Q2 2026 Market Update

Market Snapshot

Dow Index 52,319	**10-year Treasury rate** 4.44%
S&P 500 Index 7,499	**1-year Treasury rate** 3.98%
NASDAQ Index 26,214	**Prime mortgage rate** 6.75%

**As of 6/30/2026*

By the Numbers

- The S&P 500, Nasdaq, and Dow Jones Industrial Average have returned 9.6%, 12.8%, and 8.9% year-to-date through the end of June, respectively. The second quarter was historically strong with the S&P 500 returning 14.9%, the Nasdaq 21.4%, and the Dow 12.9%.
- The Bloomberg U.S. Aggregate Bond Index has risen 0.6% year-to-date. The 10-year Treasury yield ended the second quarter at 4.47%, rising from 4.17% at the start of the year.
- Developed market international stocks (MSCI EAFE) have gained 7.7% and emerging market stocks (MSCI EM) have returned 22.7% year-to-date, both in U.S. dollar terms.
- The Bloomberg Commodities Index has risen 12.3% year-to-date. This was due to a strong first quarter which experienced a gain of 23.3%, versus a decline of 8.9% in the second quarter.
- Brent crude peaked just under $120 per barrel in May before closing the quarter at $73 per barrel.
- Gold prices fell to $4,007 per ounce while Bitcoin declined to a recent low of $58,633.
- Headline CPI rose 4.2% year-over-year in May, driven largely by energy prices. Core CPI, which excludes food and energy, rose 2.9%.
- The Federal Reserve kept rates unchanged at 3.50% to 3.75% through the first half of the year. Kevin Warsh was sworn in as Fed Chair in May.

Climbing Higher

The first six months of 2026 have been a reminder of the importance of staying invested and maintaining a longer time horizon. Investors faced major events including the war in Iran, oil prices pushing inflation to multi-year highs, and questions around artificial intelligence (AI). And yet, markets have climbed to new all-time highs, corporate earnings have grown at a double-digit pace, and many asset classes have performed well.

There will no doubt be unexpected events in the second half of the year, including developments in the ongoing Middle East conflict, the upcoming midterm election, and new market activity such as initial public offerings (IPOs). How can investors maintain perspective as these events unfold?

The business cycle has entered its seventh year

It may be surprising to some investors that the current business cycle began in April 2020 amid the pandemic and just passed its sixth anniversary in the second quarter. There have been several times when investors and economists worried that there might be another recession, including when inflation peaked in 2022 and when tariffs disrupted trade last year. Through it all, the economy has been resilient, growing steadily despite these challenges.

The business cycle affects all aspects of investing and financial planning, from mortgage costs to annual pay raises. A healthy economy drives consumer spending and business investment, fueling corporate earnings and ultimately stock market returns. So, while the stock market and economy are not the same thing, they are often closely linked. The chart below compares this cycle to other historical periods. The longest business cycles, including the one that began after the 2008 financial crisis and the 1990s during the dot-com boom, have lasted for a decade or longer.

How is the economy doing today? Inflation is high but could improve if oil prices remain low. The job market has begun to heat up again, reversing last year's concerns over the slow pace of hiring. The dollar has stabilized and rebounded more recently, trade is still uncertain but has stabilized, and business investment has accelerated. Consumers are feeling pessimistic, but continue to spend on both necessities and discretionary items. Overall, the economy appears to be healthy despite some mixed signals, which is historically positive for financial markets in the long run.

Many asset classes have performed well this year

A variety of global asset classes have contributed to portfolios so far this year, continuing last year's trend. This includes not only large cap stocks, represented by the S&P 500, but also small caps, emerging markets, and commodities. The second quarter, in particular, was one of the strongest on record. This is partly due to the timing of the war in Iran which resulted in the market recovery beginning at the start of April.

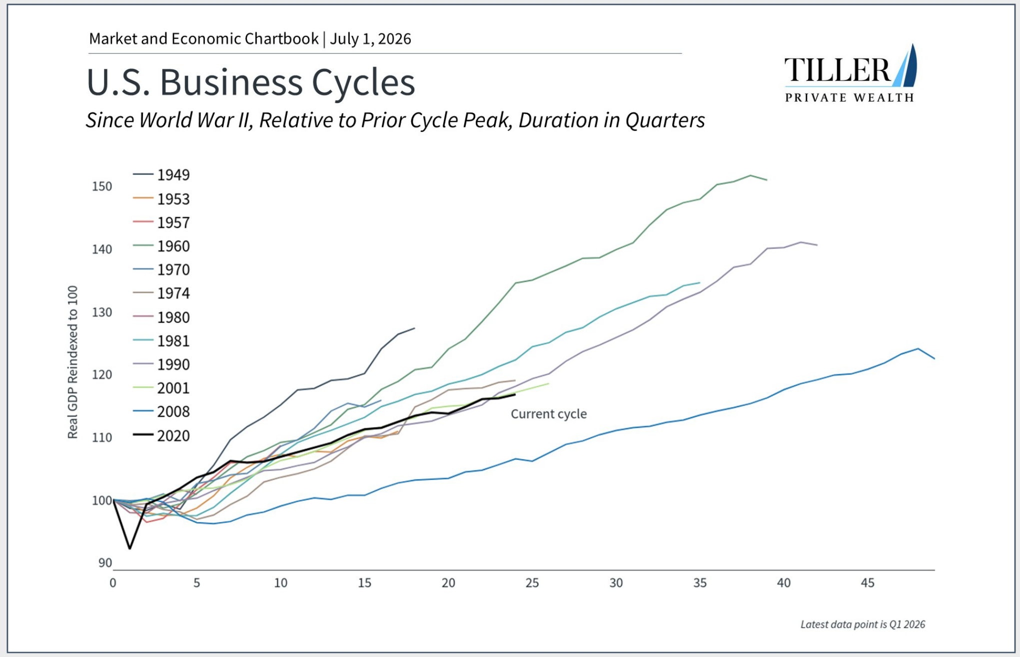
There are many themes behind these returns, including the strength of the economy, hopes of a peace deal in Iran, and enthusiasm around AI. Many of these factors have driven corporate earnings growth, with profits rising over 20% in the past twelve months for S&P 500 companies. This strong market environment has also led to a wave of high-profile IPOs, including SpaceX in the second quarter, and the anticipated listings of OpenAI and Anthropic, both AI companies.

While investors often focus on the first few days of an IPO when there are the most headlines, the real measure of value accrues over a longer period. These listings broaden the opportunity set for all investors, which is especially important since many companies have been staying private longer. What matters most is how these businesses then perform over the years and decades that follow. The largest technology companies today, for instance, have grown over a long period through many market and economic cycles.

Volatility has been manageable

The first half of the year demonstrates that the most important risk for investors navigating uncertainty is not the volatility itself, but how we react to it. It's tempting to try to time the market during periods of uncertainty, but this can often backfire. Instead, it's better to hold a portfolio that is designed to withstand all parts of the market cycle, while serving long-term financial goals. By doing so, investors can better prepare for the inevitable periods of uncertainty in the second half of the year and beyond.

Chart of the Month



Sources: Clearnomics, BEA, NBER