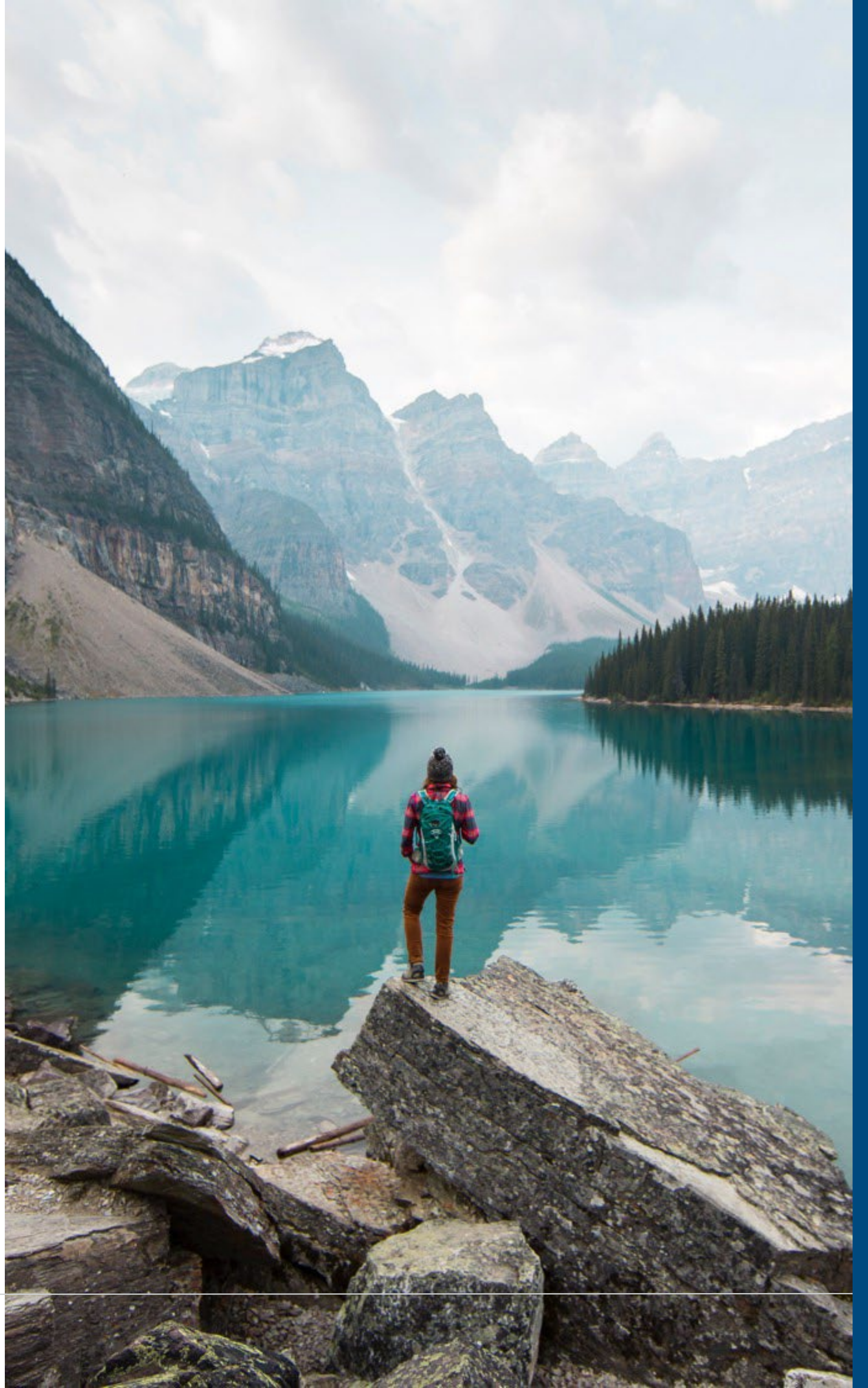
First Quarter Market Pulse:
Risks, Opportunities and Positioning

Andres Guzman, CFP®, CPWA®
Founder, Legacy Wealth Investment Counsel

Tim Holland, CFA®
Chief Investment Officer, Orion

Economic and Market Update: March 2026

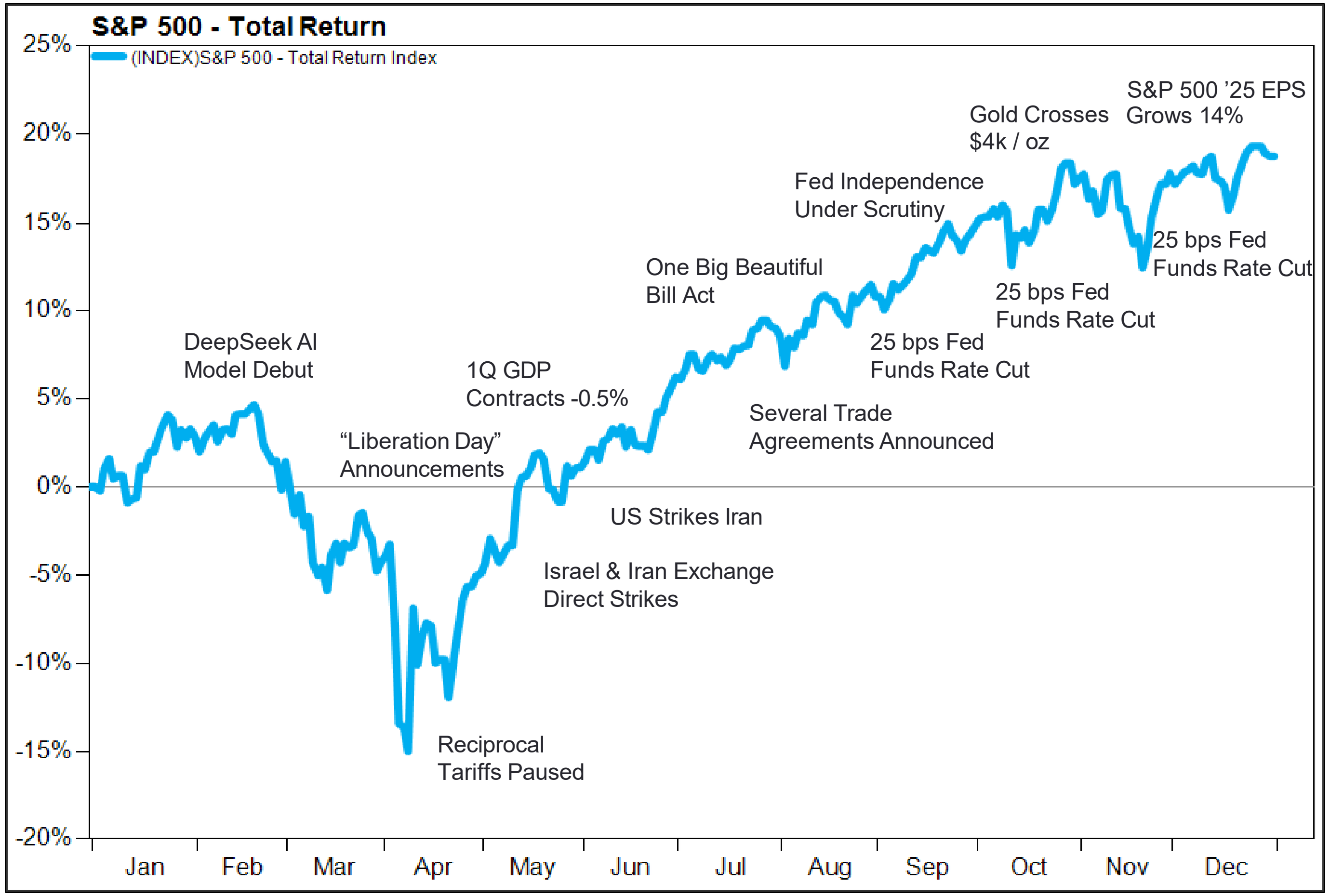


What We Will be Covering

- A Look Back at 2025
- What the Bond Market is Telling Us
- A Few Thoughts on 2026: Markets, Policy and the Iran Conflict
- Current Portfolio Positioning and Outlook
- What We Like / What We Don't Like

A Look Back at 2025

2025…What a Year



Major Index Returns in 2025:

- S&P 500: **17.8%**
- NASDAQ: **21.1%**
- Russell 2000: **12.8%**
- MSCI EAFE: **31.8%**
- MSCI Emerging Markets: **34.2%**
- Bloomberg US Aggregate Bond Index: **7.3%**

Total Return, as of 12/31/25

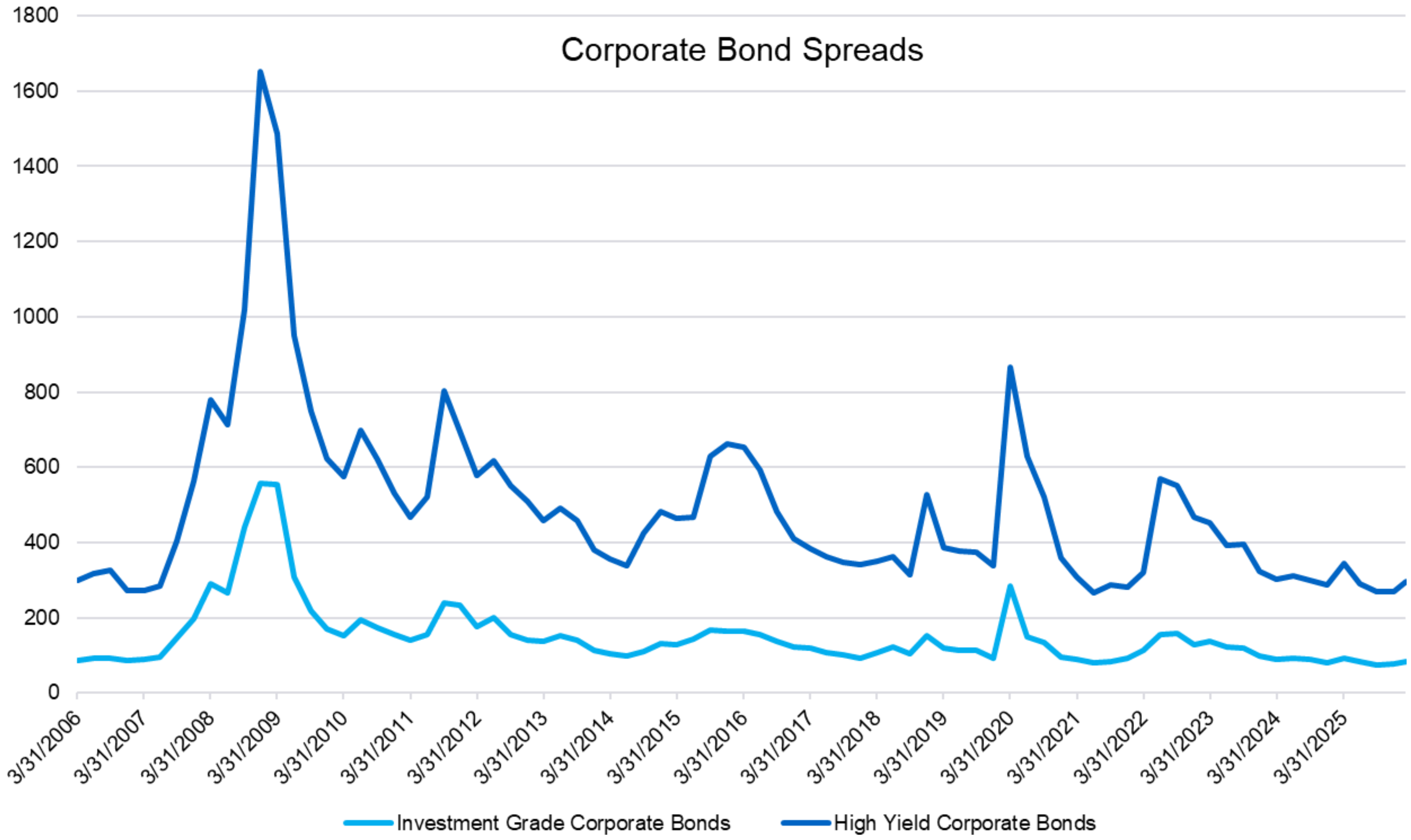
Source: FactSet

A Few Noteworthy Developments Since Year End

- Venezuela
- Greenland
- The Federal Reserve
- The Supreme Court Tariff Ruling
- War with Iran

What is the Bond Market Telling Us?

