MARKET OVERVIEW
Second Quarter 2026

OPAL WEALTH ADVISORS

Economic Overview

The second quarter of 2026 was defined by the market's ability to look beyond significant geopolitical and policy uncertainty. While the quarter included escalating tensions in the Middle East, elevated inflation concerns, and a transition in Federal Reserve leadership; resilient corporate earnings, a healthy labor market, and improving market breadth ultimately drove a strong recovery across most asset classes.

Equity markets rebounded sharply from first-quarter weakness. The S&P 500 gained 15.2%, while the Equal Weight S&P 500 rose 11.4%. Small-cap equities also participated meaningfully, with the Russell 2000 returning 21.4%, while developed international and emerging markets gained 11.1% and 24.1%, respectively; reflecting a meaningful broadening in market leadership beyond the largest technology companies.

Fixed income markets also proved resilient despite higher inflation expectations and shifting Federal Reserve policy expectations. Higher starting yields helped cushion returns as the Bloomberg U.S. Aggregate Bond Index gained 0.7%, while municipal bonds rallied 2.5% on improving supply-demand dynamics. Credit spreads narrowed throughout the quarter, supporting positive returns across most corporate bond sectors.

Economic conditions remained relatively stable despite heightened uncertainty. Growth moderated but remained positive, labor markets continued to exhibit a "low hiring, low firing" dynamic, and inflation remained elevated largely due to higher energy prices stemming from the conflict in Iran. By quarter-end, however, easing geopolitical tensions and a sharp decline in oil prices helped alleviate some inflation concerns while economic activity continued to demonstrate resilience.

The policy backdrop evolved meaningfully during the quarter as Kevin Warsh assumed leadership of the Federal Reserve. While the Fed left interest rates unchanged, policymakers adopted a more patient stance as inflation remained above target, leading markets to price in a higher-for-longer interest rate environment. Warsh also announced five task forces to review key aspects of the Federal Reserve's policy framework, marking the beginning of what is expected to be a broader reassessment of monetary policymaking.

Bullish Narratives

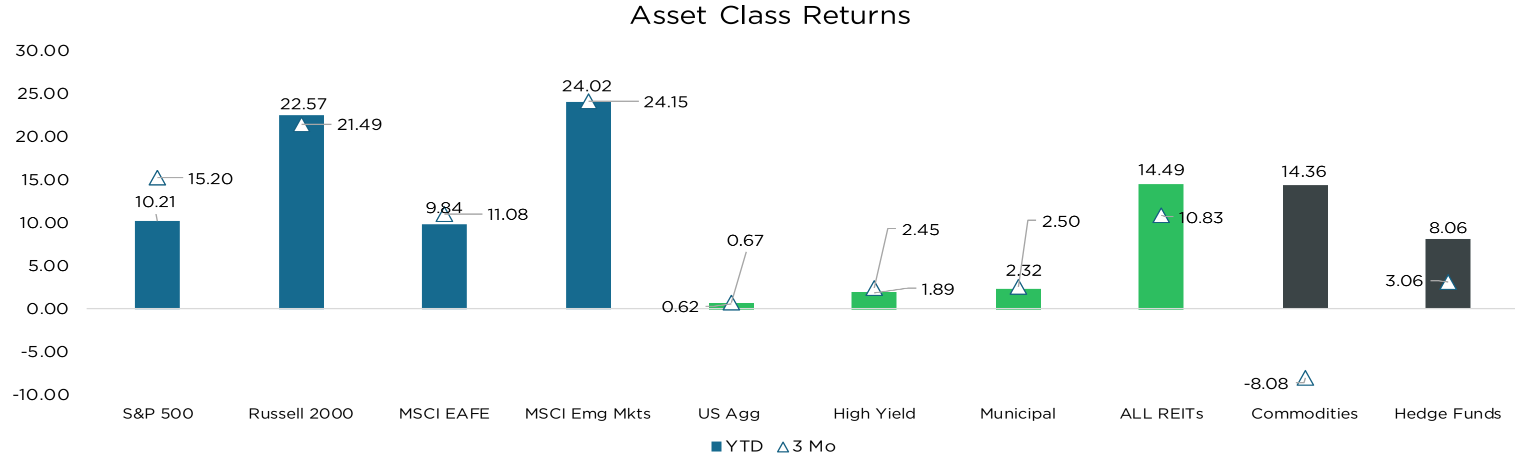
- **Robust U.S. corporate fundamentals** including strong earnings growth, upward street revisions, and positive guidance from management.
- **Resilient consumption** with low unemployment and under levered consumer balance sheets.
- **Artificial Intelligence** infrastructure buildout, earnings momentum, and productivity gains.
- **Growth conducive policies** across fiscal (elevated deficit spending) and regulatory landscapes.

