CBC Weekly Economic Update for the Week Ending October 30th

Monday Loan & Deposit Pipeline Meeting

November 2, 2026

Presented By: Mark Yoon CFA CPA
EVP & CFO
Commercial Bank of California (CBC)

Discussion Topics

WEEKLY ECONOMIC UPDATE

INSIGHTS
PERSPECTIVE
OPPORTUNITY

01 **Stock & Oil Markets**
Market performance, key drivers and outlook

02 **October FOMC Meeting**
Key takeaways and what's next

03 **Q3 2026 GDP (Initial Estimate)**
Stronger growth driven by resilient consumers and business investment

04 **PCE Price Index, Personal Income & Consumer Spending**
Inflation, income and spending trends

05 **Weekly Initial Jobless & Continuing Claims**
Labor market remains resilient

06 **Treasury Yields, Treasury Forward Rates & Rate Expectations**
Yields move lower as markets reassess the path ahead

07 **Key Takeaways**
What it means for the economy and markets



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TRUSTED INSIGHTS.
A BRIGHTER TOMORROW.



Stock & Oil Markets

FINANCIAL MARKETS

Equity Markets

AI Optimism Meets a Return-on-Investment Reality Check



MARKETS
PEOPLE
OPPORTUNITIES

AI spending under scrutiny

Mixed earnings from Alphabet, Amazon, and Intel raised concerns that massive AI investments may not generate returns quickly enough, triggering a sharp technology-led selloff.

Rotation into small caps

Investors rotated into small-cap and non-technology stocks, lifting the Russell 2000 while the Nasdaq, S&P 500, and Dow finished the week lower.

Major Index Performance – Last 5 Trading Days

Indexed to 100 (10/23/2026)



Weekly Performance

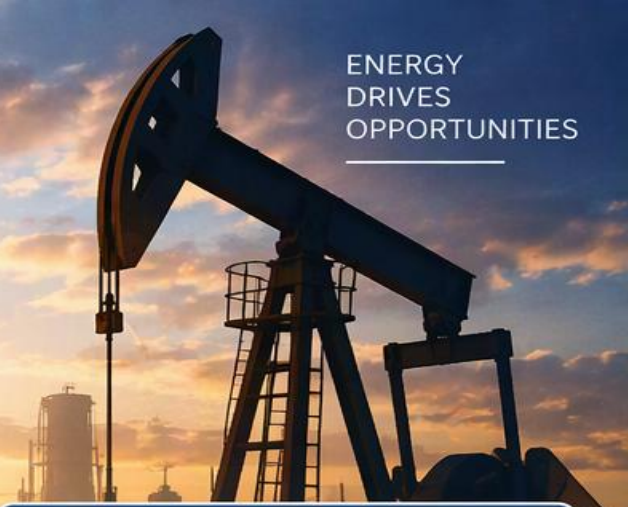
Nasdaq 25,437	**-2.00%**	(YTD +9.44%)
S&P 500 7,580	**-0.57%**	(YTD +10.73%)
Dow Jones 51,770	**-0.85%**	(YTD +7.71%)
Russell 2000 2,812	**+1.29%**	(YTD +13.29%)

KEY TAKEAWAY: Investors are increasingly focused on the financial returns from AI investments, leading to a technology selloff, while small caps outperformed as money rotated into other areas of the market.

COMMODITY MARKETS

Brent & WTI Crude Oil Prices

Geopolitical Tensions Keep Oil Prices Elevated



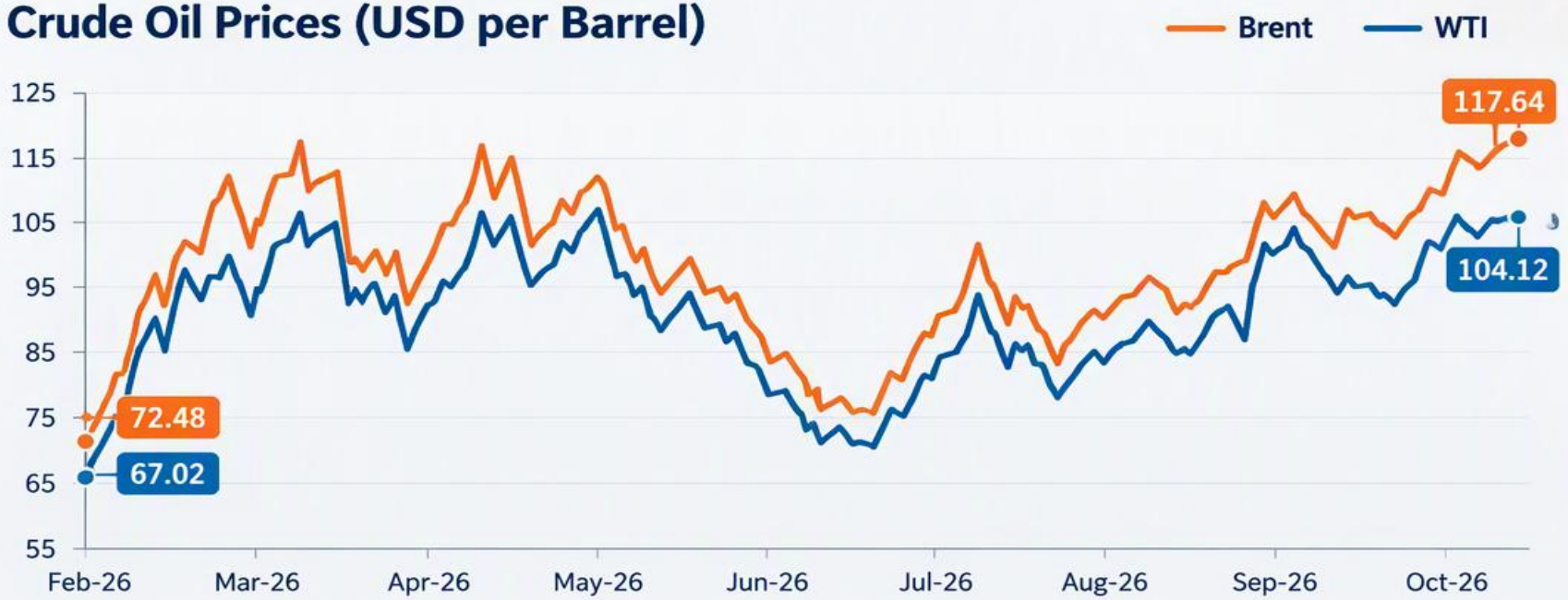
Heightened geopolitical risks

Rising Middle East tensions and potential supply disruptions pushed both Brent and WTI crude up 0.8% for the week.

Multi-month highs

Brent reached $117.64, its highest close since April 29, while WTI rose to $104.12, its highest close since May 19.

Crude Oil Prices (USD per Barrel)



WEEKLY CHANGE

Brent Crude

$117.64 ▲ +0.8% (+$0.92)

Highest close since April 29, 2026

WTI Crude

$104.12 ▲ +0.8% (+$0.85)

Highest close since May 19, 2026

KEY TAKEAWAY: Geopolitical tensions remain a key risk for energy markets, and with oil prices already at multi-month highs, any further supply disruption could add renewed upward pressure.

Source: Bloomberg

CYBERSECURITY & FINANCIAL MARKETS

Binance Hit by $6.3 Billion Hack

North Korean Hackers Gained Access Through One Engineer's Computer



Record-Breaking Theft

North Korean hackers stole approximately $6.3 billion from Binance, the largest cryptocurrency heist on record.

Single Point of Entry

Attackers gained access through one engineer's compromised computer and moved most of the funds in about 20 minutes.

How It Happened

1. Target
Engineer's computer was hacked.

2. Access
Attackers gained access to internal systems.

3. Theft
~$6.3 billion in crypto assets stolen across multiple blockchains in ~20 minutes.

4. Launder
Funds quickly moved through a complex network to obscure the trail.

Market Impact

Asset / Company	Reaction	
Bitcoin (BTC)	▼ ~2%	Initial decline, largely contained
Binance (BNB)	▼ ~4%	Fell after the news
Coinbase (COIN)	▼ ~4.8%	After-hours (also earnings)
Circle (CRCL)	▼ ~5.7%	After-hours
Robinhood (HOOD)	▼ ~4.6%	After-hours

Key Takeaways for Banks

Heightened Cyber Risk

State-spensored attackers increasingly target employees to gain access.

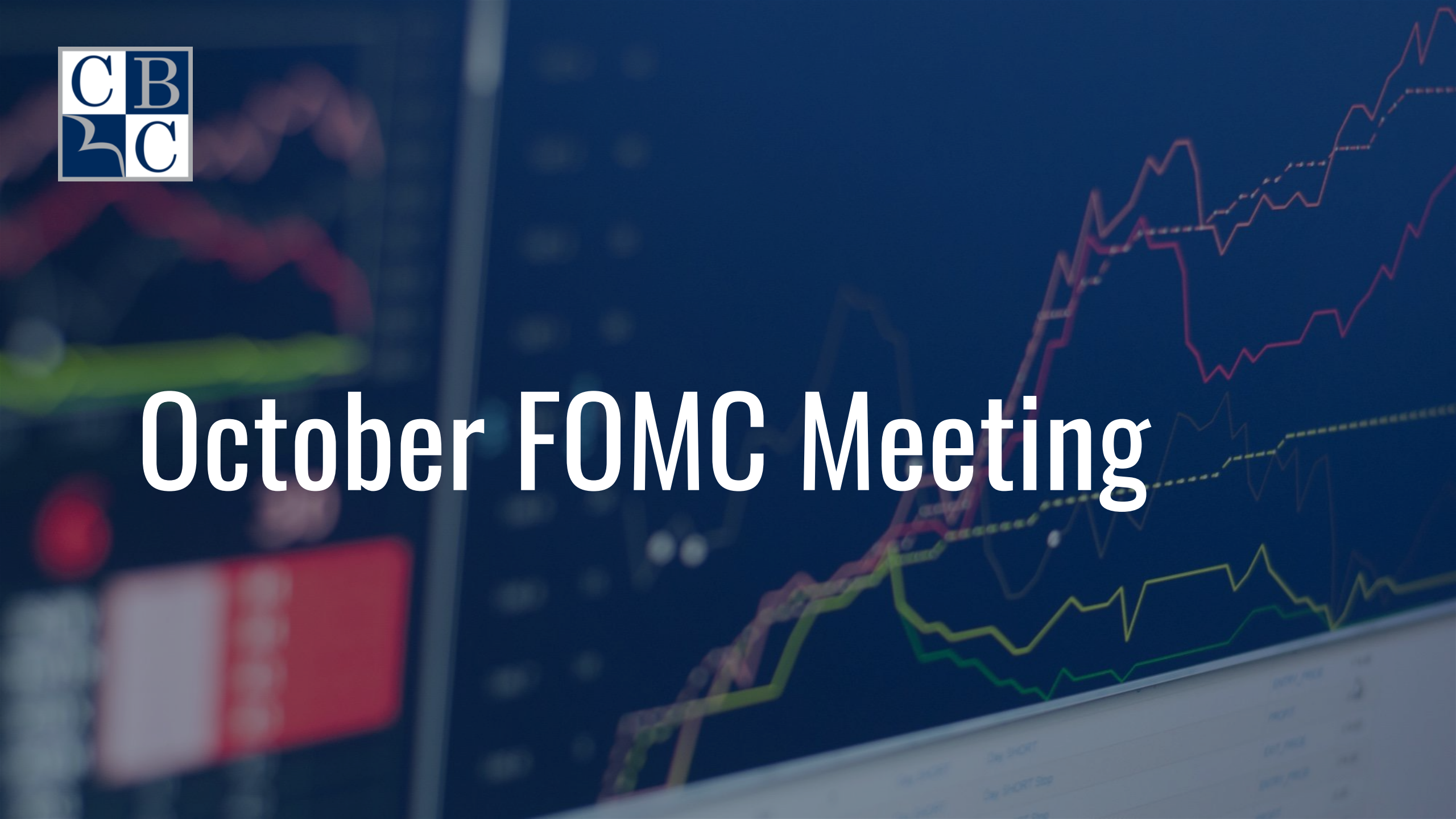
Stronger Controls Needed

Reinforce endpoint security, monitor third-party access, and increase employee awareness.

Broader Market Implications

Large cyber events can impact market sentiment, related equities, and client confidence.

KEY TAKEAWAY: The Binance hack is a stark reminder that cyber threats are a financial risk — not just a technology issue. Stronger security, employee vigilance, and third-party risk management are essential for banks.



