

Robert C. Doll, CEO/CIO/PM/CFA

# 4Q26 Investment Update

October 2026



Bob is a financial services industry veteran with over 40 years of experience managing large cap equity strategies as well as long and long-short equity strategies. His weekly, quarterly, and annual investment commentaries focus on key themes and risks driving equity markets, monetary policy, and the global economy. Bob is a regular guest and contributor to multiple media outlets such as CNBC, Bloomberg TV, Moneywise, and Fox Business News.

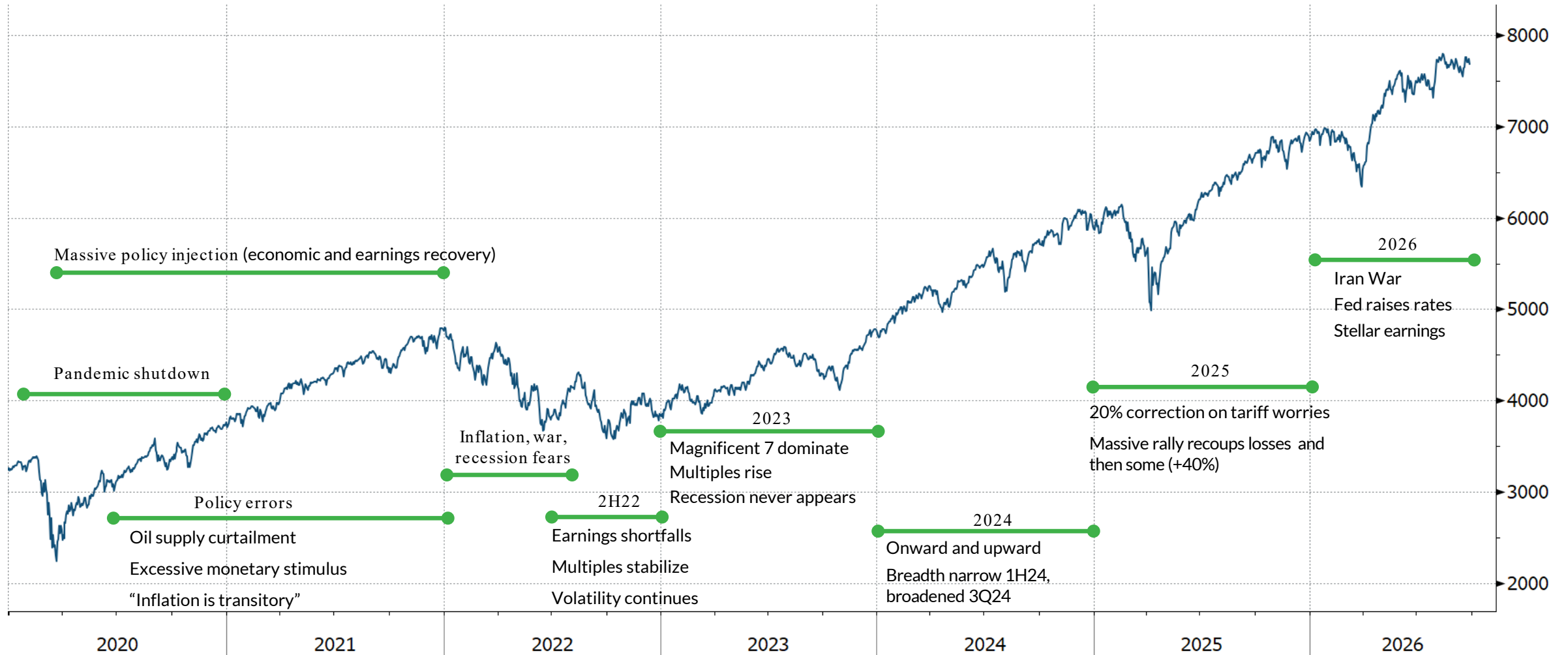
# Recent returns



| Index                                                             | 3Q26 (%) | 9 mos. 2026 (%) |
|-------------------------------------------------------------------|----------|-----------------|
| 90-Day Treasury Bills (Bloomberg U.S. Treasury Bill 1-3 Month TR) | 0.9      | 2.8             |
| 10-Year U.S. Treasury (Bloomberg U.S. Treasury 10+ Yr TR)         | -5.2     | -5.2            |
| U.S. Bonds (Bloomberg U.S. Agg Bond TR)                           | -3.5     | -2.9            |
| High-Yield Corporate Bonds (Bloomberg U.S. Corp High Yield TR)    | -1.8     | 0.1             |
| S&P 500 TR Index                                                  | 2.3      | 12.7            |
| S&P 500 Equally Weighted                                          | -1.9     | 10.0            |
| MSCI ACWI Ex U.S. (MSCI ACWI Ex USA NR)                           | 0.5      | 14.2            |
| MSCI Emerging Markets (MSCI EM NR)                                | -0.4     | 23.4            |
| Commodities (DJ Commodity TR)                                     | 16.2     | 32.9            |
| Gold                                                              | 3.7      | -3.7            |
| Bitcoin                                                           | 42.4     | -4.4            |

Source: Bloomberg as of 9/30/26

# S&P 500 6¾-year history



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Source: Bloomberg as of 9/28/26

# Conclusions (March 31, 2026)



## Best guesses

- X 1. War (at least at this pace) ends in days/weeks, not months.
- ? 2. Iran regime likely to look similar to old regime.
- ✓ 3. Outcome will be take out leadership, nuclear capacity, navy, and a lot of missile inventory (will not change brutal authoritative government).
- ✓ 4. China angle is key.
- ✓ 5. Earnings will be “nicked,” but not damaged.

WATCH THE PRICE OF OIL AND THE STRAIT OF HORMUZ

# Equities current assessment



## Best guesses

1. Broadened economic recovery and manufacturing boom (including AI)  $\Rightarrow$  unprecedented earnings boom.
2. Earnings growth surprises have trumped inflation, oil, and rising rates.
3. P/Es have fallen three turns (22x  $\rightarrow$  19x) as earnings advance has exceeded stock market advance.
4. While rates have moved higher, pace of rate increases is more important than level.
5. Oil price  $\uparrow$  + Fed hike + AI threat to humanity = stocks AOK! WOW!

# Where are we?



From Doll's Deliberations, June 22, 2026:

Our view that we are in a “high-risk bull market” depended on continued earnings exceeding expectations and a Fed that was neutral or accommodative. With the Fed getting challenged, we are forced to become more cautious and argue that building on the generous gains in stocks in the first half of the year has become more difficult.

Earnings reports and revisions continue stellar.

