

CHIEF INVESTMENT OFFICE

Capital Market Outlook

October 26, 2026

All data, projections and opinions are as of the date of this report and subject to change.

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Macro Strategy—Oil Price Dynamics Remain Key to the Outlook: Escalating conflicts have turned the initial Iran-war crude-oil shock into a persistent crisis, causing oil and refined fuel prices to take a turn for the worse since mid-summer. The U.S. average diesel price reached new highs, nearly double year-ago levels, with anecdotal evidence of fuel surcharges propagating the inflationary impulse throughout the supply chain. Not surprisingly, inflation has remained sticky above target, contributing to a spike in interest rates, some growth data disappointments and a loss of equity-market momentum in recent months.

Peaking oil prices and favorable signals from recent cross-asset performance and Treasury yields have come in from their highs, the dollar has softened, downside pressure on non-technology Equities has eased and the market advance/decline ratio has improved—suggest oil market developments remain key for the outlook.

Market View—Six Questions Investors Should Be Asking Themselves Right Now: After four years of rising equity prices, investors have plenty to celebrate. The S&P 500 Index has returned some 131% (total returns) since the bull market in Equities commenced in October 2022. Corporate earnings have generally exceeded expectations, Artificial Intelligence (AI) has ignited a historic investment boom, and America's technology giants have powered the market to new heights. We believe the bull will rumble on into 2027.

We also believe that investors should take stock of their portfolios by asking themselves the following questions: *How concentrated is my portfolio? How diversified is it? How tax-efficient is my portfolio? Is now the time to take profits? How is my portfolio positioned given the new interest rate regime? And how shock-proof is my portfolio?*

The Ticker Tape—Top Questions Answered Directly by Our Chief Investment Officer (CIO).

- What are rising credit spreads signaling about the broader market environment?

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Portfolio Considerations

A series of macro shocks, including higher energy prices, rising Treasury yields, and shifting Federal Reserve expectations, have tested markets, but resilient economic growth, strong corporate earnings, and ongoing Artificial Intelligence-related investment continue to support a constructive outlook for Equities and risk assets.

We remain overweight Equities, favor U.S. stocks, see potential opportunities in broader market participation and select cyclical sectors, and view higher bond yields as attractive to add income and extend duration.

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Oil Price Dynamics Remain Key to the Outlook

Chief Investment Office, Macro Strategy Team

Inflation, interest rates and equity market dynamics have changed materially since mid-August, as widening attacks on Middle East and Russian crude oil and refining capacity worsened supply and price conditions. Indeed, with the oil market already strained, an early-September attack on a major Saudi Arabian export pipeline sharply raised concerns about a protracted and deepening oil crisis. While Middle East crude exports eventually managed to significantly rebound, increased security risks and freight costs raised physical crude prices.

Against this backdrop, the spot Brent price surged from \$92/barrel in mid-August back into a \$115 to \$135/barrel price range until recently. Reflecting unusual market tightness, other North Sea oil grades were recently trading even higher, up to \$160/barrel, according to the International Energy Agency (IEA). Even as it cooled from \$135 to \$115/barrel between October 2 and October 20, spot Brent is still almost double year-ago levels, and so are many diesel prices. The AAA average U.S. retail diesel price recently hit a new record and was 74% higher year-over-year (YoY) as of October 20. With insufficient regional supply, the New York Harbor wholesale diesel price is 130% higher from a year ago, according to the Energy Information Administration (EIA).

Indeed, sharply higher oil prices and a growing diesel shortage have put the global diesel market under extreme strain. The U.S., for example, has little distillate cushion and limited spare refining capacity. The distillate inventory (diesel and fuel oil) has decreased from 37 days of demand coverage in January to just 26 days by early October, according to the EIA. This 30% drop brought the supply buffer to the bottom of its historical range. With limited refining capacity and reliance on imports for about 10% of regional consumption, East Coast distillate inventories are the lowest since 1990, for example, and are expected to remain below their 5-year average into late 2027, according to EIA data. More broadly, according to the IEA's October Oil Market Report (OMR), "oil market balances are forecast to remain in deficit through the end of the year, with constrained middle distillate supplies likely to persist well into 2027."

