Q3 2026 MARKET REVIEW & OUTLOOK





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CASH
PROTECTION
RISK

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Section 1:
Q3 Market Review

Executive Summary

The long-term economic cycle remains constructive, but the investment environment became less forgiving.

MARKET CYCLE SCORE	ECONOMIC CYCLE SCORE	S&P 500 Q3 TOTAL RETURN	10 YR TREASURY YIELD
64.2% Bullish	71.4% Bullish	+2.38%	5.29%
Bullish but Weakening	*Expansion*	YTD +12.7%	Up 82 bps
Down from 74.6%	Down from 75.5%		

What Changed in Q3

Market leadership narrowed as higher yields pressured long duration assets and credit spreads widened late in the quarter.

Current Cycle Assessment

Economic growth and earnings remain supportive, but higher inflation and rising interest rates are likely to limit policy flexibility and add to market volatility.

What to Expect in Q4

Strong fundamentals should continue to support equities, but long-term yields, credit conditions, and earnings delivery will determine whether market participation broadens.

Portfolio Implications

Stay invested, but shift from broad beta toward quality growth, earnings durability, balanced duration, and liquidity.

Q3 KEY THEMES

AI-driven earnings strength countered valuation pressures from rising rates, but narrower participation and tighter credit conditions drove further market bifurcation.

01

EQUITY MARKET BREADTH & ROTATION

New Highs, Narrow Participation

- The S&P 500 and Dow Jones reached new all-time highs early in the quarter.
- Strong earnings drove index gains, but market participation became increasingly concentrated.
- Toward quarter-end, under high rates and strong tech earnings, large growth outperformed while value, dividend, cyclical, and smaller-cap stocks lagged.

02

CORPORATE EARNINGS & AI INVESTMENT

Mag 7 Resurgence & AI Leadership

- The Magnificent 7 reasserted leadership despite higher rates.
- AI investment continued expanding across semiconductors, infrastructure, software, and power.
- Software regained momentum.

Q3 KEY THEMES

AI-driven earnings strength countered valuation pressures from rising rates, but narrower participation and tighter credit conditions drove further market bifurcation.

03

REAL ASSETS

Hard Assets Rebounded

- Commodities led asset-class performance, while gold/silver also recovered.
- The rotation reflected renewed focus on inflation, energy, fiscal supply, and real-asset diversification.

04

GLOBAL INTEREST RATES & CAPITAL FLOWS

Global Bond-Market Repricing

- A Fed rate hike increased borrowing costs, tightened financial conditions, and weighed on valuations.
- U.S. 10-year Treasury yields rose from 4.47% to 5.29% as sovereign yields increased across major developed markets.
- Dollar strength supported U.S. asset demand, while higher overseas yields and hedging costs pressured Treasury demand.

Q3 KEY THEMES

AI-driven earnings strength countered valuation pressures from rising rates, but narrower participation and tighter credit conditions drove further market bifurcation.

