LEGACY WEALTH
INVESTMENT COUNSEL

2026 Mid-Year Market Outlook

Markets, Midterms & the Road Ahead…

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2Q 2026

What We Will be Covering

- 2026 – A look back at Q1 and Q2
- Thoughts on public and private credit
- How big is the AI check
- Where is the political puck headed
- A few things worth watching
- What could go wrong (and right), in the second half of 2026

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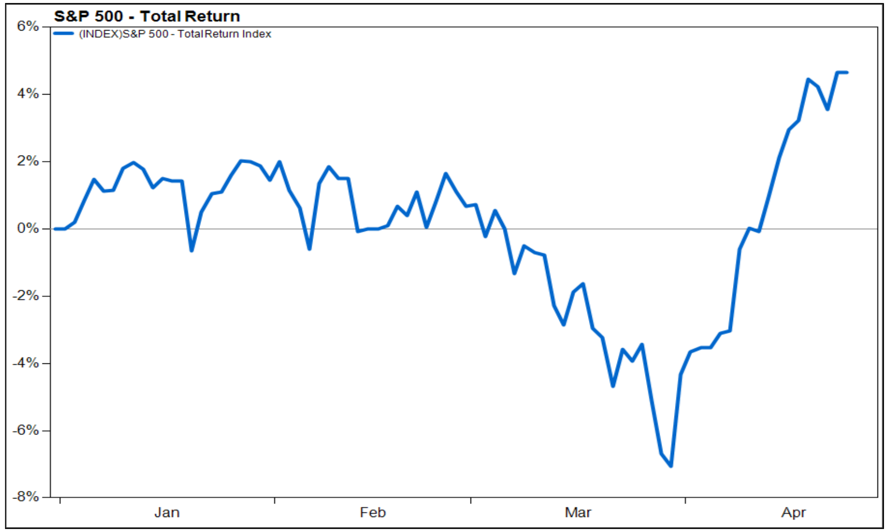
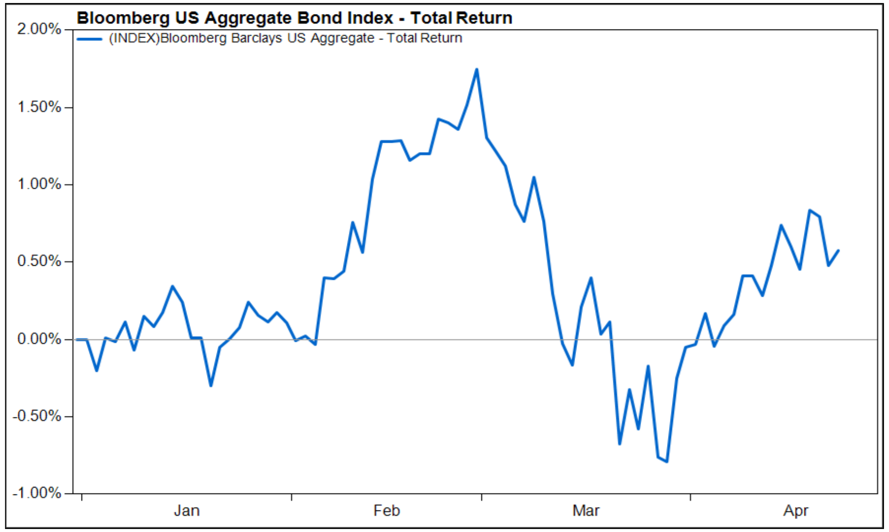
2026 – A Look Back

A Very Volatile But So Far Very Positive 2026





- Most markets up in January and February
- Investors bullish based on policy backdrop (OBBBA and progress on trade) and expected double digit EPS growth
- Rest of the world benefitting from capital spending resurgence
- War in the Middle East upends macro and market narratives
- Oil spikes, as does inflation expectations
- Valuation resets and bearishness spikes into late March
- As de-escalation takes hold, markets shoot sharply higher, Q1 earnings and bullish management commentary key supports

Source: FactSet

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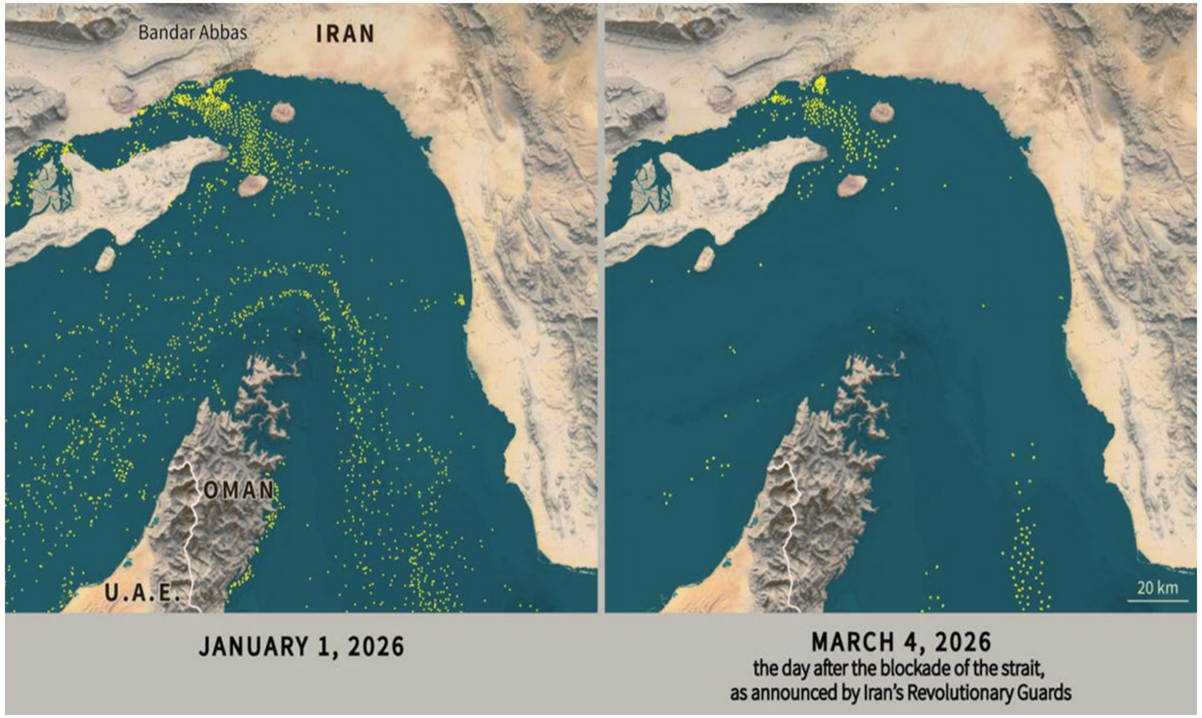
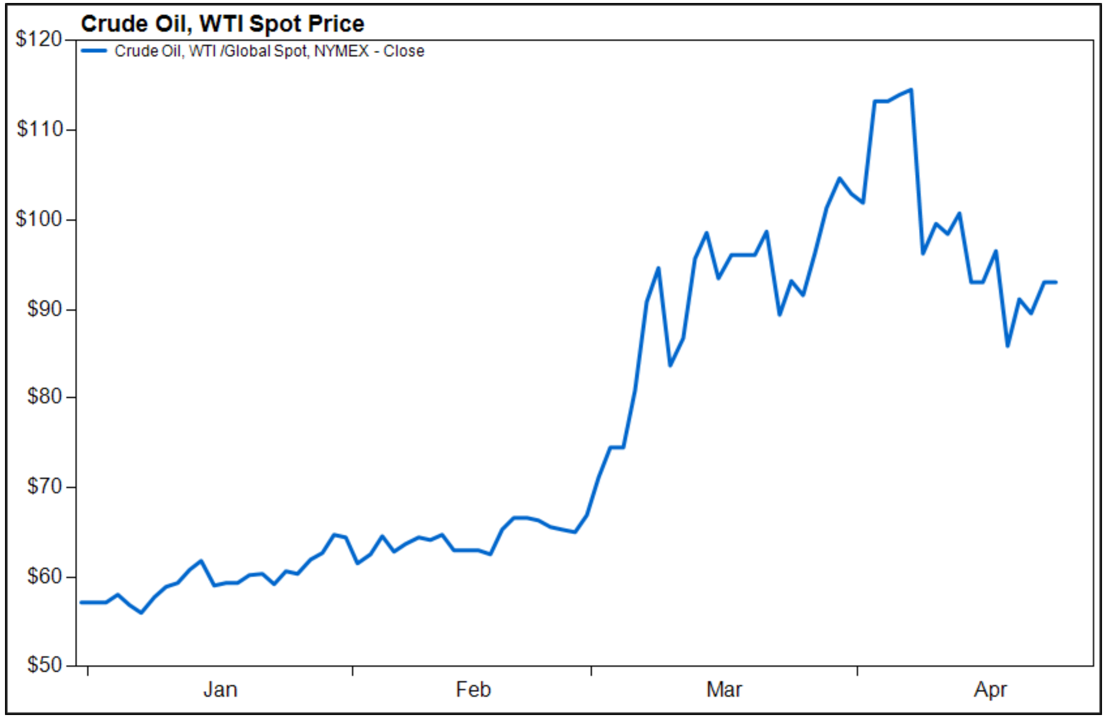
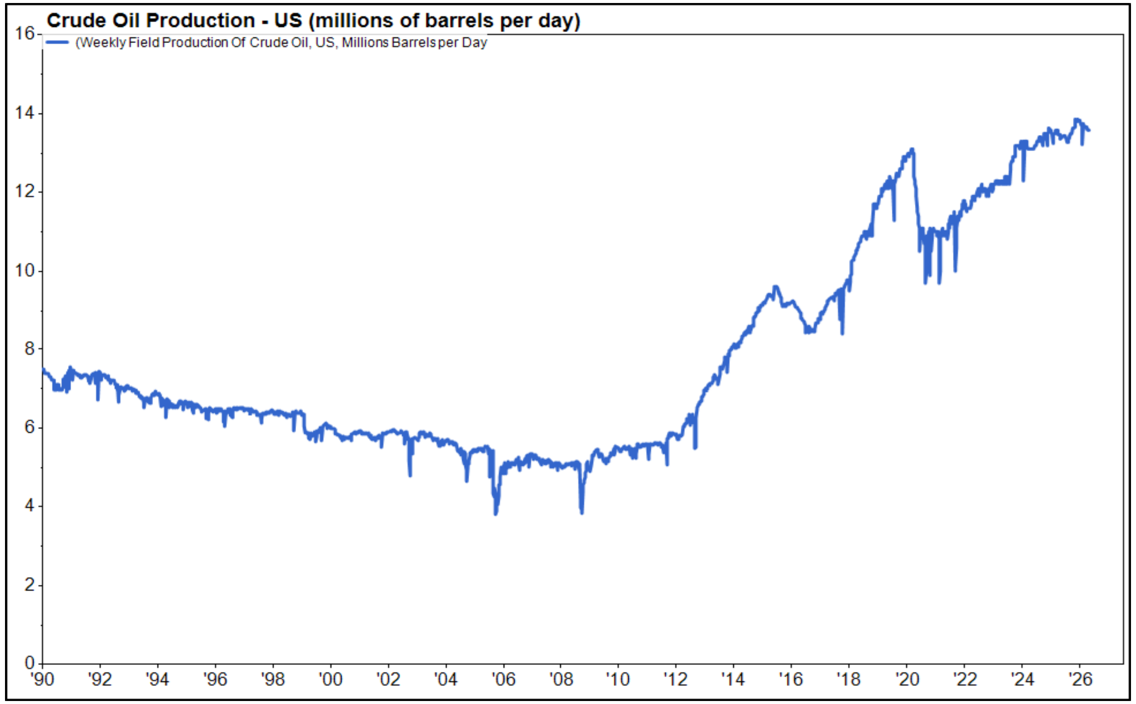
March and April Were Really About Iran and Oil

