Economic & Investment Outlook

April 13, 2026

Equity Market Update

After a strong 2025, equities have had a more challenging start to 2026 as investors weigh the durability of economic growth, the outlook for corporate earnings, and ongoing geopolitical uncertainty. This has not been solely a U.S. story, as global equities have also faced a more difficult backdrop to begin the year. Markets are also becoming more selective, particularly within large-cap growth, as enthusiasm around artificial intelligence shifts toward a greater focus on earnings delivery and return on investment.

While volatility has increased, this type of pullback is not unusual following a period of outsized gains. Equity markets rarely move higher without interruption, and periods of consolidation often serve to reset expectations. One encouraging development is that market leadership has started to broaden beyond the largest companies. Small- and mid-cap stocks have been notable bright spots and are among the few areas of the market in positive territory to start the year. Strength has also begun to extend beyond large-cap technology. That is generally a healthy sign, as more durable market advances tend to be supported by a wider group of sectors and companies.

While near-term volatility may persist, we believe a still-growing economy and supportive earnings should remain constructive for equities over time.

Total Return Performance
for the Major U.S. and International Stock Market Indexes

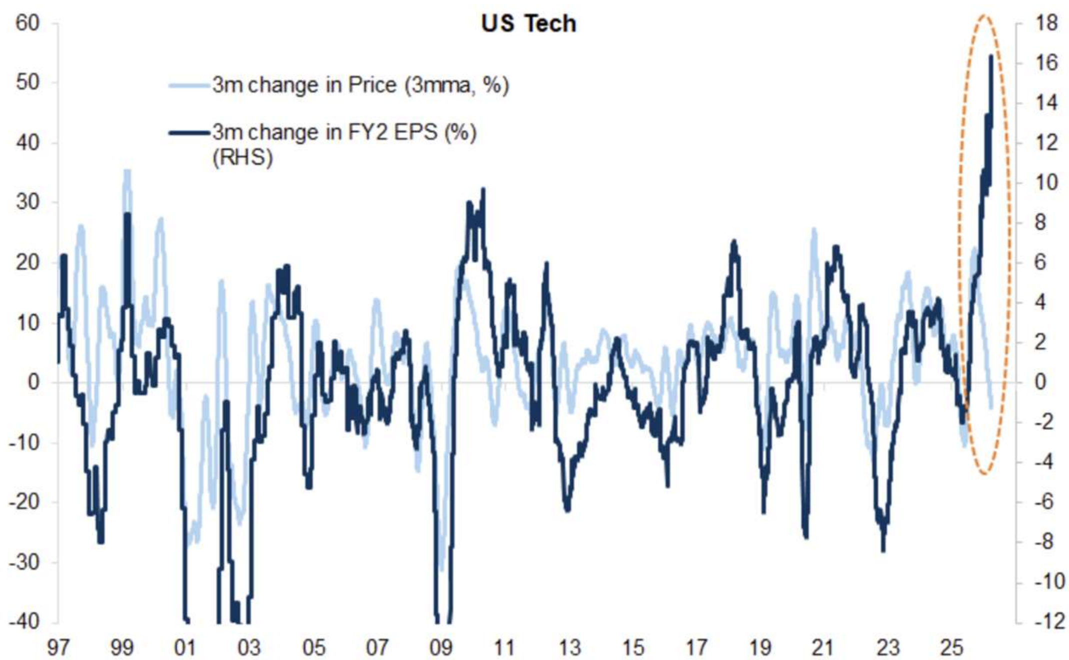
EQUITY INDEX	YTD March 31, 2026
UNITED STATES	
Dow Jones Industrial Avg.: 30 Stock Composite	-3.19 %
S&P 500 Composite: U.S. Large Cap	-4.35 %
NASDAQ Composite: Technology Heavy	-5.82 %
S&P 600 Small Cap: U.S. Small Cap	3.58 %
INTERNATIONAL	
MSCI EAFE Large Cap: Europe, Asia & Far East Large Cap	-1.09 %
MSCI EAFE Small Cap: Europe, Asia & Far East Small Cap	-1.12 %
MSCI EM Emerging Market: Emerging Market Countries	-0.13 %

Source: Bloomberg, L.P.

Technology Under Pressure

Technology stocks have had a difficult start to 2026 after leading the market for much of the past two years. Historically, technology share prices have been closely tied to changes in earnings expectations, but that relationship has broken down in recent months. As the chart below illustrates, the light blue price line and dark blue earnings estimate line have historically moved closely together but have diverged meaningfully in recent months. Stock prices have fallen even while earnings estimates have moved higher, suggesting recent weakness reflects a reset in sentiment more than a comparable deterioration in fundamentals.

