Weekly Economic Brief

Collaboration with The Investing Group (TIG)

by Saied Toossi | Week of October 26, 2026

Last week's data releases continued to point to a resilient private sector supported by the AI buildout alongside persistent upstream cost pressures, and softening housing market indicators under the weight of higher borrowing costs.

Flash S&P Global PMI survey data for October indicated that overall business activity continued to expand at a healthy pace, driven by sustained momentum in the manufacturing and services sectors. However, the survey's price subcomponents underscored that inflationary pressures remain stubborn, with input costs elevated due to higher freight, labor, and energy costs. Persistent upstream cost pressures and hot inflation-related (CPI, PPI, and import prices) prints released the prior week suggest PCE inflation, the Federal Reserve's preferred measure of price growth, accelerated in September.

Household sentiment, on the other hand, remained subdued. Final October figures for the University of Michigan Consumer Sentiment Index reflect low consumer sentiment ahead of the upcoming November midterm elections. While long-term inflation expectations held steady, short-term inflation expectations rose again to 4.7%, with households voicing ongoing concern over high interest rates and eroded real purchasing power.

The rate-sensitive housing sector is also struggling. Pending home sales fell 11.3% year-over-year in September amid high mortgage rates. Housing starts and building permits also trended lower in September, suggesting homebuilders dialed back construction projects in response to sluggish demand. The data reinforce expectations that supply constraints will drive shelter inflation in the near term.

Brent crude futures also rose sharply last week on speculation of an imminent escalation in the U.S.-Israel-Iran war, either just before or after the U.S. mid-term elections. Given the scale and intensity of the U.S.-Israeli bombing campaign at the outset of the war, few viable targets remain in Iran other than its civilian infrastructure, leading watchers to conclude that the next round of severe fighting could lead to significant damage or destruction of regional energy infrastructure in tit-for-tat strikes. Undeterred economic activity in the face of such an outcome would motivate pass-through of input costs to consumers while a significant pullback in consumer spending and business investment could help mitigate, though likely not offset, the inflationary fallout.

Week ahead for economic data: The Federal Reserve will announce its policy rate decision on October 28th. Markets are expecting interest rates to remain unchanged. Data releases include the advance estimate for third-quarter GDP growth, September PCE inflation figures and the quarterly Employment Cost Index, offering a more comprehensive look at total labor costs.

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