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Dear Valued Investor,

As summer winds down and September begins, investors are navigating a market shaped by strong corporate profits, debates about the promise of artificial intelligence (AI), evolving monetary policy expectations, and ongoing geopolitical conflicts. While volatility has increased at times, the backdrop for investors remains fundamentally well supported.

One of the most important pillars supporting the backdrop for the stock market has been corporate profits. Second quarter earnings growth for the S&P 500 is tracking to a stellar 31% excluding mark-ups of investment holdings, while analysts continue to raise forecasts for the second half and 2027. Solid earnings growth across a broad range of sectors has strengthened the fundamental case for stocks. If not for large non-recurring charges by two healthcare companies, all 11 S&P sectors would have grown earnings by 9% or more in the quarter.

At the same time, investor attention has remained squarely on AI. Recent results and commentary from major technology companies have reinforced their confidence that AI investment will drive innovation and profitable growth, even as market participants debate potential payoffs. Strong outlooks from leading technology companies, including the world’s largest company NVIDIA and some software firms perceived as vulnerable to disruption, have helped maintain investor enthusiasm and put a floor under most AI stocks.

Overall, we remain constructive on the stock market outlook, supported by robust and broadening corporate profit trends, a resilient U.S. economy, and continued AI innovation. As appropriate, investors may want to consider above-target weightings in stocks relative to bonds, while considering an allocation to diversifying alternative investments to help mitigate potential volatility as midterm elections approach and monetary policy and geopolitical uncertainty remain elevated. Also consider stocks have historically lagged in September and early October, though less so after a strong eight months.

For fixed income investors, with inflation still sticky and rising odds of a Federal Reserve rate hike, we continue to emphasize high-quality bonds while limiting interest rate sensitivity. Municipal bonds may offer compelling income potential and provide diversification with yields elevated relative to recent history.

In sum, while higher interest rates, ongoing geopolitical conflicts, and midterm election-related policy uncertainty may create short-term market swings, maintaining a disciplined, diversified investment approach remains the most effective way to navigate a dynamic market environment. We will continue to monitor market fluctuations to take advantage of potential opportunities that may emerge after Labor Day.

As always, please reach out to your financial advisor with questions.

Sincerely,

Jeffrey Buchbinder, CFA
Chief Equity Strategist
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Important Information

This material is for general information only and is not intended to provide specific advice or recommendations for any individual. There is no assurance that the views or strategies discussed are suitable for all investors or will yield positive outcomes. Investing involves risks including possible loss of principal. Any economic forecasts set forth may not develop as predicted and are subject to change.

References to markets, asset classes, and sectors are generally regarding the corresponding market index. Indexes are unmanaged statistical composites and cannot be invested into directly. Index performance is not indicative of the performance of any investment and do not reflect fees, expenses, or sales charges. All performance referenced is historical and is no guarantee of future results.

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All data is provided as of September 2, 2026.

Earnings per share (EPS) is the portion of a company's profit allocated to each outstanding share of common stock. EPS serves as an indicator of a company's profitability. Earnings per share is generally considered to be the single most important variable in determining a share's price. It is also a major component used to calculate the price-to-earnings valuation ratio.

All index data from FactSet.

The Standard & Poor's 500 Index (S&P 500) is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

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.

There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.

Past performance does not guarantee future results.

Asset allocation does not ensure a profit or protect against a loss.

This research material was prepared by LPL Financial, LLC.

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