Even so, we do not believe this changes the longer-term case for high-quality technology businesses. Over time, investors tend to reward companies with improving fundamentals, durable earnings growth, and disciplined execution. In our view, technology should remain an important source of market leadership over the long run.



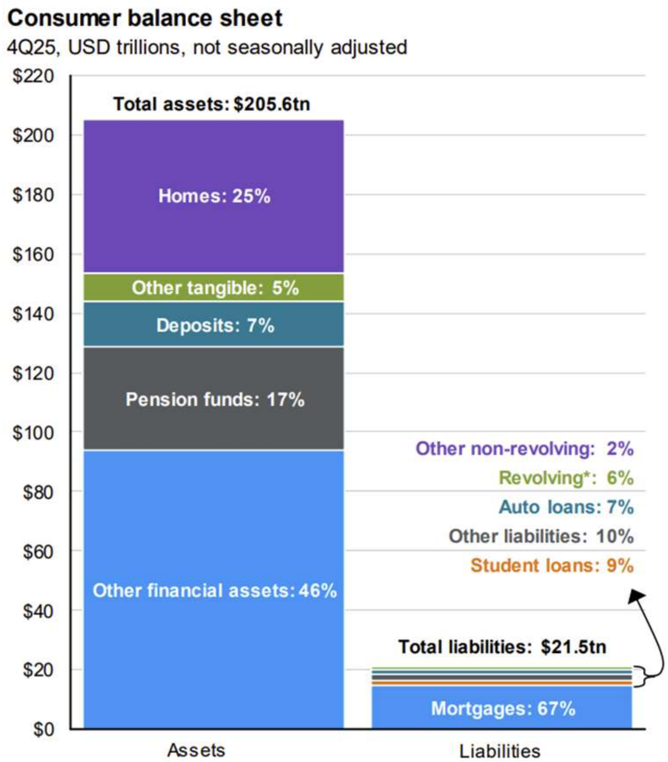
Source: Datastream, Goldman Sachs Global Investment Research

Market Implications From Iran Conflict

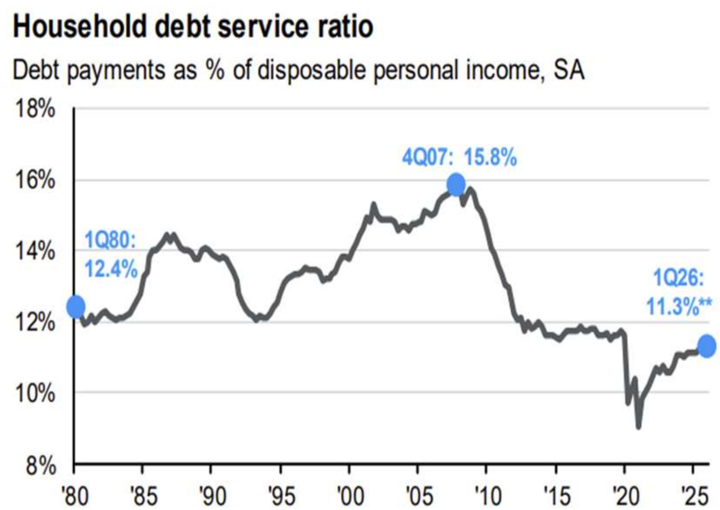
While the conflict with Iran is an unfortunate development, the two-week ceasefire announced on April 7 has helped ease some of the immediate market stress tied to higher oil prices and disruption in the Strait of Hormuz. Even so, the situation remains fluid, and some uncertainty will persist. While it is always frustrating to see higher gasoline prices when you drive by the pump, even a more prolonged period of elevated energy prices may be less burdensome than in prior decades, with energy goods accounting for just 2% of consumer spending today compared with about 4% in 1990. This is more likely to remain a source of near-term volatility than a development that materially changes the broader outlook for the economy or financial markets, unless the conflict broadens meaningfully. As a result, we still view the conflict as a reason for caution, not a reason for significant portfolio changes.

Consumer Resilience Remains Intact

While consumers are showing some signs of strain, household finances remain in relatively solid shape overall. Balance sheets are still supported by a large asset base, and debt service remains well below pre-financial-crisis levels. Higher borrowing costs are creating pressure at the margin, but the broader picture remains one of moderation rather than distress. Fiscal support from the OBBB Act may also help cushion some of that pressure. Consumer spending may continue to cool, but absent a more meaningful deterioration in employment conditions, we do not believe the consumer is under enough stress to materially weaken the broader economy.



