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Q3 2026

Market & Economic Snapshot – 2026

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MARKET & ECONOMIC SNAPSHOT

WHAT HAPPENED

WHY IT MATTERS

U.S. STOCK PERFORMANCE

The U.S. stock market ended the third quarter up 1.48%, adding to its strong year.

The biggest surprise of the quarter was the economy's resilience. Strong growth, healthy employment, and solid corporate profits supported stock prices, while inflation remained higher than policymakers' target.

GLOBAL STOCK PERFORMANCE

Developed international stocks slipped 0.65% in the third quarter, while emerging markets declined 0.45%.

Developed international and emerging market stocks declined modestly during the quarter as rising interest rates, higher bond yields, and concerns about slowing global growth weighed on investor sentiment. A stronger U.S. dollar during much of the quarter also reduced returns for U.S.-based investors holding foreign assets and created additional pressure on many emerging-market economies.

INTEREST RATES

The Federal Reserve raised its benchmark interest rate by 0.25 percentage points during the quarter as inflation remained above its long-term target and economic growth continued to exceed expectations.

Investors entered the year expecting gradual easing, but a stronger-than-expected economy and persistent inflation forced policymakers in the other direction. Higher interest rates help combat inflation but can weigh on borrowing, spending, and investment activity.

BOND MARKET

U.S. bond prices faced headwinds, falling 3.50% as Treasury yields moved higher during the quarter. International bond prices also declined 2.54% due to rising global yields.

Bond prices move inversely to yields. As the Fed raised rates and investors pushed Treasury yields higher, bond prices declined in both the U.S. and international markets. The stronger U.S. dollar also weighed on returns from many foreign bonds when translated back into dollars. While painful in the short term, higher yields mean bonds now offer more income and potentially better long-term return opportunities if rates decline in the future.

ASSET CLASS PERFORMANCE

ASSET CLASS

PERFORMANCE

EQUITIES	9.30.26	12 MONTHS
U.S. STOCK MARKET	 1.48%	 15.29%
DEVELOPED STOCK MARKETS EX-U.S.	 -0.65%	 20.97%
EMERGING STOCK MARKETS	 -0.45%	 11.96%
SECTORS		
OIL & GAS	 16.72%	 38.41%
HEALTHCARE	 6.56%	 23.04%
TECHNOLOGY	 2.86%	 39.61%
REAL ESTATE	 -6.30%	 0.53%
FIXED INCOME		
U.S. CORE BONDS	 -3.50%	 -1.86%
U.S. TREASURIES	 -3.06%	 -1.92%
U.S. HIGH YIELD	 -2.00%	 0.88%
GLOBAL BONDS	 -2.54%	 -0.91%

U.S. stocks continued to outperform overseas markets.

Stocks jumped along with energy prices due to supply disruptions and geopolitical concerns.

Rising interest rates hurt bond prices, pushing yields up.

STOCK MARKET SNAPSHOT

UNITED STATES

U.S. stocks advanced during the third quarter as the economy continued to show surprising resilience. The big story was not recession fears, but whether the economy may be too resilient.

Strong GDP growth, healthy employment, and solid corporate profits supported stock prices, but they also made it harder for inflation to return to the Federal Reserve's 2% target. As a result, the Fed raised interest rates during the quarter, underscoring that inflation remains a concern even as the economy continues to expand.



OUTSIDE THE U.S.



International markets were more challenged. Developed international stocks and emerging markets both posted modest declines during the quarter as investors weighed higher global interest rates, concerns about slowing growth, and the prospect of tighter monetary policy.

A stronger U.S. dollar for much of the quarter also reduced returns for U.S.-based investors and put additional pressure on many emerging-market economies.

However, year to date, international stocks have held up better than many expected, helped by lower valuations relative to many U.S. companies and they continue to play a useful role in diversified portfolios.

BOND MARKET SNAPSHOT

U.S. bonds faced significant headwinds as interest rates moved higher. While inflation has moderated from its peak, it remains above the Fed's target, prompting policymakers to raise rates and maintain a restrictive policy stance.

Rising Treasury yields increased income available to investors but weighed on existing bond prices, producing negative returns across many fixed-income sectors.

Global bond markets experienced similar challenges.

Bond yields rose across many developed markets as central banks continued focusing on inflation risks and the prospect of higher-for-longer interest rates.



STRONGER U.S. DOLLAR

Weighed on returns for many international bond investors.



HIGHER YIELDS

May improve future return potential when rates fall, but created short-term pressure on bond prices during the quarter.



THE U.S. DOLLAR: WHY THE REST OF THE WORLD CARES SO MUCH, **AND WHY WE SHOULD TOO**

When Americans think about the U.S. dollar, we usually think of it as the money in our wallets, bank accounts, and investment statements. But around the world, the dollar serves a much bigger purpose.

The U.S. dollar has become the common language of global finance.

Whether oil is being purchased in the Middle East, debt is being issued in Asia, or international businesses are buying and selling goods across borders, the dollar often plays a central role. Roughly half of global trade is invoiced in U.S. dollars, and the dollar remains the world's dominant reserve currency. (Bank for International Settlements; Federal Reserve)

Why? Because people trust it.