October FOMC Meeting

MONETARY POLICY

FOMC Decision

Fed Holds Rates Steady, But Keeps Another Hike on the Table



Rates unchanged

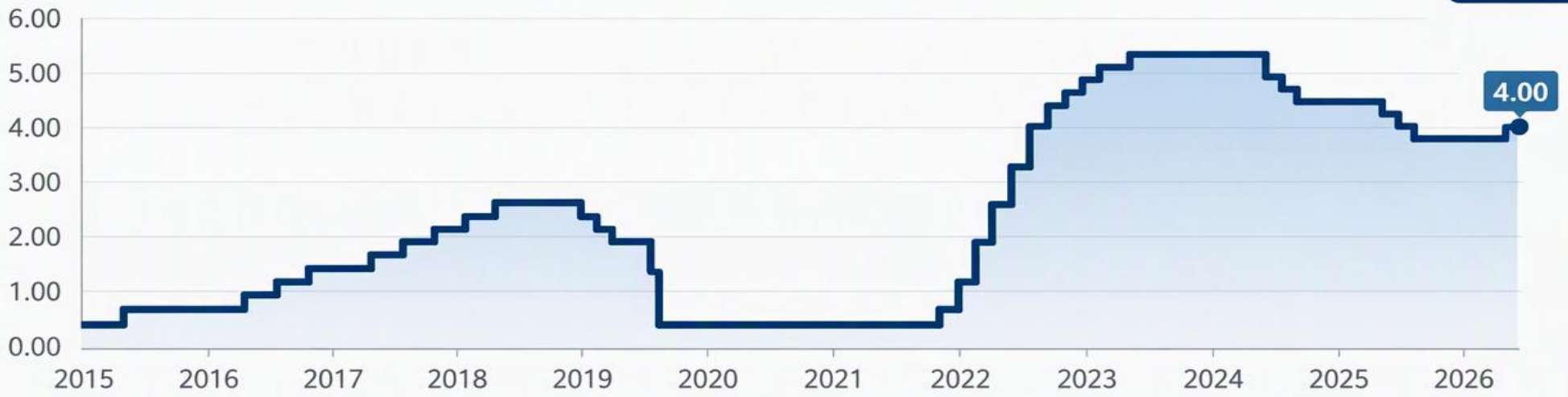
The FOMC held the federal funds rate at 3.75% to 4.00% in a 10-2 vote, with two policymakers favoring a 25-basis-point increase.

Resilient economy, cautious Fed

Strong economic activity, resilient spending, robust investment, and a stable labor market support a data-dependent approach as inflation remains above the 2% target.

> *"Our decisions will continue to be guided by incoming data and our commitment to return inflation to 2%."*
>
> — **Kevin Warsh**
> Federal Reserve Chair

Fed Funds Target Range – Upper Limit (%)



Current Target Range
3.75% – 4.00%

Next Move?
Another rate hike this year remains on the table.

Source: Federal Reserve Board

Fed Chair Warsh: Cautious and Data-Dependent

Rates on hold, door open to another hike, and a new FOMC meeting structure



Limited forward guidance

Provided little clarity on the path of monetary policy, emphasizing a data-dependent approach.

Tighter credit conditions

Acknowledged that credit conditions have tightened since the September rate hike, but stopped short of saying they are restrictive enough to slow growth on their own.

Door open to another hike

Did not rule out another rate hike this year, keeping the door open for further tightening if needed.

> *"We are carefully assessing incoming data. While financial conditions have tightened, we do not believe they are yet restrictive enough to slow growth on their own."*
>
> — **Kevin Warsh**
> Federal Reserve Chair

A New FOMC Meeting Structure

Eight meetings per year, with more focus on long-term strategy

2027

7 Policy Meetings (rate-setting)

1 Strategy Meeting (longer-term focus)

2028

6 Policy Meetings (rate-setting)

2 Strategy Meetings (longer-term focus)

Goal: Balance timely responses to near-term economic developments with dedicated time to reassess the Fed's broader, longer-term monetary policy framework.

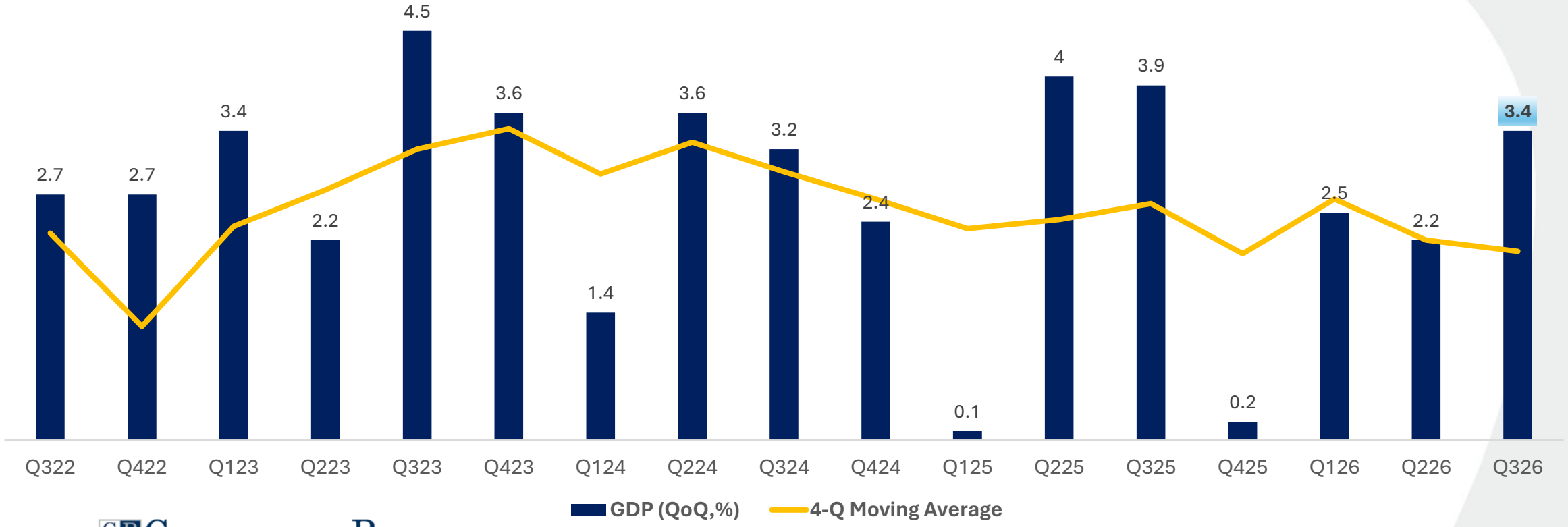


Economic Growth

GDP – Q3 2026

Strong Q3 Growth Highlights U.S. Economic Resilience

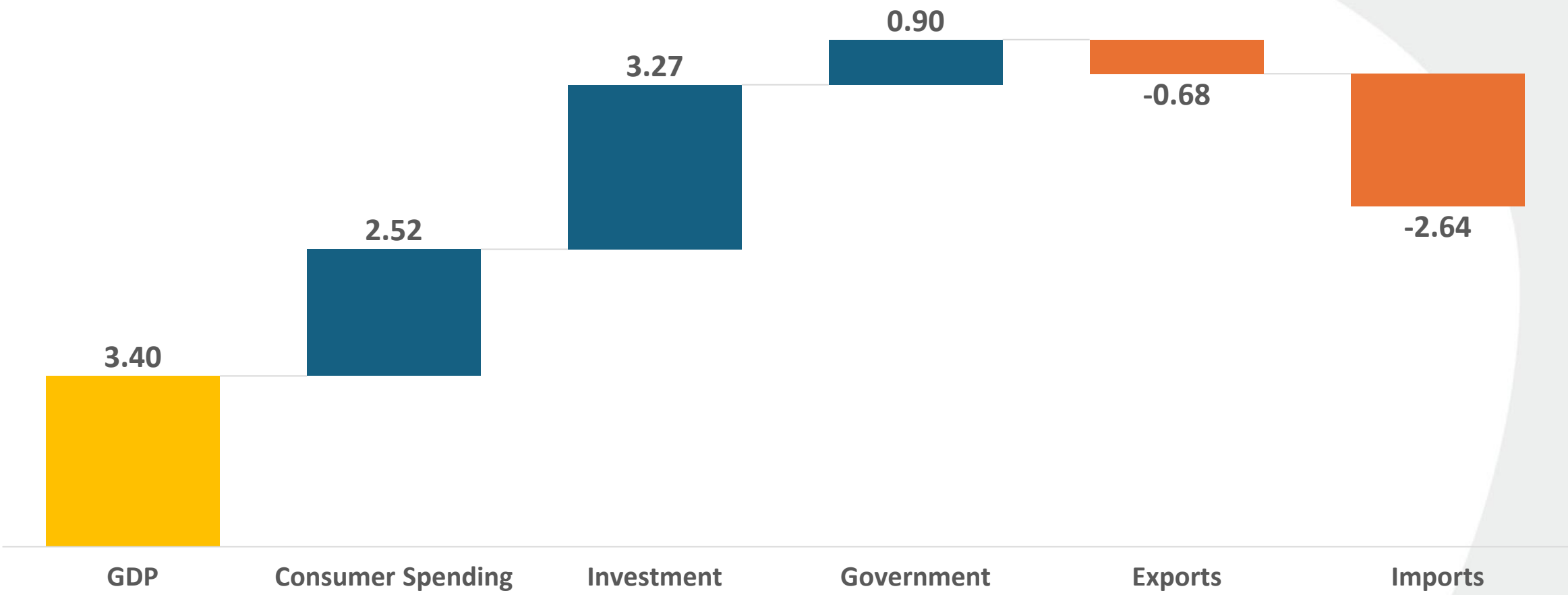
- Real GDP grew at a 3.4% annualized rate in Q3, accelerating from 2.2% in Q2, beating expectations of 3.2%, and marking the strongest growth since Q3 2025.
- Growth was powered by robust business investment, particularly AI-related spending, resilient consumers, and higher government spending, despite a significant drag from net exports.



Source: Bureau of Economic Analysis

Contributions to Percent Change in GDP

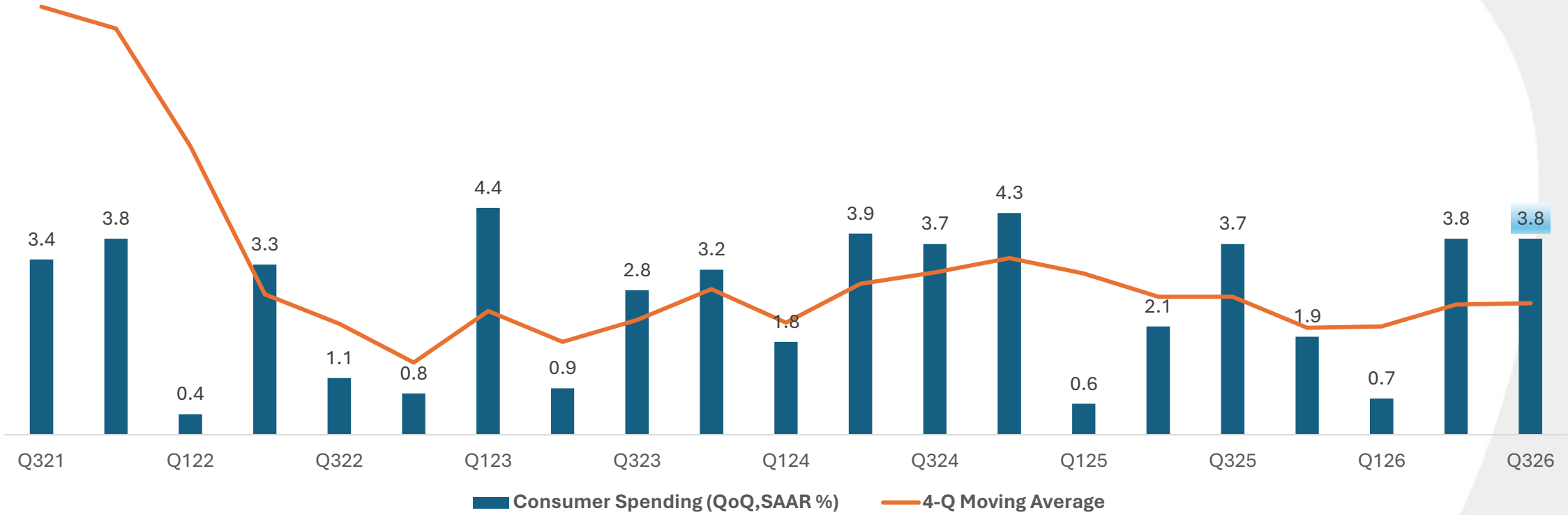
GDP = C + I + G + (E – I)



Consumer Spending – Q3 2026

Consumer Spending Remains a Key Engine of Growth

- Consumer spending grew 3.8% in Q3, unchanged from Q2 and above expectations of 3.4%, demonstrating continued resilience despite elevated prices and weak sentiment.
- Services led the strength, rising 4.1% and contributing 1.89 percentage points to GDP, while goods spending moderated to 3.0%.