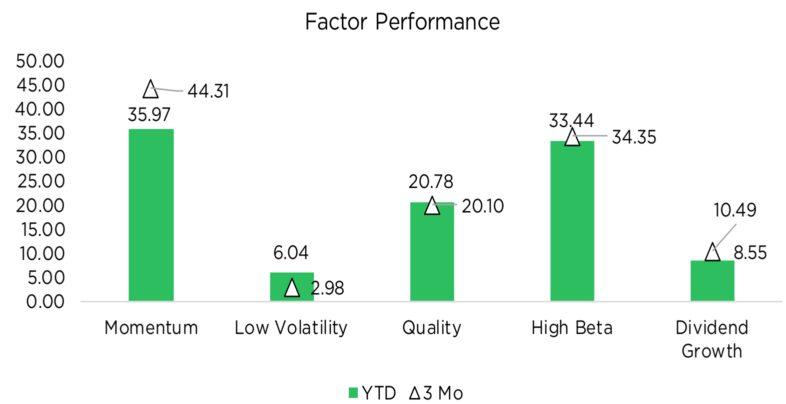
Bearish Narratives

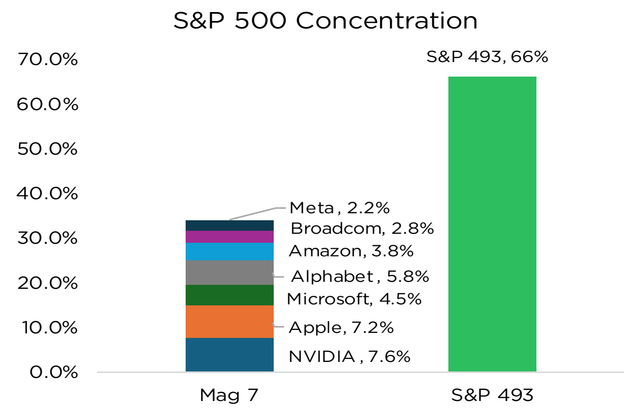
- **Artificial intelligence equity market concentration**, narrow earnings breadth, asset/capex intensive business models, circular investment deals, debt financing, and labor/business model disruption.
- **Potential re-emergence of an energy price shock** with associated risks to inflation(bond yields) and growth(demand destruction).
- **Protectionist trade policy** impact on business uncertainty, price levels, and supply chains.

