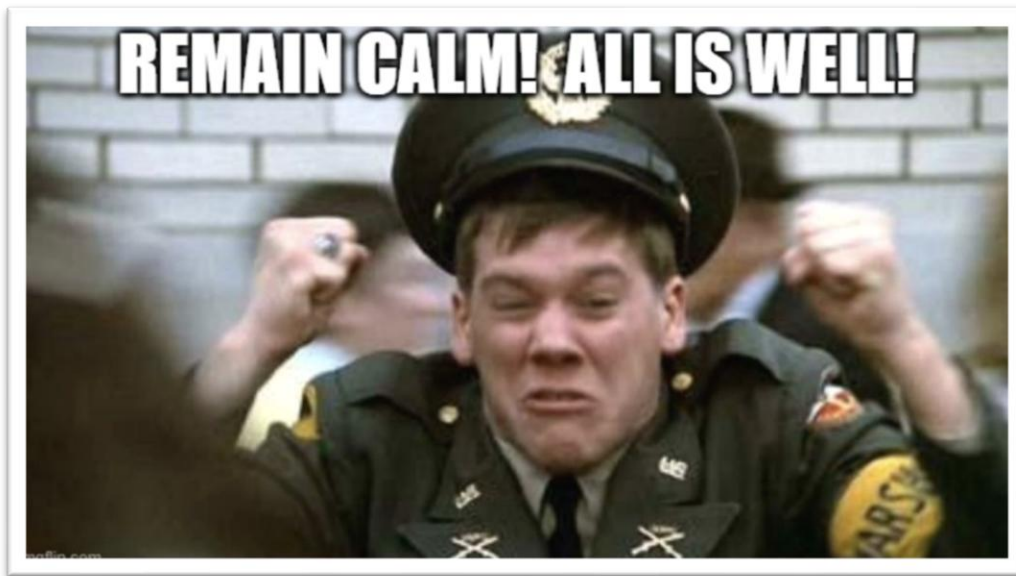




MEDALLION

WEALTH MANAGEMENT

October 2026 Market Commentary



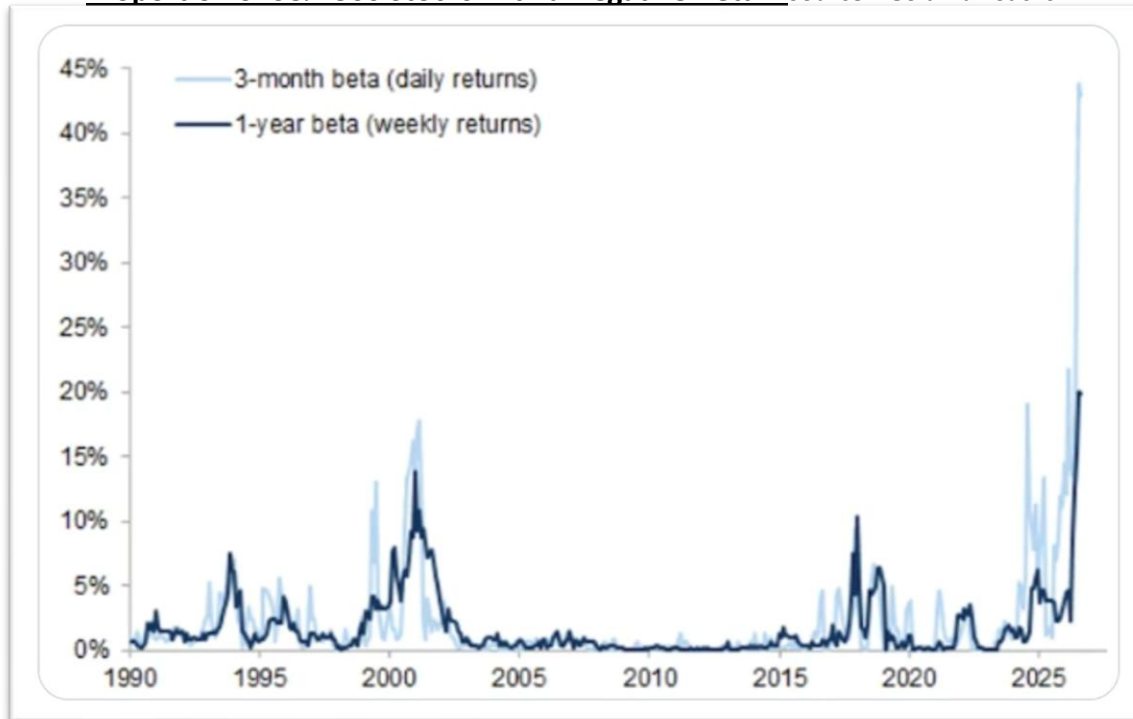
Animal House – (Kevin Bacon as Chip Diller)

