Market & Economic Outlook July 2026 – Give Peace a Chance

Major Equity Indices	Value 6/30/2026	2026 YTD (12/31/25 - 6/30/26) Price Return	Total Return*	2Q26 Price Return	1Q26 Price Return
U.S. Indices					
Russell 2000 (small companies)	3,024	21.86%	**22.57%**	21.15%	0.58%
Russell 1000 Value	1,500	15.19%	**16.26%**	13.38%	1.60%
NASDAQ Composite	25,833	12.79%	**13.13%**	21.41%	-7.11%
S&P 500	**7,483**	**9.55%**	**10.21%**	**14.87%**	**-4.63%**
Dow Jones Industrial Average	52,900	8.85%	**9.76%**	12.90%	-3.58%
International Indices					
MSCI Emerging Markets (USD)	2,230	22.68%	**24.02%**	23.31%	-0.51%
MSCI EAFE (USD) (developed)	3,144	7.74%	**9.84%**	9.80%	-1.87%

Data Source: FactSet, as of 6/30/26. Total return includes reinvested dividends; price return excludes dividends. 2Q26 is the second quarter and covers the period 3/31/26-6/30/26. The first quarter (1Q26) covers the period 12/31/25 – 3/31/26. Calculations and 6/30/26 value use closing prices.

Outlook Summary:

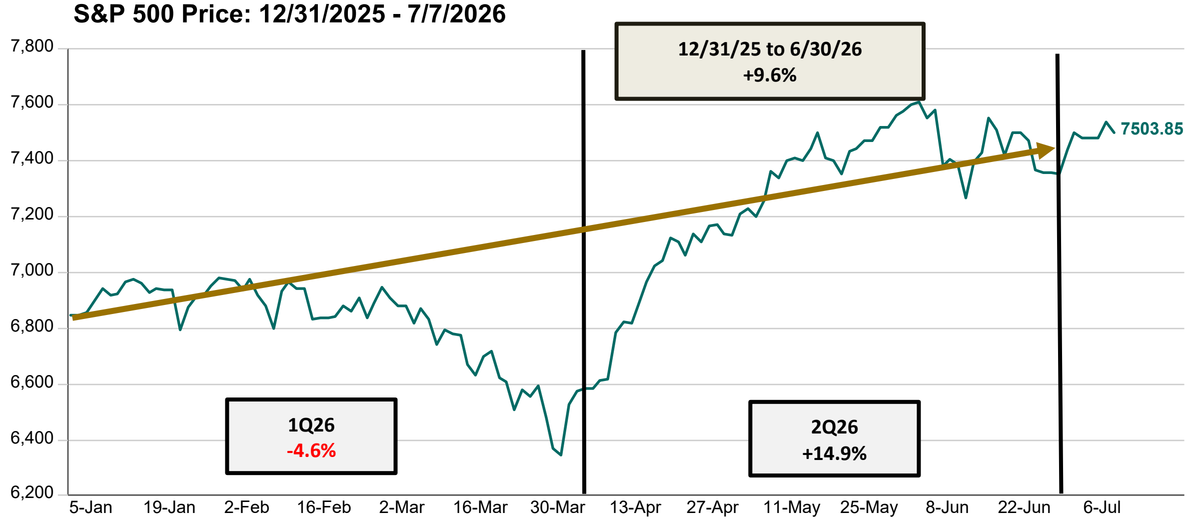
Equity markets produced solid gains in the first half of 2026 despite increased volatility, a weak first quarter, and heightened geopolitical uncertainty caused by military conflict in the Middle East. We attribute market strength to multiple factors including better-than-expected corporate earnings, solid economic growth paced by technology investment, and optimism that peace with Iran will return stability to global oil markets. **As we look ahead over the next several months, we see a sustainable positive environment that can support gains for both equity and fixed income investors. In our view, successful Iran peace talks can be a market driver by reducing uncertainty and driving oil prices lower. An increase in 2026 and 2027 S&P 500 earnings estimates since the beginning of the year supports further index gains; our S&P 500 fair value estimate is 7,700 with a potential upside and downside range of 8,100 and 6,700, respectively.**

Equity markets can sustain broadening participation (beyond large-company growth stocks), and we believe interest rates can stabilize (or move modestly lower) after rising year-to-date (YTD) as of 6/30/26. Despite our constructive view, we continue to recommend that investors scale back S&P 500 return expectations in the months ahead and expect volatility (market pullbacks) with high uncertainty regarding elevated inflation, incomplete peace talks, and upcoming U.S. mid-term elections. The unsettled nature of the Memorandum of Understanding is its own source of volatility. Early July is an example of this.

We are encouraged that oil prices have nearly returned to pre-conflict levels (U.S. oil, as measured by West Texas Intermediate crude, or WTI, was $69 per barrel on 7/2/26 vs. $67 per barrel on 2/28/26). This can hold if the Strait of Hormuz normalizes, leading to gasoline price relief and lower transportation costs. In addition, 2026 estimates for both U.S. economic growth and S&P 500 earnings growth have moved higher since the beginning of the year. Of course, markets rarely move in a straight line and recently, equity market leadership reversed as many high-momentum technology stocks receded from outsized gains in April and May. High volatility in multiple sectors this year has driven questions about market stability and whether gains will be growth- and AI-centric or widen as economic growth improves, and earnings growth expands across sectors. We have updated our outlook summary below.

1. Our S&P 500 fair value estimate is 7,700, and we see a potential trading range of 6,700 to 8,100.
2. Earnings growth has accelerated, creating a high bar.
3. Recent sector rotation is sustainable.
4. Consumer spending can drive upside to economic growth.
5. Risks include Federal Reserve Bank tightening and higher interest rates.

S&P 500 Price: 12/31/2025 - 7/7/2026



Data Source: FactSet, as of 7/7/26. S&P 500 daily closing prices, 12/31/25 to 7/7/26. Price return excludes dividends.

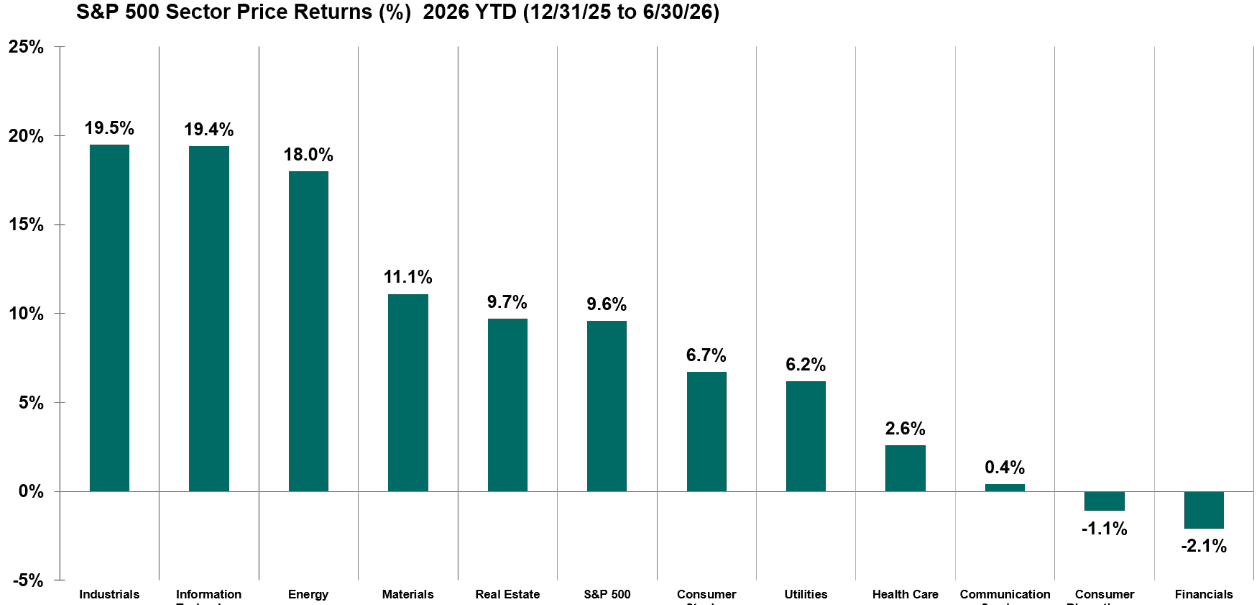
Second Quarter and First Half Review. The S&P 500 surged +14.9% (price return) in 2Q26, the index's best calendar quarter return since the second quarter of 2020. In addition, gains were not confined to the S&P 500, with even better 2Q26 price returns from the Russell 2000 index (small companies) up +21.2%, and the Nasdaq Composite (technology- and growth-centric large companies) up +21.4%. We attribute strong equity market gains to hopes for peace, as an end to the military conflict largely removes a major global economic risk caused by the stoppage of shipping traffic (for oil and gas, other commodities and goods). An open Strait should allow the economic impact of the conflict to normalize. The U.S. and Iran agreed to a ceasefire on 4/8/26, very early in the second quarter after 39 days of fighting. On 6/17/26, both countries signed a Memorandum of Understanding (MOU), setting a 60-day timeline for a comprehensive peace agreement. Despite numerous skirmishes and isolated hostilities, as of 6/30, both the MOU (and ceasefire) remained in place, totaling 84 days and counting of a ceasefire. The ceasefire news also eased economic fears in international markets, pushing the MSCI Emerging Markets index to a +23.3% 2Q26 increase.

