

BBR BULL & BEAR RESEARCH

Macroeconomic Research | Issue 2

Week of October 12th, 2026

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Equities Outlook

Goldman Sachs Beats Quarterly Estimates on Equities Strength

For the third quarter, which ended on September 30, Goldman Sachs (GS) brought in a profit of $5.29 billion, or $17.01 per share. That beat the $13.02 per share analysts expected, according to LSEG, and topped last year's $4.10 billion. After the news, shares of Goldman rose 3.60% in early trading on October 13. Net revenue also grew by 23.% to $18.68 billion, the firm's second-best quarter ever.

Most of this came from the equities trading desk, where revenue saw a 72% increase to $6.44 billion as clients traded through a volatile quarter shaped by the Middle East conflict, Fed rate hikes, and a selloff in chip stocks. As for FICC, which covers fixed income, currencies, and commodities, revenue dipped about 1% to $3.47 billion, in line with JPMorgan Chase (JPM) and Wells Fargo (WFC). Investment banking was another bright spot. Fees there grew 21% year over year to $3.22 billion and advisory revenue set a record, even though M&A volume dropped 41% from the previous quarter to $993 billion, according to LSEG data.

Even after the strong quarter, Goldman's stock is up only about 1.70% in 2026, trailing both Morgan Stanley (MS) and the S&P 500. Argus Research's Stephen Biggar called investment banking "a clear beat relative to consensus," but Zacks Investment Management's Brian Mulberry warned that "the high-rate environment" could slow planned IPOs. The Wall Street Journal also reported that CEO David Solomon could hand the job to COO John Waldron as soon as next year. We see this quarter as proof that banks with large trading desks are the main winners from volatility, and we will be watching whether Goldman's IPO and M&A pipeline holds up if interest rates stay this high through most of 2027.

As of 10/16/2026

Metric	Close
S&P 500	7,659.44
DJIA	52,002.41
NASDAQ	26,140.03
Russell 2000	2,721.37
FTSE 100	10,881.90
Nikkei 225	65,324.29
WTI Crude	$99.02
10-yr Treasury	5.10%

S&P 500 Reaches New Heights Despite Narrow Market Leadership

As the U.S. stock market entered its fourth consecutive year of bull market growth on October 12, 2026, the S&P 500 approached record highs despite gains being concentrated among a relatively small number of companies. According to The Wall Street Journal, only one-third of S&P 500 stocks were trading above their 50-day averages as of October 9, 2026. This demonstrates how much of the broader market has been struggling to keep pace with the index's strongest-performing companies. This narrow stock-market leadership has raised concerns about whether the current rally is sustainable or potentially short-lived, especially if the firms driving gains begin to lose momentum.

The concentrated gains among only a few companies have been primarily driven by the rapid growth of artificial intelligence and the strong performance of large-cap technology companies. Following ChatGPT's release in November 2022, the market-cap-weighted S&P 500 has generated nearly 50 percentage points more in total returns than its equally weighted index counterpart. This significant difference shows how a relatively small group of highly valued companies has contributed disproportionately to the market's overall gains, rather than growth being evenly distributed across the index. Consequently, the performance of these major technology companies has become extremely influential in determining the direction of the market. While their continued growth has helped support the broader index, it has also increased the market's dependence on a limited number of companies. If companies begin to underperform, the effects could extend well beyond the dominating technology sector.

Sources: Reuters (via BNN Bloomberg), LSEG, The Wall Street Journal

Historically, narrow market rallies have not always indicated or led to an immediate downturn. The Nifty Fifty era and the dot-com boom are previous periods of concentrated market growth when a small group of companies drove much of the market's gains before experiencing significant declines. However, this does not mean that every period of concentrated growth ends in a market correction, as narrow rallies have also occurred under otherwise healthy markets.

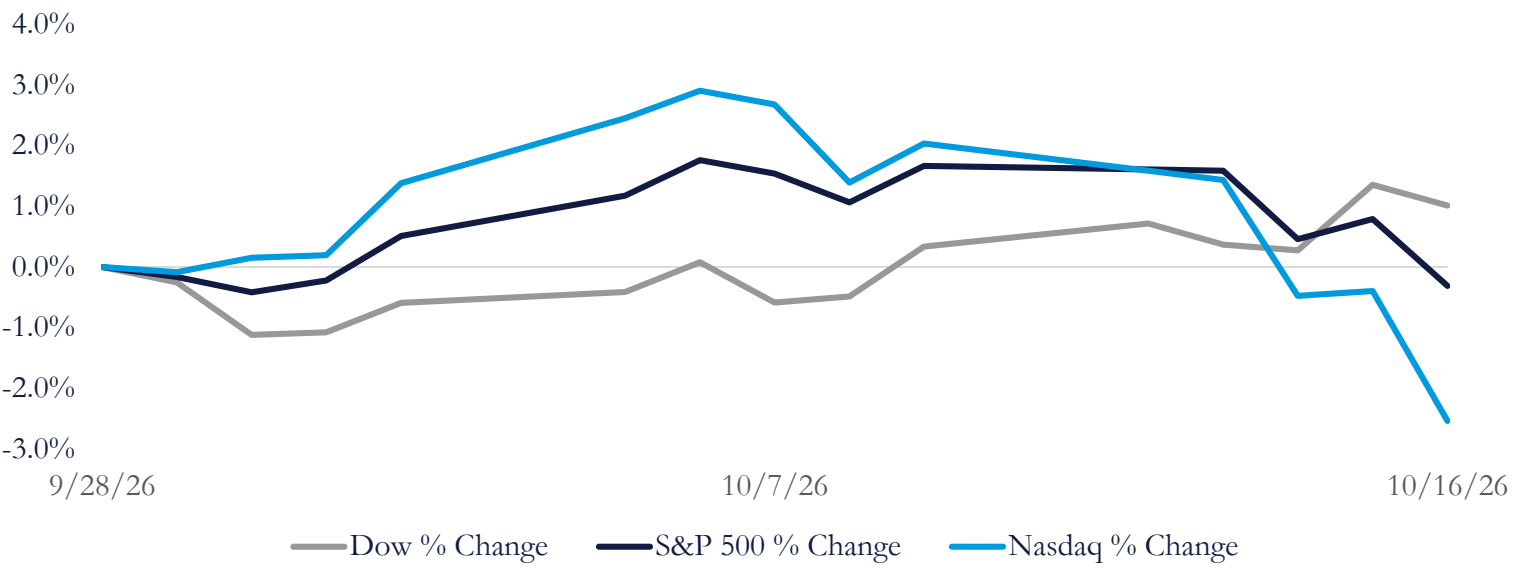
Third-Quarter Earnings Season May Bring Good News for Stocks

Earnings season for the third quarter kicks off the week of October 12, following a relatively weak September for stocks. FactSet's numbers show S&P 500 companies are expected to grow earnings by 29.50% compared to Q3 of last year. If that estimate holds, Q3 would be the third straight quarter of earnings growth above 25%. Expectations have also risen over the quarter. At the start of Q3, analysts projected growth of 26.70%, and upward revisions over the past three months lifted that figure to where it stands now, which is a good sign for stocks heading into earnings season.