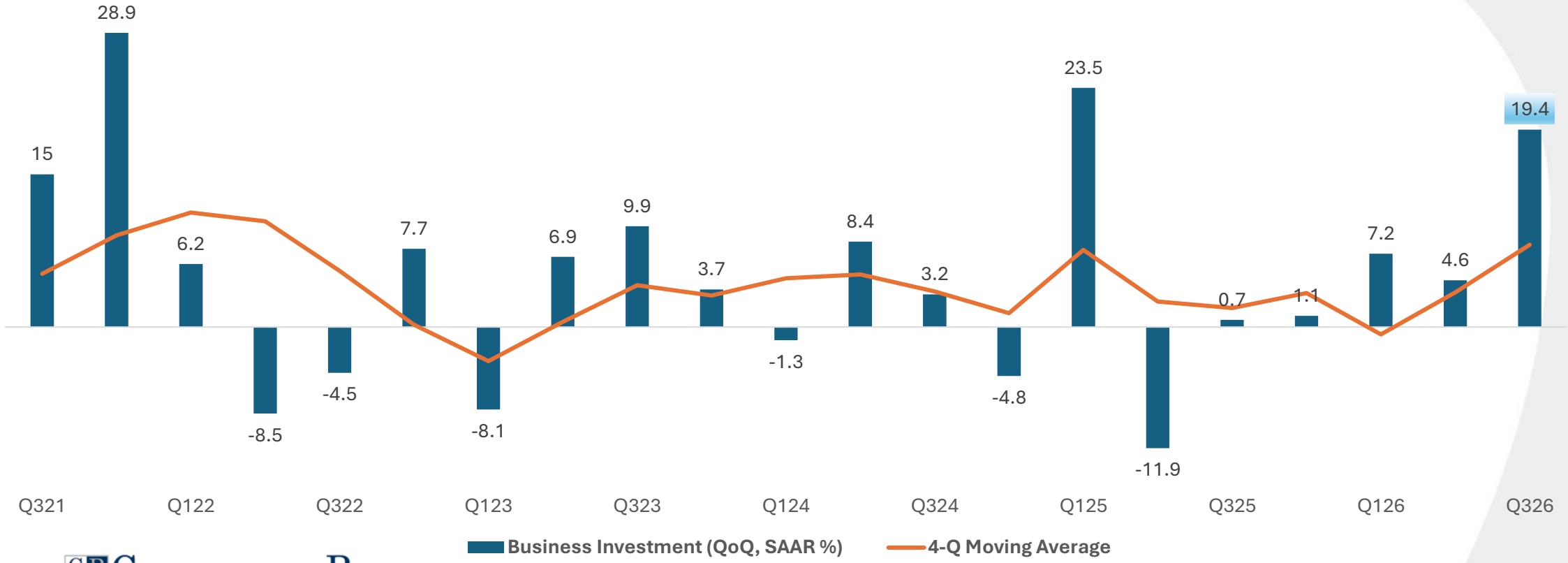
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Source: Bureau of Economic Analysis

Business Investment – Q3 2026

AI Investment Drives a Surge in Business Spending

- Private investment jumped 19.4% in Q3 from 4.6% in Q2, supported by stronger inventories and a $65.2 billion increase in information-processing equipment.
- AI-related investment was the standout, with information-processing equipment up 37.4% and computers and peripherals surging 66.7%, while residential investment declined 3.3%.

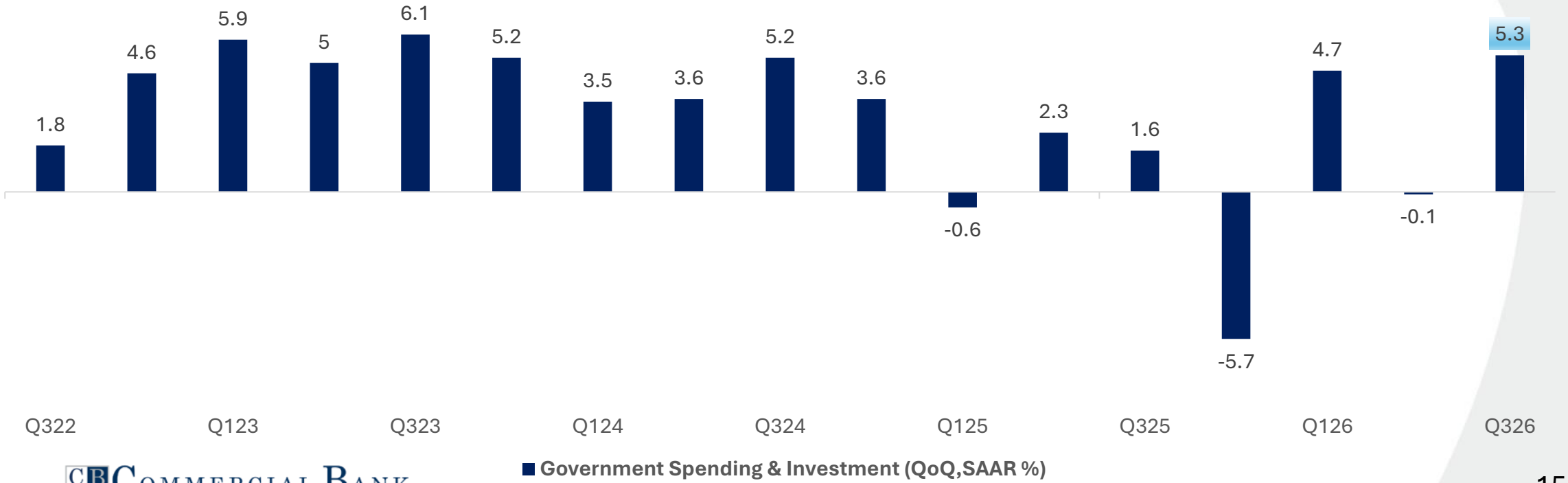


Source: Bureau of Economic Analysis

Government Spending & Investment – Q3 2026

Federal Spending Provides a Strong Boost to Q3 Growth

- Government spending rose 5.3% in Q3, reversing a 0.1% decline in Q2, driven by a sharp 15.8% increase in federal spending.
- Federal nondefense spending surged 30.1% and defense investment rose 24.7%, while state and local spending was essentially flat.

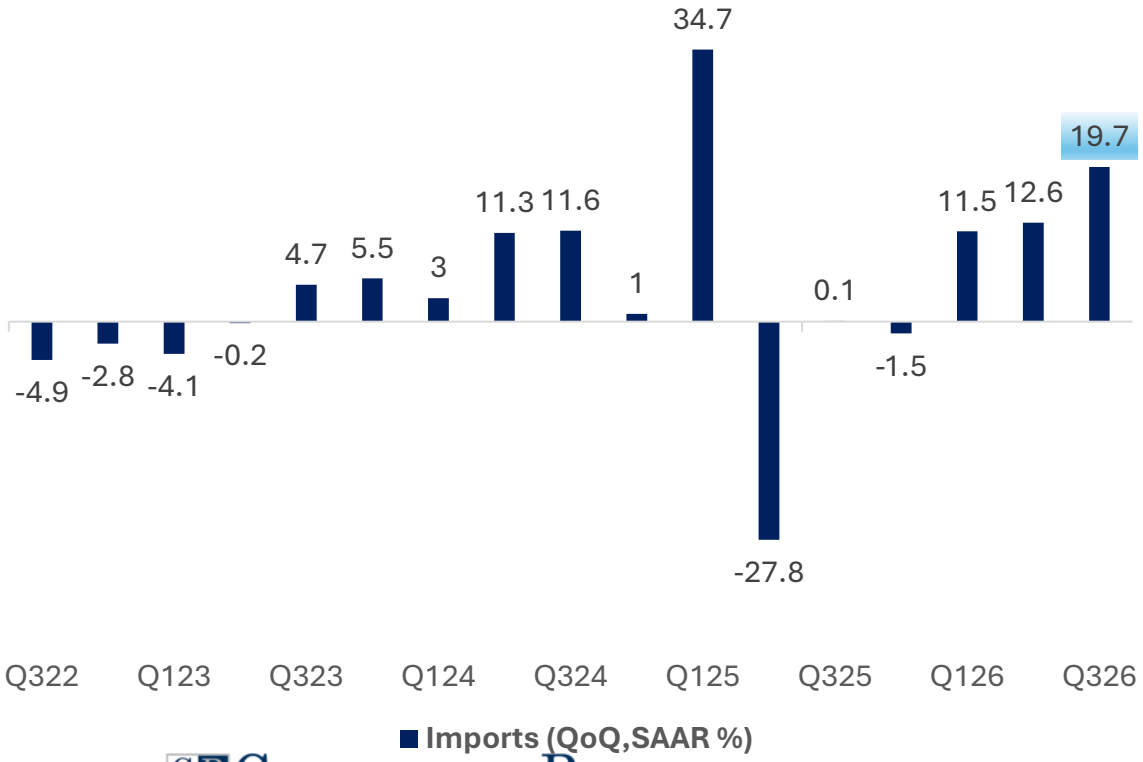


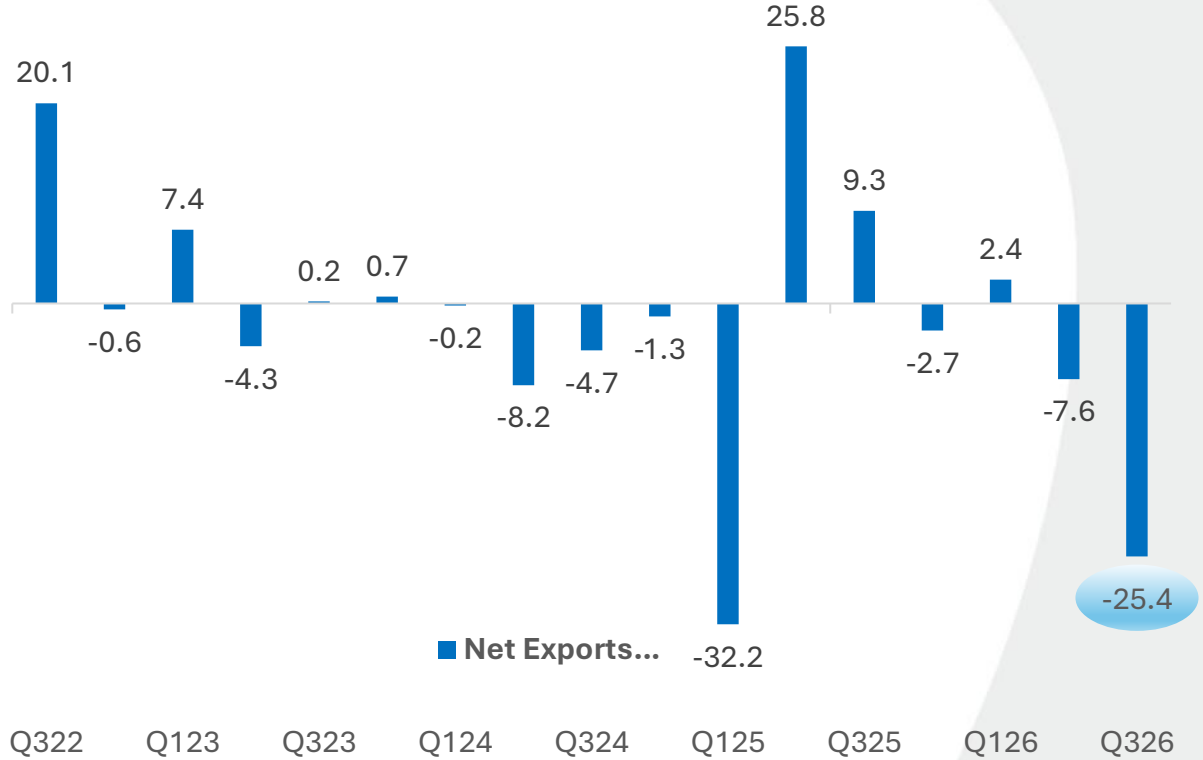
Source: Bureau of Economic Analysis

Net Exports – Q3 2026

Surging Imports Create a Major Drag on Q3 Growth

- Net exports subtracted 3.32 percentage points from Q3 GDP growth, the largest drag since Q1 2025.
- Imports surged 19.7%, driven in part by data-center equipment and efforts to bring goods into the U.S. ahead of potential tariffs and supply-chain disruptions.



