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Wealth Management

Market Summary 2nd Quarter 2026

It was a strong recovery quarter across global financial markets as the conflict in the Middle East showed meaningful signs of de-escalation. A U.S.-Iran interim agreement led to the reopening of the Strait of Hormuz, triggering a sharp decline in oil prices and easing one of the primary sources of uncertainty that had weighed on markets in the first quarter. In the U.S., equity markets delivered a powerful rally, with Growth stocks staging a strong rebound after the earlier rotation into Value. Technology and AI-related shares led the advance, while Small-cap stocks posted particularly robust gains on improved risk sentiment and domestic economic optimism. On the Bond side, interest rates continued to rise in response to rising inflation which was mostly triggered from rising energy prices. The S&P 500 and Nasdaq both recorded strong double-digit total returns for the quarter. Despite the earlier volatility, the U.S. economy continued to demonstrate resilience, supported by solid corporate earnings, healthy capital investment, and a stable labor market. In sum, Q2 was a period of recovery and broadening market participation as a major geopolitical and energy risk meaningfully subsided.

Index Returns:	2nd Quarter	YTD		2nd Quarter	YTD		2nd Quarter	YTD
S&P 500 (SPY)	14.26%	10.09%	U.S. Growth (SPYG)	20.10%	10.12%	U.S. Short Bond (BSV)	0.35%	0.51%
S&P 500 Equal Weight (RSP)	10.93%	11.97%	U.S. Value (VTV)	11.36%	15.97%	Intermediate Aggregate Bond (AGG)	0.65%	0.74%
Foreign Developed (MAIIX)	7.24%	10.18%	Small Blend (IWM)	20.68%	22.56%	High Yield Bond (HYG)	1.80%	1.69%

Market Outlook: With the Strait of Hormuz now reopened and oil having fallen sharply from its Q1 peaks, immediate recessionary and inflationary pressures from energy have eased considerably. However, with inflation hovering near 4% the market is now leaning toward the Fed to actually raise rates by the end of the year. And that is not all the Fed may do. The new Fed Chairman, Kevin Warsh, plans to significantly reduce the Fed’s $6.7 trillion balance sheet, and instead use interest rates as the primary tool for monetary policy. This change, while healthy for the US dollar, could cause more volatility to interest rates. Even still, the fundamental backdrop for equities remains strong at least through 2027 because of corporate earnings growth, particularly in technology and sectors tied to AI infrastructure and capital spending. Valuations, while hovering on the high side, are supported by record profit margins of over 14%, and are expected to stay firm or rise further well into 2027. In addition, somewhat lower energy costs in the second half of the year should be a relief for the consumer and corporate margins, which should help sustain economic expansion. While risks around geopolitics and stubbornly high inflation remain, the overall setup for the second half of the year is positive.