All 11 S&P 500 sectors are projected to grow earnings, and five of them (energy, information technology, communication services, materials, and industrials) are expected to post double-digit growth. With energy and tech on that list, this season's results depend partly on higher oil prices and AI spending. Since S&P 500 companies make up roughly 80% of total U.S. stock market capitalization, their results move the broader market. The article's case rests on the idea that stock prices follow earnings over the long run, because "corporate profits reveal a company's fundamental value." Strong profits matter more than usual right now because of where interest rates are. With the 10-year Treasury yield going above 5.35% on October 7 for the first time since 2002, future profits end up being worth less in today's dollars. Because of this, companies need their earnings to grow quickly if stock prices are going to stay where they are.

So far, things are off to a good start. Morgan Stanley (MS) reported $3.03 in earnings per share on October 14, which beat the $2.83 that analysts were looking for, largely thanks to its trading business doing well in a volatile market. We expect tech and energy to carry most of the growth this season, and we will be watching closely to see if the rest of the index keeps up. If results come in close to FactSet's estimates, we think stocks can hold their gains even with yields this high, but a miss from the biggest companies would likely hit the broader stock market hard in the weeks ahead.

U.S. STOCK INDEX TOTAL RETURNS (SEP 28, 2026 – OCT 16, 2026)



Note: Total Return Based off Adjusted Closing Prices

Sources: The Motley Fool, FactSet, Forbes, Reuters, Wall Street Journal

Telecom Stocks Post Historic Losses as SpaceX Moves Into Wireless

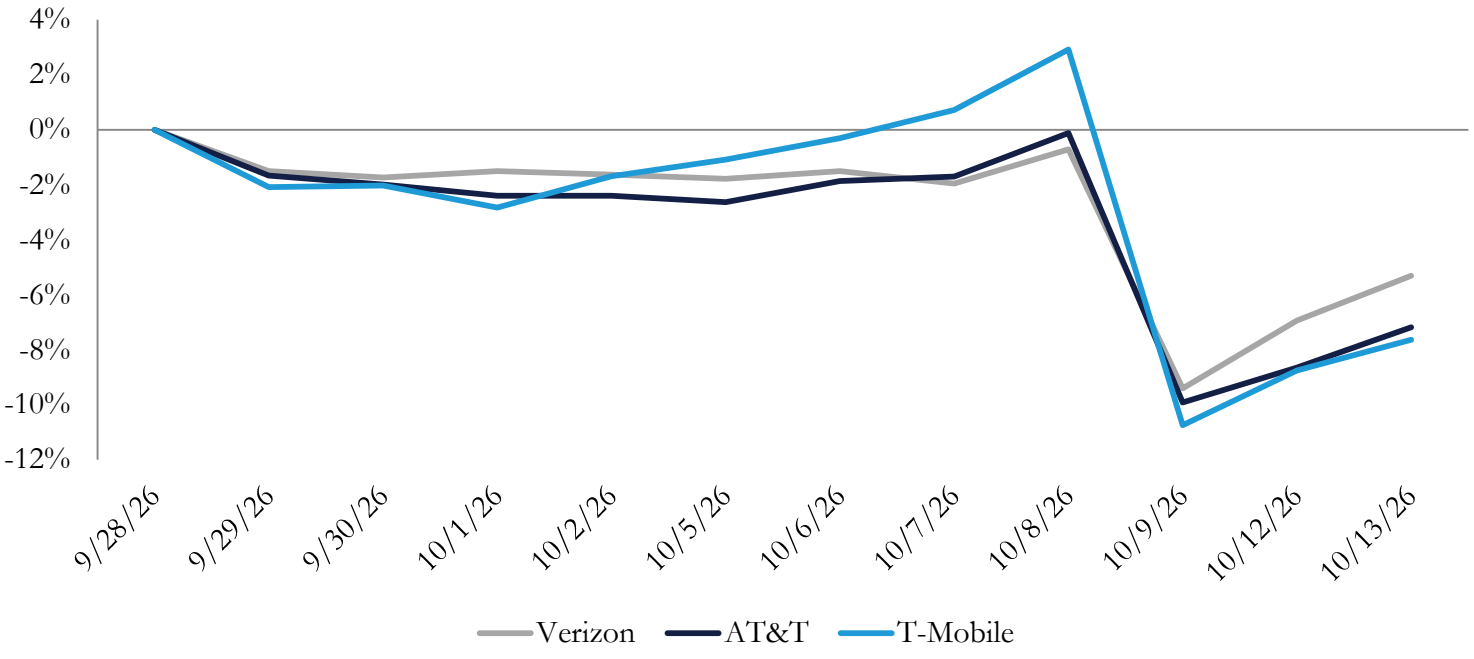
On October 8th, SpaceX (SPXC) announced an agreement to purchase a nationwide spectrum portfolio from Grain Management, aiming to expand its Starlink internet into a full mobile phone service. The purchase has been reported at around $8 billion, and the new spectrum can penetrate walls, helping Starlink reach phones indoors. When markets opened on October 9th, telecommunications stocks crashed, with Verizon closing down 8.75%, its worst day since July 2002. Shares of T-Mobile dropped 13.27%, its worst day since 2013, and AT&T fell 9.81%, its worst since 2000.

The deal could increase competition in the wireless market, and FCC Chair Brendan Carr, whose agency is overseeing approval of the deal, said it was "really good news for American consumers." He added that the FCC expects to bring more than $100 billion of spectrum to market over the next two years. Analysts are mixed on the long-term effect that SpaceX's expansion into wireless will have on the major carriers. Evercore ISI said SpaceX "now has the outline of a real network," while JPMorgan believes Starlink Mobile's long-term opportunity is more credible but sees limited short-term risk to current U.S. carriers. Scotiabank also cut targets on all three carriers.

Grain had bought the spectrum from T-Mobile in August for $2.9 billion. Verizon, AT&T, and T-Mobile partly recovered on October 12th, but were still down 6.2%, 8.5% and 11.3% since the announcement. Raymond James upgraded T-Mobile to "Outperform" from "Market Perform" and set a $170 price target. Morningstar raised its uncertainty ratings on all three carriers to "High" from "Medium," but said SpaceX still needs more spectrum and thousands of sites to build a competitive ground network for future competition.

Overall, we believe SpaceX poses a smaller threat to the major carriers in the short term, because the infrastructure takes years to develop. T-Mobile's chief technology officer argued that no company can acquire a nationwide wireless network overnight, since networks are built "site by site, neighborhood by neighborhood," including hard-to-reach places like the inside of buildings. In the long term, however, SpaceX has the value and resources to keep building until it can directly compete with the carriers. Valued at more than $2 trillion currently, SpaceX can afford to spend heavily.

U.S. WIRELESS CARRIER STOCKS (SEP 28, 2026 – OCT 13, 2026)

