

Quarterly Market Update

Q2 | 2026

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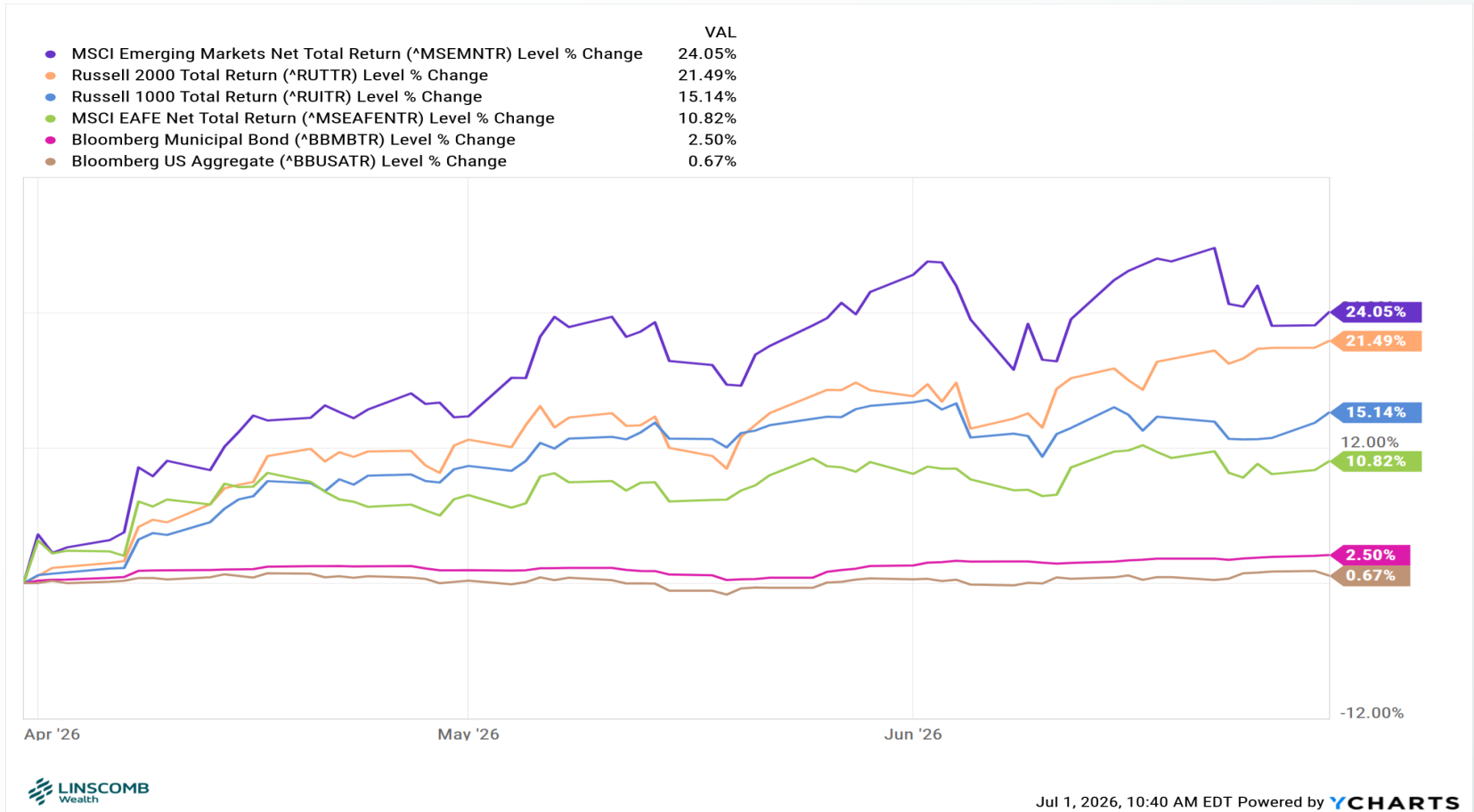
Diversified equity exposure continued to pay off, with both emerging market and small-cap stocks gaining over 20% over the past three months. A significant portion of the AI semiconductor supply chain is outside of the U.S., providing a strong tailwind for those markets.

From a sector perspective, technology stocks have continued to perform well, but it hasn't been the usual mega-cap tech companies leading the way. A broader basket of small and mid-cap tech securities generated strong returns in the 2nd quarter.

Fixed income has remained steady in what has been a volatile geopolitical environment. Core taxable bonds and investment-grade municipals returned 0.67% and 2.50%, respectively, in the 2nd quarter.

Emerging markets lead in 2nd quarter

It feels like most of the “action” is happening in the U.S., but emerging market stocks outperformed in the 2nd quarter, up 24.05%. The small-cap Russell 2000 also performed very well, gaining 21.49%.

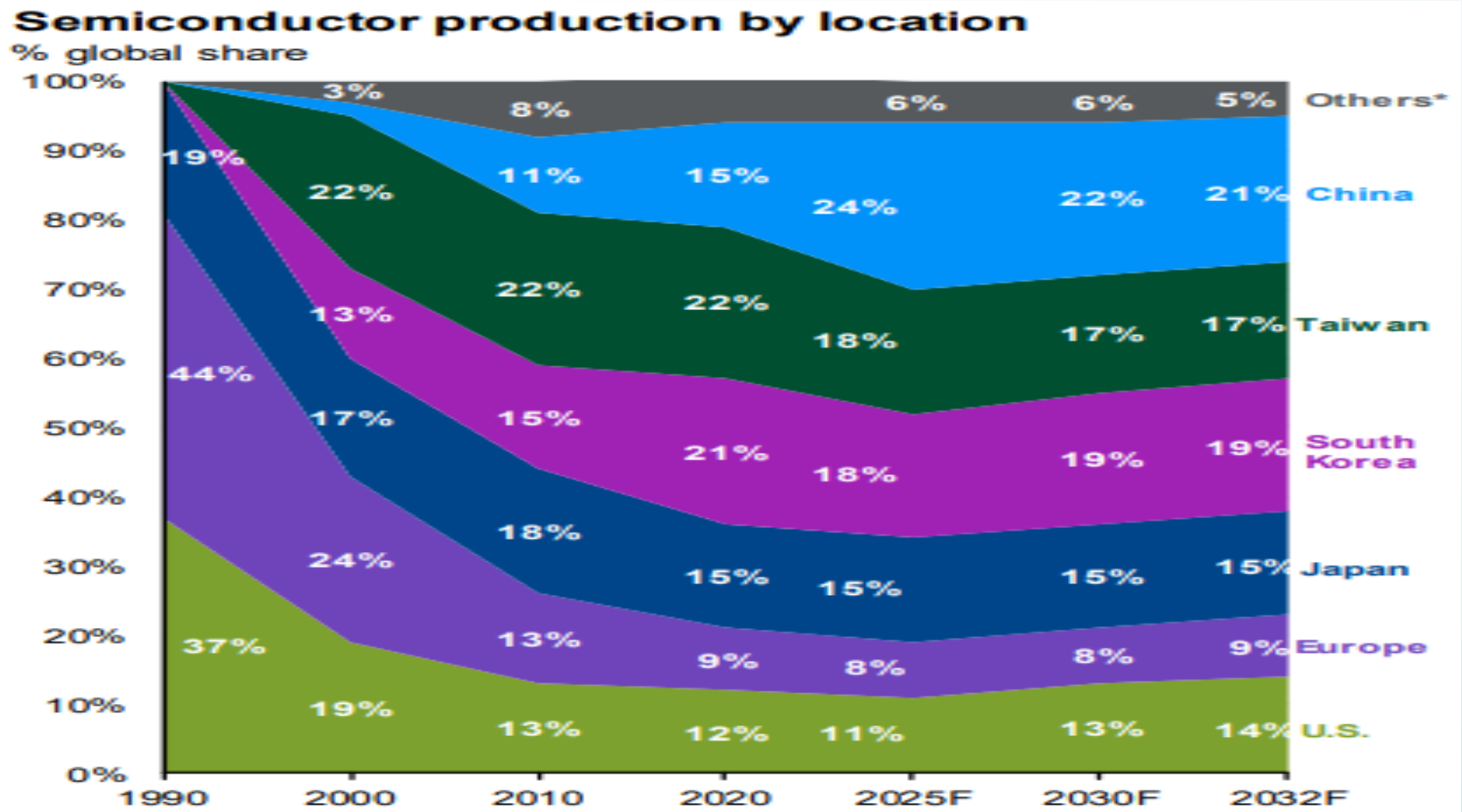


Source: YCharts, MSCI, Russell, Bloomberg, 3/31/2026 – 6/30/2026. Past performance is not indicative of future returns. Chart is for illustrative purposes. Indices are unmanaged, do not include fees or expenses and are not available for direct investment. Returns of indices for periods of less than one year may not be annualized. Please see disclosures for index definitions.