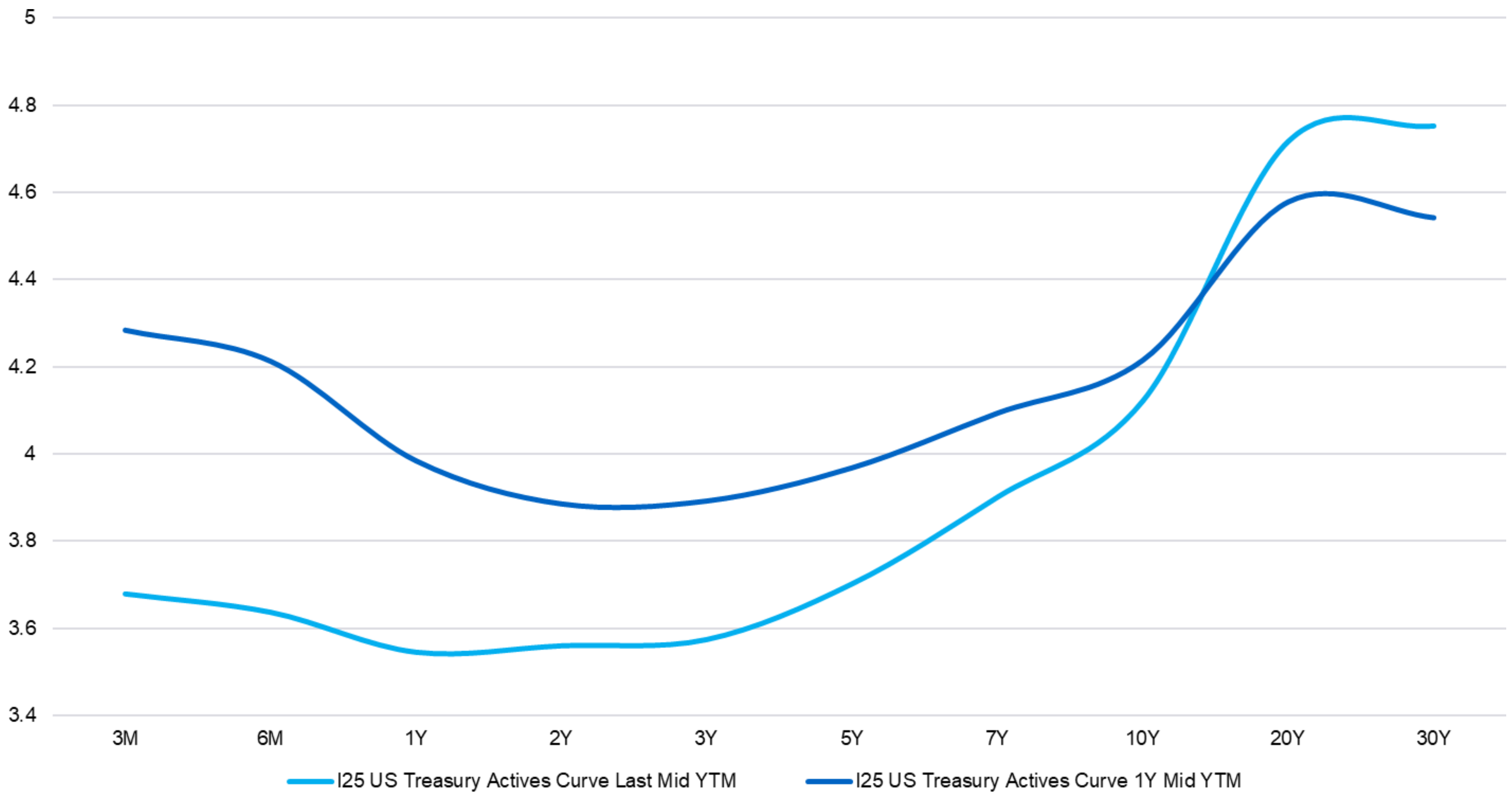
Credit Spreads Signal Confidence



- Credit spreads are near multi-decade lows
- Recent volatility in software, geopolitics, did not sink 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

The Long End of the Yield Curve is Steepening



Source: Bloomberg

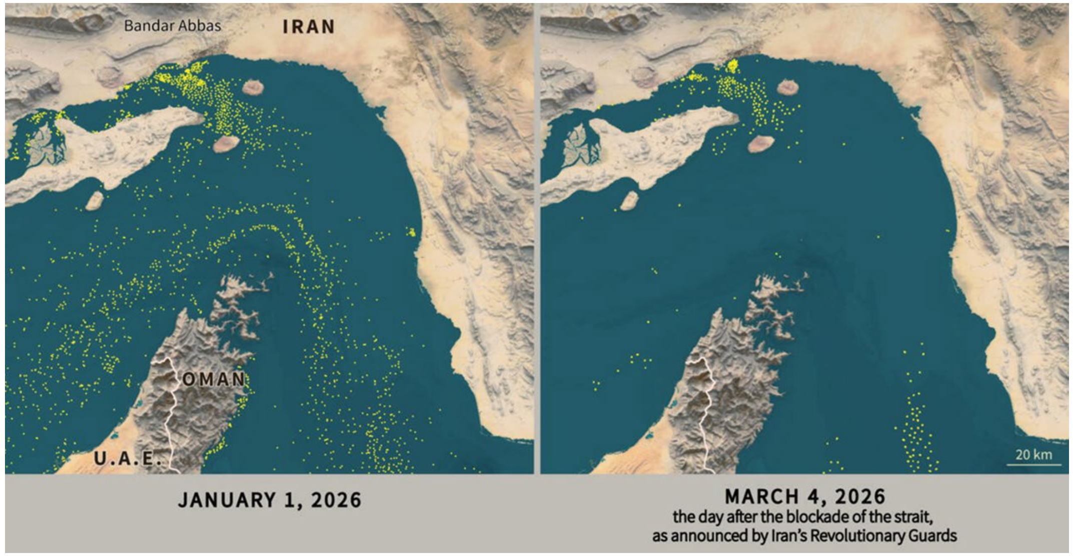
A Few Thoughts on 2026

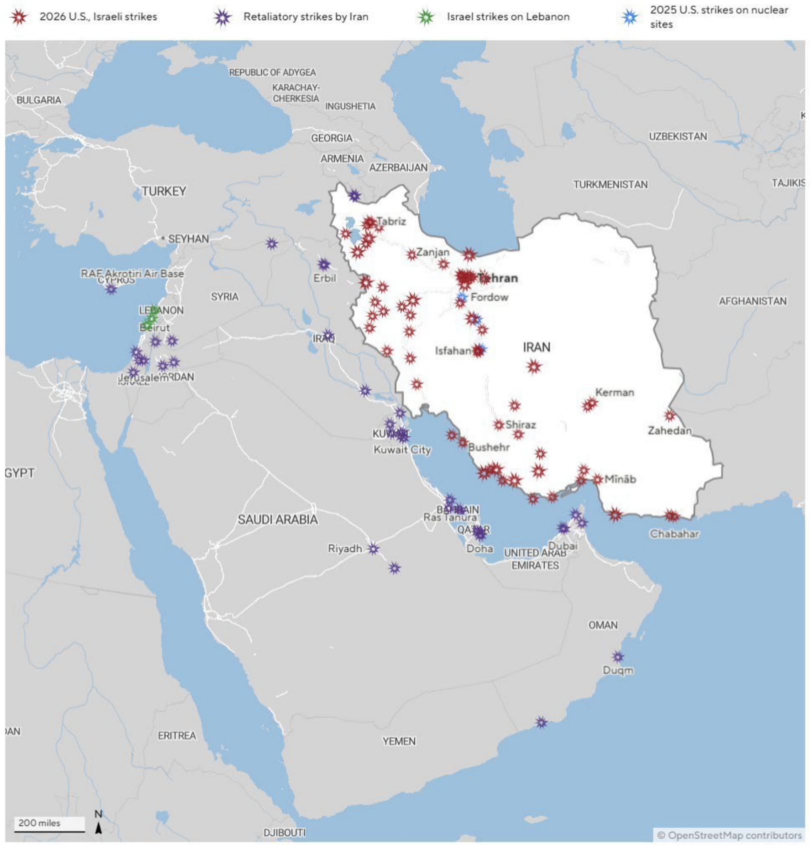
The Conflict with Iran Widens

PBS NEWS

Live Updates: U.S.-Israel conflict with Iran widens

World Updated on Mar 2, 2026 6:52 PM EST — Published on Mar 2, 2026 9:39 AM EST





Map: John Kelly • Source: Government officials, Iran state media, CBS News, AP, and the Institute for the Study of War.

