Quarterly Market Review

October 2026

Honest questions. Genuine advice.

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2026 Q3 Market Review

This report features VeraBank Wealth Management market commentary, as well as global stock and bond market performance data.

With an overview of financial markets and economic developments from July 1, 2026, through September 30, 2026; you'll also find returns data for major asset classes included in client portfolios.

The report concludes with five key considerations for developing a comprehensive estate plan.

Contact a VeraBank Wealth Management Advisor with any questions or if you know someone who may benefit from personalized wealth management guidance.

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2026 Q3 Market Review

VeraBank Wealth Management Commentary

Interest Rates in Focus: Higher Rates Tested Bonds, Stocks Continue Rally

- The Fed returned to rate hikes. Persistent inflation prompted a quarter-point increase in the Fed Funds rate to 3.75%-4.00% in September — the first hike since 2023. The year long rise in longer term interest rates picked up in September, reinforcing the risk of prolonged higher borrowing costs for businesses and consumers.

- Bonds faced price pressure as yields climbed. The 10-year US Treasury yield ended the quarter at 5.29%, which weighed on bond performance. Going forward, higher yields do improve income opportunities for new investments, but the quarter underscored the interest-rate risk in longer-term bonds.

- Stocks advanced, but gains narrowed. The S&P 500 returned approximately 2.3% in Q3 (12.75% YTD) as strong corporate earnings and continued AI optimism helped offset higher rates. Narrowing market breadth returned in Q3, with the large US tech companies leading with the largest gains.

References to funds or ETFs are for illustrative benchmark and market segment purposes only and should not be considered investment recommendations.

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Quarterly Market Summary

Third Quarter 2026 Index Returns

	Stocks				Bonds	
	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
Q3 2026	1.41% ▲	0.89% ▲	-0.37% ▼	-6.03% ▼	-3.51% ▼	-1.79% ▼
Since January 2000						
Average Quarterly Return	2.4%	1.6%	2.4%	2.2%	1.0%	1.0%
Best Quarter	22.0% 2020 Q2	25.9% 2009 Q2	34.7% 2009 Q2	32.3% 2009 Q3	6.8% 2023 Q4	5.4% 2023 Q4
Worst Quarter	-22.8% 2008 Q4	-23.3% 2020 Q1	-27.6% 2008 Q4	-36.1% 2008 Q4	-5.9% 2022 Q1	-4.1% 2022 Q1

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: US Stock Market (Russell 3000 Index), International Developed Stocks (MSCI World ex USA Index [net dividends]), Emerging Markets (MSCI Emerging Markets Index [net dividends]), Global Real Estate (S&P Global REIT Index [net dividends]), US Bond Market (Bloomberg US Aggregate Bond Index), and Global Bond Market ex US (Bloomberg Global Aggregate ex-USD Bond Index [hedged to USD]). S&P data © 2026 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. MSCI data © MSCI 2026, all rights reserved. Bloomberg data provided by Bloomberg.

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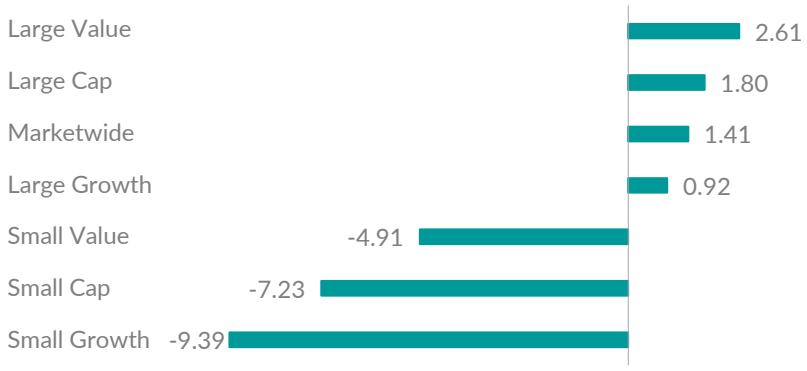
US Stocks

Third Quarter 2026 Index Returns

- The US equity market posted positive returns for the quarter and outperformed both non-US developed and emerging markets.
- Value outperformed growth within both large and small cap markets.
- Small caps underperformed large caps.

