

Equity and Bond Market Update

(as of June 15, 2026)

<u>Index</u>	<u>YTD</u>	<u>1-Year</u>
Dow Jones Industrial Average TR	+8.4%	+24.6%
S&P 500 Total Return Index	+11.0%	+28.0%
Russell 2000 Total Return Index	+20.1%	+43.0%
MSCI EAFE Index (net)	+10.3%	+23.1%
MSCI Emerging Markets Index (net)	+26.8%	+51.8%
Bloomberg US Aggregate Bond TR	+0.5%	+5.0%

Recent Economic Indicators

	<u>Statistic</u>	<u>Data as of</u>
Unemployment Rate	4.3%	May 2026
Gross Domestic Product (GDP)	+1.6%	Q1 2026
Consumer Price Index (CPI) – Y/Y	+4.2%	May 2026
Consumer Confidence (1985=100)	93.1	May 2026
30-year fixed mortgage rate	6.59%	Wk of Jun 15
Housing Starts (single family)	882,000	May 2025
10-Year Treasury Yield	4.45%	6/16/2026

As we move through the middle of 2026, investors continue to navigate a market environment shaped by strong corporate fundamentals, rapid technological change, and evolving geopolitical developments. While headlines have focused on inflation, interest rates, and tensions in the Middle East, the underlying story remains one of economic resilience and corporate profitability. Strong first-quarter earnings, a sharp recovery in software stocks, and the possibility of a resolution to the U.S.-Iran conflict have helped support investor confidence and improve the outlook for both equities and interest rates.

One of the most encouraging developments this year has been the strength of first-quarter corporate earnings. Entering earnings season, expectations were relatively modest as analysts worried that higher interest rates, elevated energy costs, and geopolitical uncertainty could pressure corporate profits. Instead, corporate America delivered one of its strongest earnings seasons in several years.

Current estimates indicate that S&P 500 earnings growth for the first quarter approached 28% year-over-year, significantly exceeding expectations and marking the strongest earnings growth rate since 2021. More importantly, earnings strength was accompanied by healthy profit margins and generally favorable management guidance for the remainder of the year. Companies across technology, communication services, financials, and selected consumer sectors demonstrated an ability to maintain profitability despite an uncertain economic backdrop.

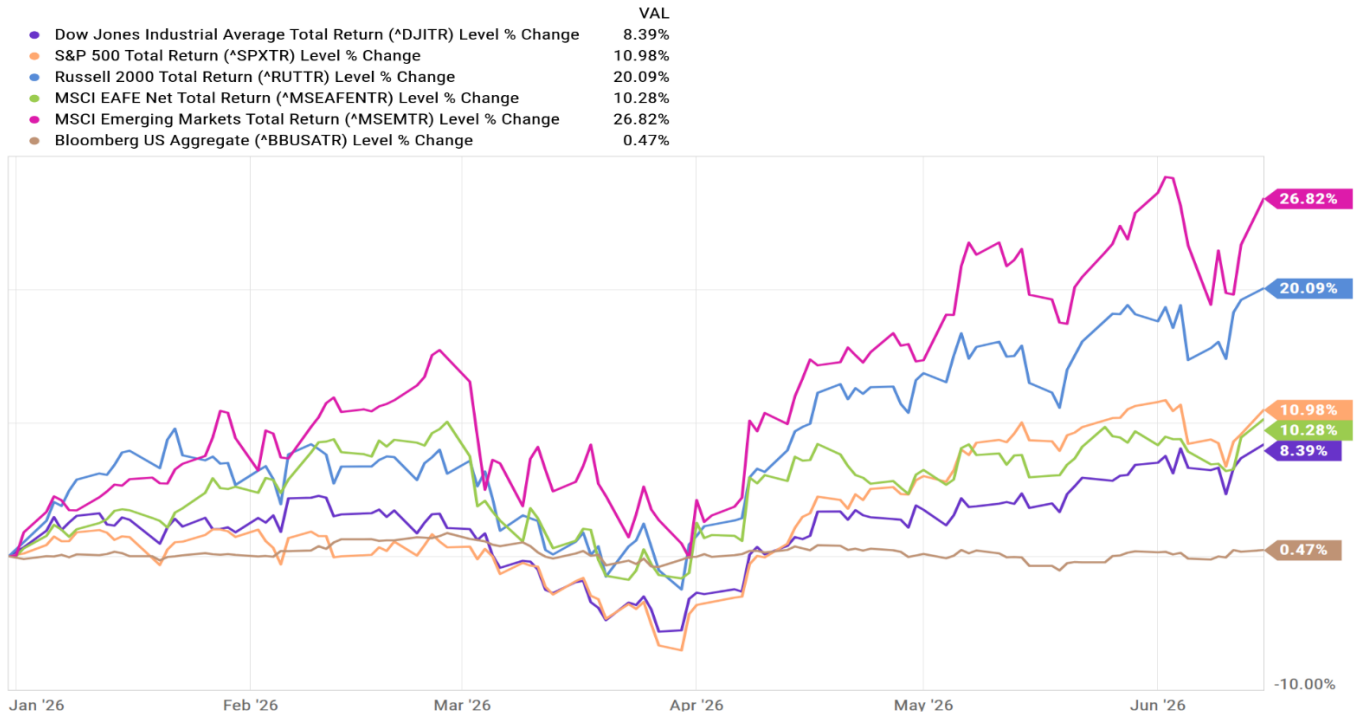
Earnings season also provided evidence that economic growth remains more durable than many economists anticipated. Consumer spending has remained relatively stable, employment conditions continue to support household income growth, and business investment has been aided by ongoing spending related to artificial intelligence, cloud computing, energy infrastructure, and domestic manufacturing initiatives. While economic growth has moderated from the exceptionally strong post-pandemic period, the economy continues to demonstrate an ability to expand even in the face of higher borrowing costs.