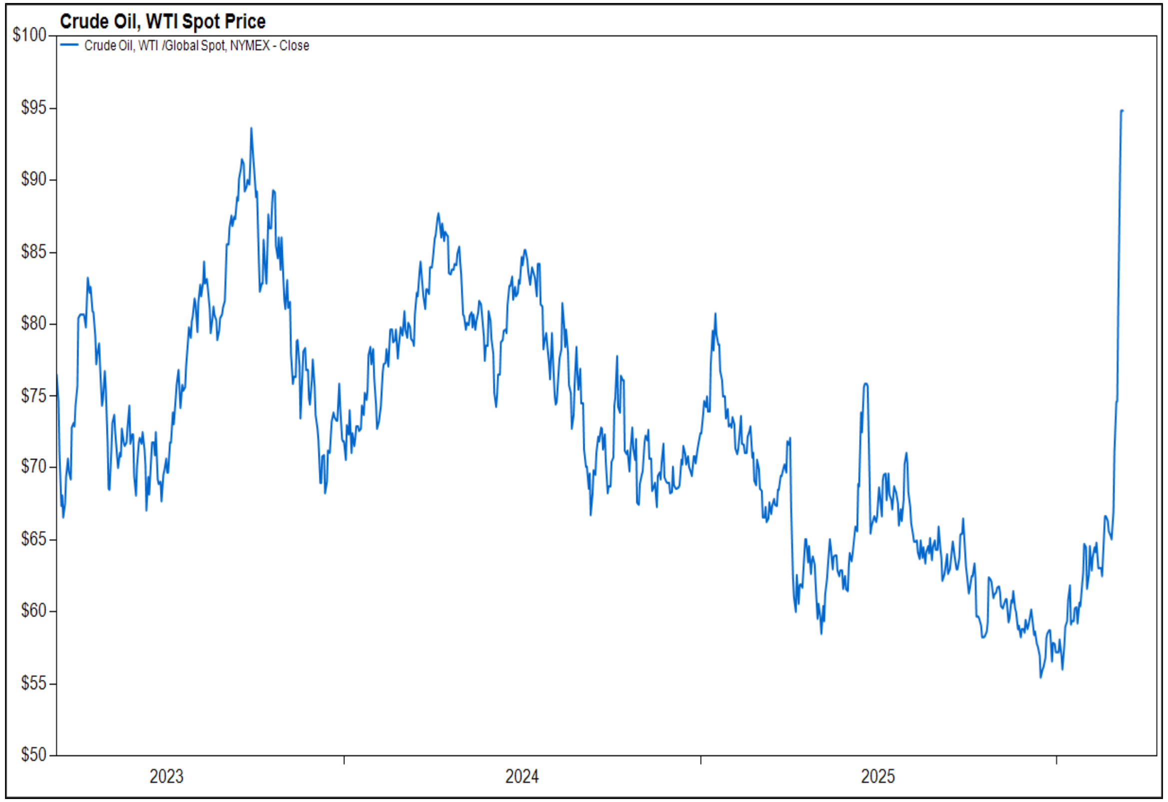
CNBC

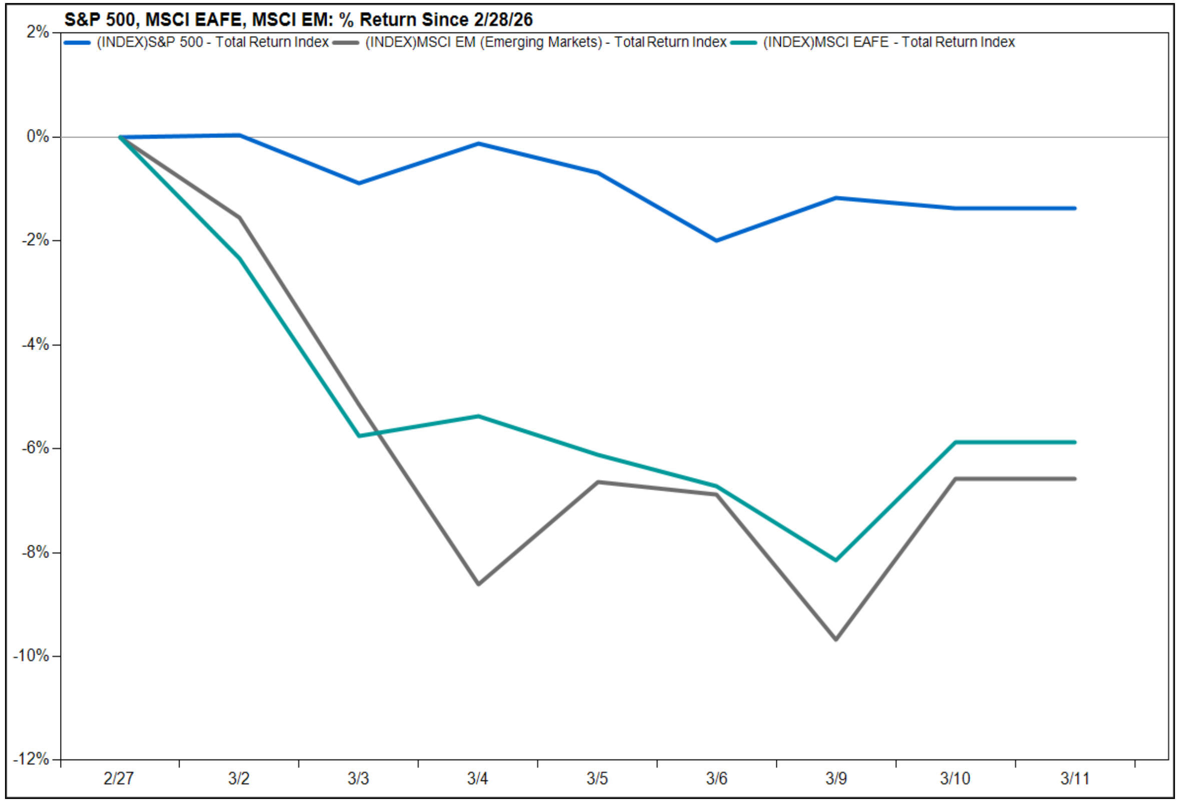
Trump says Iran war will end 'very soon,' predicts lower oil prices

PUBLISHED MON, MAR 9 2026•3:29 PM EDT | UPDATED MON, MAR 9 2026•8:17 PM EDT

Source: PBS, CBS, CNBC,

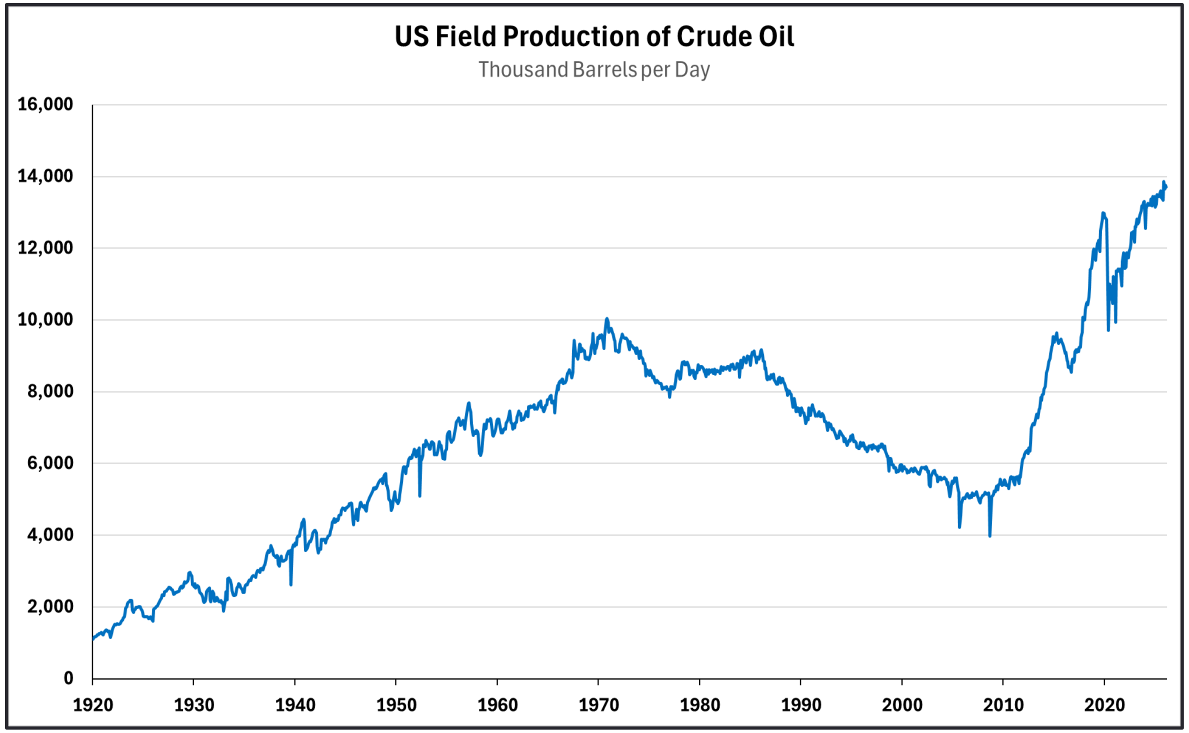
Sensitivity to Oil Prices Reflected in Market Response

