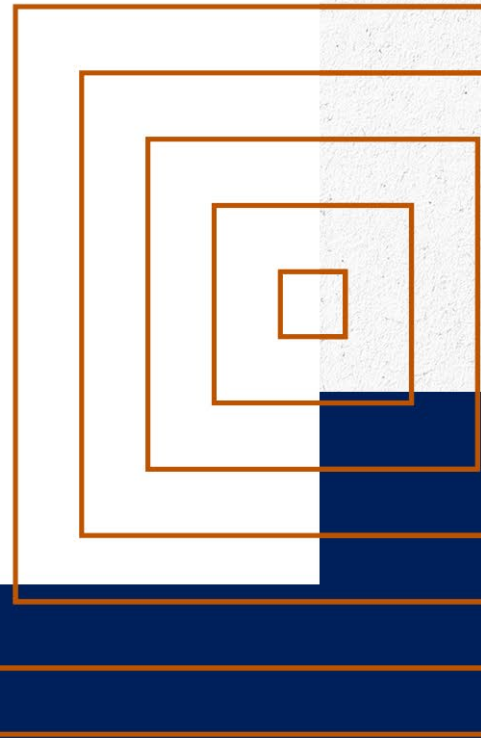


Market Insight Quarterly

Third Quarter 2026

News & Views from LPL Research

The economic forecasts set forth in the presentation may not develop as predicted. Please note: all return figures are as of September 30, 2026, unless otherwise stated. This information is not intended as authoritative guidance or tax or legal advice. You should consult with your attorney or tax advisor for guidance on your specific situation.



Market Insight Quarterly

Q3 2026 at a Glance

Sector	Q3 2026
Gross Domestic Product*	2.8%
S&P 500 Index	2.3%
Bloomberg U.S. Aggregate Bond Index	-3.4%
Bloomberg Commodity Index	16.2%

Source: LPL Research, Bloomberg, 09/30/2026

* Bloomberg consensus as of 09/30/2026

Figures for S&P 500 Index, Bloomberg U.S. Aggregate Bond Index, and Bloomberg Commodities Index are total returns from 06/30/2026 - 09/30/2026 (Q3)

All indexes are unmanaged and cannot be invested into directly. The returns do not reflect fees, sales charges, or expenses. The results don't reflect any particular investment.

Past performance is not indicative of future results.

Stocks Ended the Third Quarter Mixed Amid Rising Oil and Yields, A Rate Hike, and AI Evolution

Major U.S. averages followed a blockbuster second quarter with mixed performance over the last three months as markets navigated several moving pieces. The S&P 500 and Nasdaq Composite both printed modest third quarter gains, respectively adding 2.3% and 2.6% (including dividends), however, the equal-weight variant of the S&P 500 (-1.9%) posted its largest quarterly underperformance since the second quarter of 2025, illustrating the weak market breadth that quickly became a key market theme. The Dow Industrials (-2.3%) and small cap Russell 2000 (-7.2%) Indexes lagged.

Stocks jumped to record highs in early August on U.S.-Iran diplomacy hopes, but broadly traded sideways from there. The ongoing evolution of the artificial intelligence (AI) trade remained a prominent theme, and while focus surrounded continued capex trends, robust demand, and agentic optimism, a ramp in security concerns kept a lid on enthusiasm. Plus, a historic rise in Treasury yields commanded some caution in equities, while oil prices pushed higher as markets debated improving Mideast oil flows against little diplomatic progress and sporadic hostilities. Earnings growth remained a bright spot, however, with 32% year-over-year growth in the second quarter (excluding mark-ups of AI investment holdings) and 86% of the S&P 500 beating estimates.

On the macro front, inflation continued to prove sticky and worries of energy-driven price pressures lingered, driving rate hike expectations higher after being paired with a hawkish leaning Jackson Hole speech from Federal Reserve (Fed) Chair Kevin Warsh. Bets for a 0.25% hike in September were ultimately fulfilled by the first shift higher by the central bank since July 2023, leaving market focus to turn to how far Fed tightening will go after expectations of further policy tightening began to ease on cool inflation and soft payrolls data at the start of the fourth quarter.