Thus, although wage growth/labor demand do not appear inflationary, the oil crisis risks continuing to feed "core" inflation. According to the Federal Reserve's Beige Book¹ covering precisely the mid-August to early-October period of heightened oil-market turmoil, "higher oil prices permeated all District reports," with firms noting that fuel surcharges were passing on increased costs throughout the supply chain. The 22% rise in airfares over the past year alone contributed around 0.2 percentage point (pp) to the 2.6% 12-month increase in the "core" consumer price index (CPI) for September. Aside from transportation costs effects, the spike in diesel prices also portends high food prices with a few-month lag given planting/harvesting cost considerations.

By solidifying expectations for higher Fed interest rates to fight inflation, the surge in oil prices has contributed to the spike in long-term Treasury yields this year. According to an October 13, 2026, Empirical Research Partners report, the Iran-war oil crisis is estimated to have contributed about 0.50 pp to the roughly 2.40 pp increase in the real U.S. long-term Treasury rate from 2020 to early October (Exhibit 1A). According to the report, this oil-price effect accounts for "much of the rise in real rates since February 27, 2026..." On the positive side, while most other underpinnings for higher rates compared to the pre-pandemic decade are structural (Exhibit 1A), the oil-price-related effect on interest rates is reversible, implying that a resolution to the current oil crisis has the potential to help lower both inflation and interest rates, relieving some of the current headwinds to growth and asset prices.

Indeed, while much of the increase in interest rates since the pandemic reflects stronger, more normal economic growth, and has thus been accompanied by surging corporate

Investment Implications

Oil market conditions remain a swing factor for the outlook. A shift lower in oil risk premia and improvement on the refining front would go a long way toward easing inflation and interest rates while bolstering risk-asset appetite. A gradual increase in Fixed Income portfolio duration continues to make sense, in our view.

¹ Summary of Commentary on Current Economic Conditions by Federal Reserve District, Federal Reserve, October 2026.

earnings and risk-asset prices, worsening oil-market conditions since mid-summer and associated spike in yields have been accompanied by a loss of momentum in U.S. equity prices (Exhibit 1B). Given their higher sensitivity to energy price and interest rates shocks, Small-caps lost relatively more momentum than Large-caps during this period.

The Large-cap rally also faded, though, as oil and interest rate headwinds widened stock-level return dispersion, with roughly 40% of constituent stocks in bear market territory (down 20% or more). Still, buoyed by the Technology sector as well as by expectations of conflict resolution, the market-capitalization weighted S&P 500 Index has mainly consolidated just below its peak. While the equal-weighted S&P 500 Index stumbled more, it was just about 3% off its peak as of October 20.

While the economy remains resilient and profit expectations remain strong, persistent oil market turmoil makes the macro backdrop more fragile. For example, the Beige Book not only highlights concern about spreading fuel-related inflation, as noted above, but its language also suggests that economic activity lost some momentum since its mid-July to late-August report. Overall, it describes growth as slight to moderate, with generally moderate manufacturing growth except for robust activity in the energy-heavy Dallas District. Little growth is reported in other sectors overall, with most Districts seeing little to no change in consumer spending, for example.

Employment was described as stable to little changed, with generally adequate labor supply except for certain specialized trade workers. Five of twelve Districts note some reports of businesses cutting staff through attrition, delaying hiring or anticipating less job creation as a result of AI-driven productivity gains. Most Districts reported that business maintained a positive outlook for coming months, though “expectations tend to be for slight growth, weighted toward manufacturing and burdened by persistent uncertainty.”

The September employment and retail sales reports seem to validate the anecdotal Beige Book evidence. Also, the 0.4% annualized manufacturing production growth over the July to September period (and 1.1% YoY, according to the Federal Reserve Broad), while welcome, is hardly an indication of booming conditions. Against a backdrop of rising electricity prices, wage growth lagging inflation, and higher gasoline prices broadly offsetting this year’s tax cut benefits, real consumer spending is unlikely to accelerate much absent stronger labor demand and real wage growth. A resolution to the oil crisis that brings economic relief and tempers interest rates is thus critical for continued expansion in 2027, in our view.