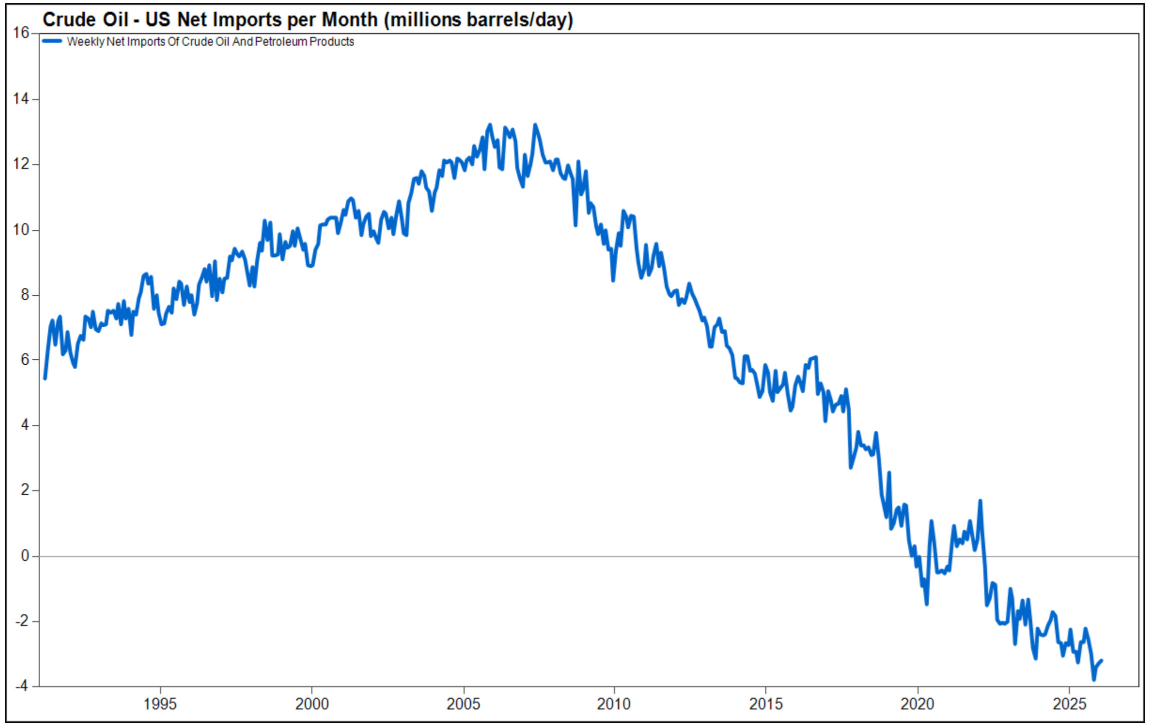




Source: FactSet

US Energy Independence Reduces Geopolitical Risk





Source: FactSet

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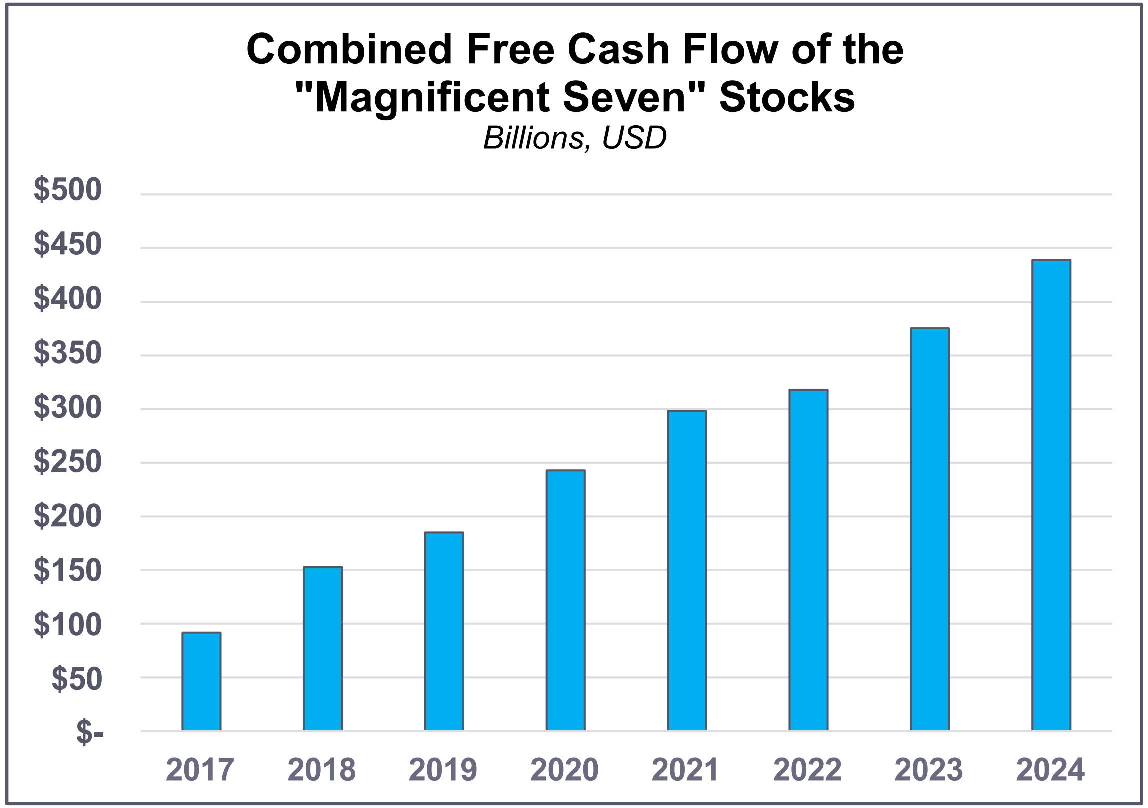
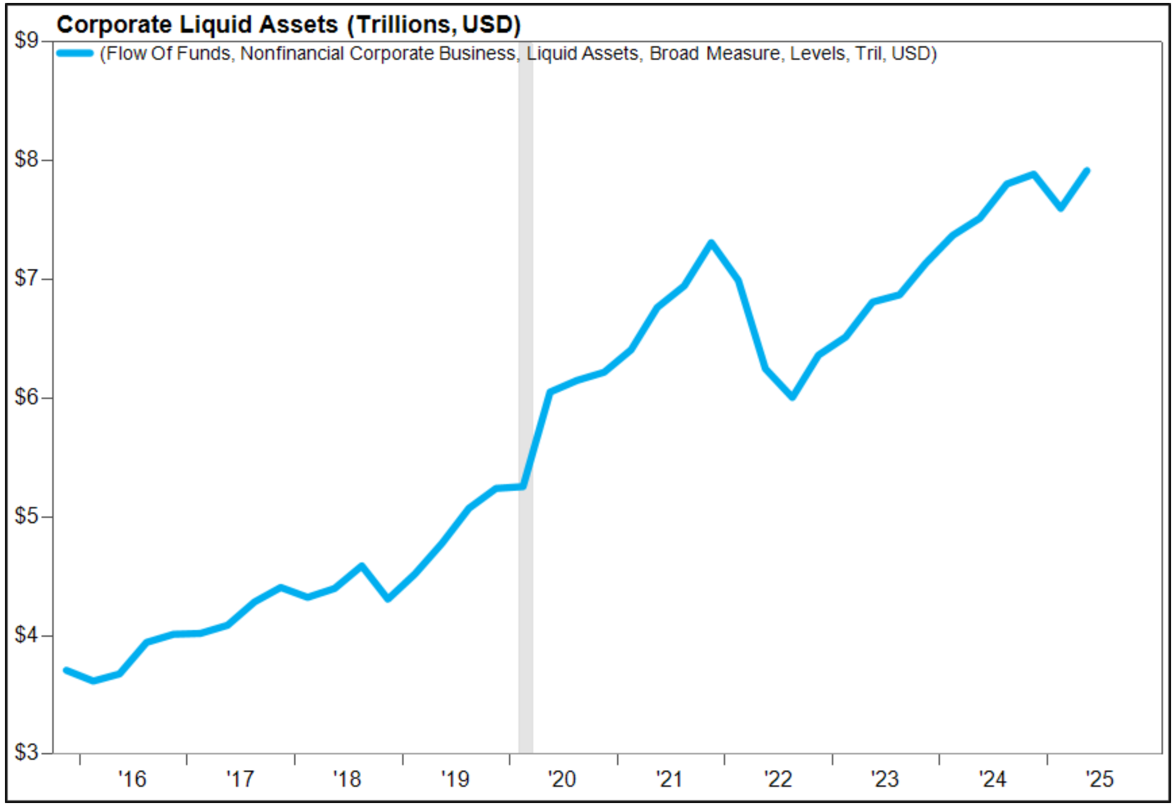
How Have Stocks and Crude Oil Traded During Key Geopolitical Events of the Past 50 Years?

Geopolitical Event	Year	Key Date	One Day Change % S&P 500	One Day Change % Crude Oil (WTI)	1-Year Return % S&P 500	1-Year Return % Crude Oil (WTI)
US & Israel Attack Iran	2026	2/28/2026	0.05%	5.8%	?	?
Israel Attacks Iran	2025	6/13/2025	-0.5%	6.5%	16.1%	9.4%
Hamas Attacks Israel	2023	10/7/2023	0.6%	4.3%	33.5%	-1.7%
Russian Invasion of Ukraine	2022	2/24/2022	1.5%	0.3%	-5.1%	-8.4%
Iranian General Killed in US Airsrike	2020	1/3/2020	-0.7%	3.1%	15.3%	-51.1%
North Korea Missile Crisis	2017	7/28/2017	-0.1%	0.9%	14.0%	38.3%
Russian Annexation of Crimea	2014	2/20/2014	0.6%	0.0%	14.8%	-46.2%
Boston Marathon Bombing	2013	4/15/2013	-2.3%	-2.8%	31.9%	-39.6%
Syrian Civil War & Arab Spring	2011	3/15/2011	-0.1%	-1.2%	8.7%	3.0%
London Subway Bombing	2005	7/5/2005	0.9%	1.6%	7.2%	9.2%
Iraq War	2003	3/20/2003	-1.1%	0.6%	26.6%	64.6%
9/11 Attacks	2001	9/11/2001	-4.9%	-3.7%	-16.8%	-3.9%
World Trade Center Bombing	1993	2/26/1993	0.4%	-1.3%	5.1%	-39.7%
Civil War in Bosnia	1992	4/5/1992	-2.0%	0.6%	9.9%	7.5%
Persian Gulf War	1991	1/17/1991	3.7%	-31.9%	32.3%	-35.5%
Iraqi Invasion of Kuwait	1990	8/2/1990	-1.1%	20.8%	8.9%	-10.3%
Iran-Contra Affair	1986	11/25/1986	1.4%	0.0%	-0.7%	23.6%
Attempted Assassination of Reagan	1981	3/30/1981	-0.3%	0.2%	-17.5%	-2.2%
Iran-Iraq War	1980	9/22/1980	0.4%	1.0%	-10.1%	51.0%
Median			**-0.1%**	**0.6%**	**9.4%**	**-2.0%**

Source: FactSet

AI Leaders Are in Great Shape

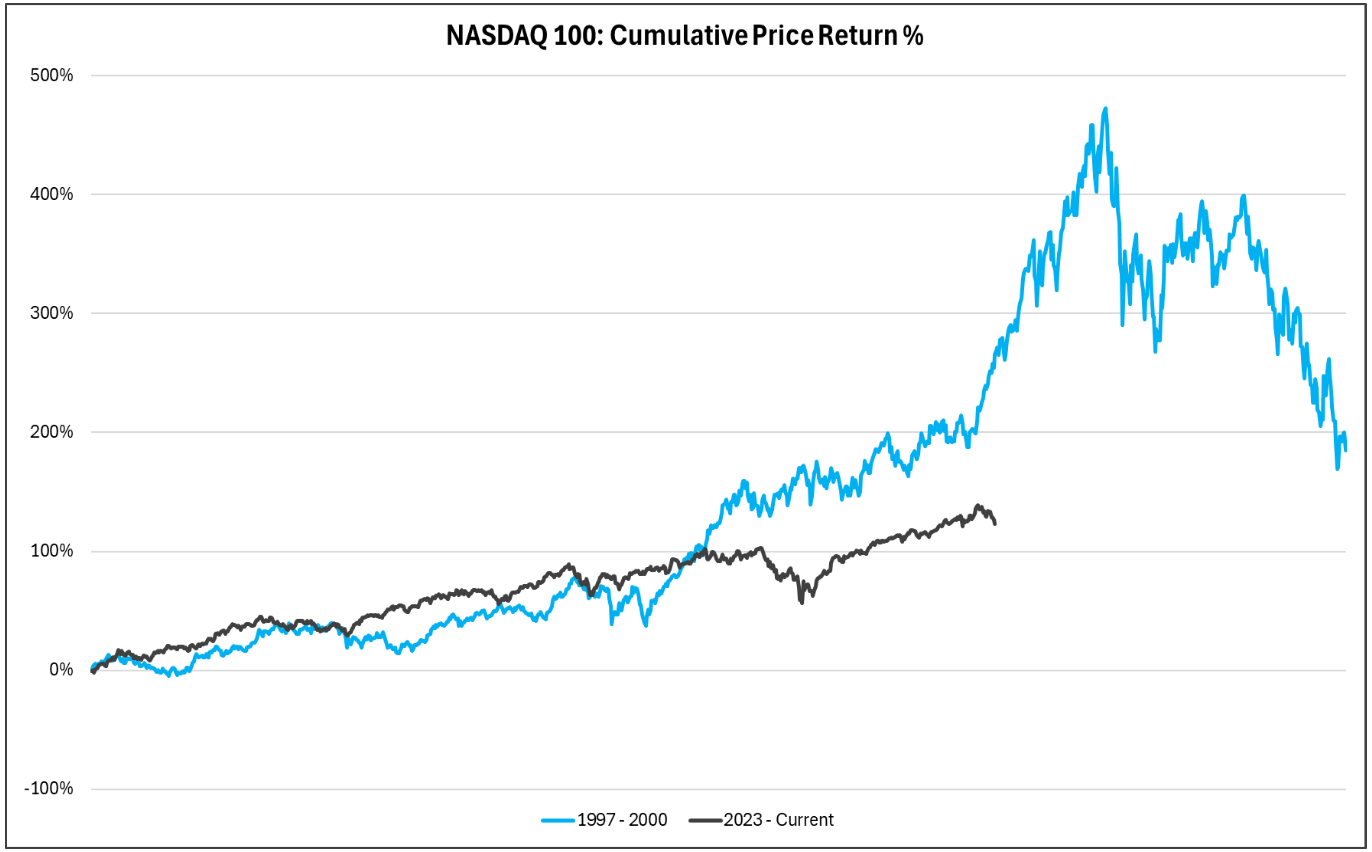




Periods of US recession

Source: FactSet

Compared to the 1990s Run, We Have a Ways to Go



Bull Markets Tend to Last Longer than Bear Markets:

Start Date	End Date	Phase	Months	Cumulative Return
Aug 1956	Oct 1957	Bear	14	-22%
Oct 1957	Dec 1961	Bull	50	86%
Dec 1961	Jun 1962	Bear	6	-28%
Jun 1962	Feb 1966	Bull	44	80%
Feb 1966	Oct 1966	Bear	8	-22%
Oct 1966	Nov 1968	Bull	26	48%
Dec 1968	May 1970	Bear	17	-36%
May 1970	Jan 1973	Bull	32	74%
Jan 1973	Oct 1974	Bear	21	-48%
Oct 1974	Nov 1980	Bull	74	126%
Nov 1980	Aug 1982	Bear	21	-27%
Aug 1982	Aug 1987	Bull	60	229%
Aug 1987	Dec 1987	Bear	4	-34%
Dec 1987	Jul-90	Bull	32	52%
Jul 1990	Oct 1990	Bear	3	-20%
Oct-90	Mar-00	Bull	114	513%
Mar 2000	Oct 2002	Bear	31	-49%
Oct 2002	Oct 2007	Bull	60	102%
Oct 2007	Mar 2009	Bear	17	-56%
Mar 2009	Feb 2020	Bull	132	401%
Feb 2020	Mar 2020	Bear	1	-34%
Mar 2020	Jan 2022	Bull	21	114%
Jan 2022	Oct 2022	Bear	10	-25%
Oct 2022	Present	Bull	35	87%