Majority of chip production is in Asia

Artificial intelligence seems like a U.S.-centric story, but the majority of semiconductor production takes place outside the States. Asian markets in particular have been boosted by the strong demand for advanced chips.

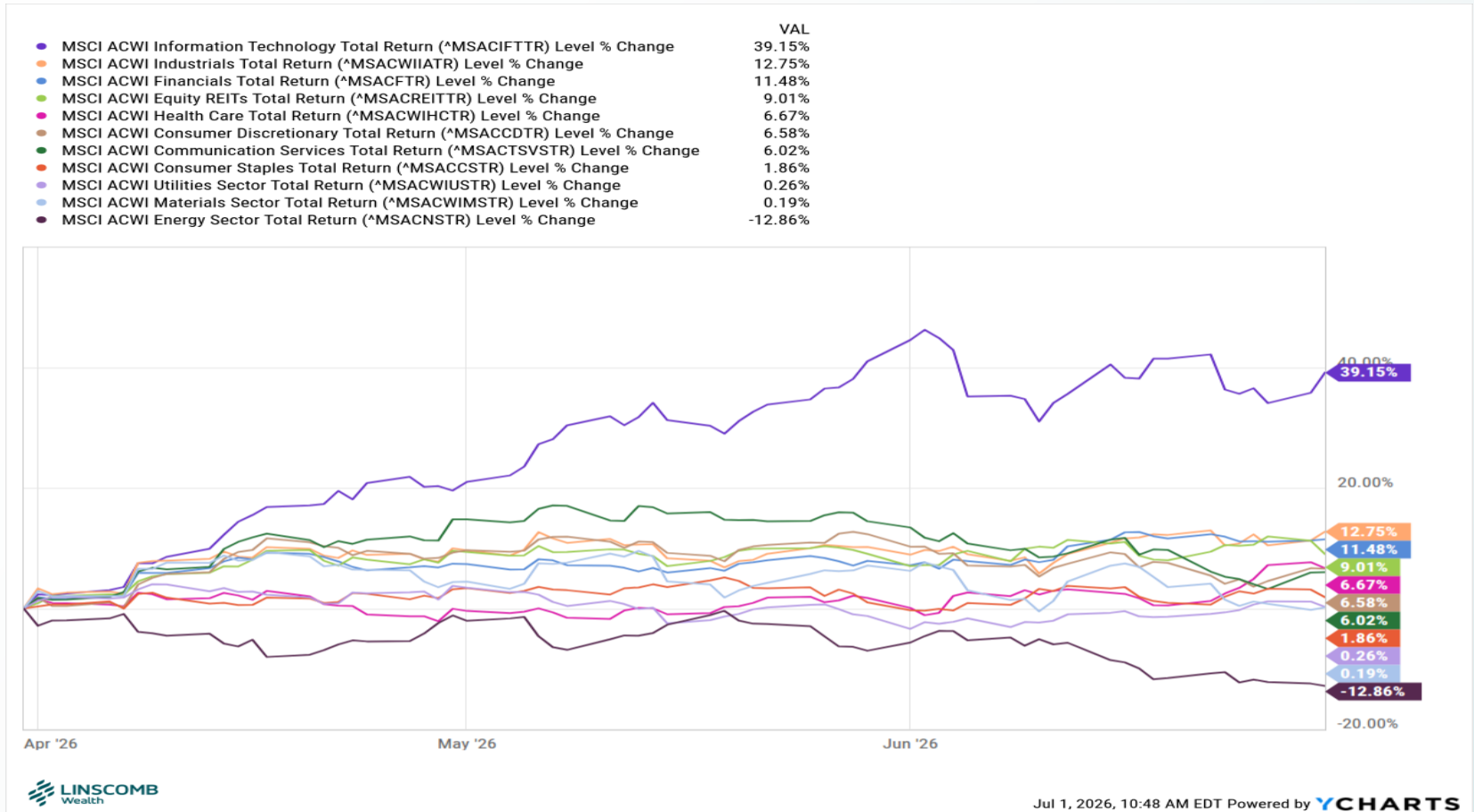


Source: J.P. Morgan Asset Management VLSI Research Projection, SEMI May 2024 update, BCG analysis. All values shown in 8" equivalents; excludes capacity below 5 kwpm or less than 8". "Others include Israel, Singapore, and the rest of the world. Numbers may not add up to 100 due to rounding. Forecasts are based on current data and assumptions about future economic conditions. Actual results may differ materially due to changes in economic, market, and other conditions.
Guide to the Markets – U.S. Data are as of 3/31/2026.



Tech on top, but more sector dispersion in 2026

Tech stocks led the way in the 2nd quarter, but market performance is more diverse than you might expect. Industrials and financials also posted double-digit returns, while energy was the lone negative sector.

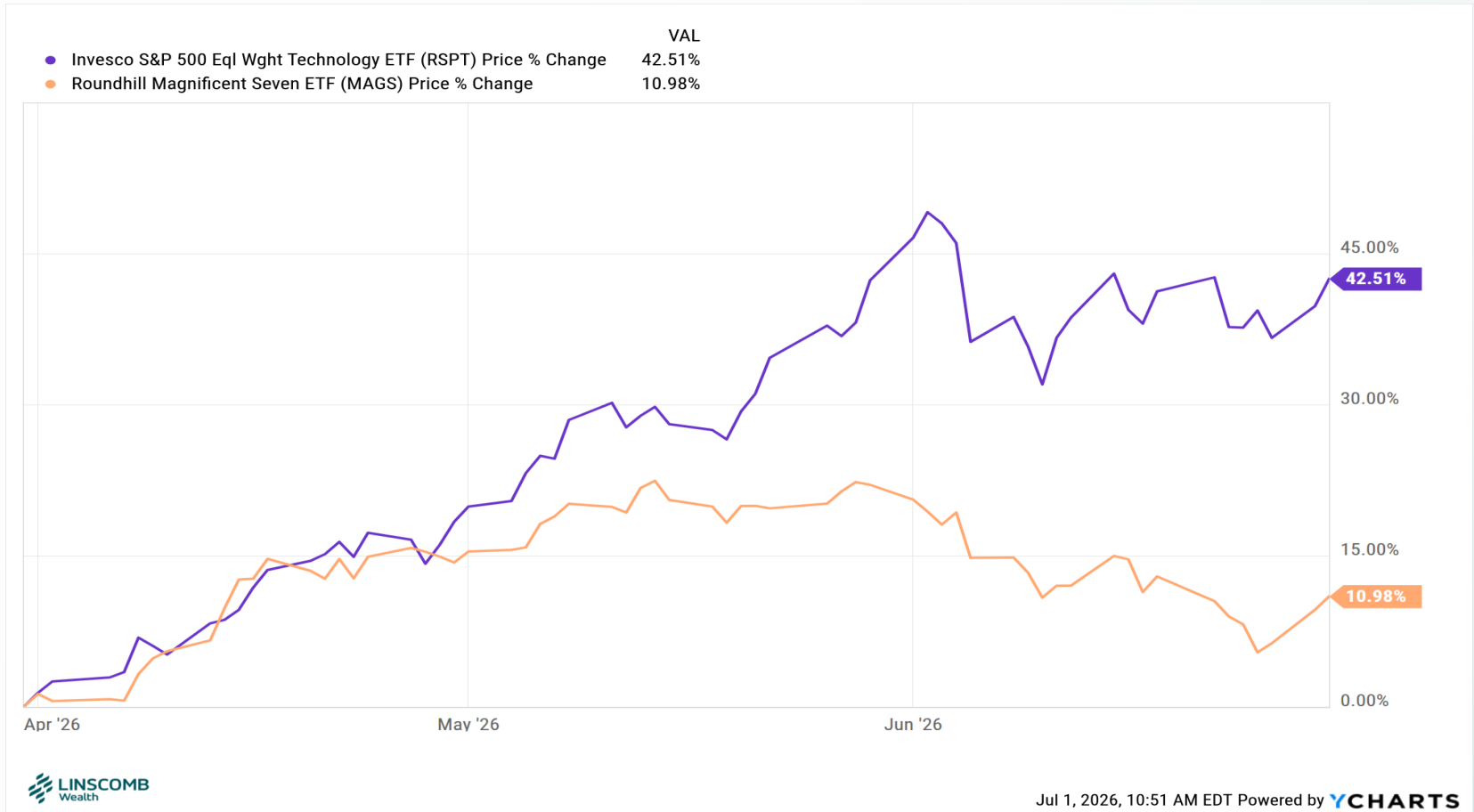


Source: YCharts, MSCI, 3/31/2026 – 6/30/2026. Past performance is not indicative of future returns. The chart is for illustrative purposes. Indices are unmanaged, do not include fees or expenses, and are not available for direct investment. Returns of indices for periods of less than one year may not be annualized. Please see disclosures for index definitions.