Ranked Returns (%)



Periodic Returns (%)

			ANNUALIZED					
Asset Class	QTR	YTD	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
Large Value	2.61	19.27	23.81	20.07	11.92	11.43	12.98	8.60
Large Cap	1.80	12.30	15.01	22.48	13.01	15.04	15.50	11.16
Marketwide	1.41	12.42	15.13	22.26	12.64	14.73	15.27	10.99
Large Growth	0.92	6.30	7.50	24.26	13.66	18.16	17.64	13.41
Small Value	-4.91	16.96	20.77	17.93	7.80	9.40	11.38	7.58
Small Cap	-7.23	13.71	16.20	17.72	6.34	9.84	11.80	8.45
Small Growth	-9.39	10.71	12.05	17.55	4.72	9.90	11.94	9.09

World Market Capitalization

63% US Market

$73.0 trillion

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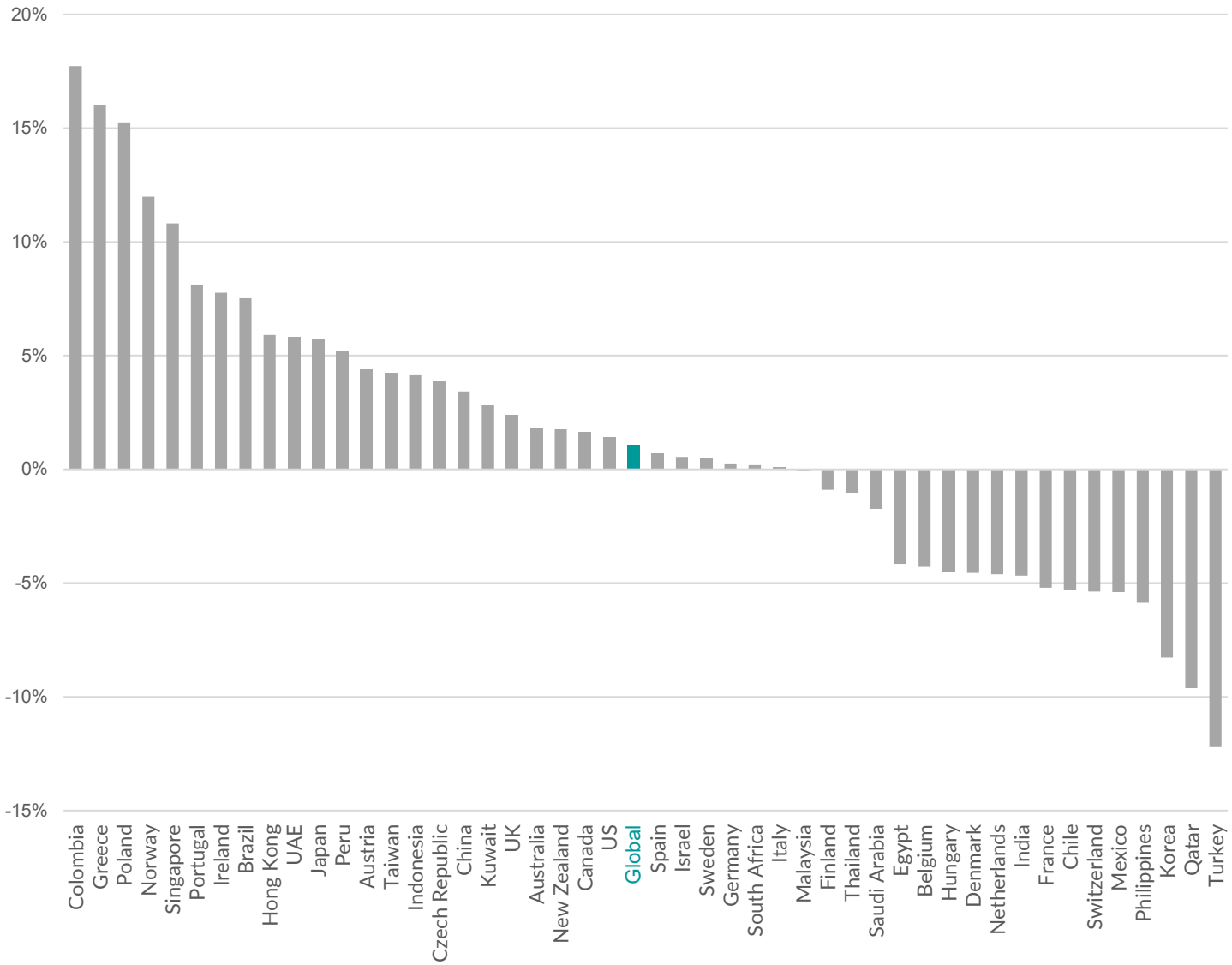
Country Returns

