9%, outperforming its capitalization-weighted counterpart by 5.8%, the widest monthly advantage since April 2009. Long/short equity strategies struggled with the abrupt rotation and elevated volatility. The HFRX Equity Hedge Index declined 2.5%, with both growth and value managers posting losses. Growth-oriented managers were particularly challenged, as the HFRX Fundamental Growth Index fell 4.0%. Equity market-neutral strategies also declined, with the HFRX Equity Market Neutral Index losing 0.7% as several factor relationships and mean-reversion signals were disrupted. Although broader equity participation improved, the speed of the reversal from crowded AI winners toward energy, defensive sectors, and previously lagging stocks created a difficult trading environment.

Macro-oriented strategies also gave back some of September's gains. The HFRX Macro/CTA Index declined 2.2%, while the HFRX Macro Systematic/CTA Index fell 1.8%. Treasury yields reversed sharply lower, with the 10-year yield declining approximately 36 basis points and ending the month near 4.93% after September's significant sell-off. This reversal challenged trend followers that entered October with profitable short-duration positions following September's rise in yields. Mixed currency performance and diverging commodity trends added to the difficulty. Crude oil continued to rise, but gold, silver, and several other commodity markets declined.

We continue to favor strategies positioned to capitalize on elevated dispersion and changing market regimes, including equity market-neutral strategies and nimble discretionary global macro approaches. October's reversal from narrow AI leadership toward energy, defensive sectors, and the average stock broadened the fundamental opportunity set, but it also demonstrated the risks associated with crowded positioning and rapid factor rotations.

Color Key: Positive Neutral Negative

	Sector	Overall View	Rationale
Fundamental	**Long/Short Equity**		An increase in volatility and ongoing stock dispersion should continue to create a favorable environment for low-net, stock-picking strategies. For long-biased long/short equity managers, expanding beyond U.S. markets into regions with supportive policy frameworks may offer more compelling opportunities.
Fundamental	**Event Driven**		Mergers and acquisitions (M&A) and initial public offerings (IPO) have improved relative to the low levels of prior years. Distressed debt opportunities remain limited as credit spreads continue to tighten. The M&A and IPO markets, in particular, have pipelines of mega-cap deals.
Tactical	**Global Macro**		Agile discretionary macro managers should continue to capitalize on economic and policy shifts, along with intermittent spikes in market volatility. Tactical discretionary macro strategies are well-positioned to capitalize on opportunities emerging from shifting economic conditions, evolving policy landscapes, and elevated market volatility.
Tactical	**Managed Futures**		We continue to favor holding a diversified mix of sub-strategies, including but not limited to, short-term momentum, volatility breakout, pattern recognition, and trend following. Diversification within trend following in terms of markets and time frame is encouraged as well. We remain mindful of the large long equity and short bond exposure. In this environment, a broadly diversified allocation across sub-strategies is preferred.
Multi-Strategy	**Multi-PM Single Funds**		Multi-strategy funds should continue to benefit from the ability to dynamically invest across alternative investment strategies.
	Specialty Strategies		Volatility arbitrage and cross-asset tail risk strategies with minimal carrying cost may be good additional diversifiers in portfolios. Volatility arbitrage and tail risk with reduced/less negative carry can potentially add value to portfolios.

Please see https://www.hfr.com/indices for further information on the indices.
Definition: The HFRI 400 (US) Hedge Fund Indices are global, equal-weighted indices comprised of the largest hedge funds that report to the HFR Hedge Fund Research

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Supplemental Mid Cap Reference Guide

Rationale for Large and Mid Cap Aggregation

The STAAC's decision to aggregate mid cap equities with large caps is driven by a desire to construct asset allocation models using distinct and efficient building blocks that either a) materially enhance expected returns, or b) materially reduce expected risk relative to our benchmark. We believe that a four-box framework, segmented by size and style, provides the most impactful differentiation for our investment decision making. Additionally, this is most aligned with our investment universe, given most active large cap managers benchmark to the Russell 1000 (which has significant overlap with the Russell Midcap Index, 800 stocks representing approximately 20% of market cap).

We also believe that reducing the number of style boxes improves capital efficiency and lowers trading costs and turnover. By streamlining these classifications, we can avoid such inefficiencies.