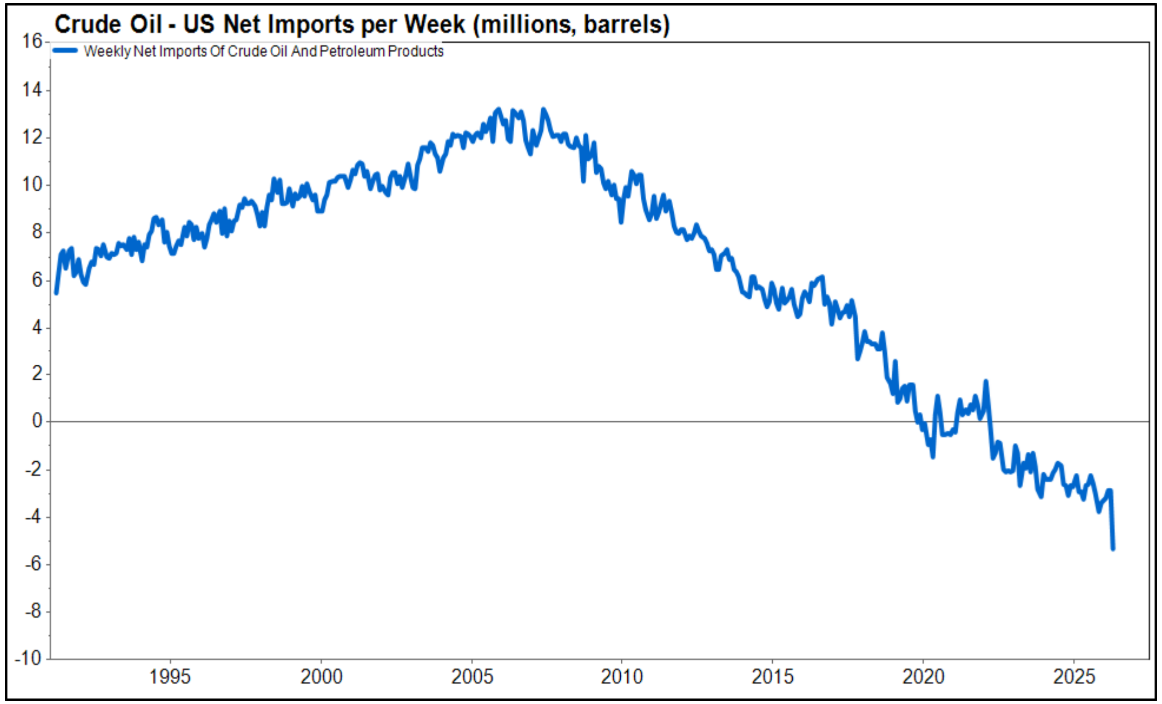




Source: FactSet, CBS

This Is Not *That ‘70s Show*





Reuters

US crude oil exports rose last week to record high, EIA says

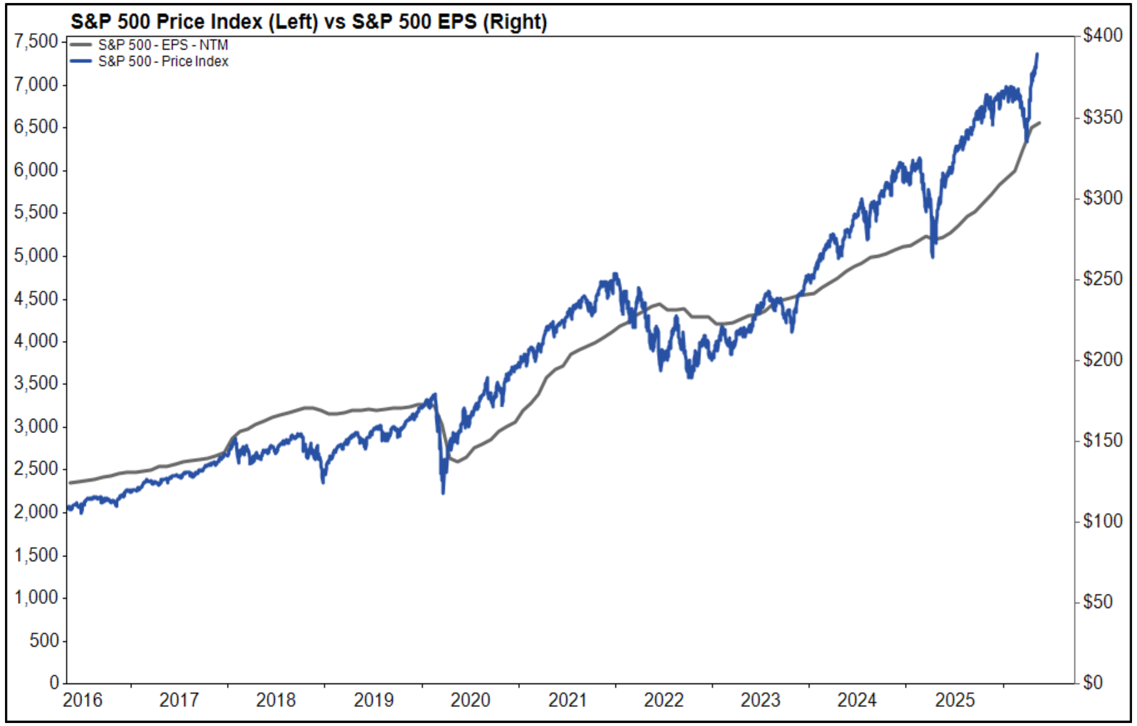
By Reuters

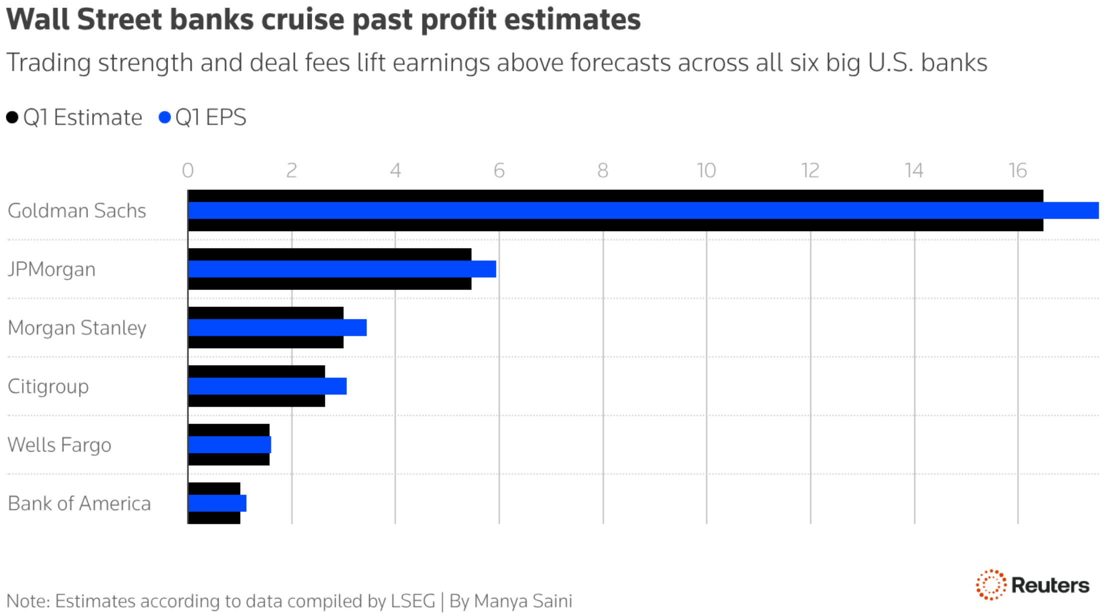
April 29, 2026 11:11 AM EDT · Updated April 29, 2026

Aa

Source: FactSet, Reuters

Q1 Earnings Season Sort Of Blew The Doors Off



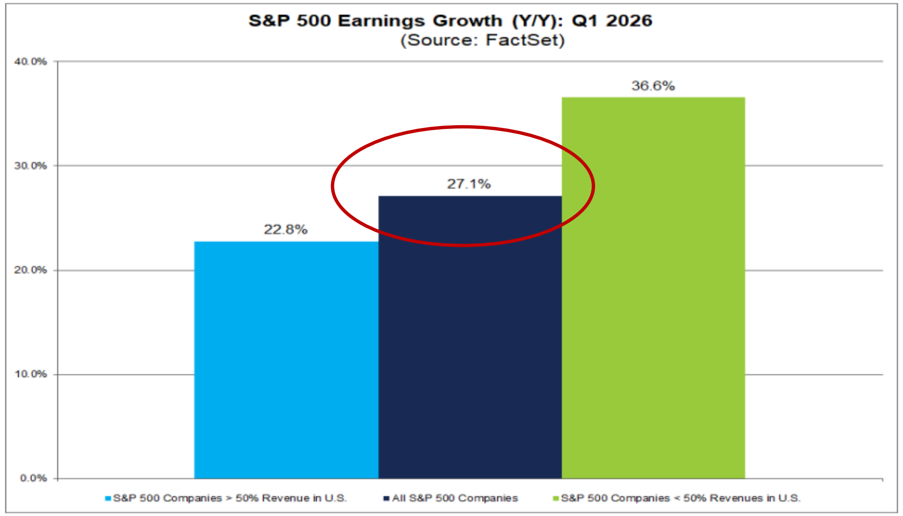


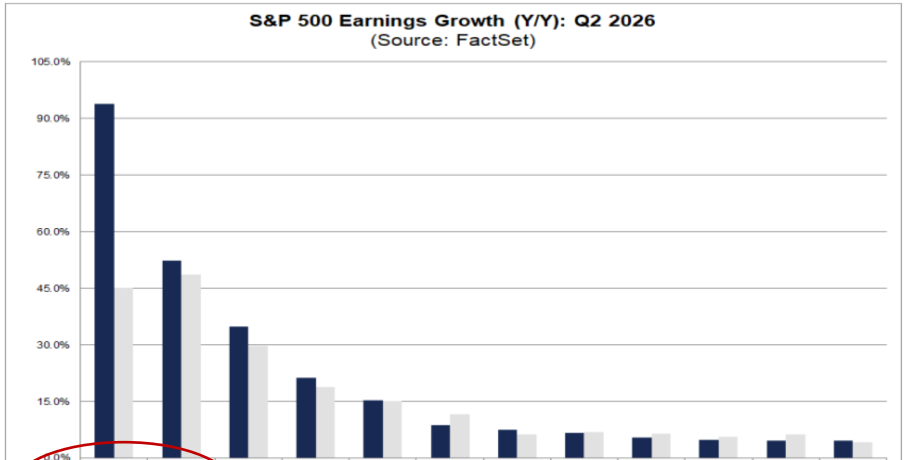
Average S&P 500 "beat rate" is 85% with approximately 89% reporting 1Q earnings to-date

Sources: FactSet, Reuters

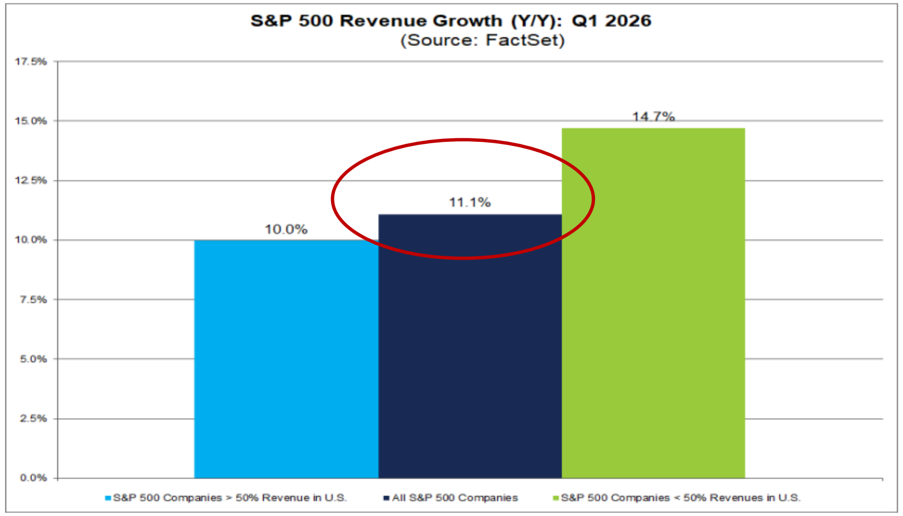
27% EPS Growth Driven By 11% Revenue Growth

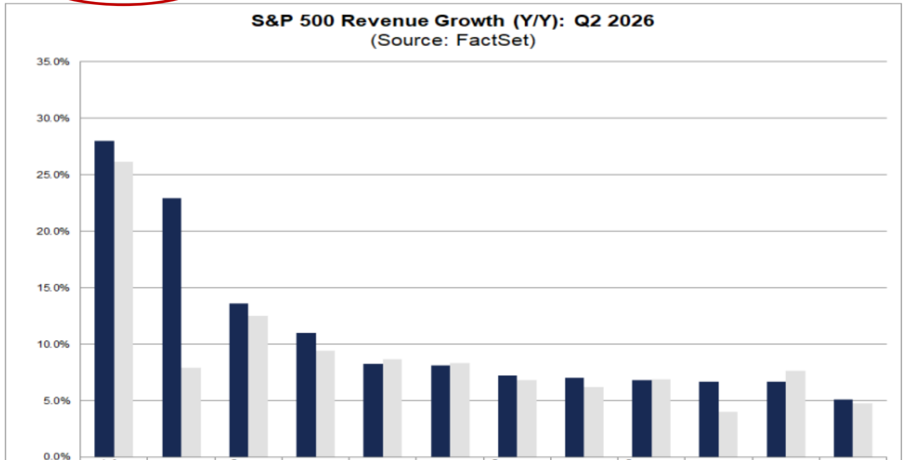
Q1 2026: Growth





	Energy	Info. Technology	Materials	S&P 500	Utilities	Industrials	Comm. Services	Health Care	Consumer Disc.	Financials	Consumer Staples	Real Estate
Today	93.8%	52.4%	34.9%	21.3%	15.3%	8.7%	7.6%	6.7%	5.4%	4.8%	4.7%	4.6%
31-Mar	45.2%	48.7%	29.7%	18.8%	15.1%	11.7%	6.3%	6.9%	6.5%	5.6%	6.3%	4.3%

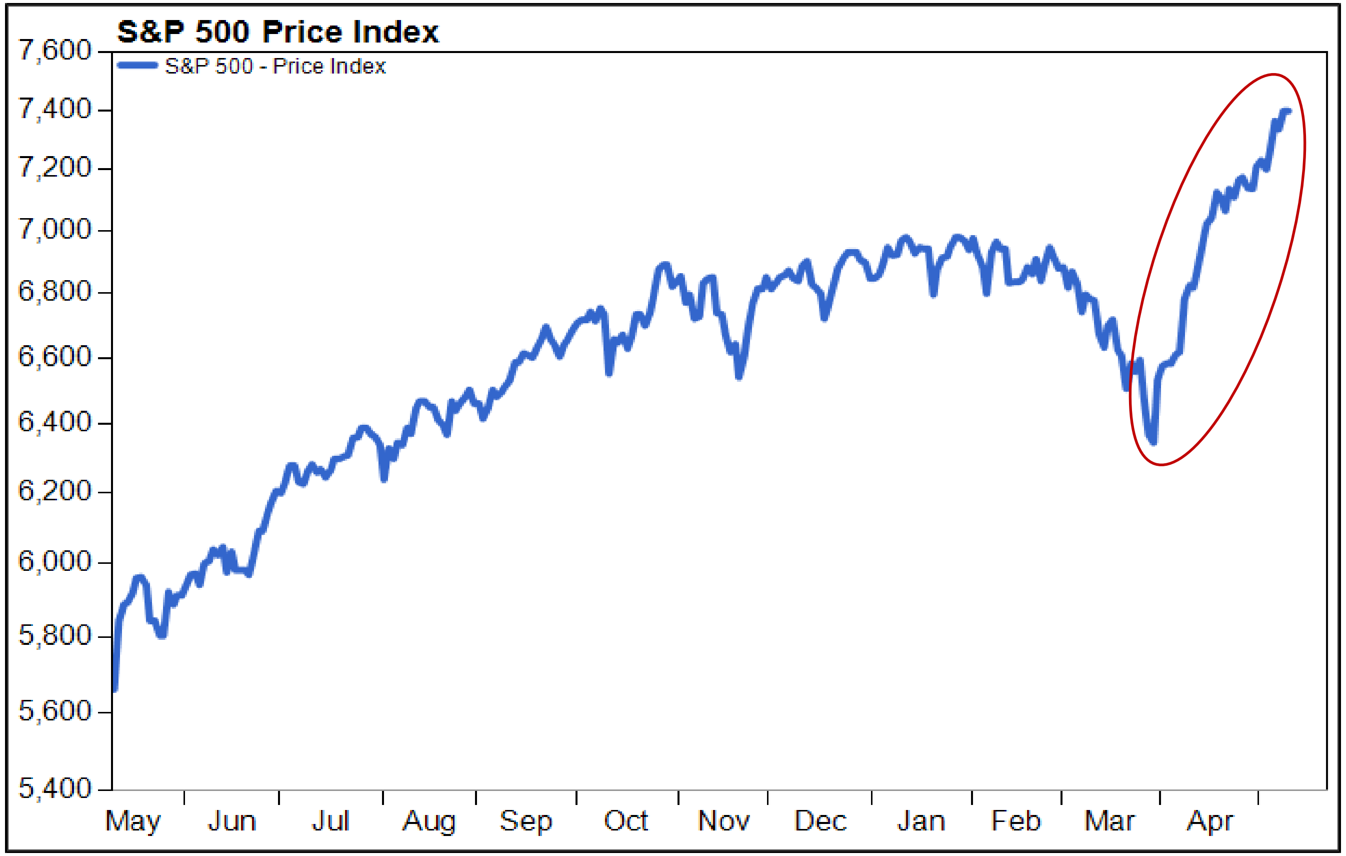




	Info. Technology	Energy	Comm. Services	S&P 500	Utilities	Financials	Consumer Disc.	Industrials	Consumer Staples	Materials	Real Estate	Health Care
Today	28.0%	22.9%	13.6%	11.0%	8.2%	8.1%	7.2%	7.0%	6.8%	6.7%	6.7%	5.1%
31-Mar	26.1%	7.9%	12.5%	9.4%	8.7%	8.3%	6.8%	6.2%	6.9%	4.0%	7.6%	4.7%