Source: JPMorgan Guide to the Markets 3/31/2026



Source: JPMorgan Guide to the Markets 3/31/2026

Inflation, Interest Rates & Fixed Income

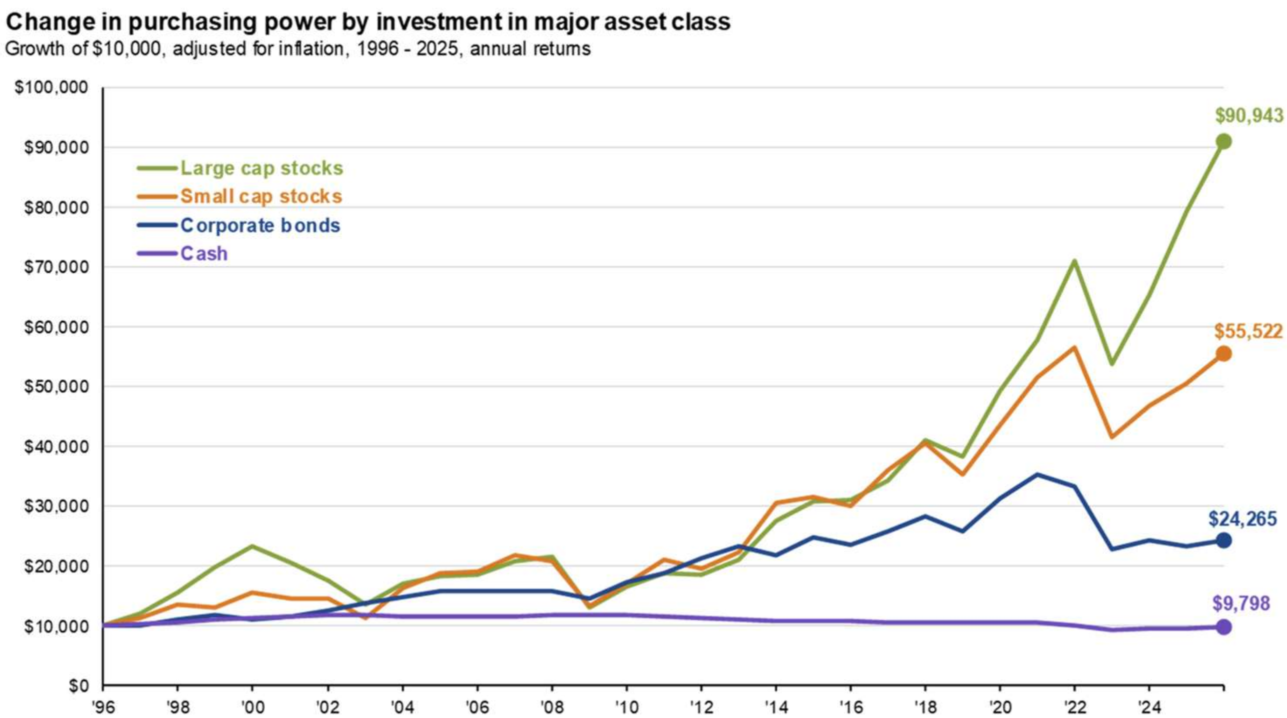
Inflation has moderated, but the final move back toward the Federal Reserve's vaunted 2% target may prove more difficult. At its last two meetings, the FOMC kept the federal funds rate unchanged at 3.5% to 3.75%, signaling that it wants greater confidence inflation is moving sustainably lower before cutting further. The Fed's latest projections still point to economic growth this year, while inflation remains above target and recent payroll data suggest the labor market is cooling but not cracking.

For fixed income investors, we continue to favor shorter-term bonds. Longer-term yields have remained relatively elevated, likely reflecting continued concern around inflation, fiscal deficits, and broader policy uncertainty. In our view, shorter-term bonds still offer an attractive combination of income and lower volatility, and we do not believe the modestly higher yield on longer-term bonds is enough to justify the added price risk.

Summary

Periods of market weakness can be uncomfortable, particularly after a year of above-average returns like 2025. However, one of the most important reminders for long-term investors is that wealth is rarely built in a straight line. The chart below is a useful reminder that equities have experienced plenty of setbacks over time, yet have remained one of the most effective tools for growing wealth over the long run. By contrast, more defensive assets such as bonds and cash have typically provided greater stability, but much less real wealth creation.

Market pullbacks are a bit like traffic: frustrating in the moment, but usually not a reason to abandon the trip. History suggests that patience and discipline are often rewarded over time, and we appreciate the trust you place in us to help guide you through the inevitable twists and turns along the way.



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