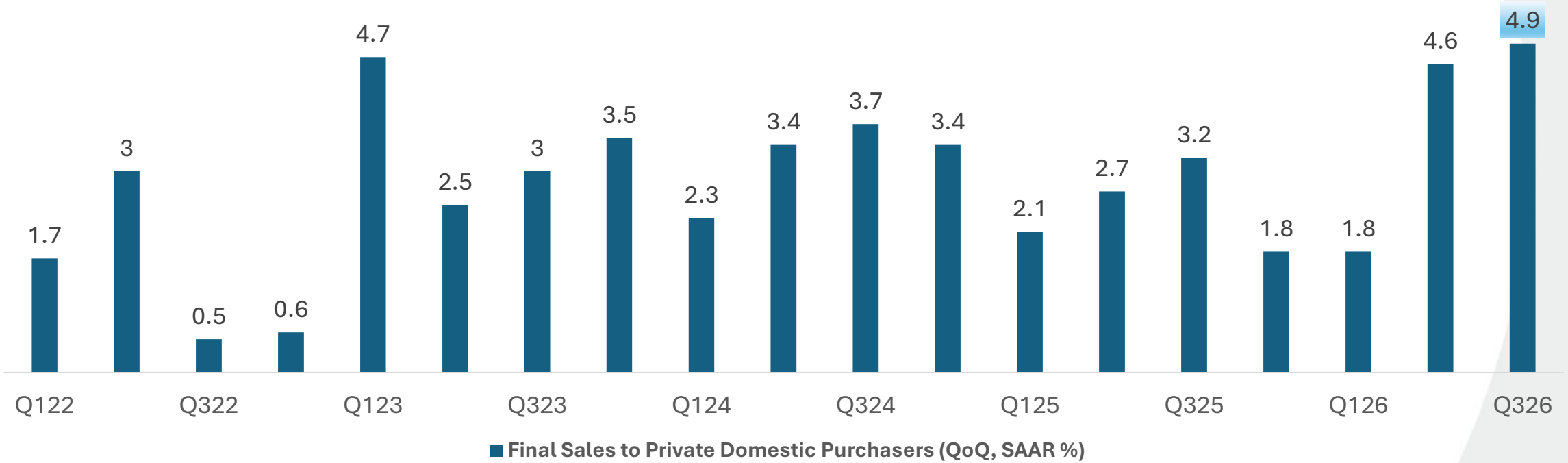


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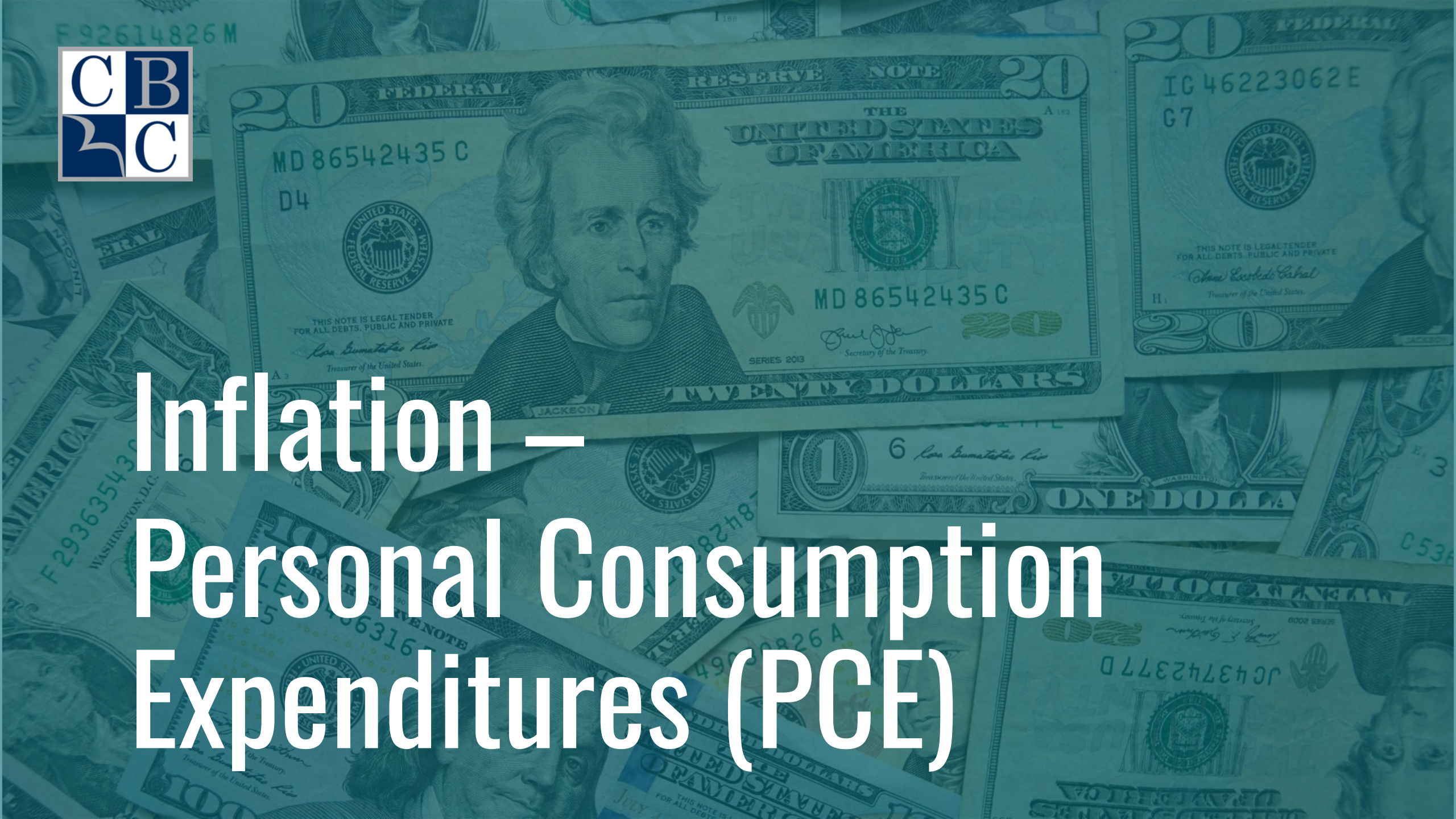
Final Sales to Private Domestic Purchasers – Q3 2026

Underlying Domestic Demand Accelerates to Its Strongest Pace Since 2021

- Final sales to private domestic purchasers rose 4.9% in Q3, accelerating from 4.6% in Q2 and marking the strongest growth since Q2 2021.
- The measure strips out volatile components such as inventories, trade, and government spending, highlighting the continued strength of underlying private-sector demand.



Source: Bureau of Economic Analysis

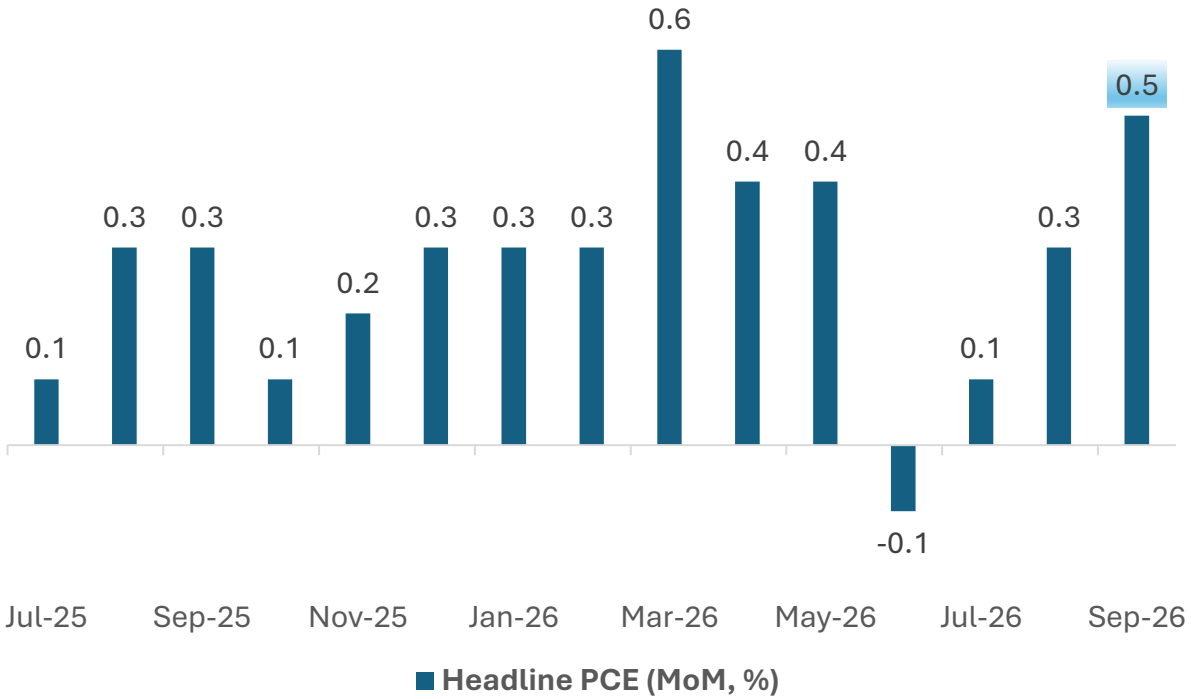


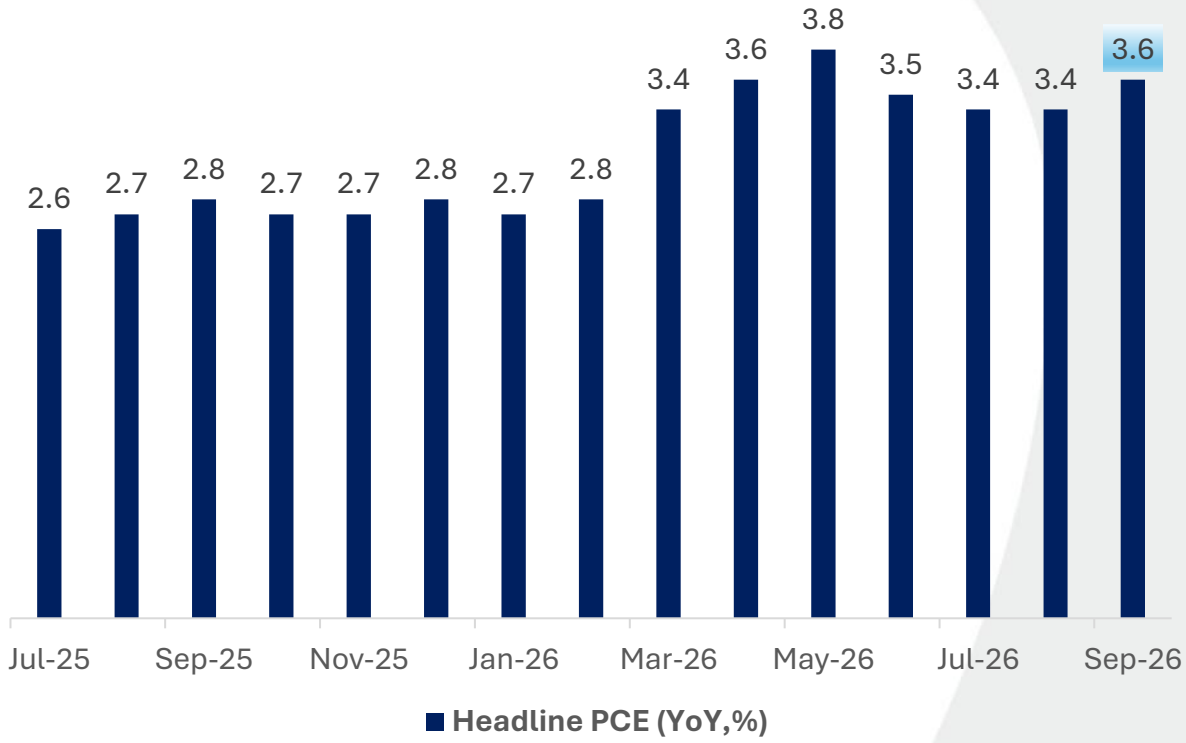
Inflation – Personal Consumption Expenditures (PCE)

PCE – September

PCE Inflation Accelerates as Energy Prices Surge

- Headline PCE inflation rose 0.5% in September and accelerated to 3.6% year over year from 3.4% in August, with gasoline and other energy costs driving much of the increase.
- Goods prices climbed 0.8%, while services rose 0.3%; energy prices surged 9.2% for the month and 35.4% from a year earlier.