Third Quarter 2026 Index Returns



Past performance is no guarantee of future results. Country returns are the country component indices of the MSCI All Country World IMI Index for all countries except the United States, where the Russell 3000 Index is used instead. Global is the return of the MSCI All Country World IMI Index. MSCI index returns are net dividend. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. MSCI data © MSCI 2026, all rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes.

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Fixed Income

Third Quarter 2026 Index Returns

Within the US Treasury market, interest rates increased during the quarter.

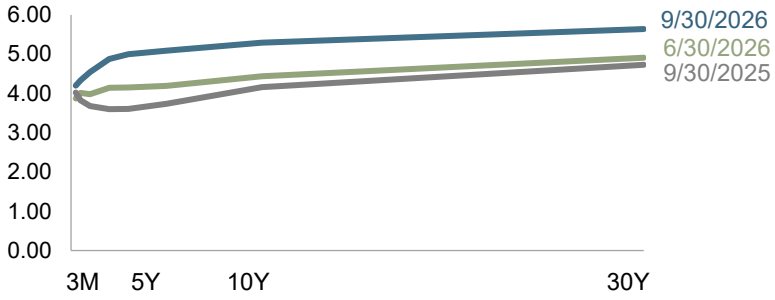
On the short end of the yield curve, the 1-month US Treasury Bill yield increased by 32 basis points (bps) to 4.02%. The 1-year US Treasury Bill yield increased 56 bps to 4.54%. The yield on the 2-year US Treasury Note increased 74 bps to 4.88%.

The yield on the 10-year US Treasury Note increased 85 bps to 5.29%. The yield on the 30-year US Treasury Bond increased 73 bps to 5.64%.

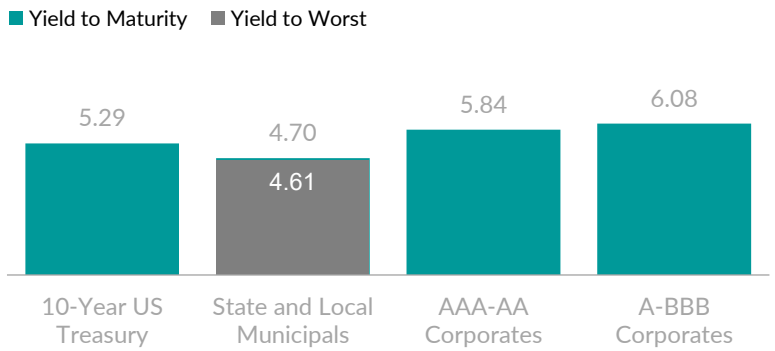
In terms of total returns, short-term US treasury bonds returned -0.87% while intermediate-term US treasury bonds returned -1.69%. Short-term corporate bonds returned -1.04% and intermediate-term corporate bonds returned -2.31%.

The total returns for short- and intermediate-term municipal bonds were -2.10% and -4.94%, respectively. Within the municipal fixed income market, general obligation bonds returned -6.30% while revenue bonds returned -6.40%.

