Third Quarter 2026 Review and Outlook

Data Points

Stock Market Data @ 6.30.26

DOW Jones Industrial (DIA)	16.87%	3-year average annual return[1]
S&P500 Index (SPY)	20.48%	3-year average annual return[2]
NASDAQ Composite (ONEQ)	24.86%	3-year average annual return[3]
S&P Small Cap (IJR)	16.01%	3-year average annual return[4]
MSCI EAFE (EFA)	16.34%	3-year average annual return[5]
U.S. Market Valuation		
S&P 500 Forward P/E Ratio		20.4x[6] (as of 6/30/26)
S&P 500 Forward P/E Ratio 30-YR average		17.2x[7] (as of 6/30/26)

Interest Rates, Bonds, Federal Reserve Data @ 6.30.26

U.S. Bond Market (AGG)	4.17%	3-year average annual return[8]
3 Month U.S. Treasury Bill Yield		3.87%[9]
10 Year U.S. Treasury Bond Yield		4.44%[10]
U.S. Federal Reserve Effective Federal Funds Rate		3.50-3.75%[11]

Q2 2026 Review

Financial markets experienced a strong recovery during the 2nd Quarter after the drawdown initiated in the aftermath of the start of the Iranian conflict. In fact, major stock market indices in the United Stated had reached all-time highs by early June. We view this as partly due to the perception that peace talks would eventually emerge, many stocks' share prices became attractive and a few highly anticipated IPOs hit markets.

As markets recovered at an accelerated rate, we would not be surprised to see some gain taking from market participants, which could lead to some volatility during the 3rd Quarter. However, we continue to see little evidence of an imminent economic recession in the United States, thus we remain constructive on maintaining our equity positions largely in line with target allocations. At the same time, we have a strategic position in cash if there is a value restoring correction—we view it as good to have dry powder!

Happy Birthday United States of America!

As we celebrate our 250th Independence Day on July 4th, it seems appropriate to us that we should consider how blessed and thankful we are that we live in the greatest country in the history of the world. With that in mind, we thought that instead of our normal economic and market overview, we would consider the reasons why we believe the United States is not only the greatest country in the world, but the greatest country in the history of the planet.

Innovation

The United States has long been known as a leader in technology and innovation. The first successfully powered airplane flight occurred in 1903 near Kitty Hawk, North Carolina. The United States' technology and

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economic engine was a significant reason for victory in World War II. The ENIAC, generally considered the world's first electronic computer, was designed and invented at the University of Pennsylvania.[12]

We continue to see a similar trend today. Currently, 9 of the top 10 global technology companies by market capitalization are headquartered in the United States.[13] Additionally, many of the technology companies in the United States are the biggest employer applicants for H-1B visas. Since 2008, H-1B application volume has steadily risen, and peaked at over 750,000 applications in 2024.[14] These companies attract some of the most intelligent and skilled people across the world to push the envelope of breakthroughs in AI, biotechnology, and energy. The U.S is the undisputed leader in technology and innovation.

Economy

Beyond technology, the United States is the world leader in many other areas. The International Monetary Fund (IMF) projects the GDP of the United States in 2026 we be ~$32.4 trillion.[15] For some perspective, that is more than the entire European Union by $9 trillion.[16] That is more than China, Germany and Japan combined.[17]

There is a reason that the financial world tunes into every Federal Reserve meeting and press conference. There is a reason that international trade and international travel ebbs and flows due to the dollar exchange rate. There is a reason that the stock market in the United States accounts for over 63% of the value of the global stock market (MSCI ACWI All Country World Index).[18] It would be difficult to envision a scenario under the current circumstances in which the United States goes into a deep recession and the rest of the world does not follow. The United States economy and financial engine is the driver of the global economy.

The Melting Pot

We recognize that there is growing polarization in the United States on many topics, in particular culture. We will do our best to stay above the passionate political and cultural topics that cause division. However, we would argue that many who have traveled to the United States recently for the World Cup have found the culture in the United States to be better than often depicted.