With deescalation and peace on the horizon, in the U.S. investors focused on 1Q26 economic growth (as measured by gross domestic product, or GDP) that increased +2.1% (annualized growth adjusted for inflation) and S&P 500 1Q26 year-over-year (Y/Y) earnings growth +28.9%. All of the 2Q26 S&P 500 increase came in April (+10.4%) and May (+5.1%), with gains led by the Technology sector, and specifically companies benefitting from massive investments to support the buildout of artificial intelligence (AI) infrastructure and compute. The Technology leadership drove the Nasdaq Composite up +25.0% in April and May. However, in June, market leaders shifted as the AI gains receded; the S&P 500 and Nasdaq Composite declined -1.1% and -2.8%, respectively, for the month. Yet, many stocks rallied in June, and the Russell 2000, Russell 1000 Value, and Equal Weight S&P 500 each posted a monthly gain. The near-term pullback in those AI infrastructure groups garnered headlines and investor concern, but we viewed the rotation more positively as we look for improved performance from the "average" stock.

The 2Q26 equity market gains followed first quarter weakness (the S&P 500 declined -4.6% in 1Q26) as investors faced the prospect of war, oil prices spiked to nearly $120 per barrel (WTI price on 3/9/26), and U.S. Treasury yields (TY) spiked higher due to inflation fears. The U.S. 2-year TY (a proxy for U.S. short-term interest rates) moved above 4.00% in March (from 3.48% on 12/31/25) and has remained well above that level since (4.15% on 6/30/26). Similarly, the U.S. 10-year TY (a proxy for long-term interest rates) traded above 4.40% in March (4.17% at year-end 2025) and ultimately climbed to 4.66% (was 4.44% on 6/30). Inflation fears were well-founded as gasoline and other fuel prices spiked, and the widely followed consumer price index (CPI) climbed in March, April, and May, most recently at +4.2% Y/Y (May) from +2.4% in February. However, some inflation relief is likely on the way as oil prices and gasoline prices have moved dramatically lower in June and early July, contributing to improving investor sentiment, in our view. Over the first half of 2026 (12/31/25 to 6/30/26), the S&P 500 increased +9.6% (price return) and +10.2% including dividends (total return). However, the Russell 2000 led the way with a total return of +22.7%, and the Russell 1000 Value Index also beat the S&P 500 with a total return of +16.3%.

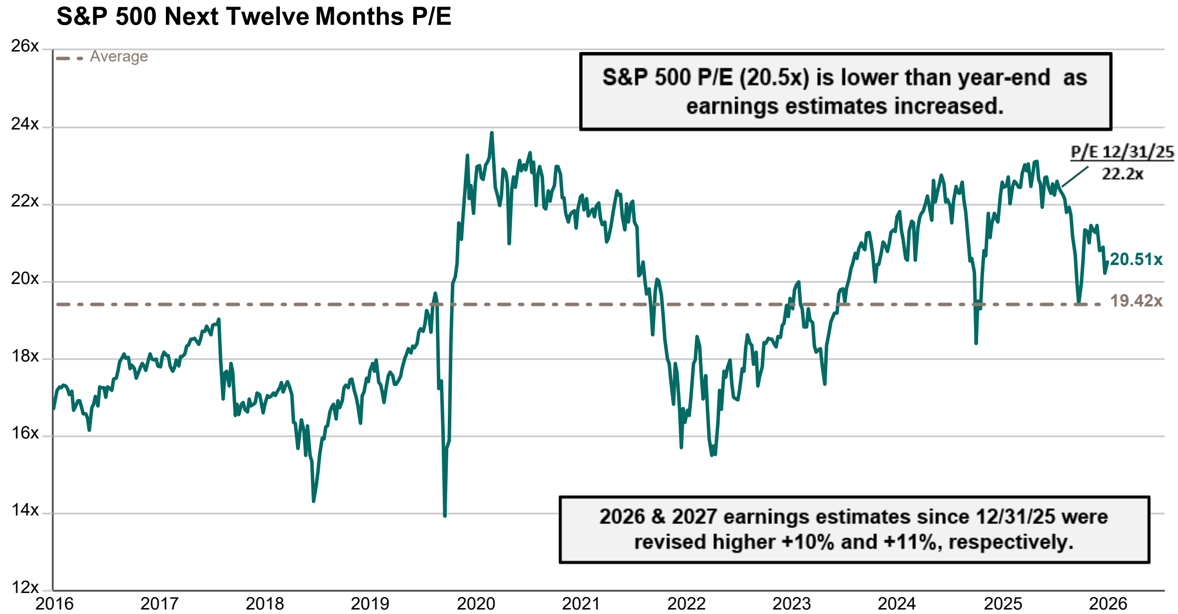
Leadership from small companies and value stocks, in our view, is further evidence that equity market and sector leadership has broadened in 2026 so far, and this is also reflected within the S&P 500 YTD sector returns. Nine of the eleven S&P 500 macro sectors (as measured by MSCI's Global Industry Classification Standards, or GICS, sectors) were positive in the first half, and five delivered price returns above the broad index. While Technology remained among the leading performers in the first half (despite June weakness), Industrials were the top performing sector, and Energy, Materials, and Real Estate all beat the index. This included solid performance from cyclical sectors, which are typically more economically sensitive and can deliver positive earnings surprises when economic growth accelerates. We look for broadening sector participation to continue in 2026 with market gains not solely dependent upon Technology sector leadership.

S&P 500 Sector Price Returns (%) 2026 YTD (12/31/25 to 6/30/26)



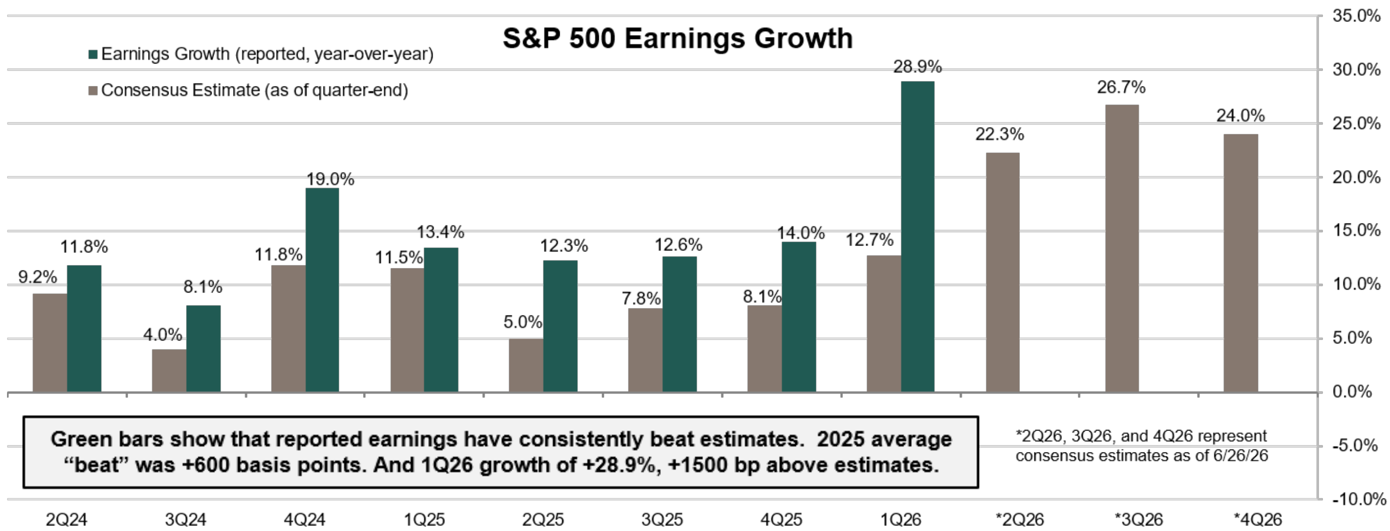
Data Source: FactSet and MSCI, as of 6/30/26. Price returns (does not include dividends) 12/31/25–6/30/26. Sectors are Global Industry Classification Standards, GICS. YTD is year-to-date.