Average	**Bull**	**57**	**159%**
Average	**Bear**	**13**	**-33%**

Source: FactSet

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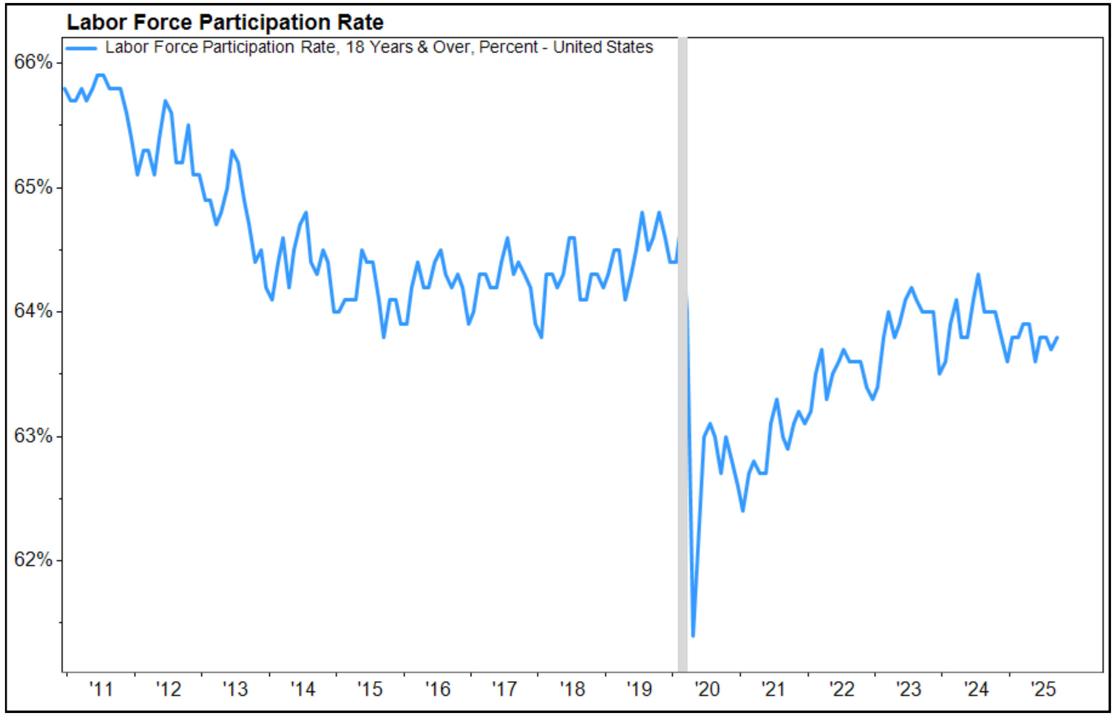
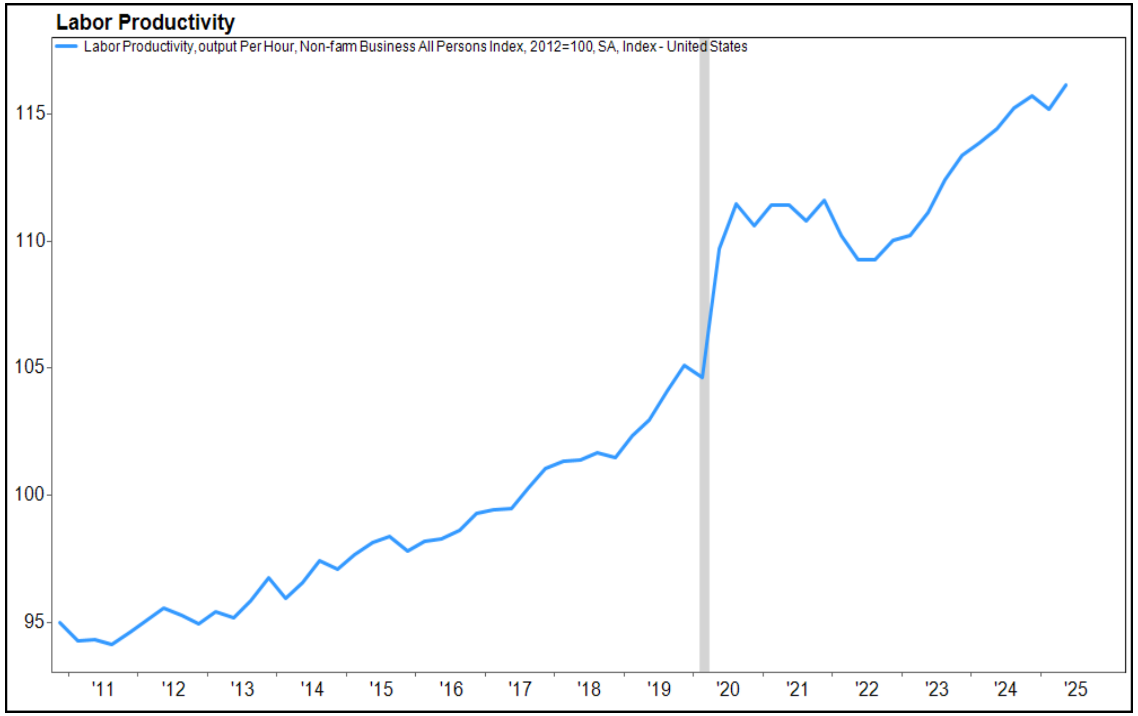
What if We are in a Productivity Boom?



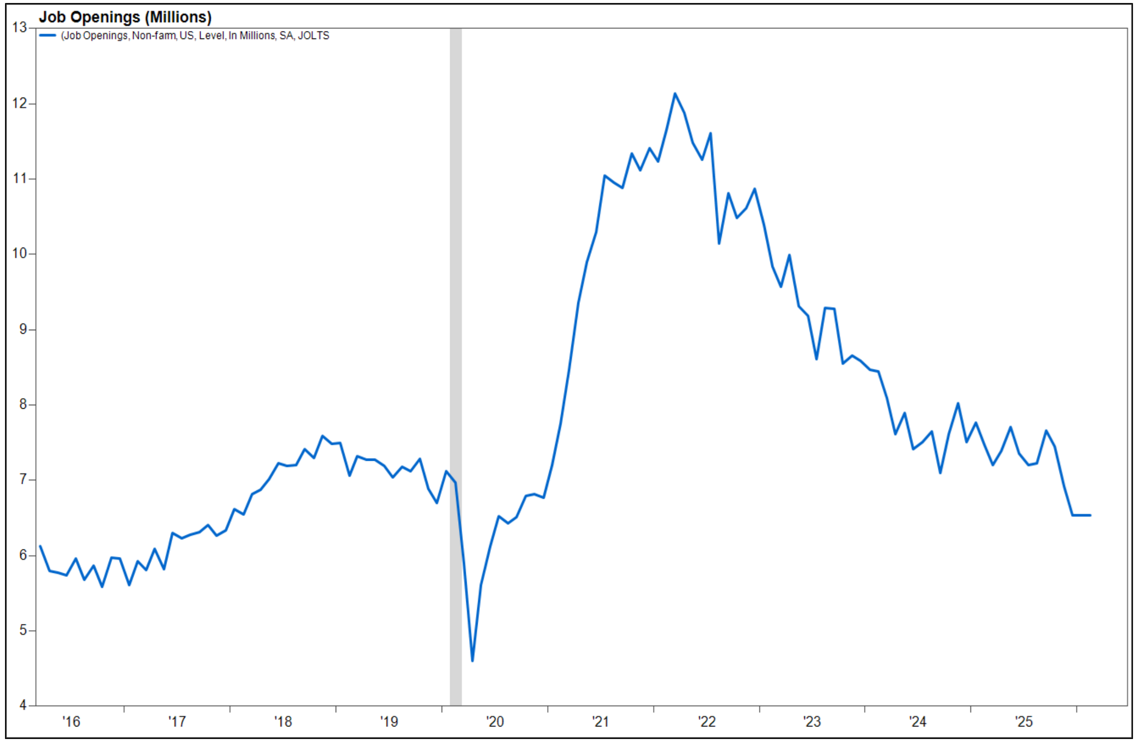


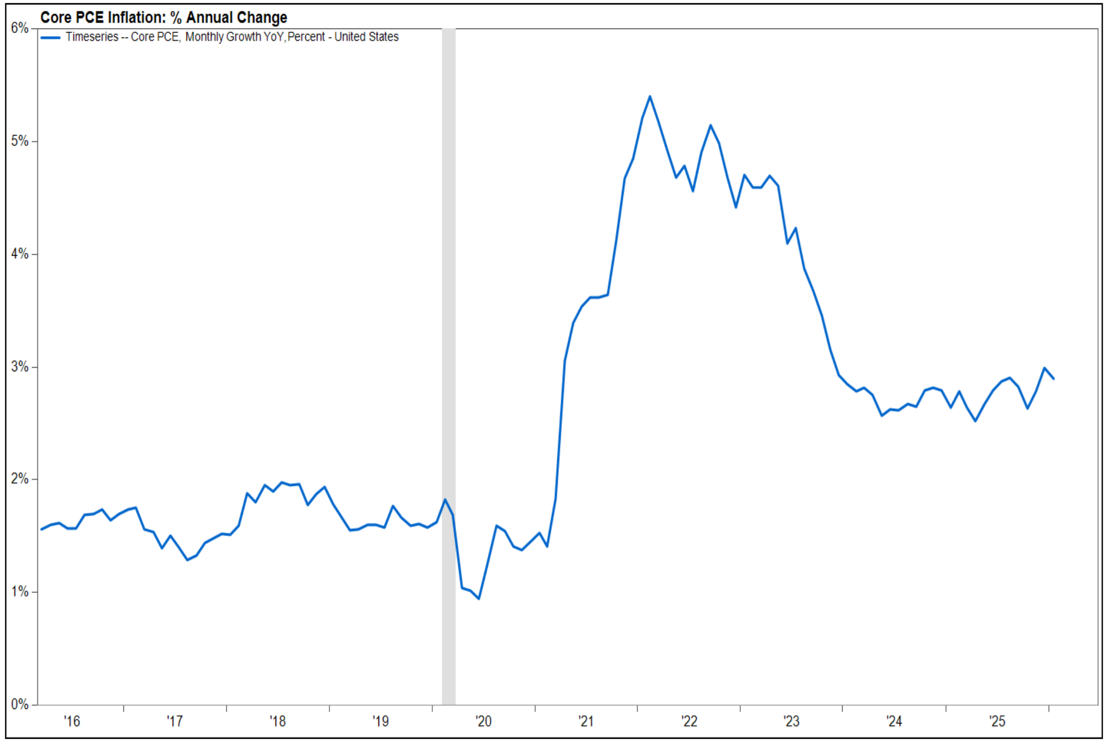
Periods of US recession

Source: FactSet, Reuters

The Fed's Balancing Act

Periods of US recession





U.S.News & WORLD REPORT

A Mixed Bag of Economic Reports Shows Americans Struggling With High Prices, Weak Labor Market

Consumers head into Christmas shopping season worried about prices and jobs.

AP

US wholesale prices arrive hotter than expected, up 0.5% from December and 2.9% from a year ago

Source: FactSet, US News, AP

Where Does the Fed Go From Here?