Yes, the United States has its share of problems, both past and present. However, we can think of no other place on earth that offers such a unique mix of cultures, ethnicities, religions and backgrounds while still supporting opportunities for freedom and potential for upward mobility. We believe that it is why so many desire to come to the United States and so few leave. It is ultimately because of the description of James Truslow Adams' The Epic of America, when he wrote, "that dream of a land in which life should be better and richer and fuller for everyone, with opportunity for each according to ability or achievement…it is not a dream of motor cars and high wages merely, but a dream of social order in which each man and each woman shall be able to attain to the fullest stature of which they are innately capable, and be recognized by others for what they are, regardless of the fortuitous circumstances of birth or position."[19] His description became the commonly used phrase, the "American Dream".

Global Stability

Since World War II, the United States has been seen as a key leader in global stability and diplomacy. The United States is one of five permanent members of the United Nations Security Council. The United States covers roughly 26% of the total operating cost for the U.N.'s peacekeeping mission, which is the largest financial contributor by far.[20] Additionally, in dollar terms the United States' defense spending accounts for 60% of all of NATO's defense spending.[21] The reality of it is that the United States has been critical to geopolitical stability since the beginning of the 20th Century. While not always perfect or without flaws, that stability has allowed the world to avoid major worldwide conflicts since the end of World War II.

Foundational Principles & Resilience

When our Founding Fathers embarked on the audacious plan to seek independence from the most powerful empire on earth in 1776, they did so with little guidance from other success stories of colonies forging a path

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of freedom. Mostly, they drew upon ancient Greek philosophers, Biblical inspiration or Enlightenment thinkers. Most of the theories were truly cutting edge at the time: separation of church and state; freedom of speech and press; land and property ownership; executive level elected officials. Not only did our Founding Fathers seek to experiment with these concepts in a fledgling America, but they did so, knowing that if their attempts failed, they would likely be executed. They were not just writing theories; they were applying them at the very cost of their lives.

Once independence was officially achieved with the Treaty of Paris in 1783, and after an initial failed attempt, our governing document, the Constitution, was placed into effect in 1789. We don't just mention this timeline as a historical statement, but rather as a reminder that the United States' Constitution is the governing document for the current longest-standing democracy in the world.[22] If you consider that this document was implemented 237 years ago and still stands as a benchmark for governments around the world, is truly a remarkable feat.

We also pay respect to our Founding Fathers for the insight into their own potential shortcomings. They knew that things could and probably would change. They did not stop with the Constitution. They created a Bill of Rights. They also created a method to modify articles within the Constitution.

Finally, the principles that govern our nation have withstood the test of time. Depending upon the definition, there have been at least 18 recessions or depression since the ratification of the Constitution.[23] Said another way, about every 13 years, United States' citizens have had economic reasons to doubt. Our founding principles have withstood more than 10 major wars and conflicts.[24] Brave men and women have had a willingness to sacrifice everything so that this nation will continue to exist. So that we can continue to enjoy the rights and freedoms set forth two and a half centuries ago. While the world is full of examples of other countries collapsing because of economic strain, internal conflicts or external wars, the United States has been a beacon of resilience over the last 250 years of how to not just exist but grow and thrive.

Final Thoughts

We acknowledge that not everyone, perhaps not everyone among our readers, will agree with our perspectives (which again is one of the many great things about this country— our ability to peacefully disagree). We believe that the United States is not perfect. We have our own gripes about the United States both past and present. However, it is our deep-seeded belief that the United States is the greatest country in the world today as well as the greatest country in the history of mankind.

Additionally, we are deeply thankful to live and work in a country with as much freedom, civil liberties, risk-reward opportunities and limited government as we do. Perhaps one day this won't be the case. Perhaps one day the United States will fall just like every other society in the history of the world. Until that day comes, we encourage everyone to take stock in all that the United States has provided you and your family. It is a lot.