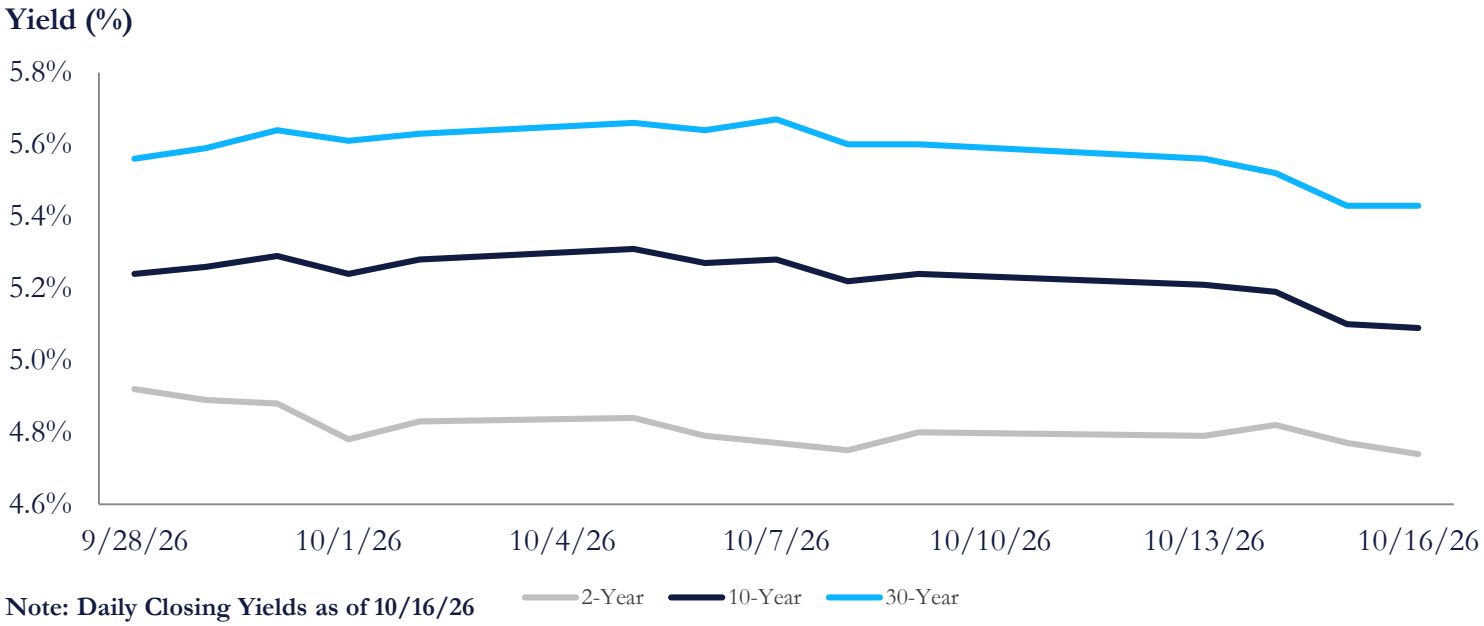


Note: % Change Based on Adjusted Closing Prices

Sources: CNBC, The Wall Street Journal, Yahoo Finance,

Fixed Income Outlook

U.S. TREASURY YIELDS (SEP 28, 2026 – OCT 16, 2026)



Note: Daily Closing Yields as of 10/16/26

Why the 10-Year Treasury Yield Just Hit a 24-Year High

On October 7, the yield on 10-year Treasuries went past 5.35%, a level not seen since 2002. Mortgage rates followed, with the average 30-year fixed rate going from 7.30% to 7.49% in a week (according to the Mortgage Bankers Association). The 10-year yield is made up of where investors think the Fed will take short-term rates plus the term premium (the extra return people want for holding a bond longer). Both have climbed this year for five main reasons. First, inflation is running hot. CPI was up 3.40% over the 12 months ended in August 2026, and a big chunk of that was gas, which jumped 27.40% once the Iran conflict knocked refining capacity offline. Second, the Fed raised its benchmark rate 25 bps on September 16, to a range of 3.75% to 4.00%, and futures traders are now pricing in another 75 bps of hikes by next summer if inflation keeps running well above the Fed's 2.00% target for much longer.

Third, government borrowing keeps growing, as the Congressional Budget Office expects a $1.9 trillion deficit in fiscal 2026 (5.80% of GDP). Fourth, companies are borrowing heavily too, as Goldman Sachs (GS) estimates AI-related bond sales have reached $489 billion this year, more than in all of 2025. Fifth, yields are rising overseas. Japan's 10-year yield reached 3.11%, its highest in about thirty years, and U.K. gilt yields haven't been this high since 2008. Even after the Treasury bought back more long-dated bonds in August and September, yields didn't come down in any lasting way.

You can see a lot of the rise in the 10-year TIPS (Treasury Inflation Protected Securities) yield, which was 1.90% when the year started and sits at 2.94% now. September CPI, which came out October 14, showed inflation at 3.70%. That was a tick over the 3.60% forecast, and core was 2.60%. Still, the 10-year drifted down to about 5.10% by October 16. A ceasefire in Iran or an oil supply deal could bring yields down further, while bigger deficits and continued AI spending push the other way. Next up is the Fed meeting on October 27-28, then the Treasury's quarterly refunding announcement in early November. Unless oil prices drop sharply, we think the 10-year stays above 5.00% through year-end, which keeps pressure on mortgages, stock valuations, and any company that needs to borrow money.

Sources: Forbes, Mortgage Bankers Association, Bureau of Labor Statistics, Congressional Budget Office, U.S. Department of the Treasury

VantageScore Challenges FICO's Dominance, Raising Concerns over Mortgage Risk

In a significant shift for the U.S. mortgage market, regulators and lenders have begun allowing the use of VantageScore, a new credit-scoring model, as an alternative to traditional FICO scores in mortgage underwriting. The Federal Housing Finance Agency (FHFA) introduced the change, aiming to increase competition in the credit-scoring industry and improve mortgage affordability. While FICO has dominated mortgage lending for decades, the introduction of VantageScore could make it easier for borrowers with limited credit histories to be able to qualify for home loans. Amid the growing competition, Fair Isaac (FICO) has seen its stock fall approximately 60% since the beginning of 2026.

Major mortgage lenders, like Rocket Mortgage (RKT), have already begun adopting the alternative scoring model, announcing that it would make VantageScore its preferred model in the future. However, other lenders like United Wholesale Mortgage (UWMC) plan to evaluate both models and scores and use the higher one. The transition to the new model has accelerated with nearly $4 billion in Fannie and Freddie-backed mortgages using VantageScore in August, compared to just $8 million in April. Despite the increase, concerns have emerged about how VantageScore evaluates their scores. In September, the FHFA introduced a unified pricing system that treats FICO and VantageScore equally, despite the difference in how the two models assess creditworthiness. Rocket Mortgage found that VantageScore results averaged 11 to 12 points higher than traditional FICO scores.

While higher credit scores could better help borrowers qualify for better mortgage terms, some analysts and investors worry that the new system may underestimate borrower risk. According to an analysis by Milliman, certain VantageScore-based mortgages carried interest rates up to 2 bps higher than comparable FICO-based loans. Consequently, investors may require higher interest rates to compensate for the additional risk and uncertainty associated with using VantageScore. By challenging FICO's longstanding dominance, the FHFA's decision could help lower credit-scoring costs and make mortgages more accessible. However, the long-term success of this transition depends on whether lenders accurately assess borrower risk with the new model, as increased competition may not necessarily lead to lower borrowing costs for consumers.

Tencent Raises $5.7bn in Bonds as AI Investment Soars

On October 13, Tencent Holdings (OTC: TCEHY) sold around $5.7 billion worth of bonds, split between U.S. dollar bonds and offshore yuan, or "dim sum," bonds. Demand was huge, with over $23 billion in orders, more than four times what Tencent sold, and well above the minimum of $4.5 billion it had initially targeted. The deal included $1.3 billion of 10-year and $500 million of 20-year dollar notes, plus 20 billion yuan (about $2.99 billion) of 10-year bonds and 6 billion yuan (about $897 million) of 30-year bonds, for a total of about $5.7 billion.

