BearBull Global Investments Group

MACRO RESEARCH INSIGHT

CROSS-ASSET ANALYSIS *U.S ASSETS*

October 2026



HIGH CONCENTRATION RISK IN U.S STOCKS – Part 2

- ✓ Leading indicators are supported by the services sector
- ✓ Regular downward revisions to job creation figures
- ✓ The Fed rules out any preemptive rate cut
- ✓ Inflation stabilizes at a high level over the summer

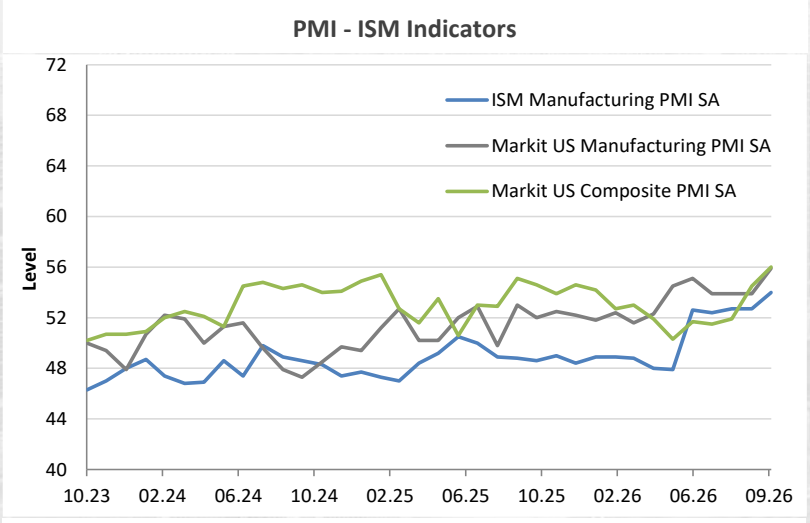
HIGH CONCENTRATION RISK IN U.S STOCKS – Part 2

Dynamic Service Sector Drives Expansion

The U.S. services sector remains the main engine of growth entering Q4, with the S&P Global Services PMI surging to 58.8 alongside a 54.9 ISM Services reading. Spending on dining, travel, and leisure has held firm despite inflation and depleted savings, while manufacturing also remains resilient with an ISM reading of 54.5. However, the ISM Services "prices paid" sub-component elevated at 74 underscores persistent price rigidity that complicates the Federal Reserve's rate path. Consequently, while private sector activity buffers against contraction, stubborn service costs present a lingering obstacle to rapid disinflation.

Payroll Revisions Expose Hiring Stagnation

The labor market continued its measured slowdown at the end of Q3, confirmed by a weak September nonfarm payrolls report showing only 29,000 net jobs created. Cumulative downward revisions to July and August erased over 55,000 previously reported jobs, highlighting increased employer caution and cementing stagnation across hiring channels. While the unemployment rate stabilized at 4.2%, job gains were almost exclusively concentrated in healthcare and the public sector as retail and manufacturing trimmed payrolls. Furthermore, annual hourly wage growth slowed to +3.0%, mitigating service-sector cost pressures but eroding real household purchasing power.



Sources : Bloomberg, BBGI Group

Rate Hike Signals Extended Restrictive Stance

Facing persistent inflation pressures, the Federal Reserve raised its benchmark interest rate by 25 basis points on September 16 to a target range of 3.75%–4.00%. Central bank leadership emphasized that a 4.2% unemployment rate affords room to prioritize price stability and prevent rising energy and commodity costs from unanchoring expectations. This rate hike, the first in three years, tightened broader financial conditions, pushing 10-year Treasury yields higher and increasing credit costs for SMEs and residential real estate. The Fed's updated Summary of Economic Projections rules out preemptive rate cuts, maintaining a "higher for longer" stance contingent on sustained core disinflation.

Upstream Freight and Tariff Pressures Re-Accelerate Wholesale Costs

Price indicators confirm an environment of elevated, sticky inflation driven by housing costs, non-energy services, and rising production inputs. August headline CPI reached +3.4% year-over-year while Core PCE, the Fed's preferred metric, stood at +3.0%, remaining well above the official 2.0% target. Upstream pressures intensified as the final Producer Price Index (PPI) accelerated to +5.4% year-over-year, propelled by higher logistics costs, rising energy prices (+4.2%), and tariff impacts. Because stagnant real wages prevent consumers from easily absorbing further price increases, businesses face compressed operating margins heading into Q4.

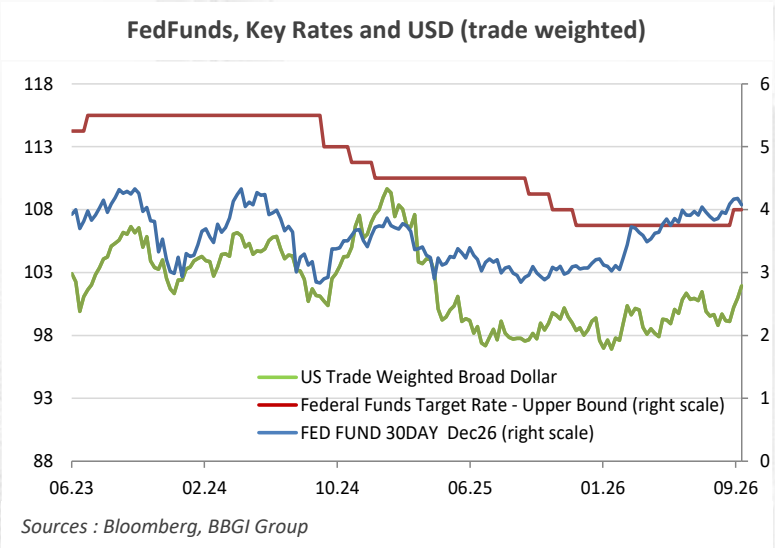
Fading Real Disposable Income Limits Wage Spiral Threat

Despite stubborn producer price increases, the cooling labor market and moderating wage growth indicate that a traditional wage-price spiral has likely been avoided. However, the slowdown in hourly earnings simultaneously erodes household purchasing power and limits broader consumer spending capacity. The divergence between accelerating input costs and stagnant real disposable income creates a challenging environment for retail businesses attempting to pass on higher prices. Consequently, consumer caution is expected to cap headline inflation from spiraling while dampening real private demand.

Corporate Margin Squeeze

Rising input costs and elevated borrowing fees continue to squeeze operating margins for non-technology firms across the U.S. economy. Stagnant real disposable income prevents businesses from passing wholesale price increases onto final consumers, threatening profitability heading into the fourth quarter. While large technology firms continue to deploy significant capital into productivity-enhancing automation, smaller enterprises face mounting financial strain from high debt-service costs. Moving forward, corporate profitability will depend on whether productivity gains can sufficiently offset persistent input inflation and subdued end-user demand.





Sources : Bloomberg, BBGI Group

Contact US : BearBull Global Investments Group | Dubai International Financial Centre (DIFC) | Al Fattan Currency House | Tower 1 | Unit 702 Dubai | United Arab Emirates | Tel +97142722719 | www.bearbull.ae

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