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The Election is an Event. Investing is a Process.

Investment Perspective | Alpha Quant | Procyon Partners

Oct 13, 2026 · Massimo Santicchia · Head of US Equities, Senior Vice President

Data through the 10/14/2026 market close, including September inflation; other figures as of the dates shown.

> ***Bottom Line.*** *As the November 3 midterm elections approach, many investors are asking whether 2022 could repeat. The losses that year came from an inflation shock and 425 basis points of Federal Reserve rate increases; the midterm election was incidental. Today the economy is growing, but inflation rose more than expected in September and interest rates remain elevated; those are the principal risks. Each of our strategies follows its own tested rules, and none of them depends on predicting an election result.*

2022 Was an Inflation and Interest Rate Shock

It is natural to remember 2022 alongside that year's midterm elections. The data point elsewhere. **Consumer inflation reached 9.1%, the Fed raised its policy rate from near zero to 4.25% to 4.50%, and stocks and bonds fell together: the S&P 500 returned −18.1% and the Bloomberg U.S. Aggregate Bond Index −13.0%.**

Those pressures built through the year and were visible in published economic data before the November 8, 2022 vote. Manufacturing momentum was slowing, inflation remained elevated, and in October the yield curve inverted, a long-standing sign of tightening financial conditions. None of this required a political forecast.

Indicator	2022	Today
Manufacturing activity (ISM PMI; above 50 signals growth)	57.6 in January, 48.4 in December	54.5 in September 2026; ninth consecutive month of growth
Consumer inflation (CPI, year over year)	Peaked at 9.1% in June	3.7% in September 2026, up from 3.4% in August
Fed policy rate	Raised from 0.00% to 0.25% up to 4.25% to 4.50%	Raised 25 bp to 3.75% to 4.00% on 09/16/2026
10-year Treasury yield	1.5% to 3.9% over the year	5.19% on 10/14/2026
Yield curve (10-year minus 3-month yield)	Inverted from October	Positive, +0.91 percentage points on 10/14/2026

Exhibit 1. Growth is where today differs most from 2022; inflation and interest rates are where the resemblance lies. ISM 2022 figures as first reported.

Growth Holds Firm, Though Inflation and Rates Threaten the Outlook

The economy today differs from 2022 where it matters most for corporate earnings. Manufacturing has expanded for nine consecutive months, and new orders rose to 55.3 in September. **The main risk today runs through interest rates rather than through weakening demand.**

The Fed raised rates again in September. The 10-year Treasury yield rose from 4.19% at the start of 2026 to 5.19% on 10/14/2026, and about 90% of that increase came from higher inflation-adjusted (real) yields. Higher

real yields raise the rate at which investors value future earnings, which can pressure stock and bond prices even while the economy grows.

September's inflation report, released on 10/14/2026, offers a timely example of why economic fundamentals matter. Consumer prices rose 3.7% over the preceding 12 months, compared with 3.4% in August and expectations of 3.6%. Short-term Treasury yields rose as investors reassessed the outlook for Federal Reserve interest rates, while longer-term yields ended the day slightly lower. **Economic activity continues to expand, while persistent inflation and higher borrowing costs create risks for both stocks and bonds.** One month of data does not make this another 2022, and it does not by itself change how any of our strategies are positioned.

Dimension	Current reading	What it measures
Growth	Expansion	Manufacturing and services activity
Inflation	Elevated; rose again in September	Consumer prices
Interest rates	High; Fed tightening resumed	Policy rate and Treasury yields
Market risk	Neutral, up from benign in August	Volatility, credit conditions and other market stress signals
Credit	Stress concentrated in the lowest-rated borrowers	Borrowing costs across credit ratings
Corporate earnings	Broad expansion across sectors	Earnings growth and analyst revisions

Exhibit 2. Growth and corporate earnings remain in expansion; inflation and interest rates carry the principal risk. Source: Alpha Quant | Procyon research, readings dated October 2026

How Our Strategies Respond

Our economic research provides one consistent view of the investment environment. Each strategy then follows its own investment rules: some can move from stocks to cash, while others stay fully invested and respond by changing what they own. **No strategy changes its positioning because of an election result.**

Strategy	How it responds when conditions deteriorate	What it does not do
Conservative TAA	Moves between full S&P 500 exposure and cash, using trend, volatility, credit and funding-stress signals evaluated daily	Hold partial positions or forecast events
Global Tactical Asset Allocation (GTAA)	Allocates across global asset classes and shifts toward defensive assets when its signals weaken	Use leverage or forecast events
Global Equity Allocation (GEA)	Rotates among U.S., developed international and emerging-market equities, including minimum-volatility exposures, as relative trends change	Move to cash; it remains invested in equities
Core, Value, Quality, Large Cap Growth	Rebalance toward companies whose valuation, quality and earnings characteristics rank best	Time the market; these strategies remain fully invested

Exhibit 3. Conservative TAA can move fully out of stocks and GTAA can shift toward defensive assets; the others respond by changing what they own.

Your financial advisor can explain which of these strategies are used in your portfolio and how they fit your goals and tolerance for risk.

What Would Change Our Assessment

Each of these developments is observable and measured within our research.

Development	What we would observe
Growth turns down	Manufacturing surveys falling below 50 with declining new orders; corporate earnings estimates being cut across sectors
Financial stress broadens	Our market risk measure moving into its rising-risk range; credit stress spreading beyond lower-quality borrowers
Rates outrun fundamentals	Yields continuing to rise while earnings expectations stall; the yield curve inverting

These are the channels through which any election outcome would reach portfolios: fiscal policy, inflation, interest rates and credit. **If the election moves them, our models will register it.**

Discipline is the Advantage You Can Keep

A note from Massimo Santicchia, Head of US Equities

Since I began managing money in 2000, I have watched investors freeze ahead of elections, wars, Fed meetings and calendar rules such as "sell in May." The instinct is understandable. Each event is uncertain, and waiting feels like a way to avoid the risk.

It rarely is. **The investors who compound wealth over decades follow a consistent, evidence-based process through the events they cannot control.** Our strategies have been managed live for 16 years, through expansions and recessions, a pandemic, an inflation shock, and a full cycle of Fed tightening and easing.

We cannot know who will win on November 3. We know which economic conditions matter for investment risk, and each strategy follows defined rules for responding to its own investment signals.

Sources: Institute for Supply Management, Manufacturing Report on Business (September 2026); U.S. Bureau of Labor Statistics, CPI for September 2026 (released 10/14/2026); Federal Reserve, FOMC statement (09/16/2026); U.S. Department of the Treasury, daily par nominal and real yield curves (01/02/2026 and 10/14/2026); S&P Dow Jones Indices; Bloomberg; Alpha Quant | Procyon Partners research.

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