Exhibit 1: While Equities Have Weathered the Structural Increase in Interest Rates Since 2020, Many Have Struggled in the Face of Growing Exogenous Oil Shock Effects on Inflation and Rates.

A) Increase in real long-term interest rate since 2020 mostly structural. However, much of this year’s increase appears due to oil-price effects. B) Rising oil prices have restrained equity-market rally.

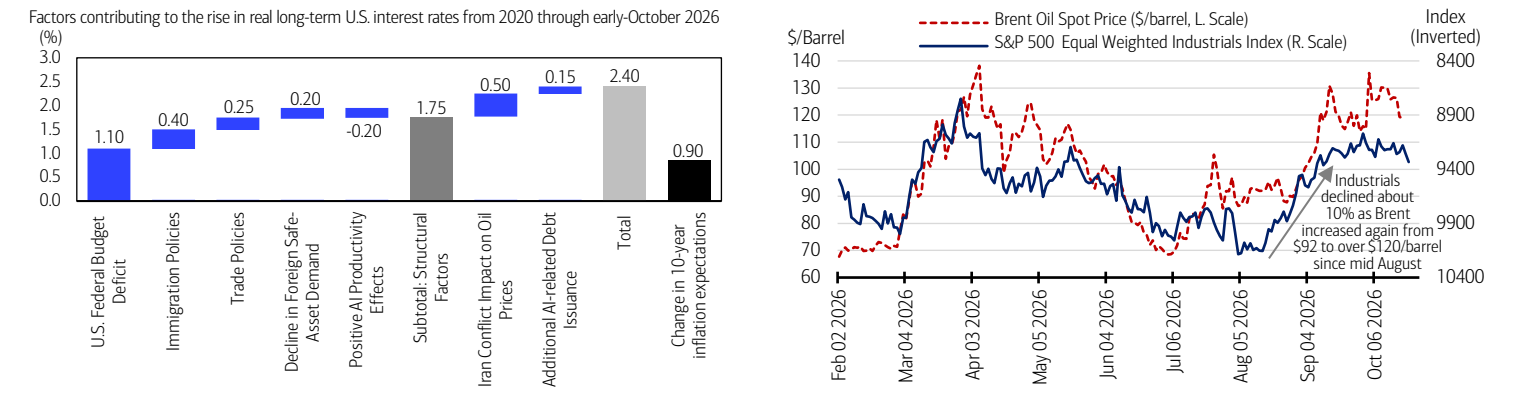


Exhibit 1A) Source: Empirical Research Partners. Data as of October 13, 2026. Exhibit 1B) Source: Haver Analytics. Data as of October 21, 2026. Past performance is no guarantee of future results. Please refer to index definitions at the end of this report. It is not possible to invest directly in an index.

Six Questions Investors Should Be Asking Themselves Right Now

Joseph Quinlan, *Managing Director and Head of Market Strategy*

After four years of rising equity prices, investors have plenty to celebrate. Despite inflation scares, geopolitical tensions, trade wars, rising interest rates and breathless predictions around AI, the S&P 500 has returned some 131% (total returns) since the bull market in equities commenced in October 2022. Corporate earnings have generally exceeded expectations; AI has ignited a historic investment boom, and America's technology giants have powered the market to new heights.

We believe the bull will rumble on into 2027. We also believe that now is the time for investors to take stock of their portfolios, since bull markets have a way of changing the composition of portfolios. In addition, investors should not assume that the investment strategies that worked well in the past four years will necessarily deliver comparable results during the next four. Below are six questions investors should be asking themselves right now:

Number One: How concentrated is my portfolio? Many investors believe they are invested in the stock market when, in fact, they are invested in a handful of companies—specifically AI-related names that have soared and dominated the index over the past few years. Information technology now accounts for roughly 40% of the market cap of the S&P 500, while the top 10 companies represent a share of 38.4%.