Our S&P 500 fair value (FV) estimate is 7,700, and we see a potential trading range of 6,700 to 8,100. Our 7,700 FV estimate is +3% above the S&P 500's 6/30/26 closing price of 7,499, and up +12% from year-end 2025. We previously revised our FV estimate higher in late June, primarily due to a positive outlook for ongoing earnings and GDP growth. Our 7,700 FV reflects 21.0x the S&P 500 FactSet consensus earnings per share (EPS) estimate of $367 over the next twelve months, and 19.5x the 2027 consensus EPS estimate of $395. Admittedly, EPS estimates are aggressive, incorporating 2026 and 2027 growth expectations of +25% and +16%, respectively. But earnings growth trends over the past two years have consistently surprised to the upside, driven by solid revenue growth and expanding margins. Over the past 10 years (2016 to 2026), the S&P 500 has traded at an average next twelve months estimated P/E of 19.4x. Our 21.0x FV P/E is an 8% premium to that average. In the current environment of above-trend earnings growth and high capital investment, we believe that an above-average P/E is warranted. However, this creates market risk if earnings growth disappoints. Our upside range of 8,100 reflects 20.5x the 2027 consensus estimate and is +8% from the index price on 6/30/26. We believe this level is achievable if earnings growth continues to surprise to the upside in the quarters ahead. Our downside range of 6,700 reflects 18.2x the next twelve-month EPS estimate and is more likely if earnings growth results begin to disappoint. Weaker-than-expected earnings growth remains the largest near-term risk to above-average P/E ratios, although other factors could drive weaker sentiment as well, including sustained elevated inflation, renewed closure of the Strait of Hormuz, and softer-than-expected consumer spending.



Data Source: The forward S&P 500 price-to-earnings ratio (P/E) is a valuation measure, calculated by dividing the price of the S&P 500 index over the weighted average earnings per share (EPS) estimate of each company in the index. Earnings are based on "forward" consensus estimates expected over the next 12 months (NTM) as compiled by FactSet. The gray dotted line is the average P/E from 6/30/16 to 7/2/26.

Earnings growth has accelerated, creating a high bar. In 2025, S&P 500 earnings per share (EPS) increased +13% from 2024 to $270 (market capitalization-weighted EPS of all S&P 500 constituents). As of 12/31/25, the consensus estimate for 2026 was $308 (+14% from 2025) and was $355 for 2027 (+15% from 2026). But since January, after strong corporate financial results in 4Q25 and 1Q26, consensus earnings estimates consistently moved higher. The 2026 S&P 500 EPS estimate as of 6/30/26 was $339, +10% higher than the December estimate, and now reflects +25% year-over-year (Y/Y) growth (2026 vs. 2025). Similarly, the 2027 consensus EPS estimate moved +11% higher to $395, reflecting +16% Y/Y growth. Since the start of the year, S&P 500 earnings estimates have increased more than the index itself. This has driven the market valuation lower. The P/E has moved lower even as the S&P 500 gained +9.6% over the first half.



Data Source: FactSet, as of 6/26/26. Consensus S&P 500 EPS estimates (Wall Street analysts) in gray. Percentage change from same quarter the prior year. Past quarters were the estimate at the end of the reporting quarter. Green bars are the actual reported Y/Y growth in earnings, 2Q24 to 1Q26.

In 2026, all 11 GICS sectors are estimated to deliver Y/Y earnings growth, with double-digit percentage growth expected for 8 of the 11 sectors. Technology remains the workhorse, but growth expectations have expanded to become the most optimistic in several years. In fact, estimated quarterly Y/Y earnings growth for the S&P 500 is now above +20% for the balance of 2026 (2Q, 3Q, and 4Q) and this creates challenges for actual results to continue beating estimates. In recent weeks, growth estimates for 2026 have continued to move higher, which we attribute to technology investment as well as to a decline in gasoline prices, which could boost consumer spending. We do not expect upside surprises to accelerate, and consistent +20% earnings growth, in our view, is not sustainable. Earnings growth is expected to slow in 2027, which could be a source of S&P 500 volatility.

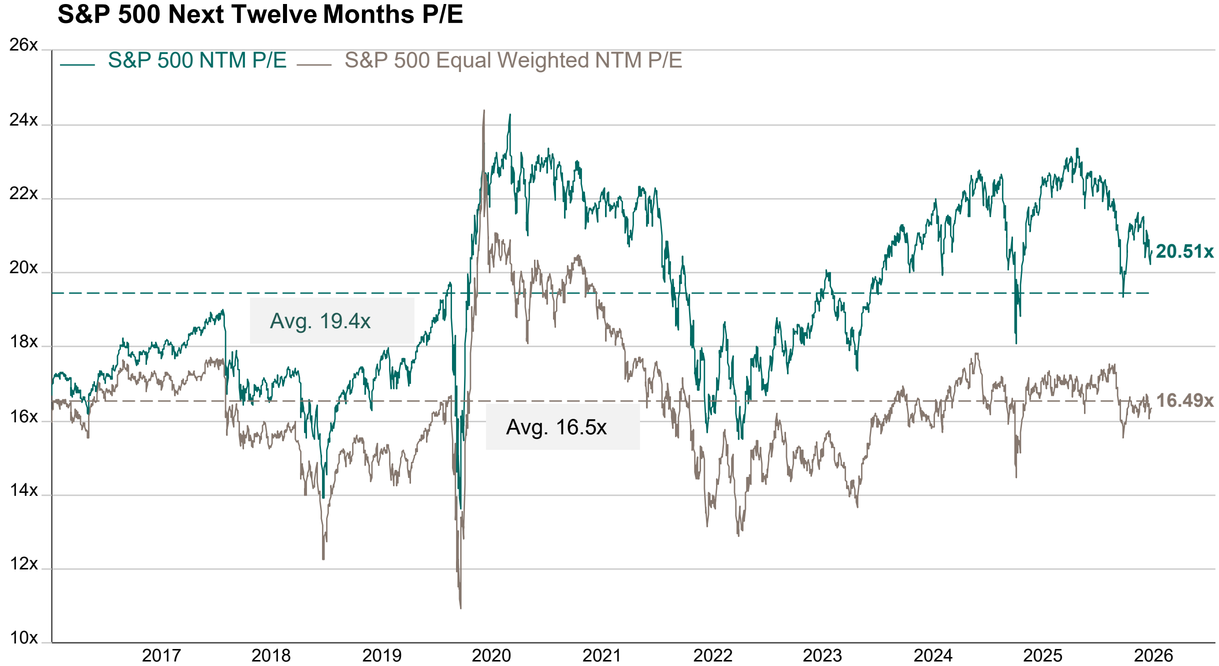
Recent sector rotation is sustainable. The 210 basis point YTD outperformance of the Equal Weight S&P 500 (EWSP), up +11.4% through 7/2/26, vs. the benchmark S&P 500, +9.3%, reflects leadership rotation over the past six months. The EWSP assigns all S&P 500 stocks an equal weight, while the benchmark S&P 500 is market capitalization (cap) weighted, giving larger weights ranked by market cap. In 2023, the term “Magnificent 7” (Mag 7, see disclosures) was invented to describe the seven companies with the largest market capitalization at the time. Over the past three years, the “Mag 7” as a group helped power the S&P 500 higher, solidly outperforming the index in 2023, 2024, and 2025. In the first half of 2026, however, those stocks underperformed as the average YTD (12/31/25 - 7/2/26) price return for the “Mag 7” was -0.8%. This means that market leadership came from other stocks, and the EWSP outperformed without a drag from the larger companies.

S&P 500 vs. S&P 500 Equal Weight Price Returns (12/31/25 - 7/2/26, %)

Data Source: FactSet. S&P 500 daily closing prices, 12/31/25 to 7/2/26. For a description of indices, please see the Disclosures section.

We believe that strong relative performance from the EWSP can continue and its current valuation discount to the S&P 500 is favorable. While the S&P 500 P/E moved lower in 2026, as of 6/30/26, it still traded at a 6% premium to its 10-year average (20.5x current vs 19.4x average).

S&P 500 Next Twelve Months P/E



Data Source: FactSet. S&P 500 daily closing prices 6/30/16-6/30/26. Price-to-earnings ratios (P/E) use current price divided by next 12 months consensus earnings estimates. Green line is the S&P 500 and gray line is the Equal Weight S&P 500. Dotted lines are the 10-year averages.