05

CORPORATE CREDIT

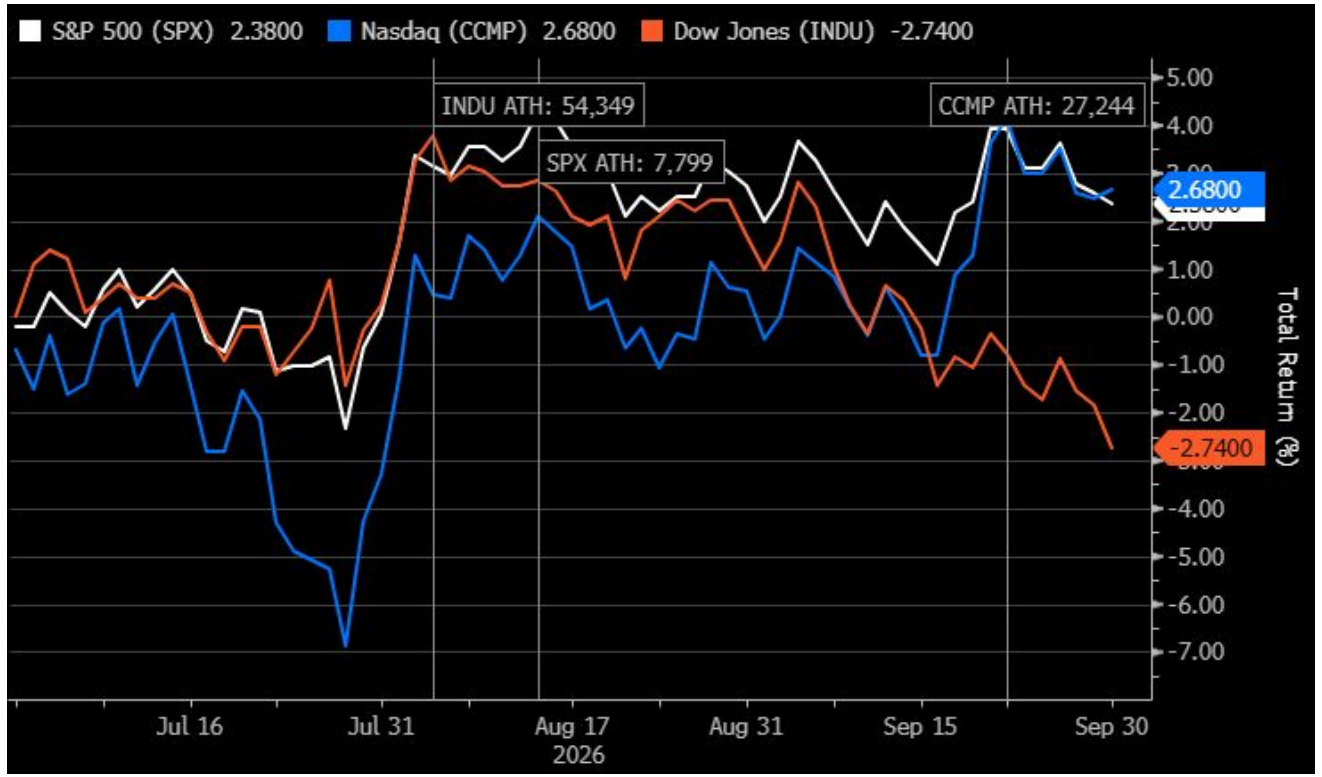
Credit Conditions Tightened

- Investment-grade OAS widened 8 bps and high-yield OAS widened 41 bps.
- Rising AI-related borrowing and elevated Treasury yields raised the cost of capital for lower-tier issuers.
- The late-quarter move increased refinancing sensitivity and reinforced the importance of issuer quality.

NEW HIGH, NARROW PARTICIPATION

The S&P 500 and Dow Jones reached new all-time highs early in the quarter. By quarter-end, leadership narrowed as elevated rates and strong tech earnings pushed the Nasdaq to a new record high, while value, dividend, cyclical, and small-cap stocks lagged.