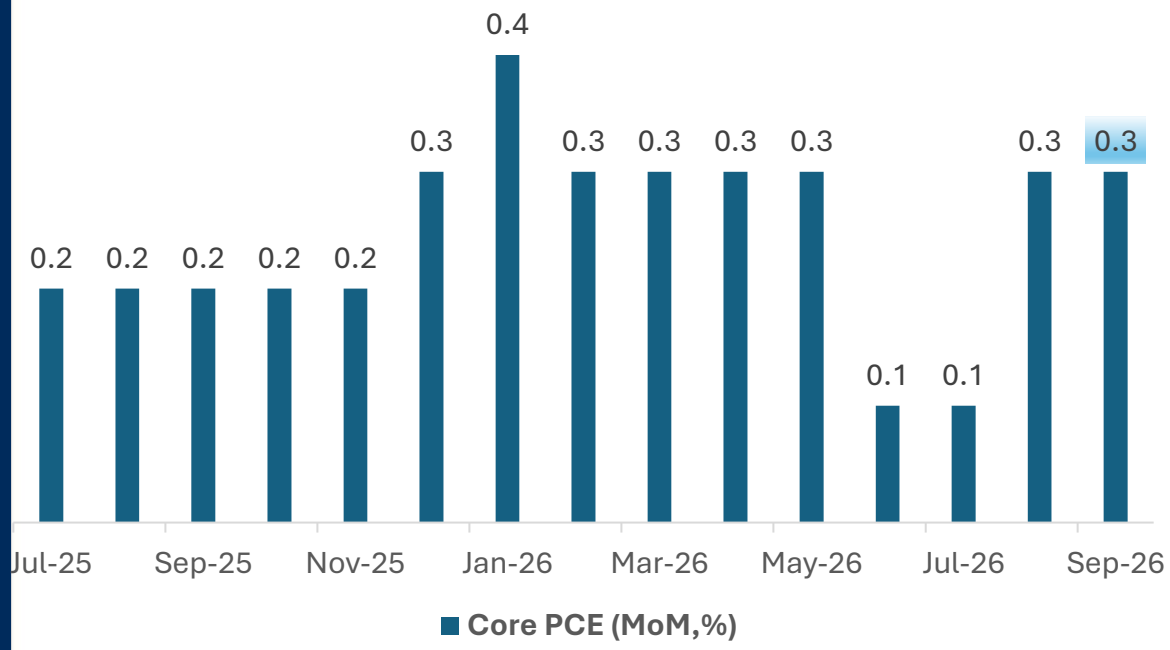


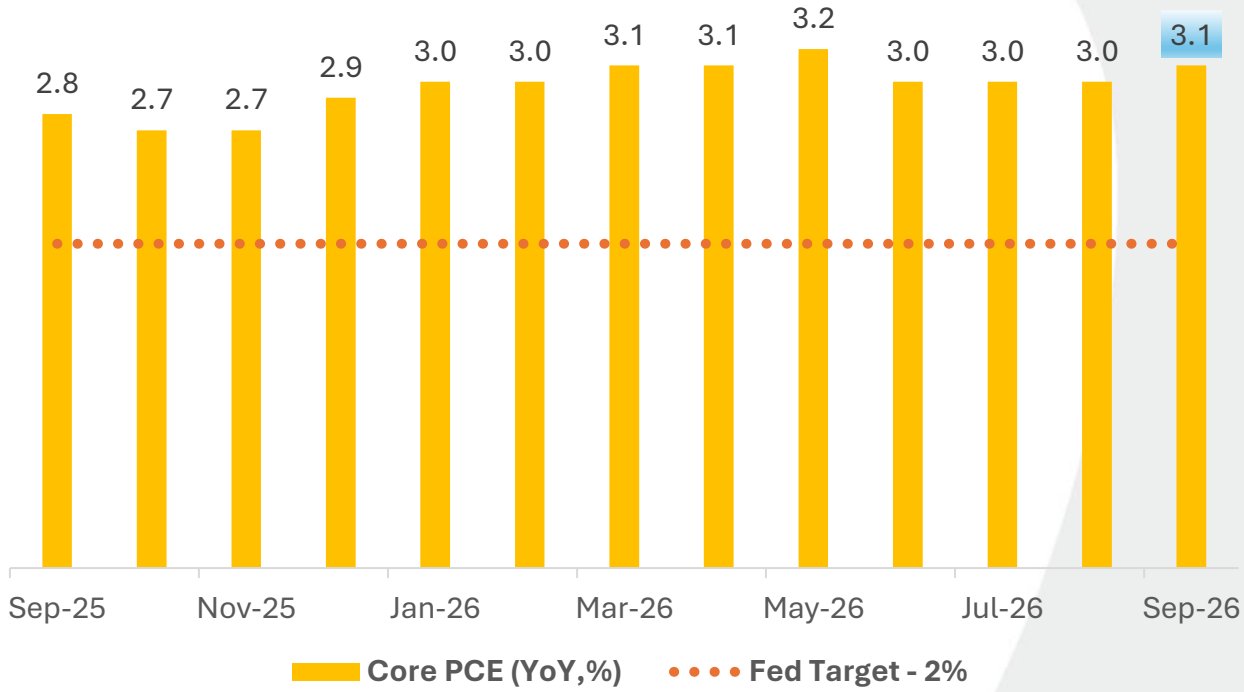
Source: Bureau of Labor Statistics

Core PCE – September

Underlying Inflation Remains Sticky at 3.1%

- Core PCE rose 0.3% in September and accelerated to 3.1% year over year from 3.0% in August, matching expectations.
- Supercore PCE showed the same pattern, rising 0.3% for the month and 3.1% year over year, signaling persistent underlying price pressures.





Source: Bureau of Labor Statistics

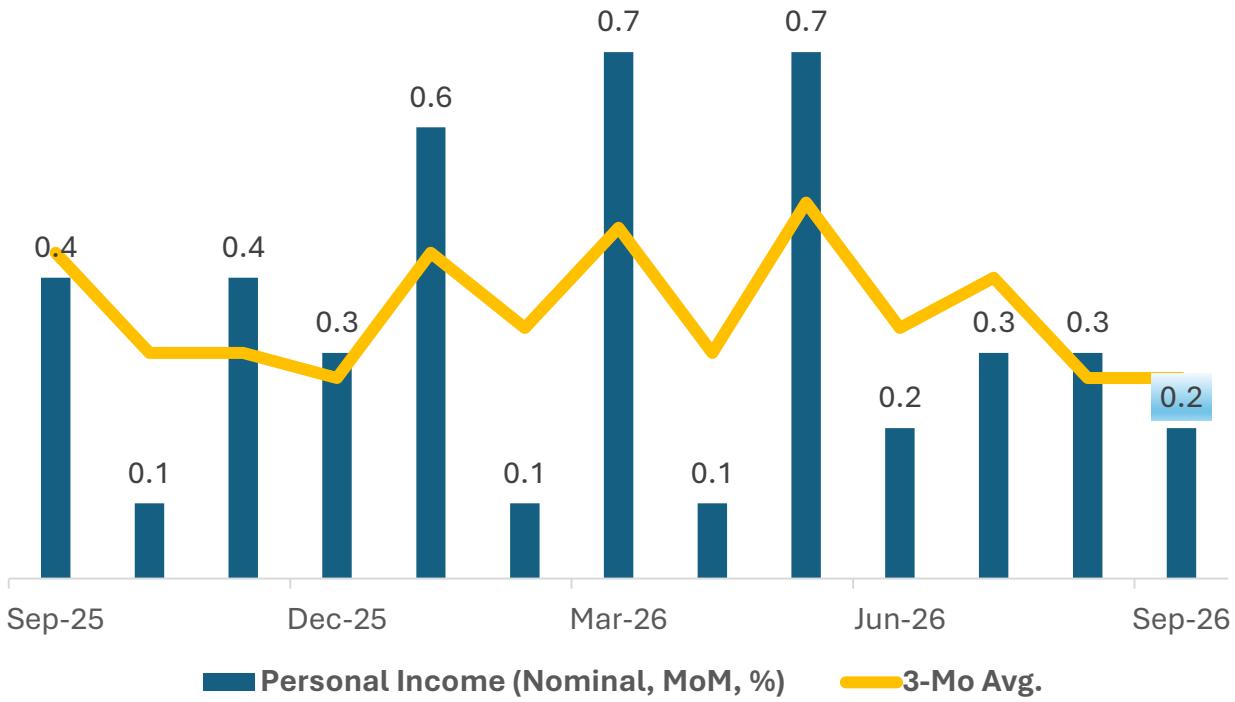


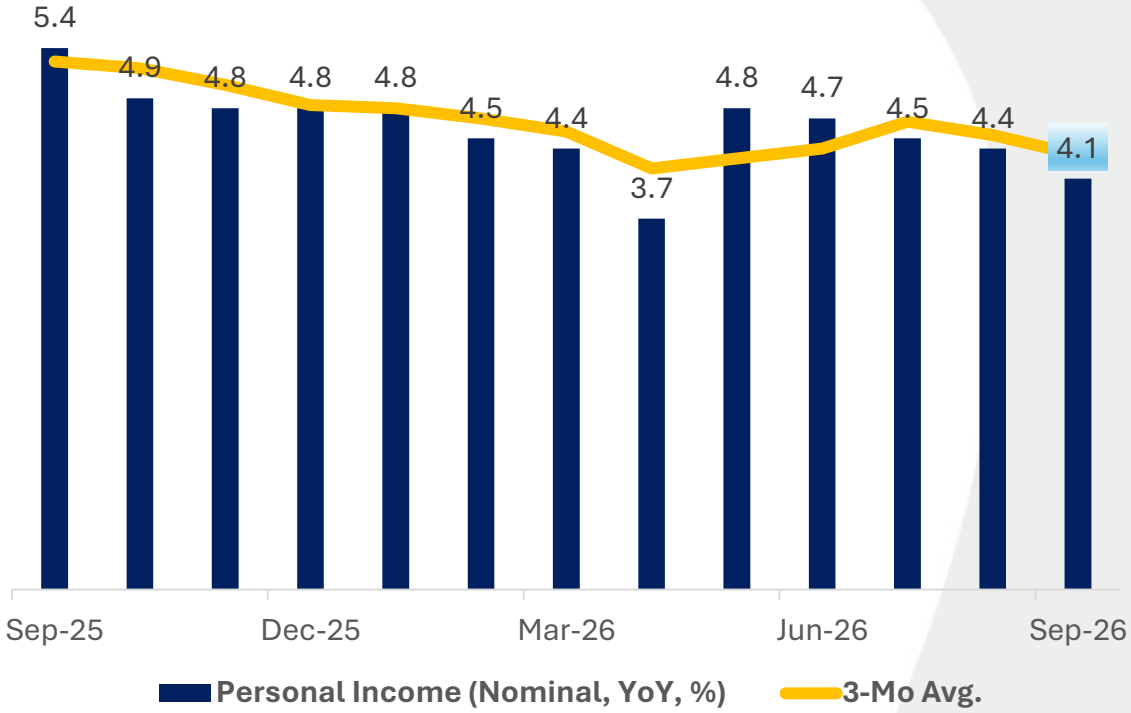
Consumer Activity

Personal Income – September

Income Growth Loses Momentum in September

- Personal income rose 0.2% in September, below expectations of 0.3%, while annual growth slowed to 4.1%, the weakest pace in five months.
- Income gains were supported by private wages and salaries, interest income, and Medicare benefits, but overall growth continued to moderate.