Sources: FactSet

Despite Everything the Economy and Markets Have Faced, All Major Indices are Up Year-to-Date



Performance as of 5/6/26

Asset Class Returns as of 6/18/26:

- **S&P 500: 10.20%**
- **NASDAQ 100 Total Return: 20.81%**
- **DJIA: 8.16%**
- **MSCI EAFE: 10.63%**
- **MSCI EM: 28.74%**
- **BBAgg: 0.48%**

Bloomberg

Stocks Gain as US-Iran Truce Deal Spurs Oil Plunge: Markets Wrap

Source: FactSet, Bloomberg, Morningstar

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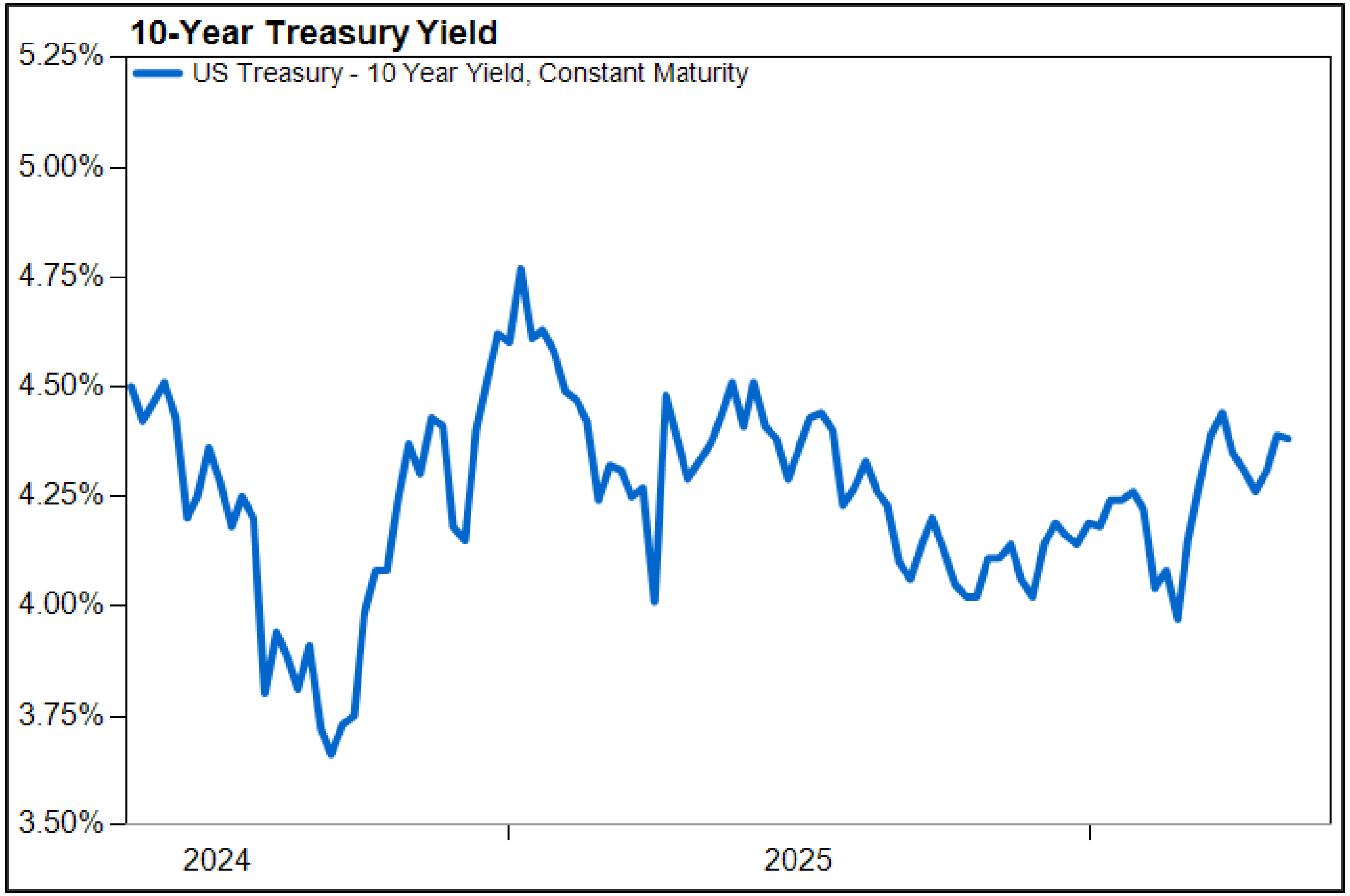
Thoughts on Public and Private Credit

The Bond Market Doesn't Seem Too Spooked About Inflation



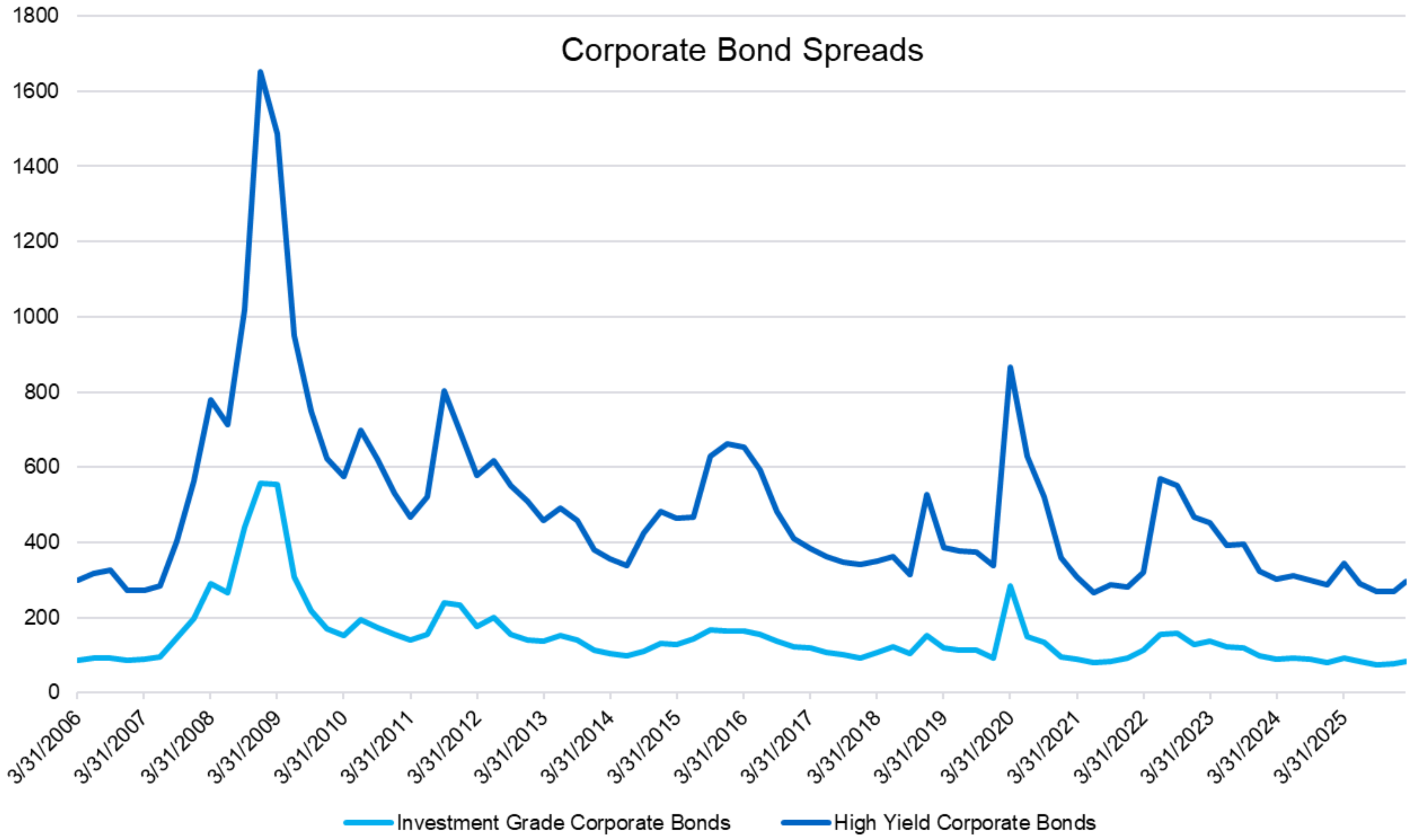
CNBC

Powell sees inflation outlook in check, no need to hike rates because of oil shock

PUBLISHED MON, MAR 30 2026-11:40 AM EDT | UPDATED MON, MAR 30 2026-3:34 PM EDT

Source: FactSet, CNBC

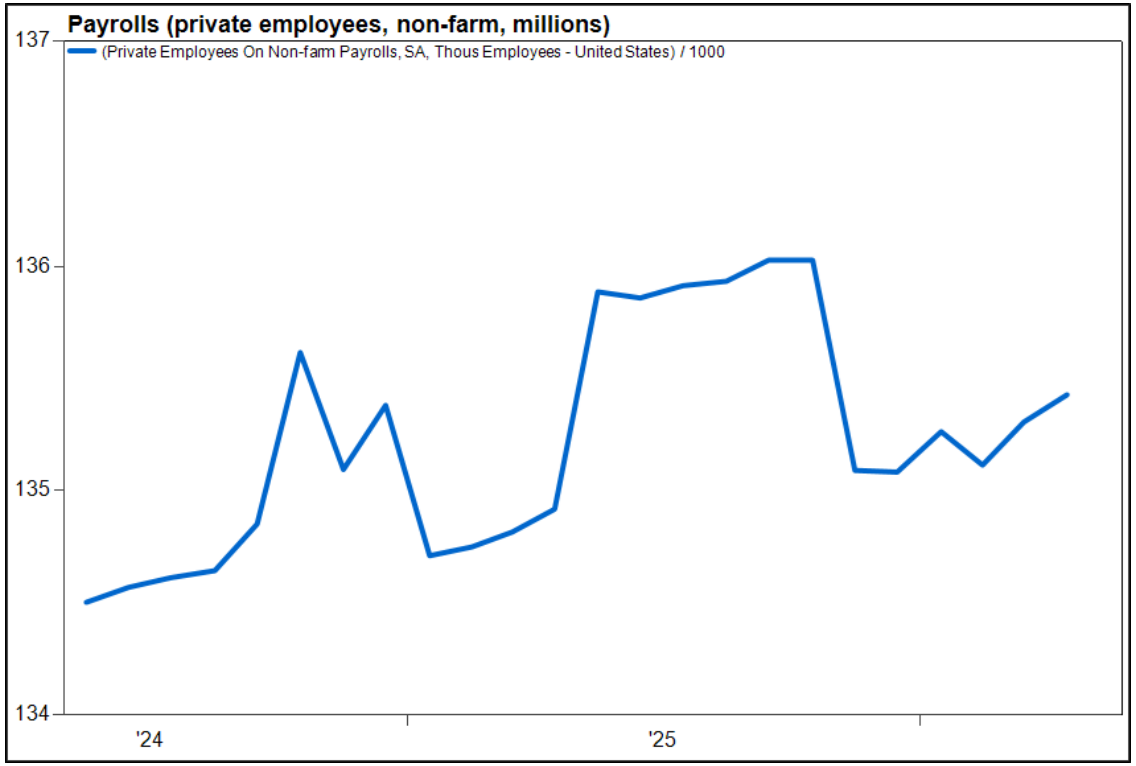
Or The Broader Economy

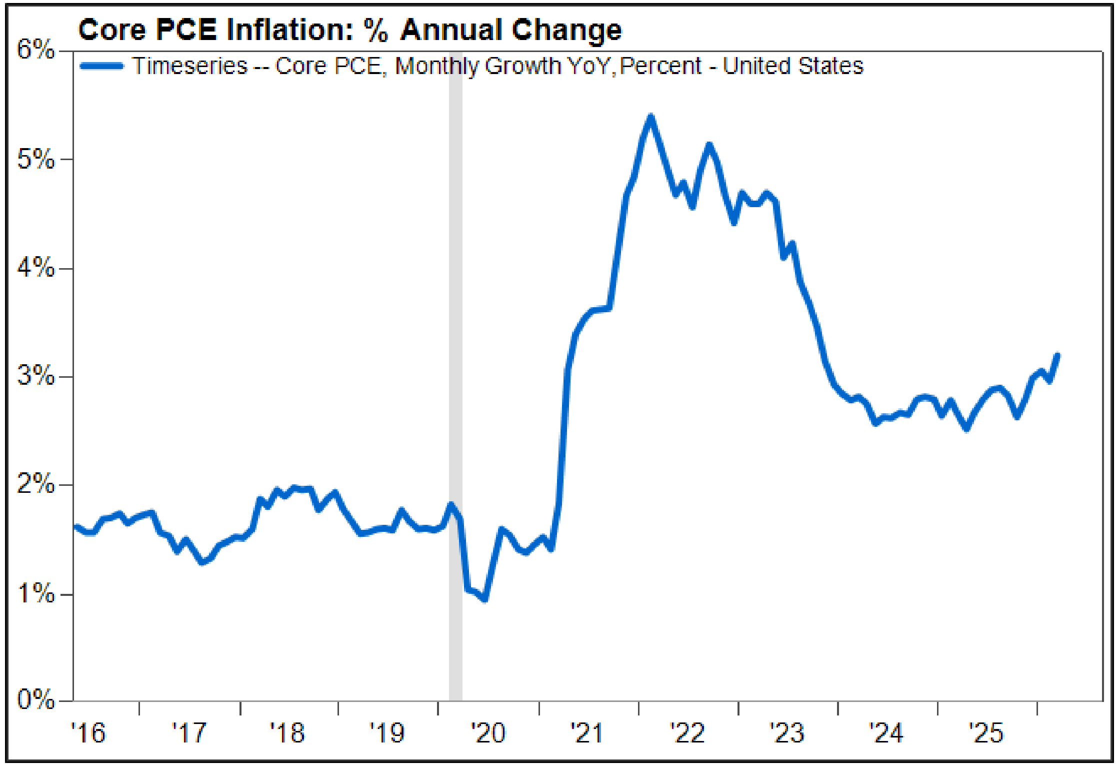


- Credit spreads are near multi-decade lows
- Recent volatility in software, geopolitics, have not sunk credit
- Tight spreads are sending a few signals to investors:
  - Confidence in the economy
  - Confidence in corporate earnings
  - Strong demand for IG and HY
  - Bond return from spreads has limited upside in 2026