The third quarter, especially September, was yet another interesting time in the stock market. The S&P 500 is up about 13% year-to-date, gained about 2.4% in the quarter, and sits only about 2% below its all-time high, but for some reason this doesn't feel that good. Especially if you are an active market participant, you are well aware that the headline numbers don't reflect the true turmoil under the surface.

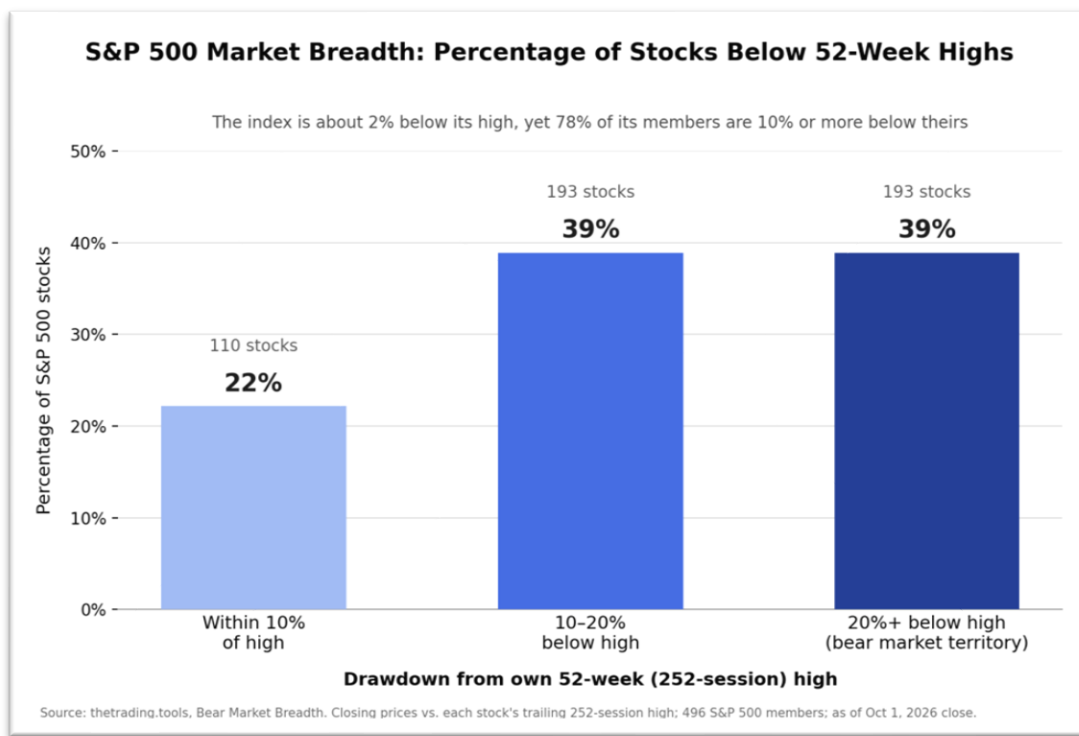
The chart below is a little wonky, but it shows just how unique the last several months have been. It measures the beta of the individual stocks within the S&P 500. Beta measures how closely a stock's returns track the market's. A beta of 1.0 means it has moved in step with the index; above 1.0 means bigger swings, and below 1.0 smaller ones. A negative beta means the stock has tended to move the opposite way: when the S&P 500 rises, it has typically fallen. Based on daily returns over the last three months, roughly 44% of S&P 500 stocks have had negative betas.