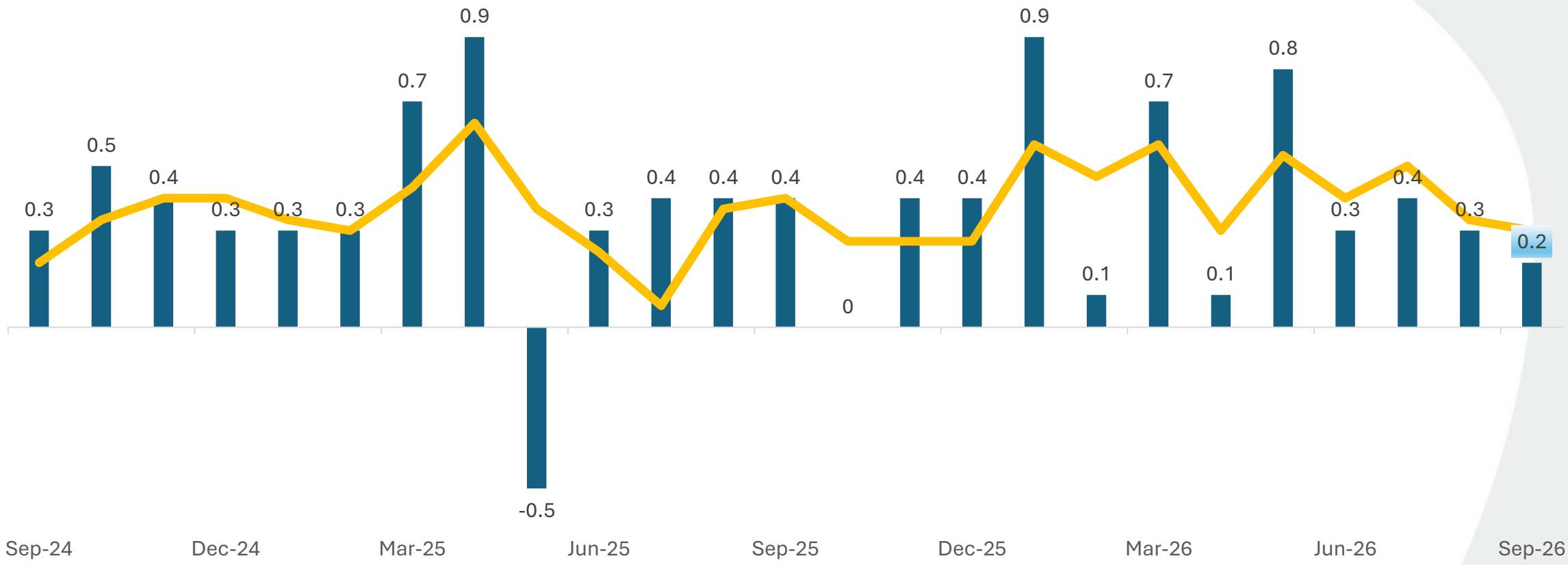


Source: Bureau of Labor Statistics

Disposable Income (Nominal) – September

Disposable Income (Nominal) Growth Moderates in September

- Disposable personal income increased 0.2% in September, slowing from 0.3% in August.
- Year-over-year growth eased to 4.6% from 4.8%, signaling some moderation in household income growth.

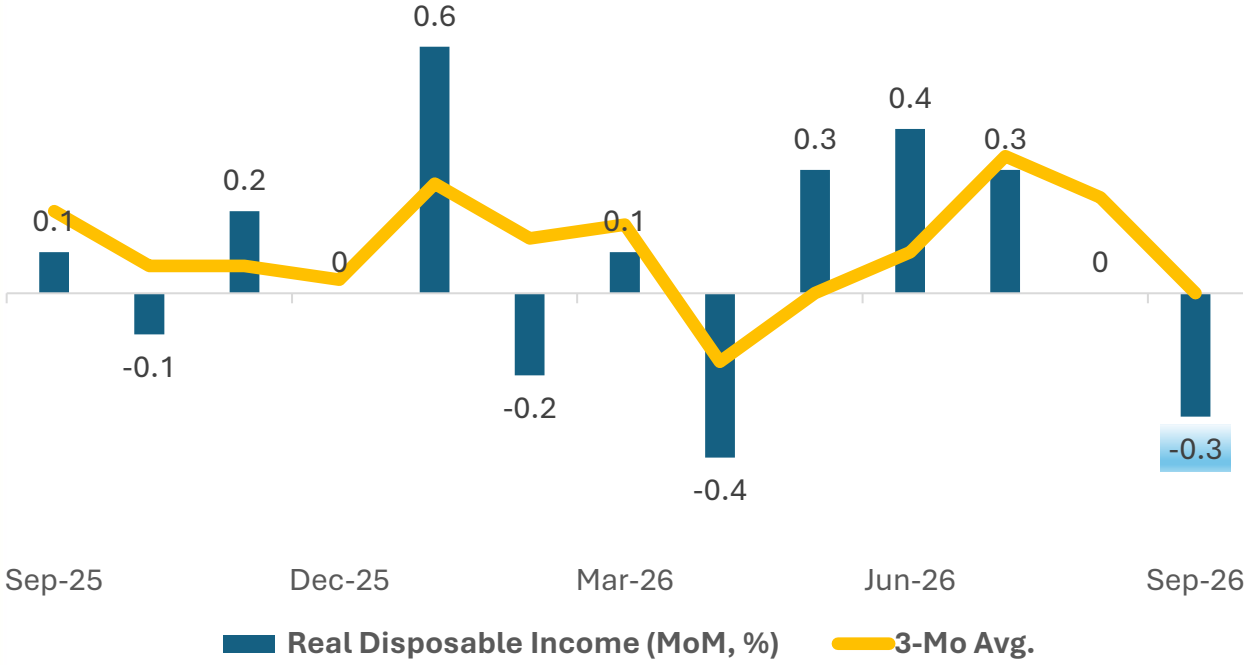


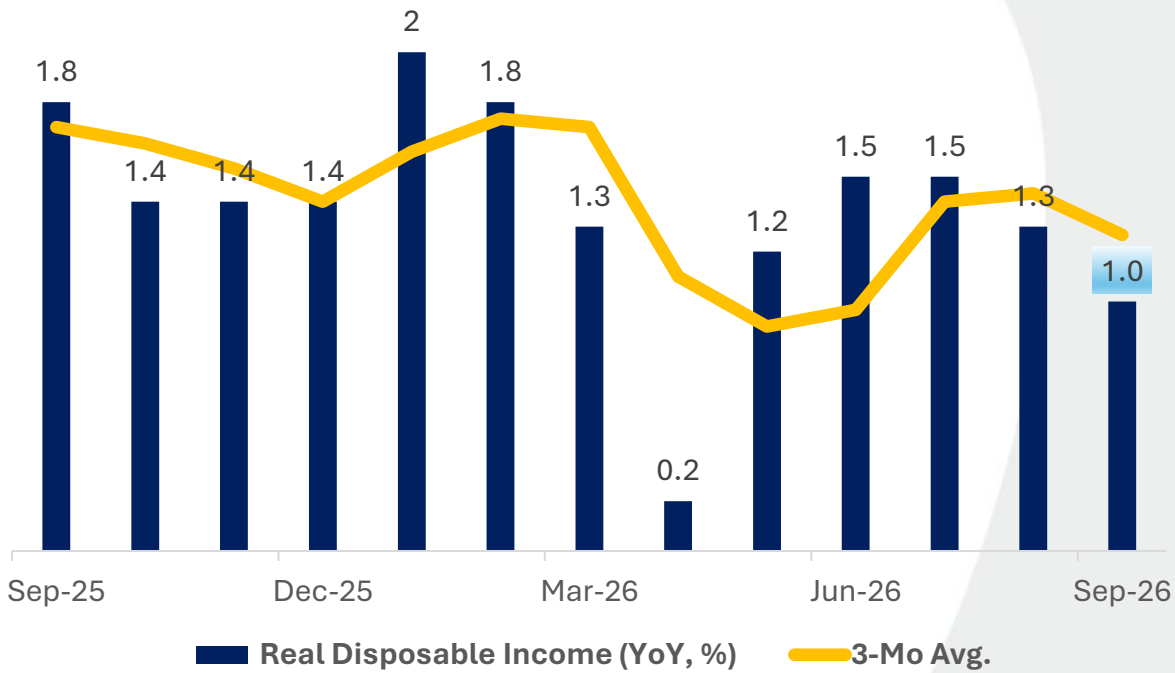
Source: Bureau of Labor Statistics

Disposable Income (Real) – September

Inflation Outpaces Income, Squeezing Consumer Purchasing Power

- Real disposable income fell 0.3% in September, its first monthly decline since April, as income growth failed to keep pace with inflation.
- Year-over-year real disposable income growth slowed to just 1.0% from 1.3% in August, signaling increasing pressure on household purchasing power.



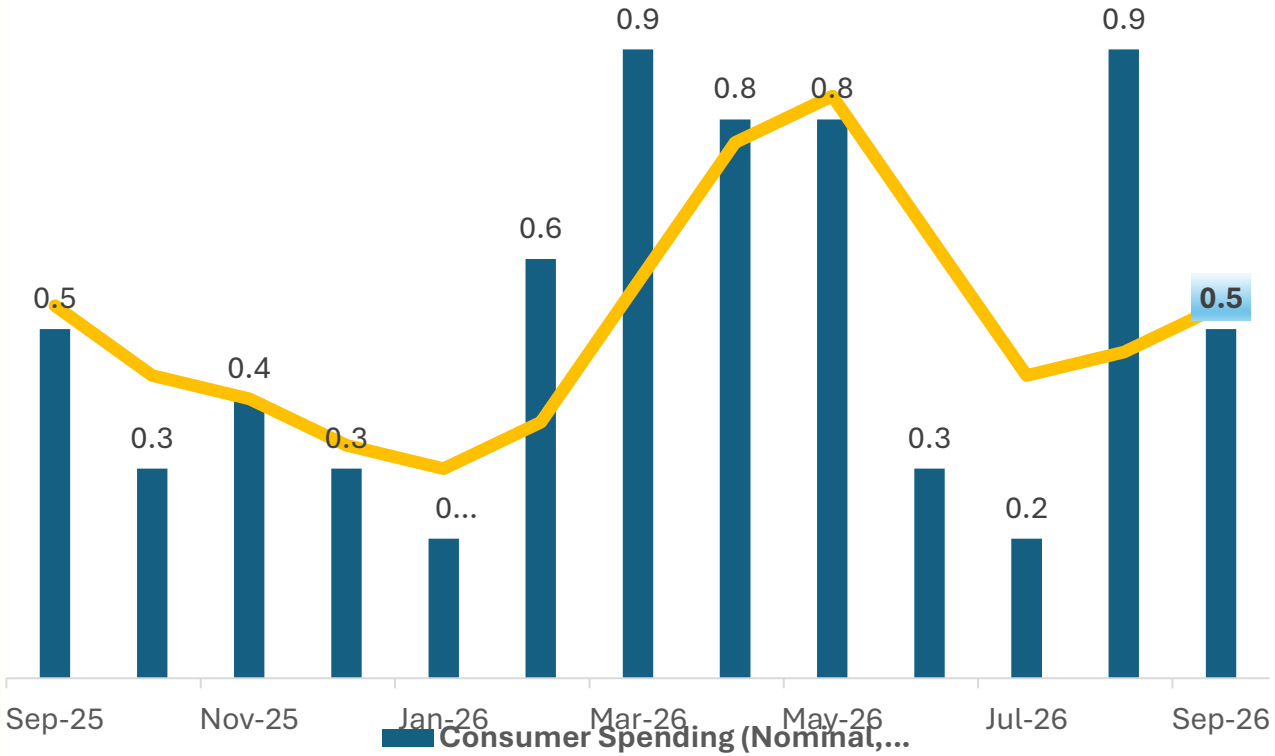


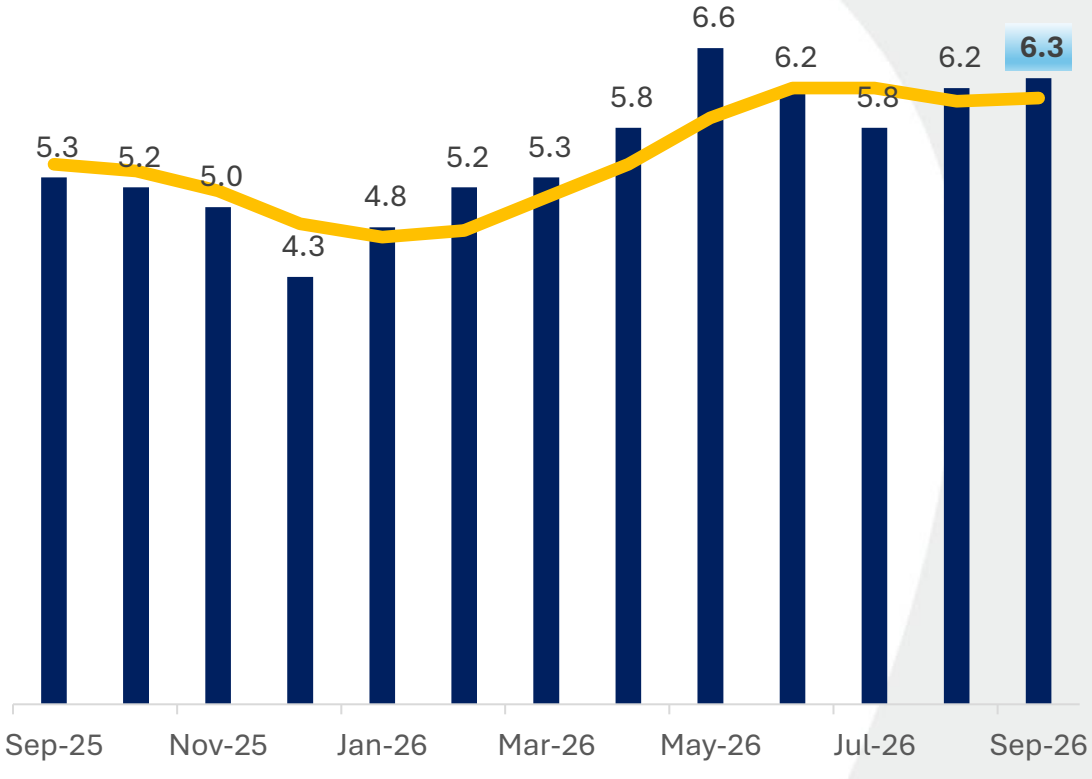
Source: Bureau of Labor Statistics

Consumer Spending – September

Consumer Spending Remains Resilient, but Momentum is Slowing

- Personal spending rose 0.5% in September, slowing from 0.9% in August and slightly below expectations, while year-over-year growth edged up to 6.3%.
- Consumers continued to favor services and nondurable goods, including travel, dining, and gasoline, while pulling back on big-ticket purchases such as new vehicles.