FINANCIAL MARKETS SUMMARY

SECOND QUARTER 2026



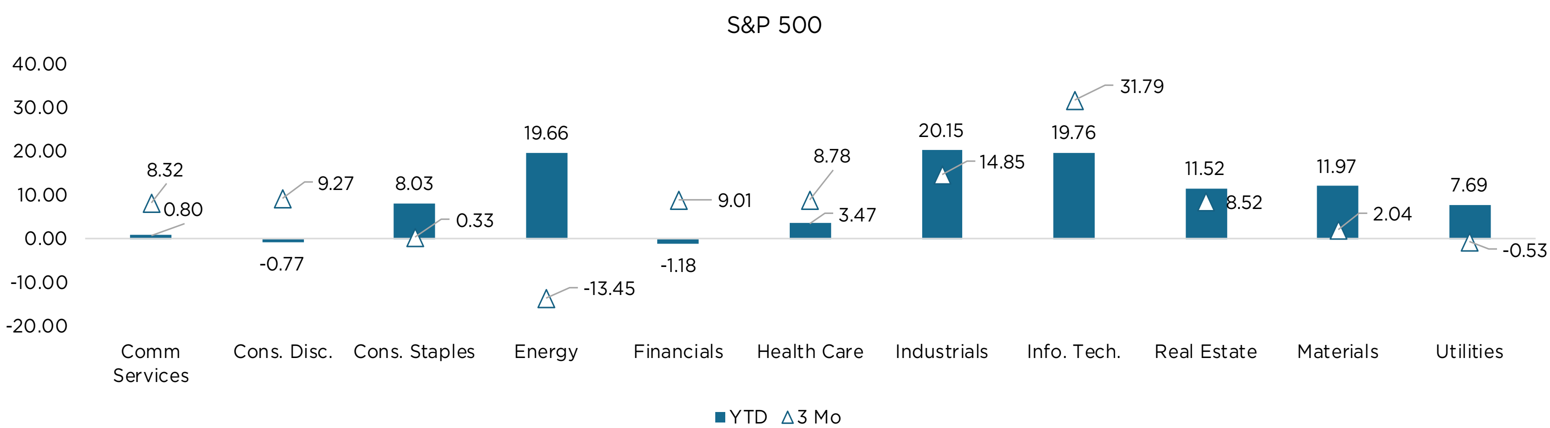


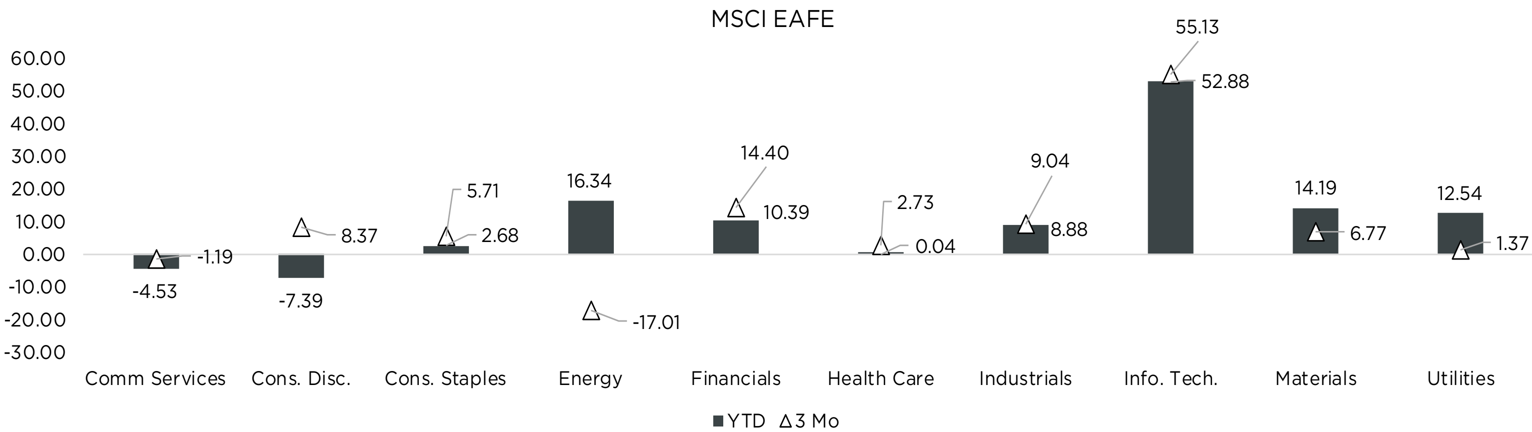


Source: Morningstar Direct

FINANCIAL MARKETS – EQUITY SECTOR RETURNS

SECOND QUARTER 2026

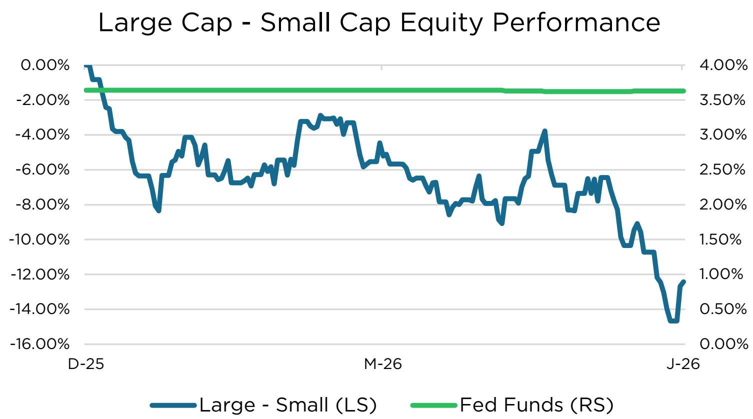


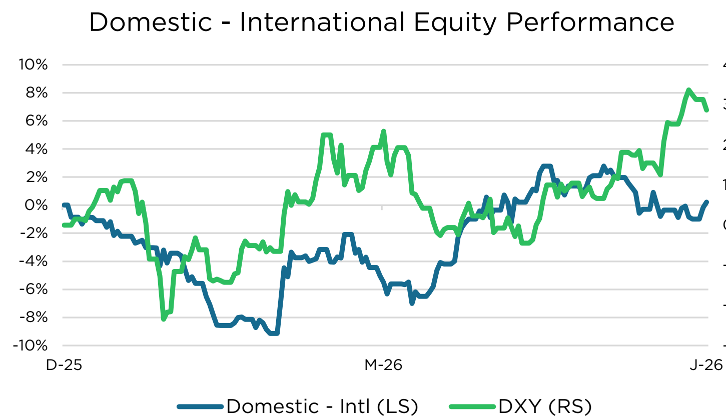


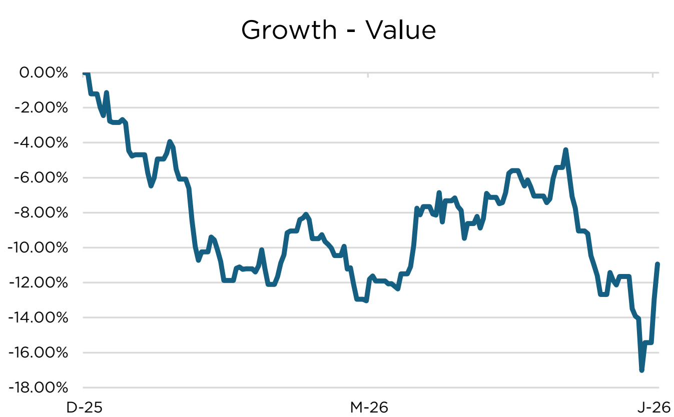
Source: Morningstar Direct

FINANCIAL MARKETS – EQUITY RELATIVE RETURNS

SECOND QUARTER 2026

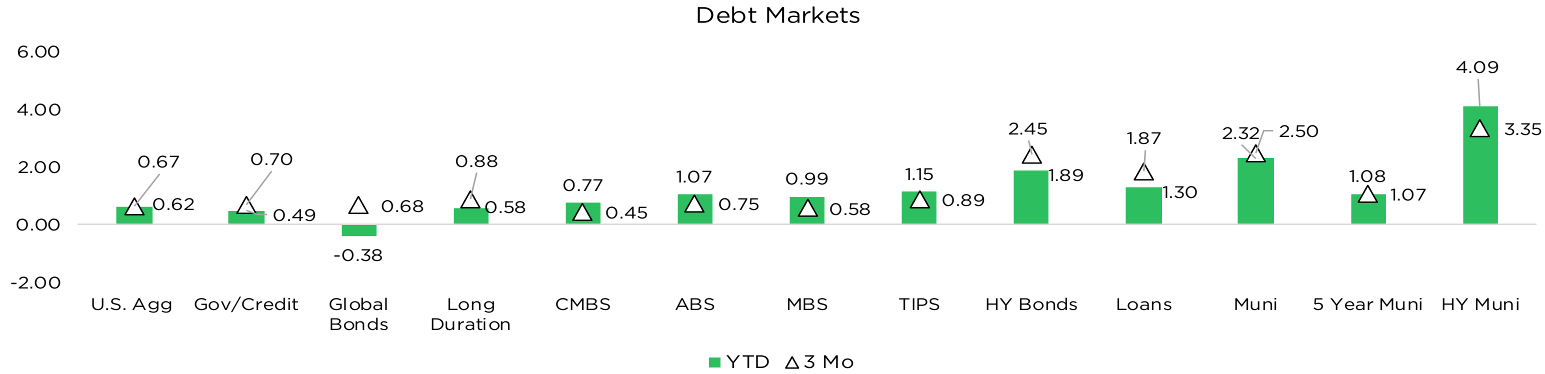






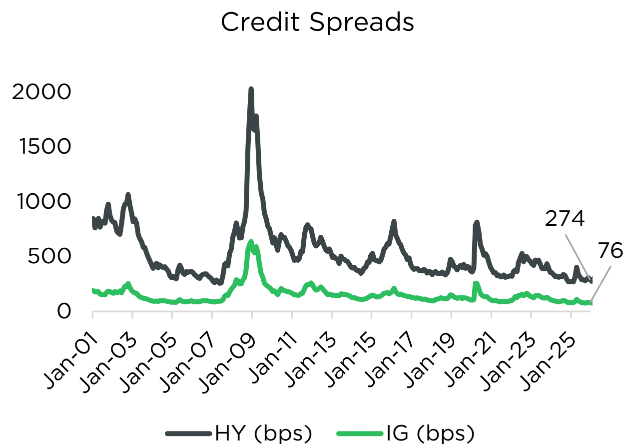
Source: Morningstar Direct

