

LORI L. LIFFRING, CFA ♦ MICHAEL L. BRIDGMAN, ChFC ♦ JUSTIN S. ANDERSON, MBA AAMS ♦ JON M. SPANGLER, RICP
 GAYLAN C. ABOOD, CHAIRMAN EMERITUS

2026 BENCHMARK RATES of RETURN

INDEX	THIRD QUARTER	YTD
S&P 500	2.30%	12.75%
Russell 2000	-7.23%	13.71%
International	0.81%	10.33%
Fixed Income	-3.51%	-2.91%
JPMorgan Diversified*	-1.29%	6.87%

*25% S&P 500 large cap stocks, 10% Russell 2000 small cap stocks, 15% MSCI EAFE international stocks, 5% MSCI EME emerging market stocks, 5% REITs, 25% Barclays US aggregate bonds, and 5% each in short term Treasuries, high yield global bonds, and commodities.

MARKET COMMENTARY

Stocks produced mixed results during the third quarter. The S&P 500, representing large-cap stocks, climbed 2.30% in the quarter, bringing its year-to-date return to 12.75%. Small cap stocks, represented by the Russell 2000 Index, declined -7.23% during the quarter but remain up 13.71% year-to-date. Developed market international stocks gained 0.81% in the quarter and are now up 10.33% in 2026. Meanwhile emerging market stocks were essentially flat in the quarter with a -0.37% return but are up 23.38% year-to-date. Bonds struggled as interest rates moved higher with the Bloomberg U.S. Aggregate Bond Index falling -3.51% for the quarter resulting in a year-to-date loss of -2.91%.

Energy continues to be one of the year's standout sectors benefiting from higher oil and natural gas prices. The energy sector has a year-to-date return of 40.3%. Next in line of top performers are Technology and Healthcare with returns of 28.4% and 10.2%, respectively. The weakest sectors were Consumer Discretionary, Utilities and Financials with year-to-date returns of -5.8%, -5.7%, and -1.3%, respectively.

Corporate earnings continue to provide meaningful support for stock prices. First-quarter S&P 500 earnings growth came in near 28% year-over-year, while second quarter earnings growth was 45.6%. Zacks projects 24.1% and 26.6% earnings growth in the third and fourth quarters. More importantly, the strength is becoming more broad-based with 14 of the 15 sectors tracked by Zacks expected to report positive growth in the third

quarter.

Economic growth also remained positive. First-quarter GDP increased at a revised 2.5% annualized rate and second quarter increased at a 2.2% annualized rate. Large scale spending on artificial intelligence infrastructure and data centers continues to boost capital investment. In addition, consumer spending remains strong despite escalated global tensions, higher interest rates, and persistent inflation.

The labor market is showing signs of cooling but remains relatively stable. The U.S. unemployment rate was 4.2% in September. Employers only added 29,000 jobs during the month but “the good news is you’re not seeing a lot of layoffs” according to Sarah House, senior economist at Wells Fargo. The labor market increasingly appears to be in a “low-hire, low-fire” environment—less robust than it was a year or two ago, but not yet signaling a sharp economic contraction.

Inflation remains elevated, with the Fed’s preferred measure of underlying inflation—the Core PCE deflator—running at 3.0% year-over-year in August. Although it hasn’t increased over the last three months, underlying price pressures remain persistent. As a result, it will likely take additional time before inflation moves sustainably back toward the Fed’s 2% target.

Gold had rebounded in the quarter but is now back down close to its recent lows with a year-to-date return of -3.9%. Rising Treasury yields and renewed strength in the U.S. dollar late in the quarter created headwinds for precious metals. Bitcoin had a strong quarter and is up about 45% from its recent lows but remains down 33% from its highs. While the long-term outlook for digital assets remains attractive as adoption continues to broaden, investors should expect continued volatility and size positions accordingly.

The Federal Reserve's wait-and-see period ended in September. After holding rates steady for several months, the Fed raised the federal funds rate by 25 basis points to a target range of 3.75%–4.00%. In addition, 16 of 18 policymakers projected at least one additional increase before the end of the year.

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17330 WRIGHT ST, STE 205 | OMAHA, NE 68130 | P: (402) 697-1166
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Money market yields remain attractive at roughly 3.75%. At the same time, longer-term interest rates have moved sharply higher. The 10-year Treasury yield ended 2025 at 4.16% and stood at 4.42% at the end of June. It ended the third quarter at 5.3% - the highest level it has been at since March 2002! The rise in longer-term yields has been driven by several factors, including persistent inflation, resilient economic growth, higher energy prices, increased Treasury issuance and concerns that interest rates may need to remain elevated for longer than investors previously expected. Higher yields have created near-term pressure on both stocks and bonds, but they have also significantly improved the prospective income available from high-quality fixed-income investments.

Diversification continues to be prudent in times of uncertainty. Bonds can provide stability and income when stocks are volatile. “Target outcome” or “buffer” ETFs can also add protection to portfolios and provide upside potential if stock prices rise. Dividend income is also attractive in equity and premium income funds. The dividends help with total returns or with income needs depending on the account.

Measuring risk tolerance and investing accordingly is important in this environment. Timing the market or chasing returns may work in the short-term but is more difficult over longer periods. The goal is to be invested appropriately so that you don’t panic and sell when the market goes down. Selling out when markets are volatile can lead to permanent losses. We use



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SCAM ALERT

In these reports, we have been highlighting scams we’ve seen in hopes it helps prevent it from happening to you. As time goes on and technology evolves, the scams are getting more complex and more people are falling for their tricks.

Fraudsters are continually finding new ways to scam people – sometimes without victims even knowing it. Your bank accounts or credit cards may be hacked and if you don’t regularly log in and check your activity, unapproved charges or withdrawals may be happening in your accounts. To protect yourself, in addition to monitoring your transactions, use different passwords for every login. Once a hacker finds one combination that works, they can easily and quickly apply it across multiple financial institutions to see if you use the same password. If you are no longer needing to apply for new loans or credit cards, you may want to freeze your credit with the credit rating agencies. They can be unfrozen if you do need to apply for credit in the future. To further protect your Schwab accounts, we can change your account access to “view only”. This allows you to log in and look at your account. However, any trading or movement of money between accounts or to your bank account could only be done by us as your advisor. (Any money transferred to a third party would still require your signature or authorization.) Since we do this for most of our clients anyway, it wouldn’t really change how you use Schwab. Plus, it can be changed back at any time.

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