Source: Bloomberg

Hard to Make the Case For a Rate Cut or Hike





Periods of US recession

Source: FactSet

Kevin Warsh Gets the Nod

- Mr. Warsh is a former Morgan Stanley executive who served as the youngest-ever Federal Reserve Board Governor (2006–2011) and acted as the Fed's primary liaison to Wall Street during the 2008 financial crisis
- He inherits a meaningfully divided Fed and one that will see Jay Powell stay on as a Fed Governor
- Mr. Warsh seems to want lower rates and a smaller balance sheet and believes we're in the early stages of an AI driven productivity boom

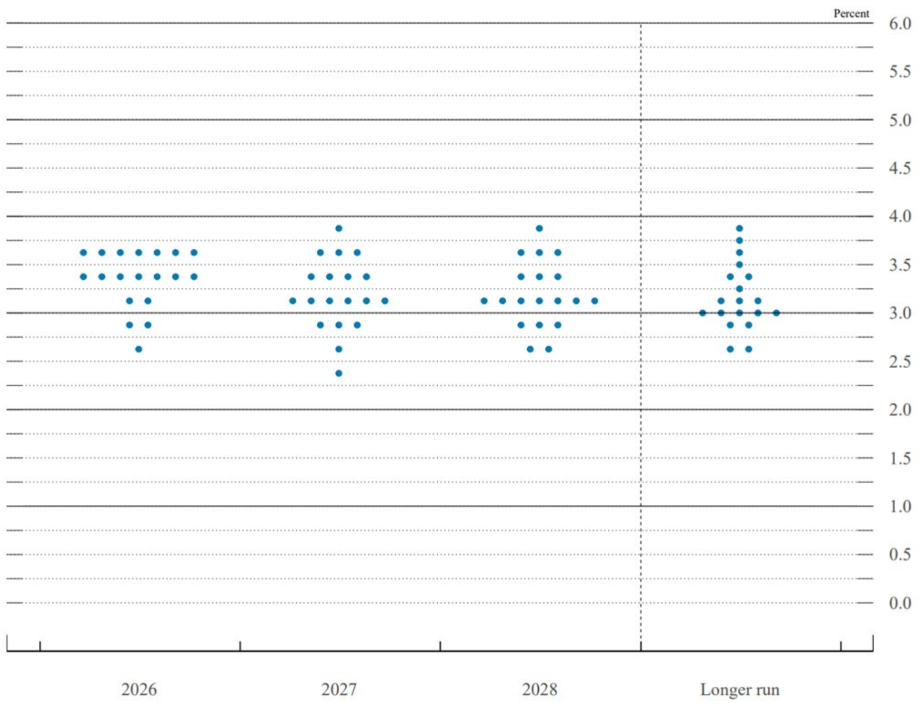
yahoo!finance

Wall Street Is Sizing Up Warsh's Options to Shrink Fed Portfolio

THE Asset

US Federal Reserve's 'Warsh era' should be one of reform

Figure 2. FOMC participants' assessments of appropriate monetary policy: Midpoint of target range or target level for the federal funds rate



Source: Yahoo!, The Asset, Federal Reserve

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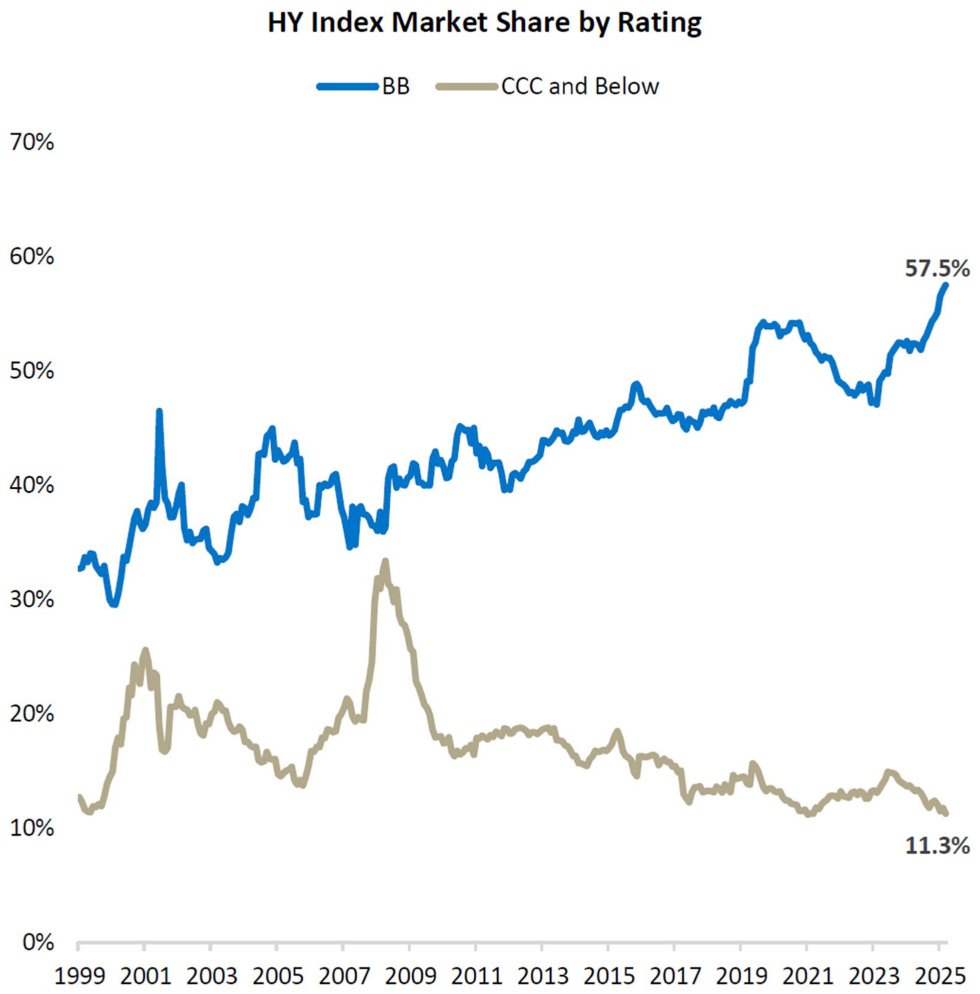
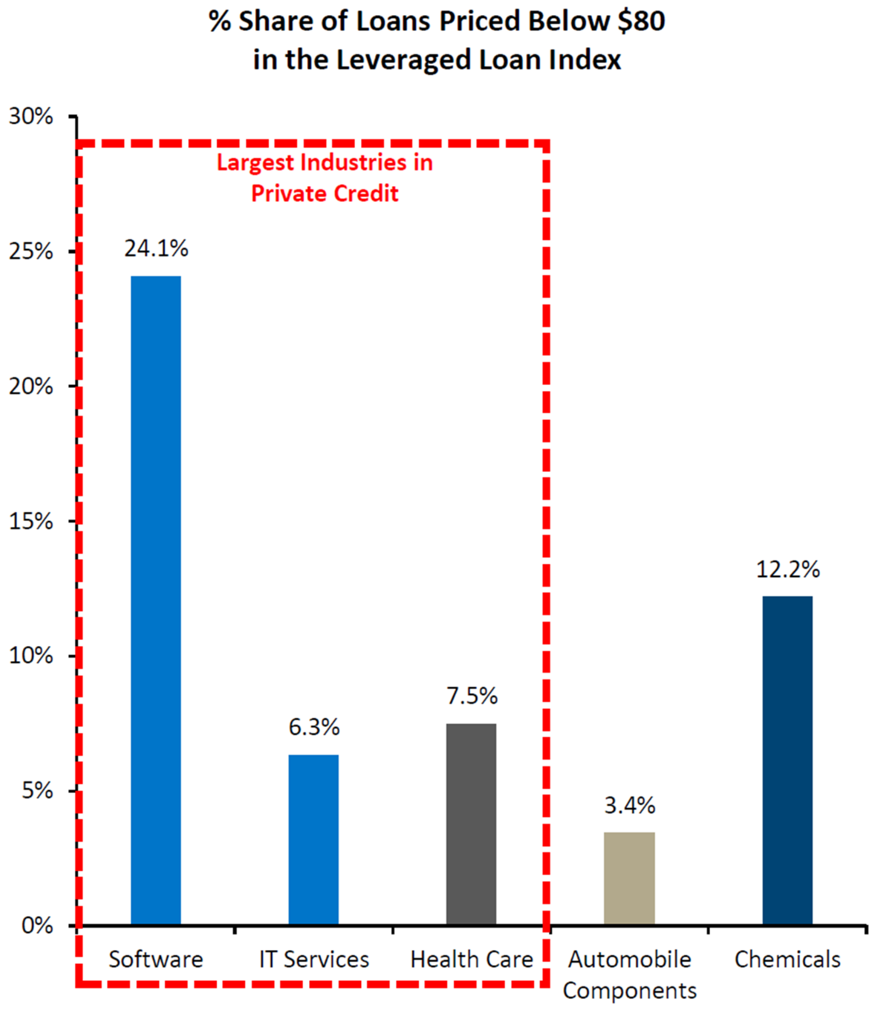
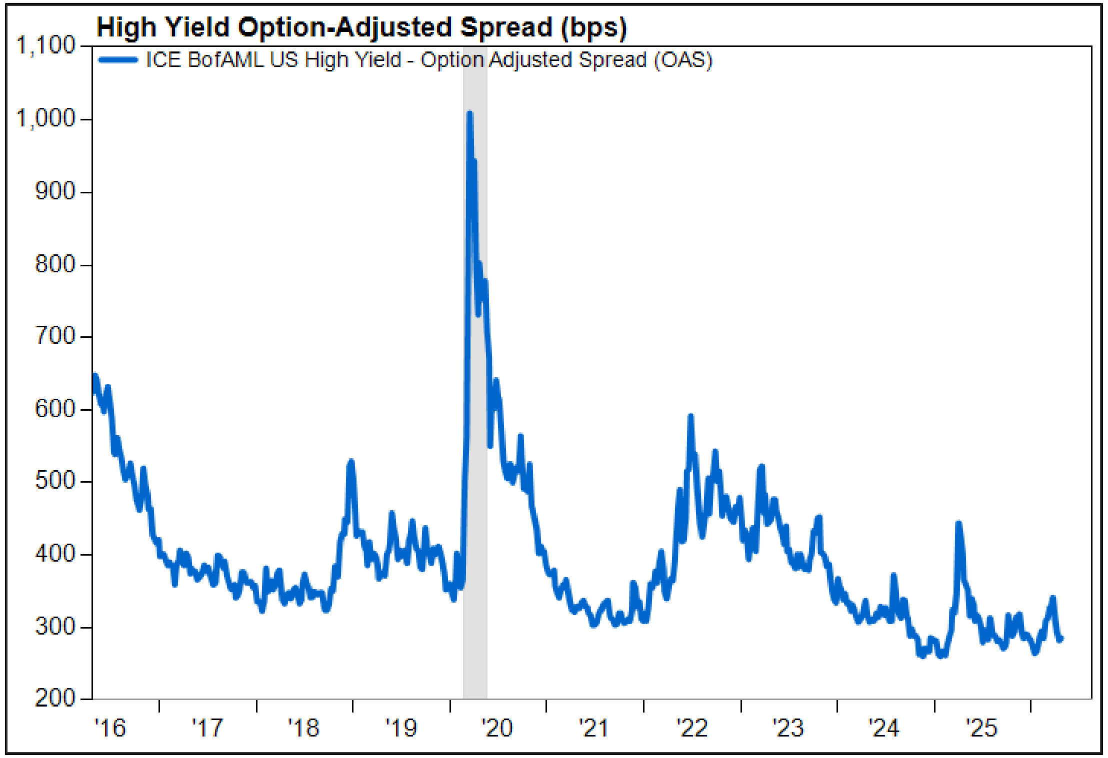
Has the Frisky Paper Made its Way to Private Markets





Source: DoubleLine

We Think the Economy Could Take Down Private Credit, Not the Other Way Around



Periods of US recession

Reuters

Blue Owl halts redemptions at one of its funds, deepening selloff in private equity shares

By Isla Binnie

February 18, 2026 4:16 PM EST · Updated February 19, 2026

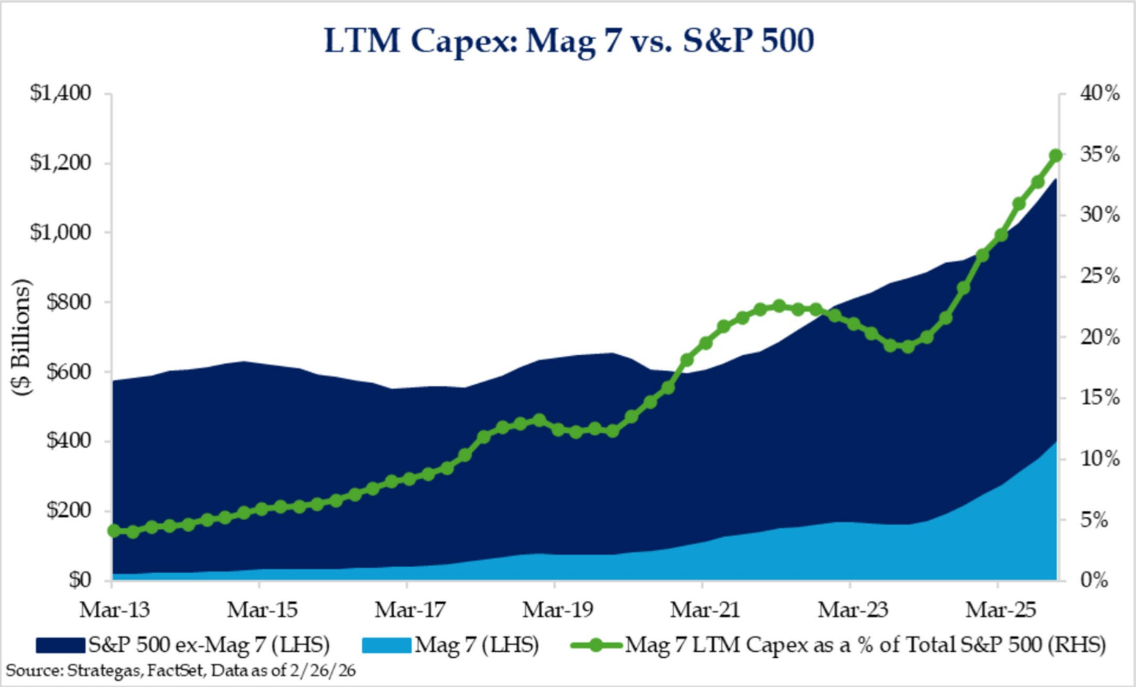
Aa

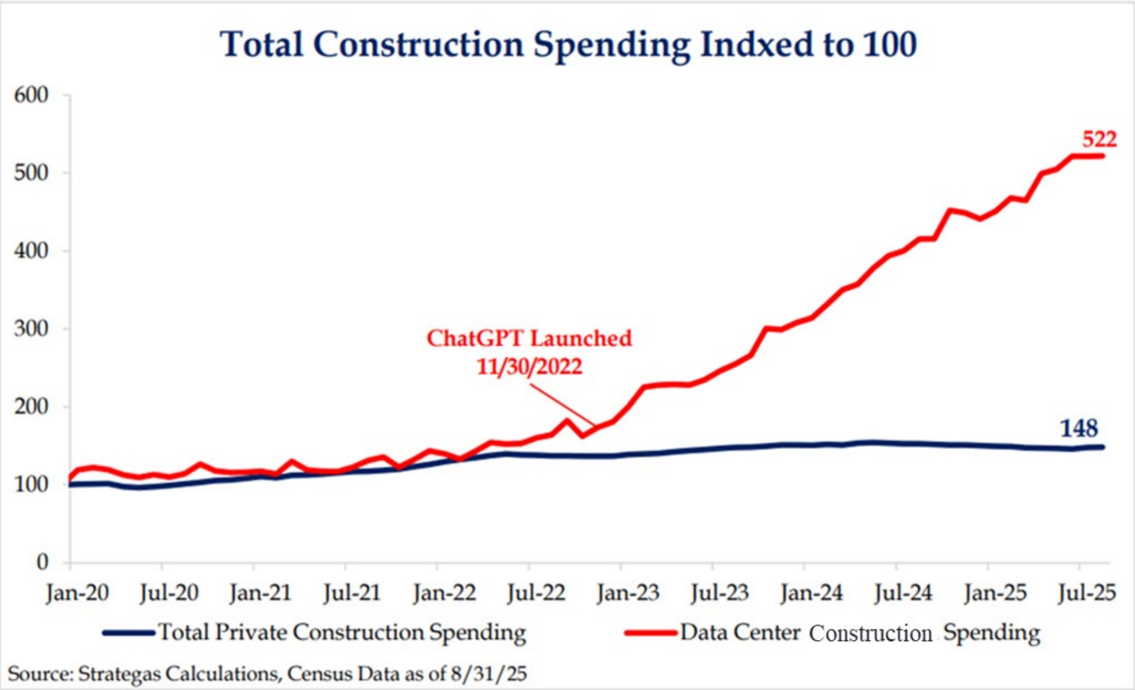
"A significant economic downturn would be required to result in negative total returns" - JPMorgan