The EWSP P/E has also moved lower in 2026, and its 6/30 P/E of 16.5x matched its 10-year average. With earnings growth estimated for all macro sectors in 2026, the backdrop for broad sector participation is positive, in our view, driving sustained relative performance for the average stock. It makes sense to us that the S&P 500 trades at a higher P/E ratio than the EWSP as it reflects a higher 3-year estimated growth rate

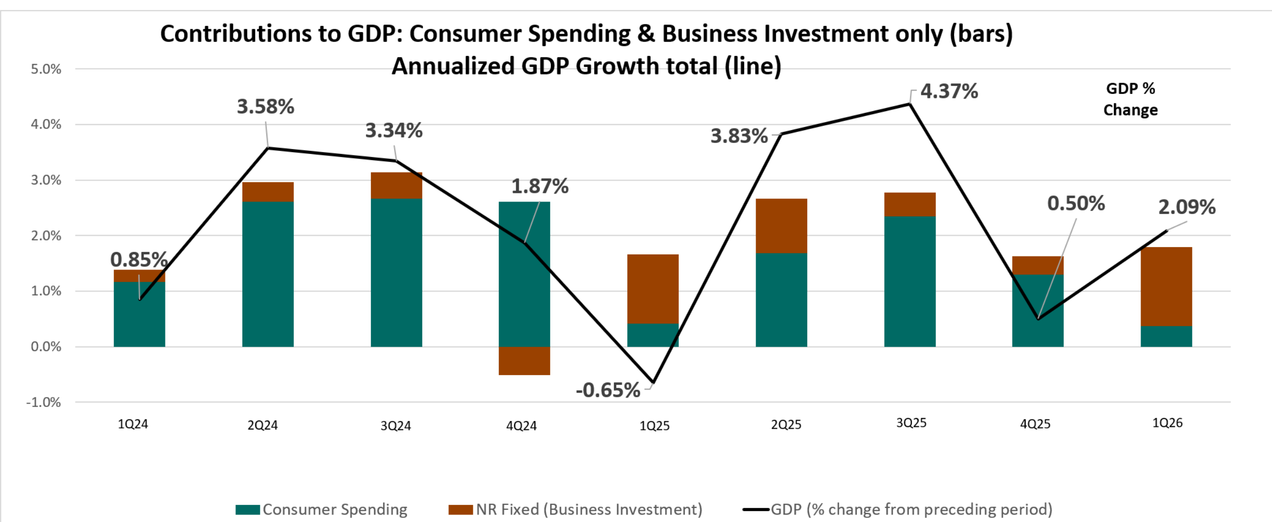
(+18.9% vs. +13.9%, respectively). There are several reasons why an investor will pay a higher valuation for specific sectors and stocks (including predictability), and higher sustained earnings growth is one of them. We use the P/E-to-growth rate, or PEG ratio, to compare relative valuations, and the PEG divides the current year P/E by the average annual earnings estimate for the next three years. On that basis, as of 7/6/26, both the S&P 500 and EWSP traded at a PEG ratio of 1.5x. Four sectors traded at a lower PEG than the index: Energy, Technology, Materials, and Financials. And a fifth, Communication Services, traded at the same 1.5x PEG. While a solid equity diversification strategy should involve quality exposure across S&P sectors, using the PEG ratio is a way to identify relative value looking ahead. The S&P 500 Technology sector deserves special mention here, in our view, as the group, despite recent volatility, performed well YTD (+19.4%, as of 6/30/26). Technology lagged the market in June, but we see strong earnings support for the sector, which could create opportunities if weakness continues.

S&P 500 Sectors P/E to Growth Rate (PEG)

7/6/2026	P/E 2026E	3 Year E ('26-'28) Earnings Growth	PEG '26 PE / 3 Year growth
Energy	11.9	20.5%	0.6
Info Technology	25.9	34.5%	1.1
Materials	18.7	19.1%	1.2
Financials	16.3	11.0%	1.3
S&P 500	22.3	18.9%	1.5
Communication Services	20.5	16.6%	1.5
S&P 500 Equal Weight	17.4	13.9%	1.5
Consumer Discretionary	29.1	15.4%	1.9
Health Care	20.5	10.9%	1.9
Industrials	27.7	13.5%	2.1
Utilities	18.8	10.1%	2.1
Real Estate	18.7	6.7%	2.8
Consumer Staples	23.8	7.1%	3.3

Data Source: FactSet, as of 7/6/26. Earnings growth for 2026 is the FactSet consensus estimate, and the 3-year (2026-2028) growth rate is the average (mean) over the period. The P/E uses the closing price of the sector or index on 7/6/26. The P/E-to-growth, or PEG, is a ratio of the 2026 P/E divided by the 3-year average earnings growth estimate.

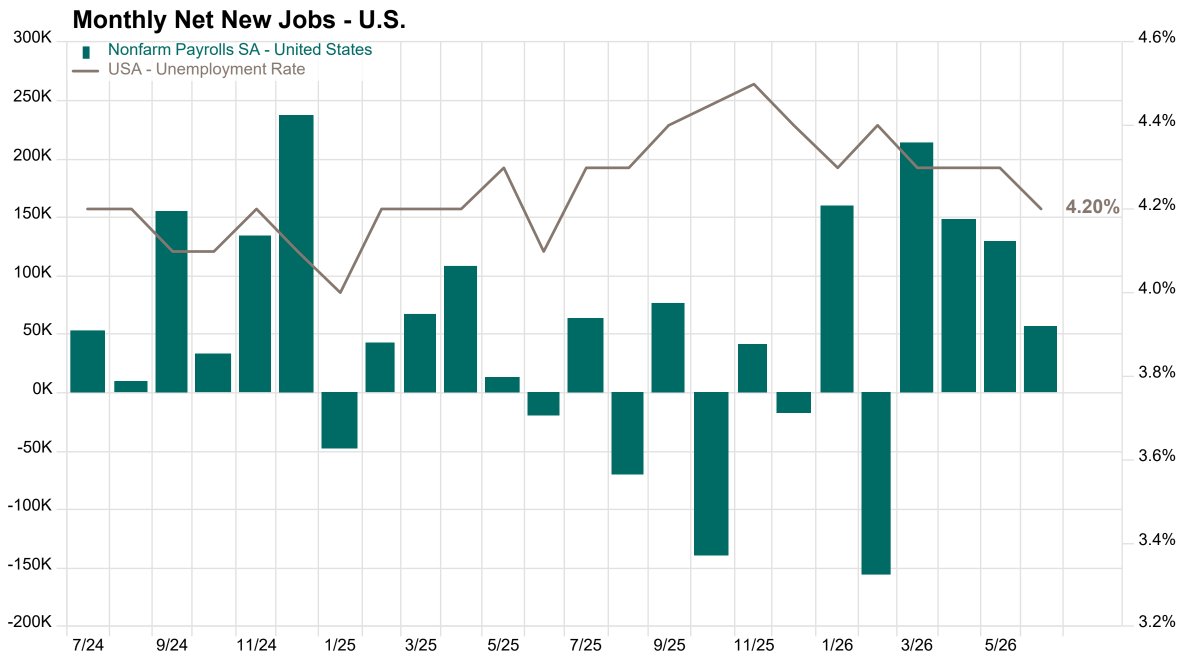
Consumer spending can drive upside to economic growth. U.S. economic activity, as measured by gross domestic product, or GDP, increased +2.1% annualized in the first quarter (1Q26). This matched the full-year 2025 GDP growth of +2.1% but accelerated from the previous quarter (4Q25 growth of +0.5%). Six major categories (with dozens of sub-components) are used by the Bureau of Economic Analysis (BEA) to measure GDP growth: consumer spending (personal consumption expenditures), business investment (nonresidential fixed investment), housing (residential fixed investment), government spending (federal, state, and local), adjustments for net trade (exports less imports), and inventories. In our view, consumer spending and business investment are the most important for investor analysis as collectively the two categories comprised 85% of real GDP in 1Q26 (69% consumer, 16% business) and represent the bulk of the "private economy." The "Contributions to GDP" chart below isolates those two categories for each of the past 9 quarters, from 1Q24 to 1Q26. In recent quarters, consumer spending has remained positive but in a slowing growth trend, while business investment has accelerated.