Technology soars, but it's not the Mag 7

Investors often think of the Mag 7 stocks as technology bellwethers, but it's been semiconductors and several smaller technology companies that were top performers in the 2nd quarter.



Source: YCharts, Roundhill, Invesco, 3/31/2026 – 6/30/2026. Past performance is not indicative of future returns. Chart is for illustrative purposes. Indices are unmanaged, do not include fees or expenses and are not available for direct investment. Returns of indices for periods of less than one year may not be annualized. Please see disclosures for index definitions. The Mag 7 index includes Nvidia, Meta, Alphabet, Apple, Amazon, Tesla, and Microsoft. The Invesco S&P 500 Equal Weight Technology ETF (RSPT) is a concentrated ETF that tracks the S&P 500 Equal Weight Information Technology Index, providing broad exposure to large-cap U.S. technology companies while assigning equal weight to each constituent.

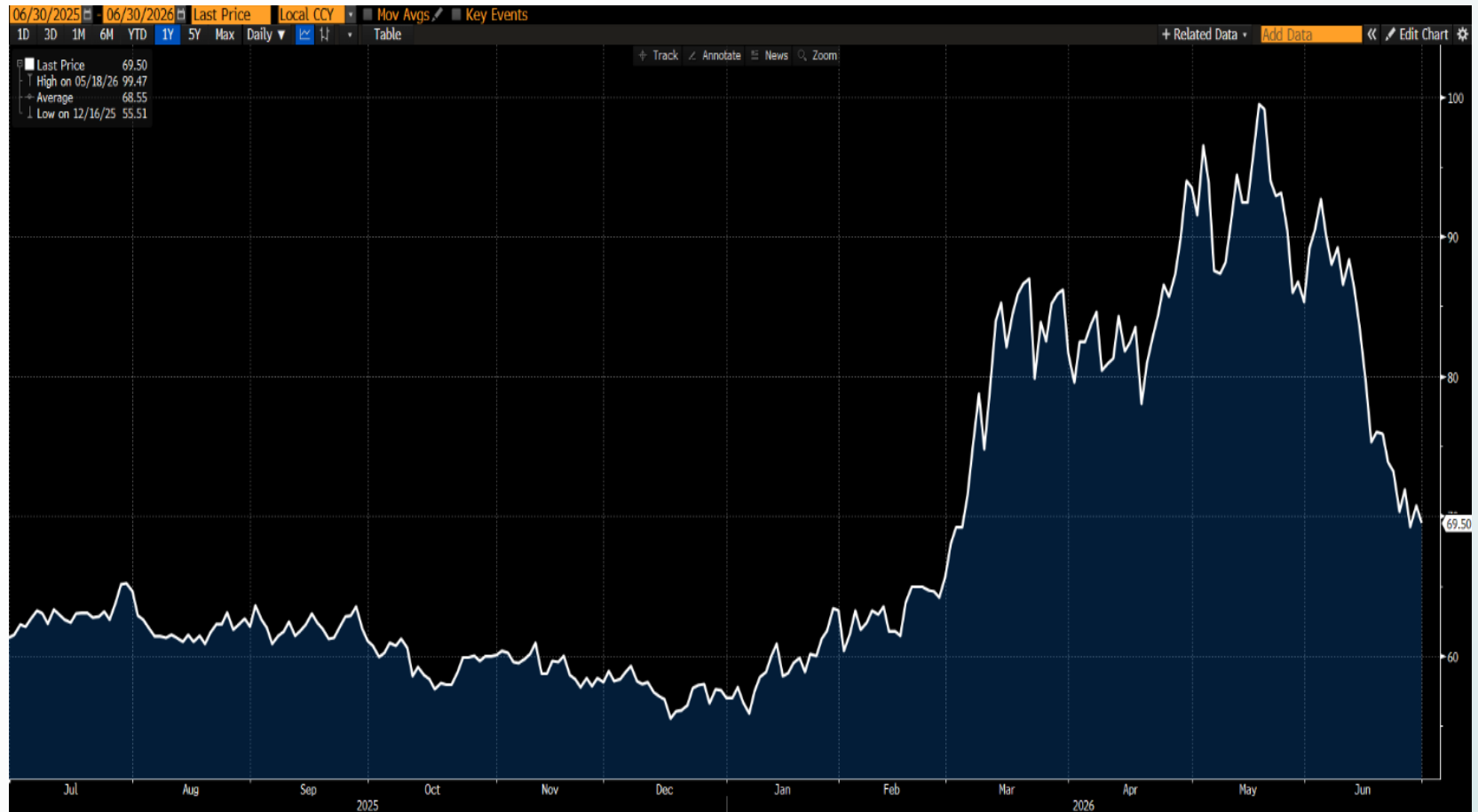


While a final resolution to the Iran conflict remains elusive, the potential for one sent oil prices sharply lower in the 2nd quarter. Prices are currently only marginally above pre-conflict levels. This should mean inflation decelerates in the coming months, and forward-looking inflation expectations have already fallen.

This is likely welcome news for new Federal Reserve Chair Kevin Warsh, who we believe would like to avoid raising interest rates this year. Given the ongoing uncertainty, though, we don't think the Fed will be in any rush to lower rates either. Importantly, monetary policy is set by the 12-person Federal Open Market Committee, of which Warsh is just one vote. While the Fed Chair does lead and influence the committee, ultimately, it is a consensus-driven institution.

A roundtrip for oil prices

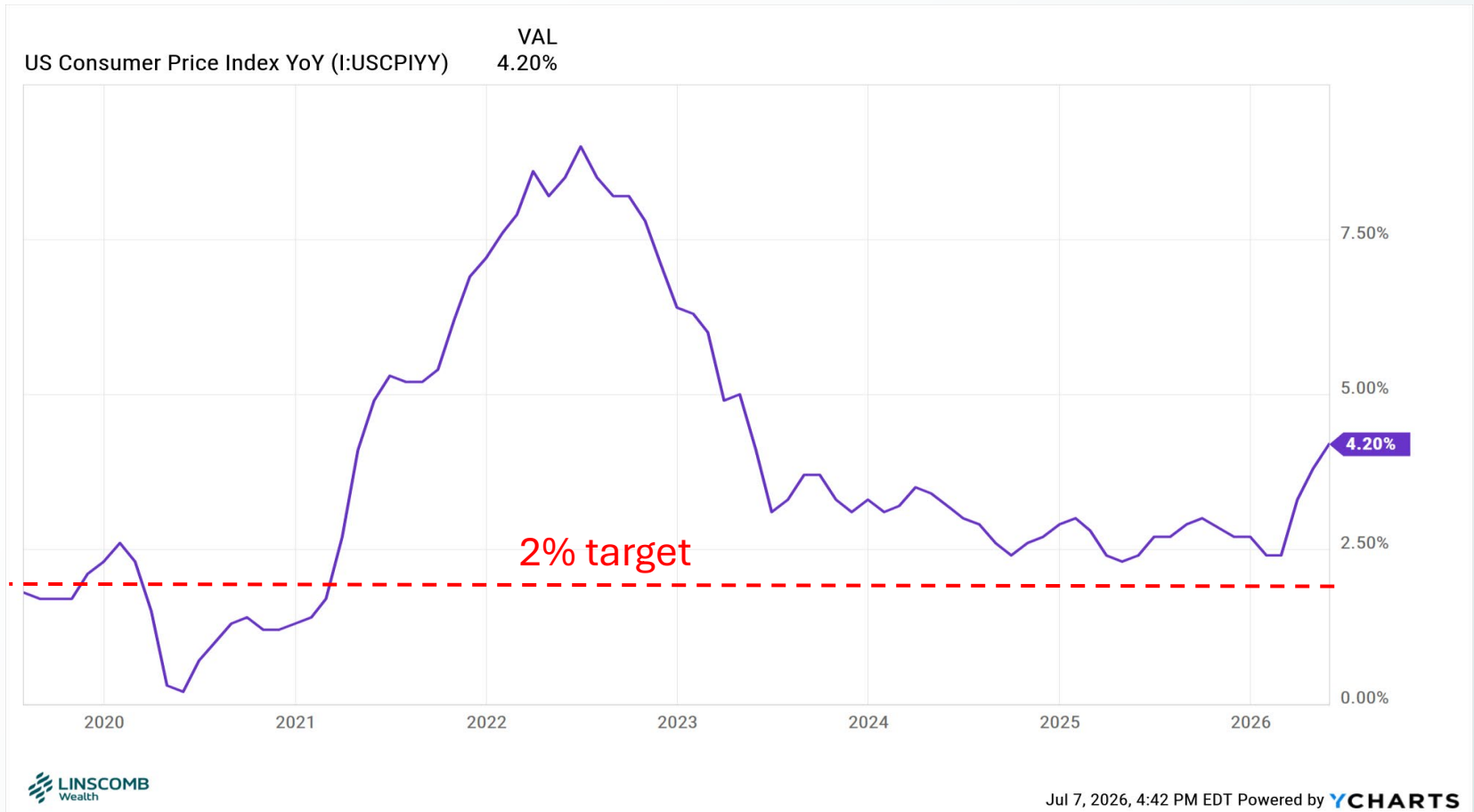
West Texas crude oil – a North American oil price benchmark – has fallen back below \$70 a barrel, down from near \$100 in May. A ceasefire between the U.S. and Iran, along with a plan to reopen the Strait of Hormuz, could keep prices closer to pre-conflict levels.