The conflict in the Persian Gulf continued throughout the last three months as June's memorandum of understanding (MOU) lasted until mid-July, when Iranian attacks on vessels in the Strait of Hormuz prompted retaliatory U.S. strikes. Further, complications of the conflict and energy supply disruptions grew deeper following Houthi attacks on Saudi energy infrastructure in and around the Red Sea. On-and-off reports of negotiations were interrupted by spasms of kinetic action, and talks at September's United Nations conference did not yield anything concrete. Meanwhile, trade policy was also still a focus for Washington's news flow, highlighted by the trade truce with China extending into January, while attention broadly began to shift to upcoming midterm elections as the calendar turned to October.

Small Caps Fall, Narrowing Year-to-Date Outperformance Over Large Caps

Large cap stocks clawed back part of their year-to-date underperformance as Wall Street's smaller companies were weighed down by rising rates. The small cap Russell 2000 shed 7.2% during the third quarter, lagging the large cap Russell 1000 Index's 1.8% advance by roughly nine percentage points and narrowing its 2026 outperformance to just over 1.5%. Given small cap's relatively larger reliance on debt financing and higher exposure to floating rate debt, the first Fed rate hike in three years and surging Treasury yields were tabbed as the greatest quarterly headwinds. A rotation back toward large cap's more resilient balance sheets weighed on the asset class, as well as weak breadth. Energy was the lone Russell 2000 sector to rise, while communication services lagged.

Value Stocks Bested Growth Following Momentum Unwind, Rising Rates

After besting their value counterparts in the second quarter, growth stocks lagged over the last three months as the Russell 1000 Value Index added 2.6%, outpacing a 0.9% gain for the Russell 1000 Growth Index. Style performance could be described as a tale of two halves, as value names easily outperformed in July and early August as the tech-heavy growth style was pressured by Chinese AI competition concerns followed by a sharp deleveraging and momentum unwind, sending some pockets of the market near technical bear markets — fueling a rotation toward value-tilted cyclicals. However, growth names rebounded from earlier weakness with the help of some positive earnings takeaways, but rising rates allowed value to hold on to quarterly outperformance.

Growth stocks and AI-related shares continued to face skepticism around monetization and circular financing, while open-source model competition, increasing data center construction backlash, and security concerns became increasingly prominent. But new tailwinds arrived to counter the fresh headwinds, with early traction from Meta's (META) agent Muse spurring optimism around agentic AI as the theme continues to evolve.

International Stocks Lag U.S. Shares on Rising Yields and Crude Prices

International equities failed to keep pace with their U.S. peers, as the MSCI EAFE Index for developed markets posted a 0.9% advance versus the S&P 500's 2.3% gain, while emerging market (EM) stocks snapped their stretch of outperformance measured by a 0.4% loss in the MSCI EM Index.

Japan led developed markets' small gain as strong earnings growth, accelerating share buybacks, and ongoing corporate reforms managed to offset headwinds from multi-decade highs in Japanese Government Bond (JGB) yields. On the other hand, European equities failed to hold gains as rising oil prices dented the energy-sensitive region, alongside worries of lagging earnings growth, a European Central Bank (ECB) rate hiking cycle, and effects of rising yields on growth and valuations. U.K. stocks outperformed on energy and commodity-related exposure. In EM, the global momentum selloff in July and rotation dynamics from chipmakers toward hyperscalers and software firms prevented the asset class from gaining traction above the quarterly flatline.

Treasuries and Global Bonds Sold Off on Crude Price Spikes, Rate Hikes

Core bonds, proxied by the Bloomberg U.S. Aggregate Index, reversed year-to-date gains with a 3.5% quarterly drop. The latest spike in oil prices and Mideast hostilities re-kindled persistent inflation and energy disruption concerns, driving the long-end higher and the 30-year yield to its highest level since 2002. Geopolitical drivers collided with sticky inflation and faster economic growth pushing the Fed to a 0.25% hike, further compounding with ongoing global fiscal concerns, crowding out by AI-linked debt, some weak auctions, and Treasury credibility jitters after a bolstered buyback program did little to slow the rise in rates. The bond selloff was global, however, with 30-year yields in Japan and the U.K. reaching late-1990s highs.