- In Q2, the performance between large (+15.2%) and small caps (+21.4%) continued to diverge primarily on small cap multiple expansion. While large cap companies posted stronger relative earnings growth (20% vs 11%), small caps demonstrated relative outperformance overall.
- Domestic (+15.2%) vs. International (+11.1%) both posted healthy returns in Q2 as much of the Q1 rhetoric of the U.S.-Iran conflict calmed. The tech-heavy nature of the domestic equity market on the back of another strong quarter of earnings and the continuing AI momentum saw a notable performance gap relative to developed international markets.
- Value (+13.8%) underperformed Growth (+16.6%) on relative earnings growth and a higher exposure to tech in the Growth segment of the market. Of note, Value Tech increased over 80% for the quarter driven largely by semiconductor names which accounted for 9.4% of the index's 13.8% quarterly return.



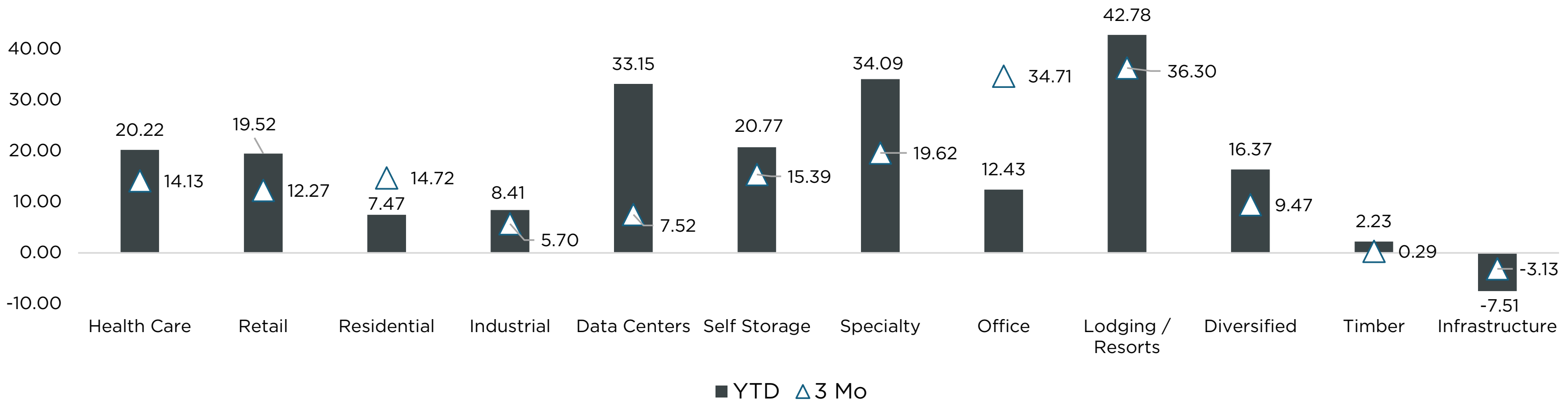
Rates	6/30/26	3/31/26	12/31/25	9/30/25	6/30/25
Effective Fed Funds	3.63	3.64	3.64	4.09	4.33
3 Month Treasury	3.87	3.70	3.67	4.02	4.41
2 Year Treasury	4.14	3.79	3.47	3.60	3.72
5 Year Treasury	4.19	3.92	3.73	3.74	3.79
10 Year Treasury	4.44	4.30	4.18	4.16	4.24
30 Year Treasury	4.91	4.88	4.84	4.73	4.78