From an investment perspective, strong earnings are particularly important because they provide fundamental support for current equity valuations. Markets can often appear expensive when viewed solely through valuation metrics, but strong earnings growth helps justify higher stock prices. Ultimately, long-term stock market returns are driven by the growth of corporate earnings, and thus far in 2026 that growth remains impressive.

Another important market story this year has been the dramatic decline and subsequent recovery of software stocks. The software sector entered 2026 under significant pressure as investors questioned how rapidly advancing artificial intelligence technologies might affect traditional software business models. Concerns emerged that AI agents could potentially automate many functions currently performed by enterprise software applications, leading some investors to fear disruption across the industry.

As a result, software stocks experienced one of their sharpest corrections in years. Company stocks in this industry suffered a steep decline during the first quarter as investors aggressively reduced exposure to the sector. Concerns surrounding AI disruption, combined with elevated valuations and shifting investor sentiment, contributed to significant selling pressure across many software companies.

Major Market Indices Total Return (YTD through June 15, 2026)



However, as the year progressed, investors began to recognize that artificial intelligence may prove to be more of an opportunity than a threat for many software companies. Rather than replacing software providers, AI increasingly appears likely to enhance existing software platforms and create entirely new revenue opportunities. Leading software firms have rapidly incorporated AI-powered capabilities into their products, allowing customers to improve productivity, automate workflows, and extract greater value from existing software investments.

The market's perspective shifted from viewing AI as a disruptive force to seeing it as a significant growth catalyst. As earnings reports confirmed continued revenue growth and healthy customer demand, software stocks staged a powerful rebound. Investor confidence returned as companies demonstrated their ability to monetize AI investments while maintaining strong recurring revenue streams. The sector's recovery has been particularly important because software remains one of the largest and most influential segments of the broader technology market.

The rebound in software stocks may also carry broader implications for equity markets. Historically, technology leadership has often signaled investor confidence in future economic growth and productivity improvements. The sector's recovery suggests investors continue to believe that artificial intelligence and digital transformation will remain powerful drivers of economic growth and corporate profitability for years to come.

In addition to corporate earnings and technology trends, geopolitical developments have become increasingly important to investors. Earlier this year, the conflict involving the United States and Iran raised concerns about energy supplies, inflation, and the potential for broader economic disruption. Given the strategic importance of the Strait of Hormuz, through which a significant portion of the world's oil supply travels, investors worried that prolonged conflict could drive energy prices substantially higher and complicate the Federal Reserve's efforts to control inflation.

More recently, however, optimism has emerged regarding the possibility of a negotiated resolution. Reports of a preliminary agreement and improving diplomatic discussions have significantly improved market sentiment. Oil prices have fallen sharply from their conflict-driven highs as investors anticipate the eventual normalization of energy supplies and shipping routes. Brent crude has declined to its lowest levels in several months as markets increasingly price in the possibility of a lasting de-escalation.