US Treasury Yield Curve (%)



Bond Yields Across Issuers (%)



Periodic Returns (%)

Asset Class	QTR	YTD	ANNUALIZED 1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
Bloomberg Municipal Bond Index	-6.35	-4.18	-2.68	2.89	-0.21	1.51	2.49	3.12
Bloomberg US Aggregate Bond Index	-3.51	-2.91	-1.84	4.06	-0.64	1.14	1.78	2.95
Bloomberg US Government Bond Index Long	-8.02	-7.61	-7.65	0.97	-7.23	-2.09	0.37	2.82
Bloomberg US High Yield Corporate Bond Index	-1.82	0.10	1.41	8.03	3.60	5.05	6.14	6.37
Bloomberg US TIPS Index	-3.24	-2.12	-1.99	3.75	0.00	2.15	2.07	3.31
FTSE World Government Bond Index 1-5 Years	-0.51	-0.41	0.38	4.34	0.41	0.70	-0.01	1.62
FTSE World Government Bond Index 1-5 Years (hedged to USD)	-0.55	0.53	1.60	4.35	1.97	1.93	1.82	2.36
ICE BofA 1-Year US Treasury Note Index	0.62	1.84	2.85	4.18	2.83	2.14	1.53	1.84
ICE BofA US 3-Month Treasury Bill Index	0.89	2.65	3.65	4.49	3.70	2.42	1.64	1.67

1. Bloomberg US Treasury and US Corporate Bond Indices.
2. Bloomberg Municipal Bond Index.

One basis point (bps) equals 0.01%. **Past performance is not a guarantee of future results.** Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Yield curve data from Federal Reserve. State and local bonds, and the Yield to Worst are from the S&P National AMT-Free Municipal Bond Index. AAA-AA Corporates represent the ICE BofA US Corporates, AA-AAA rated. A-BBB Corporates represent the ICE BofA Corporates, BBB-A rated. Bloomberg data provided by Bloomberg. US long-term bonds, bills, inflation, and fixed income factor data © Stocks, Bonds, Bills, and Inflation (SBBI) Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefield). FTSE fixed income indices © 2026 FTSE Fixed Income LLC, all rights reserved. ICE BofA index data © 2026 ICE Data Indices, LLC. S&P data © 2026 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Bloomberg data provided by Bloomberg.

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Market Perspectives

VeraBank Wealth Management Commentary

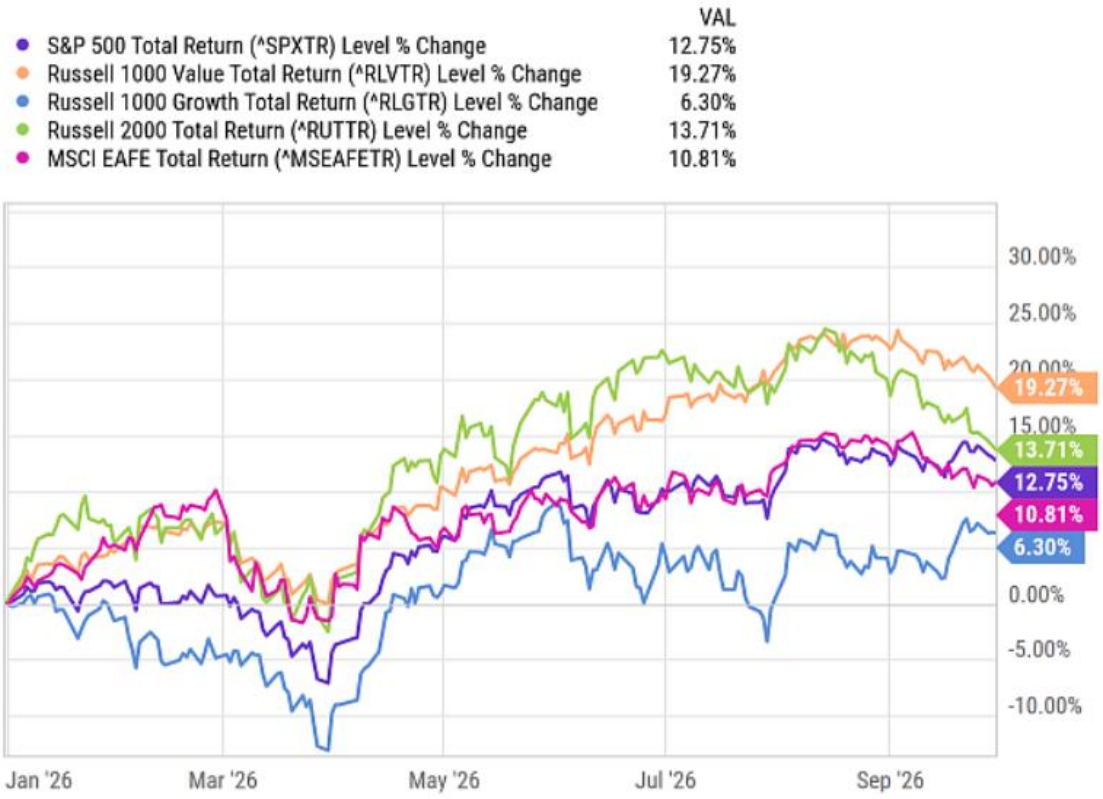
Looking Toward Year-End 2026: Prepare for Possibilities, Stay Anchored to Your Goals

