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CIO WEEKLY COMMENTARY

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Pivotal earnings season kicks off with questions



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As Nuveen's Chief Investment Officer and leader of our Global Investment Committee, Saira drives market and investment insights, delivers client asset allocation views and brings together the firm's most senior investment leaders to deliver our best thinking and actionable investment ideas. In addition, she is a portfolio manager for several key investment strategies.

Bottom line up top

Has bad news become bad news again? Recent upside inflation surprises have complicated the outlook for U.S. Federal Reserve policy, with rising energy costs and persistent price pressures threatening to prolong restrictive monetary policy. Yet after climbing sharply in the third quarter, U.S. Treasury yields have been trending lower in October. The bellwether 10-year yield ended last week at 5.09%, down -22 basis points (bps) from the multidecade high of 5.31% on 05 October. Concerns about economic growth, weakening manufacturing demand and the sustainability of surging capital investment in AI have contributed to easing yields.

Inflation dominated last week's economic calendar. Headline Consumer Price Index (CPI) accelerated in September to an above-forecast 3.7% year-over-year, up from 3.4% in August, driven largely by rising gasoline and fuel oil costs. Core CPI, which excludes volatile food and energy prices, also exceeded expectations, suggesting price pressures may prove more persistent than anticipated. Meanwhile, wages haven't kept pace: Average hourly earnings growth was essentially flat at +0.1% month-over-month in September, missing expectations by 0.2% (Figure 1).

The Producer Price Index (PPI) reinforced inflation anxiety, rising 1.3% month-over-month — more than double consensus estimates and the largest monthly increase since March 2022. Year-over-year PPI jumped to 6.3% from 5.6%, sparking concern that businesses may increasingly choose to pass costs on to consumers rather than risk narrower margins by absorbing them.

The Philadelphia Fed Manufacturing Index added to the complex backdrop, with the headline print for October well below expectations, dropping to 20.9 from 37.8. The new orders component plunged nearly 25 points to 4.3, signaling a meaningful demand slowdown. In contrast, the prices received index rose to 40.1, its highest since May 2025. The net result: a potentially stagflationary mix of slowing growth and persistent inflation — and a difficult balancing act for policymakers.

Earnings season kicks off under cloudy skies. With the Fed facing competing signals from inflation and economic activity, the key macro question for markets is whether growth can remain resilient without requiring a further tightening of

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financial conditions. Next week's relatively light economic calendar may not provide many answers, so investor focus will shift to third quarter earnings. Among the anticipated insights are the state of corporate margins, underlying demand and AI-related capital expenditures (capex). The AI trade has come under renewed pressure of late, with scrutiny on infrastructure financing and some "neocloud" debt issues reaching speculative-grade yields.

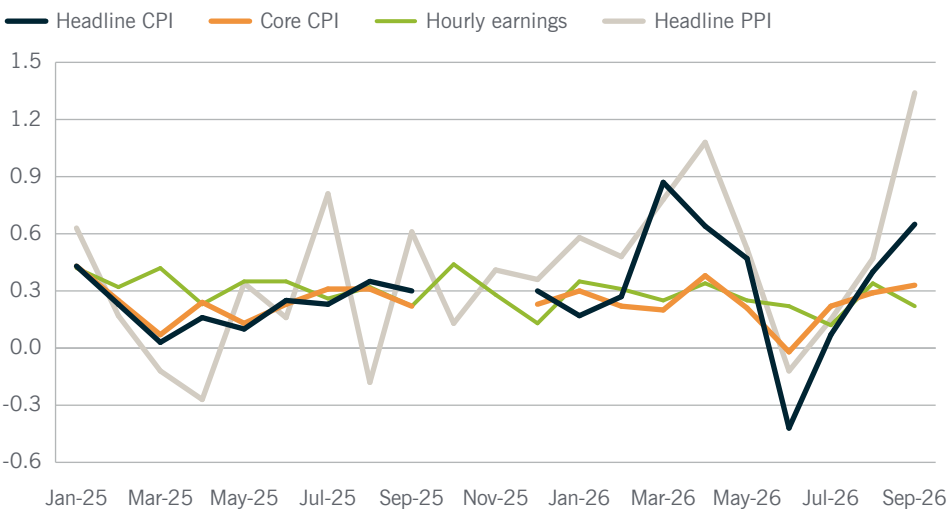
As a result, fundamentals such as earnings quality, balance-sheet strength and valuation discipline will be top of mind. Portfolio decisions, in turn, should be guided by diversification, selectivity and identifying companies capable of sustaining earnings growth.