Just as English became the default language for international business, the dollar became the default currency for international finance — a process that accelerated after World War II. Countries, corporations, banks, and investors know they can use dollars almost anywhere in the world.

Currency		Share of Global Foreign Exchange Reserves	
	U.S. Dollar	57.1%	
	Euro	20.0%	
	Japanese Yen	5.4%	
	British Pound	4.4%	
	Chinese Renminbi	2.0%	

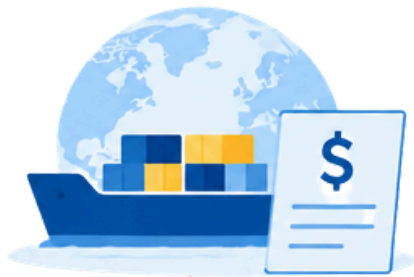
(Source: IMF COFER Q1 2026)

THE BENEFITS OF DOLLAR DOMINANCE

Economists sometimes describe the dollar's role as an "exorbitant privilege" because it is the world's reserve currency.

Because the rest of the world relies so heavily on dollars, the United States enjoys several important advantages.

The World Runs on Dollars



**About Half of
Global Trade**
is invoiced in U.S. dollars.



**About Half of
Cross-Border Lending**
is denominated in U.S. dollars.



**57% of
Global Reserves**
are held in U.S. dollars.



The United States is only about one-quarter of global GDP, yet the dollar plays a much larger role in global finance.

THE BENEFITS OF DOLLAR DOMINANCE

Global investors routinely buy U.S. Treasury bonds and other dollar-denominated assets. This creates a deep pool of capital that helps keep borrowing costs lower than they might otherwise be. It also supports the strength and liquidity of U.S. financial markets.

The dollar's role can also benefit investors. Foreign capital flowing into American markets can support stock prices, bond prices, and business investment over time.

In short, the dollar's global status helps make the United States the financial center of the world.



WHY SOME POLICYMAKERS ARE QUESTIONING THE SYSTEM

Not everyone sees dollar dominance as an unqualified benefit.

Some economists and policymakers argue that the global demand for dollars contributes to a stronger U.S. currency than would otherwise exist. A stronger dollar can make American exports more expensive and imported goods cheaper, potentially creating challenges for some domestic manufacturers.



This debate has become more prominent as governments around the world reconsider trade relationships, supply chains, and economic security.

Few economists question that the dollar's global role provides substantial advantages to the United States, quite broadly.

Some observers note that those benefits are not felt equally across all sectors of the economy.

CAN THE DOLLAR'S DOMINANCE LAST FOREVER?

This question is currently attracting the attention of many economists.

In a widely discussed 2025 interview, Harvard economist and former International Monetary Fund chief economist Kenneth Rogoff argued that the dollar's position remains extraordinarily strong but should not be taken for granted forever. Rogoff's concern is not that another currency is about to replace the dollar. In fact, no obvious successor currently exists.

Instead, he argues that confidence is the foundation of the system.

If countries begin to believe the rules are changing — or if they become uncomfortable with growing trade tensions, financial sanctions, geopolitical disputes, or U.S. fiscal challenges — they may gradually seek alternatives. Not because those alternatives are better, but because they want to reduce their dependence on a system controlled by another country.

Importantly, this would likely be a slow process, not a sudden event.





WHY THIS MATTERS TO EVERYDAY INVESTORS AND NONPROFIT LEADERS

At this point, nonprofit board members may be wondering what any of this has to do with an endowment, reserve fund, or investment portfolio.

The answer is: quite a lot.

The dollar's strength affects international stock returns, bond markets, inflation, interest rates, corporate profits and global capital flows.

Benefits vs. Trade-Offs of Being the World's Biggest Reserve Currency

Potential Benefits	Potential Trade-Offs
Lower borrowing costs for governments, businesses and individuals	Stronger dollar can make exports more expensive
Deep capital markets	Some manufacturers face additional pressure.
Strong demand for U.S. assets	Benefits are not distributed evenly
Global financial influence	Some regions and industries may gain more than others

WHY THIS MATTERS TO EVERYDAY INVESTORS AND NONPROFIT LEADERS

When the dollar strengthens, international investments often face headwinds because overseas returns are worth less when translated back into U.S. dollars. When the dollar weakens, international investments often receive a boost.



The dollar's global role also helps attract investment from around the world into U.S. financial markets. That can support stock and bond prices, lower borrowing costs, and make capital more available to American businesses.

For nonprofit organizations overseeing long-term assets, the key lesson is not to predict where the dollar will go next year.

The lesson is that all investing happens in a global system. Currency movements, trade policy, and international capital flows can affect portfolios even when investors never directly trade currencies themselves.

BOTTOM LINE

Reports of the dollar's demise have surfaced for decades, and so far they have consistently been wrong.

The U.S. dollar remains the foundation of global finance because no other currency currently offers the same combination of trust, liquidity, market depth, and institutional stability.