Currencies	6/30/26	3/31/26	12/31/25	9/30/25	6/30/25
USD/Euro ($/€)	1.14	1.15	1.18	1.17	1.17
USD/GBP ($/£)	1.33	1.32	1.34	1.34	1.37
Yen/USD (¥/$)	162.61	159.08	156.80	147.97	144.17
DXY	101.19	99.83	98.28	97.78	96.77

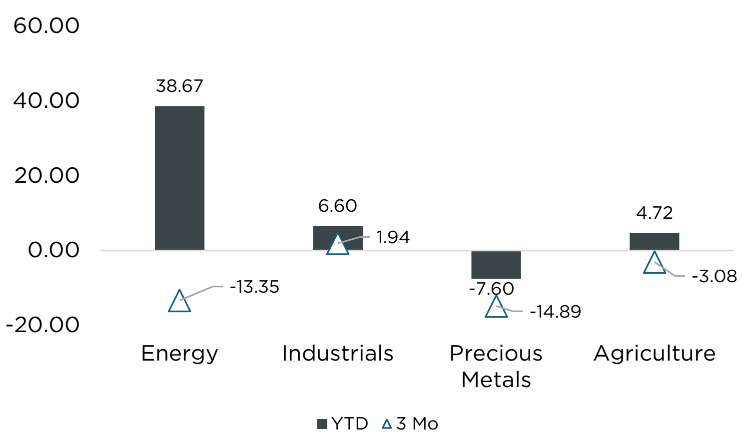


Source: Morningstar Direct, St. Louis FRED

REIT Sector Returns



Commodities Returns

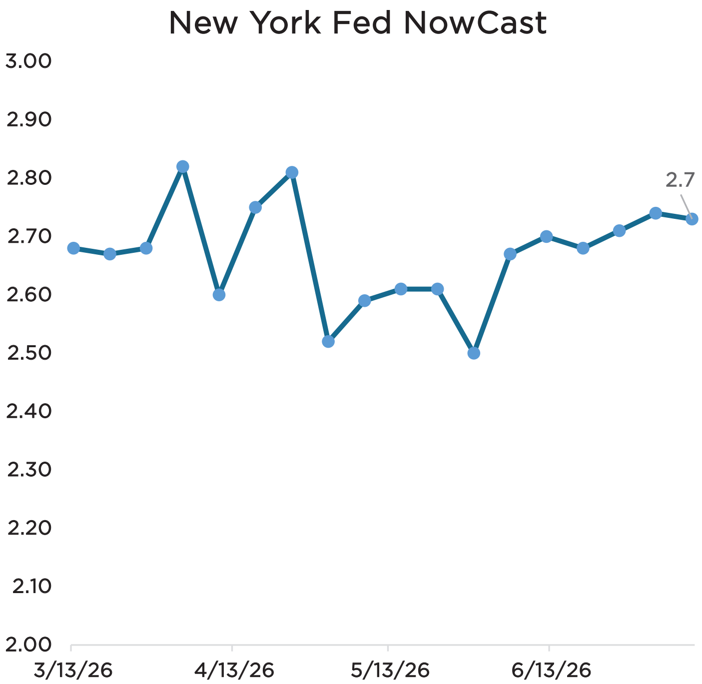


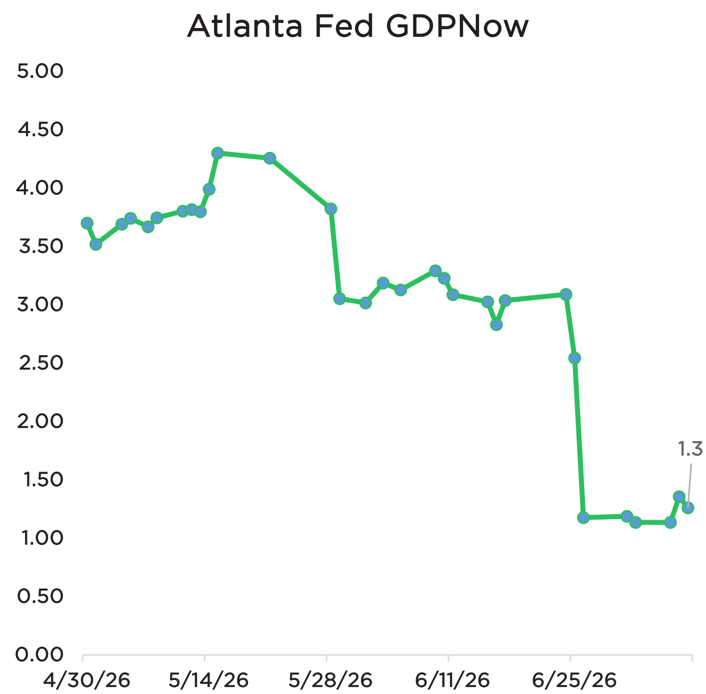
Source: Morningstar Direct

Commodities	6/30/2026	3/31/2026	12/31/2025	9/30/2025
Oil (WTI)	70.56	102.86	57.26	63.17
Nat Gas (Henry Hub)	3.10	3.10	4.30	3.00
Propane (LGP)	*0.83*	0.73	0.65	0.69
Uranium (pound)	*69.10*	68.79	63.51	62.88
Gold (oz)	4,038.50	4,862.17	4,289.48	3,665.20
Silver (oz)	66.70	77.90	62.30	42.80
Platinum (oz)	1,565.80	1,970.20	2,070.00	1,595.80
Nickel (ton)	16,310.00	18,879.23	14,879.03	15,103.18
Aluminum (ton)	3,098.20	3,429.60	2,995.90	2,681.90
Copper (ton)	13,652.11	12,528.71	11,790.96	9,994.77
Lead (ton)	1,877.40	1,878.19	1,940.07	1,954.59
Molybdenum (ton)	88,808.50	64,485.21	63,382.90	55,315.99
Milk (hundred weight)	15.91	21.48	15.48	19.25
Chicken (pound)	*1.68*	1.68	1.64	1.71
Corn (bushel)	*4.48*	4.27	4.10	4.00
Soy (bushel)	*11.60*	11.10	10.40	9.85
Wheat (bushel)	*5.88*	5.52	5.03	4.76

Source: Ycharts, Trading Economics. Italics indicate most recent pricing.

- Q2 growth estimates diverged across Federal Reserve models, with the New York Fed Nowcast at 2.7% and the Atlanta Fed GDPNow at 1.3% (annualized).
- Survey-based data has become increasingly noisy amid geopolitical uncertainty, contributing to the widening gap in estimates. Nonresidential fixed investment continues to bolster growth forecasts.