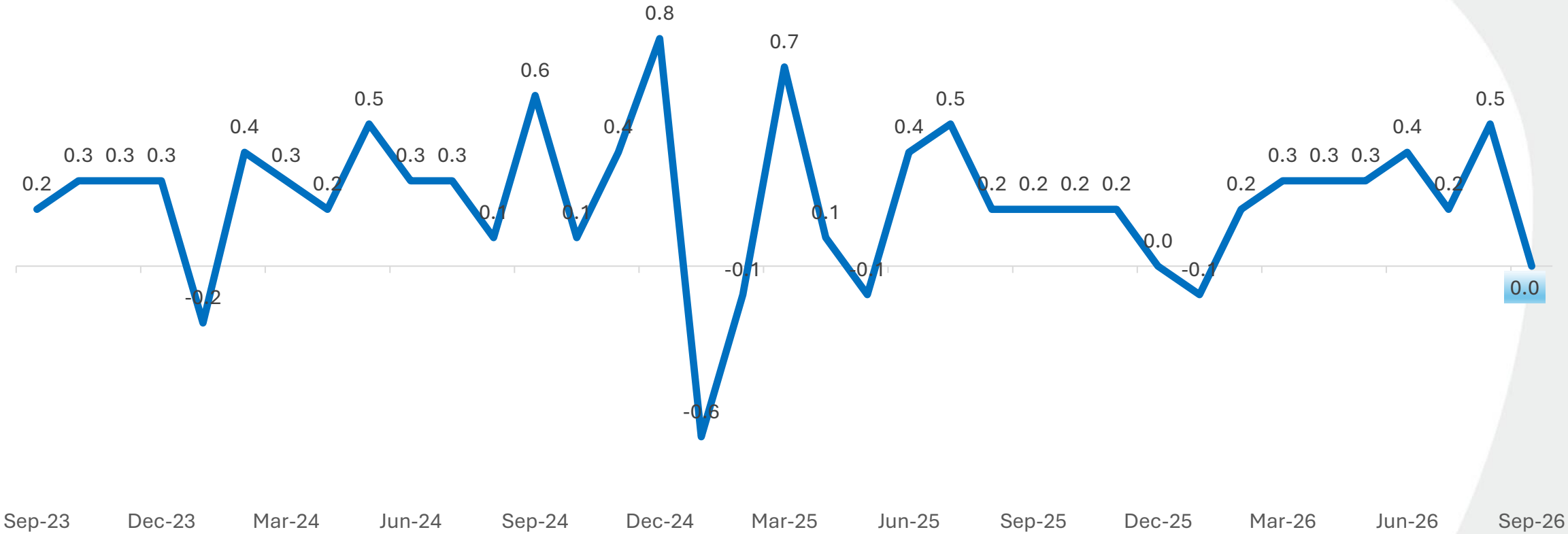


Source: Bureau of Labor Statistics

Consumer Spending (Real) – September

Inflation Stalls Real Consumer Spending

- Real consumer spending was flat in September, down from 0.5% growth in August and below expectations of 0.1%.
- Real goods spending fell 0.3%, led by weaker vehicle purchases, while real services spending rose 0.2% on continued strength in dining, air travel, and utilities.



Source: Bureau of Labor Statistics

CONSUMER TRENDS

Consumers Dip Into Savings

Saving rate falls to lowest level since October 2022

STRONGER
PEOPLE
BRIGHTER
TOMORROW



Savings decline

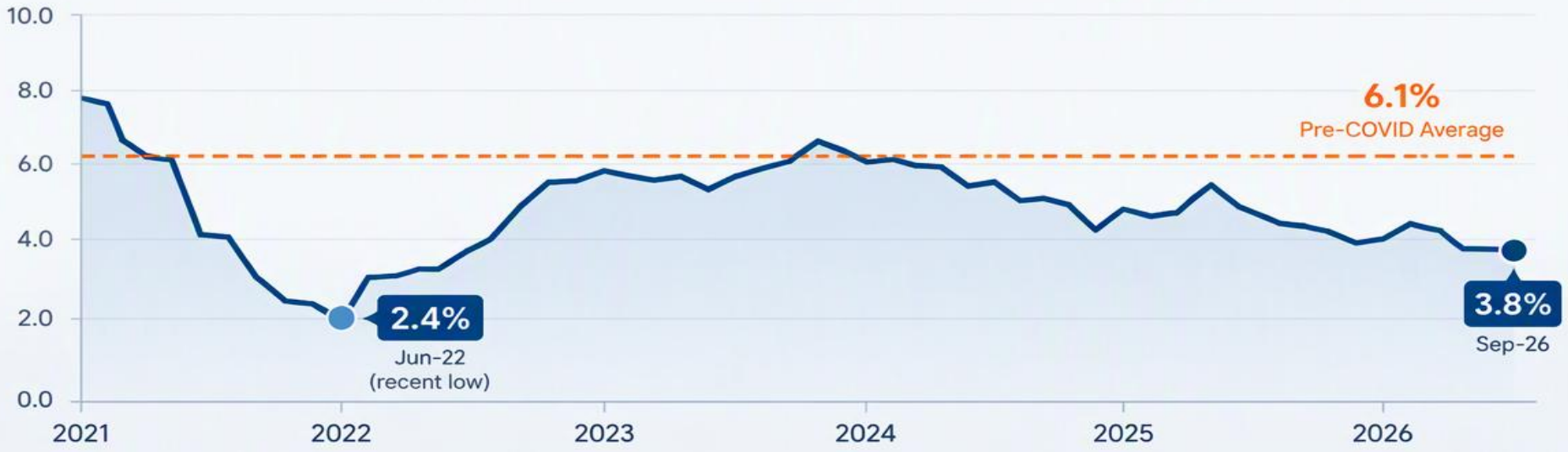
Personal saving fell by $60.3 billion to $911.1 billion as spending growth outpaced the increase in disposable income.

Lowest level since 2022

The saving rate declined to 3.8%, its lowest level since October 2022 and well below its 6.1% pre-COVID average.

Personal Saving Rate

Percent of Disposable Income



$911.1B
Personal Savings
(September)
▼ -$60.3B
from prior month

3.8%
Saving Rate
(September)
▼ -0.2%
from prior month

6.1%
Pre-COVID Average
(2015–2019)

KEY TAKEAWAY: Consumers are still spending, but at the expense of savings, leaving a smaller cushion to absorb higher prices or a potential economic slowdown.

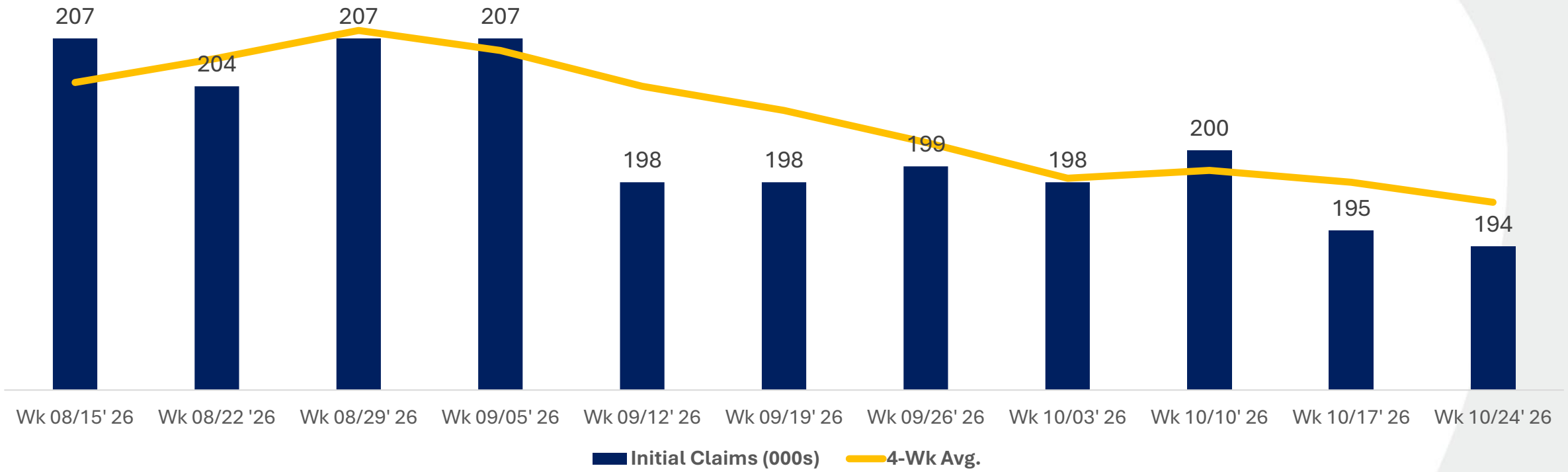


Employment - Weekly

Weekly Initial Jobless Claims – Week Ending 10/24/26

Jobless Claims Fall to a Three-Month Low

- Initial jobless claims fell to 194,000, below expectations of 198,000 and the lowest level since July 18.
- Claims have remained below year-ago levels for 37 consecutive weeks, suggesting layoffs remain limited despite recent large-scale job-cut announcements.