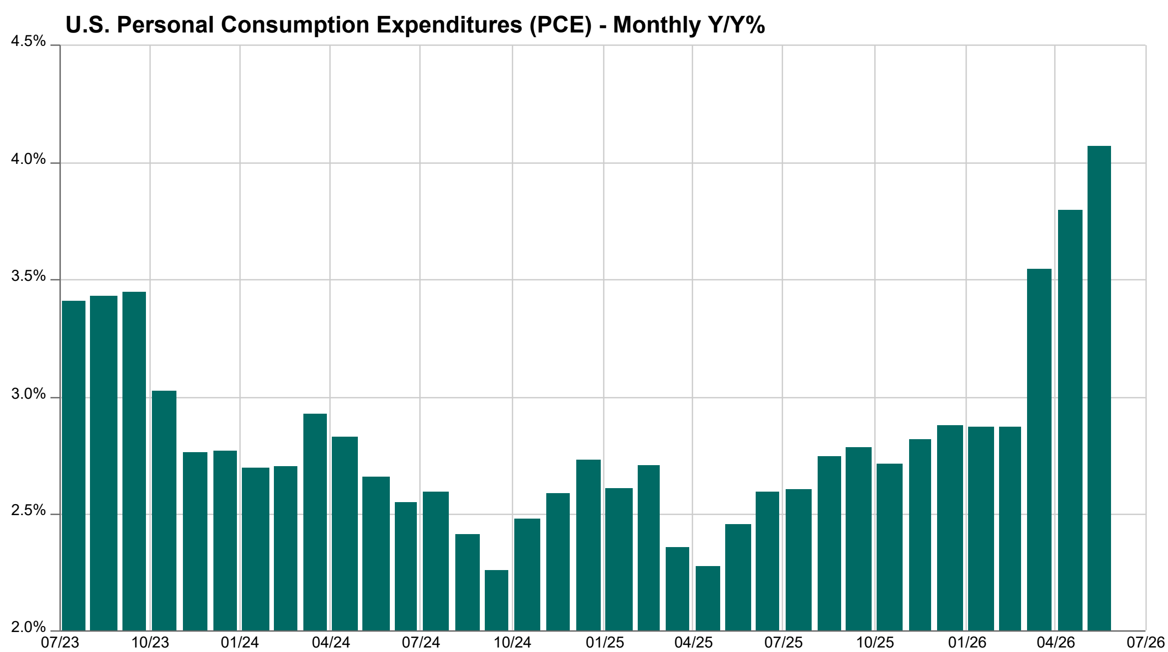
Data Source: U.S. Bureau of Economic Analysis, Real Gross Domestic Product (GDP) report, as of 6/26/26. Quarterly GDP is sequential quarterly growth annualized. The bar graphs are from the report's Table 2: contributions to percent change in real GDP.

In the first quarter, consumer spending increased +0.5% on an annualized basis, while business investment surged +10.6% annualized. This was the strongest quarterly contribution from business investment in nearly three years (11 quarters) and was boosted by Technology capital spending supporting artificial intelligence (AI) infrastructure. AI spending growth is expected to continue in 2026 and 2027, contributing to GDP growth, but with investment growth accelerated, we expect the pace of growth to slow, sustaining a more normalized contribution to GDP. Upside to GDP growth rates in the quarters ahead is more likely to come from consumer spending, in our view.

Recent data has shown four consecutive months (March 2026 through June 2026) of positive net new job creation (jobs gains) in the U.S. as measured by nonfarm payrolls (jobs) from the Bureau of Labor Statistics. U.S. jobs growth was +57 thousand (K) in June 2026, solidly positive but below the pace of the prior three months. Monthly jobs data is often volatile (subject to large revisions), but data over longer time periods (3, 6, and 12 months) can be a reliable trend indicator. Even with a jobs decline in February, the U.S. averaged +92K monthly gains over the first six months (January – June) of 2026. This compared to +27K monthly over 2025's first six months and +10K for the entire year of 2025. In 2026, the largest job gains from the start of the year were in healthcare, but solid gains were also evident for social assistance, local government, construction, transportation/warehousing, retail trade, and professional/technical. At the same time, the unemployment rate dropped to 4.2% in June (vs. 4.4% in December 2025), the lowest level in more than a year. Consistent, broad-based jobs growth should support more consistent consumer spending and contribute to GDP growth.



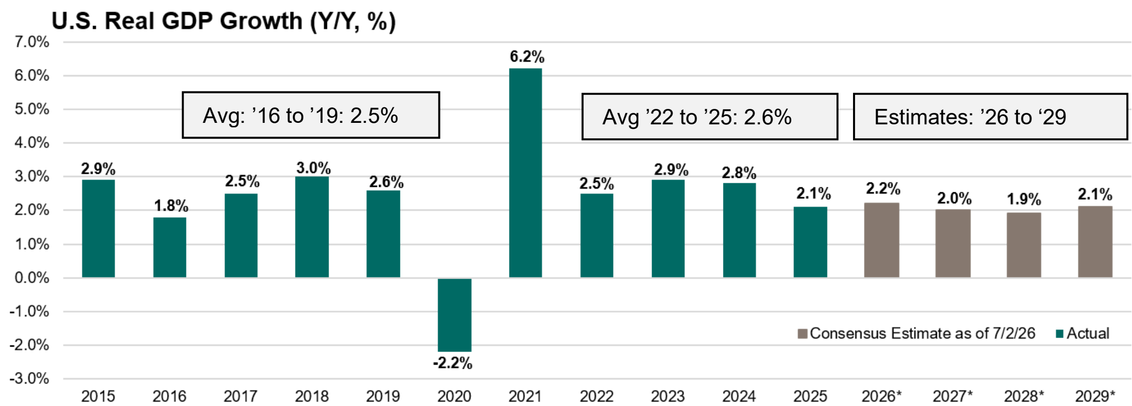
Data Source: FactSet and the U.S. Bureau of Labor Statistics (BLS), as of 6/30/26. Shows the change in nonfarm payrolls on a month-to-month basis, and the unemployment rate. Nonfarm payrolls are from Establishment survey, and the unemployment rate is from the Household survey. July 2024-June 2026.



Data Source: FactSet and Bureau of Economic Analysis, 7/31/23-5/31/26. U.S. Personal Consumption Expenditures (PCE) growth represents spending growth. Data from the BEA's monthly Personal Income and Outlays release.

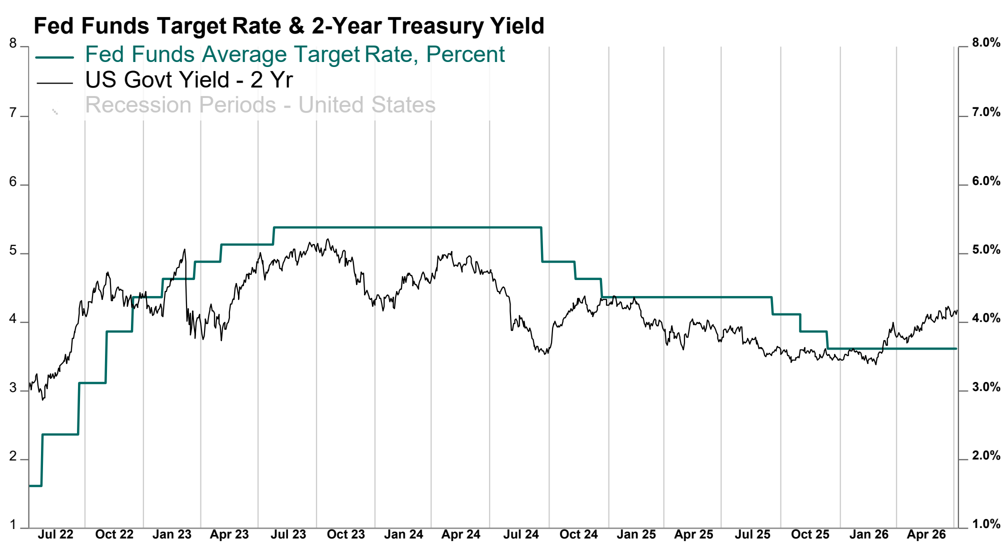
Earlier, we discussed consumer spending by looking at personal consumption expenditures (PCE), the largest single component of U.S. GDP (comprising 69% of annualized real GDP in 1Q26). PCE monthly Y/Y growth throughout 2025 and early 2026 mostly ranged between +1.5%

and +2.5%. Many months were at the high-end of that range, but Y/Y spending had not broken above +3.0% since October 2023. That changed in March 2026 with growth of +3.5% and continued in April +3.8% and May +4.1%. Part of this was a result of easier Y/Y comparisons (low numbers last year, perhaps due to tariff fears), which could begin to reverse. But spending growth has picked up despite the Iran conflict and higher gasoline prices. With solid jobs data and recent gas price relief, we could see a sustained pickup in consumer spending, providing fuel for positive GDP growth surprises. Excluding a GDP detour in 2020 and 2021 due to the COVID pandemic, U.S. GDP growth has averaged +2.5% to +2.6% annually since 2015. The 2026 FactSet consensus estimate is +2.2% as of early July. GDP estimates have slowed in recent years due to demographics (Baby Boomer retirements, slowing birth rate), less productive uses of government spending (due to increases in Social Security, Medicare, and interest expense), and uneven jobs growth. But the 2026 GDP consensus estimate of +2.2% was up from +1.9% in December 2025 and was revised higher despite disruption from the Iran conflict and Strait of Hormuz closure. We attribute the higher estimates to growth in technology and AI infrastructure spending. Upside to the long-term GDP outlook is possible if AI investment produces sustained gains in productivity above expectations. Labor productivity (BLS) growth slowed in 2025 compared to 2024 but has accelerated each of the past four quarters and is higher than levels seen over five years prior to 2020 (pre-pandemic). While consumer spending can drive upside to GDP estimates in 2026, we are watching labor productivity closely for its long-term potential to drive growth.