Source: Bloomberg, 6/30/2025 – 6/30/2026. West Texas Crude Oil Spot Price. Chart reflects spot or futures data from sources like ICE or EIA, which may include delays or approximations based on over-the-counter (OTC) and CFD instruments.

Trailing inflation well above 2% target

The Consumer Price Index (CPI) measure of inflation has been above the Fed's 2% target since 2021 and has recently increased to 4.2% over the past 12 months. However, falling oil prices and a resolution to the Iran conflict should mean slowing inflation going forward.



Source: Ycharts, Bureau of Labor Statistics. 5/31/2019 – 5/31/2026. The Consumer Price Index (CPI) is a weighted average of prices and is representative of aggregate U.S. consumer spending. It is used as a metric for inflation and deflation.

Longer-term inflation expectations retreat

The fall in oil prices won't cause measured inflation to fall immediately, but it is already impacting inflation expectations. Investors are now forecasting average annual inflation of 2.2% over the next 5 years.



Source: Federal Reserve Bank of St. Louis via FRED®

Shaded areas indicate U.S. recessions.

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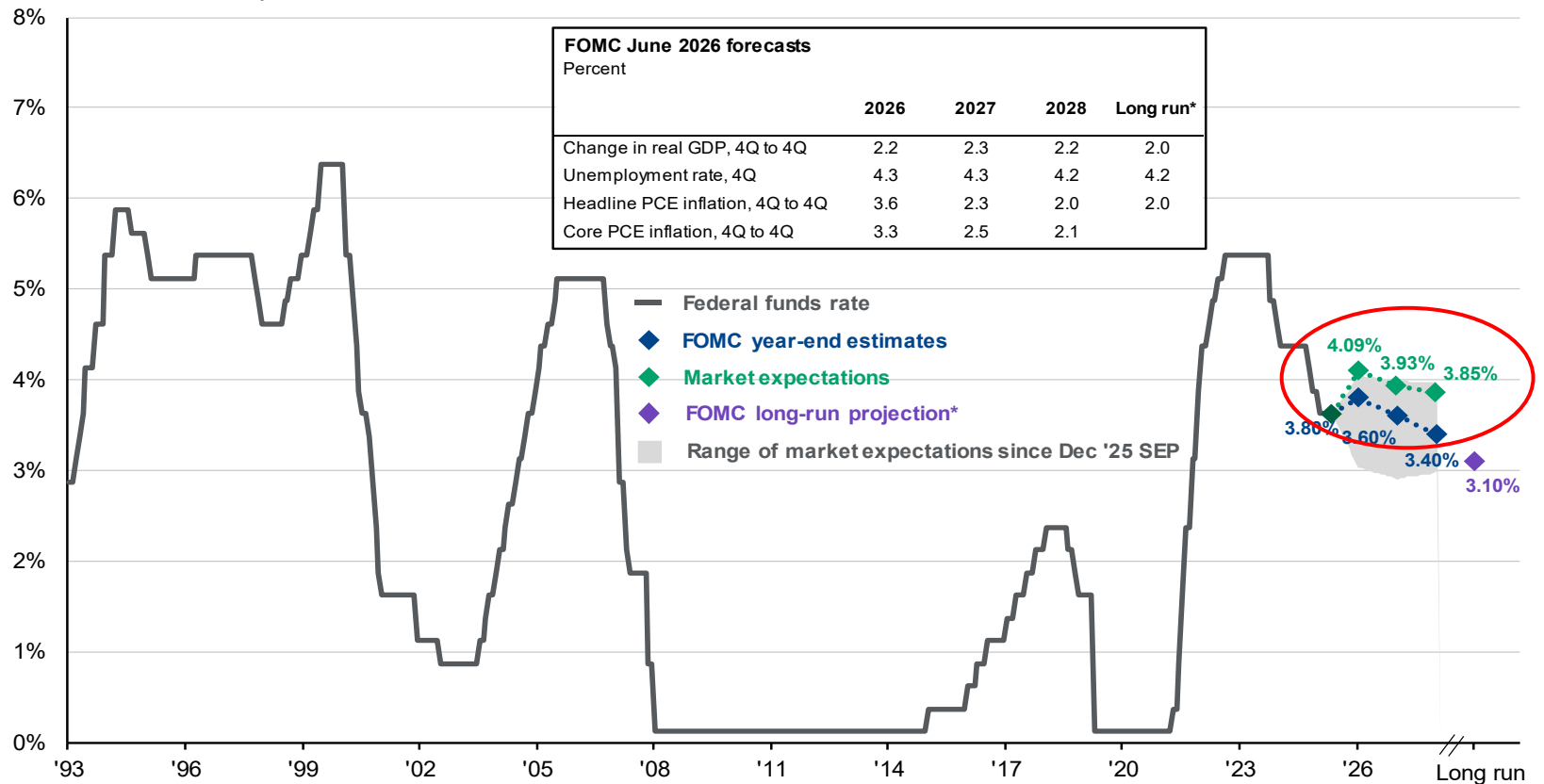
Source: Federal Reserve. 6/30/2021 – 6/30/2026. Breakeven inflation is a market-based measure of expected inflation, calculated as the yield difference between nominal Treasury bonds and Treasury Inflation-Protected Securities (TIPS) of the same maturity. It represents the rate of inflation at which both investments provide the same return, acting as a gauge for investor inflation expectations.

No rate cuts in 2026?

While inflation should moderate in the 2nd half of the year, it is likely too soon to expect rate cuts from the Federal Reserve. New Fed Chair Kevin Warsh wants to see inflation on a more sustained path back to 2%.

Federal funds rate expectations

FOMC and market expectations for the federal funds rate



Source: Bloomberg, FactSet, Federal Reserve, J.P. Morgan Asset Management.

Market expectations are based off of USD Overnight Index Swaps. *Long-run projections are the rates of growth, unemployment and inflation to which a policymaker expects the economy to converge over the next five to six years in absence of further shocks and under appropriate monetary policy.

Forecasts, projections and other forward-looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections or other forward-looking statements, actual events, results or performance may differ materially from those reflected or contemplated.

Guide to the Markets – U.S. Data are as of June 30, 2026.