Major Indices' Q3 Total Return



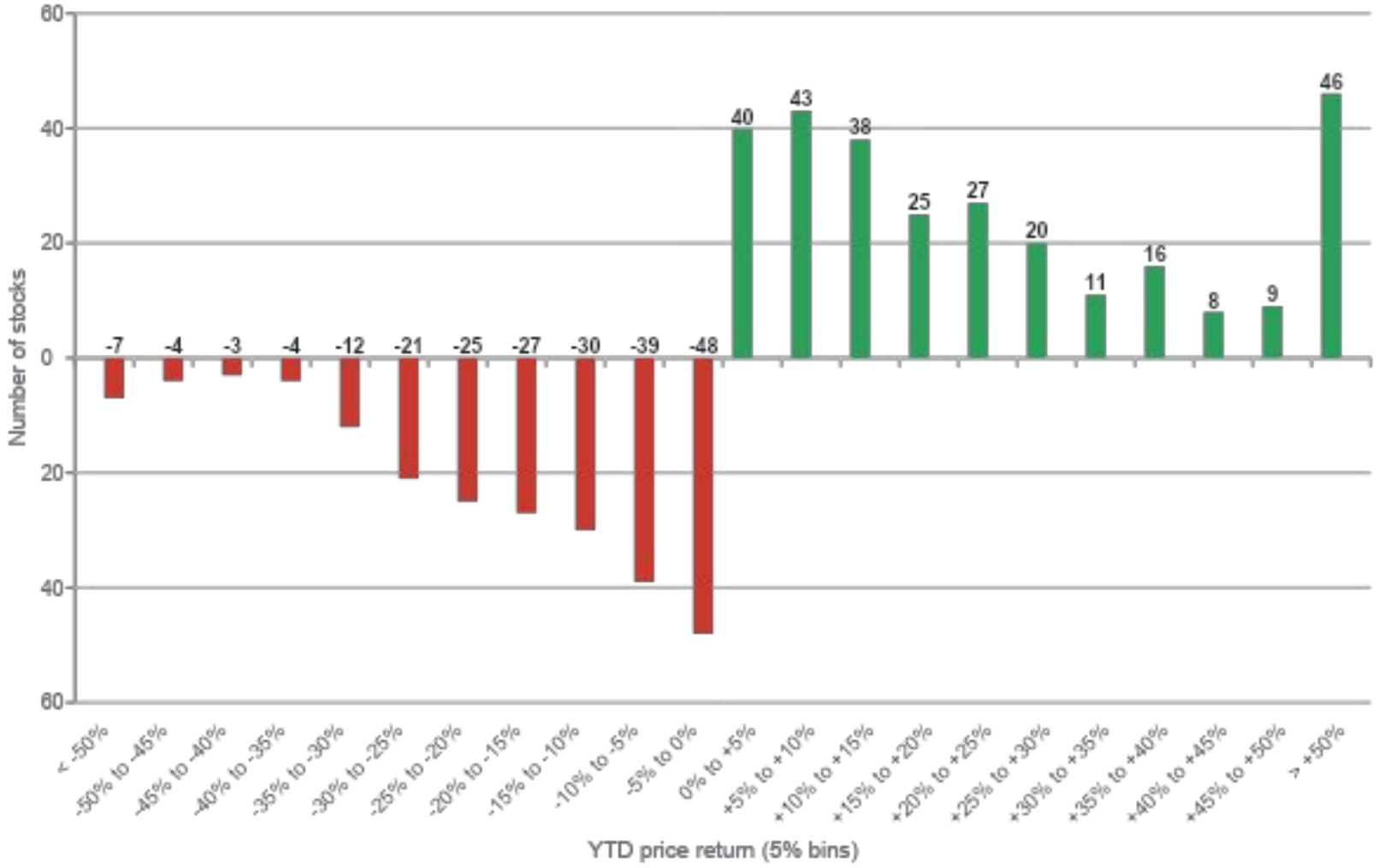
Source: Bloomberg

Equity Style Summary				9/30/26
Region	**3 Month**	**YTD**	**1 Year**	**5 Year**
Large Growth	4.49%	11.13%	13.11%	13.90%
Large Blend	2.52%	12.67%	15.47%	13.40%
Large Value	-0.34%	14.83%	18.23%	12.43%
Mid Growth	-4.55%	5.18%	0.18%	5.09%
Mid Blend	-2.32%	9.28%	8.38%	7.45%
Mid Value	-0.52%	12.04%	14.40%	9.42%
Small Growth	-7.63%	12.18%	13.88%	4.35%
Small Blend	-5.82%	11.36%	13.38%	6.93%
Small Value	-4.50%	10.65%	12.90%	8.71%

Sector Summary				9/30/26
Sector	**3 Month**	**YTD**	**1 Year**	**5 Year**
Cyclical				
Consumer Cyclical	-6.99%	-8.29%	-8.42%	4.81%
Financials	-0.04%	-1.32%	0.68%	9.16%
Materials	-3.75%	8.76%	10.63%	6.33%
Real Estate	-6.31%	3.81%	0.50%	1.74%
Sensitive				
Comm. Services	3.91%	-4.88%	-5.10%	7.87%
Energy	16.50%	40.28%	41.59%	22.97%
Industrials	-9.61%	8.50%	9.49%	12.96%
Technology	2.86%	36.45%	39.60%	22.16%
Defensive				
Consumer Defensive	-2.33%	5.76%	5.68%	5.97%
Health Care	6.55%	10.14%	23.03%	7.49%
Utilities	-12.37%	-5.69%	-6.98%	7.48%

Source: Y-Charts; Synergy Asset Management, LLC

S&P 500: Distribution of YTD Price Returns by Stock



283

stocks positive YTD (56%)

220

stocks negative YTD (44%)

30

stocks down 30% or more (7%)

+4.0%

median stock return

Index +11.8% vs. median stock +4.0%. The typical stock has lagged the cap-weighted index, but the right tail is heavy: 46 names are up more than 50% vs. 6 down more than 50%.