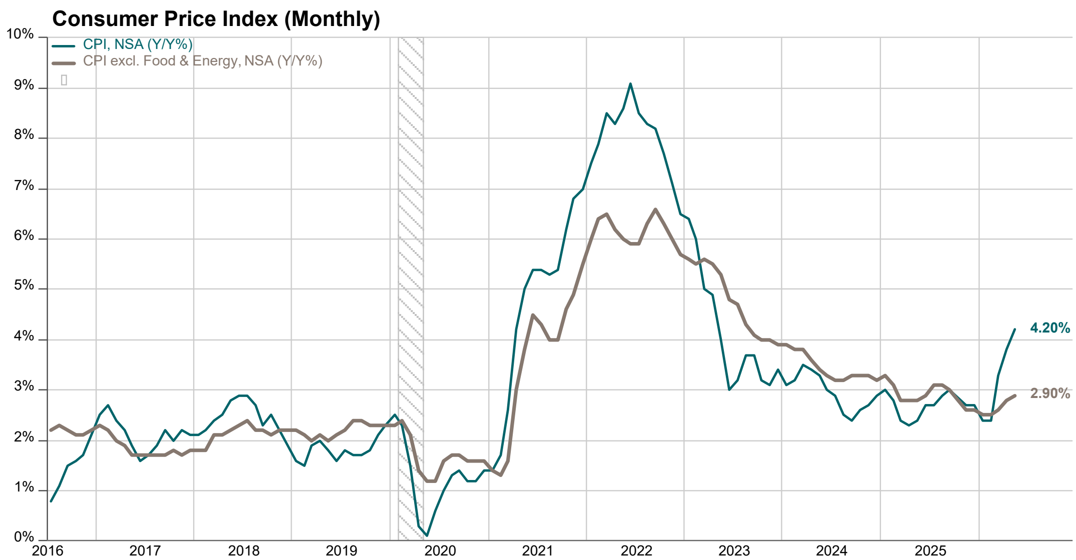
Data Source: FactSet consensus estimates and Bureau of Economic Analysis (BEA) as of 7/2/26. Chart shows annual real GDP reported by the BEA, 2015-2025 (green bars) and FactSet estimates 2026-2029 (gray bars).

Risks include Federal Reserve Bank tightening and higher interest rates. Kevin Warsh was sworn in as the U.S. Federal Reserve Bank (Fed) Chairman on 5/22/26. The Fed's monetary policy committee met for the first time under Chair Warsh on 6/17/26 (the Fed's fourth meeting in 2026). As expected, the Fed made no changes to its fed funds (overnight bank lending) interest rate target range of 3.50% to 3.75%, the same range since December 2025. However, Fed communication – meeting statement, Summary of Economic Projections, or SEP, and press conference – was decidedly hawkish (future interest rate path appears higher). Chair Warsh shortened the post meeting statement to just seven sentences, and the final sentence, "The Committee will deliver price stability," emphasized inflation (possible higher interest rates) as the Fed priority. A more obvious hawkish shift was revealed in the June SEP, which reflected individual estimates from 18 Fed voters. The median estimate for the fed funds rate at year-end 2026 was 3.8%, up from 3.4% in the previous SEP (March). The median estimate suggests Fed members see a +0.25% hike by year-end, a reversal from a -0.25% cut median just three months ago. Nine of the 18 voters estimated one or more rate hikes this year, while there were no hikes in the March SEP.



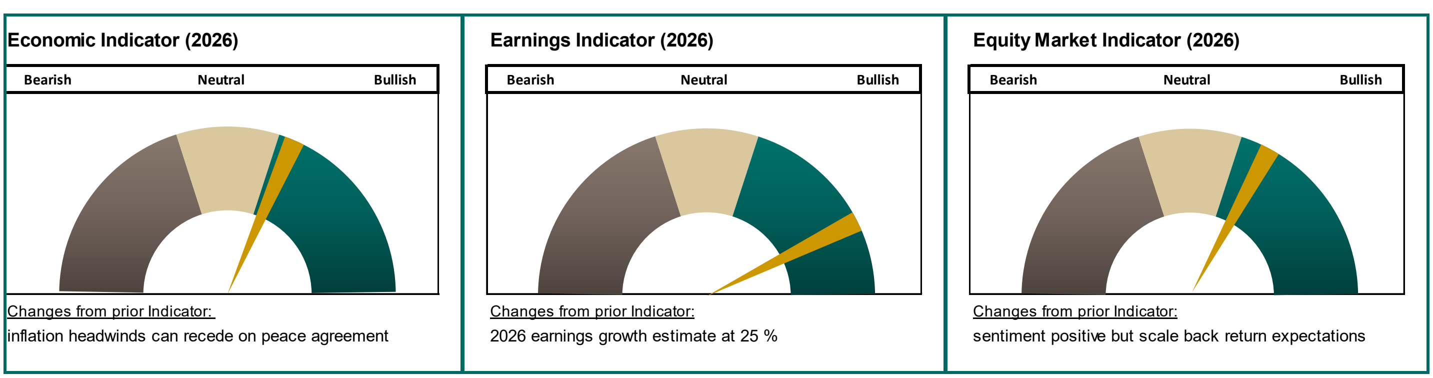
Data Source: FactSet and U.S. Treasury, as of 7/6/26. Yields based upon daily closing prices of U.S. Treasury bonds (2-year). The fed funds target is the midpoint of the Federal Reserve Bank's target range, which is published by the Federal Reserve.

Following the meeting, short-term U.S. Treasury yields (TY) surged as the 2-year TY moved to 4.21% on 6/17 (and was 4.19% on 7/7/26), its highest level in more than a year. The 2-year yield has remained above the fed funds target throughout 2026, which, in our view, reflects a bond market expectation for a Fed rate hike this year. It remains debatable if a fed funds rate hike of +0.25% or +0.50% (a +0.50% hike would take the target range to 4.00% to 4.25%) would impact the U.S. economy in 2026 as Fed rate hikes filter across the economy over several months, but the change in expectation is notable. We have now ended a two-year period (since early 2024) of investors looking for multiple Federal Reserve interest rate cuts. Rate cutting cycles are generally good for the U.S. economy and positive for equity markets, supporting earnings growth and higher valuations. That rate cut anticipation is now gone, and an interest rate hiking cycle could weigh on equity markets. Chair Warsh believes that the economy and jobs can grow even if higher rates are used to fight inflation, but the Warsh Fed, if it can, will likely remain patient before starting a Federal Reserve tightening (higher rates) cycle. In our view, a 2026 rate hike is not certain, especially given a recent drop in oil prices, and we would not be surprised to see Treasury yields modestly lower by year-end. But inflation data will be monitored closely.



Data Source: FactSet and the Bureau of Labor Statistics (BLS). The consumer price index (CPI) is a measure of average change over time in the prices paid by urban consumers for a market basket of goods and services. It is reported monthly by the U.S. Bureau of Labor Statistics (BLS). "Core CPI" is CPI less food & energy. As of 5/31/26 (chart covers 5/31/16 to 5/31/26).