With that much demand, Tencent was able to borrow more cheaply than it first proposed. Its 10-year dollar notes are priced at 90 bps above Treasuries and the 20-year notes at 115 bps over, both 25 bps below the original guidance. The 10-year and 30-year yuan bonds paid 2.40% and 3.00%, 50 bps below where pricing started. The money is for general corporate purposes as Tencent spends heavily on AI. In the first half of 2026, its capital expenditures more than doubled to 96.3 billion yuan (about $14.4 billion) from 45.9 billion yuan (about $6.9 billion) a year earlier, mostly on computing equipment, software, and data centers to keep up with growing demand for its AI tools.

Gary Tan of Allspring Global Investments said the quick return to the market shows capital is still available for AI, especially for companies with strong cash flows and credible plans to make money from the technology. Investors are getting pickier with AI borrowers as rates rise, though, and AI supplier stocks sold off heavily on the day of the deal. Tencent's stock finished the day down 0.10%, while the Hang Seng Index rose 0.30% and the Hang Seng Tech Index fell about 0.80%, leaving shares down about 34% from its 52-week high. We read the strong demand as a sign that bond investors still trust the biggest tech names with their AI spending, even while stock investors are less sure. We expect more big tech firms to follow Tencent into the bond market in the coming months while demand stays strong.

Sources: Wall Street Journal, Reuters (via BusinessDay)

Fiscal & Monetary Policy Outlook

Conventional Monetary Policy Might Not be Enough

Inflationary pressures are constantly intensifying following price increases in global energy and fertilizer supplies caused by the U.S.-Iran conflict. As a result, economists are fundamentally questioning whether traditional interest-rate increases are the most effective or efficient solution to such supply-driven inflation. Isabella Weber, an economics professor at the University of Massachusetts Amherst, advocates the need to address the essential underlying causes of price increases through different methods rather than solely relying on monetary policies from the Federal Reserve.

Conventionally, the Federal Reserve responds to rising inflation problems by increasing interest rates. This makes borrowing money more expensive, which then reduces consumer spending and business investment. However, Weber's approach fundamentally challenges the effectiveness of this old-friend strategy. She argues that when inflation originates from disruptions to essential goods rather than excessive demand for goods, higher interest rates are incapable of directly restoring disrupted energy supplies or increasing oil production. This raises questions about whether monetary tightening sufficiently addresses and targets the initial sources of inflation.

Such debate and argument follow a continual series of supply shocks throughout the decade. Initiated with disruptions during the COVID-19 pandemic and several subsequent geopolitical conflicts affecting global commodity markets, these shocks contributed to sharp increases in the prices of essential goods and commodities. Numerous households and businesses underwent significant financial pressure due to such issues.

Critics of conventional monetary policies, such as Weber, argue that higher borrowing costs can in fact exacerbate these pressures through several factors: weakening employment, limiting investment, and disproportionately affecting financially vulnerable households. They also warn that the unequal economic consequences of inflation and restrictive monetary policy can intensify political dissatisfaction and deeper polarization. That said, undermining confidence in established institutions can cause broader issues than the original topic.

Weber's argument primarily emphasizes the importance of preventing supply disruptions from developing into sustained inflation rather than relying exclusively on monetary policy after prices have already increased.

The key takeaway is that supply-driven inflation presents a challenging issue for the Federal Reserve because higher interest rates can reduce demand without directly targeting the core issue. Current status raises questions about whether more specific economic policies for each issue could reduce inflation with fewer negative consequences for both households and businesses. Other alternative ways to approach might require further discussions.

U.S. Treasury Yield Might Stay Elevated for a While

Economists are starting to become more confident that the U.S. Treasury yields will remain elevated through the rest of the decade. According to the WSJ's October survey of 71 economic forecasters, the 10-year Treasury yield is projected to finish 2026 at 5.10%, a significant increase from July's estimate of 4.40%. Economists also expect yields to reach 4.96% by mid-2027 before slightly declining to 4.78% by the end of the year. Although borrowing costs are expected to gradually moderate, these projections suggest that bond yields may remain relatively high.

Several factors explain this outlook. Persistent inflationary pressures, particularly rising oil prices associated with the U.S.-Iran conflict, have strengthened expectations that the Federal Reserve will maintain its restrictive monetary policy. However, economists are also raising concerns about longer-term structural problems. Growing federal debt and increasing demand for capital to fund artificial intelligence infrastructure can keep upward pressure on Treasury yields. This would make a return to the previous lows less likely in the near future.

Sources: Wall Street Journal, Yahoo Finance, Bloomberg

Interestingly, outlooks for inflation and economic growth did not change much. Economists expect consumer-price inflation to decline from 3.50% in December 2026 to 2.30% by the end of 2027. GDP growth is projected to reach 2.40% in 2026, above July's estimate of 2.10%, before stabilizing around 2.10% to 2.20% in the following years. Meanwhile, unemployment is expected to remain near 4.20% through 2029. Forecasters also predict a 24% chance of recession over the next 12 months.

Not all economists agree with this outlook. Some argue that a weakening labor market will eventually push the Federal Reserve to lower interest rates, which will bring down Treasury yields as well. However, the broader consensus suggests that even potential future rate cuts might not be enough to offset the fundamental structural pressures.

Overall, the forecasts suggest that higher Treasury yields may reflect a more permanent shift in the U.S. economy rather than a temporary response to inflation. If yields remain elevated, households and businesses can continue facing higher borrowing costs, and the federal government will face additional pressure from rising interest expenses.

September U.S. Inflation Increased to 3.70%

U.S. inflation rose to 3.7% in September, up from 3.4% in August and above the forecast of 3.60%. Energy prices have led the increase; in particular, gas prices rose 9.10% from last month and are now 34% higher than one year ago. Although energy prices continue to rise, there are signs that inflationary pressures may be spreading into other areas of the economy, raising the possibility of future interest rate increases by the Federal Reserve.

Core inflation was 2.6% higher than a year ago, exceeding the forecast of 2.50%. Core prices increased 0.3% from last month, compared to the forecast of 0.20%. These figures suggest that inflation is affecting a broader range of goods and services within the U.S. economy rather than being confined to energy. Airfare prices were 22% higher than the same time last year. Prices for computers and related products rose 9.70%, partly due to high demand driven by recent investments in artificial intelligence and data centers across the country, which continue to expand rapidly.

There is still considerable uncertainty regarding whether the Federal Reserve will raise interest rates following this report. Before its release, Fed officials had indicated they would wait for more information regarding economic performance before raising short-term interest rates. However, the recent inflation report has raised concerns about the possibility of another rate increase. Market expectations for an October rate increase initially rose to approximately 50% following the report, before decreasing to around 33% as investors reassessed the likelihood of further tightening.

Another concern is the impact that continued inflation could have on consumer spending. Although consumer demand has remained relatively strong, higher prices for essential goods such as gasoline could put additional pressure on household budgets. With wage growth struggling to keep pace with inflation, consumers may begin cutting back on discretionary purchases, potentially slowing economic growth in the coming months. The Fed also faces the challenge of controlling inflation without slowing the economy too much. While raising interest rates could help ease price pressures, it could also increase borrowing costs for businesses and consumers. This makes upcoming economic reports important, as Fed officials will need to determine if inflation is continuing to spread or beginning to stabilize.

We believe inflation could remain elevated in the coming months, particularly if energy prices continue rising and higher costs spread throughout the economy. This could lead to increased volatility in equity and bond markets as investors adjust their expectations for future Fed policy. However, if energy prices begin to stabilize and inflationary pressures ease, we believe the Fed may be able to hold rates steady, providing some relief to financial markets.