HARD ASSETS REBOUNDED

- Commodities led asset-class performance, while gold/silver also recovered.
- The rotation reflected renewed focus on inflation, energy, fiscal supply, and real-asset diversification.

Asset Class Returns			
Ticker	**Asset Class**	**Q3 Total Return**	**YTD Total Return**
GSG	**Commodity**	**24.75%**	53.98%
GLD	**Gold**	**3.63%**	-3.34%
IVW	**Large Growth**	**3.39%**	15.70%
SLV	**Silver**	**3.16%**	-15.97%
PICK	**Metals**	**2.37%**	17.84%
SPY	**Large Cap**	**2.28%**	12.68%
BIL	**Short Treasury**	**0.90%**	2.66%
IVE	**Large Value**	**0.86%**	8.88%
QQQ	**NASDAQ 100**	**0.53%**	20.83%
EFA	Developed International Market Equity	-0.11%	9.95%
IAGG	International Bond	-1.93%	-0.38%
HYG	High Yield Bond	-1.95%	-0.28%
EEM	Emerging Market Equity	-2.37%	22.77%
DIA	Large Cap	-2.38%	6.94%
AGG	Core Bond	-3.53%	-2.84%
MBB	Mortgage-Backed Bond	-4.24%	-3.26%
PGX	Preferred	-5.36%	-6.05%
CWB	Convertible Bond	-5.68%	14.67%
IJJ	**Mid Cap Value**	**-6.24%**	5.86%
IYR	**Real Estate**	**-6.35%**	2.77%
IJK	**Mid Cap Growth**	**-6.52%**	13.54%
IWM	**Small Cap**	**-7.24%**	13.62%
TLT	**Long Treasury**	**-8.85%**	-8.00%

Source: Morningstar, Synergy Asset Management, LLC

REGIONAL PERFORMANCE

- U.S. outperformed Europe and broad global markets, supported by strong earnings and AI leadership.
- Latin America benefited from commodity strength, while Asia Pacific was supported by semiconductors and AI-related demand.

Region Summary							9/30/26
Region	**1 Week**	**1 Month**	**3 Month**	**YTD**	**1 Year**	**3 Year**	**5 Year**
U.S. Stock (Russell 3000)	-0.81%	-0.84%	1.40%	12.42%	15.13%	22.26%	12.64%
Global Stock Ex U.S. (MSCI ACWI ex US)	-1.17%	-2.38%	0.48%	14.22%	20.00%	20.54%	9.55%
Emerging Markets (MSCI Emerging Markets	-2.37%	-0.56%	-0.37%	23.38%	29.22%	24.09%	8.94%
Europe Stock (MSCI Europe)	-1.15%	-4.56%	-1.65%	6.03%	12.61%	17.52%	9.48%
Asia Pacific Stock (MSCI AC Asia Pacific)	-0.92%	-0.18%	1.64%	23.46%	27.74%	23.19%	9.41%
Latin America Stock (MSCI EM Latin Americ	-1.86%	-0.30%	3.88%	14.75%	24.16%	15.42%	12.97%

