



Economic & Investment Outlook Summary

October 12, 2026

Equity Market Update

Equity markets advanced in the third quarter, though more modestly than during the spring rebound. The S&P 500 gained 2.30% during the quarter, while major U.S. and international indexes remained solidly positive for the year. Developed international markets also rose, while emerging markets declined but were still a year-to-date bright spot.

Leadership narrowed as U.S. small caps declined even while the S&P 500 rose, reversing the broader participation we noted last quarter. Technology stocks were volatile as well. The NASDAQ 100 fell just over 10% in July before recovering enough to finish the quarter slightly higher. Firm earnings and economic growth support a constructive longer-term outlook, though we are watching whether participation broadens again.

Earnings and the Economy

The S&P 500's advance has involved more than investors paying a higher price for the same expected profits. Its forward P/E declined from recent highs to roughly 19 as earnings expectations rose faster than stock prices. Analysts also expect substantial profit growth beyond the Magnificent Seven, even though stock gains became more concentrated last quarter.

Inflation rose from 2.7% in December 2025 to 3.4% in August 2026, driven largely by higher energy prices, while core inflation edged lower. The economy continued to grow despite those pressures. Higher Treasury yields have weighed on existing bond prices but improved the income available from new bonds. The rise in yields changes the investment backdrop, but it does not mean growth must stop.

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

EQUITY INDEX

YTD
September 30, 2026

UNITED STATES

Dow Jones Industrial Avg.: 30 Stock Composite	7.19 %
S&P 500 Composite: U.S. Large Cap	12.75 %
NASDAQ 100 Composite: Technology Heavy	21.00 %
S&P 600 Small Cap: U.S. Small Cap	14.15 %

INTERNATIONAL

MSCI EAFE Large Cap: Europe, Asia & Far East Large Cap	10.91 %
MSCI EAFE Small Cap: Europe, Asia & Far East Small Cap	11.28 %
MSCI EM Emerging Market: Emerging Market Countries	23.52 %

Source: Bloomberg, L.P.

Summary

An all-time high can make it feel as though the opportunity has already passed. Yet new highs are a normal part of a market that grows over time. As the charts below show, average longer-term returns after investing at a new high have historically been comparable to returns after investing on any day. Reaching a new high is a milestone, not necessarily a ceiling. History puts today's highs in perspective, but it cannot tell us where stocks will go next.

Pullbacks remain possible as markets adjust to higher rates, inflation, and changing expectations for earnings. Rather than treating a particular index level as a signal to act, we remain focused on each client's goals, time horizon, and ability to stay invested through uneven periods. We are grateful for the trust you place in us and for the opportunity to help you sort through the noise while keeping your long-term priorities in view. We hope you and your families enjoy the fall, and we look forward to the months ahead together.

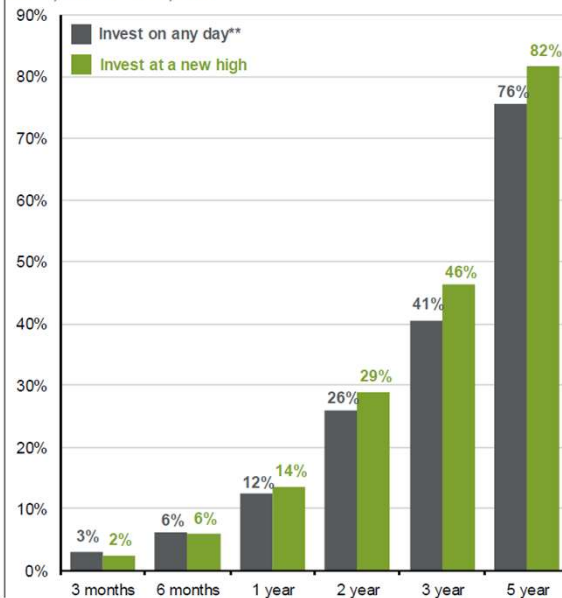
All-time highs and market floors

S&P 500 price index, daily, 1950 - present



Average cumulative S&P 500 total returns

Jan 1, 1988 - Dec 31, 2025



Source: JPMorgan Guide to the Markets 9/30/26

(Left) *Market floor is defined as an all-time high from which the market never fell more than 5%. (Right) **"Invest on any day" represents average of forward returns for the entire time period whereas "Invest at a new high" represents average of rolling forward returns calculated from each new S&P 500 high for the subsequent 3-month, 6-month, 1-year, 2-year, 3-year and 5-year intervals.

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