## Issues

1. War (price of oil – will it stay down?).
2. Integrity of private credit.
3. AI (capex, ROI).

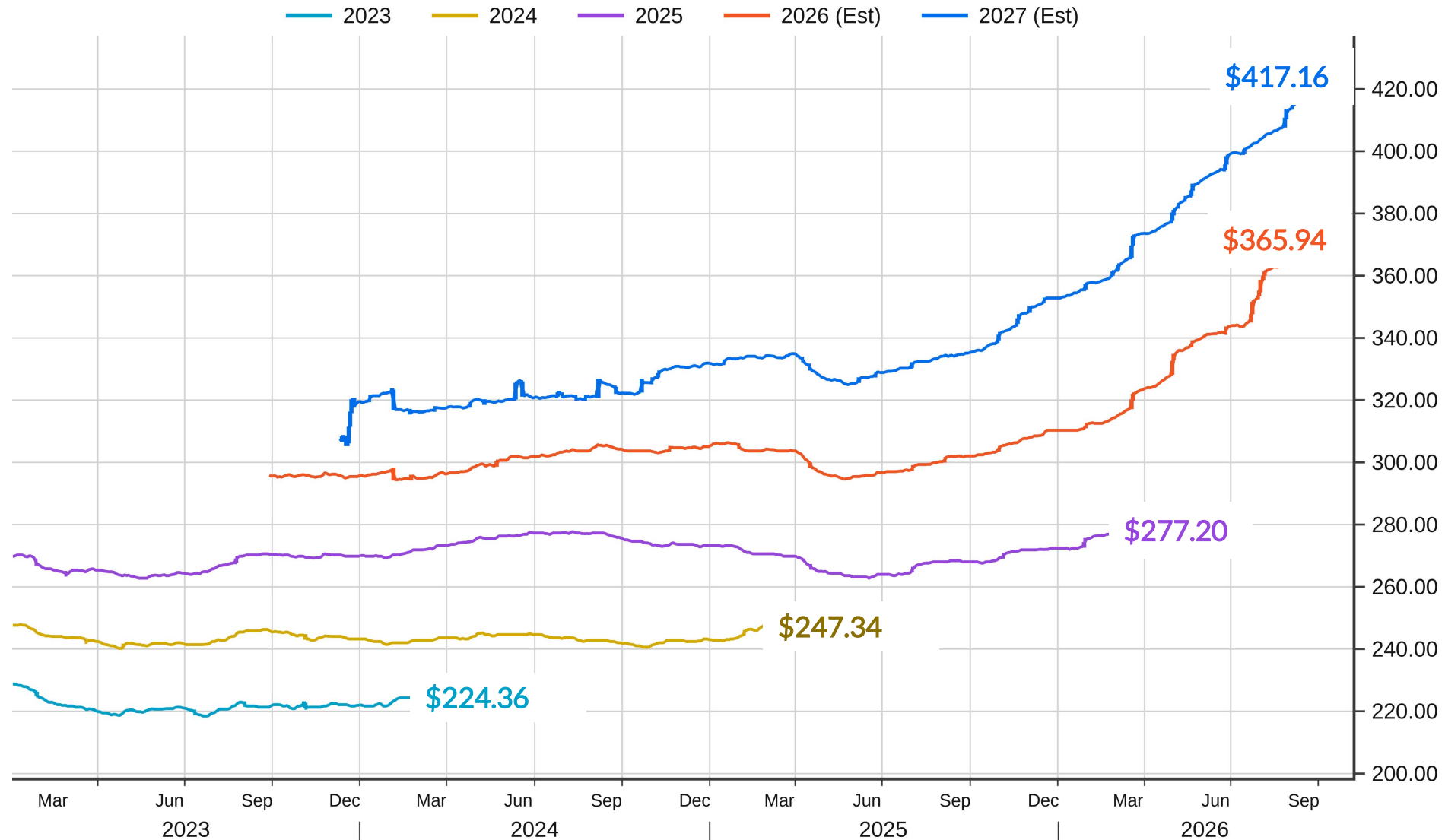
## Positives

1. Earnings still great (watch carefully).
2. Fed not hostile (yet!).
3. Credit spreads not signaling problems.

## Negatives

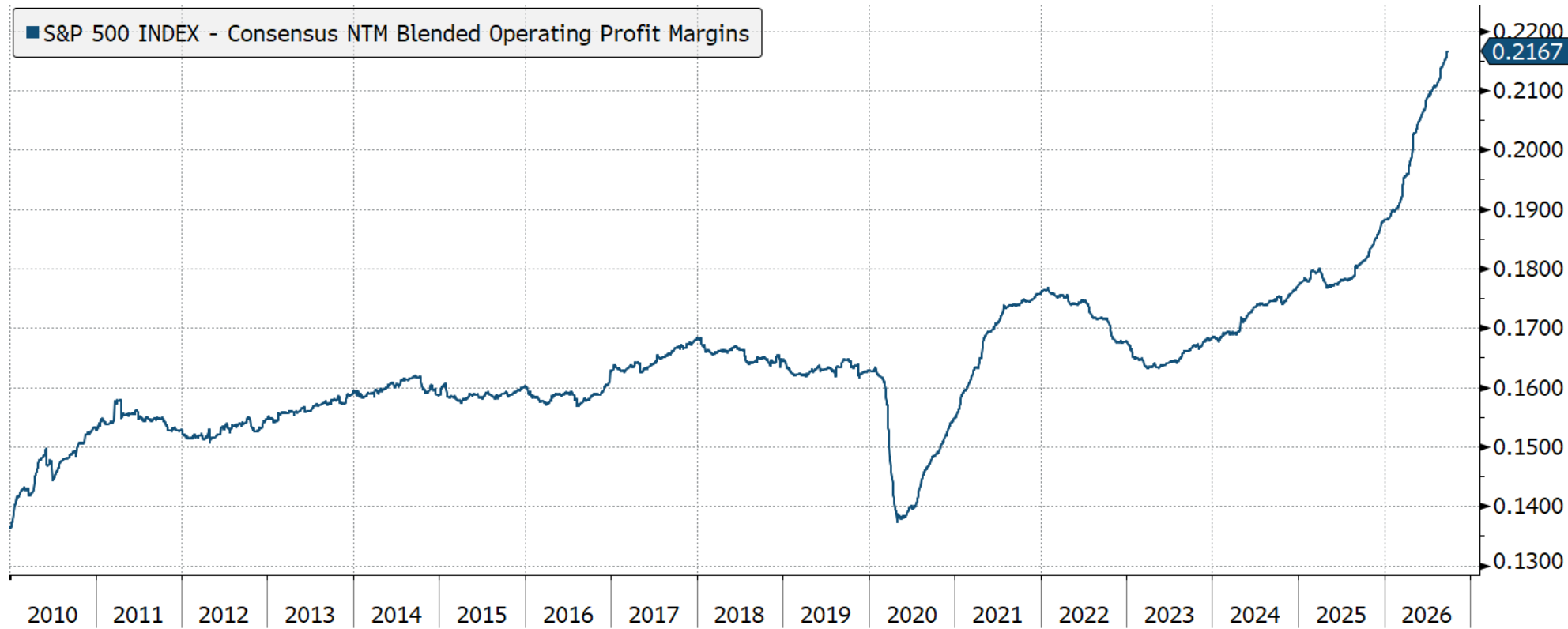
1. Still high valuations.
2. Inflation remains sticky.
3. Uncertainty as to Middle East outcome.

# S&P 500 EPS progression: 2023-27



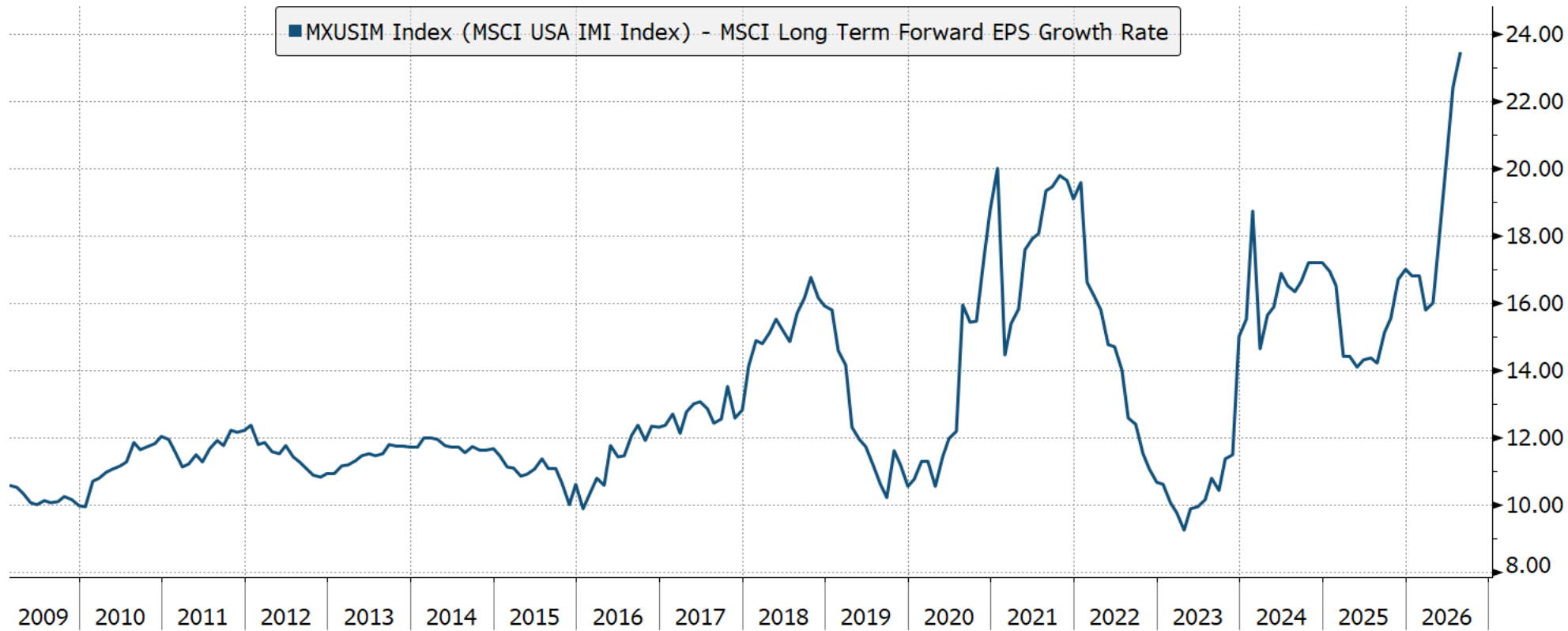
Sources: Baird Strategas, Bloomberg as of 9/28/26

# Estimated next 12-month S&P 500 operating margin



Source: Baird Strategas and Bloomberg as of 9/28/26

# Analysts have never been more bullish on long-term earnings

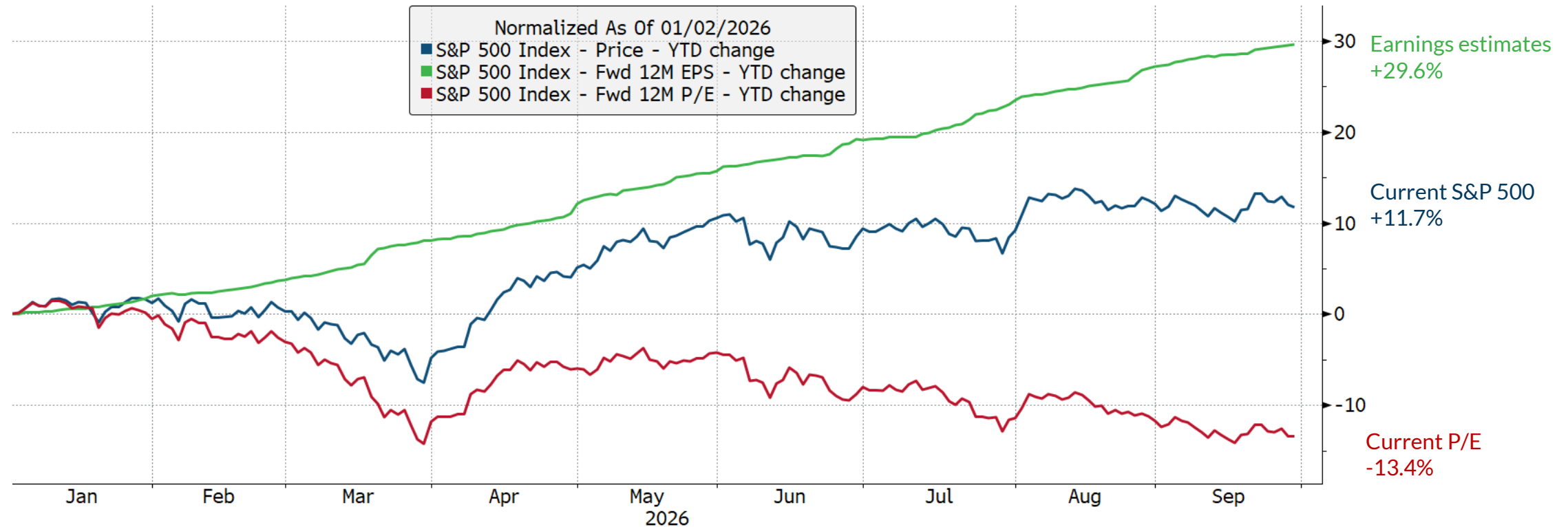


Source: Bloomberg as of 8/31/26

# Stocks, Earnings, and P/Es



## S&P 500 Price Index vs. P/E ratio vs. EPS estimates



Source: Bloomberg as of 9/29/26

# Stock market balance sheet



| Positive              | Neutral      | Negative                     |
|-----------------------|--------------|------------------------------|
| 1. Earnings reports   | 1. Valuation | 1. War/Oil                   |
| 2. Earnings revisions | 2. AI        | 2. Interest rates            |
| 3. Labor markets      |              | 3. Fiscal stimulus fade      |
|                       |              | 4. Potential equity issuance |