The surge in oil prices and higher fuel prices (gasoline, jet fuel, and diesel) drove inflation higher for three consecutive months in the first half of 2026. In May, the consumer price index (CPI) increased +4.2% Y/Y compared to +2.4% in February. Most of the increase was attributed to gasoline prices, and given recent gas price declines, this will provide some relief in June and July. According to data from the Automobile Club, the U.S. national average for unleaded gasoline was $3.79 per gallon on 7/7/26, down -15% from the end of May ($4.46/gal). Although this remains +27% above the end of February (pre-Iran conflict, $2.98/gal), we estimate that the relief since May so far could reduce CPI by 90 basis points. This won't happen all at once, but we expect headline CPI to trend lower. Core CPI, however, is not directly tied to gasoline. Core CPI excludes food and energy prices and increased +2.9% Y/Y in May, up from +2.5% in February. This indicates that inflation pressure has elevated more than just gasoline and could become stickier than previously expected. Some of core CPI is indirectly tied to fuel prices (airline fares and transportation costs), which can see some relief, but other areas like lodging, shelter (including rent), vehicle leases, cars, and medical expenses, if trending higher, could take longer to recover. When the Fed highlights that its priority is to bring inflation back to +2.0%, the focus is on core inflation. The last core reading of +2.9% from May (released in June) remains well-above the +2.0% target, and a sustained period at these levels or higher is a risk for equity prices, in our view.



Data Source: D.A. Davidson Investment Management & Research as of 7/7/26.

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Important Disclosure: Information contained herein has been obtained by sources we consider reliable but is not guaranteed and we are not soliciting any action based upon it. Any opinions expressed are based on our interpretation of the data available to us at the time of the original publication of the report. These opinions are subject to change at any time without notice. Investors must bear in mind that inherent in investments are the risks of fluctuating prices and the uncertainties of dividends, rates of return, and yield. Investors should also remember that past performance is not necessarily an indicator of future performance and D.A. Davidson & Co makes no guarantee, expressed or implied, to future performance. Investors should consult their Financial and/or Tax Advisor before implementing any investment plan.

Market Indices: The information on indices is presented for illustrative purposes only and is not intended to imply the potential performance of any fund or investment. Indices provide a general source of information on how various market segments and types of investments have performed in the past. Index performance assumes the reinvestment of all distributions, but does not assume any transaction costs, taxes, management fees, or other expenses. You may not invest directly in an index. Past performance is not an indicator of future results. The S&P 500 Index is a market cap weighted index that is designed to measure the US large-cap equity performance. The index is composed of the 500 leading publicly traded US companies based on size, liquidity, industry, and profitability criteria. The Dow Jones Industrial Average is a price weighted index that tracks 30 large, exchange-traded companies trading on the New York Stock Exchange (NYSE) and the NASDAQ. The NASDAQ Composite Index measures all NASDAQ domestic and international based common type stocks listed on The NASDAQ Stock Market. Today the NASDAQ Composite includes over 3,000 companies. The Russell 2000® Index is a market cap weighted index that measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The MSCI EAFE® Index (Europe, Austral, Asia, Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US and Canada. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. Bloomberg Commodity Index (BCOM) is calculated on an excess return basis and reflects commodity futures price movements. The index rebalances annually weighted 2/3 by trading volume and 1/3 by world production and weight-caps are applied at the commodity, sector and group level for diversification. The Bloomberg U.S. Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. The Russell 1000® Growth Index is a market cap weighted index that measures the performance of the large-cap growth segment of the U.S. equity market. It includes those Russell 1000 companies with relatively higher price-to-book ratios and higher expected earnings growth rates. The Russell 1000® Value Index includes those Russell 1000 companies with relatively lower price-to-book ratios and lower expected earnings growth rates. The S&P 500 Equal Weight Index is compiled by S&P Dow Jones. It is an 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 is allocated a fixed weight, or 0.2%, of the index total at each quarterly rebalance.

Other Disclosures: The Global Industry Classification Standard (GICS) is a four-tiered, hierarchical industry classification system. Companies are classified quantitatively and qualitatively. Each company is assigned a single GICS classification at the Sub-Industry level according to its principal business activity. MSCI and S&P Dow Jones Indices use revenues as a key factor in determining a firm's principal business activity. The 11 sectors are: Communication Services, Consumer Discretionary, Consumer Staples, Energy, Financials, Health Care, Industrials, Information Technology, Materials, Real Estate, and Utilities.

The forward S&P 500 price-to-earnings ratio (P/E) is a valuation measure, calculated by dividing the price of the S&P 500 index over the weighted average earnings per share (EPS) estimate of each company in the index. Earnings are based on "forward" consensus estimates expected over the next 12 months (NTM), using quarterly analyst estimates as provided by FactSet. An alternative valuation method, the P/E-to-growth rate, or PEG ratio, compares the P/E ratio to the expected earnings growth rate, often an average over a multi-year period.

Fair value refers to a valuation method based on our view of the intrinsic value of an asset or index, determined by macroeconomic factors and earnings expectations rather than current market prices. This is our view of intrinsic value as of the date of this report.

Gross domestic product (GDP) refers to the monetary measure of the market value of all final goods and services produced within a country's borders within a specific time period. Real GDP is adjusted for the impact of inflation. GDP numbers are compiled by the Bureau of Economic Analysis (BEA), a division within the U.S. Department of Commerce. Quarterly GDP is reported as a percentage change from the prior quarter, annualized. The BEA also reports data as a year-over-year percentage change from the same period one year prior. The most recent GDP report can be found at www.bea.gov. Major components of GDP include personal consumption expenditures, non-residential fixed investment, residential investment, government expenditures and adjustments for inventories and net exports (imports). Non-Residential Fixed Investment includes several subcategories including software and information processing equipment that measure investment in technology. Imports of goods and services are subtracted from GDP data (products are not produced or performed in the U.S) while exports are added to GDP.

FactSet is a data aggregation software utilized by D.A. Davidson's Wealth Management Research. The FactSet consensus refers to the aggregate of all analysts estimates from firms that submit estimates to FactSet for a given financial metric.

The annual price returns of the S&P 500 index are calculated using index closing value on 12/31 of one year to 12/31 of the next year. 2025 returns are calculated as of 12/31/2025. Intra-year, peak-to-trough percentage declines are calculated using the index closing prices from an intra-year high date to a subsequent low date. Closing prices are provided by S&P Global through FactSet. Averages across years are calculated using the arithmetic mean.

S&P 500 earnings growth reflects the year-over-year change in operating earnings on a per share basis. Earnings data are aggregated for all S&P 500 constituents and are measured according to the relative market capitalization weights for each company. Estimated earnings are the combined FactSet estimates of analysts covering each company included in the index.

The Federal Reserve Bank's Open Market Committee (FOMC) consists of twelve members – the seven members of the Board of Governors of the Federal Reserve System, the president of the Federal Reserve Bank of New York, and four of the remaining eleven Federal Reserve Bank presidents, who serve one-year terms on a rotating basis. The FOMC holds eight regularly scheduled meetings per year. At these meetings, the Committee reviews economic and financial conditions, determines the appropriate stance of monetary policy, and assesses the risks to its long-run goals of price stability and sustainable economic growth.

The term "monetary policy" refers to the actions undertaken by a central bank, such as the Federal Reserve, to influence the availability and cost of money and credit to help promote national economic goals. The Board of Governors of the Federal Reserve System is responsible for the discount rate and reserve requirements, and the Federal Open Market Committee is responsible for open market operations. The Federal

Reserve influences the demand for, and supply of, balances that depository institutions hold at Federal Reserve Banks and, in this way, alters the federal funds rate. The federal funds rate is the interest rate at which depository institutions lend balances at the Federal Reserve to other depository institutions overnight. The Summary of Economic Projections (SEP) represent individual projections from Federal Reserve Board members and Fed bank presidents and rely upon individual assumptions.

The Treasury yield curve displays the market interest rate across different contract lengths for U.S. Treasury securities, indicating the relationship between the interest rate and the time ("term") to maturity. The yields of the 2-year and 10-year U.S. Treasury notes are widely followed barometers of the current U.S. interest rate environment. Treasury security data used in calculating interest rate spreads is obtained directly from the U.S. Treasury Department, through FactSet.

The U.S. Personal Consumption Expenditures (PCE) Price Index is an indicator of the growth in consumer spending and measures the value of goods and services purchased by persons who reside in the U.S. It is reported monthly by the Bureau of Economic Analysis. PCE inflation is the percentage rate of change in the price index for personal consumption expenditures (PCE).

The National Bureau of Economic Research (NBER) is a private non-profit research organization. The NBER is widely used as an organization that analyzes U.S. economic data and the business cycle and determines the start dates and end dates of economic recessions. The NBER defines recession as "a significant decline in economic activity that is spread across the economy and that lasts more than a few months" and also looks at the depth, diffusion, and duration of the downturn.

The Bureau of Labor Statistics (BLS) compiles U.S. labor statistics from two monthly surveys. The household survey measures labor force status by demographics, while the establishment survey measures nonfarm employment and data by industry. The nonfarm payrolls component of the establishment survey is drawn from private businesses and government entities. The nonfarm payrolls number is among the most widely used data points to assess U.S. employment trends. The unemployment rate is the percentage of the labor force that is jobless and actively willing and available to work.

