



May 6, 2026

Dear Valued Investor,

Some of you may be surprised by the stock market's recent strength, particularly with oil prices over \$100 a barrel. To us, the amount of artificial intelligence (AI) investment is even more surprising. But that's not all there is to this story.

**Economy: Modest Growth but Well Supported.** Economic growth is moderating, with first quarter GDP coming in at 2% as consumer spending cooled. LPL Research has lowered its U.S. economic growth forecast for 2026 to 2.0%, down from 2.7% pre-Iran conflict. Business investment, government spending, and AI are supporting economic activity, helping to offset softer consumption growth. Strong corporate profits and a resilient labor market give the Federal Reserve room for patience, leaving 2026 rate cuts in doubt. Inflation will continue to take its cues from the oil markets, underscoring the importance of monitoring developments in the Middle East closely.

**Stocks: AI Gives Bull Market Legs, but Bouts of Volatility Likely.** We believe the bull market has further to run on continued optimism surrounding AI. Stocks enjoyed a strong April with double-digit gains for most broad indexes, but strong earnings have kept the S&P 500 price-to-earnings ratio reasonable near 21. If AI spending comes through and is viewed as productive, this bull market should still have legs. That said, expect volatility from Middle East headlines and oil prices to continue in the near term.

**Earnings: A Key Anchor.** A key bright spot for stocks, first quarter earnings growth for S&P 500 companies is tracking to over 20%, supported by technology investment, productivity gains from AI, and fiscal stimulus. Capital investment plans for 2026 by AI hyperscalers have increased by more than \$200 billion this year to over \$725 billion — offering significant earnings for companies building out AI capabilities, particularly in semiconductors. While geopolitical risks and energy price swings can distract markets in the short term, earnings strength remains critical to sustaining stock prices over time.

**Bonds: Income Generator.** In fixed income, starting yields remain attractive relative to history. As such, we continue to emphasize income generation over price appreciation. As policy rates eventually move lower (unlikely until after oil prices start coming down), returns on cash may fade, increasing the appeal of high-quality bonds with intermediate maturities as portfolio stabilizers and income generators.

Bottom line, we continue to see a constructive investment environment, albeit one that will likely require patience and discipline over the balance of 2026. Bouts of volatility remain likely, but fundamentals, particularly earnings, continue to underpin our confidence long term. Investors are encouraged to maintain long-term allocations, stay diversified, and use periodic pullbacks as opportunities.

As always, please reach out to us with questions.

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All data is provided as of May 5, 2026.

All index data from FactSet.

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.

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