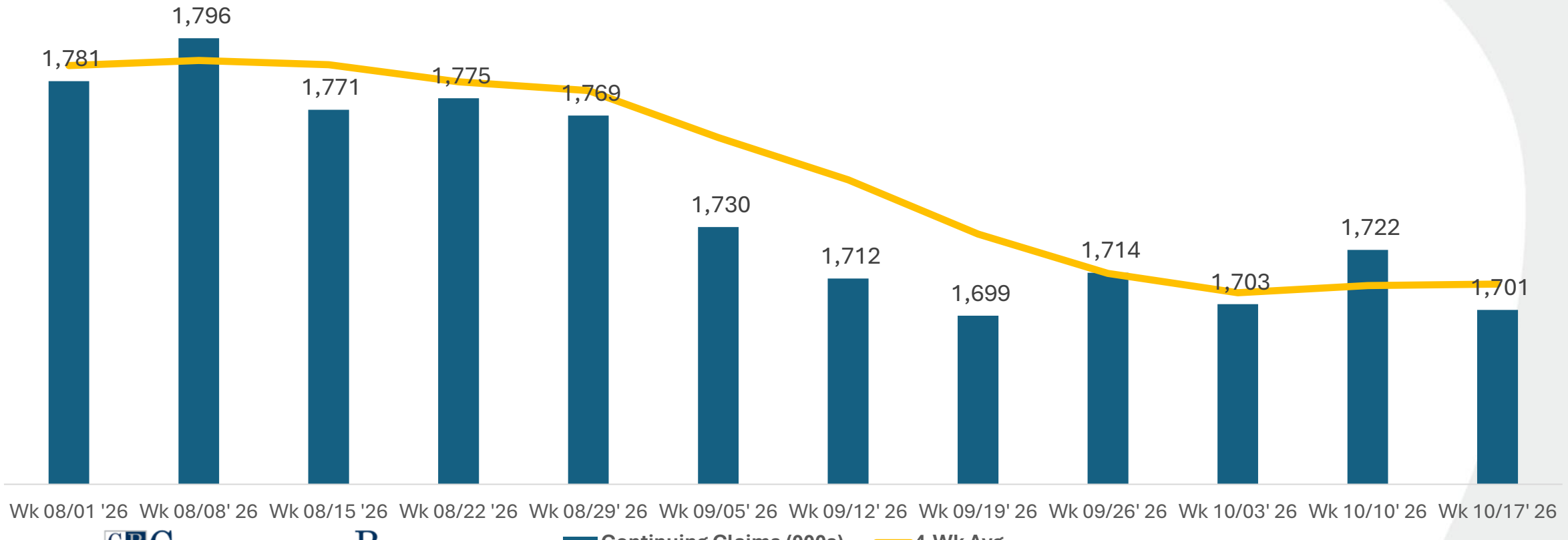
CBC Commercial Bank of California

Source: Labor Department, Bloomberg

Weekly Continuing Jobless Claims – Week Ending 10/17/26

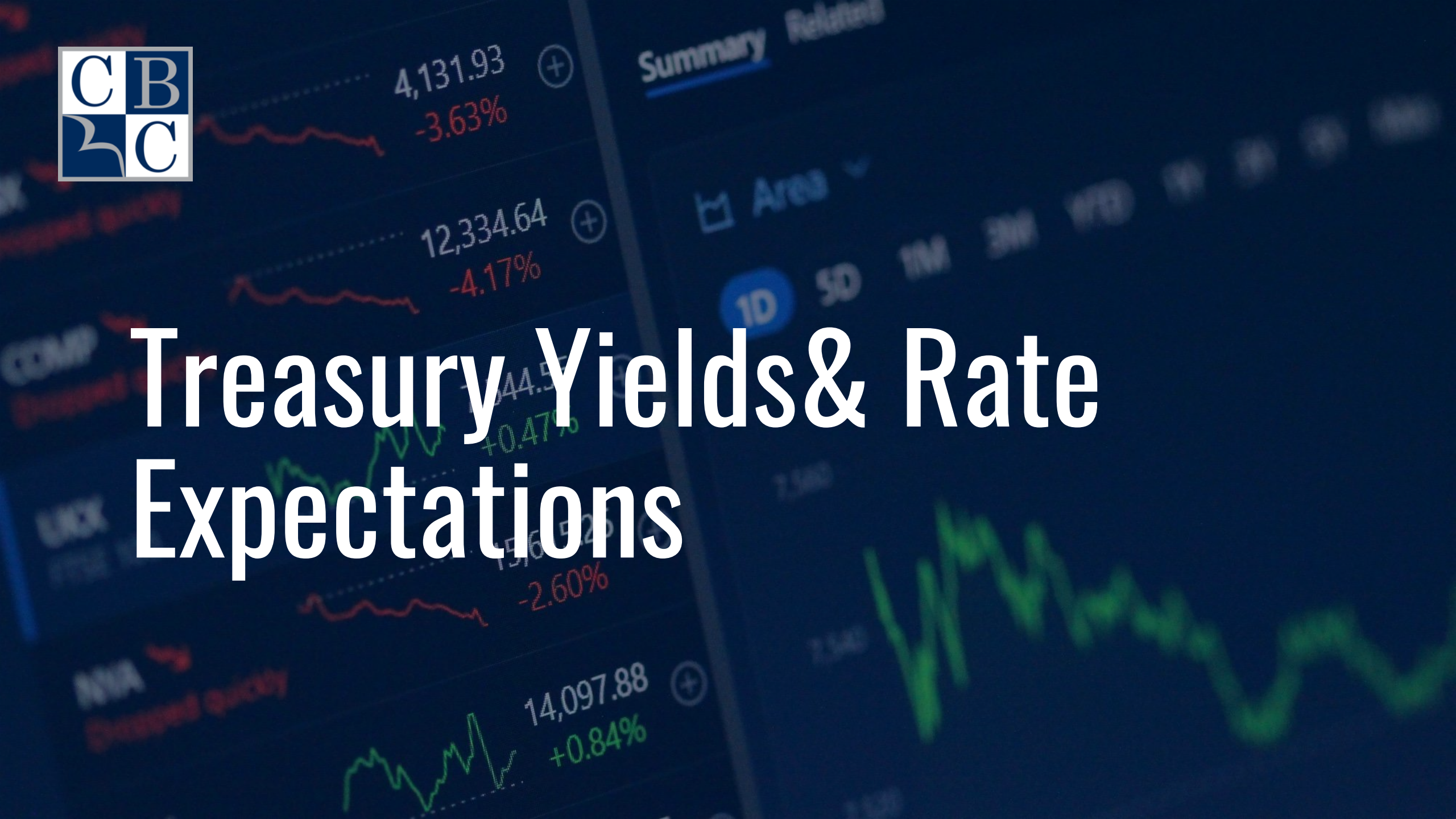
Continuing Claims Fall as Labor Market Remains Resilient

- Continuing claims declined by 21,000 to 1.701 million, below expectations and well below year-ago levels.
- The insured unemployment rate held at 1.1%, suggesting unemployed workers are finding new jobs more quickly despite recent layoff announcements.



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Source: Labor Department, Bloomberg



Treasury Yields& Rate Expectations

FIXED INCOME MARKETS

Treasury Yields Move Lower

Safe-haven demand pushes yields down, but the outlook remains a tug-of-war



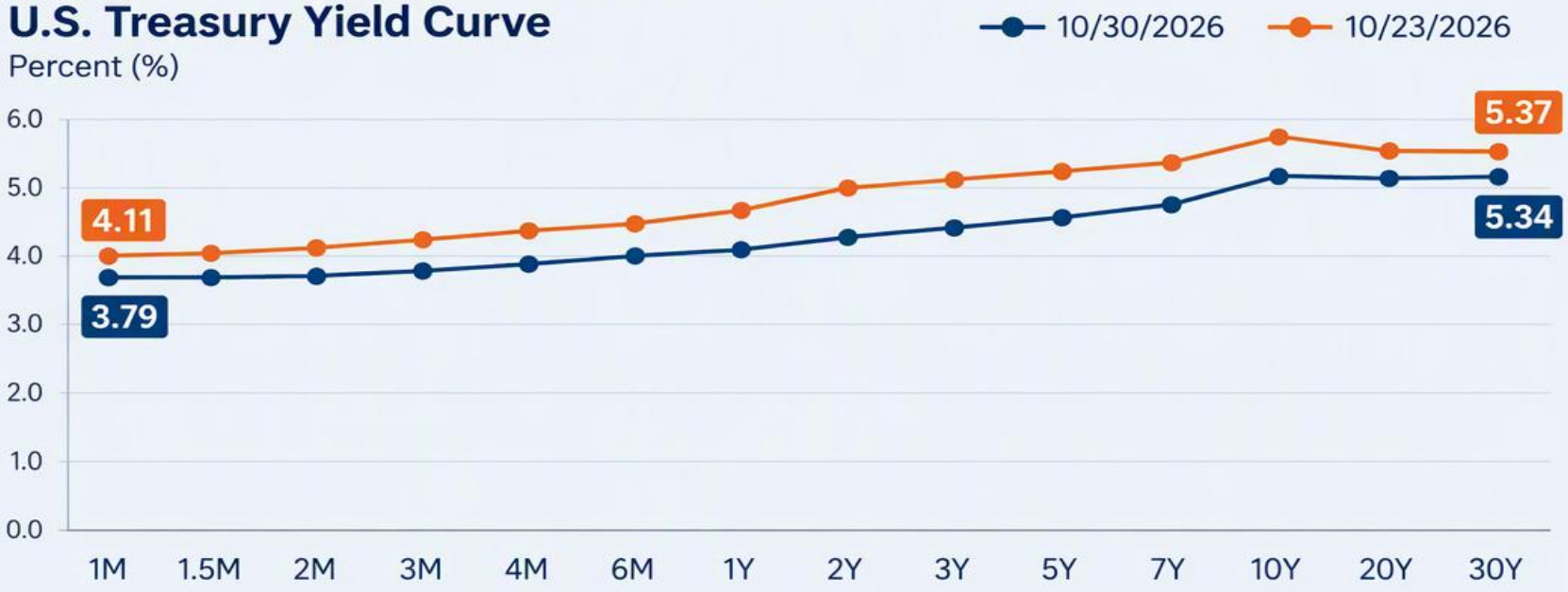
Flight to safety

Treasury yields declined across the curve as equity-market volatility and concerns over elevated AI valuations drove investors toward U.S. government bonds.

Two competing forces

Resilient economic growth and persistent inflation are putting upward pressure on yields, while safe-haven demand and expectations for eventual Fed easing are pulling yields lower.

U.S. Treasury Yield Curve



KEY MOVES (WEEKLY CHANGE)

2-Year Yield	4.56%	▼ -0.13% (-13 bps)
5-Year Yield	4.71%	▼ -0.11% (-11 bps)
10-Year Yield	4.94%	▼ -0.06% (-6 bps)

"The Treasury market remains caught between resilient growth and persistent inflation on one side, and safe-haven demand and expectations for eventual easing on the other."

KEY TAKEAWAY: Yields moved lower this week on safe-haven demand, but strong growth and persistent inflation suggest the path ahead could remain volatile.

MONETARY POLICY

Interest Rate Expectations

Two More Rate Hikes Priced In, but Expectations Stop There



Markets continue to fully price in 25-basis-point hikes in December 2026 and April 2027, which would raise the upper bound of the federal funds target range to **4.50%.**

The probability of any additional hike beyond April has fallen from **72%** a week ago to **essentially zero**, signaling that markets expect the tightening cycle to end after two more moves.

A Week Ago
10/23/2026

72% probability
of a third hike by Sep 2027

Fed Funds Target Range – Upper Limit (%)



This Week
10/30/2026

≈ 0% probability
of any additional hike

Fed Funds Target Range – Upper Limit (%)



KEY TAKEAWAY: Markets still expect two more rate hikes, but now see a clear endpoint, with little to no chance of additional tightening beyond April 2027.



Next Week's Economic Calendar

Next Week's Economic Calendar

Key economic releases and consensus expectations



MONDAY
November 2

Release	Expected	Prior
ISM Manufacturing (Oct)	54.5	54.5
ISM Prices Paid (Oct)	77.1	77.9
Construction Spending MoM (Sep)	0.4%	0.9%

TUESDAY
November 3

Release	Expected	Prior
JOLTS Job Openings (Sep)	7,162K	7,079K
Factory Orders (Sep)	1.2%	0.1%

WEDNESDAY
November 4

Release	Expected	Prior
ISM Services Index (Oct)	54.8	54.9

THURSDAY
November 5

Release	Expected	Prior
Initial Jobless Claims (Oct 24)	198K	194K
Continuing Claims (Oct 17)	1,723K	1,728K

FRIDAY
November 6

Release	Expected	Prior
Change in Nonfarm Payrolls (Oct)	65K	29K
Unemployment Rate (Oct)	4.2%	4.2%
University of Michigan Sentiment (Nov)	48.0	48.0

MARKET FOCUS

All eyes will be on Friday's employment report, particularly the change in nonfarm payrolls, for the next key signal on the labor market and the Fed's policy outlook.



Key Takeaways

ECONOMIC SNAPSHOT

Status and near-term outlook | Week ending October 30, 2026

INSIGHTS TODAY
A STRONGER TOMORROW



FOMC Decision
Oct. 27–28

STATUS

Rates Held at 3.75% – 4.00%

NEAR-TERM OUTLOOK

Another Hike Still Possible



Q3 GDP
Q3 2026

STATUS

GDP Grew 3.4%

NEAR-TERM OUTLOOK

AI Investment Drives Growth



Labor Market
Weekly

STATUS

Claims Fell to 194K

NEAR-TERM OUTLOOK

Labor Market Remains Resilient



Equity Market
Weekly

STATUS

Nasdaq Fell 2.0%

NEAR-TERM OUTLOOK

AI Spending Concerns Persist



Oil Market
Weekly

STATUS

Brent Reached $117.64

NEAR-TERM OUTLOOK

Geopolitical Risks Elevated



Fed Rate Expectations
Weekly

STATUS

Two Hikes Still Priced In

NEAR-TERM OUTLOOK

No Further Hikes Expected



Treasury Yields
Weekly

STATUS

10-Year Fell Below 5%

NEAR-TERM OUTLOOK

Growth vs. Safe-Haven Demand



Week Ahead
Nov. 2 – 6

STATUS

Friday Payrolls in Focus

NEAR-TERM OUTLOOK

Key Signal for Fed Policy

Questions?