Source: FactSet, Reuters, JPMorgan

How Big is the AI Check

The AI Spend Is Significant, Pervasive And Ongoing





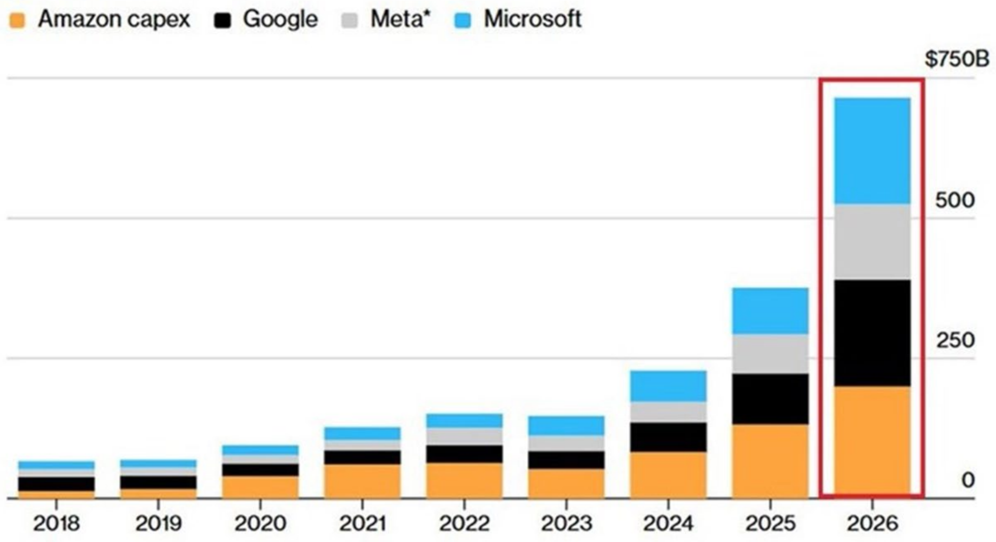
S&P 500 Capex approaching $1.2 trillion, with the Mag-7 accounting for nearly 35%

Source: Strategas

Will 2026 be Remembered as "The Year of AI Capex?"

US Hyperscalers Ratchet Up 2026 Capex Plans Past $700 Billion

The four leading companies upped their AI spending plans after March quarter



Note: 2026 figures represent company guidance, Meta's figure is midpoint of estimated range.
Source: Bloomberg, company filings

CNBC

Alphabet ups 2026 capex to as much as $190 billion, expects to 'significantly increase' in 2027

PUBLISHED WED, APR 29 2026·12:00 PM EDT | UPDATED THU, APR 30 2026·8:12 AM EDT

FORTUNE

Google and Amazon's biggest profit driver last quarter was their Anthropic stakes—which they haven't sold

By Eva Roytburg
Fellow, News
April 30, 2026, 1:04 PM ET

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Bloomberg

AMD Soars After AI Demand Fuels Better-Than-Expected Outlook

PENNSYLVANIA CAPITAL-STAR

Microsoft describes Three Mile Island plant as a once-in-a-lifetime opportunity

The plant's reopening will support at least 650 permanent jobs and hundreds of other positions during the recommissioning process.

CNBC

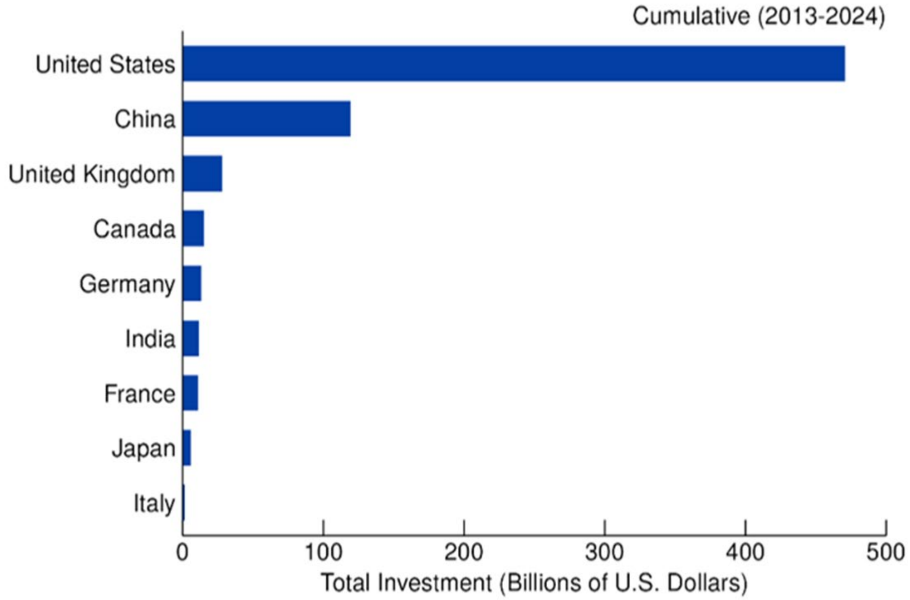
Anthropic, SpaceX announce compute deal that includes space development

PUBLISHED WED, MAY 6 2026·12:38 PM EDT | UPDATED WED, MAY 6 2026·3:31 PM EDT

Source: Bloomberg, CNBC, Pennsylvania Capital-Star, Fortune

The AI Spend Is About Chips, And So Much More

Private AI Investment



AI boom forces data centers to adopt hybrid cooling systems

THE TEXAS TRIBUNE

Data center boom strains Texas homebuilders' need for electricians

Texas builders struggle to finish new homes to meet growth as data centers with deeper pockets poach electricians.

THE WALL STREET JOURNAL.

America's First Commercial Nuclear-Power Projects in a Decade Just Broke Ground

Bill Gates-backed TerraPower and Google partner Kairos are building nuclear plants in Wyoming and Tennessee

AI-Related Themes: Contribution to GDP (Percentage Points)

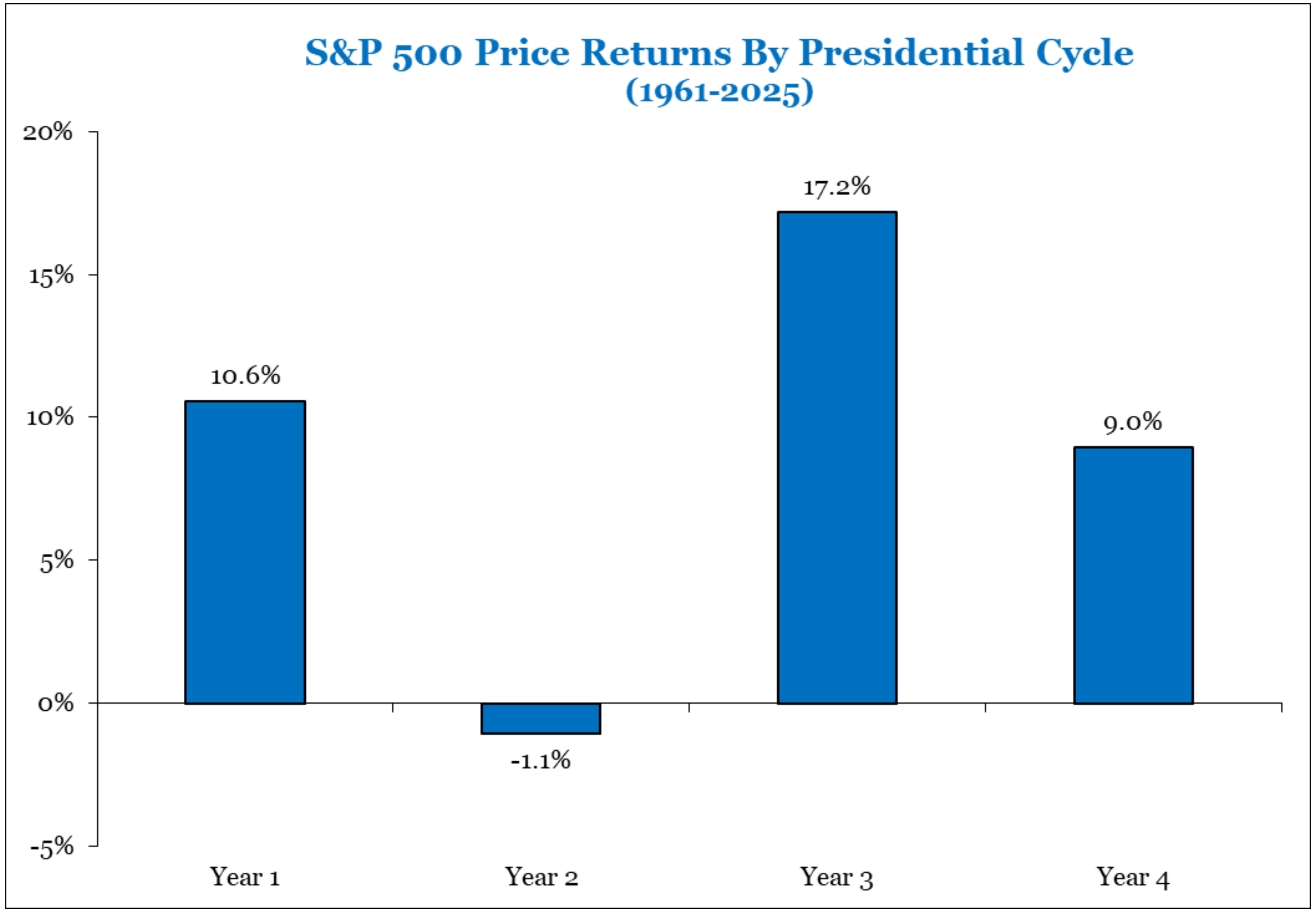
Real GDP Growth	Processing Equipment	Software	R&D	Data Centers
0.032	0.18	0.1	0.07	0.04

Contribution to GDP based on long-run average calculated by the St. Louis Fed, from 2001 - 2026