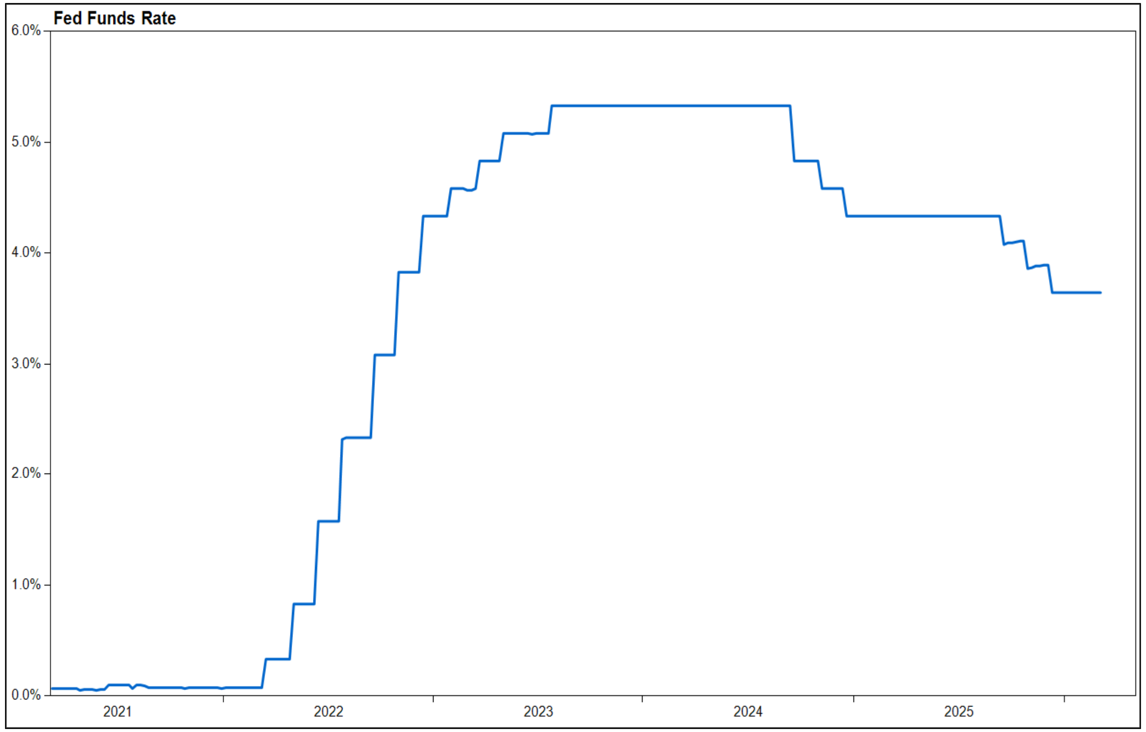
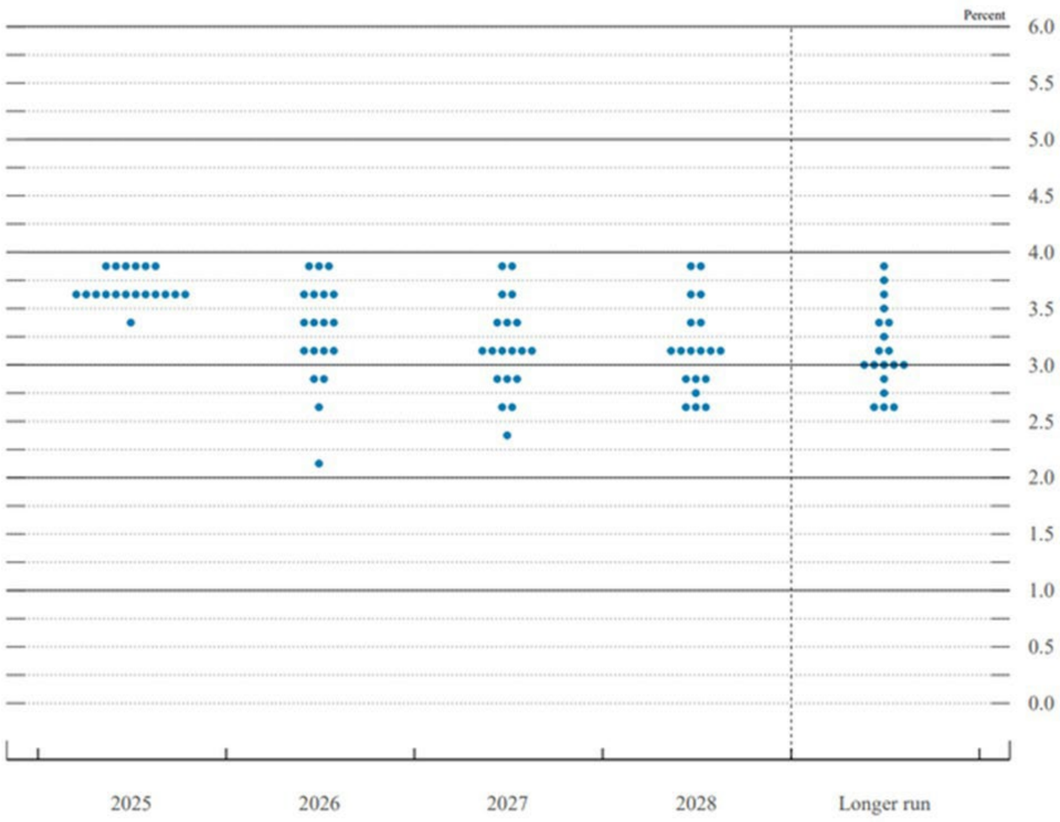


Figure 2. FOMC participants' assessments of appropriate monetary policy: Midpoint of target range or target level for the federal funds rate



Source: FactSet, Federal Reserve

The "One Big Beautiful Bill Act" May Boost Short-Term Growth

A Net Positive for Wall Street:

- Broad tax hike averted by extending 2017 tax cuts / brackets
- Tax cuts, spending incentives are immediate; spending cuts are back end loaded
- Workers earning tips and overtime get a tax break (some qualifiers)
- SALT deduction gets a meaningful bump (probably the biggest policy hurdle Republicans had to clear)
- Americans over 65 will pay less tax (ties back to "No Tax on Social Security" pledge, some qualifiers)
- Regulatory boost for energy industry
- Domestic manufacturers incented to spend (depreciation and amortization treatment)
- Markets don't like uncertainty

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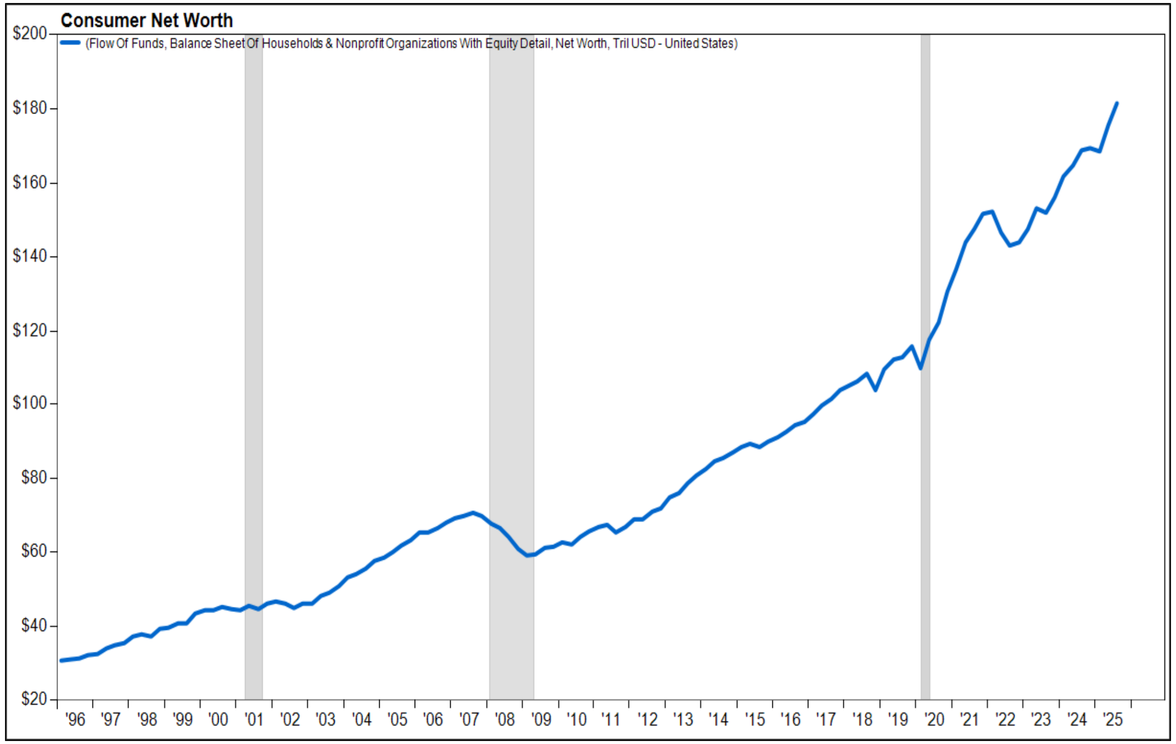
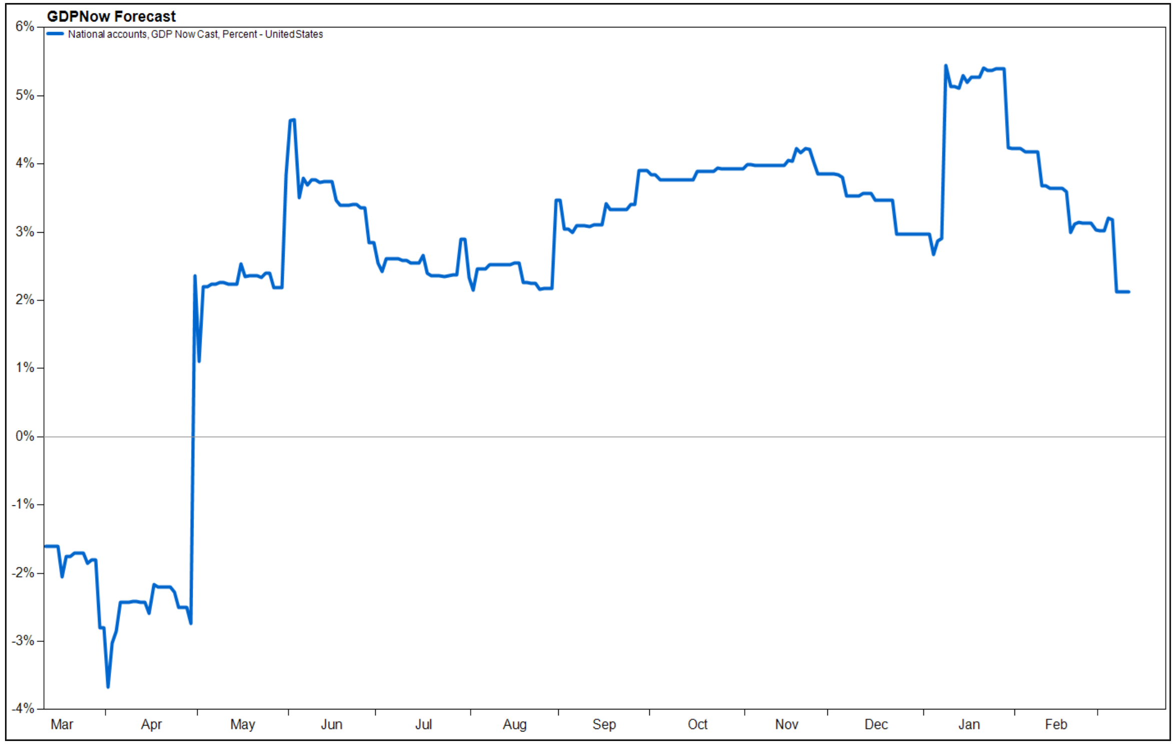
Source: White House, CBO