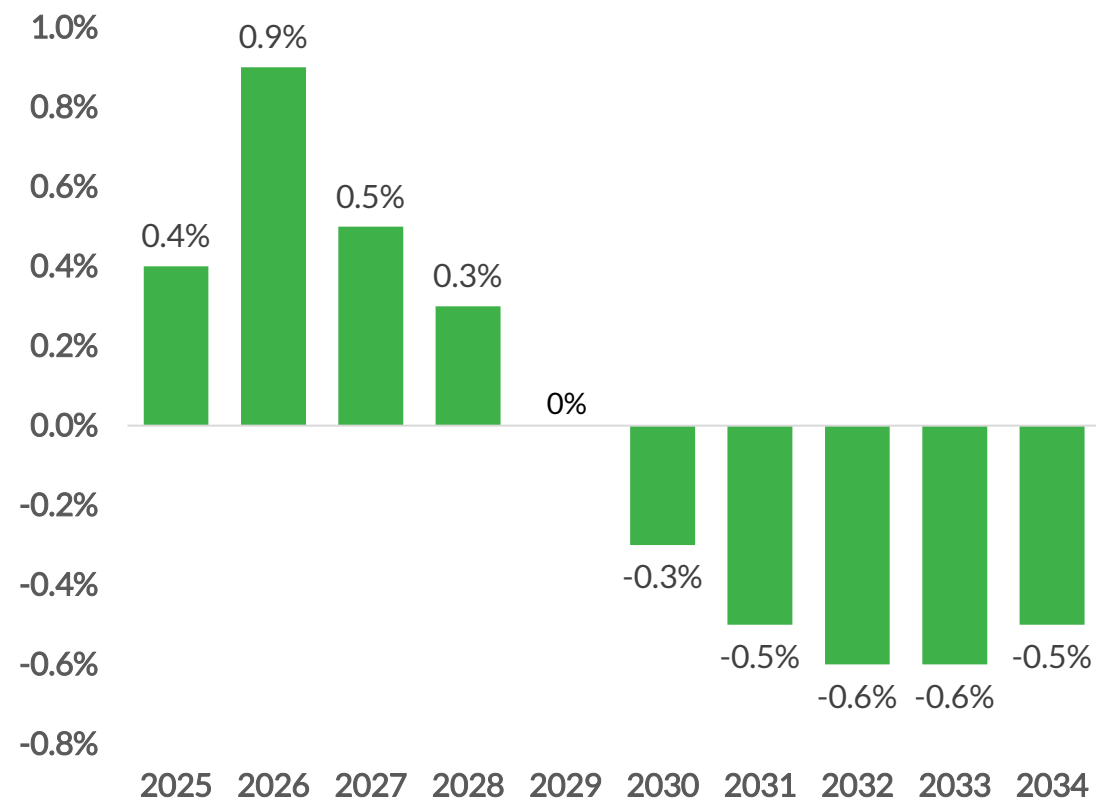
**Main concern: Earnings comparisons will become less impressive.**

| 2026               | 2027                |
|--------------------|---------------------|
| 1Q \$80.63 (+26%)  | 1QE \$95.14 (+17%)  |
| 2Q \$101.08 (+50%) | 2QE \$102.27 (+1%)  |
| 3QE \$90.70 (+27%) | 3QE \$107.75 (+19%) |
| 4QE \$93.11 (+24%) | 4QE \$111.93 (+20%) |

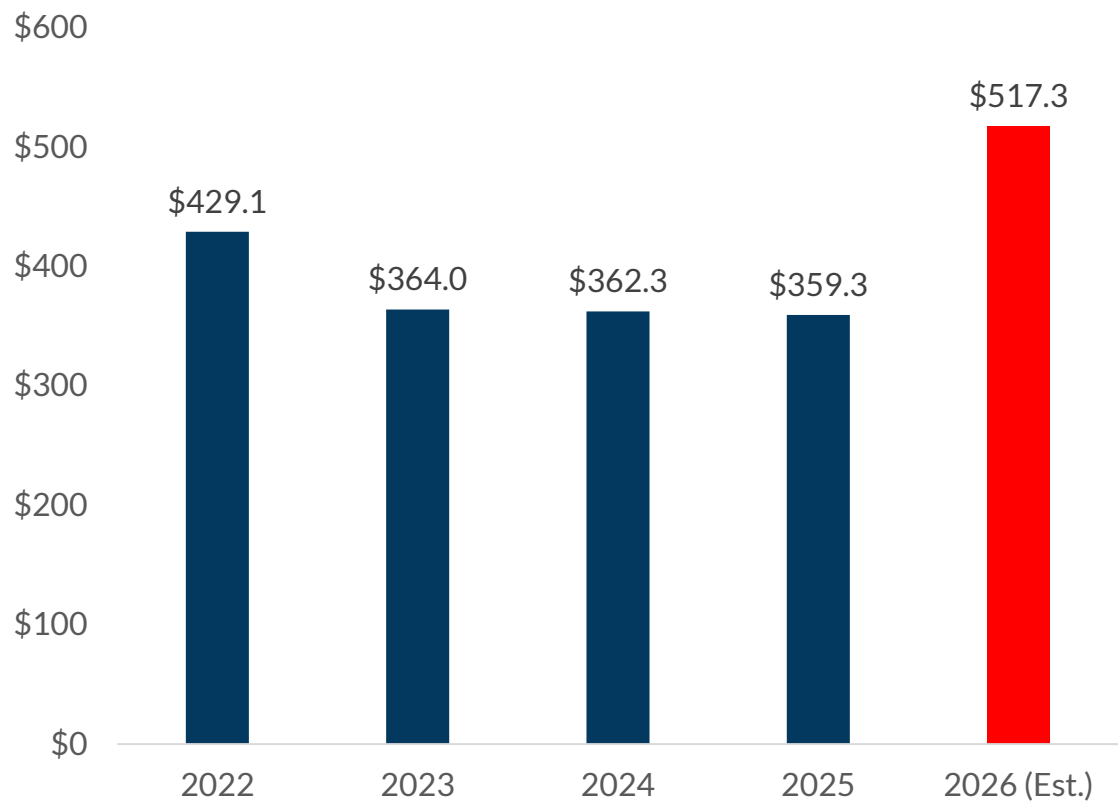
# Prediction 1: Economic growth in the U.S. improves from ~2.0% to ~2.5% real GDP



Net fiscal stimulus from Senate tax bill (excludes tariffs),  
% of GDP, FY



Federal tax refunds, FY, \$BN

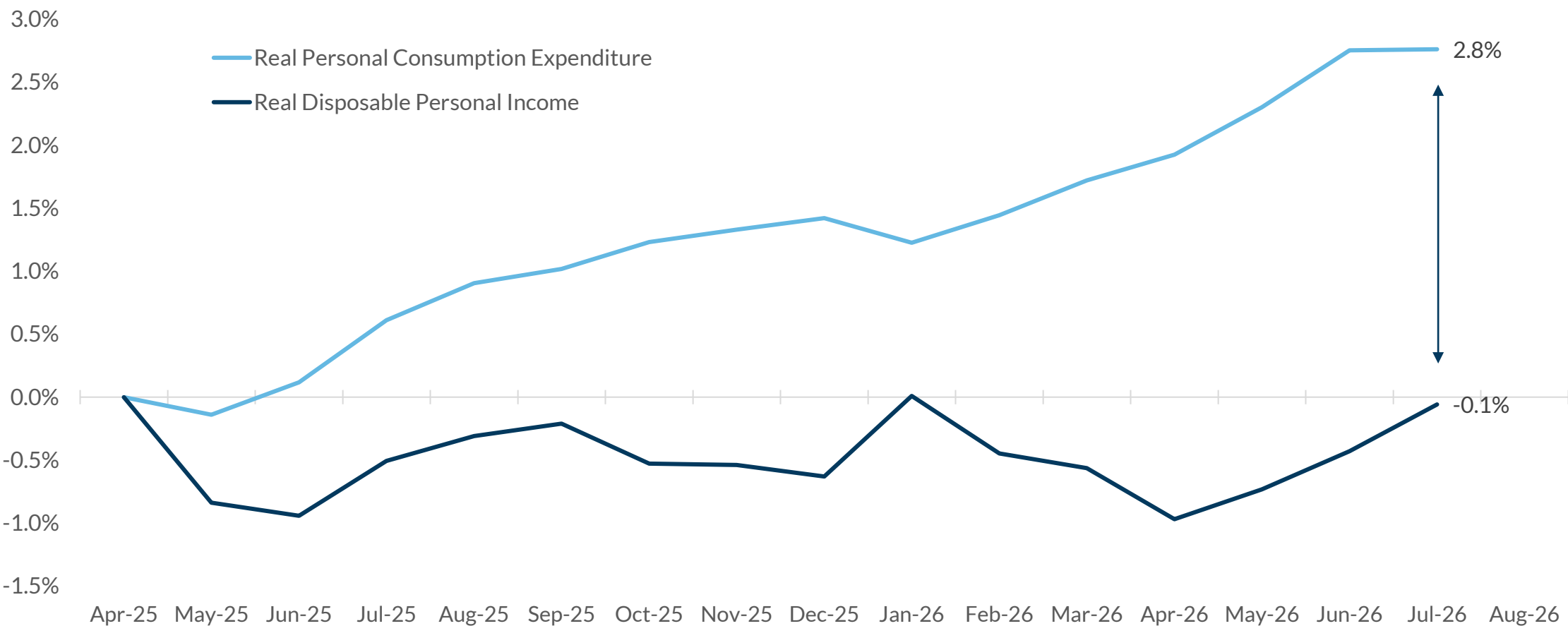


Current consensus 2026 real GDP:

- Wall Street: 2.5%
- IMF: 3.0%

Source: Strategas, left as of 12/09/25; right as of 11/17/25

# Consumption can't outgrow income indefinitely ...



U.S. annualized percentage change since April 2025

Source: Bureau of Economic Analysis (BEA)

# Prediction 2: Inflation remains sticky and fails to make much if any progress toward the Fed's 2% target



## U.S. inflation history

|              | Average since 1983 | Fall 2025 | May 2026 (Latest YoY) |
|--------------|--------------------|-----------|-----------------------|
| Headline CPI | 2.9%               | 3.0%      | 4.2%                  |
| Core CPI     | 2.9%               | 3.0%      | 2.8%                  |
| Food CPI     | 3.0%               | 3.1%      | 3.1%                  |
| Energy CPI   | 3.0%               | 2.9%      | 23.0%                 |
| Headline PCE | 2.5%               | 2.8%      | 4.1%                  |
| Core PCE     | 2.5%               | 2.8%      | 3.4%                  |

Consensus 2026  
CPI estimate: 3.4%

Source: Wolfe Research and Bloomberg as of 6/30/26 and 9/28/26

## Prediction 2: Inflation remains sticky and fails to make much if any progress toward the Fed's 2% target



**The 2-3% inflation ceiling of the 2010s becomes the 2-3% inflation floor of the 2020s**

**U.S. CPI inflation year-over-year (%)**



Source: Bloomberg as of 9/28/26

# Comments on the Recent Bond Market Riot



by Bob Doll & Victoria Fernandez, Sept. 28, 2026

1. Yields across the Treasury curve have moved irregularly higher since COVID in 2020. The pace of upward action has accelerated in the last month.
2. Economic statistics have accelerated somewhat recently (e.g., PMIs surging last week).
3. Fed funds are still below nominal growth, which implies interest rates are still stimulative, and certainly not restrictive.
4. The Fed has more (maybe a lot more) work to do to get the inflation rate down toward 2%.
5. It is likely that bond yields will have to go higher to arrest the pace of economic growth and the rate of inflation.
6. The level of bond yields is less important than the pace of change (which has accelerated in the last month). (The level will become more important once the 10-year yield is higher than nominal GDP.)

# Comments on the Recent Bond Market Riot (continued)



7. The 10-year Treasury total return is now negative since the beginning of this decade.
8. We are starting to see some widening in credit spreads in low quality (e.g., CCC) paper, but most investment grade spreads remain fairly tight. (Watch this space carefully.)
9. Bonds (e.g., a 10-year Treasury) are a lot more interesting than they were six months ago (5.26% vs. 4.20%).
10. The bond yield increase has impacted stocks as the P/E ratio on the S&P 500 has moved down from 22x to 19x forward earnings (in other words, stocks are up, but much less than earnings).
11. While the S&P 500 is still  $\approx 6\%$  above its 200-day moving average, more than half the stocks have fallen below their 200 DMA.
12. We would be a bit more cautious in equities (a little cash is okay) and in balanced accounts a few more bonds probably make sense.



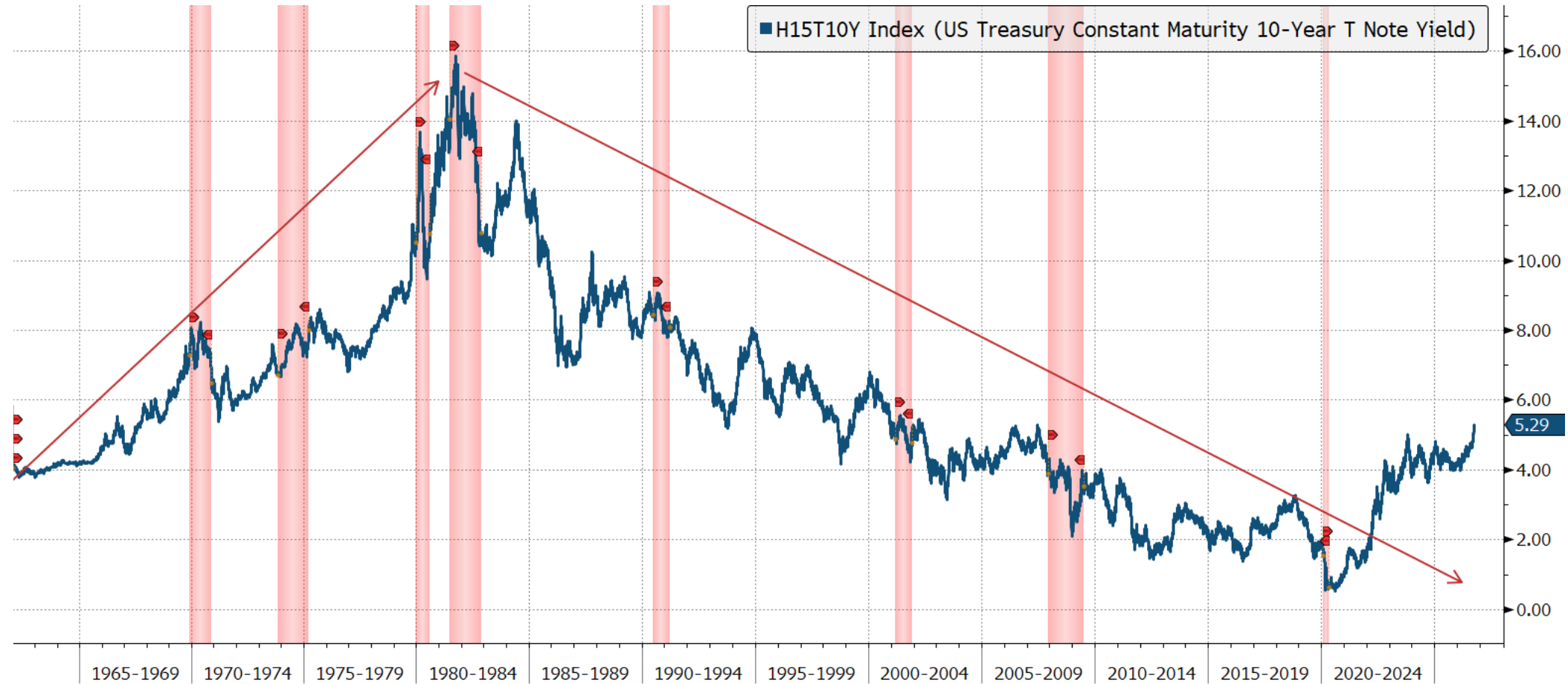
## Prediction 3: The 10-year Treasury yield trades primarily between high 3%s and mid 4%s as credit spreads widen (i.e., a 'coupon-ish' year)

### Fixed income strategy

1. Duration – neutral but hold highly liquid securities that allow you to shift duration quickly based on unexpected changes to rate outlook.
2. Lock in some income at “high” rates.
3. Belly of the curve (e.g., ~5-year maturity) most attractive.
4. TIPs – Have some.
5. Quality – High.
6. Spreads – Lower credit quality have moved wider but IG still holding firm for now. Watching this closely for clues to a credit event that could shake the markets.
7. Munis – The sector is producing yields at historically cheap levels as compared to Treasury notes – participate where tax conditions permit.