What has happened in the last year, and especially in the last quarter, is an unprecedented increase in the number of negative beta stocks. Over the last three months, nearly 43% of the stocks in the S&P 500 have been moving in the opposite direction of the overall index. So, while the S&P 500 has had a rather strong quarter, an unprecedented number of stocks have actually marched to a different drummer (a much more morose drummer).

Proportion of S&P 500 Stocks with a Negative Beta – Source - Goldman Sachs

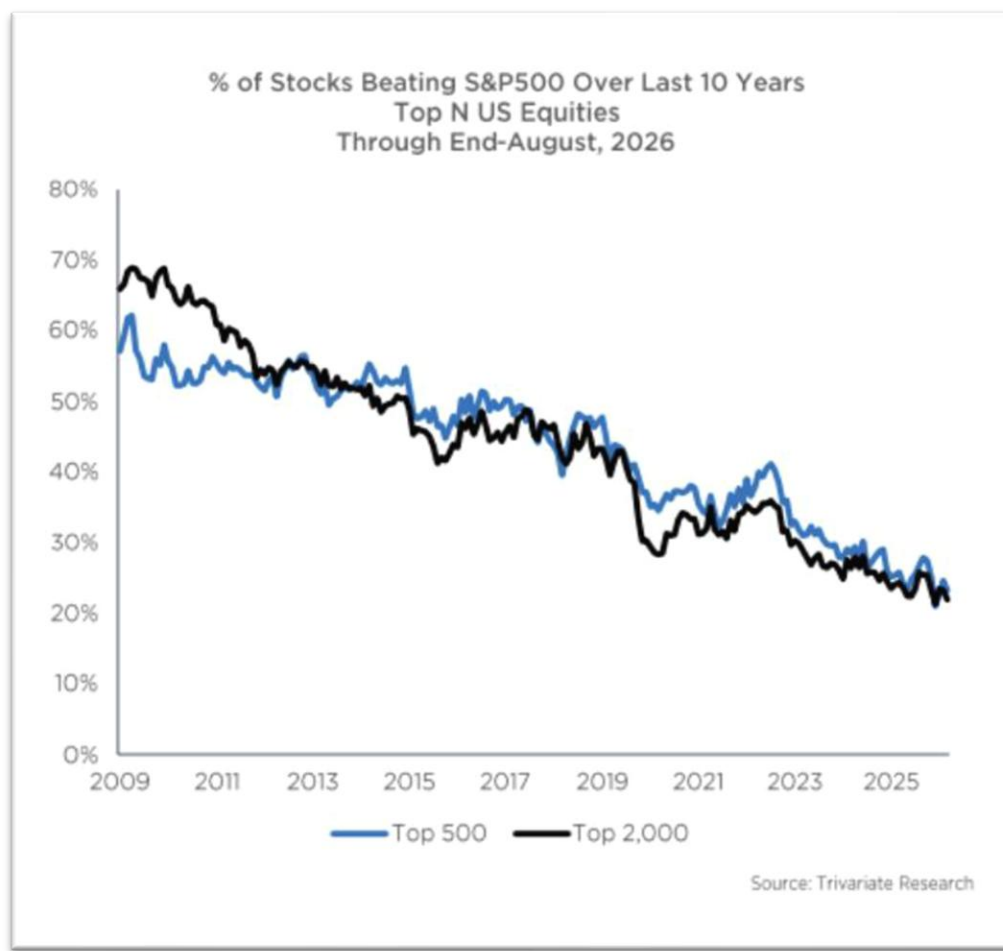


This unusual anomaly can also be seen in the number of stocks trading 10% or more below their 52-week highs. Again, the S&P 500 is only 2% below its 52-week high, but roughly three-quarters of the stocks in the index are trading more than 10% below their respective 52-week highs.



