

WAINWRIGHT INVESTMENT COUNSEL, LLC FINANCIAL MARKETS HIGHLIGHTS

Third Quarter 2026

The S&P 500 index of large and mega cap stocks returned 2.3% during the third quarter, bringing its year-to-date return to 12.8%. Energy was the best performing S&P 500 sector, gaining 17.2%, the only sector to see double digit performance. The catalysts for Energy's great year (+40.3% return year-to-date) include the ongoing conflict with Iran, which has constrained supply, and insatiable energy demand from data centers for AI compute. The AI race continues to power Technology stocks; the S&P 500 Technology sector gained 7.2% for the quarter and 28.4% for the partial year. Health Care stocks had a strong quarterly return of 6.5%, benefitting from their defensive nature and relatively low valuation during modestly elevated stock market volatility. The Dow Jones Industrial Average of blue-chip companies finished the quarter down 2.3%, and the tech-heavy NASDAQ index returned 0.6%. The impact of rising interest rates was felt across the capital markets during the quarter. Small and microcaps stocks fared poorly, as rapidly rising rates made borrowing costs higher and capex harder to justify. Value stocks continued to outperform growth stocks, as has been the case year-to-date.

Interest rates rose rapidly beginning late August, with the 10-year Treasury bond yield increasing more than 60 basis points from August 25 to quarter end. Inflation, as measured by the Consumer Price Index (CPI)ⁱ, was up 3.4% for the 12 months ended August, including +0.4%

for August alone, with the core CPI (excluding volatile food and energy prices) up 2.4%. The Fed's preferred inflation gauge, the Personal Consumption Expenditures index (PCE)ⁱⁱ, was up 3.4% year-over-year. Inflation, by any measure, remains well above the Fed's 2% target, and that was front and center at the Federal Open Market Committee's (FOMC) most recent September meeting. Led by new chair Kevin Warsh, the FOMC raised the target Fed Funds interest rate range 25 basis points, to 3.75% - 4.00%, its first rate hike in three years. During his press conference after the decision was announced, Chairman Warsh spoke to the resiliency of the economy in spite of inflation, stating that the decision of the FOMC "comes at a time when the American economy appears to be strengthening. New hiring, private-sector earnings, business capital investment—each of these markers has improved in recent months and is pointing in a good direction."

Regarding private-sector earnings, the long-term driver of stock returns, FactSet currently estimates third quarter S&P 500 earnings growth of over 29%ⁱⁱⁱ, which would be the third consecutive quarter of +25% growth. Goldman Sachs Research forecasts the S&P 500 will rise to 8,700^{iv} (from ~7,750 as of this writing) over the next 12 months, with forward P/E ratios still remaining under 20x. Despite inflationary pressures affecting pricing for

Selected Index Returns (%) as of September 30, 2026 (Source: Morningstar Direct). 3, 5, 10 year returns are annualized.

	<u>July</u>	<u>August</u>	<u>September</u>	<u>QTR</u>	<u>YTD</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>
S&P 500	-0.06	2.72	-0.35	2.30	12.75	15.74	22.89	13.79	15.33
S&P 400	-2.38	0.15	-4.22	-6.36	9.88	11.69	14.54	8.03	10.47
Russell 2000	-3.03	0.98	-5.25	-7.23	13.71	16.20	17.72	6.34	9.84
Wilshire US REIT Index	2.16	-3.09	-5.27	-6.22	10.36	8.50	12.88	4.26	5.61
MSCI EAFE	1.96	1.99	-3.05	0.81	10.33	15.69	18.40	9.32	9.07
MSCI Emerging Markets	-3.07	3.37	-0.56	-0.37	23.38	29.22	24.09	8.94	9.09
Bloomberg US Aggregate Bond	-1.30	0.39	-2.61	-3.51	-2.91	-1.84	4.06	-0.64	1.14
Bloomberg High Yield	-0.25	0.97	-2.52	-1.82	0.10	1.41	8.03	3.60	5.05

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consumers across the board, consumer spending remains robust, and the American economy rolls on.

The Bloomberg Aggregate Bond index returned -3.5% during the quarter, its worst quarter since the Federal Reserve began its first of 11 rate hikes in March of 2022. Long-dated Treasury bonds fared the worst, falling -8.0%, trailed closely by Municipal bonds at -6.4%. Short-dated Treasury bills finished only slightly below flat (-0.2%), but generally speaking, most fixed income products suffered as interest rates rose rapidly during the quarter.

The Bloomberg Commodity Index returned 16.2% during the quarter, in large part due to rising oil prices. Brent crude oil surged 42.0%, and prices topped over \$100 per

barrel as of quarter-end. Silver and Gold returned 3.3% and 3.7%, respectively, and the US dollar rose modestly against currencies during the quarter. International stocks, after a red-hot start to 2026, underperformed their domestic counterparts, as the MSCI EAFE Index returned 0.8%, and emerging markets fell -0.4% during the quarter.

We here at Wainwright wish you a wonderful autumn season, and we hope the final quarter of 2026 brings peace and prosperity for all. Please reach out if you require anything.

ⁱ Source: <https://www.bls.gov/>

ⁱⁱ Source: <https://www.bea.gov/>

ⁱⁱⁱ Source: <https://www.factset.com/>

^{iv} Source: <https://www.goldmansachs.com/>

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