As the Financial Times recently noted, U.S. equity and credit markets have become so increasingly concentrated in AI-related groups that “more than two-thirds of companies in the Russell 1000 index of large U.S. groups are linked to AI, either directly or indirectly or because the technology is becoming embedded in their business models.”² Meanwhile, Big Technology hyperscalers and companies that are beneficiaries of the AI spending boom make up about 16% of the U.S. high-grade bond market after a huge borrowing binge, making the grouping the largest in the investment-grade bond market.² The upshot: Investors that have been rewarded by concentration need to ask themselves what percentage of their wealth is tied to the all-encompassing AI trade and consider what would happen if mega-cap tech leadership falters.

Number Two: How diversified is my portfolio? While concentration asks whether investors own too much of a few assets, diversification asks whether investors own enough of different assets that behave differently when economic cycles or financial conditions change. A portfolio containing hundreds of U.S. Equities via exchange-traded funds, mutual funds and other assets may appear diversified. But if those companies are overwhelmingly exposed to the same economic cycle, interest rate environment, or technology theme, the diversification benefits are diluted. Case in point: While we remain constructive on Emerging Market (EM) Equities, investors need to understand that a significant driver of EM returns has come from AI-driven markets like Taiwan and South Korea.

Today, true diversification means considering exposure to hard assets (commodities, real estate), EM mining and agricultural leaders, EM bonds and currencies, China bio-technology, Small-cap international, and Private Equity and Hedge Funds for qualified investors.

Number Three: How tax-efficient is my portfolio? Bull markets create wealth—in addition to tax liabilities. The good news is that after four years of rising equity returns, investors are sitting on sizable, unrealized capital gains. The bad news: Market gains can feel like a financial straitjacket, making it difficult to rebalance portfolios without triggering significant tax liabilities.

Against this backdrop, now is the time for investors to review where the assets are held—distinguishing between taxable and tax-advantaged accounts, and the attendant tax ramifications. The appropriate mix depends on individual circumstances, including future

Investment Implications

Portfolio maintenance is a key component of successful investing. It's time for investors to assess their portfolios—or look under the hood.

² “Investors seek shelter from heightened exposure to AI”, The Financial Times, October 6, 2026.

withdrawal taxes. It is also time to consider tax-loss strategies, charitable donations of securities and other tactics and strategies since in the end, the measure of investment success isn't simply how much money investors make. It's how much they keep.

Number Four: Is it time to take profits?* There is a peculiarity to bull markets: The more money investors make, the more the attendant tax liabilities. Tax liabilities, in turn, can discourage selling, and the reluctance to sell can leave investors dangerously exposed to yesterday's leaders and compound concentration risks. That brings up an emotionally difficult decision: *When should investors sell their leaders or take some chips off the table?* The question is notably relevant today, given four years of substantial Equity gains.

Beyond tax considerations, investors need to understand that profit-taking can create financial flexibility. Realized after-tax gains can replenish cash reserves, fund near-term spending needs, reduce leverage or most importantly, provide capital to rebalance portfolios in other areas of the market. In general, the goal of taking profits isn't to get out of the market—it is to ensure that after years of accumulated gains, these proceeds are redeployed and redistributed across various asset classes that continue to support and underpin long-term wealth accumulation.

Number Five: How well is my portfolio positioned for a new interest rate regime? For much of the past quarter century, investors operated in a world of copious liquidity, declining interest rates and relatively cheap capital. The era of capital abundance favored stocks over bonds, but that era is over—we are shifting to a world of capital scarcity, or intense competition for capital and the attendant hike in the cost of capital.

In this world, higher rates weigh the most on long-duration assets. Positioning for this regime favors companies with strong balance sheets and cash flow over firms with heavy debt or refinancing needs. High-quality bonds are more attractive in this environment; sovereign debt risks are concentrated more overseas (i.e., France) than the U.S.

Number Six: How well is my portfolio positioned for the next shock? Shocks happen. If the past four years have taught investors anything, it is that the unexpected should be the expected. This decade alone has produced gut-wrenching market moves related to a global pandemic, a ground war in Europe, the reconfiguration of global supply chains, epic technological change and a war in the Middle East. Through it all, U.S. Equities have trended higher but hardly in a linear fashion.