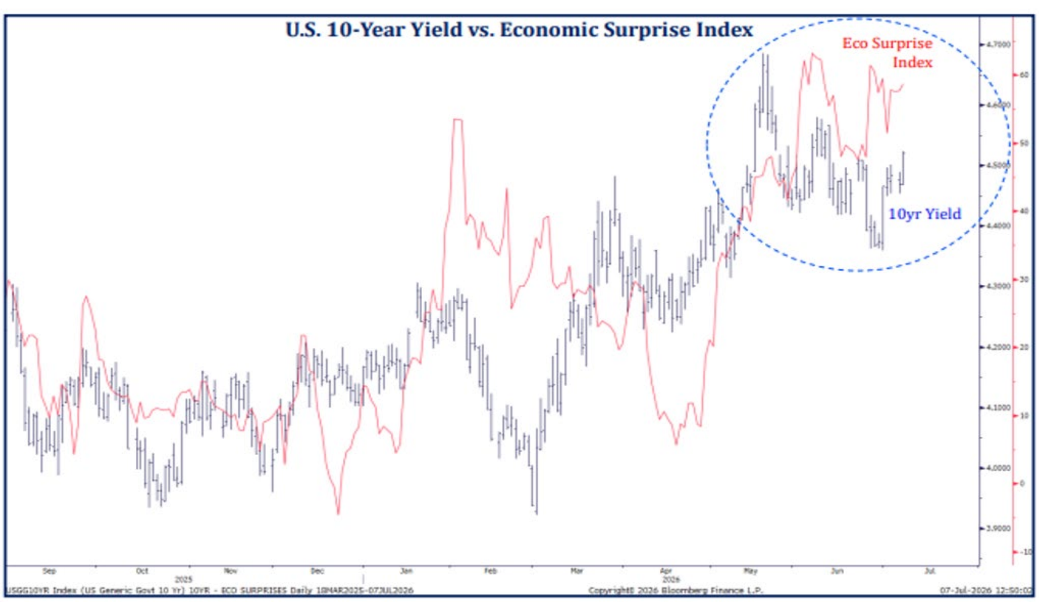


Source: NY Fed, Atlanta Fed

ECONOMICS – ENERGY SHOCK

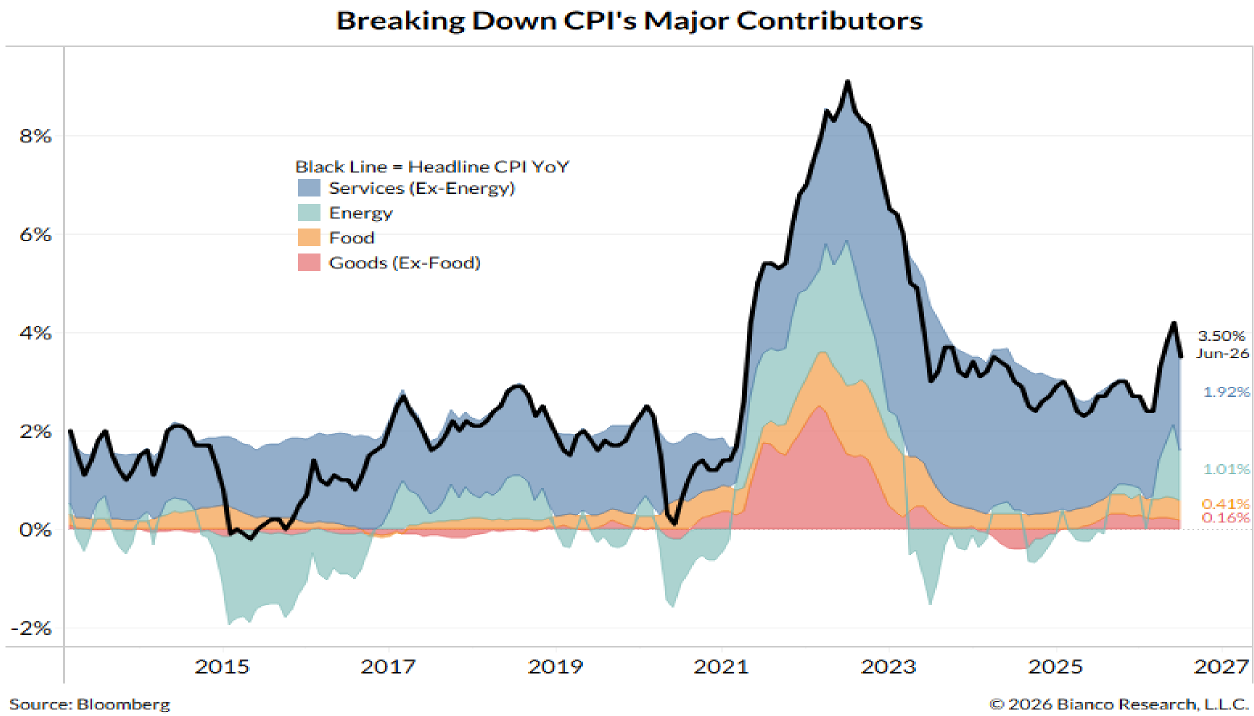
SECOND QUARTER 2026

- Economic data has consistently surprised to the upside in recent months, helping keep the 10-year Treasury yield elevated. As growth expectations improve, markets have reduced expectations for near-term Fed easing, reinforcing the "higher for longer" interest rate narrative.



Source: Strategas

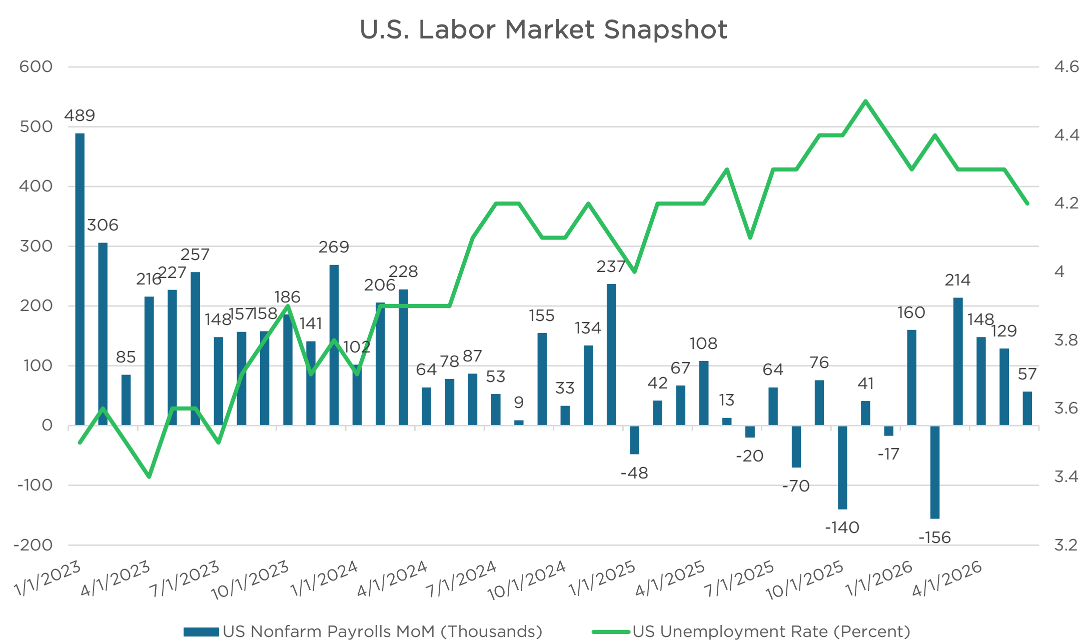
- Headline inflation decelerated at quarter-end, with CPI rising 3.5% year-over-year in June, down from 3.8% in May. Lower energy prices were a key driver, dragging the headline number 0.43% lower.
- Core inflation, which excludes food and energy, increased 2.6% year-over-year, coming in slightly below the 2.9% consensus forecast.



Source: Bianco Research

ECONOMICS – LABOR MARKET SECOND QUARTER 2026

- The labor market continues to muddle along with modest net gains in payrolls for the quarter. Companies have not laid off workers en masse, reflecting a rangebound unemployment rate for the last number of quarters.