Meanwhile, investment grade corporate credit underperformed the broader fixed income market measured by a 3.9% decline in the Bloomberg Corporate Bond Index, hurt by rising yields and wider spreads. Mortgage-backed securities (MBS) lagged as well, while high-yield securities outperformed with a -1.8% quarterly result measured by the Bloomberg U.S. MBS and Bloomberg High-Yield Indexes, respectively.

Commodities Rally on Reaccelerating Geopolitical Tensions

The Bloomberg Commodities Index advanced each month during the third quarter, rallying 16.2% in total over the last three months. West Texas Intermediate (WTI) crude prices surged over 30% as re-escalating U.S.-Iran tensions and a lack of diplomatic progress restored the geopolitical risk premium, with gains accelerating following Houthi attacks on Saudi energy infrastructure in September. Reports of improving oil flows out of the Mideast cooled prices heading into quarter-end, but lingering production disruptions shifted market focus toward a refined product supply crunch as U.S. diesel prices surged nearly 50% heading into the U.S. harvest and heating seasons.

Outside of energy, gold prices added 3.7% but ended well off quarterly highs. The yellow metal bounced sharply off oversold levels but trimmed gains as more than 80% of developed-market central banks raised rates alongside the Fed's first rate hike in three years (and expectations for further policy tightening), dimming the shine of non-yielding bullion. Silver added 3.1% while copper outperformed with a 4.5% gain. Grains and soft commodities both gained ground on geopolitically-driven fertilizer and shipping risks, El Niño weather concerns, and potential impacts of higher fuel and supply chain costs.

All commodities performance is based on Bloomberg commodity indexes.

A Look Ahead

Economy. The economic landscape remains dynamic and complex, but tailwinds for growth should outweigh headwinds over the balance of 2026. Looking ahead, investors should consider the following:

- **Resilient Growth.** Economic growth should moderate but remain positive in the second half, with strong business spending on AI-related equipment, intellectual property, and nonresidential structures helping offset weakness in housing and other rate sensitive sectors.
- **The Fed's Path.** Central bankers and new Fed Chair Kevin Warsh face a challenging macro backdrop amid sticky inflation and lingering energy-driven price pressures, limiting the central bank's flexibility. We believe the Fed may deliver another rate hike to address inflation coming from the demand side of the economy if economic data remains resilient.
- **Low Hire, Low Fire.** The labor market is still posting a relatively low unemployment rate mainly because the corporate sector is in a "low-hiring, low-firing, low-quits" equilibrium — firms are hiring more cautiously, but they are also not shedding many workers, which helps keep measured unemployment from rising much. Despite the recent uptick in unemployment, the labor market is still operating in a comfortable range.
- **Inflation Fog.** Our base case is that inflation pressures should moderate by the end of 2026 if geopolitical tensions ease meaningfully. But given upside pressure over the last couple of quarters has been driven disproportionately by energy and related supply-chain channels, the risk for inflation is that it may increase before easing.

Stocks. An economy on solid footing and strong, AI-driven earnings growth will likely continue supporting the stock market through year-end, although more episodes of market volatility should not be ruled out. Looking ahead, investors should consider the following:

- **Risks Are Manageable.** This year has delivered some expected and unexpected dynamics. However, the massive AI buildout and resulting earnings boom has helped offset angst from higher oil prices, rising Treasury yields, and tightening monetary policy. We believe these risks are manageable, and while these crosscurrents may limit near-term upside we maintain our constructive intermediate-to longer-term view of equities.
- **Earnings Still Riding the AI Wave.** Second quarter earnings growth just above 30% excluding investment mark-ups was extraordinary and another quarter of 20%+ growth is likely coming. While AI investment continues to drive a substantial share of earnings growth, improving breadth of earnings

growth is encouraging as a high bar for AI-related results raises the risk of disappointment. Meanwhile, capital to fund the buildout could get more expensive.