Source: Y-Charts; Synergy Asset Management, LLC

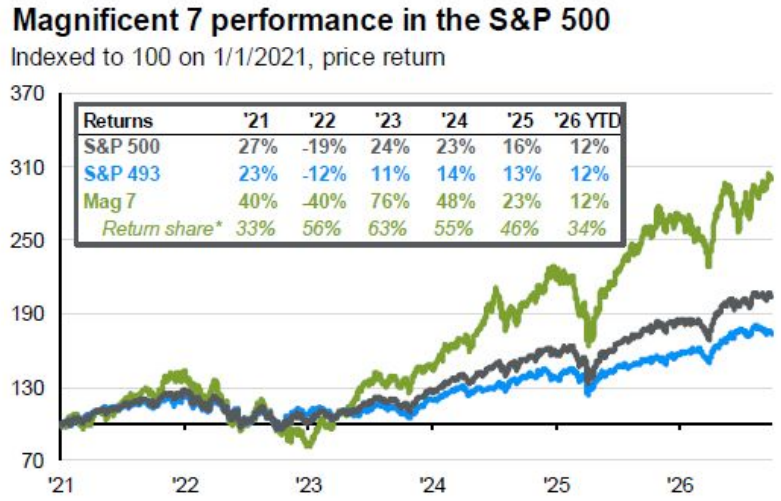
MAG 7 RESURGENCE & AI LEADERSHIP

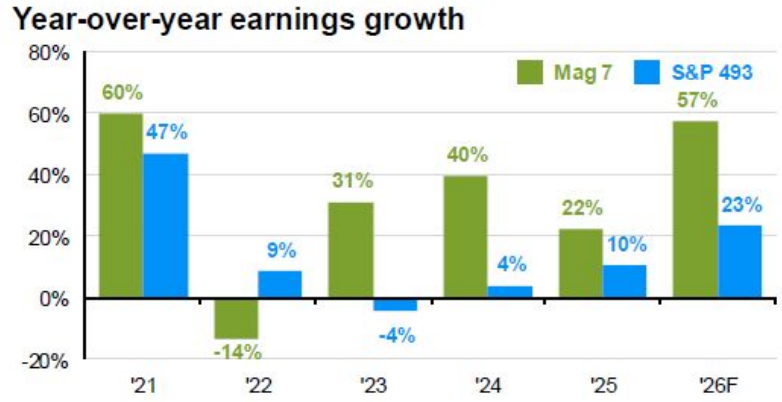
The Magnificent 7 reasserted leadership despite higher rates.

Magnificent 7's Q3 Total Return (6/30/26 – 9/30/26)



Source: Bloomberg



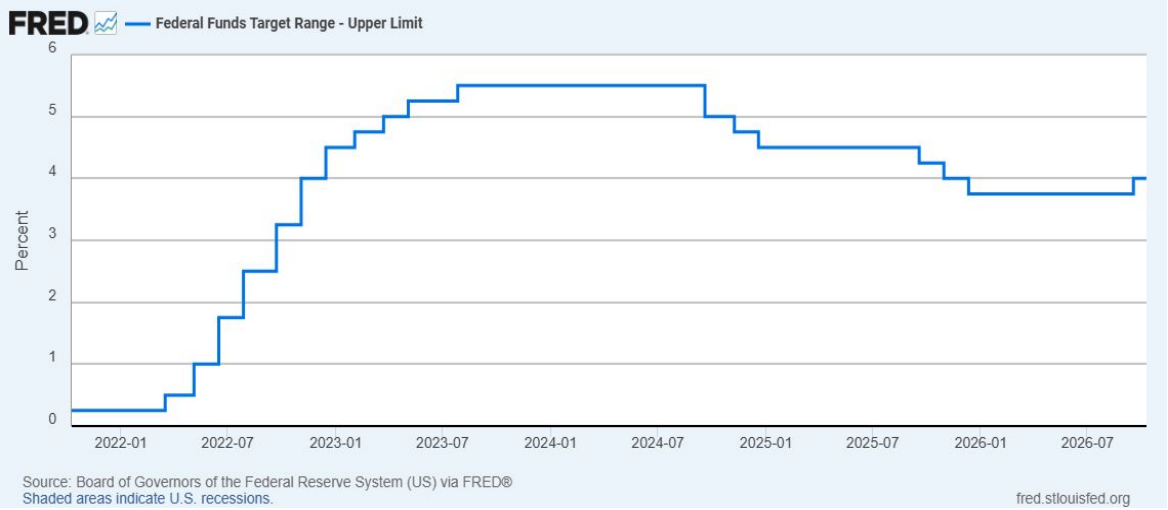


Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.