# A secular change in the financial system?

## U.S. 10-Year Treasury yield



Sources: Strategas, Bloomberg as of 9/30/26

## Prediction 4: Earnings growth falls short of consensus +14% and P/Es decline, modestly making it a tougher year to make money



### Earnings projections

| S&P 500 earnings            | Consensus <sup>1</sup> |        |
|-----------------------------|------------------------|--------|
| 2024                        | \$247                  |        |
| 2025                        | \$277                  | +12.1% |
| 2026 Est.                   | \$366                  | +32.0% |
| 2027 Est.                   | \$417                  | +14.0% |
| 3-year compound growth rate |                        | +19.0% |

| On forward 12-mo earnings |       |
|---------------------------|-------|
| P/E on 12/31/25           | 22.1x |
| P/E on 9/28/26            | 19.0x |

<sup>1</sup>Source: Bloomberg as of 9/28/26

## Prediction 5: Stocks fail to advance by a double-digit percentage for only the third time in 10 years



### The negatives: Stocks are expensive

#### S&P 500 valuation: Current percentile ranking relative to history



Sources: Baird Strategas, FactSet, Bloomberg, Robert Shiller as of 8/31/26

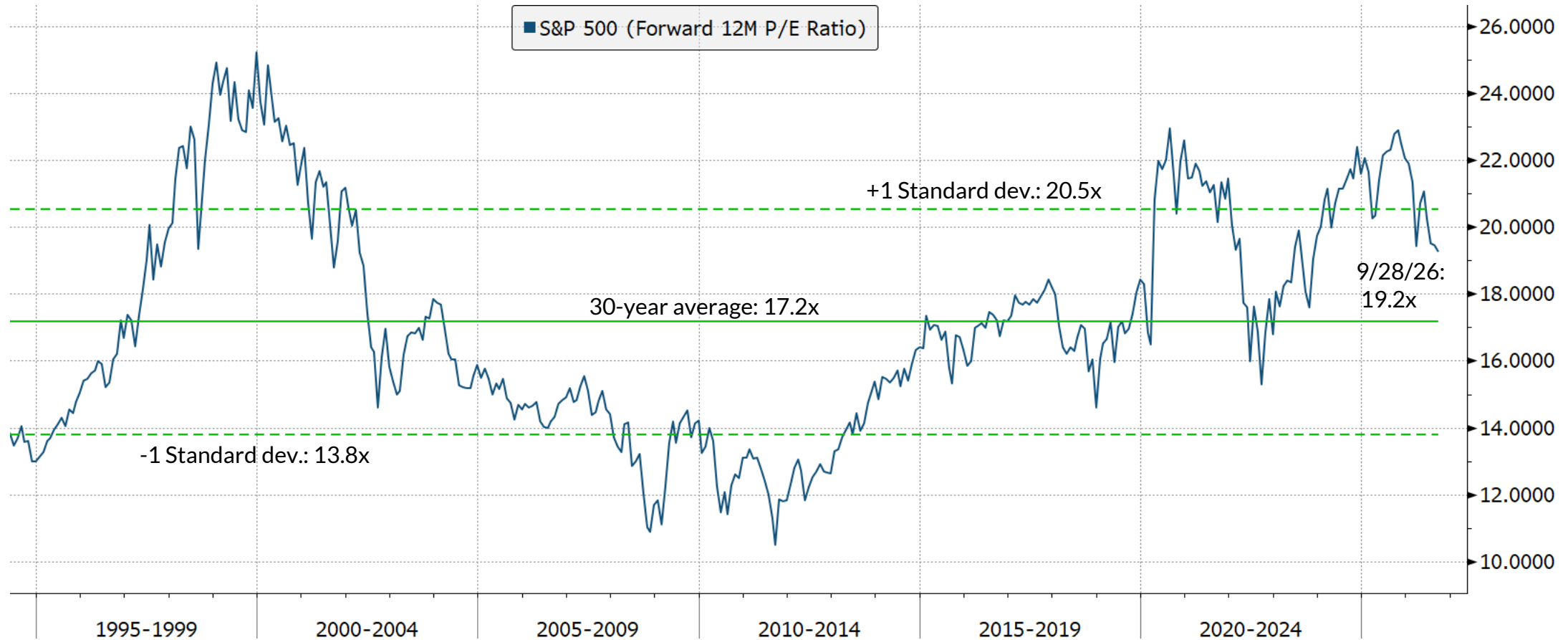
## Prediction 5: Stocks fail to advance by a double-digit percentage for only the third time in 10 years



### Long-term valuation metrics

| Valuation metric     | S&P 500 Index |                           | S&P 500 Index     |                           |
|----------------------|---------------|---------------------------|-------------------|---------------------------|
|                      | 12/31/25      | Historical percentile (%) | Current (9/30/26) | Historical percentile (%) |
| Forward P/E          | 22.0x         | 90                        | 19.1x             | 74                        |
| EV/EBITDA            | 17.7x         | 98                        | 17.4x             | 96                        |
| EV/sales             | 3.7x          | 100                       | 3.9x              | 100                       |
| Free cash flow yield | 2.8%          | 85                        | 2.9%              | 80                        |
| Price/book           | 5.5x          | 100                       | 5.6x              | 100                       |
| U.S. market cap/GDP  | 229%          | 99                        | 250%              | 100                       |

# S&P 500 Index: Forward P/E ratio



Source: Bloomberg as of 9/28/26

## Prediction 5: Stocks fail to advance by a double-digit percentage for only the third time in 10 years



### Prospective equity returns

| Starting P/E | S&P 500 average forward returns (%) |        |        |         |
|--------------|-------------------------------------|--------|--------|---------|
|              | 1-year                              | 3-year | 5-year | 10-year |
| <10x         | 13.4                                | 11.2   | 12.3   | 11.5    |
| 10-12        | 14.9                                | 13.0   | 10.4   | 10.5    |
| 12-14        | 10.5                                | 9.1    | 8.5    | 9.6     |
| 14-16        | 12.4                                | 10.9   | 9.8    | 9.3     |
| 16-18        | 6.4                                 | 6.3    | 5.4    | 5.7     |
| 18-20        | 7.7                                 | 6.0    | 5.9    | 4.4     |
| >20          | 5.2                                 | 4.8    | 5.5    | 3.0     |

## Prediction 6: Technology, communication services, and financials outperform materials, utilities, and consumer discretionary



| YTD Performance (to 9/25/26) |      |                        |      |
|------------------------------|------|------------------------|------|
| Technology                   | +28% | Materials              | +10% |
| Communication services       | +5%  | Utilities              | -7%  |
| Financials                   | —    | Consumer discretionary | -5%  |
| Average                      | +11% | Average                | -1%  |

## Prediction 7: International stocks outperform the U.S. for the second year in a row (first time in 20 years)



### Reasons to increase international weight

1. Valuation differentials.
2. More favorable earnings comparisons.
3. Monetary policy differentials.
4. Fed confusion/dovishness.
5. Weakening dollar.
6. Underweight international positions (especially in U.S.).
7. Geopolitical desires to diversify away from U.S.

### 2026 YTD total returns through Sept. 2026

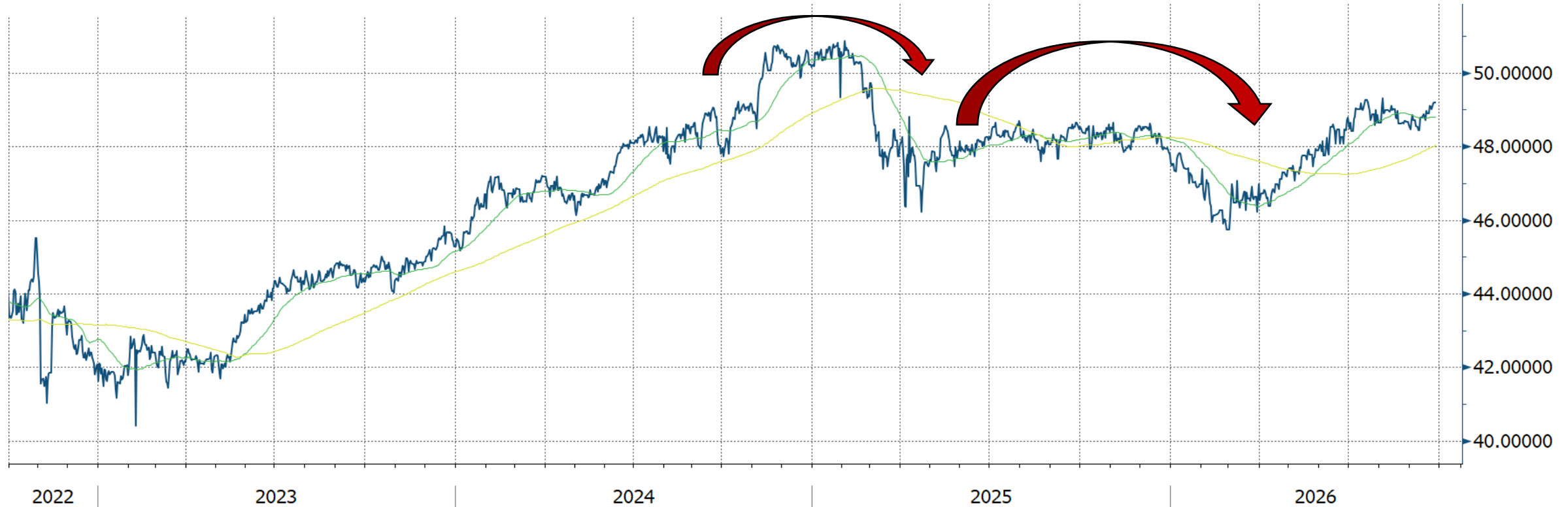
- |                                              |       |
|----------------------------------------------|-------|
| • U.S. (S&P 500):                            | 12.7% |
| • International DM & EM (MSCI ACWI ex-U.S.): | 14.2% |

Source: Bloomberg as of 9/30/26

# U.S. market cap as percentage of global market cap



If this were a stock, would you be long or short?



Sources: Strategas, Bloomberg as of 9/28/26

## Prediction 8: AI continues to be volatile/erratic, creating another year of elevated volatility



### The AI money machine

Circular financing often goes something like this: One company pays money to another, and then the other company turns around and buys the first company's products or services. Without the initial transaction, the other company might not be able to make the purchase.

