Outlook on the Markets

FACT SHEET • NOVEMBER 2026

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Resilient Fundamentals in a Volatile Market

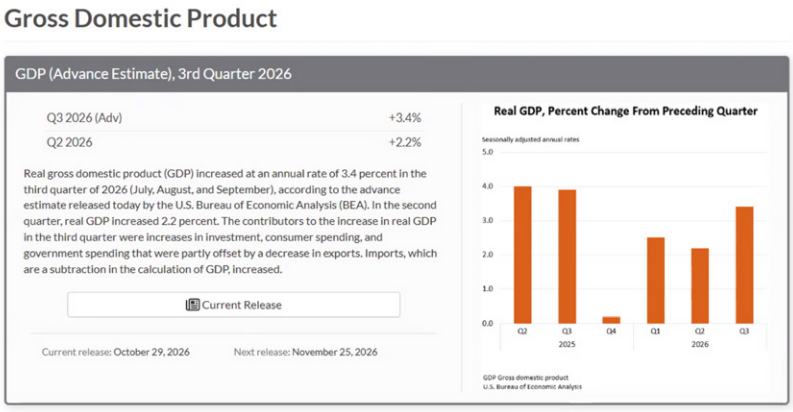
Recent market volatility has brought renewed attention to the direction of the U.S. economy. With inflation remaining elevated and the Federal Reserve working to keep economic growth in check, investors are weighing what these developments could mean for corporate earnings and stock prices.

Despite the recent turbulence, the underlying economy continues to show strength. Consumer spending is holding up, businesses continue to invest, and the labor market remains resilient. **While these conditions don't eliminate the possibility of further market declines, they provide an important foundation as investors navigate an uncertain environment.**

Economic Growth Continues to Provide Support

The U.S. economy expanded at a healthy pace in the third quarter, with real gross domestic product (GDP) growing at an annualized rate of 3.4%, up from 2.2% in the second quarter. **The Atlanta Fed's GDPNow model estimated fourth-quarter growth at 3.5% as of November 9, suggesting that economic activity remains strong heading into year-end.**

Consumer spending continues to play a central role in that growth, accounting for roughly two-thirds of U.S. economic activity. When consumers spend more, businesses generally see stronger revenues, which can support corporate earnings and stock prices.



Recent spending data has been encouraging, with households continuing to increase purchases despite higher prices and borrowing costs. That strength is particularly important as we approach the holiday shopping season, when consumer activity typically picks up.

Consumer Spending & Wages

One of the more encouraging signs for consumers is that wage growth has largely kept pace with inflation.

Median hourly wages rose 3.9% over the year through September, compared with a 3.7% increase in consumer prices.

Although inflation remains above the Federal Reserve's target, the relatively small gap between wages and prices suggests that households have been better able to maintain their purchasing power.

That matters because consumer spending remains a major driver of economic growth. When wages keep up with rising costs, households are generally in a stronger position to continue spending without making significant adjustments to their budgets.



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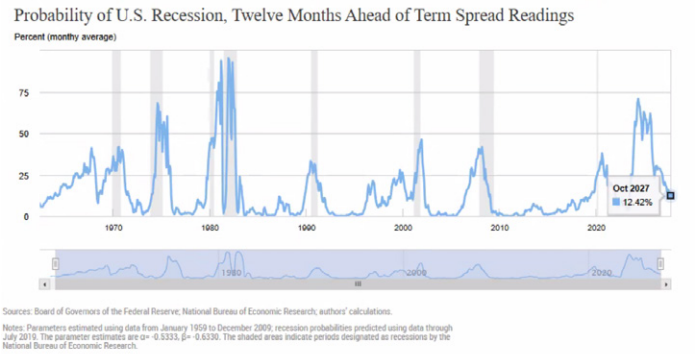
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Recession Expectations Remain Relatively Low

The labor market continues to be another source of stability. Unemployment has declined to approximately 4.1%, job openings remain elevated, and recent hiring has exceeded expectations.

These are encouraging signs, particularly because a sustained economic downturn is often accompanied by weakening employment and reduced consumer spending. Neither trend is currently evident in the broader economic data.

The Federal Reserve Bank of New York's recession probability model places the likelihood of a U.S. recession over the following 12 months at 12.42%, based on its October 2026 reading. While no forecast can rule out a downturn, the current estimate suggests that recession risk remains relatively contained.



What's Driving Market Volatility?

With economic growth holding up, it's reasonable to ask why stocks have experienced increased volatility. Much of the uncertainty comes down to interest rates and expectations for future corporate earnings. Inflation remains above the Federal Reserve's long-term target, and policymakers are trying to prevent continued economic strength from adding further pressure to prices.

Higher interest rates can help slow inflation by making borrowing more expensive and moderating spending. However, that can also limit how quickly businesses grow their earnings. Markets are now working through what that tradeoff could mean for stock valuations. If investors begin to expect slower earnings growth, they may be less willing to pay the same prices for stocks, even when the underlying businesses remain healthy.

This helps explain why markets can experience sharp swings without a corresponding deterioration in the economy. Investors are adjusting their expectations for future growth, and that process can create volatility along the way.



Looking Ahead

Markets may remain unsettled as investors assess inflation, interest rates, and the outlook for corporate earnings. However, several important areas of the economy remain supportive.

GDP growth is healthy, the labor market continues to show resilience, and consumer spending has remained strong. Expectations for increased holiday spending could provide an additional boost as the year draws to a close.

Further volatility or a market correction remains possible, particularly if economic conditions change unexpectedly. Still, the current data suggests that recent market turbulence is not necessarily a sign of a broader economic slowdown.

Periods like these reinforce the importance of keeping short-term market movements in perspective. **Maintaining a disciplined investment strategy and staying focused on long-term financial goals remain essential, even when markets become unpredictable.**

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