Sources: Wall Street Journal, Yahoo Finance, Bloomberg

Business Activities Strengthen Despite Higher Rates

Cleveland Federal Reserve President Beth Hammack expressed concern that the strength of the U.S. economy and businesses' increasing pricing power indicate that interest rates may not yet be sufficient to effectively control inflation. Her argument emphasizes the chances of inflationary pressures remaining even if the Federal Reserve maintains current elevated interest rates in the future.

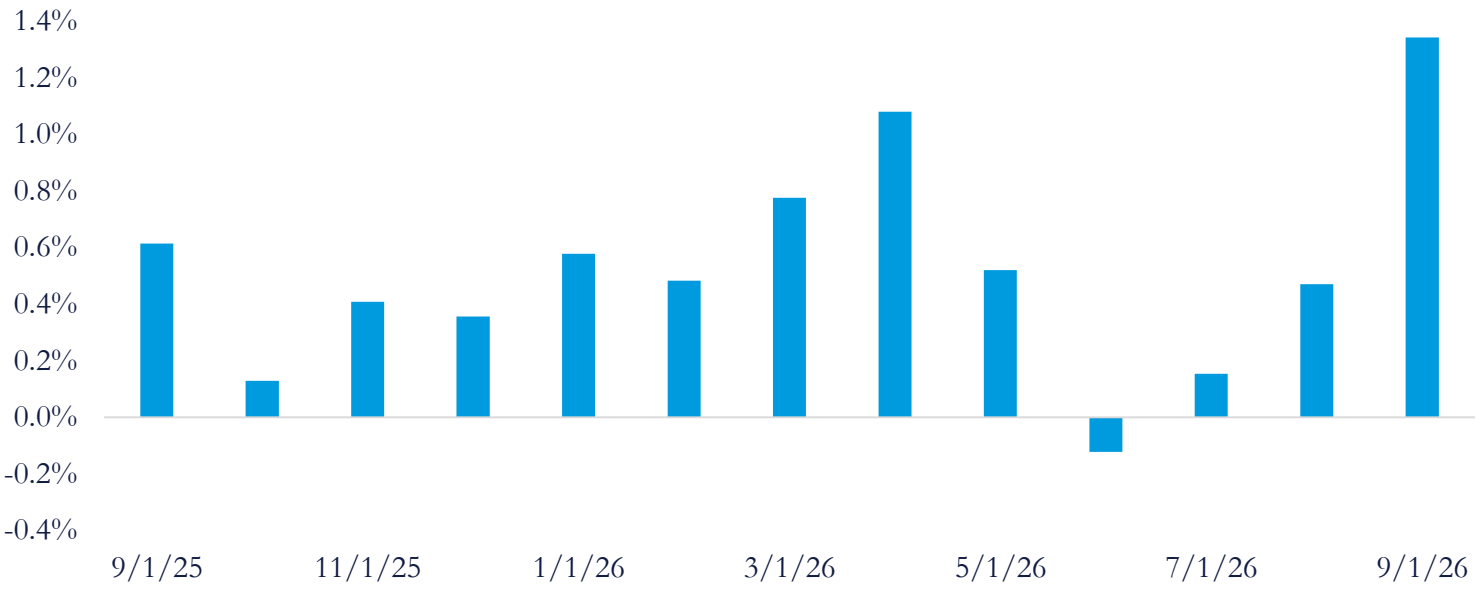
Hammack observed signs of strong business activity during her visit to Jergens: an 84-year-old family-owned manufacturing company in Cleveland. The company's orders from aerospace customers have surged despite increased interest rates. While it is true that tariffs have also notably increased the prices of competing Chinese products, these developments have strengthened the manufacturer's competitive position and encouraged significant capital investment. Jergens is preparing to make the largest machine-tool purchase in its history. This clearly shows its continued confidence in its consumer demand despite elevated interest rates.

The company's performance highlights a broader concern for the Federal Reserve. When businesses experience strong demand and face less competitive pressure simultaneously, they can gain greater flexibility and drive to increase prices even more rather than absorbing the rising costs. Such high pricing power among businesses can make inflation more persistent, particularly when economic activity remains strong enough to support continued spending and investment despite the increased interest rate.

Hammack's concerns suggest that the Federal Reserve must look beyond surface-level inflation figures and numbers when evaluating whether current monetary policy is sufficient or not. Business investment decisions, competitive conditions, and the companies' ability to pass costs on to customers provide other important evidence about true additional underlying inflationary pressures.

The key implication is that such continued economic resilience and high corporate pricing power can strengthen the Federal Reserve's reasonings for maintaining higher interest rates or even implementing additional tightening. This further reinforces uncertainty surrounding the Federal Reserve's future policy decisions, leaving citizens unanswered.

UNITED STATES PRODUCER PRICE INDEX (MONTHLY % CHANGE)



Note: Seasonally adjusted, final demand. Data through Sep. 2026.

Sources: Healthcare Finance News, Humana 8-K, StocksToTrade, StockAnalysis, Robinhood

Credit Card Competition Act Could Reshape U.S. Payments Industry

President Donald Trump and his administration have expressed their support for the Credit Card Competition Act, a proposal that could significantly change the U.S. credit-card industry by challenging Visa and Mastercard's longstanding dominance. Large merchants have advocated for the bill for years as it would lower the fees they pay when consumers make credit-card purchases. However, banks say those fees are what power credit-card reward programs that consumers love, like cash back and travel points. The legislation itself aims to increase competition among payment networks, as major banks would be required to support at least two payment networks on their credit cards, with one being outside Visa and Mastercard.

Card Competition Act has the potential to significantly shift the position of power within the credit-card industry. The proposed legislation could have significant financial implications for major banks and payment networks, as the revenue generated through credit-card transactions is substantial. Credit-card swipe fees represent an important source of revenue for card-issuing banks, meaning the impending competition could put pressure on their profitability. Additionally, banks have stated that requiring alternative payment networks could introduce new security risks and complicate established transaction processing. The legislation has also intensified lobbying efforts, with both sides spending tens of millions of dollars advocating for their position since the bill's introduction in 2022.

Trump's endorsement has brought media attention to the legislation, but the chances of its passing remain uncertain. Merchant lobbyists have reportedly discussed attaching the proposal to existing pieces of legislation after the midterm elections to increase its chances of passing, while banks continue to oppose the bill. Banks have also pointed to the 2011 Durbin Amendment, which capped certain debit-card fees, arguing that the restrictions failed to meaningfully lower consumer prices. By giving merchants greater control over which payment networks will process their transactions, the legislation could force banks to reconsider their dependency on credit-card transaction fees.

Commodities Outlook

Gold Prices Fall as Inflationary Pressures Continue with U.S. Dollar Recovery

Gold prices declined on October 12 as the U.S. dollar bounced back and rising oil prices raised more concerns about inflation. With the increased chance of a continuously hawkish Federal Reserve, front-month gold futures fell 0.60% ($25.20) to settle at $4,165.80 per troy ounce after two consecutive days of rises. Silver futures also declined approximately 0.90% to $60.14 per ounce. The decline can be seen primarily due to extended tensions in the Middle East, which prevent energy prices from moderating. Higher oil prices are a major factor in inflationary pressures due to their effect in increasing transportation, production, and other intermediate costs throughout the general economy. Analysts further claimed that such supply shock inflation can encourage the Federal Reserve to maintain a restrictive monetary policy stance. This can limit the chances for dovish movements from the Federal Reserve in the near future.