Disaggregated U.S. Mid Cap and Large Cap Tactical Asset Allocation as of 10/01/2026

The 80% Large Cap / 20% Mid Cap decomposition provided below is intended as a general reference for advisors who prefer to maintain a distinct mid cap allocation. The exact percentage mix may fluctuate moderately throughout the year based on the relative market cap weights of each component within the Russell 1000. The STAAC's official position is to treat large and mid caps as a combined category within the TAA as shown on page 3. The Supplemental Mid Cap Reference Guide will be updated twice per year, or as necessary, in January and July.

Investment Objective as of 10/01/2026

	Aggressive Growth			Growth			Growth with Income			Income with Moderate Growth			Income with Capital Preservation		
Asset Class	TAA	Benchmark	Difference	TAA	Benchmark	Difference	TAA	Benchmark	Difference	TAA	Benchmark	Difference	TAA	Benchmark	Difference
Large Growth	22.795%	22.795%	0.000%	19.200%	19.200%	0.000%	14.400%	14.400%	0.000%	9.600%	9.600%	0.000%	4.800%	4.800%	0.000%
Mid Growth	5.705%	5.705%	0.000%	4.800%	4.800%	0.000%	3.600%	3.600%	0.000%	2.400%	2.400%	0.000%	1.200%	1.200%	0.000%
Large Value	25.195%	22.795%	2.400%	21.195%	19.200%	1.995%	16.000%	14.400%	1.600%	10.800%	9.600%	1.200%	5.200%	4.800%	0.400%
Mid Value	6.305%	5.705%	0.600%	5.305%	4.800%	0.505%	4.000%	3.600%	0.400%	2.700%	2.400%	0.300%	1.300%	1.200%	0.100%

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Important Disclosures

This material has been prepared for informational purposes only, and is not intended as specific advice or recommendations for any individual. There is no assurance that the views or strategies discussed are suitable for all investors and they do not take into account the particular needs, investment objectives, tax and financial condition of any specific person. To determine which investment(s) may be appropriate for you, please consult your financial professional prior to investing. Any economic forecasts set forth may not develop as predicted and are subject to change.

Stock investing involves risk including loss of principal. Because of their narrow focus, sector investing will be subject to greater volatility than investing more broadly across many sectors and companies. Value investments can perform differently from the market as a whole and can remain undervalued by the market for long periods of time. The prices of small and mid-cap stocks are generally more volatile than large cap stocks. Bonds are subject to market and interest rate risk if sold prior to maturity.

Asset Class Disclosures

Because of its narrow focus, specialty sector investing, such as healthcare, financials, or energy, will be subject to greater volatility than investing more broadly across many sectors and companies. Relative trend is an assessment of the intermediate term price trend and performance between various asset classes and sectors. For sectors each sector's relative trend is versus the S&P 500.

Yield spread is the difference between yields on differing debt instruments, calculated by deducting the yield of one instrument from another. The higher the yield spread, the greater the difference between the yields offered by each instrument. The spread can be measured between debt instruments of differing maturities, credit ratings, and risk. Bank loans are loans issued by below investment-grade companies for short-term funding purposes with higher yield than short-term debt and involve risk. For the purposes of this publication, intermediate-term bonds have maturities between three and 10 years, and short-term bonds are those with maturities of less than three years.

Bond values will decline as interest rates rise and bonds are subject to availability and change in price. Corporate bonds are considered higher risk than government bonds. Municipal bonds are subject to availability and change in price. Interest income may be subject to the alternative minimum tax. Municipal bonds are federally tax-free but other state and local taxes may apply. If sold prior to maturity, capital gains tax could apply. U.S. Treasuries may be considered "safe haven" investments but do carry some degree of risk including interest rate, credit, and market risk. Bond yields are subject to change. Certain call or special redemption features may exist which could impact yield. Mortgage-backed securities are subject to credit, default, prepayment, extension, market and interest rate risk.

Municipal bonds are subject to availability and change in price. They are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise. Interest income may be subject to the alternative minimum tax. Municipal bonds are federally tax-free but other state and local taxes may apply. If sold prior to maturity, capital gains tax could apply.

High yield/junk bonds (grade BB or below) are not investment grade securities, and are subject to higher interest rate, credit, and liquidity risks than those graded BBB and above. They generally should be part of a diversified portfolio for sophisticated investors.

Floating rate bank loans are loans issued by below investment grade companies for short term funding purposes with higher yield than short term debt and involve risk.