- **Diversifying Between Themes.** While broadly justified by earnings, the bar for technology remains high and recently narrow breadth is noteworthy. We maintain an overweight stance on equities, but continue to believe diversifying between the AI theme and rotation beneficiaries could be critical. Continue to emphasize the quality theme.
- **Stock Market Risks: The Usual Suspects.** Of course, the Iran conflict, rising Treasury yields, Fed rate hikes, and the potential for AI disappointments head up the list of risks to stocks in the fourth quarter. Also consider stocks tend to be more volatile during midterm election years. A flare-up of China-Taiwan tensions and excess equity supply via IPOs are other ongoing risks to monitor.

Bonds. Key narratives of the third quarter surrounded the Fed's new leadership, a geopolitical shock that sent oil prices and yields surging, and an AI buildout that is having a measurable impact on the corporate bond market. Looking ahead, consider the following:

- **Elevated Treasury Yields.** The combination of still high inflation due to the Iran conflict, solid economic growth, a growing AI hyperscaler debt load, tightening monetary policy, and global fiscal jitters have pushed Treasury yields higher. But, we would argue the bond market is normalizing, and we expect the 10-year Treasury yield to end the year between 4.75% - 5.25%.
- **Tight Credit Spreads.** Tight credit spreads are likely to persist, although the sharp rise in yields and AI-driven borrowing have pressured spreads modestly higher; short-to-intermediate corporate bonds remain attractive for income-focused investors.
- **Return Drivers.** Returns will be income driven as Treasury yields will likely stay elevated and credit spreads may remain tight relative to history. Securitized markets and unconstrained strategies may perform well, while we prefer Treasury Inflation-Protected Securities (TIPS) over nominal Treasuries as well.

Please note: All return figures are as of September 30, 2026, unless otherwise stated.

Past performance is not indicative of future results. The economic forecasts set forth in the presentation may not develop as predicted.

U.S. Treasuries may be considered "safe haven" investments but do carry some degree of risk including interest rate, credit, and market risk. They are guaranteed by the U.S. 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.

Third Quarter Performance Overview

Energy Leads Gains on Renewed Surge in Oil Prices

S&P 500 sector performance, ranked by third quarter returns*

Sector	Q3 2026
Energy	17.2%
Technology	7.2%
Healthcare	6.5%
Communication Services	3.6%
S&P 500	2.3%
Financials	-0.1%
Consumer Staples	-1.9%
Materials	-2.8%
Consumer Discretionary	-5.1%
Real Estate	-5.6%
Industrials	-9.7%
Utilities	-12.4%

Large Caps and Value Stocks Outperform as Markets Digested Tighter Monetary Policy

Domestic and international asset class performance, ranked by third quarter returns*

Asset Class	Q3 2026
Large Value	2.6%
S&P 500	2.3%
Russell 3000	1.4%
Large Growth	0.9%
Large Foreign	0.6%
Emerging Markets	-0.6%
Mid Value	-2.0%
Small Value	-4.8%
Mid Growth	-5.8%
Small Growth	-9.4%

Bank Loans Outperform Amid the Global Bond Rout

Bond market performance, ranked by third quarter returns*

Sector	Q3 2026
Bank Loans	2.1%
High-Yield Corporates	-1.7%
Foreign Bonds (Unhedged)	-2.2%
Foreign Bonds (Hedged)	-2.3%
U.S. Treasuries	-2.9%
TIPS	-3.2%
EM Debt	-3.3%
Bloomberg U.S. Agg	-3.4%
Investment-Grade Corporates	-3.9%
MBS	-4.2%
Preferred Stocks	-5.7%
High-Yield Munis	-6.3%
Munis	-7.0%

*Source: LPL Research, Bloomberg 09/30/2026

All data as of 09/30/2026. All indexes are unmanaged and cannot be invested into directly. All indexes are unmanaged and cannot be invested into directly. The returns do not reflect fees, sales charges, or expenses. The results don't reflect any particular investment. Past performance is no guarantee of future results. The sectors are represented by the 11 S&P 500 Global Industry Classification Standard (GICS) indexes. Asset class returns are represented by the returns of indexes and are not ranked on an annual total return basis. It is not possible to invest directly in an index.