While this is certainly some rather unique market behavior, the reality is that we have been building towards this type of market for some time now. Remember that our stock market (especially the S&P 500) is a reflection of our economy, and our economy has evolved into an economy dominated by very large corporations. One of the main reasons for the rise of mega-cap companies is that our regulatory and legal system favors those companies that can afford the ever-increasing cost of red tape. Pretty much every industry is now dominated by a handful of very large companies, and this is reflected by the market-cap concentration at the top of the S&P 500. In the old days, size was a hinderance (you were considered slow, plodding, and bureaucratic), but today it is clearly a competitive advantage.

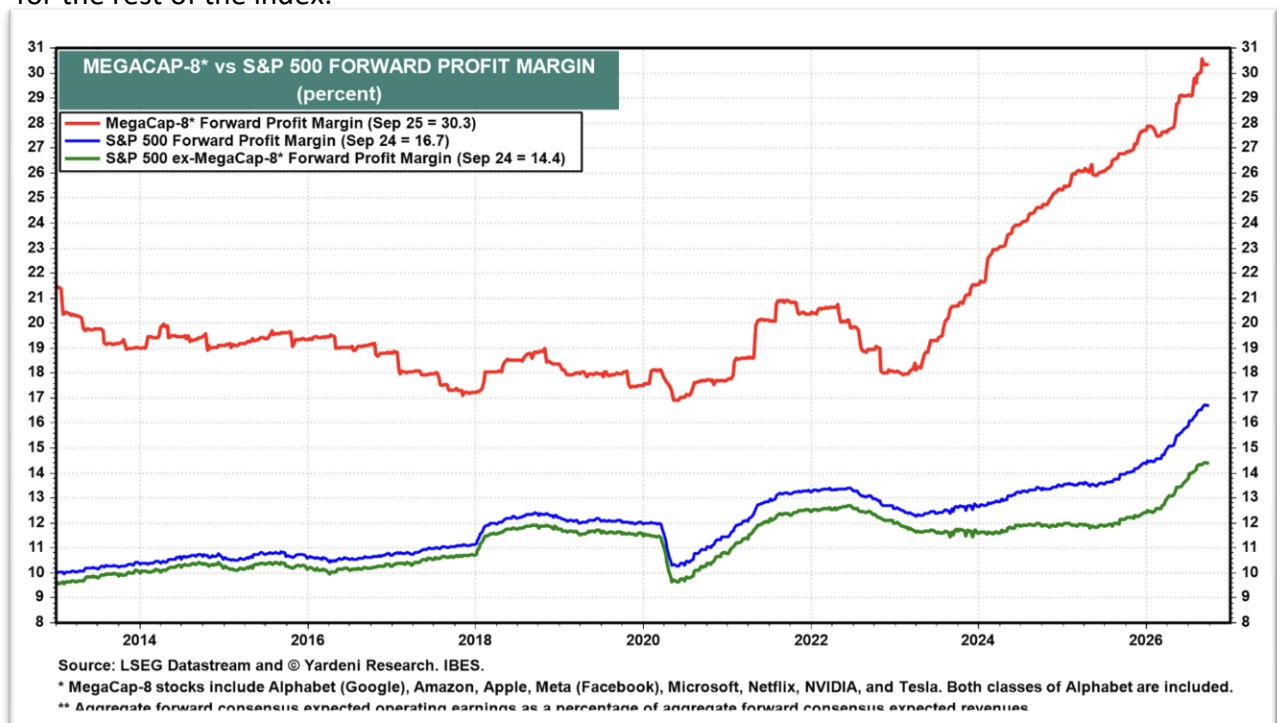
Another way of looking at this is to look at the percentage of stocks that have outperformed the S&P 500 index over time. The chart below is sobering. Just 23% of stocks have beaten the S&P 500 over the last 10 years, a new low. In other words, 77% of stocks have underperformed the S&P 500. As the chart also shows, the percentage of stocks outperforming the index has been in a pronounced downtrend for some time.



