

## Market Outlook and Portfolio Strategy - First Quarter 2026

**Market Overview** – The first part of 2026 opened with a mix of optimism and caution, as markets rose through February and leadership broadened beyond the technology sector. Energy, utilities, and materials outperformed, while financials, consumer discretionary, and technology lagged. The overall momentum of the market shifted following the breakout of the Iran conflict. The rise of volatility briefly pushed the NASDAQ Composite into correction territory (down 10% or more) before a modest rebound by quarter-end. At the same time, expectations for two interest rate cuts have shifted as inflation remains persistent. If inflation accelerates, the Federal Reserve may be forced to resume tightening, echoing its aggressive rate hikes during the 2022 inflation surge.

**Portfolio Strategy** – We continue to emphasize diversification while making measured portfolio adjustments, modestly reducing exposure to high-growth and technology sectors in favor of areas benefiting from broader structural trends, including advancements in artificial intelligence. We are also selectively increasing exposure to international markets and small-cap equities to enhance diversification and return potential. On the fixed income side, although interest rates moved slightly higher in the first quarter—typically pressuring bond prices—investment-grade corporate bonds remain attractive, particularly in the 3–5 year maturity range, where yields of 4.5%–5% offer a compelling alternative to short-term Treasuries and money market funds.

**Looking Ahead** – Periods of volatility often create opportunity. As the saying goes, be greedy when others are fearful—but doing so requires discipline and the ability to endure short-term market fluctuations. Market sentiment and headlines can deteriorate quickly before conditions improve, and recoveries are often just as rapid and unexpected. Dollar-cost averaging (investing a fixed amount on a regular schedule) allows investors to take advantage of lower prices over time, maintaining a disciplined approach to saving and investing regardless of market conditions.

Equity Market Returns	QTD	Last 12 Months
S&P 500	-4.33%	17.80%
S&P 500 - Equal Weight	0.61%	12.64%
NASDAQ Composite	-6.96%	25.60%
Dow Jones Industrial Average ETF	-3.25%	12.03%
Fixed Income Market Returns		
Barclays U.S. Aggregate Bond	-0.05%	4.35%

As your dedicated wealth advisors, Erin and Matt are here to help you navigate today's complex financial landscape with confidence. We are committed to providing thoughtful guidance, strategic insight, and personalized support every step of the way.



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Please feel free to reach out to Matt or Erin directly using the contact information provided below. We welcome the opportunity to engage with you soon.