Despite inflation risk, the 10-year U.S. Treasury only modestly higher

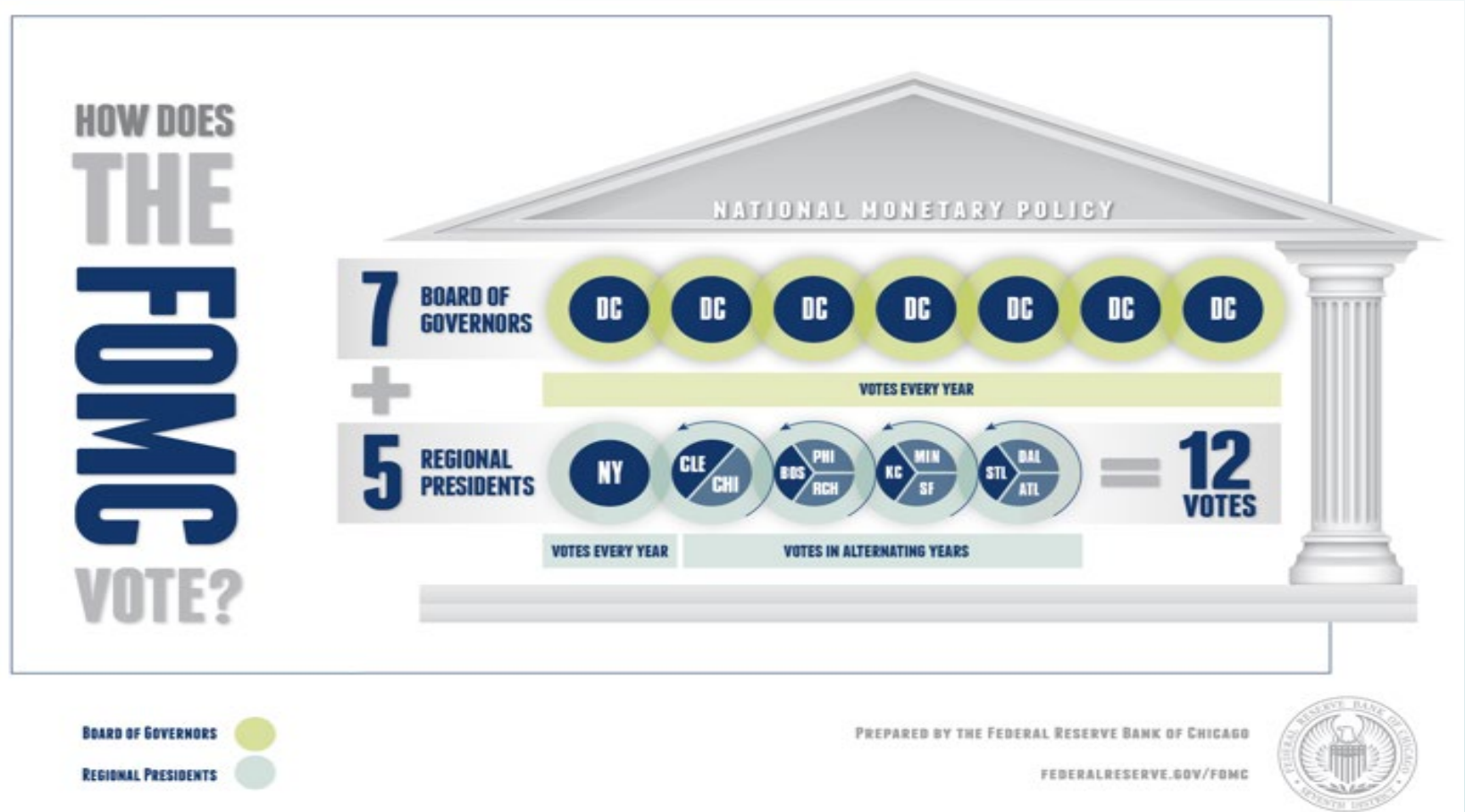
Though inflation has spiked recently, longer-term interest rates have barely budged. The 10-year U.S. Treasury yield ended the 2nd quarter at 4.44%.



Source: Federal Reserve, YCharts. 12/31/2025 – 6/30/2026. The 10-year Treasury yield is commonly used as a measure of the U.S. government's 10-year borrowing rate. It serves as a benchmark for other interest rates and is a key indicator of investor sentiment about economic conditions.

The Federal Open Market Committee sets monetary policy

The Federal Reserve Chair leads the Federal Open Market Committee, but he or she still only has one vote. Policy decisions are made by a 12-person voting group.



Source: Source: Federal Reserve / Federal Open Market Committee (FOMC) materials. The chart illustrates the structure and voting process of the FOMC, which sets U.S. monetary policy through a 7-member Board of Governors plus rotating Reserve Bank presidents. FOMC materials and voting patterns are subject to change and are provided for informational purposes only; they should not be interpreted as investment advice or a recommendation to buy or sell any security.

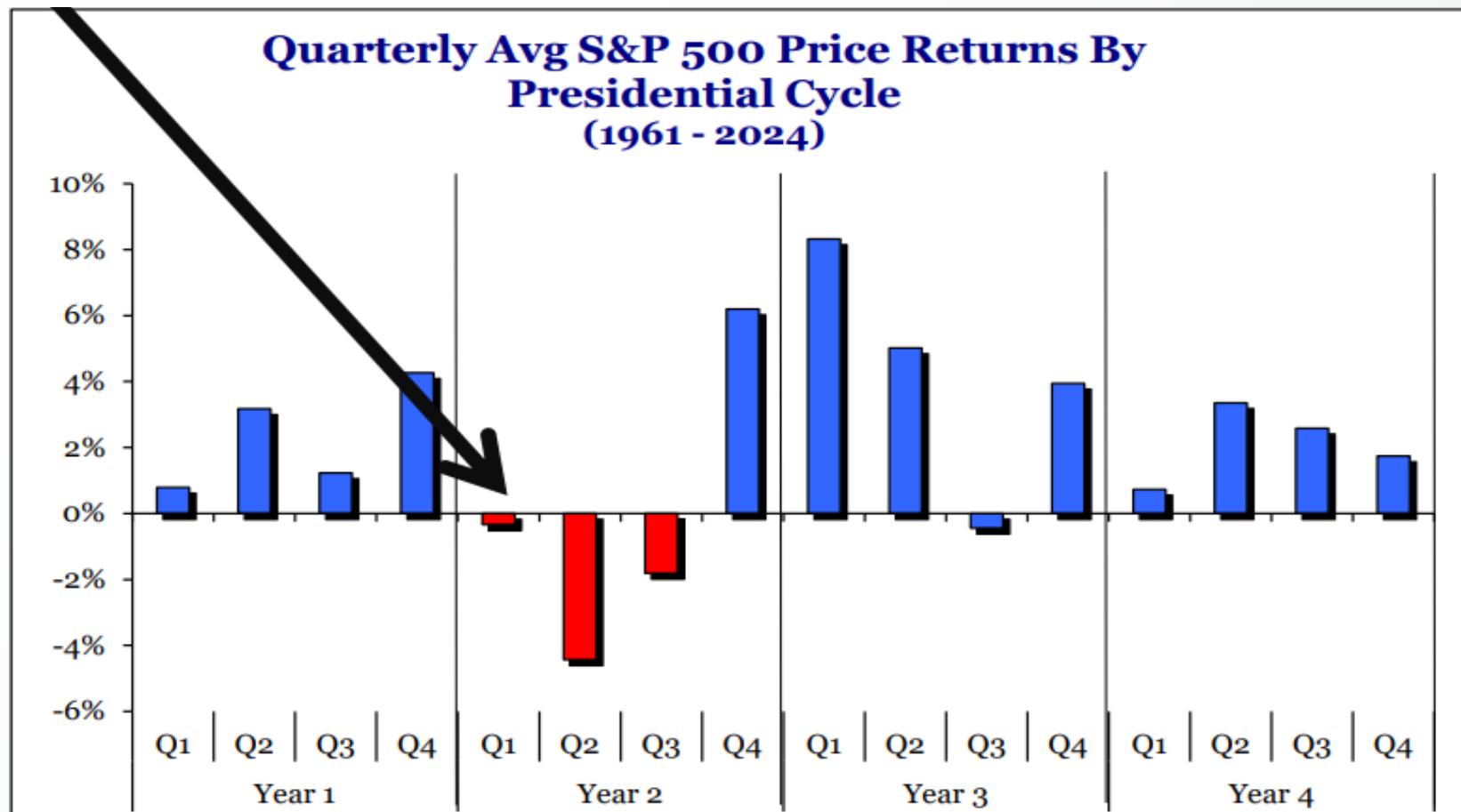
Looking ahead, the global economy has momentum heading into the 2nd half of 2026. Private sector job growth has accelerated, and business confidence surveys suggest ongoing strong activity.

