Q2 2026 — The Risk on Rally Resumes

Following a turbulent Q1 characterized by elevated volatility stemming from the U.S.–Iran conflict and global trade concerns, U.S. equity markets delivered a powerful advance in Q2 2026, ending in one of the strongest quarterly periods of this century. Both the S&P 500 and Nasdaq-100 recorded their best quarter since Q2 2020. The initial gains off the March lows were driven by large-cap growth and the "hyperscalers". However, by quarter's end, the market breadth continued to spread, with small cap, microcap, equal weight, and value benchmarks all reaching new record highs.

Major Benchmark Returns-Q2 2026

	VAL
S&P 500 Growth (^SPXG) Total Return	20.33%
Nasdaq Composite (^IXIC) Total Return	20.20%
S&P 600 (^SML) Total Return	19.05%
MSCI Emerging Markets Total Return (^MSEMTR)	19.00%
S&P 500 (^SPX) Total Return	14.38%
S&P 400 (^MID) Total Return	13.50%
Dow Jones Industrial Average (^DJI) Total Return	12.83%
MSCI ACWI Ex USA Total Return (^MSACXUSTR)	10.58%
S&P 500 Value (^IVX) Total Return	7.89%
S&P MLP Index (^SPMLP) Total Return	0.95%
Bloomberg US Aggregate (^BBUSATR)	0.65%
S&P GSCI Precious Metals (^SGP) Total Return	-16.60%

* Calculated from April 1 to June 30, 2026 using total return data from www.YCharts.com

Major Benchmark Returns-YTD Ending Q2 2026

	VAL
MSCI Emerging Markets Total Return (^MSEMTR)	24.02%
S&P 600 (^SML) Total Return	23.90%
S&P MLP Index (^SPMLP) Total Return	18.44%
S&P 400 (^MID) Total Return	17.34%
MSCI ACWI Ex USA Total Return (^MSACXUSTR)	14.01%
Nasdaq Composite (^IXIC) Total Return	13.13%
S&P 500 Growth (^SPXG) Total Return	12.01%
S&P 500 (^SPX) Total Return	10.21%
Dow Jones Industrial Average (^DJI) Total Return	9.76%
S&P 500 Value (^IVX) Total Return	8.03%
Bloomberg US Aggregate (^BBUSATR)	0.62%
S&P GSCI Precious Metals (^SGP) Total Return	-8.29%

* Calculated from January 1 to June 30, 2026 using total return data from www.YCharts.com

Sector Performance-Q2 2026

	VAL
S&P 500 Information Technology (Sector) (^SPXIFTS) Total Return	30.31%
S&P 500 Industrials (Sector) (^SPXINS) Total Return	12.99%
S&P 500 Financials (Sector) (^SSPS) Total Return	9.00%
S&P 500 Consumer Discretionary (Sector) (^SPXCNDS) Total Return	8.27%
S&P 500 Real Estate (Sector) (^SPXRES) Total Return	8.12%
S&P 500 Health Care (Sector) (^HCX) Total Return	7.91%
S&P 500 Communication Services (Sector) (^SPXCMSVS) Total Return	6.54%
S&P MLP Index (^SPMLP) Total Return	0.95%
S&P 500 Consumer Staples (Sector) (^SPXCNSS) Total Return	0.91%
S&P 500 Materials (Industry Group) (^SPXMG) Total Return	0.84%
S&P 500 Utilities (Sector) Total Return (^SPXUSTR)	-0.97%
S&P 500 Energy (Sector) (^SPXNRGS) Total Return	-9.95%

* Calculated from April 1 to June 30, 2026 using total return data from www.YCharts.com

Sector Performance-YTD Ending Q2 2026

	VAL
S&P 500 Industrials (Sector) (^SPXINS) Total Return	20.15%
S&P 500 Information Technology (Sector) (^SPXIFTS) Total Return	19.76%
S&P 500 Energy (Sector) (^SPXNRGS) Total Return	19.66%
S&P MLP Index (^SPMLP) Total Return	18.44%
S&P 500 Materials (Industry Group) (^SPXMG) Total Return	11.97%
S&P 500 Real Estate (Sector) (^SPXRES) Total Return	11.52%
S&P 500 Consumer Staples (Sector) (^SPXCNSS) Total Return	8.03%
S&P 500 Utilities (Sector) Total Return (^SPXUSTR)	7.69%
S&P 500 Health Care (Sector) (^HCX) Total Return	3.47%
S&P 500 Communication Services (Sector) (^SPXCMSVS) Total Return	0.80%
S&P 500 Consumer Discretionary (Sector) (^SPXCNDS) Total Return	-0.77%
S&P 500 Financials (Sector) (^SSPS) Total Return	-1.18%