Sources: Federal Reserve, WSJ, MSN, Texas Tribune

Where is the Political Puck Headed

Markets Were Following the Presidential Cycle… Until They Weren't



CIBC Wood Gundy

Asset allocation

The presidential election cycle and stock market returns

Source: Strategas, CIBC

It’s Early, But Things Are Looking Good For Democrats

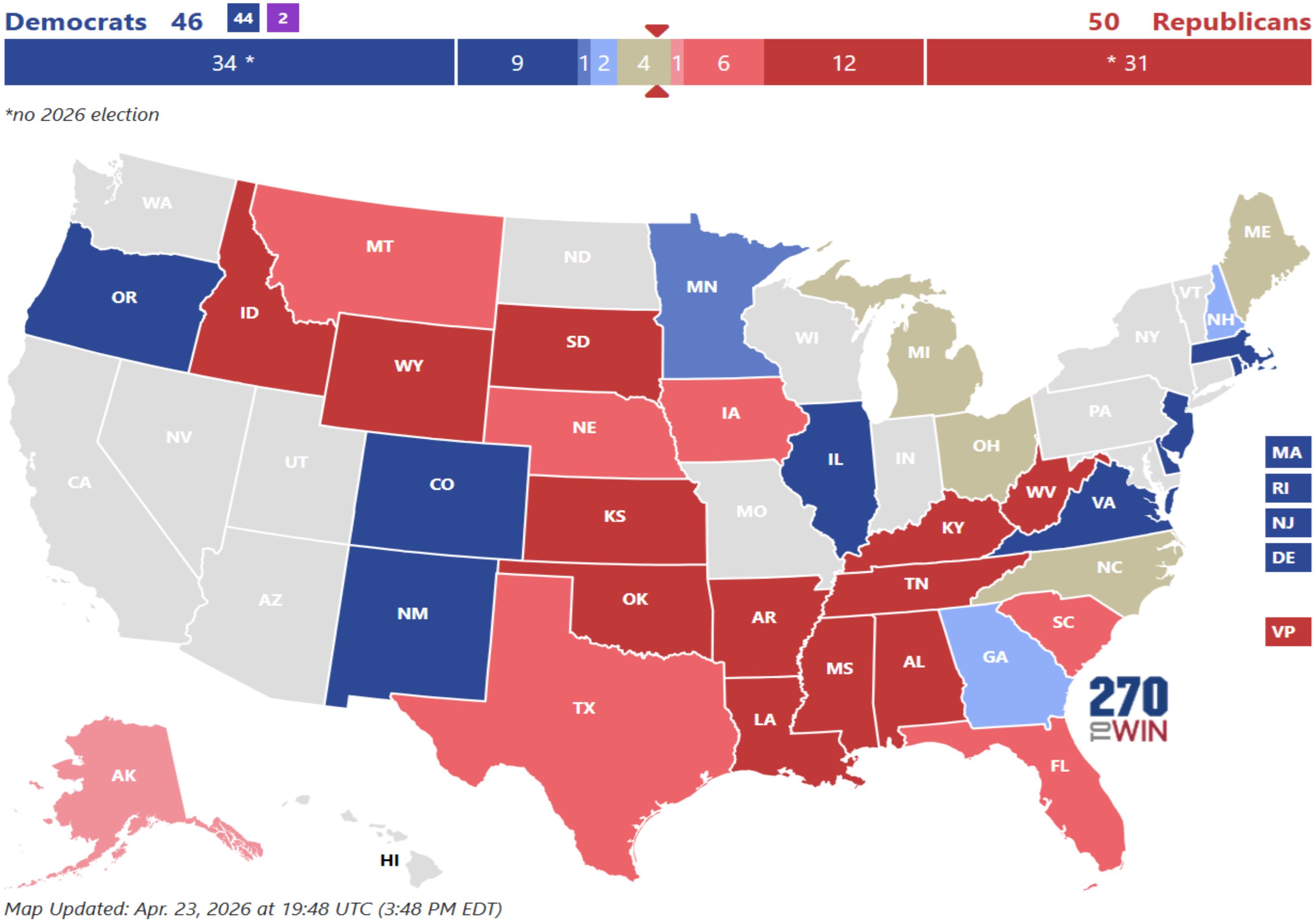
2026 Generic Congressional Vote

POLLSTER	DATE	SAMPLE	DEMOCRATS (D)	REPUBLICANS (R)	SPREAD
RCP Average	**3/16 - 4/23**	**—**	**48.3**	**42.6**	**Democrats +5.7**
Quantus Insights	4/21 - 4/23	1452 LV	47	42	**Democrats +5**
FOX News	4/17 - 4/20	1001 RV	52	47	**Democrats +5**
CNBC	4/15 - 4/19	1000 RV	49	45	**Democrats +4**
Marquette	4/8 - 4/16	LV	53	43	**Democrats +10**
Economist/YouGov	4/17 - 4/20	1553 RV	45	40	**Democrats +5**
Echelon Insights**	4/17 - 4/20	1012 LV	50	44	**Democrats +6**
Morning Consult	4/17 - 4/20	2203 RV	45	42	**Democrats +3**
Reuters/Ipsos	4/15 - 4/20	3577 RV	41	38	**Democrats +3**
RMG Research**	4/6 - 4/9	2000 RV	49	44	**Democrats +5**
Cygnal	4/2 - 4/3	1500 LV	49	43	**Democrats +6**
CNN	3/26 - 3/30	952 RV	48	42	**Democrats +6**
Harvard-Harris	3/25 - 3/26	LV	52	48	**Democrats +4**
Big Data Poll	3/22 - 3/24	3003 LV	48	40	**Democrats +8**
Quinnipiac	3/19 - 3/23	1191 RV	51	40	**Democrats +11**
Rasmussen Reports	3/16 - 3/23	2222 LV	45	42	**Democrats +3**
Emerson	3/16 - 3/17	1000 LV	49	42	**Democrats +7**

The generic ballot is a political poll which asks not which candidate you plan to vote for to represent you in Congress

Source: RealClearPolitics

That Said, The Senate Map Favors Republicans



Newsweek

GOP's Chances of Winning Senate Flip

PUBLISHED MAY 07, 2026 AT 12:58 PM EDT

UPDATED MAY 08, 2026 AT 08:25 AM EDT

Source: 270towin.com, Newsweek

Redistricting Push Looms Over the House

Which states are considering redistricting?

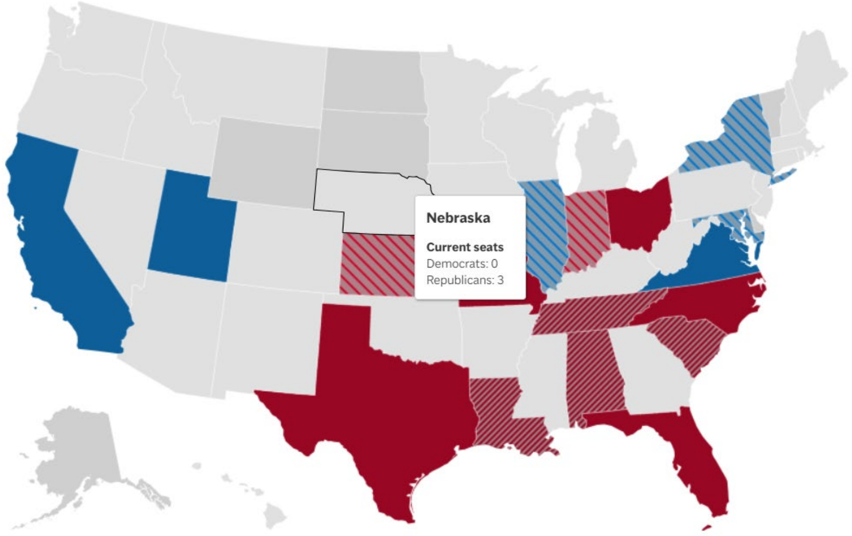
Tracking states where new U.S. House districts have been adopted, rejected or are under consideration, by the political party that could benefit.

U.S. House after 2024 elections: ● 220 Republicans ● 215 Democrats

Targeted by Democrats
Considering | Rejected | Adopted new map

Targeted by Republicans
Considering | Rejected | Adopted new map

Single-district state | No status

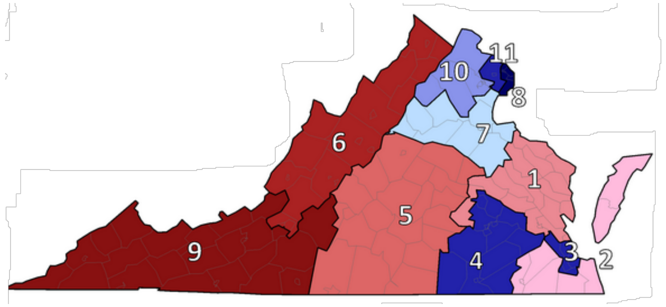


The party that could benefit is determined by which party gains more potentially winnable seats as a result of the new map.

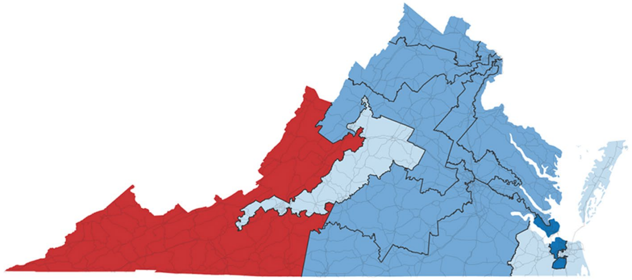
Source: AP / Graphic: Maya Sweedler

AP

Virginia's "Old" District Map



Virginia's "New" District Map*



* The Virginia Supreme Court struck down a voter-approved Democratic congressional redistricting plan on May 5th. Virginia Democrats said in a filing that they intended to file an emergency appeal of the state high court's decision with the U.S. Supreme Court.

PBS NEWS

Democrats ask Supreme Court to halt a Virginia ruling blocking new congressional districts

Politics May 11, 2026 4:08 PM EDT

POLITICO

Supreme Court clears way for Louisiana to redistrict ahead of midterms

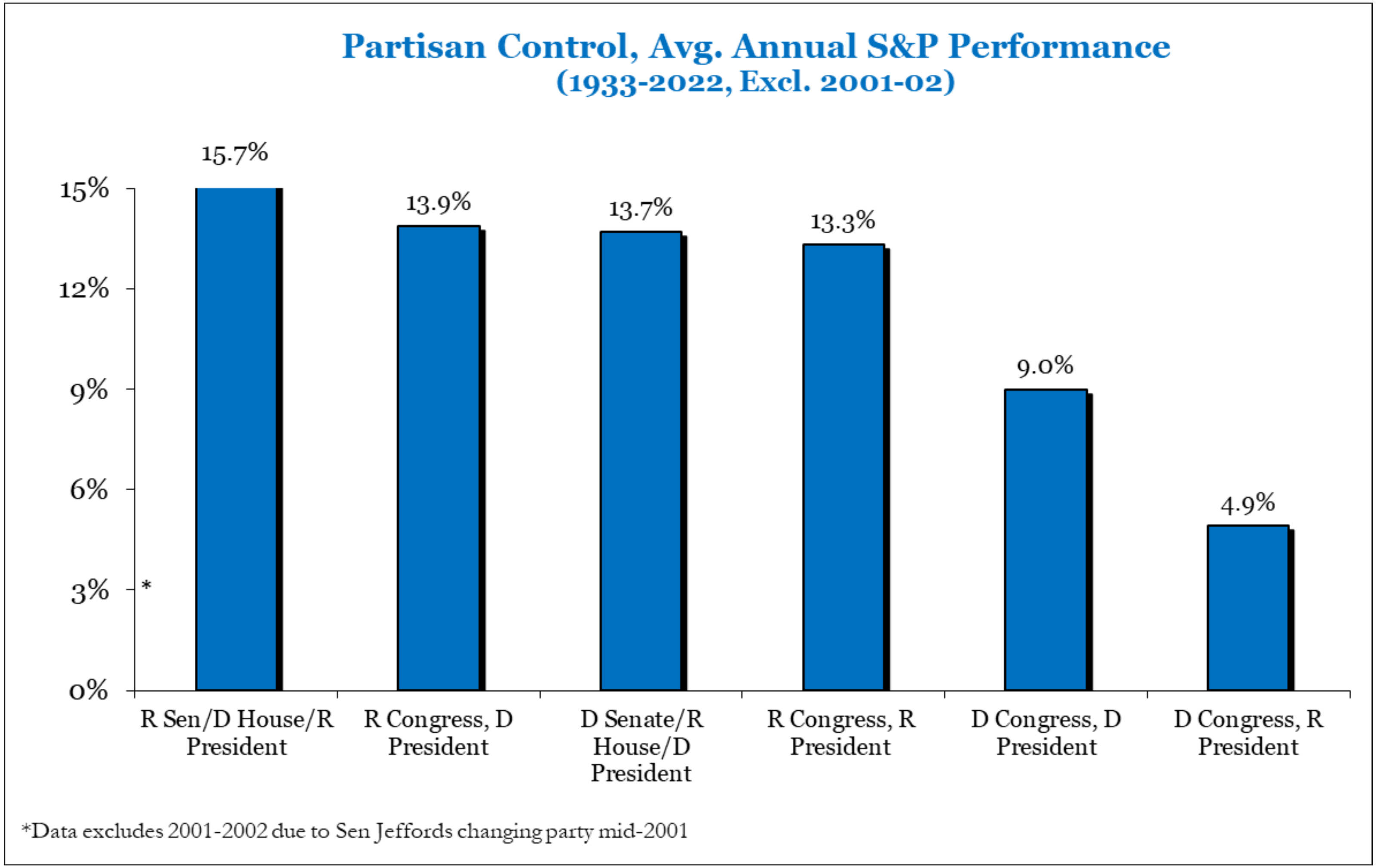
The order expedites the state's redistricting process, which could grant the GOP an additional House seat.

FOX 5 NEWS

Redistricting surge sparks nationwide fight for House control

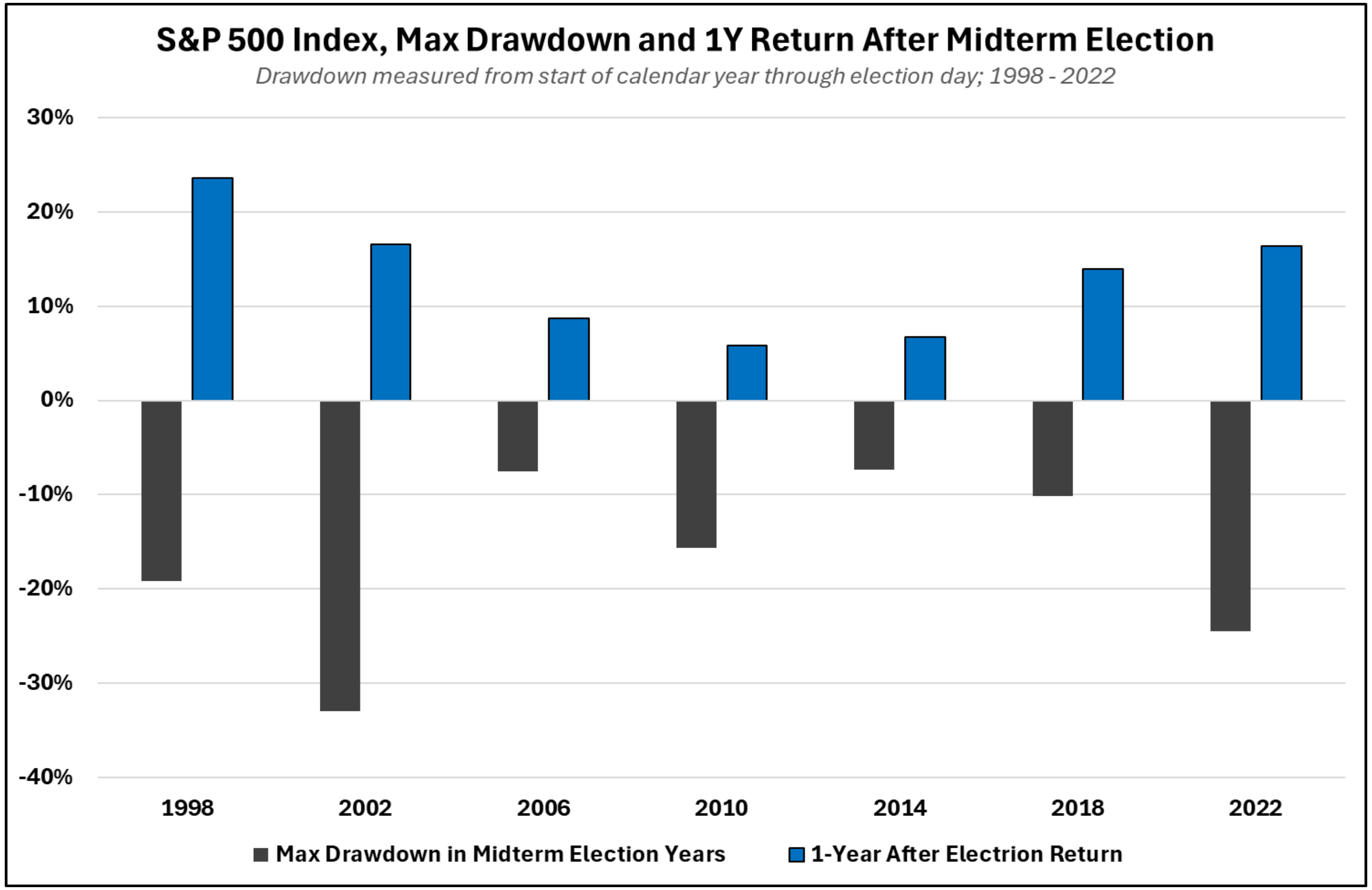
Source: AP, Center For Politics, Fox News, Politico, PBS