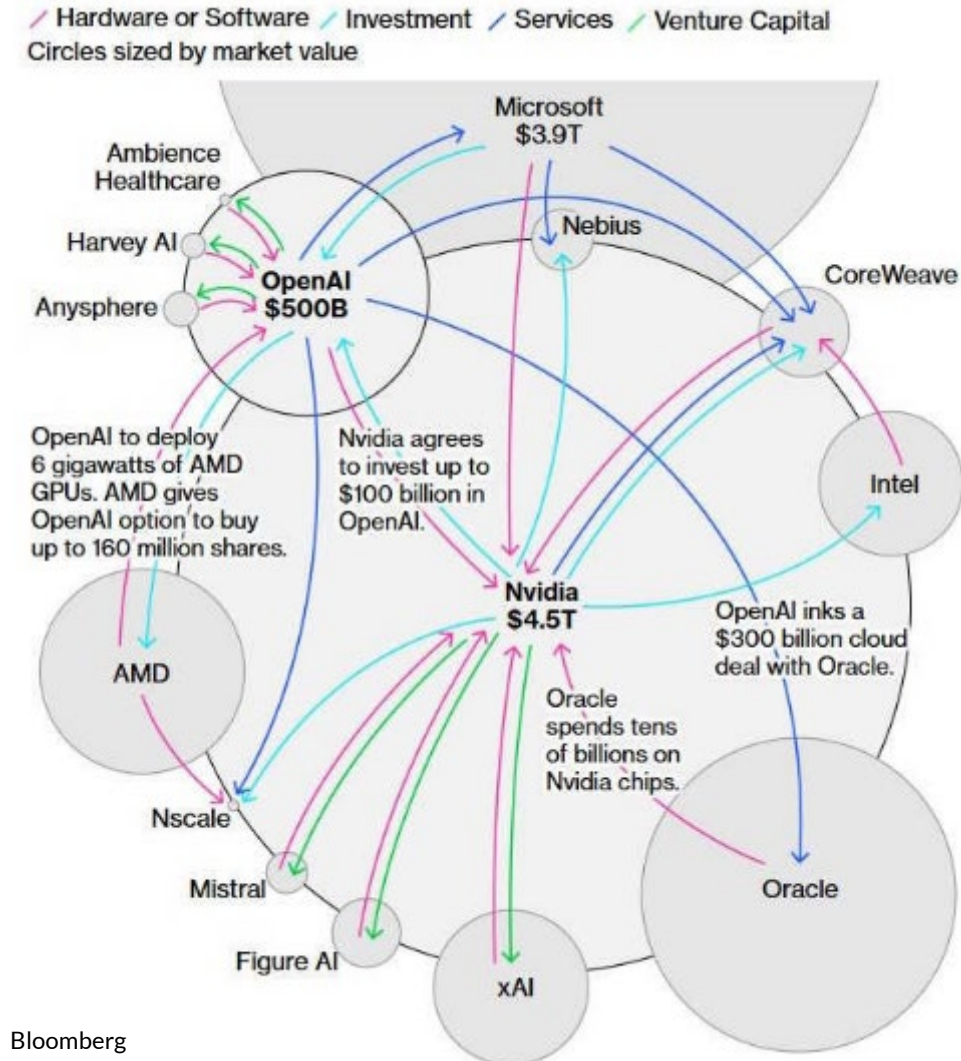
Source: Jonathan Weil

#### On OpenAI/Oracle and the capital cycle:

"There is no way for Oracle to pay for this with cash flow. They must raise equity or debt to fund their ambitions. Until now, the AI infrastructure boom has been almost entirely self-funded by the cash flows of a select few hyperscalers. Oracle has broken the pattern. It is willing to leverage up to hundreds of billions to seize a share."

Source: Doug O'Laughlin, Fabricated Knowledge, 9/25

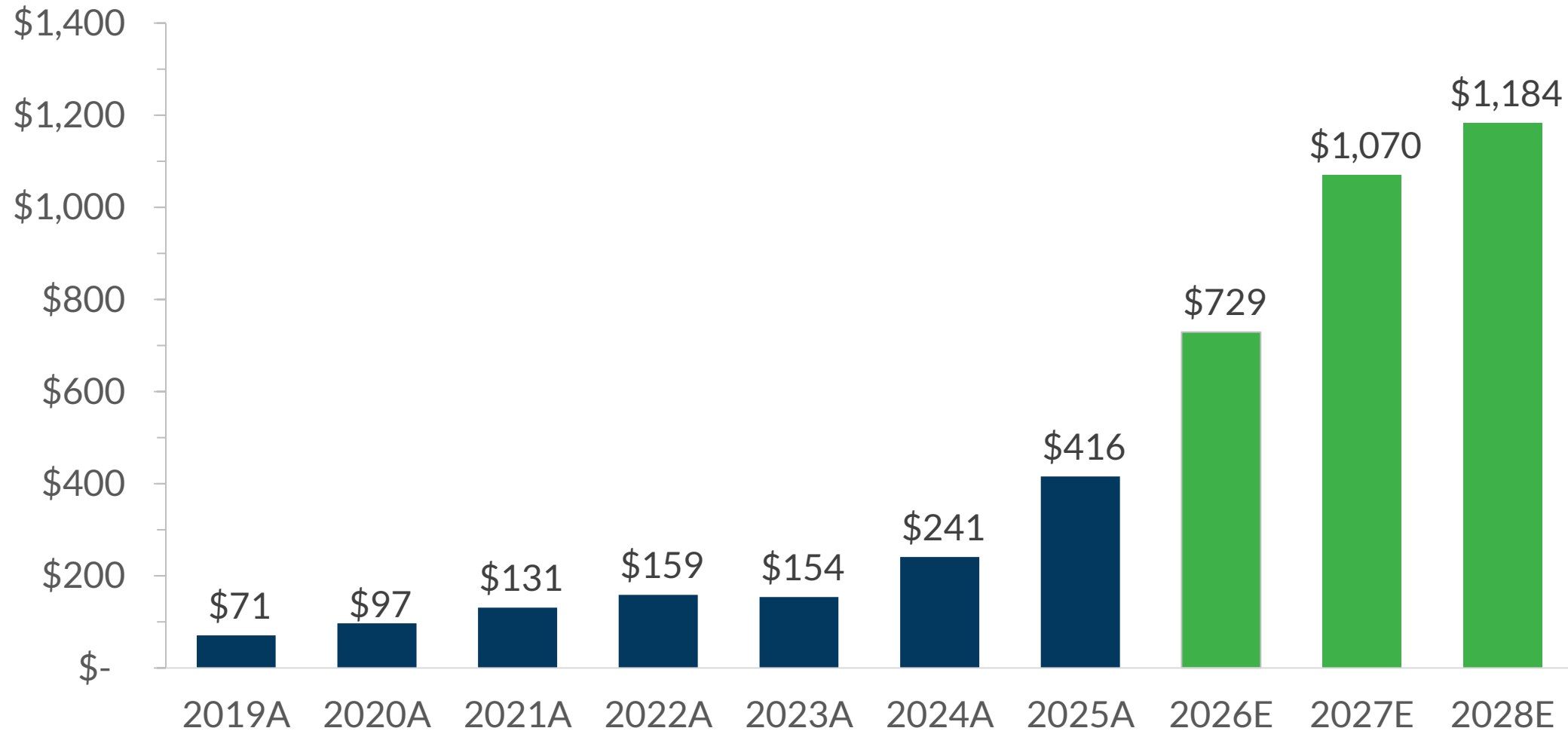
### How NVIDIA and OpenAI fuel the AI money machine



Source: Bloomberg

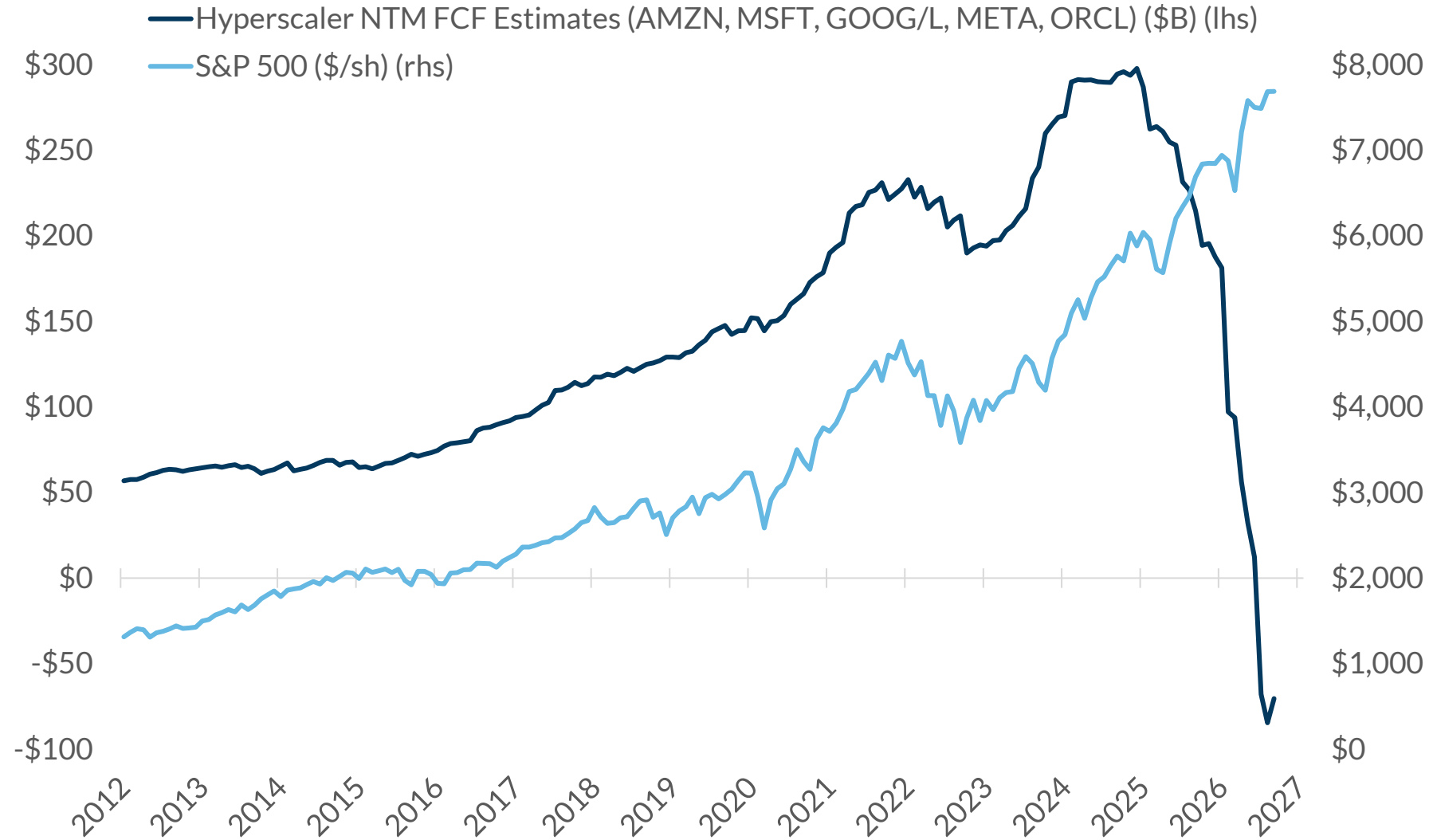
# Capex from the major AI hyperscalers

USD billions: Alphabet, Amazon, Meta, Microsoft, Oracle



Source: Bloomberg as of 9/28/26

# Hyperscaler free cash flows vs. S&P 500 Index



Sources: Nomura, Bloomberg as of 9/28/26

SEPTEMBER 19TH-25TH 2026

[illegible]