Credit Quality is one of the principal criteria for judging the investment quality of a bond or bond mutual fund. Credit ratings are published rankings based on detailed financial analyses by a credit bureau specifically as it relates to the bond issue's ability to meet debt obligations. The highest rating is AAA, and the lowest is D. Securities with credit ratings of BBB and above are considered investment grade. Duration is a measure of the sensitivity of the price (the value of principal) of a fixed-income investment to a change in interest rates. It is expressed as a number of years.

Preferred stock dividends are paid at the discretion of the issuing company. Preferred stocks are subject to interest rate and credit risk. As interest rates rise, the price of the preferred falls (and vice versa). They may be subject to a call feature with changing interest rates or credit ratings.

Alternative investments may not be suitable for all investors and should be considered as an investment for the risk capital portion of the investor's portfolio. The strategies employed in the management of alternative investments may accelerate the velocity of potential losses. Alternative investments include non-traditional asset classes. This may include hedge funds, private equity/debt/credit, etc. This may also include Business Development Companies (BCDs) and Opportunity Zone investments. These are not registered securities and there may be significant restrictions on purchase and suitability requirements. Please contact your advisor for any further information.

The HFRX Absolute Return Index is designed to be representative of the overall composition of the hedge fund universe. It is comprised of all eligible hedge fund strategies; including but not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, event driven, macro, merger arbitrage, and relative value arbitrage.

The HFRX Equity Hedge Index measures the performance of the hedge fund market. Equity hedge strategies maintain positions both long and short in primarily equity and equity derivative securities.

The HFRI® Indices are broadly constructed indices designed to capture the breadth of hedge fund performance trends across all strategies and regions.

The HFRI Institutional Macro Index is a global, equal-weighted index of hedge funds with minimum assets under management of USD $500MM which report to the HFR Database and are open to new investments.

Event driven strategies, such as merger arbitrage, consist of buying shares of the target company in a proposed merger and fully or partially hedging the exposure to the acquirer by shorting the stock of the acquiring company or other means. This strategy involves significant risk as events may not occur as planned and disruptions to a planned merger may result in significant loss to a hedged position. Managed futures are speculative, use significant leverage, may carry substantial charges, and should only be considered suitable for the risk capital portion of an investor's portfolio.

Commodity-linked investments may be more volatile and less liquid than the underlying instruments or measures, and their value may be affected by the performance of the overall commodities baskets as well as weather, geopolitical events, and regulatory developments. The fast price swings in commodities and currencies will result in significant volatility in an investor's holdings. Any futures referenced are being presented as a proxy, not as a recommendation. Commodities include increased risks, such as political, economic, and currency instability, and may not be suitable for all investors. Precious metal investing involves greater fluctuation and potential for losses.

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The information presented is for educational and informational purposes only and is not intended as a recommendation or specific advice.

Cryptocurrency and cryptocurrency-related products can be volatile, are highly speculative and involve significant risks including: liquidity, pricing, regulatory, cybersecurity risk, and loss of principal. A cryptocurrency fund may trade at a significant premium to Net Asset Value (NAV). Cryptocurrencies are not legal tender and are not government backed. Cryptocurrencies are non-traditional investments, resulting in a different tax treatment than currency.

Federal, state or foreign governments may restrict the use and exchange of cryptocurrency. The use and exchange of cryptocurrency may also be restricted or halted permanently as regulatory developments continue, and regulations are subject to change at any time. Cryptocurrency exchanges may stop operating or permanently shut down due to fraud, technical glitches, hackers, malware, or bankruptcy.

Important Disclosures

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.

Investing in foreign and emerging markets securities involves special additional risks. These risks include, but are not limited to, currency risk, geopolitical risk, and risk associated with varying accounting standards. Investing in emerging markets may accentuate these risks. All information is believed to be from reliable sources; however, LPL Financial makes no representation as to its completeness or accuracy. Precious metal investing involves greater fluctuation and potential for losses.

Earnings per share (EPS) is the portion of a company's profit allocated to each outstanding share of common stock. EPS serves as an indicator of a company's profitability. Earnings per share is generally considered to be the single most important variable in determining a share's price. It is also a major component used to calculate the price-to-earnings valuation ratio.

Gross Domestic Product (GDP) is the monetary value of all the finished goods and services produced within a country's borders in a specific time period, though GDP is usually calculated on an annual basis. It includes all of private and public consumption, government outlays, investments and exports less imports that occur within a defined territory.

All index data from FactSet.

The Strategic and Tactical Asset Allocation Committee (STAAC) is a division of LPL Research.

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