A stronger U.S. dollar also added additional pressure on gold and silver. Since gold is denominated in dollars, a stronger U.S. dollar makes gold more expensive for international buyers, which inevitably drops demand. On top of that, expectations of higher interest rates again reduce gold's relative attractiveness. The metal does not generate interest income like Treasury securities and other fixed-income investments do, shifting the buyers' attention from one to another. Despite the decline, gold remained approximately 4.50% above its 2026 low, although it is down roughly 3.70% for the year. Silver showed a different pattern, remaining nearly 20% above its level from the past year while declining approximately 14% year-to-date. Gold remains highly sensitive to monetary policy expectations, U.S. dollar movements, and current inflation issues. Continued inflationary pressure can keep interest-rate expectations elevated further, decreasing the appeal of precious metals with no interest income.

Sources: Bloomberg, Medtech Dive, Reuters, The Wall Street Journal, Yahoo Finance

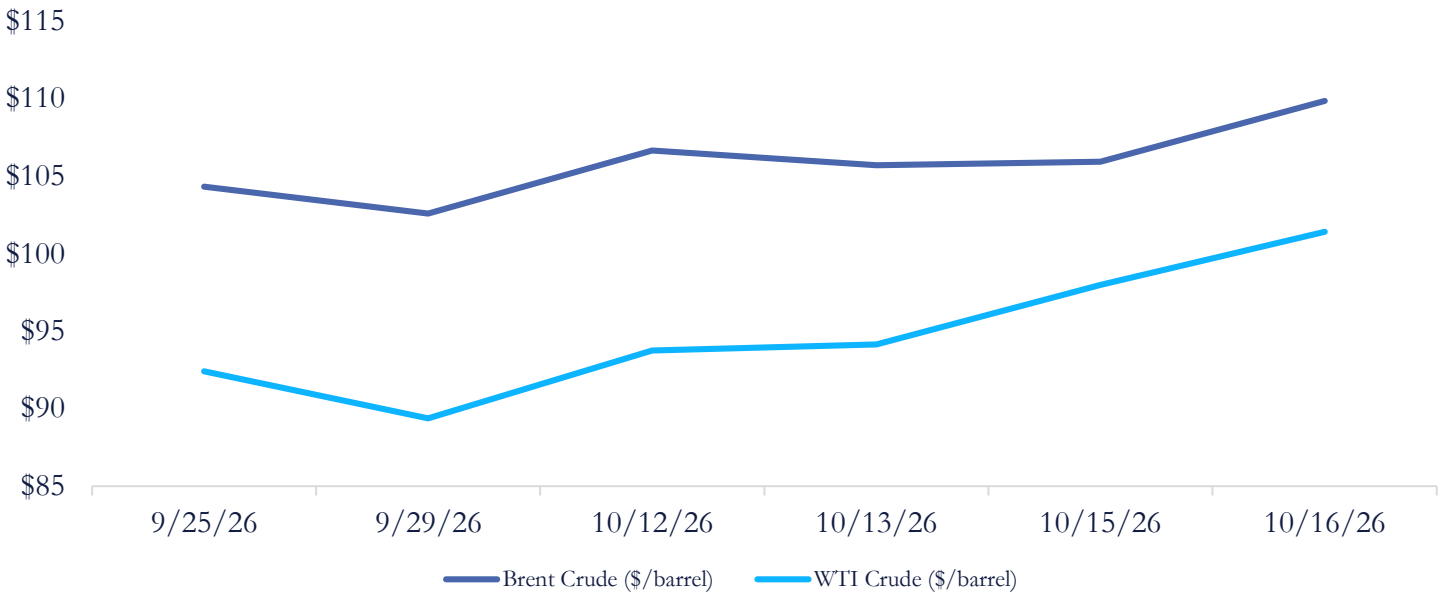
Oil Prices Climb as Geopolitical Tensions Fuel Market Uncertainty

As ongoing geopolitical tensions in Ukraine and the Middle East persist, oil prices have faced renewed upward pressure amid uncertainty across global energy markets. Despite President Trump's announcement of an energy ceasefire between Russia and Ukraine, Russian forces repeatedly continued to target Ukrainian energy infrastructure. This has raised concerns over supply disruptions, as oil prices strengthened following the attacks, while diesel futures recovered from earlier losses. Even as governments attempt to stabilize energy markets, geopolitical instability continues to influence commodity prices and raise concerns about potential disruptions to global energy supplies..

The increase in oil prices also comes despite a recent agreement with Russia to increase diesel supplies. However, traders remain skeptical that the deal will significantly improve global fuel supplies. Oil prices reflected these concerns, with Brent crude rising 18 bps to $106.65 per barrel and West Texas Intermediate crude increasing 2.1% to $93.74 per barrel on October 12. Traders are also on edge about the Middle East, where Iran-backed Houthi militants carried out attacks on Saudi Arabia's main airport. These developments have raised concerns about further disruptions to energy markets and the overarching security of regional infrastructure.

U.S. equity markets have also been impacted, with the S&P 500 and Nasdaq declining while the Dow Jones Industrial Average moved higher. The mixed performance across major indices highlights how investors are responding differently to geopolitical events and their potential economic consequences. Additionally, higher energy prices could also contribute to increasing costs for businesses that depend heavily on fuel and transportation. At BBR, we believe the bigger concern is not necessarily the immediate increase in oil prices, but rather how quickly markets appear to react to political announcements without knowing whether they will lead to lasting change. While the Russian diesel agreement initially offered relief, continued attacks on energy infrastructure had investors questioning their confidence in these deals. Even when a deal or development appears promising, it remains difficult to gauge whether it will provide long-term stability or simply temporary relief.

BRENT AND WTI CRUDE OIL PRICES (in $). (SEP'26 – OCT'26)



Note: Brent and WTI crude oil futures settlement prices in USD per barrel, as of 10/16/26

Sources: Wall Street Journal, Reuters

Albertsons Blames Kroger for Failed Merger, Seeks $9.3 Billion

Albertsons (ACI) is seeking $9.3 billion from Kroger Co. (KR), valued at more than $37 billion, for the failed merger that would have been the largest US grocery chain merger in history. The merger was blocked by a federal court in December 2024 and led to a legal dispute over who was to blame for the $24.6 billion deal. The case, Albertsons v. Kroger, is set for a two-week trial in the Delaware Court of Chancery later this month.

Albertsons claims that Kroger broke the merger agreement by failing to use its "best efforts" to get regulatory approval from the Federal Trade Commission. This includes Kroger's refusal to change its plan to sell certain stores. The companies agreed to sell hundreds of stores to C&S Wholesale Grocers, a grocery wholesaler. Albertsons argues that Kroger, under the terms of the agreement, had promised to sell up to 650 stores if needed to win approval. Albertsons says regulators pointed to specific stores that C&S would need to be a real competitor, but Kroger refused to sell those stores to protect its own profit targets. The $9.3 billion Albertsons seeks includes the premium shareholders would have received had the deal closed, a $600 million termination fee, and $75 million in interest and additional costs.

Kroger argued in a separate court filing on October 12th that it "kept its end of the bargain," spending more than $1 billion and countless staffing hours pursuing the deal. Kroger also lost a court fight with the FTC over whether the merger would reduce competition and raise prices. It claimed it had every economic incentive to close the deal, but winning over regulators would have required selling far more than the 650 stores the agreement called for. In addition, Kroger accused Albertsons of secretly working with C&S to push regulators into requiring more store sales than necessary, though C&S says its communications were proper.

If Albertsons wins, its shareholders will benefit greatly, especially private equity firm Cerberus Capital Management, which held more than a 30% stake at the end of June. The $9.3 billion is larger than Albertsons' own market value, and a win would have massive implications for its stock.