Bond Market Asset Class Indexes: Foreign Bonds (hedged) – Citigroup Non-U.S. World Government Bond Index Hedged for Currency; Preferred Securities – Merrill Lynch Preferred Stock Hybrid Securities Index; Treasury – Bloomberg U.S. Treasury Index; Mortgage-Backed Securities – Bloomberg U.S. MBS Index; Investment-Grade Corporate – Bloomberg U.S. Corporate Bond Index; Municipal – Bloomberg Municipal Bond Index; Municipal High-Yield – Bloomberg Municipal High Yield Index; TIPS – Bloomberg Treasury Inflation-Protected Securities Index; Bank Loans – Bloomberg U.S. High Yield Loan Index; High-Yield – Bloomberg U.S. Corporate High Yield Index; Emerging Market Debt – Bloomberg Emerging Markets USD Aggregate Total Return Index Unhedged; Foreign Bonds (unhedged) – Citigroup Non-U.S. World Government Bond Index (unhedged).

Important Disclosures

Investing involves risks including possible loss of principal. No investment strategy or risk management technique can guarantee return or eliminate risk in all market environments.

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual security. To determine which investment(s) may be appropriate for you, consult your financial professional prior to investing. The economic forecasts set forth in this material may not develop as predicted. All performance referenced is historical and is no guarantee of future results.

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Gross domestic product (GDP) is the monetary value of all the finished goods and services produced within a country's borders in a specific time period, though GDP is usually calculated on an annual basis. It includes all of private and public consumption, government outlays, investments, and exports less imports that occur within a defined territory.

Yield is the income return on an investment. This refers to the interest or dividends received from a security and are usually expressed annually as a percentage based on the investment's cost its current market value or its face value.

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.

Small cap is a term used to classify companies with a relatively small market capitalization. The definition of small cap can vary, but it is generally a company with a market capitalization of between \$300 million and \$2 billion. The prices of small cap stocks are generally more volatile than large cap stocks.

The S&P 500 Index 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.

The Bloomberg Global Aggregate Index measures the performance of global investment grade debt. The index includes treasury, corporate, and securitized fixed-rate bonds. Investing in stock includes numerous specific risks including: the fluctuation of dividend, loss of principal and potential illiquidity of the investment in a falling market. 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. High yield/junk bonds (grade BB or below) are not investment grade securities, and are subject to higher interest rate, credit, and liquidity risks than those graded BBB and above. They generally should be part of a diversified portfolio for sophisticated investors.

The Russell 1000 Index consists of the 1,000 largest securities in the Russell 3000 Index, which represents approximately 90% of the total market capitalization of the Russell 3000 Index. It is a large-cap, market-oriented index and is highly correlated with the S&P 500 Index. The Russell 2000 Index is an unmanaged index generally representative of the 2,000 smallest companies in the Russell 3000 index, which represents approximately 10% of the total market capitalization of the Russell 3000 Index.

The MSCI EAFE Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada. The MSCI EAFE Index consists of the following developed country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the UK. The MSCI EM (Emerging Markets) Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the emerging market countries of the Americas, Europe, the Middle East, Africa and Asia. The MSCI EM Index consists of the following emerging market country indices: Brazil, Chile, Colombia, Mexico, Peru, Czech Republic, Egypt, Greece, Hungary, Poland, Qatar, Russia, South Africa. Turkey, United Arab Emirates, China, India, Indonesia, Korea, Malaysia, Philippines, Taiwan, and Thailand.

Commodity-linked investments may be more volatile and less liquid than the underlying instruments or measures, and their value may be affected by the performance of the overall commodities baskets as well as weather, geopolitical events, and regulatory developments. The fast price swings in commodities and currencies will result in significant volatility in an investor's holdings.

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