– The Economist, Sept. 19, 2026

# YTD 2026 returns: Hyperscalers vs. software vs. semiconductors



Source: Bloomberg as of 9/29/26

## Prediction 8: AI continues to be volatile/erratic, creating another year of elevated volatility



### Valuation of mega cap players

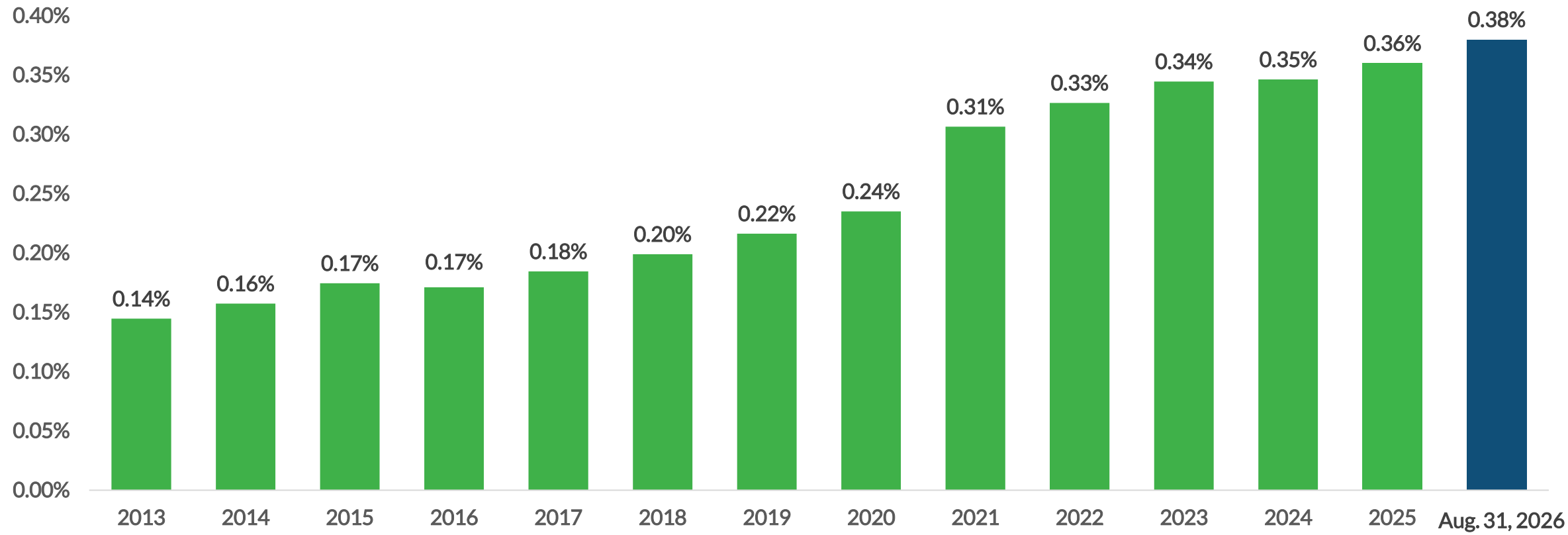
| Forward P/E   | Dec. 1999            | Forward P/E (NTM) | Dec. 2025      | Sept. 2026       |
|---------------|----------------------|-------------------|----------------|------------------|
| Microsoft     | 69x                  | NVIDIA            | 26x            | 17x              |
| Cisco Systems | 101x                 | Microsoft         | 28x            | 25x              |
| Intel         | 32x                  | Apple             | 32x            | 35x              |
| Lucent        | 49x                  | Alphabet          | 26x            | 20x              |
| Time Warner   | 217x                 | Amazon            | 25x            | 19x              |
| Oracle        | 90x                  | Meta              | 20x            | 19x              |
| Worldcom      | 30x                  | Tesla             | 205x           | 173x             |
|               |                      |                   |                |                  |
| Median        | 69x                  | Median            | 26x            | 20x              |
| Average       | 84x                  | Average           | 49x            | 41x              |
|               | (62x ex Time Warner) |                   | (26x ex Tesla) | (22.5x ex-Tesla) |

Source: Bloomberg as of 9/28/26

# Prediction 9: Faith-based share of industry AUM increases for the tenth year in a row



## Faith-based market share



### Why the increase?

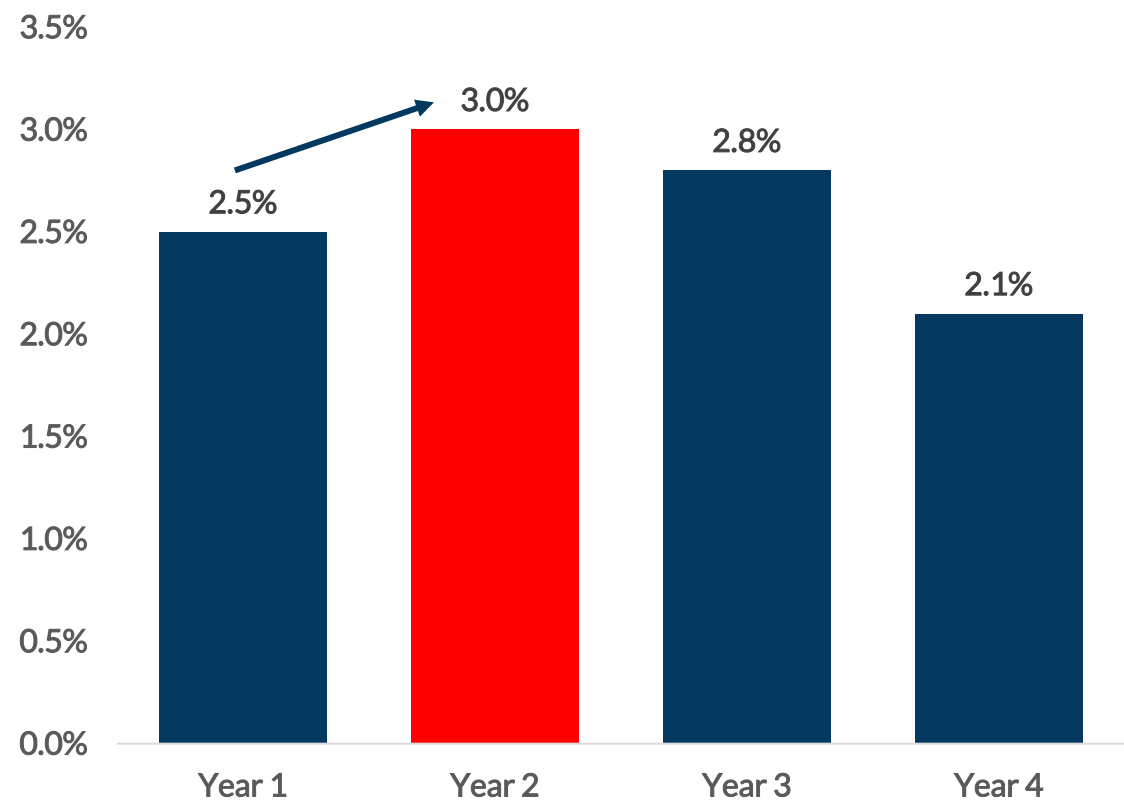
- 1. More and more individuals are wanting to align their portfolios with their values.
- 2. More and more financial advisors are wanting to align their portfolios with their values.
- 3. More and more institutions are wanting to align their portfolios with their values.

Sources: Morningstar, Crossmark. Data compares mutual fund and ETF assets under management of 11 asset managers of faith-based products to total active mutual fund and ETF assets under management in the U.S. Does not include separately managed accounts or money market funds.