The implications for financial markets could be meaningful. Lower oil prices would likely reduce inflationary pressures throughout the economy. Energy costs affect transportation, manufacturing, logistics, and consumer spending, making oil prices an important component of overall inflation expectations. A sustained decline in energy prices could help bring inflation closer to the Federal Reserve's long-term target.

For interest rates, this development could be particularly significant. During the height of the conflict, investors feared that rising oil prices would force the Federal Reserve to maintain a more restrictive policy stance or potentially consider additional rate increases. As tensions have eased and oil prices have declined, those concerns have moderated considerably. Market expectations for future interest rate increases have fallen as investors increasingly believe that lower energy prices will reduce inflation risks.

Lower interest rate expectations generally benefit both bonds and stocks. Bond prices tend to rise as yields decline, while growth-oriented sectors such as technology often benefit from lower discount rates and improved investor sentiment. Consumer-oriented industries also benefit from lower gasoline prices, which effectively increase disposable income for households.

While risks remain and geopolitical outcomes are never certain, the combination of strong earnings growth, renewed leadership from software and technology companies, and the prospect of easing geopolitical tensions provides a constructive backdrop for investors. The economy continues to demonstrate resilience, corporate profits remain strong, and inflation pressures could moderate further if energy markets continue to normalize.

As we enter the second half of the year, we will continue monitoring earnings trends, Federal Reserve policy, and geopolitical developments. For now, however, the fundamental picture remains supportive, suggesting that corporate earnings growth and technological innovation continue to provide a solid foundation for financial markets.

Always keep in mind that fear, panic, and optimism are not investment strategies, but rather emotions that drive short-term markets.

Please contact Lifestyle Asset Management, Inc. at (281) 992-9220 or by email at pjackson@lsaminc.com should you have any questions or comments.

Sources: S&P Dow Jones Indices website (us.spindices.com)	FTSE Russell (www.ftserussell.com)
MSCI Barra website (http://www.msclubarra.com)	Bankrate.com (www.bankrate.com)
The Conference Board (www.conference-board.org)	Bureau of Labor Statistics (www.bls.gov)
Bureau of Economic Analysis (www.bea.gov)	United States Census Bureau website (www.census.gov)
JP Morgan Guide to the Markets	Federal Reserve Bank of Atlanta (https://www.atlantafed.org/cqer/research/gdpnow)
CME FedWatch Tool (www.cmegroup.com)	OpenAI, ChatGPT

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The Dow Jones Industrial Average (DJIA) is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange (NYSE) and the NASDAQ.

The S&P 500 is an index of 500 stocks chosen for market size, liquidity and industry grouping (among other factors) designed to be a leading indicator of U.S. equities. The index is meant to reflect the risk/return characteristics of the large capitalization U.S. universe.

The S&P 500® Equal Weight Index is the equal-weight version of the widely used S&P 500. The index includes the same constituents as the capitalization weighted S&P 500, but each company in the S&P 500 EWI is allocated a fixed weight - or 0.2% of the index total at each quarterly rebalance.

The Russell 2000 is an index measuring the performance of approximately 2,000 small-cap companies in the Russell 3000 Index, which is made up of the 3,000 largest stocks in the United States. The Russell 2000 serves as a benchmark for small-cap stocks in the U.S. and is meant to reflect the risk/return characteristics of the small capitalization U.S. universe.

The MSCI EAFE Index is a stock market index that is designed to measure the equity market performance of developed markets outside of the U.S. & Canada. It is maintained by MSCI Barra, a provider of investment decision support tools; the EAFE acronym stands for Europe, Australasia and Far East.

The MSCI Emerging Markets Index is an index created by Morgan Stanley Capital International (MSCI) designed to measure equity market performance in global emerging markets.

The Barclays US Aggregate Bond Index is a broad-based benchmark index that measures the investment-grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS, ABS and CMBS.

The Dow Jones Equity All REIT Index is designed to measure all publicly traded real estate investment trusts in the Dow Jones U.S. stock universe classified as equity REITs according to the S&P Dow Jones Indices REIT Industry Classification Hierarchy. These companies are REITs that primarily own and operate income-producing real estate.

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