Steris Bets $2.1 Billion on Surgical Consumables with Xodus Deal

Steris, a provider of hospital sterilization equipment and services, announced on October 12th that it agreed to acquire Xodus Medical for $2.1 billion to grow its business selling disposable surgical supplies to hospitals. Steris will acquire all of Xodus's equity, with the deal financed primarily with debt. The deal is expected to generate cash tax benefits with a net present value of about $300 million, lowering the effective price to about $1.8 billion. Steris could also pay up to $150 million more if Xodus hits performance targets in 2028. This additional earnout protects Steris from overpaying.

Xodus Medical is a Pennsylvania-based, privately held company that makes surgical-safety devices to keep patients from sliding on the operating table, but it sells a variety of surgical devices. Xodus is expected to bring in $245 million in revenue in 2026, with adjusted earnings before interest and taxes of about $135 million. The deal is expected to close by December 31st, and Steris will release a revised fiscal 2027 outlook after it closes.

The acquisition of Xodus is part of Steris's broader push into disposable healthcare products. Steris reported $1.5 billion in sales in its most recent quarter, up 7% from the previous year, helped by a 9% increase in healthcare consumables revenue. In August, the company also announced a $600 million North Carolina hub to make chemicals used in sterilization and drug production. The Xodus deal follows Steris betting on strong demand for its sterilization services, based on a forecast in May that its fiscal 2027 profit would beat Wall Street expectations. Needham analysts also stated in a note to investors that buying Xodus "makes sense" for Steris because it adds high-growth, high-margin products to its healthcare consumables business.

Sources: Bloomberg, Medtech Dive, Reuters, The Wall Street Journal, Yahoo Finance

Overall, we believe the deal looks very positive for Steris. Xodus's products fit naturally with Steris's equipment and services, which are already sold to hospital operating rooms. This gives Steris a direct path to grow Xodus's sales through its existing relationships. Steris is funding the deal mostly through debt while interest rates are high, but Xodus's strong profits should help cover the cost of that borrowing.

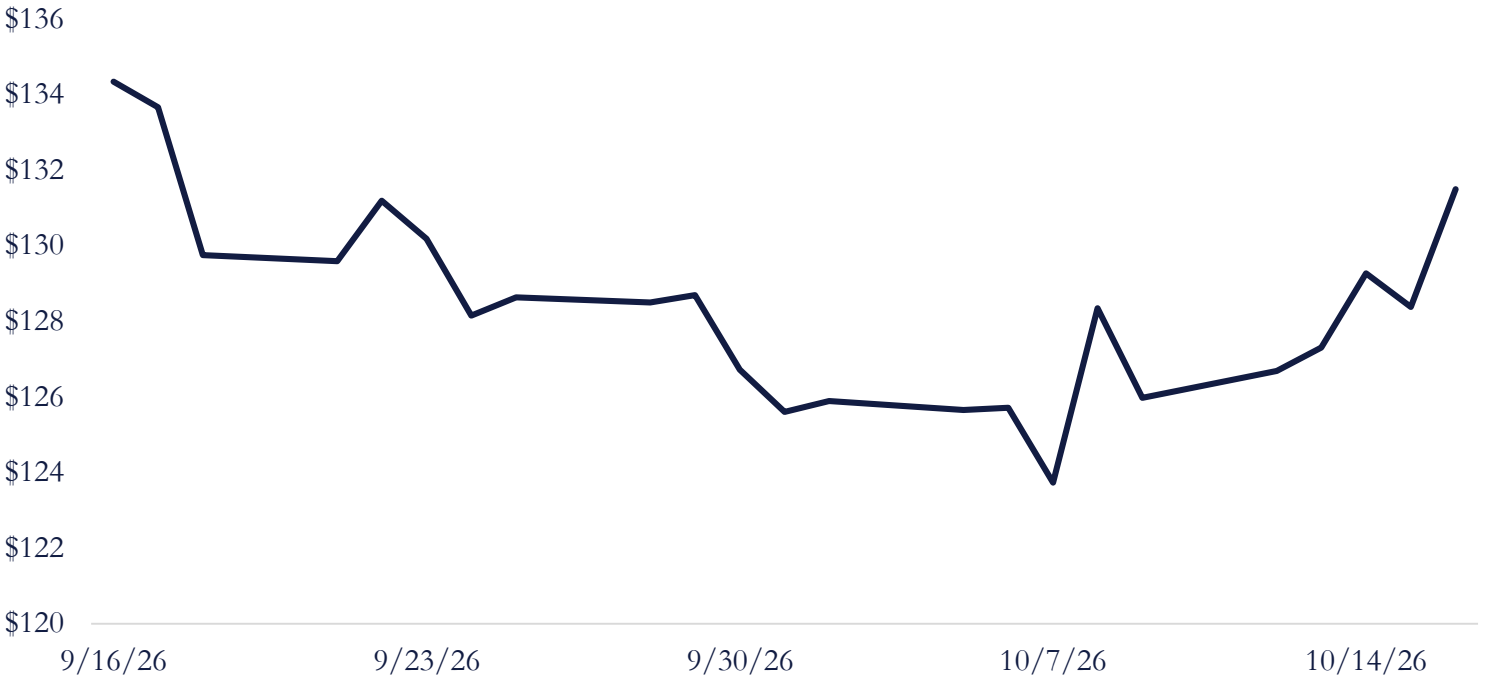
PepsiCo Signals Poppi Acquisition Is Underperforming

Last year, PepsiCo (PEP) acquired Poppi for almost $2 billion and agreed to pay up to $300 million more to Poppi's shareholders and founders if the brand met undisclosed growth milestones by the third quarter of 2027. As of September 5th, however, PepsiCo estimated that payment at around $12 million, down from $117 million in June and $278 million in December, according to its securities filings.

That estimate is PepsiCo's own forecast of what it expects to pay, based on projections of Poppi's net revenue and margins, though PepsiCo has not shared many details about Poppi's sales. The declining value suggests Poppi has not been meeting its targets. A Bloomberg Intelligence analyst said PepsiCo may not pay any of the $300 million unless Poppi rebounds sharply over the next year. PepsiCo hasn't commented on the decline, but a spokesperson said Poppi had double-digit sales volume growth in the third quarter and gained share in the carbonated soft drink market. CEO Ramon Laguarta also told analysts in July that moving Poppi to PepsiCo's distribution system had hurt its performance in the first half of the year, though he said the issue had been fixed.

Poppi's struggles come as PepsiCo's North America soda business slumps. Organic volume in its beverage division, which brought in $7.7 billion in sales, dipped slightly in the third quarter and missed Wall Street expectations. Laguarta said the company is "dissatisfied" with its soft drinks and plans to invest more in Poppi, Pepsi, and Mountain Dew. PepsiCo has also been adding healthier snacks and drinks in recent years and is expanding Poppi beyond regular soda in an attempt to drive more growth. Despite the positive comments from PepsiCo, the shrinking estimate is a strong sign that the company's internal forecast for Poppi is much weaker than its public statements suggest.