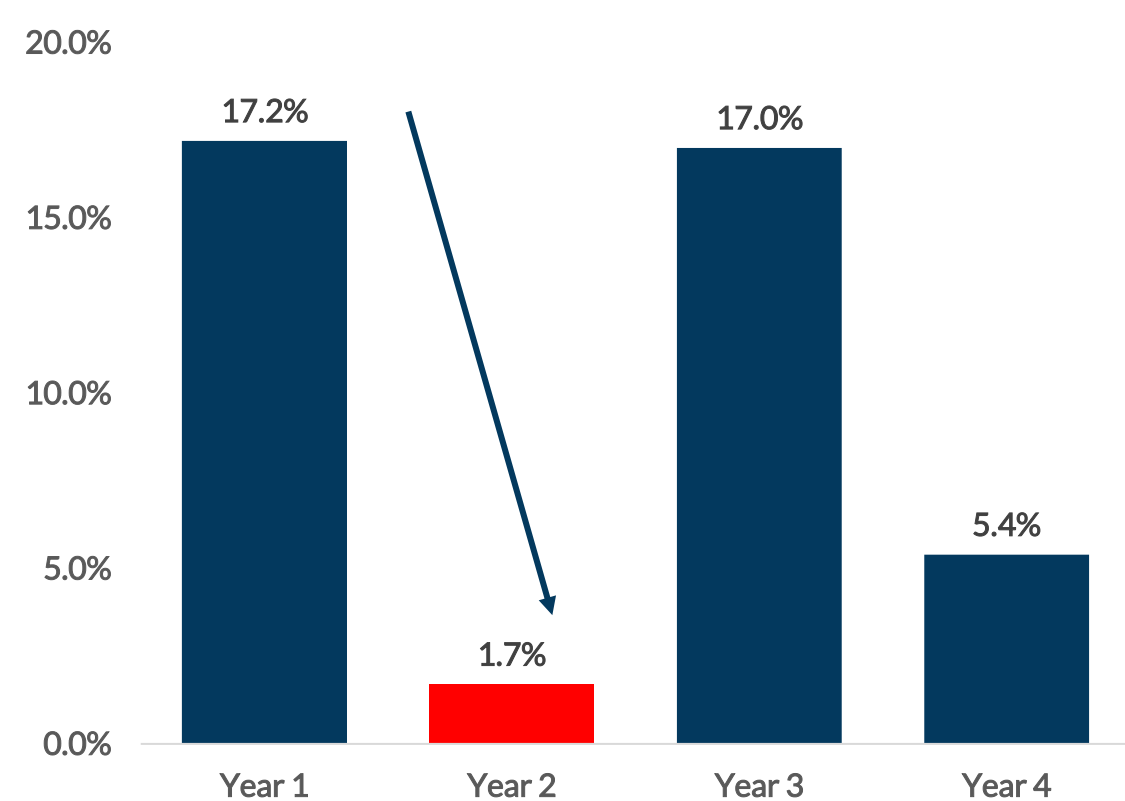
Prediction 10: Republicans retain control of the Senate but surrender the House, losing at least 20-25 seats



Real GDP by year in presidential cycle (1994-2022)



S&P 500 price returns by presidential cycle (1994-2024)



Source: Strategas 12/17/25

Prediction 10: Republicans retain control of the Senate but surrender the House, losing at least 20-25 seats



Our guess as of Sept. 30

|        | Republican | Democrat |
|--------|------------|----------|
| House  | 10%        | 90%      |
| Senate | 50%        | 50%      |

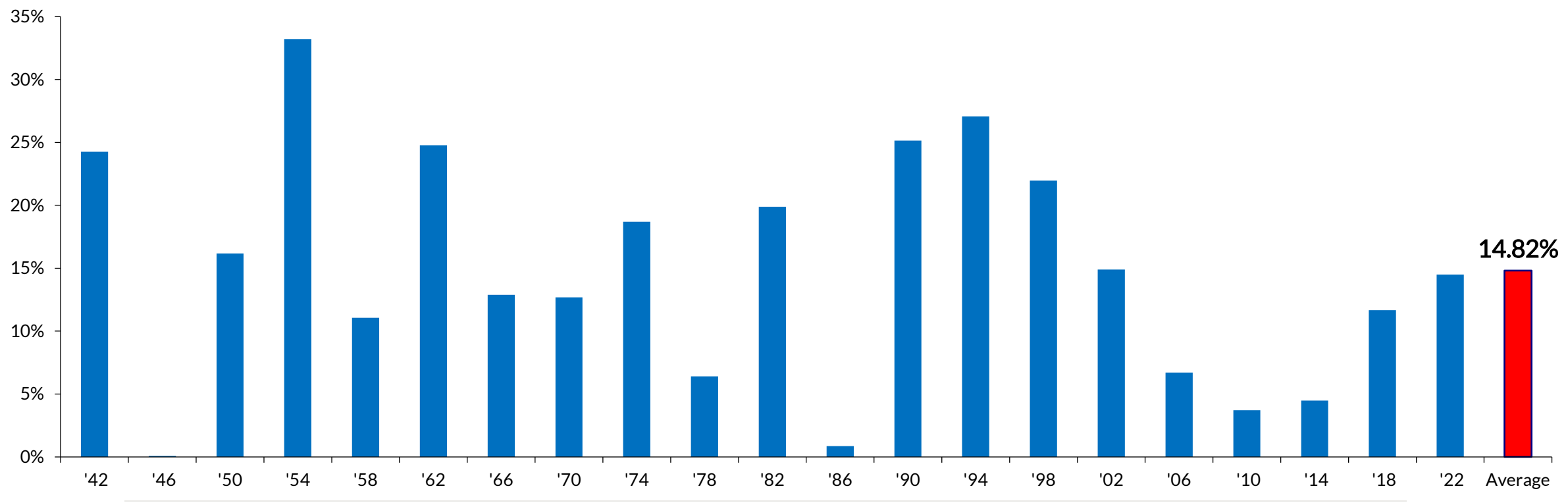
S&P 500 total returns 12 months after mid-term election (since 1994)

Presidential party

|                    |        |
|--------------------|--------|
| Loses Senate       | +6.5%  |
| Loses House        | +10.2% |
| Loses both parties | +17.2% |

Source: S&P Global

# Performance of S&P 500 from mid-term Election Day out 12 months



Source: Strategas with data from FactSet as of 9/28/26

# Debt growing at an increasing rate



## Time required to reach total U.S. debt levels

| Of                      | Time required    |
|-------------------------|------------------|
| \$10 trillion           | 232 years        |
| \$20 trillion           | 9 years          |
| \$30 trillion           | 4.5 years        |
| \$31 trillion           | 8 months         |
| \$32 trillion           | 8 months         |
| \$33 trillion           | 3 months         |
| \$34 trillion           | 3 months         |
| \$35 trillion           | 7 months         |
| \$36 trillion           | 4 months         |
| \$37 trillion           | 9 months         |
| \$38 trillion           | 2 months         |
| \$39 trillion           | 5 months         |
| \$40 trillion (8-18-26) | 5 months         |
| Latest level            | \$40.06 trillion |

Sources: Baird Strategas, Treasury; data as of 9/28/26

# 4Q26 Assumptions



- 1 Fed will raise rates again.
- 2 Inflation will remain sticky.
- 3 After strong 3Q GDP, 4Q will slow somewhat.
- 4 Labor market to remain stable.
- 5 Earnings will remain strong, but visibility on a 1H27 slowdown will surface.
- 6 The bond market will be volatile, with rates somewhat higher.
- 7 Stocks will struggle and make little forward progress.
- 8 Technology/AI investment will remain top of mind.
- 9 Oil prices will remain stubbornly high.
- 10 Mid-term elections will favor the Democrats.

# What to do?



- 1 Expect Fed hikes.
- 2 Watch earnings revisions activity (does it level out?).
- 3 Interest rates volatile and somewhat higher.
- 4 Expect bumpy 4Q26 equity market.
- 5 Hold some cash for deployment in selloffs.
- 6 Stocks – focus on attractive P/FCF and high ROE companies.
- 7 Position for international to outperform U.S. again in 4Q26.

# Equity preferences



## Themes

- Strong earnings predictability
- Strong earnings persistence
- Strong cash flow generation

### Example stocks

|               |                             |
|---------------|-----------------------------|
| Financials    | Bank of NY, Citigroup       |
| Energy        | ConocoPhillips, Phillips 66 |
| Consumer      | Airbnb, Booking Holdings    |
| Software      | Fortinet, Adobe             |
| Miscellaneous | ATT, CVS Health             |

# What to expect over the next 10 years



- 1 More modest investment market returns.
- 2 Another recession.
- 3 Population: older, with more grandparents than grandchildren.
  - World population growth nearly 100% in 65 and older citizens.
  - Obese children now outnumber underweight children for the first time ever.
- 4 Technological innovation (esp. AI): Energy, healthcare, information, and manufacturing.
- 5 Robots and automation threaten jobs.
- 6 Smart phone turns into smart everything.
- 7 Space tourism.
- 8 Globalization replaced by more isolationism/protectionism/populism.
- 9 U.S. / China cold war/ economic war.
- 10 Cyber warfare, possible biological warfare.

# Important information



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All investments are subject to risks, including the possible loss of principal. Past performance does not guarantee future results.

Equity investments generally involve two principal risks – market risk and selection risk. The value of equity securities will rise and fall in response to general market and/or economic conditions (equity market risk). The value of any individual equity security will rise and fall in response to the market's perception of the issuer's revenues, earnings, balance sheet, credit worthiness, business plan, and overall perception of the viability of the issuer's business (selection risk).

Fixed income investments generally involve three principal risks – interest rate risk, credit risk, and liquidity risk. Prices of fixed-income securities rise and fall in response to interest rate changes (interest rate risk). Generally, when interest rates rise, prices of fixed-income securities fall. The longer the duration of the security, the more sensitive the security is to this risk. There is also a risk that the issuer of a note or bond will be unable to pay agreed interest payments and may be unable to repay the principal upon maturity (credit risk). Lower-rated bonds, and bonds with longer final maturities, generally have higher credit risks. As interest rates rise and/or the credit risk associated with a particular issuer changes, bonds held within a portfolio may become difficult to liquidate without realizing a loss (liquidity risk).

Many municipal bonds also include call features that allow the issuer to call the bonds – repaying the principal before maturity – usually done in the context of a refinancing transaction if/when interest rates fall. When a bond is called, the holder does not incur a loss, but cash received from the call must be redeployed, generally in a less favorable interest-rate environment (call risk).

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Q&A



# Thank you



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