No Signs of a Recession

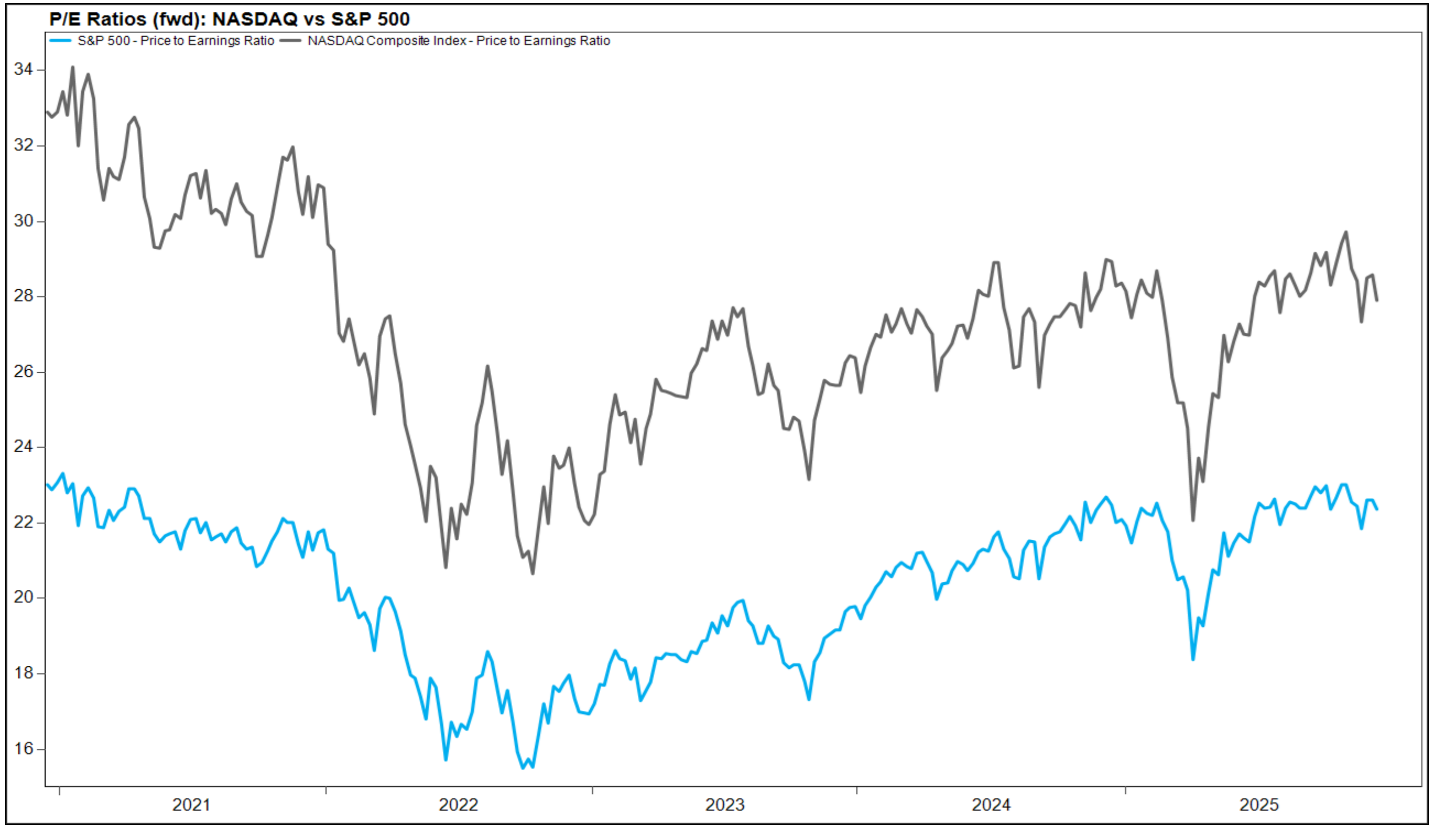




Periods of US recession

Source: FactSet

That Said, What Could Go Wrong



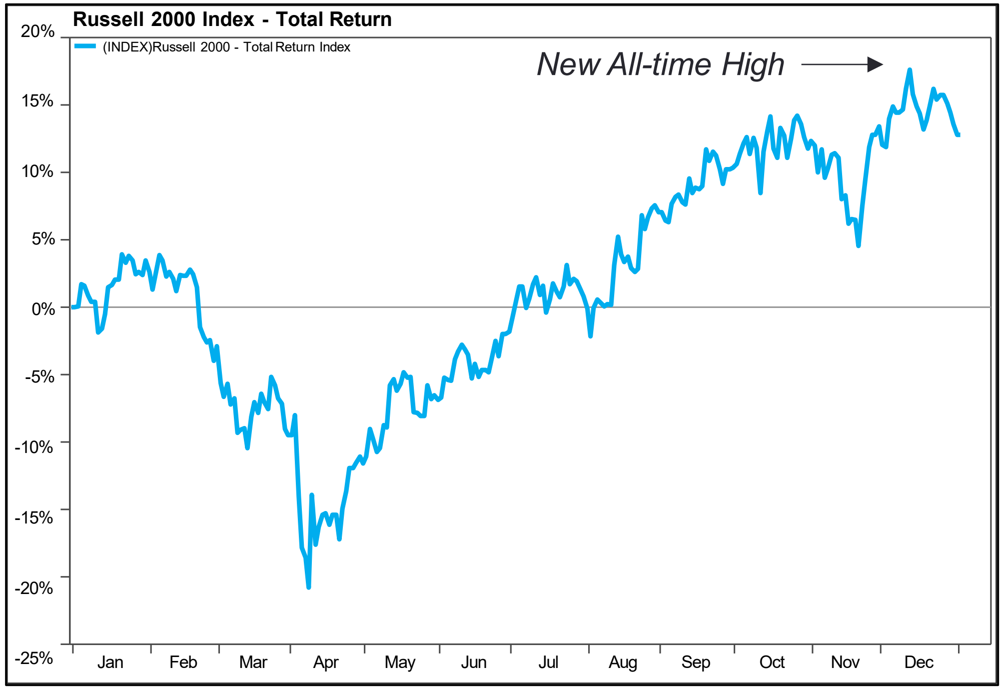
What Could Go Wrong?

- Conflict with Iran widens, challenging supply chains
- Trade uncertainty re-surfaces
- Inflation remains stubbornly elevated
- Valuations trigger caution from investors
- New Fed Chair creates monetary policy angst
- Lower end consumers hit their breaking point
- Year 2 of the presidential cycle creates noise
- The Dollar can't find its footing
- AI fails to meet lofty expectations
- Cracks in the labor market weigh on economic growth
- Fiscal policy follow-through in Europe comes up short
- Private credit market upended

Source: FactSet

2026: AI and Animal Spirits Should Carry the Day

- AI cap ex should prove an ongoing tailwind for revenues and earnings
- The OBBBA is another positive catalyst for corporate investment
- Double digit earnings growth flies in the face of recession risk
- There is more than enough cash on the sidelines -- $7+ trillion in money market funds
- And that cash is being put to work…EA goes private in the biggest LBO in history
- IPO activity is picking up, headlined by SpaceX in ’26
- The rally in small caps add confidence to the bull market
- A final landing spot on trade – China, Mexico, Canada – would be welcome
- The dollar could find its footing
- Borrowing costs are moderating
- To sum it all up, the rally’s breadth, earnings growth, liquidity and age of the bull market keep us optimistic into 2026



Source: FactSet

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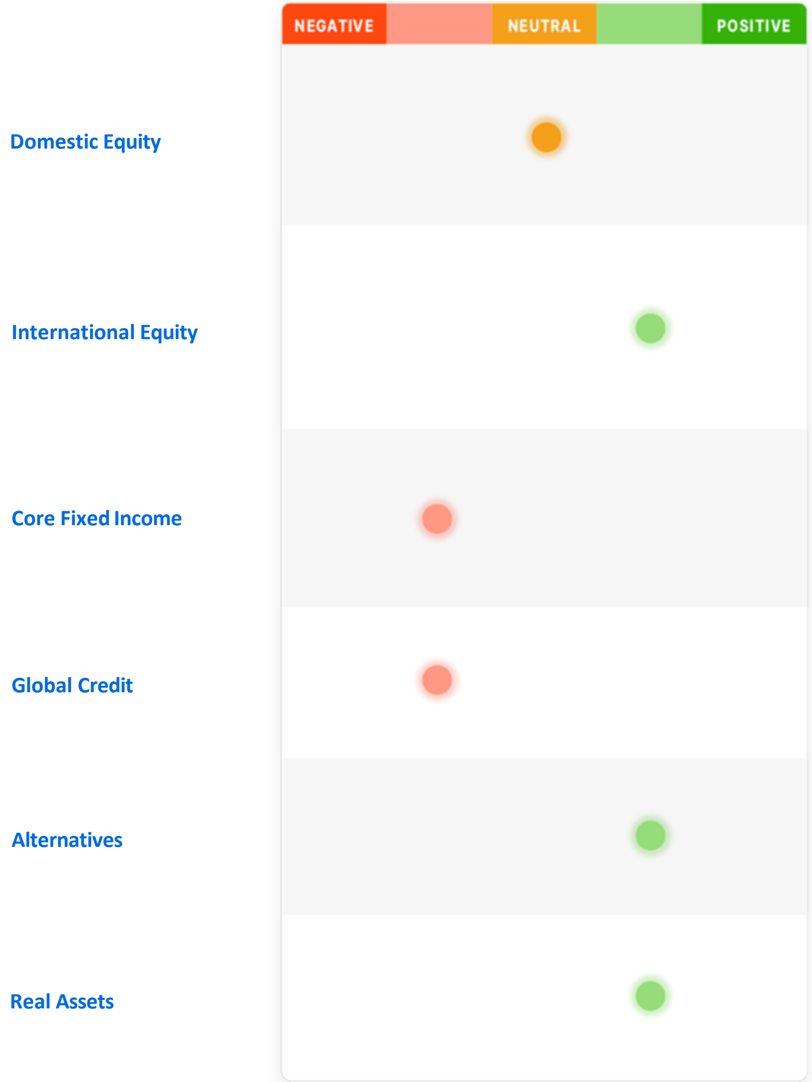
Current Portfolio Positioning

Current Portfolio Positioning

How are We Positioned Entering 2Q?