Remain Calm; all is well. Probably the most important lesson that I've learned over the last four decades is that the world (and the investing world) is constantly evolving. In order to survive and thrive, we need to adapt to our new environment. An open mind and flexibility are key. Rigidity leads to breaking, IRL, and investing too.

The world is much different than what it was 40 years ago, and trying to live in the past just makes you a grumpy old man (or in the investing world, an underperforming Neanderthal). If Mega-cap stocks are dominating the investing landscape, not just in investment performance, but in actual revenue growth and profitability, then maybe you should build a portfolio that has a foundation built on these companies.

As Ed Yardeni shows, the Mega-cap-8 forward profit margin is about 30%, versus roughly 14% for the rest of the index.



We have no idea what the future holds for us. There are plenty of scary scenarios out there, but history suggests that we'll probably figure out a way to move forward and hopefully continue to prosper. The point here is not to predict or forecast, but to build a plan that is solid but adaptable to change.

My personal portfolio is balanced with around 65% in equities (with a heavy emphasis on mega-caps), 30% in fixed income (shorter duration higher yielding corporates), and 5% cash equivalents. The important thing here is that it is not static; everything is very liquid, and I am more than willing to adapt to whatever the market gives me. When interest rates were much

lower, I had more of my assets in equities and cash; bonds just didn't make sense. Today, with higher interest rates, my cash levels have declined as I'm finding more and more opportunities in the bond market.

Control what you can control. Tune out the noise. Look at what is actually happening today and build a portfolio that is flexible enough to take advantage of today's opportunities. This is what we strive to do here at Medallion Wealth Management. We're not trying to impose our beliefs, wishes, or desires on the market; we're simply trying to build liquid portfolios that are positioned to perform in today's environment in a risk-controlled manner.

Thank You, Rick Santelli!

Another sign that I'm getting old is when the TV personalities I've grown up with start retiring. Rick Santelli, the CNBC correspondent who broadcasts from the floor of the Chicago Mercantile Exchange on fixed-income and economics, has just retired.

Rick majored in economics and in 1979 joined the Chicago Merc as a trader employed by Drexel Burnham Lambert. In the 1990s, Rick was approached by CNBC to add some floor color to their broadcasts about fixed income. Santelli's "no nonsense" personality was an immediate breath of fresh air, and in 1999 CNBC made him a full-time employee.

He was never afraid to call out anti-capitalistic policies or behavior, no matter whose idea it was. His rants were often much-watch TV. He used his platform to remind us that supply and demand had not been repealed, incentives still mattered, capital actually had a cost, debt was still debt, and governments had not discovered some previously unknown branch of mathematics in which borrowing and spending enormous amounts of money made everyone permanently richer.

Santelli also had the irritating habit of asking what might happen *after* the thing everyone else was busy celebrating. If rates were going to stay at zero forever, perhaps there would be consequences. If Washington was going to spend another trillion dollars, maybe someone should ask where that money was coming from.

Rick refused modern economics' attempt to rename unpleasant concepts. In his world debt was not stimulus, government spending was not investment, money printing is not liquidity, and bailouts were not stabilization. When he was on air with many other pundits, you could almost feel the collective discomfort through the television. Rick called it like he saw it.

Whether you agreed with every Santelli rant was never really the point. Underneath the theatrics, though, the message was remarkably consistent. Arithmetic matters. Markets matter because prices contain information. Incentives matter because people respond to them. Debt matters because eventually somebody has to service it. Interest rates matter because capital is

not supposed to be free. Supply and demand matter because declaring something affordable does not create more of it.

Below is a link to Rick's iconic Tea Part rant. Godspeed Mr. Santelli, and thank you!

<https://youtu.be/zp-Jw-5Kx8k>



As always, be careful out there.

Chris Wiles, CFA



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