A House Divided Usually Stands Tall



Source: Strategas, FactSet

Volatility is Normal in Midterm Years

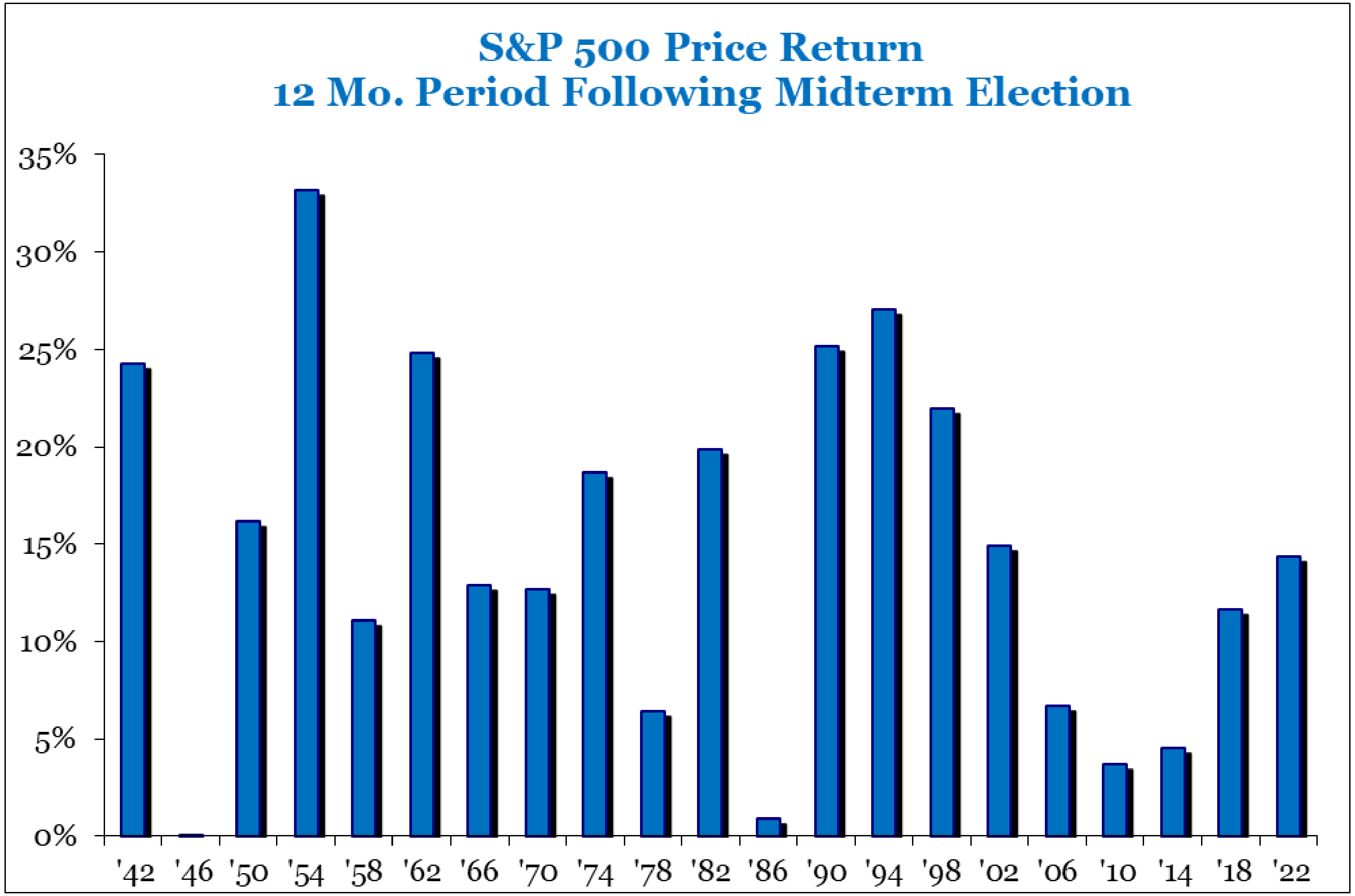


Average 1Y Return After the Vote:
+13%

Average Max Drawdown:
-17%

Source: FactSet

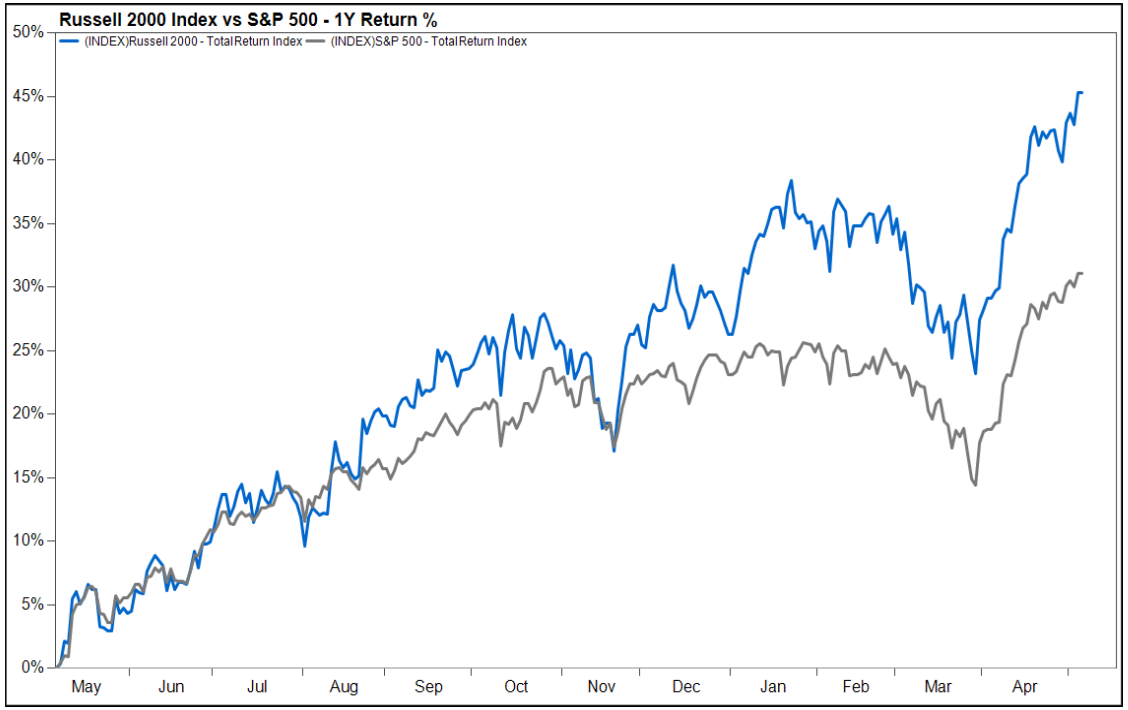
Lifting Uncertainty Bodes Well for Stocks, Regardless of Party Control

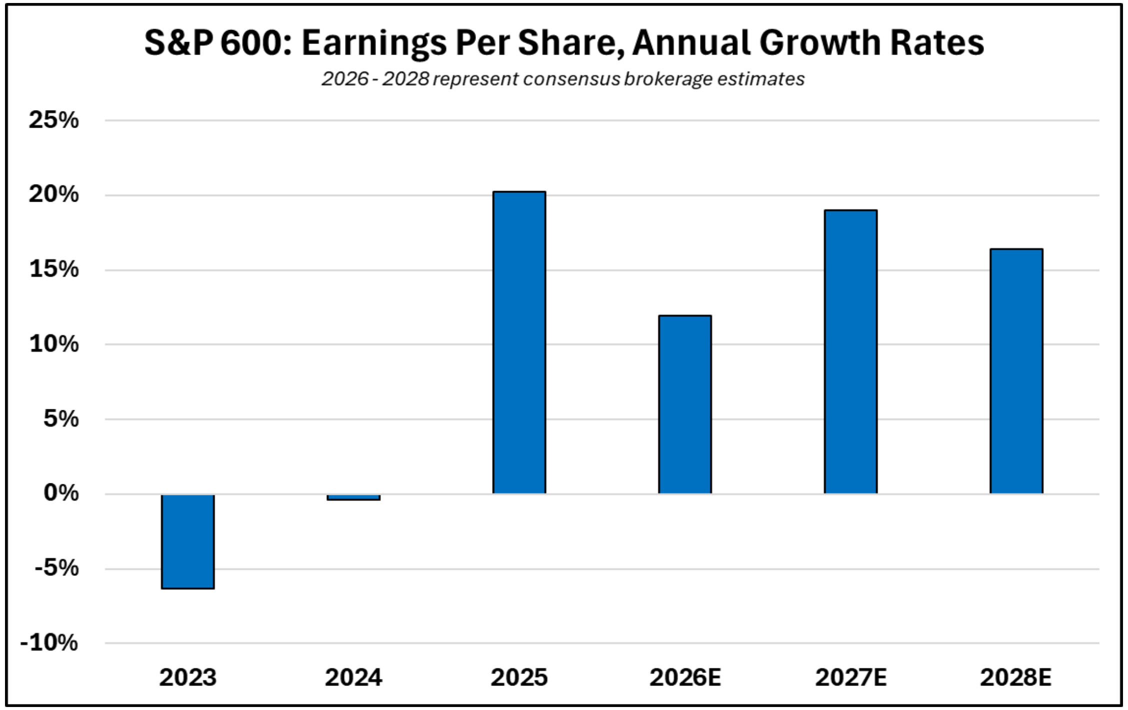


Source: Strategas, FactSet

A Few Things Worth Watching

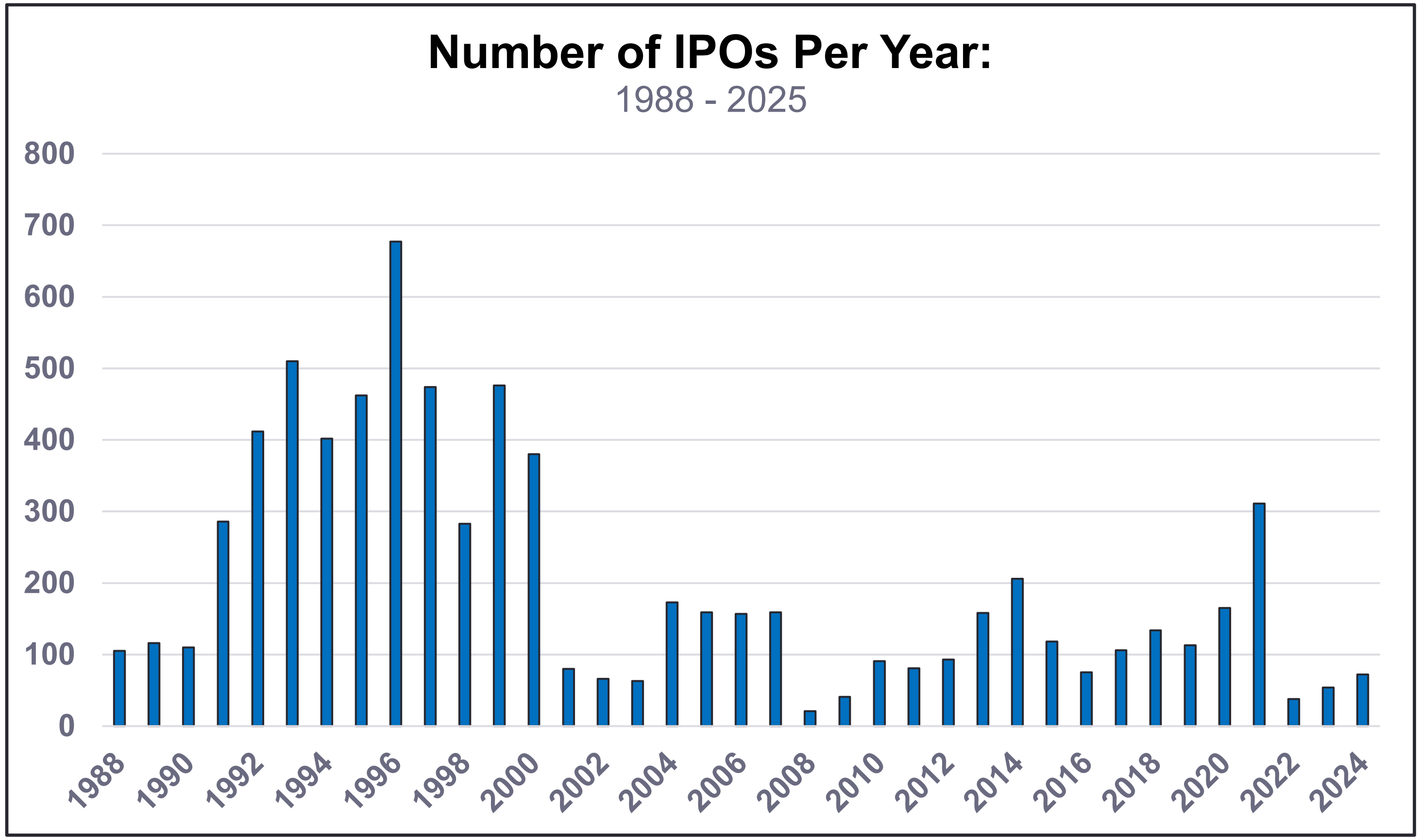
Would Small Caps Catch a Bid if Rates Were Moving Higher and Growth Lower?





Source: FactSet

IPOs - Are Animal Spirits Back?




BUSINESS • DEALS

The Year Is Off to the Strongest Start for Big Deals Ever

Companies go forward with corporate combinations and investments despite a war and slumping stocks


The New York Times

2026 May Be the Year of the Mega I.P.O.

If SpaceX, OpenAI and Anthropic go public, they will unleash gushers of cash for Silicon Valley and Wall Street.