Stock and bond markets function to price in the known and expected – it is the unforeseen and unexpected that causes prices to rise and fall rapidly. The final three months of 2026 present no shortage of uncertainty and potential surprises. As investors navigate midterm elections, evolving geopolitical developments in the Middle East, high oil prices and inflation, and steadily rising interest rates, a number of factors continue to contribute to market volatility. What does this mean for investors?

Proactive Portfolio Management

Global stock markets have been strong in 2026, but some segments of the market have performed significantly better than others. The S&P 500 is up 12.75% YTD through Q3, but US Value (Russell 1000 Value) and US Small Cap (Russell 2000) stocks up 19.27% and 13.71% respectively, both outperformed the S&P 500. The technology stock focused US Large Growth (Russell 1000 Growth) is the lowest performer, up only 6.30% YTD after a weak start to 2026.

A range of economic and geopolitical factors contributed to the performance of US Value Stocks during the period, including energy prices, inflation, interest rate movements, and developments across the global landscape. Investors with a diversified and disciplined approach were able to capture this outperformance through Q3 and enjoy smoother investment experience than the volatility of any individual line shown below.



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Estate Planning Awareness Month

Building a Comprehensive Estate Plan: Five Key Considerations

When markets are volatile, investors naturally focus on portfolios, interest rates, and economic headlines. Yet some of the most important financial decisions have little to do with market performance. A well-constructed estate plan can help protect family assets, ensure personal wishes are honored, and reduce unnecessary burdens on loved ones during difficult periods. In recognition of October being National Estate Planning Awareness Month, we're focusing on five important estate documents every family should review.

Many families spend years building wealth but postpone reviewing their estate documents. Changes in family circumstances, financial conditions, health, or tax laws can gradually make older documents less effective. A periodic review with qualified legal and tax professionals can help ensure that estate planning strategies remain aligned with current objectives.

1. Last Will and Testament: A will directs how assets are distributed, can name guardians for minor children, and identifies the individual responsible for administering the estate. A will helps reduce uncertainty, potential disputes, and stress during difficult times for your loved ones.

2. Beneficiary Designations: Retirement plans, annuities, and life insurance policies typically transfer according to beneficiary designations rather than a will. Outdated designations are among the most common estate planning oversights and can result in assets going to unintended recipients.

3. Revocable Living Trust: For many families, a revocable trust can provide continuity of asset management, privacy, and estate administration efficiency. A trust can provide greater control over when and how beneficiaries received assets.

4. Durable Financial Power of Attorney: This document authorizes a trusted individual to act on financial matters if incapacity occurs. Without it, family members may face delays and possible court involvement before managing important financial affairs.

5. Medical Power of Attorney and Health Care Directive: These documents allow individuals to designate health care decision makers and communicate treatment preferences. Periodic reviews are particularly important after major health events or family changes.

The Bottom Line

Estate planning is not merely about transferring wealth. It is about protecting family members, preserving options, and ensuring that personal wishes are clearly documented. While investment management remains an important component of long-term financial success, a coordinated estate plan can provide confidence that a lifetime of work will have a lasting impact.

As part of your overall financial strategy, your VeraBank Wealth Management Advisor can help you review financial accounts, beneficiary information, and other wealth management considerations that may be relevant to your estate planning goals. We encourage you to work with qualified legal and tax professionals as needed. If you would benefit from an estate plan review, or know someone who might, please contact a VeraBank Wealth Management Advisor.

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