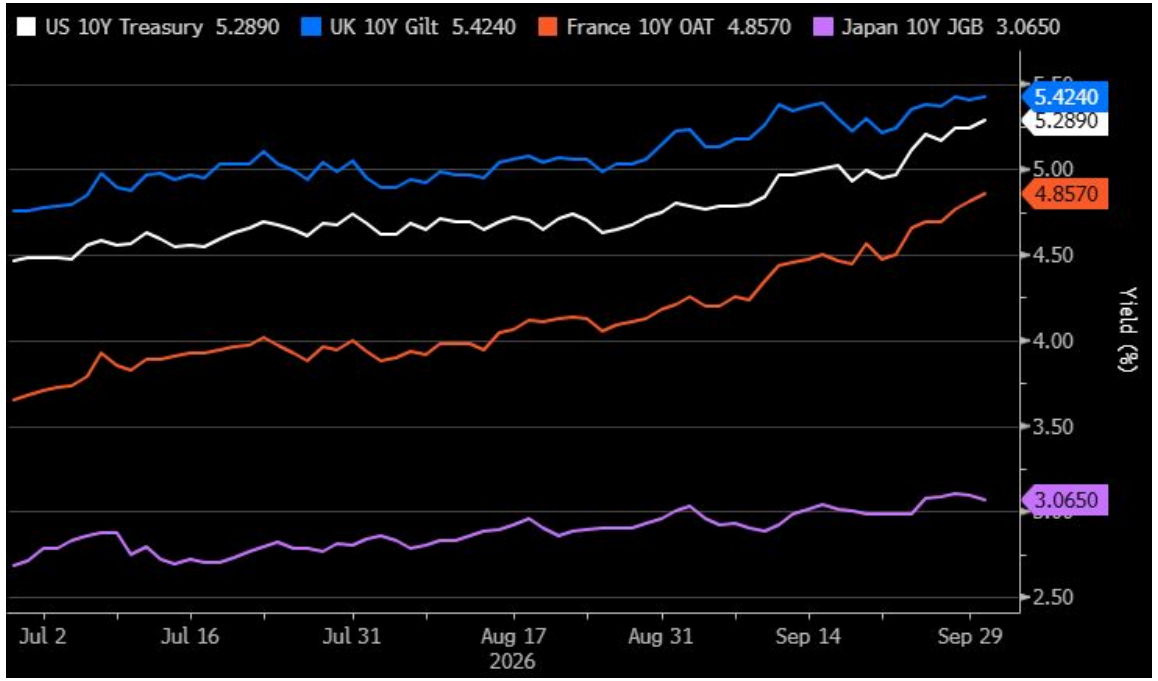
GLOBAL BOND MARKET REPRICING - RISING YIELDS PRESSURED VALUATIONS AND TIGHTENED FINANCIAL CONDITIONS

Fed started removing accommodations. U.S. 10-year Treasury yields rose from 4.47% to 5.29% as global sovereign yields climbed. Dollar strength supported U.S. asset demand, while higher overseas yields and hedging costs pressured Treasury demand.

The first Fed's rate hike to a target range of 3.75% to 4% in over three years and the possibility of additional tightening reinforce a less accommodative policy backdrop.



10-Year Sovereign Bond Yields, Q3 2026 (6/30/26 – 9/30/26)



Source: Bloomberg

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Section 2:
Market & Economic Cycles