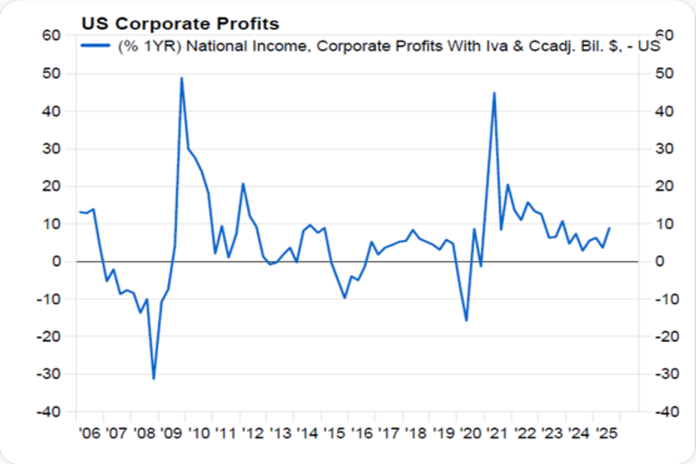
Market Outlook

- We are constructive on risk assets in 2026 as pro-growth policy and AI-driven capex spending provide tailwinds for economic growth and corporate earnings
- Although we expect solid returns from US stocks, we are more optimistic on the outlook for international equities—both developed and emerging—where we maintain a modest overweight
  - US equity fundamentals remain attractive, with favorable growth prospects for the economy and corporate earnings; elevated valuations and the cooling labor market temper our expectations
  - International equities offer earnings growth over the next two years that is roughly on par with US equities while valuations are considerably less expensive
- The risk-reward profile within fixed income warrants a more cautious approach
  - Pro-growth policy may limit the decline in longer-term Treasury yields
  - Historically tight credit spreads offer reduced margin of safety if credit fundamentals deteriorate
- With compressed forward return expectations for core fixed income, lower-volatility alternatives have the potential to effectively diversify portfolios and serve as a hedge against elevated volatility that may emerge in either equity or fixed income markets
- We believe that real assets offer an attractive combination of improving fundamentals, healthy dividend yields, and secular tailwinds and should outperform in an environment of above-trend growth in both nominal GDP growth and inflation

Grow: Equity Outlook

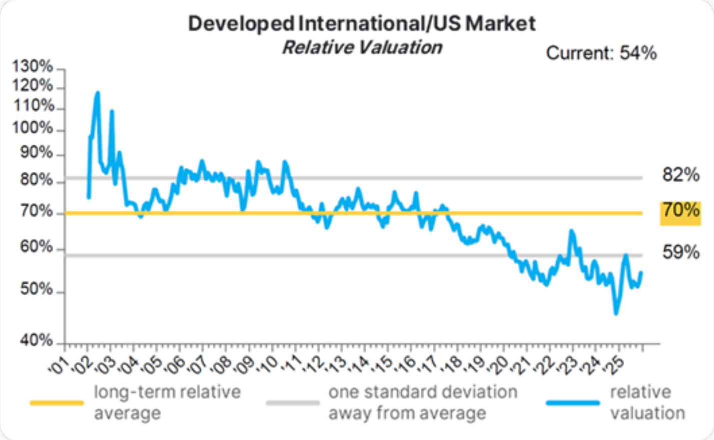
Domestic Equity (Neutral) – Fundamentals Remain Healthy Although Valuations Are A Concern

- Fundamentals remain supportive despite a cooling labor market
  - Q3 earnings growth (YoY) for the S&P 500 exceeded 13%; estimates for Q4 are approaching 9%, which would be the 10th consecutive quarter of positive earnings growth for US stocks
  - Q3 2025 real GDP growth of 4.3% (annualized) handily outpaced expectations; Q4 GDP growth is also tracking for robust growth, with the Atlanta Fed's estimate currently at 5.4%
  - Fiscal, monetary, and regulatory policy supportive of economic growth and corporate profits
  - US unemployment rate rose to 4.6% in December; cracks are continuing to grow in the labor market
- Valuations remain elevated vs. history, suggesting below-average forward returns
  - Small cap stocks present an attractive opportunity with reasonable valuations and improving fundamentals that are more highly levered to solid economic growth and lower interest rates



International Equity (Moderately Positive) – International Markets Are Poised for Continued Strength

- International equities outperformed US stocks in 2025 by largest margin since 1993 yet valuations remain attractive for ex-US equities
  - Relative P/E multiples for international equities at a 32% discount to US stocks
  - All economic sectors trade at relative valuation discounts to their US counterparts
- International fundamentals also solid
  - Consensus estimates call for double-digit earnings growth in 2026 and 2027
  - Composite PMIs have moved into expansionary territory for major developed and emerging markets
- Fed rate cuts in non-recessionary environment have been positive for forward relative returns of emerging markets equities market
  - EM equities also supported by favorable valuations and attractive earnings growth forecasts
- Elevated geopolitical risk warrants continued monitoring amid stalled diplomatic efforts in the ongoing Russia-Ukraine conflict and indications of a more active US posture in the Western Hemisphere

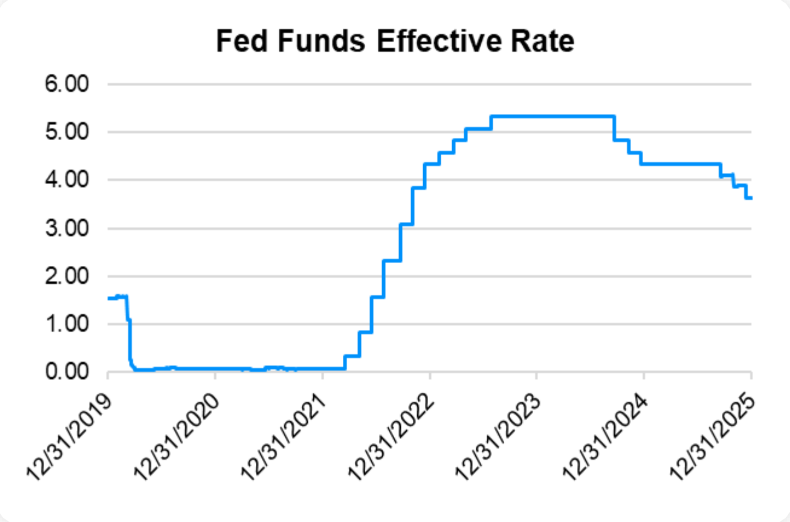


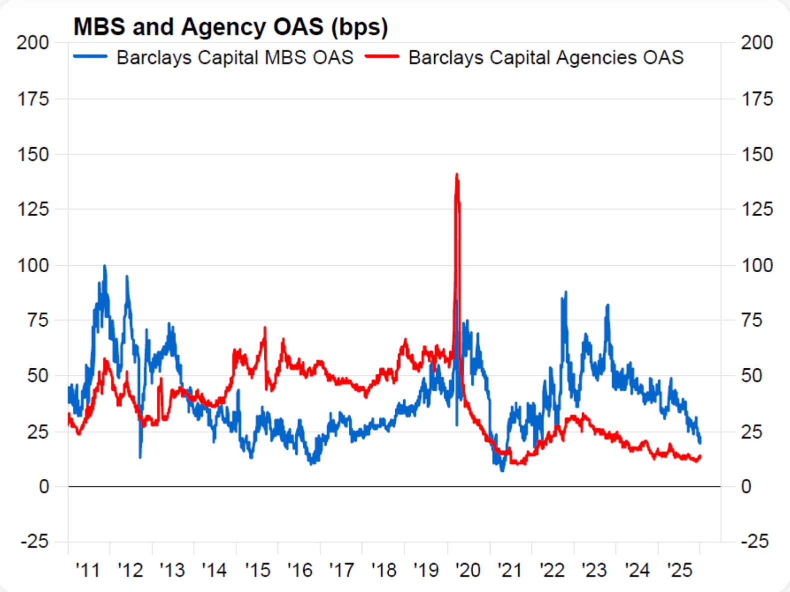
Source: FactSet

Earn: Core Fixed Income Outlook

Moderately Cautious Outlook – Spreads Remain Tight

- Yields across most of the US Treasury curve were largely unchanged, with short-term yields lower in tandem with the Fed's December rate cut and 30-year yields edging higher in response to strong economic growth and sticky inflation
- The 10-yr US Treasury yield ended the quarter at 4.16%, essentially unchanged from where it began Q4
- Longer-term Treasury yields declined by roughly 40 bps over the past year and credit spreads on investment grade corporate bonds ended the year near their tightest levels in the past twenty-five years; this compressed forward return expectations and increased potential fixed income volatility
- Securitized credit (MBS, ABS, CMBS) remains more attractive than corporate bonds although the spreads for these sectors are also significantly tighter than historical averages
- Fixed income volatility receded during the quarter, with the MOVE Index (bond version of VIX) ending 2025 near its lowest levels of the year



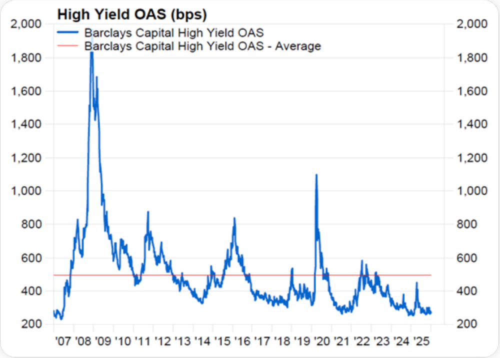


Source: FactSet

Diversify: Outlook on Diversifying Asset Classes

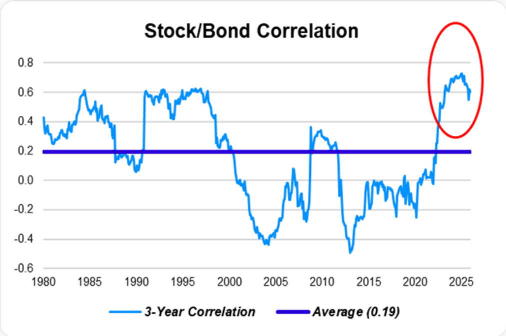
Global Credit (Moderately Cautious) – High Yield Spreads Remain Historically Tight

- Absolute yields and credit spreads have decreased for US high yield bonds, leading to a lukewarm intermediate-term outlook
  - Fundamentals (coverage ratios, default rates) remain healthy relative to historical averages
  - Yields are more attractive than many other fixed income segments on a risk-adjusted basis
  - HY spreads remain near their tightest levels in history, offering little cushion if fundamentals deteriorate
- EM corporate debt has also seen spread tightening while local currency EM bonds offer enhanced diversification potential and the opportunity to benefit from further USD weakness



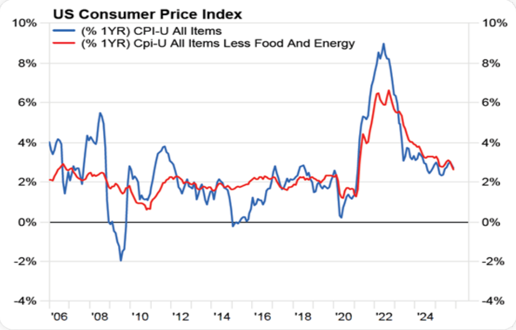
Alternatives (Moderately Positive) – Differentiated Return Drivers Can Enhance Diversification

- Correlations between stocks and bonds have been positive for much of the past three years, enhancing the attractiveness of alternatives as a portfolio diversifier
- Long-duration Treasuries have been exhibiting weak hedge ratios against equity downturns, dampening their ability to hedge equity risk
- Moderating volatility across equity and fixed income markets slightly diminishes the short-term benefit of alternatives although elevated macro, policy, and geopolitical uncertainty is supportive



Real Assets (Moderately Positive) – Real Asset Equities Attractively Priced

- Global infrastructure, global REITs, and natural resource equities are trading at relative valuation discounts of 15-20% vs long-term averages
- Fundamentals have improved, with positive (and improving) earnings growth forecasts, healthy dividend yields, and secular tailwinds
  - Inflation has been stubbornly elevated; with the Fed's attention shifting toward the weakening labor market, above-target inflation is plausible over the next couple years; this has tended to be constructive for real assets
- Precious metals moved sharply higher in 2025 with potential to continue their upward trajectory this year; central bank demand and geopolitical uncertainty are key supports for the gold market



Source: FactSet

What We Like and Don’t Like

What We Like and Don’t Like

What We Like

- One more rate cut for 2026?
- AI mega-trend
- Overseas markets lifting corporate profits for multinationals
- Economic growth is resilient
- The labor market is resilient
- The US consumer is resilient
- Credit markets pricing in confidence
- The One Big Beautiful Bill Act could fuel growth
- No signs of recession
- Small caps outperforming of late

What We Don't Like

- Geopolitics and the Iran War
- The spike in energy costs
- Inflation forecasts sending mixed signals
- Valuations remain historically elevated
- Long-term rate forecasts are uncertain
- US debt levels
- Consumer debt levels
- Year 2 of the Presidential cycle and mid-terms
- AI profits are concentrated (so far)
- A weaker dollar

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For questions or comments, please contact:

info@legacywealthic.com
Legacy Wealth Investment Counsel, LLC
17 Corporate Plaza Drive, 2nd Floor
Newport Beach, CA 92660

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