CAPITAL MARKETS REPORT - November 02, 2026

FNBB Capital Markets

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Service Beyond Comparison

- **Inflation Remains Elevated**
- **Federal Reserve Maintains Target Range**
- **Upcoming Mideterms Impact**

--> September inflation data showed renewed price pressures, with headline PCE rising 0.5% for the month and 3.6% year-over-year, up from 3.4% in August. Core PCE, which excludes food and energy, increased 0.3% for the month and 3.1% annually, while underlying services inflation remained elevated at 0.4% for the second consecutive month. The readings suggest inflation remains persistent and well above the Fed's 2% target. Despite elevated inflation, consumer spending showed signs of slowing, with inflation-adjusted spending unchanged in September following a 0.6% increase in August. The combination of persistent price pressures and softer consumer demand complicates the Fed's policy outlook. For fixed income markets, the report reinforces expectations for another potential rate hike in December and could keep upward pressure on Treasury yields.

--> The Federal Reserve voted 10–2 at its October meeting to maintain the federal funds target range at 3.75%–4.00%, with two officials favoring a 25-basis-point increase. Chairman Warsh offered limited guidance on the December meeting, emphasizing that future policy decisions will depend on economic conditions. Despite the decision to hold rates steady, recent Fed commentary has reinforced expectations that additional tightening may be necessary to bring inflation back toward the 2% target. Several Fed officials have indicated that further rate hikes could be appropriate before year-end, although views differ on the timing and extent of additional tightening. Markets remain divided over the likelihood of a December increase, with attention now turning to this week's employment data for further guidance. For fixed income markets, the uncertainty surrounding the Fed's next move could keep shorter-term Treasury yields volatile.

--> The upcoming U.S. midterm elections could have implications for fiscal policy and Treasury markets as investors assess the potential balance of power in Congress. A divided Congress could limit the passage of major spending and tax legislation, while continued control of both chambers by one party could provide greater flexibility to pursue fiscal priorities. Either outcome could influence expectations for future government borrowing, Treasury issuance, and long-term interest rates. For fixed income markets, the primary concern remains the outlook for federal deficits and the growing cost of servicing government debt. Although the election could introduce some near-term volatility, persistent fiscal pressures are likely to remain an important driver of longer-term Treasury yields regardless of the outcome.

Market Last Week

Index	10/23/2026	10/30/2026	Weekly Change In Bps
2 yr. Note	4.684%	4.590%	-9
5 yr. Note	4.81%	4.72%	-9
10 yr. Note	5.00%	4.93%	-7
30 yr. Bond	5.32%	5.31%	-1
SOFR Rate	3.92%	3.95%	+3

Data This Week

Date/Time (ET)	Economic Data	Market Estimate	Prior Report
Monday, November 2 2026 10:00 AM	ISM Manufacturing (Oct.)	54.5	54.5
Monday, November 2 2026 10:00 AM	ISM Prices Paid (Oct.)	77.2	77.9
Monday, November 2 2026 10:00 AM	ISM New Orders (Oct.)	55	55.3
Monday, November 2 2026 10:00 AM	ISM Employment (Oct.)	52	52.7
Tuesday, November 3 2026 10:00 AM	JOLTS Job Openings (Sep.)	7,155k	7,079k
Tuesday, November 3 2026 10:00 AM	Factory Orders (Sep.)	0.012	0.001
Tuesday, November 3 2026 10:00 AM	Durable Goods Orders (Sep. F)	0.018	0.018
Tuesday, November 3 2026 10:00 AM	Cap Goods Orders Nondef Ex Air (Sep. F)	0.005	0.005
Wednesday, November 4 2026 8:15 AM	ADP Employment Change (Oct.)	67k	90k
Wednesday, November 4 2026 8:30 AM	Trade Balance (Sep.)	-$107.9b	-$105.6b
Wednesday, November 4 2026 10:00 AM	ISM Services Index (Oct.)	54.75	54.9
Thursday, November 5 2026 8:30 AM	Nonfarm Productivity (3Q P)	0.026	0.014
Thursday, November 5 2026 8:30 AM	Unit Labor Costs (3Q P)	0.005	0.012
Thursday, November 5 2026 8:30 AM	Initial Jobless Claims (Oct. 31)	196k	194k
Thursday, November 5 2026 8:30 AM	Continuing Claims (Oct. 24)	1,710k	1,701k
Friday, November 6 2026 8:30 AM	Change in Nonfarm Payrolls (Oct.)	65k	29k
Friday, November 6 2026 8:30 AM	Unemployment Rate (Oct.)	0.042	0.042
Friday, November 6 2026 8:30 AM	Average Hourly Earnings MoM (Oct.)	0.003	0.001
Friday, November 6 2026 8:30 AM	Average Hourly Earnings YoY (Oct.)	0.029	0.03
Friday, November 6 2026 8:30 AM	Labor Force Participation Rate	0.618	0.618
Friday, November 6 2026 10:00 AM	U. of Mich. Sentiment (Nov. P)	48	48

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