U.S. stock market concentration has declined, but remains at historically high levels, which, in our opinion, advocates for an increased emphasis on proper diversification. Historically, it's been a challenge for the largest stocks to maintain that position long-term. There was one large Initial Public Offering (IPO) in the 2nd quarter, and possibly more to come later this year. IPOs are a signal of healthy capital markets, but not necessarily indicative of what market returns will look going forward.

Regarding AI, the infrastructure buildout is clearly underway, but we're looking for more adoption of AI tools outside the technology sector. Earnings expectations have soared, but potentially reflect an overly enthusiastic view by investors, enhancing the importance of disciplined risk management.

Midterm election years have had higher volatility

Though still positive on average, midterm election years have historically had lower average returns and more volatility compared to other years. The pattern in the past has been three quarters of sideways movement followed by a strong 4th quarter.



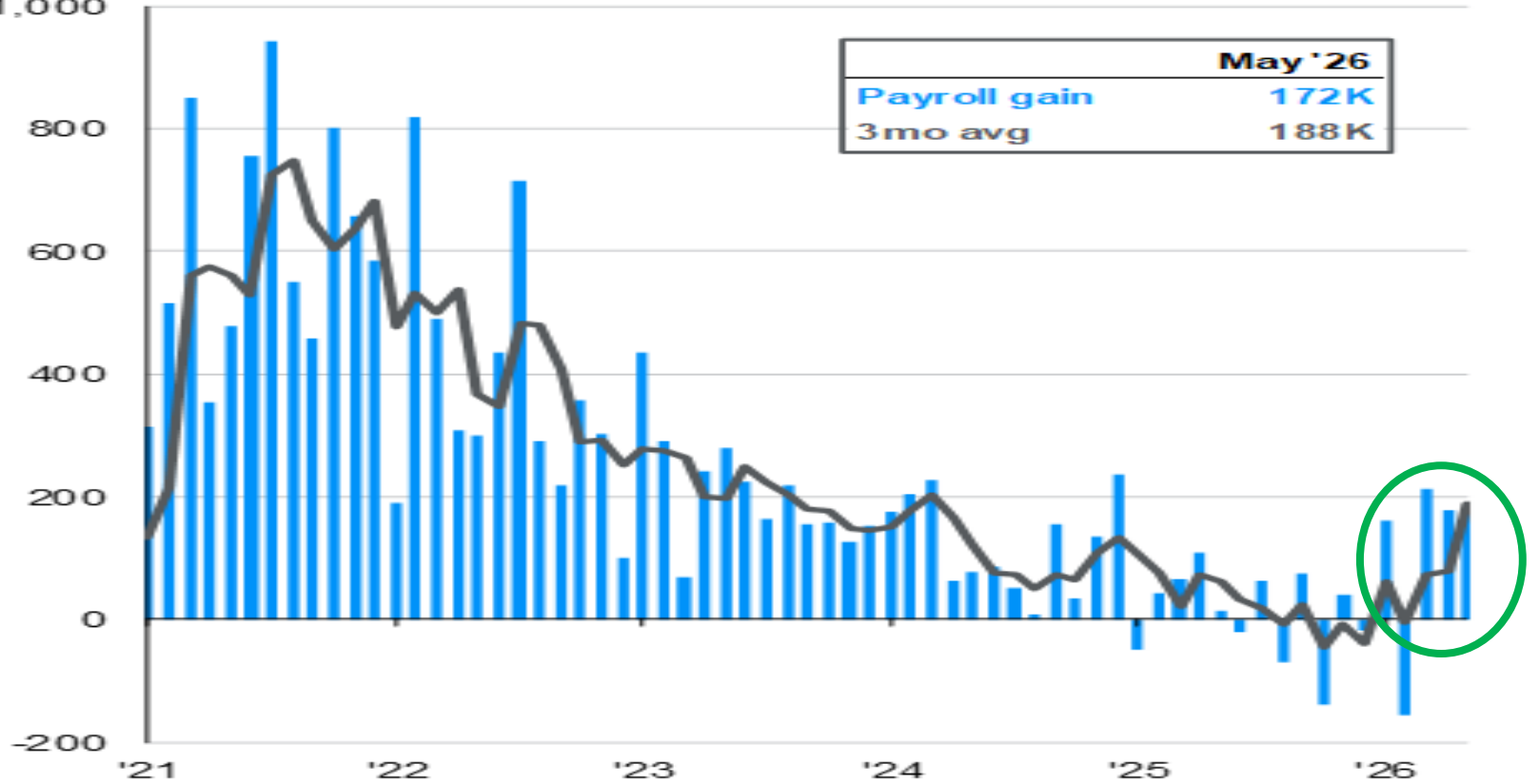
Source: Strategas. The chart shows the average trajectory of equity returns throughout midterm election years compared to non-midterm election years. Past performance is not indicative of future returns. The chart is for illustrative purposes. Indices are unmanaged, do not include fees or expenses, and are not available for direct investment. Returns of indices for periods of less than one year may not be annualized. Please see index disclosures for index definitions.

Job growth accelerating

Job growth has accelerated in recent months following a dip in the 1st quarter. With the economy at full employment, though, average monthly job growth is likely to decelerate somewhat from the current pace.

Nonfarm payroll gains

Month-over-month change and 3-month moving average, thousands, SA
1,000



Source: BLS, FactSet, J.P. Morgan Asset Management. 12/31/2020 – 5/31/2026.

Business confidence is rising

The ISM Manufacturing (green line) and Services (blue line) surveys both showed an acceleration in economic activity this year. The surveys are good real-time indicators of business sentiment. Any reading over 50 (red dotted line) signals expansion.



Source: Bloomberg, ISM. 5/31/2023 – 5/31/2026. The ISM Survey is a monthly economic indicator produced by the Institute for Supply Management (ISM). It polls hundreds of supply chain and purchasing executives to track economic activity across U.S. manufacturing and services sectors

Market concentration still near all-time highs

The S&P 500 concentration is driven by a handful of companies perceived to be long-term beneficiaries of AI, but the valuation premium and dependence on a few stocks represent a risk going forward. Though it has contracted this year, the top 10 companies still represent over 37% of the total index.