Thank you Lady Liberty! Thank you Uncle Sam! Also, a special thank you to all of you that have served our great country in the military or emergency services. It is on your back that these freedoms and liberties remain viable.

We hope that you will join us as we wish the United States of America a Happy 250th Birthday!

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Government bonds and Treasury bills are guaranteed by the US government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. Stock investing includes risks, including fluctuating prices and loss of principal. Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and bonds are subject to availability and change in price. ETFs trade like

stocks, are subject to investment risk, fluctuate in market value, and may trade at prices above or below the ETF's net asset value (NAV). Upon redemption, the value of fund shares may be worth more or less than their original cost. ETFs carry additional risks such as not being diversified, possible trading halts, and index tracking errors.

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[1] https://www.morningstar.com/etfs/arcx/dia/performance The Dow Jones Industrial Average is comprised of 30 stocks that are major factors in their industries and widely held by individuals and institutional investors. Indexes are unmanaged and cannot be invested in directly.

[2] https://www.morningstar.com/etfs/arcx/spy/performanceThe S&P500 is comprised of 500 stocks that are major factors in their industries and widely held by individuals and institutional investors. Indexes are unmanaged and cannot be invested in directly.

[3] https://www.morningstar.com/etfs/xnas/oneq/performance The NASDAQ Composite Index measures all NASDAQ domestic and non-U.S. based common stocks listed on The NASDAQ Stock Market. The market value, the last sale price multiplied by total shares outstanding, is calculated throughout the trading day, and is related to the total value of the Index. Indexes are unmanaged and cannot be invested in directly.

[4] https://www.morningstar.com/etfs/arcx/ijr/performance The S&P Small Cap 600 Index is an unmanaged index generally representative of the market for the stocks of small capitalization U.S. companies. Indexes are unmanaged and cannot be invested in directly.

[5] https://www.morningstar.com/etfs/arcx/efa/performance The MSCI EAFE Index is an unmanaged index generally representative of the market for the stocks of international companies. Indexes are unmanaged and cannot be invested in directly.

[6] Global Market Insights Strategy Team. "Market Insights: Guide to the Markets®". J.P. Morgan Asset Management. Page 5. June 30, 2026.

[7] Ibid.

[8] https://www.morningstar.com/etfs/arcx/agg/performance The Bloomberg U.S. Aggregate Bond Index is an unmanaged index generally representative of the market for the fixed income securities in the U.S. Indexes are unmanaged and cannot be invested in directly.

[9] https://home.treasury.gov/resource-center/data-chart-center/interest-rates/TextView?type=daily_treasury_yield_curve&field_tdr_date_value=2026

[10] Ibid.

[11] https://www.cmegroup.com/markets/interest-rates/cme-fedwatch-tool.html?redirect=/trading/interest-rates/countdown-to-fomc.html

[12] https://life.ieee.org/eniac-the-worlds-first-computer/

[13] https://companiesmarketcap.com/tech/largest-tech-companies-by-market cap/

[14] https://manifestlaw.com/blog/h1b-lottery-data/

[15] https://data.imf.org/en/Data-Explorer?datasetUrn=IMF.RES:WEO(9.0.0)

[16] Ibid.

[17] Ibid.

[18] www.msci.com/documents/10199/8d97d244-4685-4200-a24c-3e2942e3adeb

[19] https://conversableeconomist.blogspot.com/2019/07/james-truslow-adams-and-origins-of.html

[20] https://www.cfr.org/articles/funding-united-nations-what-impact-do-us-contributions-have-un-agencies-and-programs

[21] https://www.bbc.com/news/articles/clyz4nq91wpo

[22] https://www.weforum.org/stories/2019/08/countries-are-the-worlds-oldest-democracies/

[23] https://www.sofi.com/learn/content/us-recession-history/

[24] https://department.va.gov/americas-wars/

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