PEPSICO (PEP) STOCK PRICE (in $), SEP 16 – OCT 15



Note: Based off Adjusted Closing Prices

Sources: Bloomberg, The Wall Street Journal, Yahoo Finance

Trade of the Week

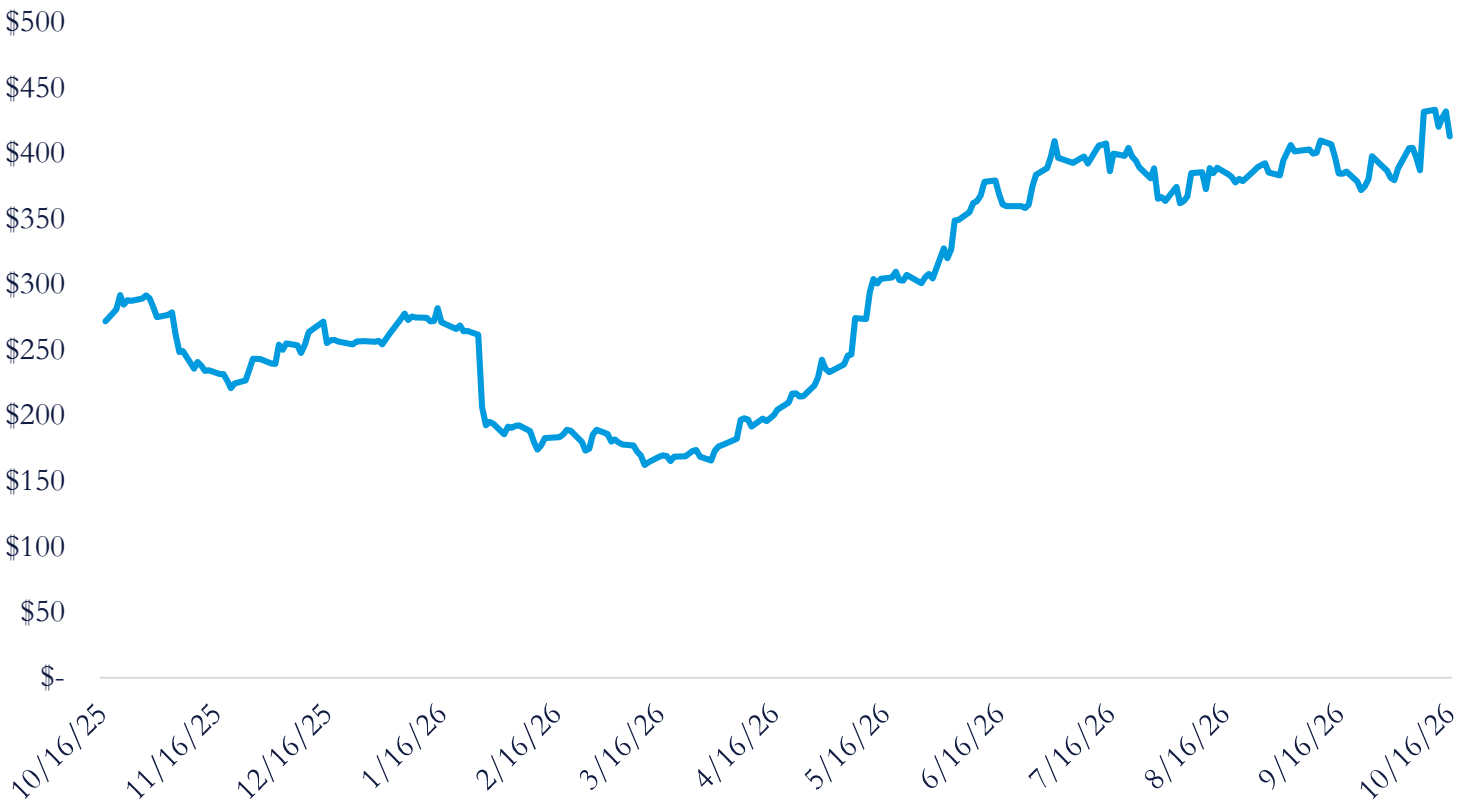
Long Humana (HUM) – Mannan Wadhawan

Humana shares jumped after CMS released its 2027 Medicare Advantage Star Ratings on October 9. For 2027, 95% of Humana's Medicare Advantage members will be in plans rated four stars or higher, well above J.P. Morgan's initial estimate of 60% to 70%. Its largest competitors moved the other way: UnitedHealthcare's (UNH) share of members in four-star plans fell from 81% to about 67%, and Aetna (CVS) came in at about 69%. Plans rated four stars or higher qualify for CMS quality bonus payments, so these results should lift Humana's revenue and margins starting in 2028.

Barclays bumped Humana up to overweight and moved its price target from $407 to $515. Cantor Fitzgerald also upgraded the stock to overweight with a $460 target, citing better Medicare Advantage margins and upcoming Star Ratings cycles. Four days after the ratings came out, Humana announced a joint venture where funds run by HPS Investment Partners, which is part of BlackRock, will own a majority stake in close to 150 CenterWell Senior Primary Care clinics. BlackRock is buying an existing equity stake valued at about $2.8 billion. The new structure has no put option, so Humana expects a significant reduction in balance sheet liabilities and a lower cost of capital.

Still, a lot of the good news may already be in the price. HUM closed at $432.20 on October 15, which is close to its 52-week high of $456.50 and more than double where it bottomed at $163.11. At that level, the stock is trading at around 40 times trailing earnings, or about 35 times forward earnings. The bonus money from the new ratings won't show up until 2028, so there is plenty of time for medical costs or changes to Medicare policy to eat into margins. In our view, the market hasn't fully priced in what the new ratings could add to 2028 earnings. We would buy on pullbacks rather than chase the jump, and would rethink the trade if November 6 earnings show costs rising too fast.

HUMANA (HUM) STOCK PRICE, YOY CHANGE (in $)



Note: Based off Adjusted Closing Prices

Sources: Healthcare Finance News, Humana 8-K, StocksToTrade, StockAnalysis, Yahoo Finance

Trade of the Week

Long Doosan Enerbility (KRX: 034020) – David Youn

Doosan Enerbility, a South Korean manufacturer of nuclear power equipment and gas turbines, shows an attractive long-term investment opportunity. Electricity demand continues to rise from AI data centers, and renewed global interest in nuclear energy is driving demand for power infrastructure. The company reported first-half 2026 revenue of ₩8.99 trillion ($6.2 billion), up 8% year-over-year, while operating profit increased 32.40% to ₩547.80 billion ($375 million). Its order backlog also reached a record high of ₩26.35 trillion ($19.71 billion), demonstrating greater revenue projection with the company expanding its presence in international energy markets.

Recent developments further strengthen its growth outlook. On October 6, Doosan shipped its first domestically developed 380 MW gas turbine to SpaceX (SPCX) in the US. This marked a crucial step into the rapidly expanding American AI infrastructure market. The company has also secured contracts to supply 12 gas turbines to major U.S. technology companies, while ongoing nuclear projects in the Czech Republic and partnerships with small modular reactor developers provide additional growth opportunities. These developments suggest that Doosan is increasingly positioned to benefit from both conventional power generation and the longer-term transition toward nuclear energy.

Despite these opportunities, Doosan's shares traded around ₩64,400 ($48.25) on October 16th, more than 50% below their 52-week high of ₩139,200 ($104.30). While uncertainty still remains around project execution, manufacturing capacity, and the timing of nuclear orders, the company's growing backlog and improving profitability suggest its attractiveness to invest. As electricity demand accelerates and governments seek more reliable energy sources, Doosan's clearly established manufacturing capabilities and expanding international contracts can support further growth.

DOOSAN ENERBILITY (KRX: 034020) STOCK PRICE, YOY CHANGE



Note: Based off Adjusted Closing Prices

Sources: Yahoo Finance, Robinhood, Toss Invest