The next shocks could emerge in the global bond market, where mounting government debt and higher borrowing costs have triggered mounting volatility. It could emerge from disappointing returns on massive AI investments. Or it could come from a geopolitical event, another energy shock or any other unforeseen event. Investors can't predict the next shock, but they can prepare for it. So now is the time for investors to stress test their portfolios against a potential shock, examining how a steep downdraft in Equities or spike in bond yields would affect their retirement plans, liquidity needs and other financial goals and objectives.

Exhibit 2: Six Questions to Stress Test Your Portfolio.

The six questions	What investors should examine	Portfolio diagnostic
1. How concentrated am I?	Mega-cap technology exposure and overlapping holdings	% of portfolio in top 10 stocks
2. Am I truly diversified?	Asset allocation, geographic mix and correlated exposures	Current equity/bond mix versus target
3. How tax-efficient am I?	Unrealized gains, asset location and tax-loss harvesting	Embedded capital gains and estimated tax cost of rebalancing
4. Is it time to take profits?	Portfolio drift, oversized winners and valuations	Positions exceeding target allocation
5. Am I ready for higher interest rates?	Duration, leverage, refinancing risks and cash flows	Bond duration and exposure to highly leveraged companies
6. Am I prepared for the next shock?	Liquidity, downside exposure and portfolio resilience	Estimated loss in a 20% equity selloff

Source: Chief Investment Office. Data as of October 22, 2026.

* "Pop the Champagne," Portfolio Insights, Chief Investment Office, August 2026.

What are rising credit spreads signaling about the broader market environment?

Christopher Hyzy, Chief Investment Officer

Rising French bond yields with a sharp rise in spreads above German bunds, mixed with AI buildout concerns, are creating nervousness across the capital markets. This nervousness centers around the ability to fund deficits, the potential for slower growth and the future return on the announced capital investment. We expect these concerns to continue to linger well into next year as growth worries remain in France, bond yields stay sticky around current levels, and, in the case of AI, investors demand more compensation for financing.

At this stage, we do not expect the rising spreads in targeted areas to be a precursor for a material slowdown in economic growth overall. Rather, we believe this is a natural signal that investors are moving up the quality stack as we move into the middle of the AI buildout. The bottom line is that rising credit spreads in lower quality corners of the market are natural along the lifecycle of financing. When free cash flow is called into question, or when debt financing costs begin to approach the expected return on investment, investors begin to reprice risk.

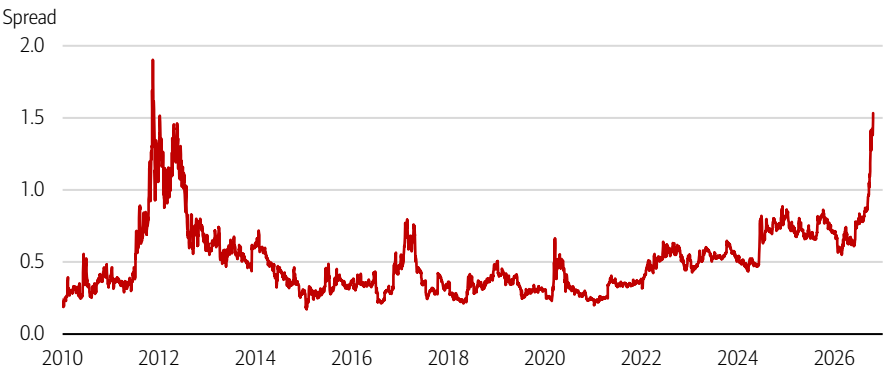
We continue to emphasize higher quality balance sheets in corporate and sovereign credit as well as higher quality leaders in the AI buildout overall. The closer we get to 2027, investors will likely begin to transition from too much exposure to the “buildout” and not enough exposure to “AI adopters.”

Investment Implications

We continue to emphasize higher quality balance sheets in corporate and sovereign credit as well as higher quality leaders in the AI buildout overall.

Exhibit 3: Credit Concerns Are Rising, But Remain Targeted.

A) France-Germany Yield Spread Moves Higher.



B) AI-Related Credit Spreads Remain Elevated.