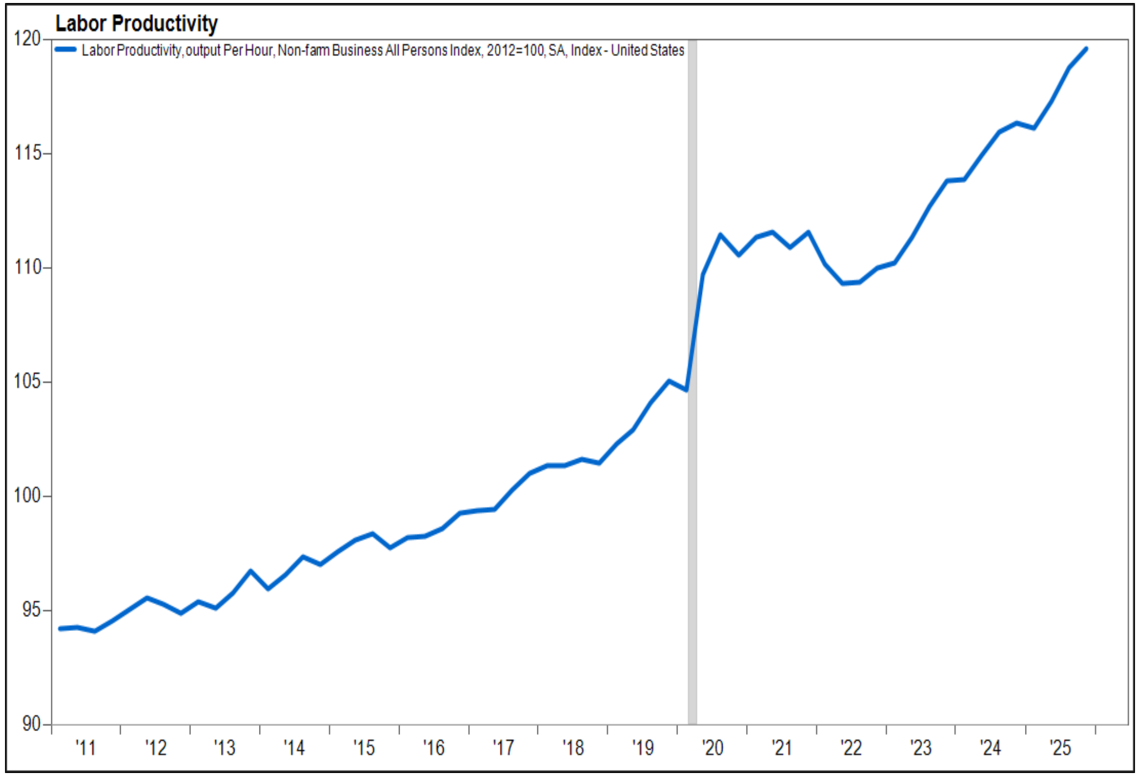
Average Number of IPOs 1988 – 2000: **361**

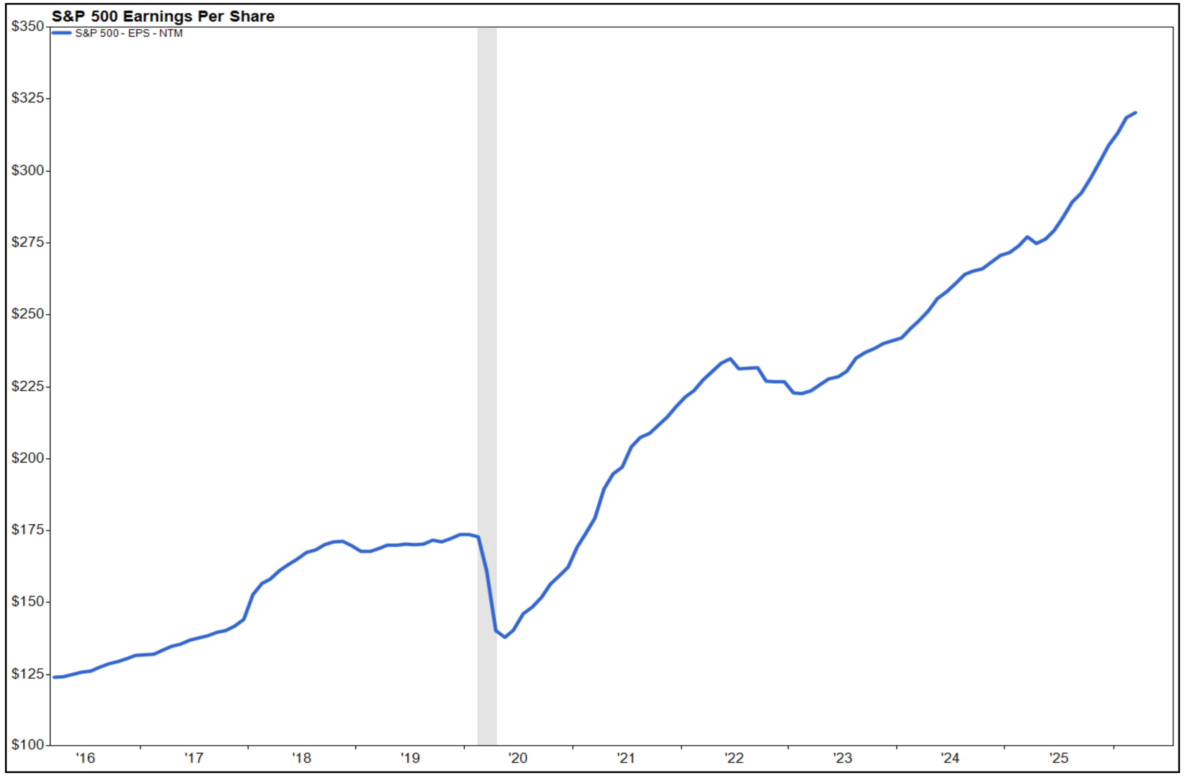
Average Number of IPOs 2001 – 2025: **114**

Source: Jay R. Ritter, University of Florida. WSJ, NY Times

AI's Impact on Productivity and Earnings

Periods of US recession





CNBC

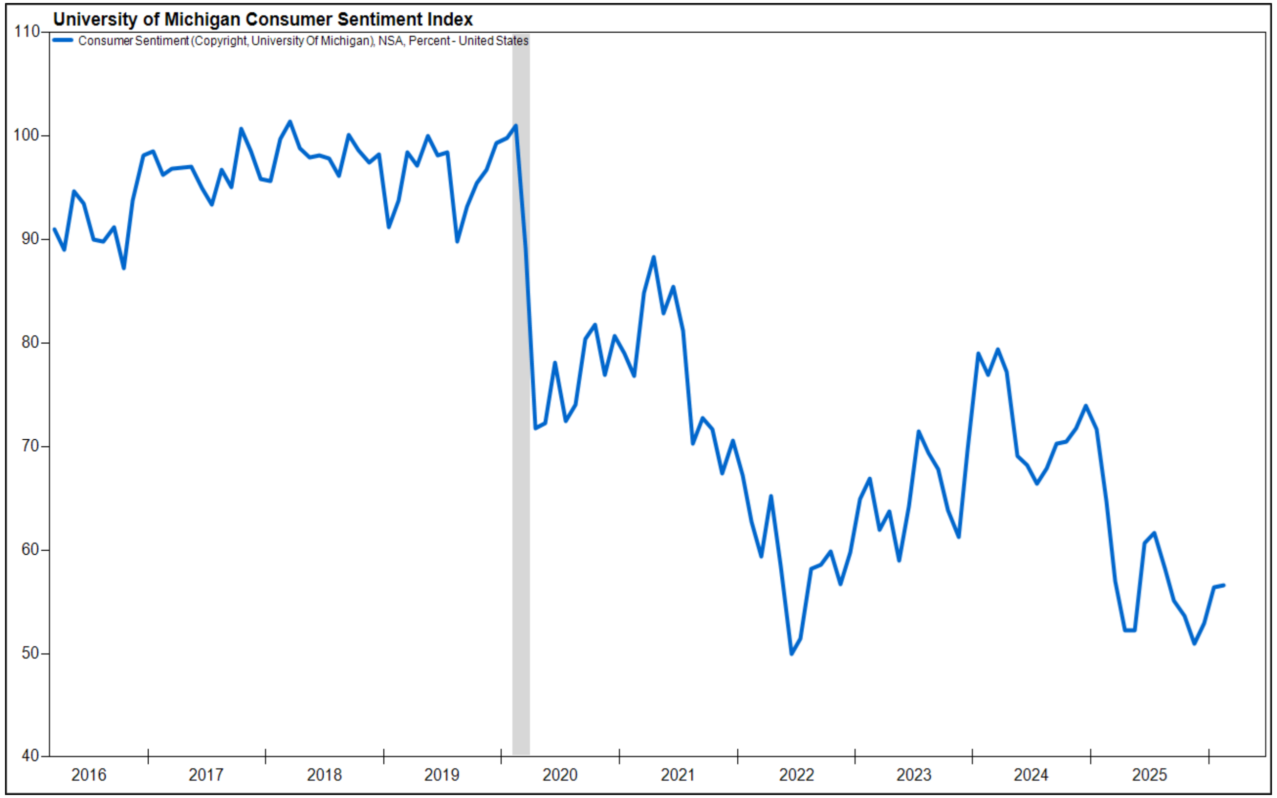
U.S. economy grows by 4.3% in third quarter, much more than expected, delayed report shows

Periods of US recession

Source: FactSet, CNBC, Bloomberg

What could go wrong, and right, as we move through 2026

The Negative Side of the Ledger



Periods of US recession

What could go wrong?

- Conflict with Iran escalates and widens
- Strait of Hormuz remains closed
- Trade uncertainty (fall out from Supreme Court decision)
- Inflation remains elevated and sticky
- A divided Fed fuels monetary policy dysfunction
- Lower end consumers hit their breaking point
- Year 2 of the presidential cycle
- AI cap ex cycle sputters, or proves imprudent
- Private credit creates a public markets problem
- Cracks in the labor market weigh on economic growth

Source: FactSet

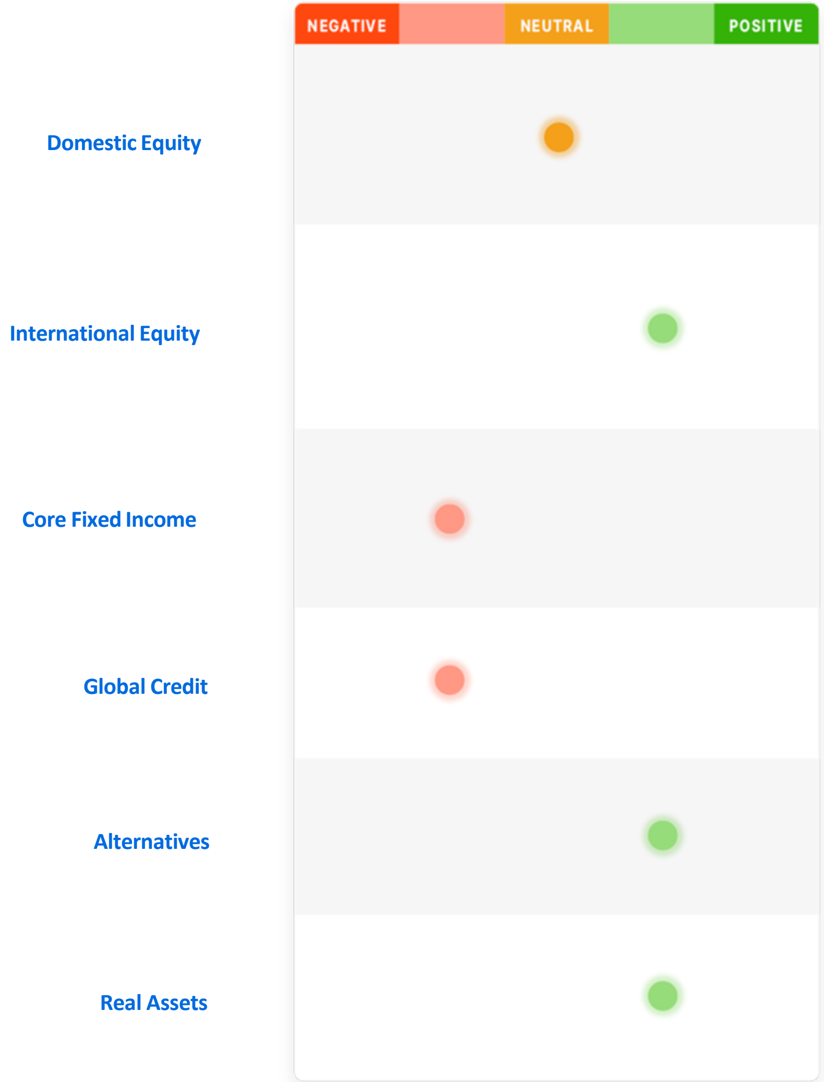
The Positives Should Outweigh the Negatives

- **Policy** – The One Big Beautiful Bill Act extended the 2017 tax cuts, implemented new tax breaks and incented companies to invest in productive assets in 2026. The policy backdrop is very supportive of corporate and consumer spending.
- **Balance Sheets** – By most measures, US companies are in fine financial shape, with non-financial corporations holding $4 trillion in cash on their balance sheets.
- **Productivity** – US labor force productivity has been accelerating since 2022, and output per hour rose 2.2% in 2025; increasing productivity should drive increasing corporate profits.
- **AI** – Large cap US tech companies are expected to spend $750 billion in 2026 on AI data centers and chips, a meaningful tailwind for economic growth, hiring, productivity, and corporate profits.
- **Sentiment** – Investor bearishness in late March – an AAII Investor Sentiment Survey showed 50% of respondents expecting markets to be lower over the next six months compared to an historical average bearish reading of 31% - was a floor under stocks.
- **Valuation** – When the S&P 500 fell 10% through the end of March valuation became much more attractive, with the index trading at 19x its expected next twelve months earnings, a level that has proven to be a market bottom before.
- **Earnings** – S&P 500 earnings are on track to grow 27% in Q1 2026 — the sixth consecutive quarter of double-digit earnings growth — and are expected to grow 21% for the full year of 2026. Double digit earnings growth flies in the face of recession risk.
- **Animal Spirts** – IPO activity should pick up meaningfully in 2026, headlined by SpaceX. M&A activity already has.
- **Small Caps** – The breadth of the rally is an historically positive sign for the ongoing bull market

LEGACY WEALTH INVESTMENT COUNSEL

Source: FactSet

How We are Positioned, and Why



Rationale

- We are leaning into risk assets in 2026
- We are optimistic on domestic and international markets, with a slight overweight to international equities
- We view equity fundamentals as supportive; fueled by double digit earnings growth rates, accommodative monetary and fiscal policy, and a resilient US consumer
- International markets offer similar earnings estimates, alongside attractive relative valuations and a weaker dollar
- The risk and reward balance within fixed income warrants a slightly cautious tone, as bond prices and yields suggest a below average margin of safety, should credit fundamentals deteriorate
- Alternatives and real assets could perform well in the current environment as a hedge against elevated inflation, rising government debt loads, and interest rate uncertainty

The Asset Class Barometer serves as Orion's intermediate-term outlook on the six major asset classes that comprise its multi- asset class portfolios. It is updated quarterly by the Orion Asset Allocation Committee. Standard inputs include proprietary reports produced by the Orion investment team as well as industry-leading external research providers.

Thank You!

For questions or comments, please contact Legacy Wealth Investment Counsel at **info@legacywealthic.com**

Advisory Disclosure:

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The S&P 500 Index is an unmanaged composite of 500-large capitalization companies. This index is widely used by professional investors as a performance benchmark for large-cap stocks.

The Nasdaq Composite Index is an index that follows approximately 5000 stocks that trade on the Nasdaq exchange. It is considered a good benchmark for smaller company stocks.

The Russell 2000 is an index comprised of the 2,000 smallest companies on the Russell 3000 Index and offers investors a benchmark for small-cap stocks.

The Bloomberg Barclays US Aggregate Bond Index measures the performance of the total United States investment-grade bond market.

The MSCI EAFE Index is a composite index which tracks performance of international equity securities in 21 developed countries in Europe, Australia, Asia, and the Far East.

The MSCI Emerging Markets (or EM) Index is an index which tracks performance of international equity securities in developed countries in Europe, Australia, Asia, and the Far East, excluding the U.S. and Canada. An index is an unmanaged group of stocks considered to be representative of different segments of the stock market in general. You cannot invest directly in an index.

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Slide 33: Source: Information for the Asset Class Barometer is accurate as of January 6, 2026.

An index is an unmanaged group of assets considered to be representative of a select segment or segments of the market in general, as determined by the index manager for the purposes of managing a specific index. You cannot invest directly in an index.

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