The consumer price index (CPI) is a measure of average change, over time, in the prices paid by urban consumers for a market basket of goods and services. It is reported monthly by the U.S. Bureau of Labor Statistics.

Volatility looks at to what degree and how quickly prices move over a given span of time. In the stock market, increased volatility, in the form of rapidly falling prices, is often a sign of rising uncertainty.

We track a measure of wages, average hourly earnings, or AHE, of all private employees, which is calculated and reported on a monthly basis by the U.S. Bureau of Labor Statistics. The data measures average hourly earnings of all private employees on a "gross" basis (includes overtime and late shift work but excludes benefits).

U.S. monthly receipts, outlays, deficit, or surplus are reported by the U.S. Treasury at fiscal.treasury.gov. Supporting data is also available from the Congressional Budget Office (CBO). The U.S. Treasury reports monthly budget details in its Monthly Treasury Statement, and prior to that monthly numbers are estimated by the CBO in its Monthly Budget Review. The CBO provides monthly data on payments for Medicare, Medicaid, Social Security, and Interest Expense. Tax receipts are also reported.

On 2/12/25, The Trump Administration announced a framework for its Reciprocal Tariffs, with a link to the memorandum, "Fair and Reciprocal Plan." On 3/26/25, the White House announced tariffs on imported automobiles and certain automobile parts. Here is a link to a Fact Sheet from the president that outlines the action. The president referred to 4/2/25 as "Liberation Day" and released a Reciprocal Tariff Memorandum. Then, on 4/9/25, the White House delayed most reciprocal tariffs, and released a memo, Modifying Reciprocal Tariff Rates. This was considered a policy change (or pivot), and since then has led to negotiated trade deals (U.K., China, and Vietnam) while many of the other tariff pauses are scheduled to be implemented on 8/1/25 if additional trade deals are not signed. Many of the administration's reciprocal tariffs were levied using the International Emergency Economic Powers Act (IEEPA). On 2/20/26, the U.S. Supreme Court ruled that tariffs could not be used under the IEEPA statute. The Supreme Court ruling is here.

Personal Income and Savings is reported monthly by the Bureau of Economic Analysis for individuals and is defined as personal income less personal outlays and taxes. The personal savings rate is personal savings as a percentage of disposable personal income.

Generative Artificial Intelligence (GenAI): We think of artificial intelligence as using advanced computers to process large amounts of data to ultimately approach human problem solving and decision making. While still predictive models, generative AI can give detailed responses, much better than a search engine, which does a good job of telling the user where to go to find additional information. As generative AI systems access more data, they become larger and learn to make better decisions. At each iteration, the system gains knowledge, enhancing its predictive (reliable) capabilities and ability to produce original content. Generative AI systems become more robust as they are used as all new data can be trained into the system, creating new challenges and opportunities. AI infrastructure refers to spending on data centers, graphic processors (GPUs), networking, power, and cloud computing capacity.

The term "Magnificent 7" was first used in early 2023 by Bank of America. It referred to seven publicly traded stocks that at the time were the most highly valued companies in the S&P 500 index ranked by equity market value. The seven stocks were: Apple, Microsoft, Alphabet, Amazon, Nvidia, Meta, and Tesla. As of 12/31/25, we estimate those 7 stocks comprised 35% of the market capitalization of the S&P 500.

The U.S. Dollar index is a measure used to evaluate the U.S. dollar vs. a basket of currencies from U.S. trading partners. These currencies are the euro, Swiss franc, Japanese yen, Canadian dollar, British pound, and Swedish krona. It has a base of 100 and values are interpreted relative to this base.

When we discuss "growth stocks" we are referring to companies that generate expected earnings growth (over a multi-year period) that is above expected earnings growth for the overall market (typically the S&P 500 index). The largest sector weights (by market capitalization) in the Russell 1000 growth index (as of 12/31/25) were Information Technology, Consumer Discretionary, and Communication Services. "Value" stocks are characterized by companies that trade at discounted valuations to an index, sector, and/or a peer group. The largest sector weights in the Russell 1000 value index (as of 12/31/25) were Financials, Industrials, and Health Care.

On 2/28/26, the U.S. and Israel launched an air attack on Iran designed to eliminate weapons capabilities and critical infrastructure. On 3/1/26, the White House published a release detailing the operation. Iran and the U.S. announced a ceasefire on 4/8/26 and a Memorandum of Understanding (MOU) on 6/17/26. The MOU is presented as a framework of a peace agreement to end the war that will be negotiated over a 60-day period.

U.S. oil prices are often described using the price per barrel of West Texas Intermediate (WTI). This is a high-quality low density crude oil grade sourced primarily from the Permian basin. Futures contracts and spot prices are traded on the New York Mercantile Exchange (NYMEX). Brent crude reflects pricing for oil from the Atlantic basin. Many believe that Brent crude represents 66% to 80% of the global trade in oil. Brent contracts are trade on the Intercontinental Exchange.

The Strait of Hormuz is located in the gulf between Oman and Iran. According to the U.S. Energy Information Administration, an estimated 20 million barrels are transported on ships through the Strait on a daily basis. This includes liquified natural gas (LNG) as well and is an essential waterway for Gulf energy exports. As of 3/20/26, very limited shipping vessels were using the Strait of Hormuz.

Data on the economics of oil price changes on the retail price of gasoline can be found from the Federal Reserve Bank of St. Louis and the U.S. Energy Information Administration (EIA). The Automobile Club (AAA) monitors daily fuel prices in the U.S., which can be tracked at: gasprices.aaa.com.

The International Energy Agency (IEA) has monitored shipping and supply disruptions through the Strait of Hormuz. They have published key facts on the disruption with links to other reports as well. The Middle East and Global Energy Markets. The U.S. Energy Information Administration (EIA) is a federal agency that collects and disseminates data on U.S. and global energy markets. It is part of the U.S. Department of Energy. The EIA provides comprehensive data on the U.S. and global energy markets through its eia.gov home page.

The Bureau of Labor Statistics reports on nonfarm business sector labor productivity, also known as output per hour. We retrieved data from FRED, Federal Reserve Bank of St. Louis, 7/7/26.

The consumer price index (CPI) is a measure of average change over time in the prices paid by urban consumers for a market basket of goods and services. It is reported monthly by the U.S. Bureau of Labor Statistics. An alternative measure of consumer inflation is the personal consumption expenditure (PCE) price index. PCE inflation is the percentage rate of change in the price index for personal consumption expenditures (PCE). The index is published monthly by the U.S. Bureau of Economic Analysis.

Defensive sectors include companies that are historically less sensitive to economic cycles as product demand remains relatively more consistent across the business cycle. Cyclical sectors include companies that are more exposed to the business cycle such that growth accelerates when economic growth is above trend and decelerates when the economy slows.

Gross domestic product (GDP) refers to the monetary measure of the market value of all final goods and services produced within a country's borders within a specific time period. Real GDP is adjusted for the impact of inflation. GDP numbers are compiled by the Bureau of Economic Analysis (BEA), a division within the U.S. Department of Commerce. Quarterly GDP is reported as a percentage change from the prior quarter, annualized. The BEA also reports data on a year-over-year percentage change from the same period one year prior. Major components of GDP include personal consumption expenditures, non-residential fixed investment, residential investment, government expenditures, and adjustments for inventories and net exports (imports). Both information technology equipment and software are sub-categories within non-residential fixed investment. In 2Q25, inflation-adjusted (real GDP) increased +3.8% on an annualized basis (subject to revision). The 1Q26 increase was +2.1%, and the 4Q25 increase was +0.5%. Consumer spending is measured by personal consumption expenditures (PCE). We track business investment through non-residential fixed investment. The most recently released (6/25/26) BEA GDP report is here. Subcategories within non-residential fixed investment include information processing equipment, software, and research and development. This includes some, but not all, of the data center and information technology investment across the economy. Full-year 2025 GDP, adjusted for inflation, increased +2.1%.

The 2026 U.S. national mid-term election will be held on 11/3/26. While this is the middle of the Presidential four-year term, all of the U.S. House of Representatives will be on the ballot (two-year terms) and about 1/3 of the U.S. Senate (six-year terms). In recent mid-term elections (since 2000), political party control of one or both houses of Congress have flipped to the opposing party. In 2026, Republicans have narrow majorities in both the House of Representatives and Senate. In addition to the national election, 34 of 50 State Governor elections will be held on the same day.