Weight of the top 10 companies in the S&P 500

% of market capitalization, % of last 12 months' earnings



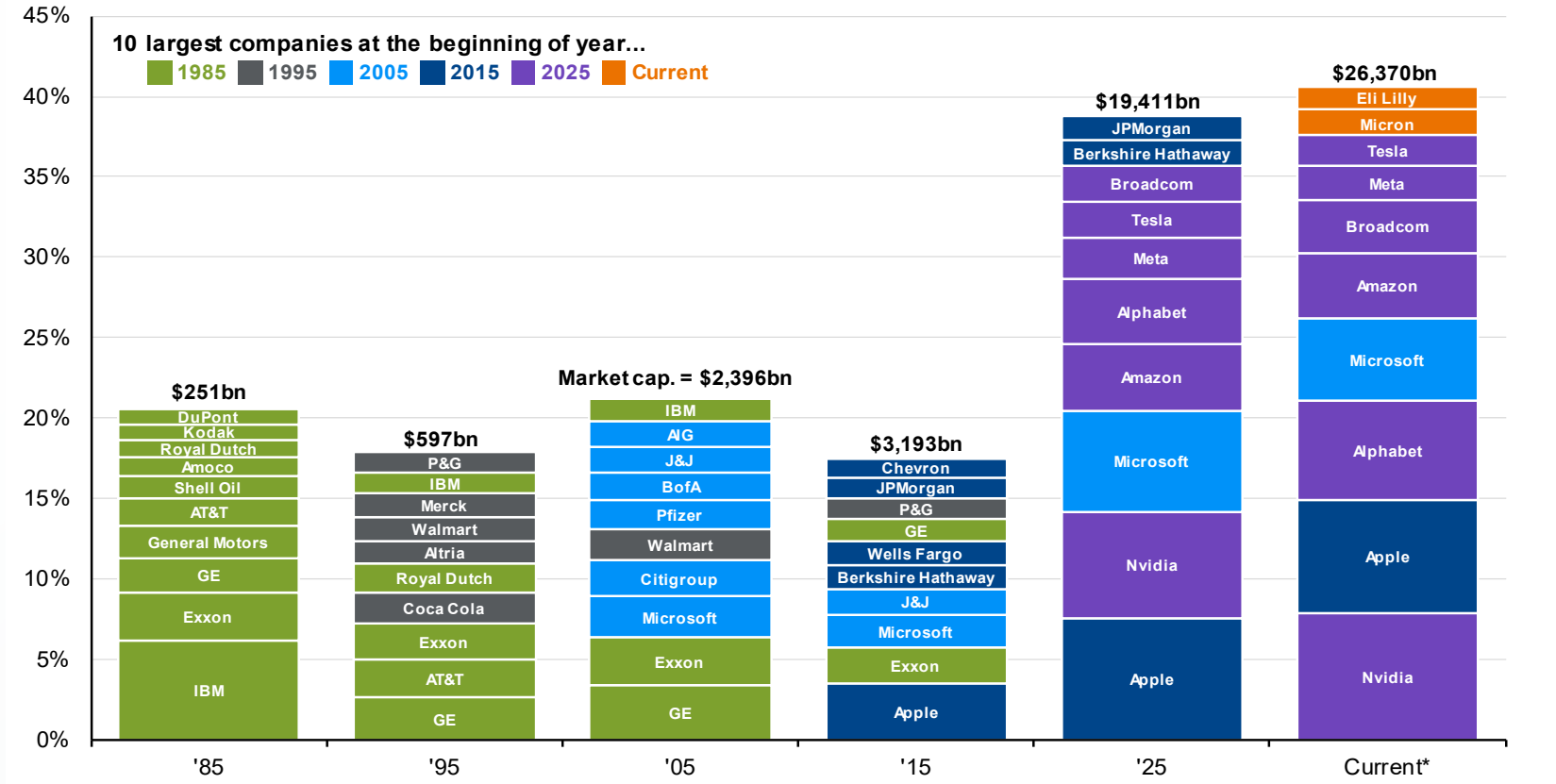
Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management. Guide to the Markets – U.S. Data are as of June 30, 2026

Staying on top is the hard part

It is rare for the largest companies to maintain their leading positions over multiple decades. High profits attract competition, and the economy often changes in ways that are difficult to forecast in advance. Two new companies broke into the top 10 this year.

Top 10 S&P 500 companies by market capitalization

Percent of S&P 500 market capitalization as of the first day of the indicated year

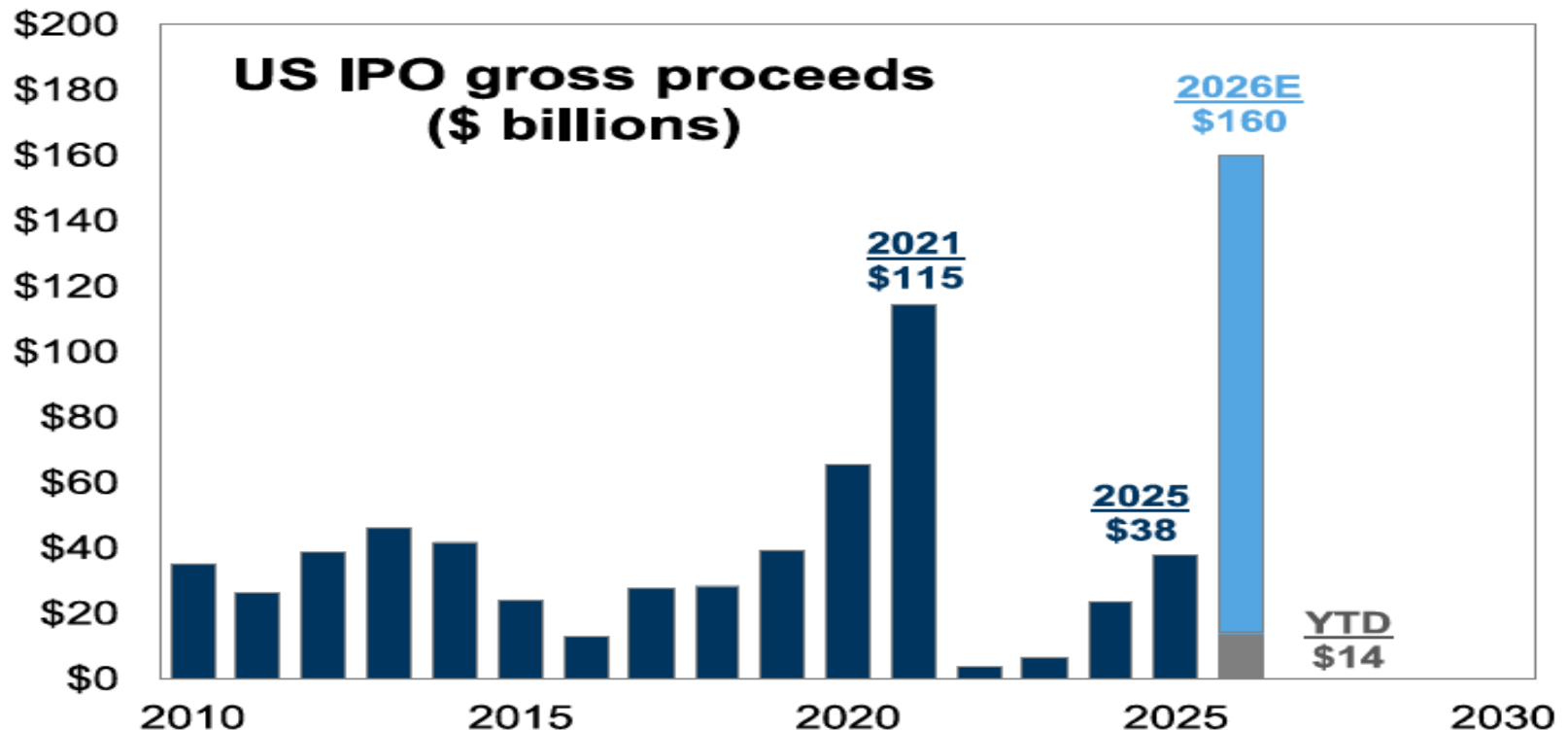


Source: Bloomberg, S&P Global, J.P. Morgan Asset Management. Companies are organized from highest weight at the bottom to lowest weight at the top. Past performance is no guarantee of future results. Guide to the Markets – U.S. Data are as of June 30, 2026.

Initial Public Offering (IPO) volume set to surge

While an increase in IPOs is often a sign of a solid economy and strong corporate fundamentals, we don't find a meaningful correlation between IPOs and future market returns. Stick to your long-term strategy.

Exhibit 2: US IPOs have raised \$14 billion YTD US deals greater than \$25 million in value



Source: Factset, Goldman Sachs Global Investment Research. This chart is for illustrative purposes only and not indicative of any actual investment. Past performance is not indicative of future results. Investing in an initial public offering (IPO) involves significant risks, including the possible loss of principal. Historical data and market performance shown may not reflect future market conditions or the future performance of the issuer. Investors should carefully review the prospectus and consider their investment objectives, risks, charges, and expenses before investing.

How have IPOs performed historically?

Initial Public Offerings (IPOs) are important for the long-term health of capital markets, but performance following the IPO has been mixed. Don't be fooled by the initial pop; IPOs tend to underperform on average for the first three years of trading.

IPOs often pop at first, then trail the market

Number of IPOs in each time period		First day	3-year (absolute)	3-year (vs. market)
1980-89	2,047	7.2%	22.5%	-22.6%
1990-98	3,616	14.8%	39.7%	-21.0%
1999-00	856	64.6%	-53.1%	-31.8%
2001-24	2,734	18.8%	12.0%	-14.7%

All returns are averages

Source: Factset

Source: Factset. The chart shows the average performance of U.S. initial public offerings (IPOs) since 1980 through 2024, based on publicly available market data. This chart is for illustrative purposes only and not indicative of any actual investment. Past performance is not indicative of future results. Investing in an initial public offering (IPO) involves significant risks, including the possible loss of principal. Historical data and market performance shown may not reflect future market conditions or the future performance of the issuer. Investors should carefully review the prospectus and consider their investment objectives, risks, charges, and expenses before investing. Returns are based on price index only and do not include dividends or interest.