> **"Recent inflation surprises have complicated the outlook for U.S. Federal Reserve policy.**

Figure 1

Inflation reignites as wage growth cools

Month-over-month change (%)



Data source: FactSet, 15 Oct 2026. Missing data due to federal government shutdown.

Portfolio considerations

The opening bell has rung on third quarter earnings season for the S&P 500 Index, with big banks claiming the spotlight before other sectors take the stage. Last week, markets were eager to hear how major financial firms would characterize the impact of higher interest rates. Bank earnings results pointed to steady consumer credit trends outweighing a slowdown in trading and dealmaking activity, while forward guidance on net interest margins and credit conditions should serve as an early signal for the rest of the season.

Looking ahead, FactSet projects the overall index will ultimately report year-over-year earnings growth above +35% for Q3 — higher than the current estimate of 29.0% (Figure 2), based on the recent tendency for growth rates to climb as more companies post positive surprises. For 2026 as a whole, analysts now forecast

earnings growth of +32.8%, up slightly from the +32.4% estimate on 30 June. This pace is expected to decelerate sharply, to +16.0%, in 2027.

The outlook for tech earnings commands particular attention given the AI buildout. Information technology is expected to deliver earnings growth of +65.1% for the quarter, second only to energy (an estimated +127.6%) among the index's 11 sectors. Within technology, semiconductors are the single-largest driver, with earnings projected to surge +130%; without semis, sector growth would be +24.4%. Such concentration echoes a broader dynamic: the Magnificent 7 stocks are expected to produce earnings growth of roughly +33.2%, versus +27.7% for the other 493 companies in the index. Within the Magnificent 7, two companies — NVIDIA and Meta — will likely account for an overwhelming majority of the group's earnings growth, a narrow base worth monitoring.

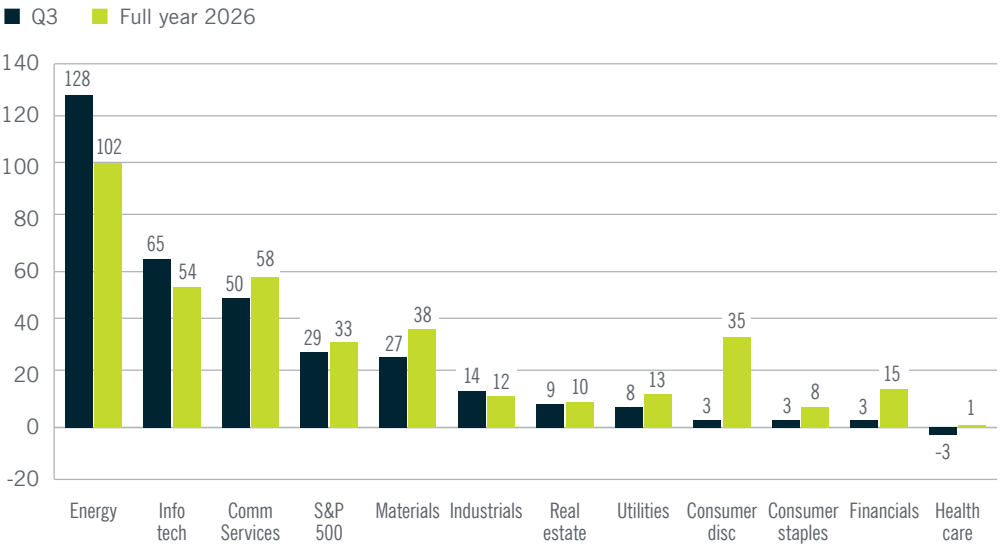
Considering the healthy anticipated growth in earnings per share (EPS), we believe valuations are reasonable. The S&P 500's forward price-to-earnings (P/E) multiple of 19.0x is lower than its 5-year average of 19.8x and generally in line with its 10-year average of 19.1x, aided by EPS estimates that since June have risen faster than prices.

> **"While bank earnings are being watched for inflation's impact, IT sector earnings command particular attention amid the ongoing AI buildout.**

Figure 2

Record guidance and upward revisions drive accelerating earnings outlook

Earnings-per-share growth estimates (%)



Data source: FactSet. 16 Oct 2026. **Performance data shown represents past performance and does not predict or guarantee future results.**

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- macro and asset class views that gain consensus among our investors
- insights from thematic "deep dive" discussions by the GIC and guest experts (markets, risk, geopolitics, demographics, etc.)
- guidance on how to turn our insights into action via regular commentary and communications

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Endnotes

Sources

All market and economic data from Bloomberg, FactSet and Morningstar.

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