Exhibit 3A) Source: Bloomberg. Data as of October 20, 2026. Exhibit 3B) Source: Bloomberg. Data as of October 20, 2026.

Equities

Equities	Total Return in USD (%)			
	Current	WTD	MTD	YTD
DJIA	52,215.16	0.4	2.6	10.0
NASDAQ	25,955.34	-0.7	-3.4	12.2
S&P 500	7,623.68	-0.5	-0.3	12.4
S&P 400 Mid Cap	3,616.59	0.0	0.6	10.6
Russell 2000	2,775.90	2.0	-0.7	12.9
MSCI World	4,874.68	-0.7	-0.5	11.2
MSCI EAFE	3,074.49	-1.5	-1.6	8.6
MSCI Emerging Markets	1,578.04	-2.6	-7.4	14.3

Fixed Income[†]

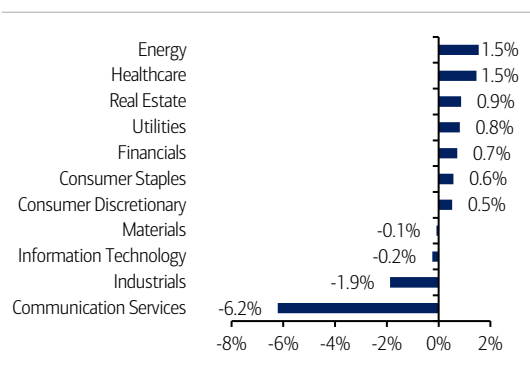
Fixed Income	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Corporate & Government	5.23	0.48	1.76	-1.14
Agencies	5.04	0.26	1.09	-0.12
Municipals	4.31	1.14	3.18	-1.13
U.S. Investment-Grade Credit	5.33	0.54	1.87	-1.10
International	5.87	0.34	1.68	-1.49
High Yield	8.39	-0.11	-0.20	-0.09
90 Day Yield	4.12	4.16	4.11	3.63
2 Year Yield	4.68	4.71	4.89	3.47
10 Year Yield	4.99	5.07	5.28	4.17
30 Year Yield	5.32	5.42	5.63	4.84

Commodities & Currencies

Commodities	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Bloomberg Commodity	372.91	-0.4	1.6	35.0
WTI Crude \$/Barrel ^{††}	103.27	1.8	14.2	79.9
Gold Spot \$/Ounce ^{††}	3996.1	-4.1	-3.9	-7.5

Currencies	Total Return in USD (%)			
	Current	Prior Week End	Prior Month End	2025 Year End
EUR/USD	1.12	1.12	1.13	1.17
USD/JPY	156.87	158.02	157.41	156.71
USD/CNH	6.67	6.69	6.71	6.98

S&P Sector Returns



Sources: Bloomberg, Factset. Total Returns from the period of 10/19/2026 to 10/3/2026. [†]Bloomberg Barclays Indices. ^{††}Spot price returns. All data as of the 10/23/2026 close. Data would differ if a different time period was displayed. Short-term performance shown to illustrate more recent trend. **Past performance is no guarantee of future results.**

Economic Forecasts (as of 10/23/2026)

Economic Forecasts	Q1 2026A	Q2 2026A	Q3 2026A	Q4 2026E	2026E	2027E
Real global GDP (% y/y annualized)	-	-	-	-	3.3	3.4
Real U.S. GDP (% q/q annualized)	2.5	2.2	3.5*	2.3	2.4	2.3
CPI inflation (% y/y)	2.7	3.8	3.5	3.8	3.5	2.8
Core CPI inflation (% y/y)	2.5	2.7	2.5	2.7	2.6	2.7
Unemployment rate (%)	4.3	4.3	4.1	4.2	4.2	4.1
Fed funds rate, end period (%)	3.63	3.63	3.88	4.38	4.38	4.38

The forecasts in the table above are the base line view from BofA Global Research. The Global Wealth & Investment Management (GWIM) Investment Strategy Committee (ISC) may make adjustments to this view over the course of the year and can express upside/downside to these forecasts. Historical data is sourced from Bloomberg, FactSet, and Haver Analytics. **There can be no assurance that the forecasts will be achieved. Economic or financial forecasts are inherently limited and should not be relied on as indicators of future investment performance.**
A = Actual. E/* = Estimate. Data as of October 23, 2026.
Sources: BofA Global Research; GWIM ISC as of October 23, 2026.