Source: YCharts

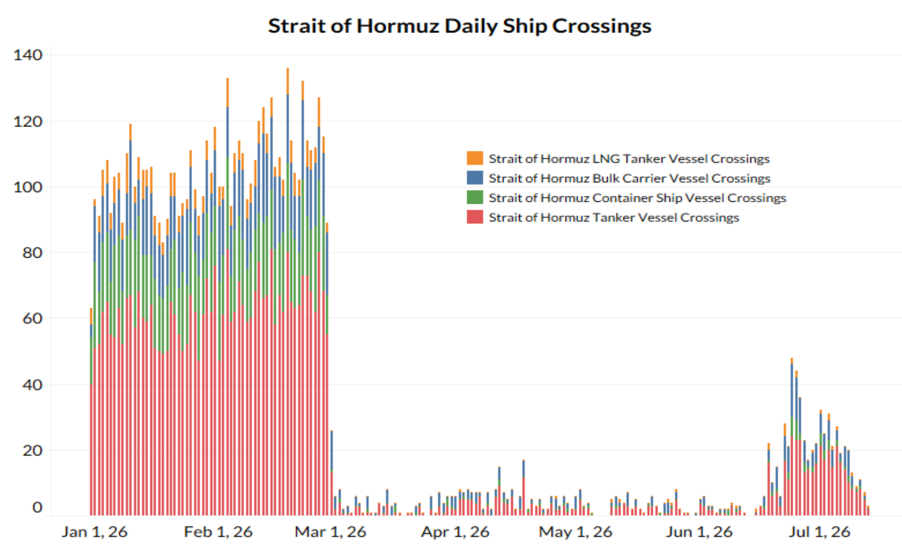
SUMMARY OF ECONOMIC REPORTS

Economic Report	Period	Prior	Estimate Range	Consensus	Actual
Payrolls (MoM)	June	172,000	70,000 to 145,000	114,000	57,000
Unemployment Rate	June	4.30%	4.3% to 4.5%	4.30%	4.20%
JOLTS	May	7.618M	6.98M to 7.60M	7.298M	7.594
ISM Manufacturing	June	54.0	53.0 to 54.2	53.9	53.3
ISM Services	June	54.5	52.0 to 55.0	54.1	54.0
PMI Services	June	50.9	50.4 to 51.3	51.0	51.3
PMI Manufacturing	June	55.1	54.5 to 55.3	54.7	53.9
Retail Sales (Headline/Core)	May	0.4% / 0.5%	-0.1% to 0.8%	0.5% / 0.4%	0.9% / 0.5%
PCE YoY (Headline/Core)	May	3.8% / 3.3%	3.3% to 4.1%	4.1% / 3.4%	4.1% / 3.4%
PCE MoM (Headline/Core)	May	0.4% / 0.2%	0.2% to 0.5%	0.4% / 0.3%	0.4% / 0.3%
Personal Income	May	0.0% / 0.5%	0.1% to 0.5%	0.4% / 0.5%	0.7% / 0.7%
CPI (Headline/Core YoY)	June	4.2% / 2.9%	2.8% to 4.0%	3.8% / 2.9%	3.5% / 2.6%
CPI (Headline/Core MoM)	June	0.5% / 0.2%	-0.3% to 0.3%	-0.1% / 0.2%	-0.4% / 0%
NFIB Small Biz Optimism	May	95.9	95.7 to 97.0	96.0	95.3
Consumer Confidence	June	93.1	92.5 to 97.5	94.8	91.2
UofM Consumer Sentiment	June	48.9	48.9 to 51.0	50.0	49.5
U.S. GDP (QoQ AR)	Q1	0.7%%	1.9% to 2.2%	2.00%	2.10%
Personal Consump Exp (PCE)	Q1	1.60%	1.6% to 1.7%	1.70%	2.10%
Employment Cost Index	Q1	0.7% / 3.4%	0.7% to 0.9%	0.8% / N/A	0.9% / 3.4%
New Home Sales	May	622k	600k to 650k	640k	580k
Existing Home Sales	May	4.04M	4.01M to 4.10M	4.08M	4.17M
Case-Shiller HPI	April	-0.2%	-0.2% to 0.1%	-0.1%	0.0%
Housing Market Index	June	37	36 to 37	36	35

POLICY – GEOPOLITICS

SECOND QUARTER 2026

- Escalating conflict in the Middle East effectively shut down the Strait of Hormuz early in the quarter, disrupting one of the world's most critical energy transit routes and sharply reducing vessel traffic.
- Although a ceasefire enabled a partial recovery in tanker crossings, traffic remained far below pre-conflict levels through quarter-end.



Source: Bianco Research

- Kevin Warsh was sworn in as Federal Reserve Chair during the quarter and used his first press conference to announce five task forces aimed at reviewing key aspects of monetary policymaking. The groups will examine areas including Fed communications, balance sheet policy, economic data, artificial intelligence, and inflation, with recommendations expected by year-end.

Source: Taiber Kosmala & Associates, Federal Reserve

OPAL
WEALTH ADVISORS

Opal Wealth Advisors / 2 Jericho Plaza / Suite 208 / Jericho, NY 11753 / t. 516.388.7980 / f. 516.388.7968 / **opalwealthadvisors.com**