That said, confidence is not a permanent asset. It must be maintained.

For investors and nonprofit leaders, the takeaway is not to make bets on the future of the dollar. Instead, it is another reminder of why diversification matters.

The global economy is constantly changing, and maintaining a well-diversified portfolio remains a more reliable strategy than trying to predict which country, currency, or market will dominate next.

GLOSSARY

Asset Classes

A grouping of investments that exhibit similar characteristics, are subject to the same laws and regulations and often behave similarly to one another in the marketplace.

Bond Issuers

Governments, banks, corporations, municipalities, or special purpose vehicles that borrow money from bond investors with the promise of paying periodic interest and repayment of the principal amount upon maturity of the bonds.

Equity Sectors

Categories of companies that operate in different areas of business. According to the Global Industry Classification Standard, there are 11 stock market sectors: Financials, Utilities, Consumer Discretionary, Consumer Staples, Energy, Healthcare, and Industrials.

Federal Funds Rate

The target interest rate range, set by the Federal Open Market Committee (FOMC), at which commercial banks borrow and lend their excess reserves to each other overnight. The FOMC, which is the policymaking body of the Federal Reserve System, meets eight times a year to set the target federal funds rate, which is part of its monetary policy.



Gross Domestic Product (GDP)

A monetary measure of the market value of all the final goods and services produced in a specific time horizon by a country or countries. GDP is a key indicator of the size and health of a country's economy.

Market Crash

A price drop of 20% or more from the last peak.

Market Rally

A broad increase in market prices after a market crash or persistently down market.

Recession

A significant, widespread, and prolonged downturn in economic activity commonly classified as two consecutive quarters of negative gross domestic product (GDP).

Inflation

- *Headline Inflation*

The general increase in prices that includes all goods and services in an economy. It considers the price changes across various sectors, including food, energy, housing, transportation, and other consumer goods. Headline inflation is reported through the Consumer Price index or CPI.

- *Core Inflation*

The general rise in prices excluding certain volatile components, such as food and energy prices. The purpose is to focus on the underlying inflation trend by removing the short-term fluctuations.

Core inflation provides a more stable and long-term measure of inflation, reflecting the general price changes in non-volatile sectors of the economy.

- *Disinflation*

A decrease in the rate of inflation, meaning the prices of goods and services rise more slowly.

- *Deflation*

A general decrease in prices.

- *Stagflation*

An economic condition where slow growth, high unemployment, and persistent inflation occur at the same time. This rare combination poses major challenges, as typical policies to address inflation or unemployment can worsen the other problem.

Volatility

The rapid and significant fluctuations in the prices of assets, such as stocks, bonds, or commodities, within a short period. These price changes can be caused by various factors, including economic events, geopolitical developments, investor sentiment, and market conditions.

Yield Curve

Graphical representation that plots bond time-to-maturity against yield.

- *Normal Curve*: An upward-sloping curve in which bond yields of the same credit quality increase as time-to-maturity increases. A normal yield curve is most commonly associated with positive economic growth.

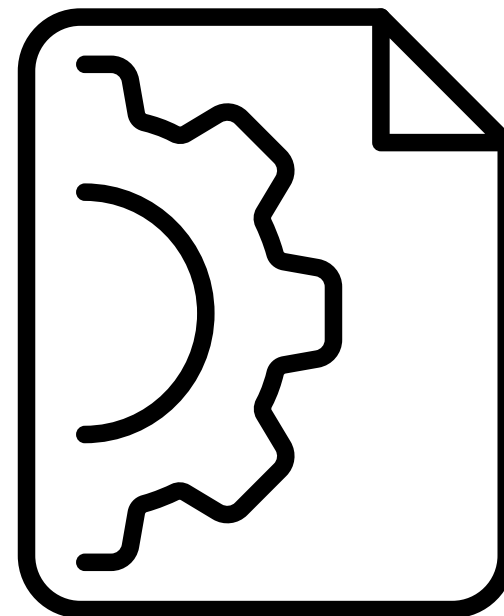
- Flat Curve: A horizontal line in which there is little difference between short-term and long-term rates for bonds of the same credit quality. A flat yield curve is typically an indication that investors and traders are worried about the macroeconomic outlook.
- Inverted Curve: A downward-sloping curve in which bond yields of the same credit quality decrease as time-to-maturity increases. An inverted yield curve reflects bond investors' expectations for a decline in longer-term interest rates, typically associated with recessions.

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BENCHMARK REFERENCES

Koyfin data sources: XOP: SPDR S&P Oil & Gas ETF, XLRE: Real Estate SPDR ETF, VEA: Vanguard FTSE Dev Mkts ETF, AGG: iShares Core US Bond ETF, GOVT: iShares US Treasury ETF, HYG: iShares High Yield Bond ETF, VWO: Vanguard FTSE Emerging Markets ETF, BNDX: Vanguard Total Int'l Bond ETF, SCHB: Schwab US Broad ETF, XLV: Health Care SPDR ETF, XLK: Tech Sector SPDR ETF, VOX: Vanguard Comm Services ETF.



Have Any Questions?

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