Asset Class Weightings (as of 10/6/2026) CIO Equity Sector Views

Asset Class	CIO View					Sector	CIO View				
	Underweight		Neutral		Overweight		Underweight		Neutral		Overweight
Global Equities	•	•	•	•	•	Industrials	•	•	•	•	•
U.S. Large-cap Growth	•	•	•	•	•	Financials	•	•	•	•	•
U.S. Large-cap Value	•	•	•	•	•	Healthcare	•	•	•	•	•
U.S. Small-cap Growth	•	•	•	•	•	Consumer Discretionary	•	•	•	•	•
U.S. Small-cap Value	•	•	•	•	•	Information Technology	•	•	•	•	•
International Developed	•	•	•	•	•	Energy	•	•	•	•	•
Emerging Markets	•	•	•	•	•	Materials	•	•	•	•	•
Global Fixed Income	•	•	•	•	•	Utilities	•	•	•	•	•
U.S. Governments	•	•	•	•	•	Communication Services	•	•	•	•	•
U.S. Mortgages	•	•	•	•	•	Real Estate	•	•	•	•	•
U.S. Corporates	•	•	•	•	•	Consumer Staples	•	•	•	•	•
International Fixed Income	•	•	•	•	•						
High Yield	•	•	•	•	•						
U.S. Investment-grade Tax Exempt	•	•	•	•	•						
U.S. High Yield Tax Exempt	•	•	•	•	•						
Alternative Investments*											
Hedge Strategies											
Private Equity											
Private Credit											
Real Assets											
Cash											

* Many products that pursue Alternative Investment strategies, specifically Private Equity and Hedge Funds, are available only to qualified investors. CIO asset class views are relative to the CIO Strategic Asset Allocation (SAA) of a multi-asset portfolio. Source: Chief Investment Office as of October 6, 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.

Index Definitions

Securities indexes assume reinvestment of all distributions and interest payments. Indexes are unmanaged and do not take into account fees or expenses. It is not possible to invest directly in an index. Indexes are all based in U.S. dollars.

SS&P 500 Index is a stock market index tracking the stock performance of 500 leading companies listed on stock exchanges in the United States.

Consumer Price Index is a statistical measure that tracks the average change over time in the prices paid by urban consumers for a representative "market basket" of everyday goods and services.

S&P 500 Market-cap Weighted Index is a float-adjusted market-capitalization-weighted index, meaning a company's influence and percentage weight in the index are determined by its total market value (share price multiplied by the number of outstanding shares).

S&P 500 Equal-Weighted Index is a variation of the traditional S&P 500 where every single company in the index is given the exact same weight—0.2%—regardless of its size or market capitalization.

S&P 500 Equal-Weighted Industrials Index imposes equal weights on the index constituents included in the S&P 500 that are classified in the GICS® industrials sector.

Russell 1000 Index is a stock market index that tracks the performance of the 1,000 largest publicly traded companies in the United States.

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Alternative investments are speculative and involve a high degree of risk.

Alternative investments are intended for qualified investors only. Alternative Investments such as derivatives, hedge funds, private credit, private equity funds, and funds of funds can result in higher return potential but also higher loss potential. Changes in economic conditions or other circumstances may adversely affect your investments. Before you invest in alternative investments, you should consider your overall financial situation, how much money you have to invest, your need for liquidity, and your tolerance for risk.

Nonfinancial assets, such as closely held businesses, real estate, fine art, oil, gas and mineral properties, and timber, farm and ranch land, are complex in nature and involve risks including total loss of value. Special risk considerations include natural events (for example, earthquakes or fires), complex tax considerations, and lack of liquidity. Nonfinancial assets are not in the best interest of all investors. Always consult with your independent attorney, tax advisor, investment manager, and insurance agent for final recommendations and before changing or implementing any financial, tax, or estate planning strategy.

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