* Calculated from January 1 to June 30, 2026 using total return data from www.YCharts.com

Standout Performers in Q2

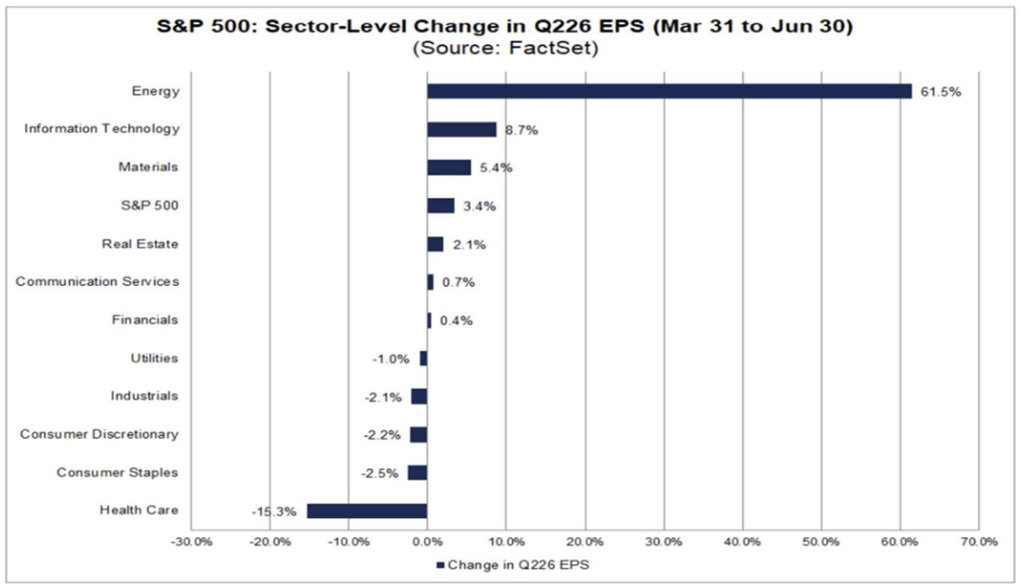
Information Technology (+30.3%) - AI and semiconductors remained the core theme, driven by strong capital expenditures and robust demand for memory chips. The Philadelphia Semiconductor Index (SOX) rocketed higher and recorded double-digit gains in all three months for its best quarterly performance (+87.8%) since inception in 1993.

Industrials (+12.9%), financials (+9.0%), and consumer discretionary (+8.27%) finished strong into quarter-end as sector leadership broadened. Defense spending tailwinds and AI infrastructure buildout drove the industrial complex throughout the quarter and remains a downstream beneficiary posting a +20.1% total return year-to-date.

Key Market Drivers

Geopolitical: The Iran conflict remained in the headlines through the final weeks of the quarter as diplomacy took center stage and a memorandum was signed between the US and Iran on June 17th allowing tankers to begin transiting the Strait of Hormuz. This paved the way to negotiate the Peace Deal's final terms over the next 60 days. While this marks the start of de-escalation, cooperation among key players and final resolutions remains uncertain and fragile. Energy prices and inflationary pressure on consumer spending were among the biggest impacts.

Earnings: Broad upside surprises for the S&P 500's Q2 2026 earnings growth is expected at +23.3% year-over-year, up from the +18.8% estimate at the start of the quarter. If +23.3% is the actual growth rate for the quarter, it will mark the second consecutive quarter of +20% earnings growth and the seventh consecutive quarter of double-digit earnings growth for the index. Most of the increase in earnings expectations has been concentrated in the Energy and Information Technology sectors, with Energy recording the largest earnings estimate revision (+61.5%) and IT the second largest (+8.7%) for the second quarter. While earnings growth remains robust, valuations remain stretched with the forward 12-month P/E ratio for the S&P 500 sitting at 20.4x, 18% above the 30-year average of 17.2x.



New Fed Chief: A new Chairman of the Federal Reserve, Kevin Warsh, took over as the Fed's Chairman of the Board from Jerome Powell. In his testimony before Congress, he reaffirmed to the public his intent to run a strictly independent Fed. As of mid-May, investors were pricing rates holding steady through year-end, with growing odds of a rate hike rather than a rate cut, despite pressure from POTUS.

Rates & Labor: Interest rate cuts were more widely expected at the start of 2026, but expectations for cuts declined substantially by midyear. Markets are pricing at least one Federal Reserve rate hike late in 2026. June nonfarm payrolls rose by 57k, below consensus estimates, though the headline unemployment rate declined to 4.2%.

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