Market Outlook and Portfolio Strategy - Second Quarter 2026

Market Overview – The second quarter of 2026 began with heightened volatility but generally remained resilient, supported by strong corporate earnings and growth. Leadership was driven by select companies in the technology sector and the market rebounded from the first quarter's dip. Technology, industrials and consumer discretionary outperformed, while energy, utilities, and communication services lagged. Oil prices have now returned to their pre-Iran conflict levels. Inflation has risen above 4%, which is concerning although the market seems to have shrugged this off for the moment with the focus on AI and strong earnings propelling the market to all-time highs.

Portfolio Strategy – While AI continues to make the headlines, we emphasize diversification and favor strong balance sheets along with sustainable growth. International markets and small-cap equities continue to enhance diversification and have had a strong start to the year. We continue to trim positions that are underperforming the broader market and favor companies demonstrating positive price momentum and improving fundamentals. On the fixed income side, interest rates remain steady with a balance in place between inflationary pressures and stimulating growth. Based on current economic trends, we anticipate that interest rates remain constant through the end of the year, unless broader economic indicators or market volatility change materially.

Looking Ahead – As mentioned in the first quarter, periods of volatility often create opportunity. While not always the case, buying into sectors that have been hit the hardest tend to bounce back well, which certainly happened in the second quarter. While technology and AI leaders should remain important contributors to driving stock market returns for the remainder of the year, leadership is broadening which reflects improving fundamentals and investor sentiment across sectors. Elevated valuations and geopolitical uncertainty argue against excessive concentration in any one sector. A balanced portfolio that combines quality growth stocks, diversified equity exposure and high-quality bonds is well positioned to participate in further market gains while helping manage downside risk.

Equity Market Returns	QTD	Last 12 Months
S&P 500	15.20%	22.32%
S&P 500 - Equal Weight	11.29%	19.01%
NASDAQ Composite	21.60%	29.48%
Dow Jones Industrial Average ETF	13.20%	20.35%
Fixed Income Market Returns		
Barclays U.S. Aggregate Bond	0.67%	3.79%

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.

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