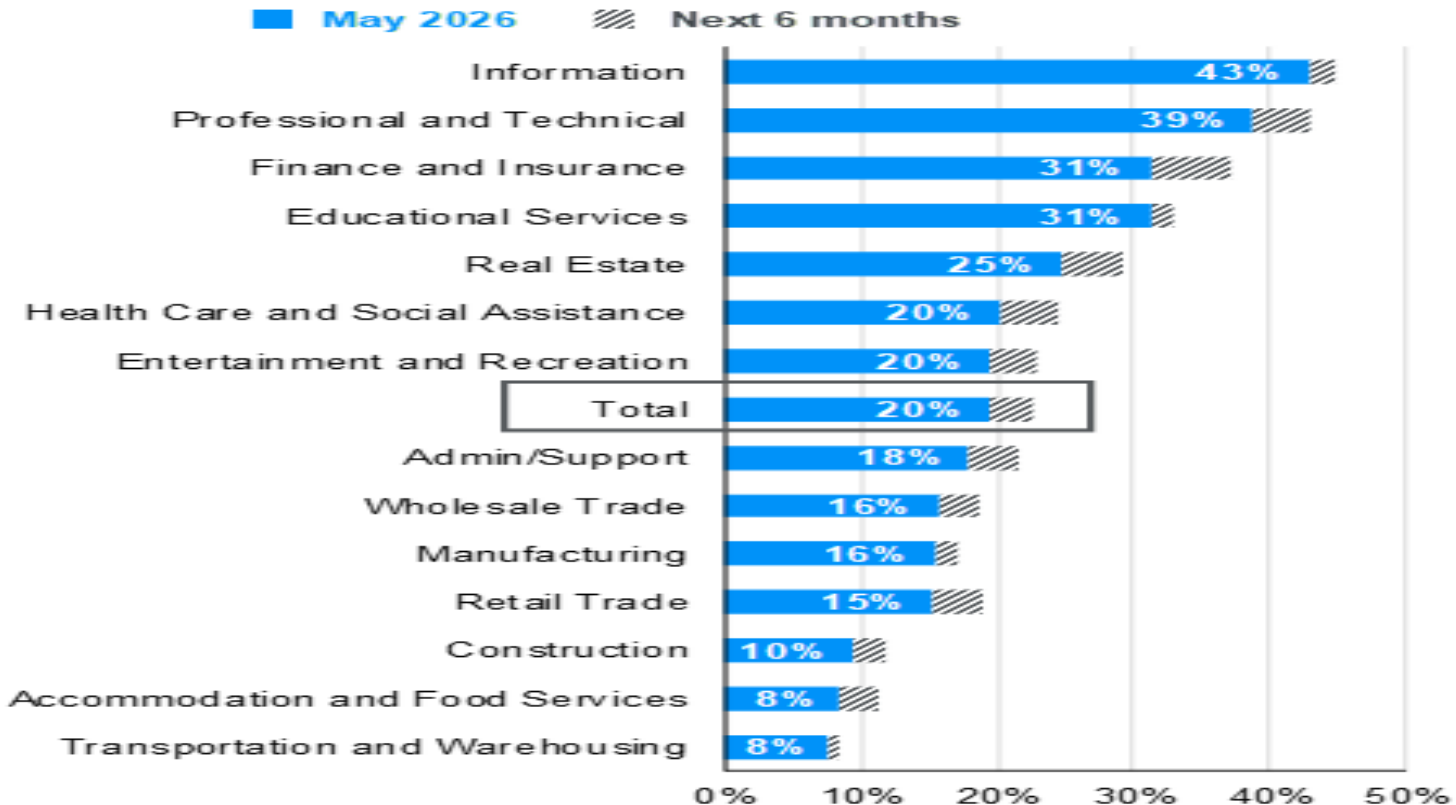


Which industries are utilizing AI the most?

Unsurprisingly, technology companies have been utilizing AI most often, especially for coding tasks. Uptake amongst the broader economy remains somewhat slower, though.

Businesses using AI in any business function

% of all firms reporting use of AI applications



Source: U.S. Census Bureau, Business Trends and Outlook Survey (BTOS), May 2026. AI use is defined as use in any business function, based on the revised BTOS question introduced in late 2025. Estimates are self-reported by surveyed businesses.

Earnings expectations are rising, but are they realistic?

Rising profit expectations have driven the market higher this year, but current forecasts call for nearly 25% annual growth over the next 5 years, a historically rare growth rate. Typically, stocks haven't realized that type of growth outside of recovery periods following a recession.



Source: LSEG Datastream and © Yardeni Research, Standard and Poor's.

* LTEG is analysts' consensus expected 5-year long-term earnings growth at an annual rate.

Source: LSEG Datastream, Yardeni Research, S&P. As of 6/30/2026. Earnings expectations are a bottom-up aggregation of analyst consensus growth expectations for five-year earnings growth for S&P 500 companies.

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Benchmark Descriptions

The **S&P 500 Index** is considered generally representative of the US large cap equity market which includes 500 leading companies covering approximately 80% of available market capitalizations and is market cap weighted. The **S&P 400 Index** measures the performance of mid-sized US companies, reflecting the distinctive risk and return characteristics of this market segment. It comprises stocks in the middle capitalization range, covering approximately 7% of the of US equity market. The **S&P 600 Index** measures the performance of small cap segment of US equity market. It consists of 600 domestic stocks chosen for market size, liquidity, and industry group representation and covers approximately 3% of the domestic equities market. The **Bloomberg US Aggregate Bond Index** is a broad-based benchmarks of the U.S. investment grade and global investment grade bond market, respectively. They include Treasury, government related, corporate and securitized fixed-rate bonds. The **Bloomberg Municipal Bond Index** is a benchmark of US long-term tax-exempt bond covering four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and prerefunded bonds. The **MSCI Emerging Markets Index** is a measure of the performance of emerging market equities. The **MSCI EAFE Index** is a measure of large and mid-cap equity performance across 21 developed countries, ex US and Canada. The **Russell 1000 Value Index** measures the performance of the large cap value segment of the US equity universe. It includes those Russell 1000 companies with relatively lower price-to-book ratios, lower I/B/E/S forecast medium term (2 year) growth and lower sales per share historical growth (5 years). The Russell 1000® Value Index is constructed to provide a comprehensive and unbiased barometer for the large-cap value segment. The index is completely reconstituted annually. The **Russell 2000 Index** is a measure of US small cap performance. The **Russell Midcap Index** is a measure of US mid-cap performance. The **DJ Industrial Average** is a price-weighted measure of 30 US blue-chip companies covering all industries except transportation and utilities. The **NASDAQ Composite** is a broad based, market cap weighted index of more than 3,700 stocks listed on the Nasdaq stock exchange. **JP Morgan Global EMBI** measures the performance of fix-rate for external-currency denominated debt instruments including brady bonds, loans, Eurobonds in emerging markets. Countries covered are Argentina, Brazil, Bulgaria, Mexico, Morocco, Nigeria, the Philippines, Poland, Russia, and South Africa. It covers more of the eligible instruments than the EMBI+ by relaxing somewhat the strict EMBI+ limits on secondary market trading liquidity. **Bank of America Merrill Lynch HY Master II** measures the performance of short-term US dollar denominated below investment grade corporate debt publicly issued in the US domestic market. Qualifying securities must have at least 18 months to final maturity at the time of issuance, at least one-year remaining term to final maturity as of the rebalancing date, a fixed coupon schedule and a minimum amount outstanding of \$100 million. It is capitalization-weighted. **Dow Jones US Real Estate Index:** The index measures the performance of all US stocks in the Dow Jones US Index classified into real estate sector with financials industry. The sector classifications is defined by the proprietary classification system which used by S&P Dow Jones. It is a free-float weighted index. **S&P GSCI:** The index measures the performance of general price movements and inflation in the world economy. It is designed to be investable by including the most liquid commodity futures and provides diversification with low correlations to other asset classes. **Ibbotson US Large Stock TR Index:** The index tracks the monthly return of S&P 500. The history data from 1926 to 1969 is calculated by Ibbotson. **Ibbotson US Intermediate Government TR Index:** The index measures the performance of a single issue of outstanding US Treasury note with a maturity term of around 5.5 years. It is calculated by Morningstar. Returns for 1934 to 1986 are obtained from the CRSP Government Bond File and returns for 1987 to 2014 are calculated from The Wall Street Journal prices.

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