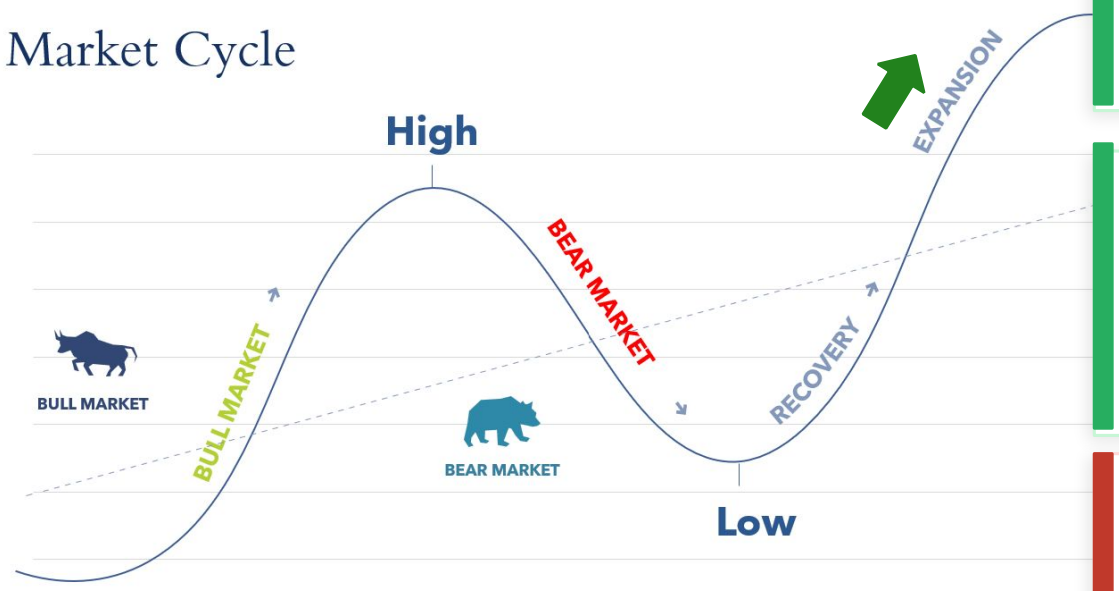
MARKET CYCLE ASSESSMENT

67 FACTOR MARKET CYCLE SCORE

64.2%

BULLISH SCORE
Positive but weakened in second half of Q3.

43 Bull
24 Bear



Q2 Earnings Growth

52.2% YoY EPS Growth

Exceptional earnings growth reported for the S&P 500 last quarter.

Major Index Strength

% from all-time highs

S&P 500 ended the quarter <2% from its all time high.

Low Volatility

VIX of 16.3%

Low level of volatility at quarter end suggests lower risk environment in the near-term.

Momentum

Above Moving Averages

S&P 500 ended the quarter above several key moving averages.

Yield Curve

Positive

A positive, upward sloping yield curve is bullish for near-term and longer-run market conditions.

Breadth

Limited Participation in Quarterly Advance

% of stocks above moving averages fell by quarter end.

High Yield Spreads

Rose Above 300 bps

Signals de-risking sentiment (ICE BofA US HY OAS)

Selling Power

Overtook Buyers

Rising volumes of those seeking to sell US stocks at the end of Q3.

ECONOMIC CYCLE ASSESSMENT

49 FACTOR ECONOMIC CYCLE SCORE

71.4%

BULLISH SCORE
Signaling Continued Expansion

35 Bull
14 Bear

Economic Cycle

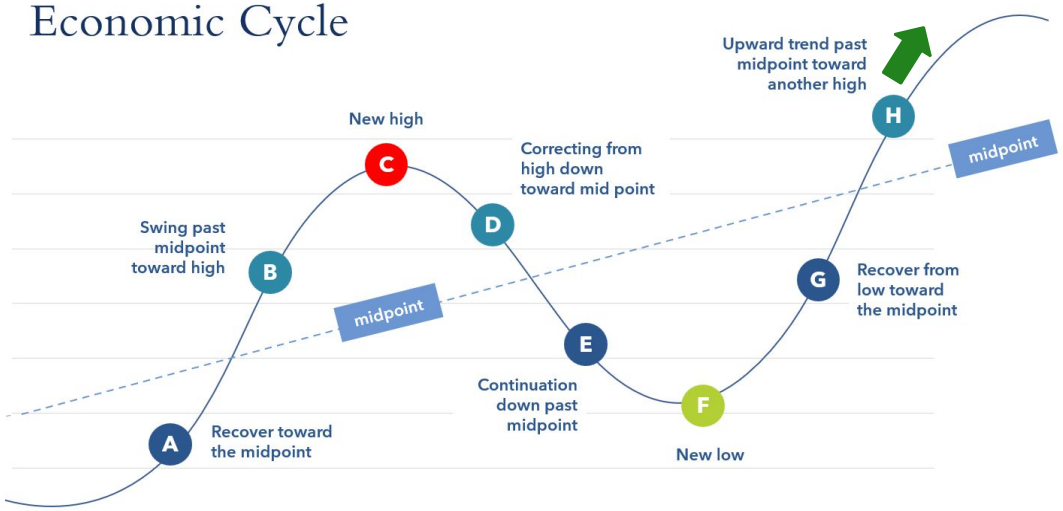


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ISM Services
54.9 in September
Signaling strength in service-side of US economy.

ISM Manufacturing
54.5 in September
9th consecutive reading above 50.

Unemployment Rate
4.2%
September Employment Report

Q2 Real GDP Growth
2.2%
Recently revised up from higher consumer spending and business investment.

Q3 Earnings Expectations
29.6% YoY Growth Expected
Earnings growth expected to remain resilient through Q3, year end, and into 2027.

Yield Curve
Positive
A positive, upward sloping yield curve is bullish for near-term and longer-run market conditions.

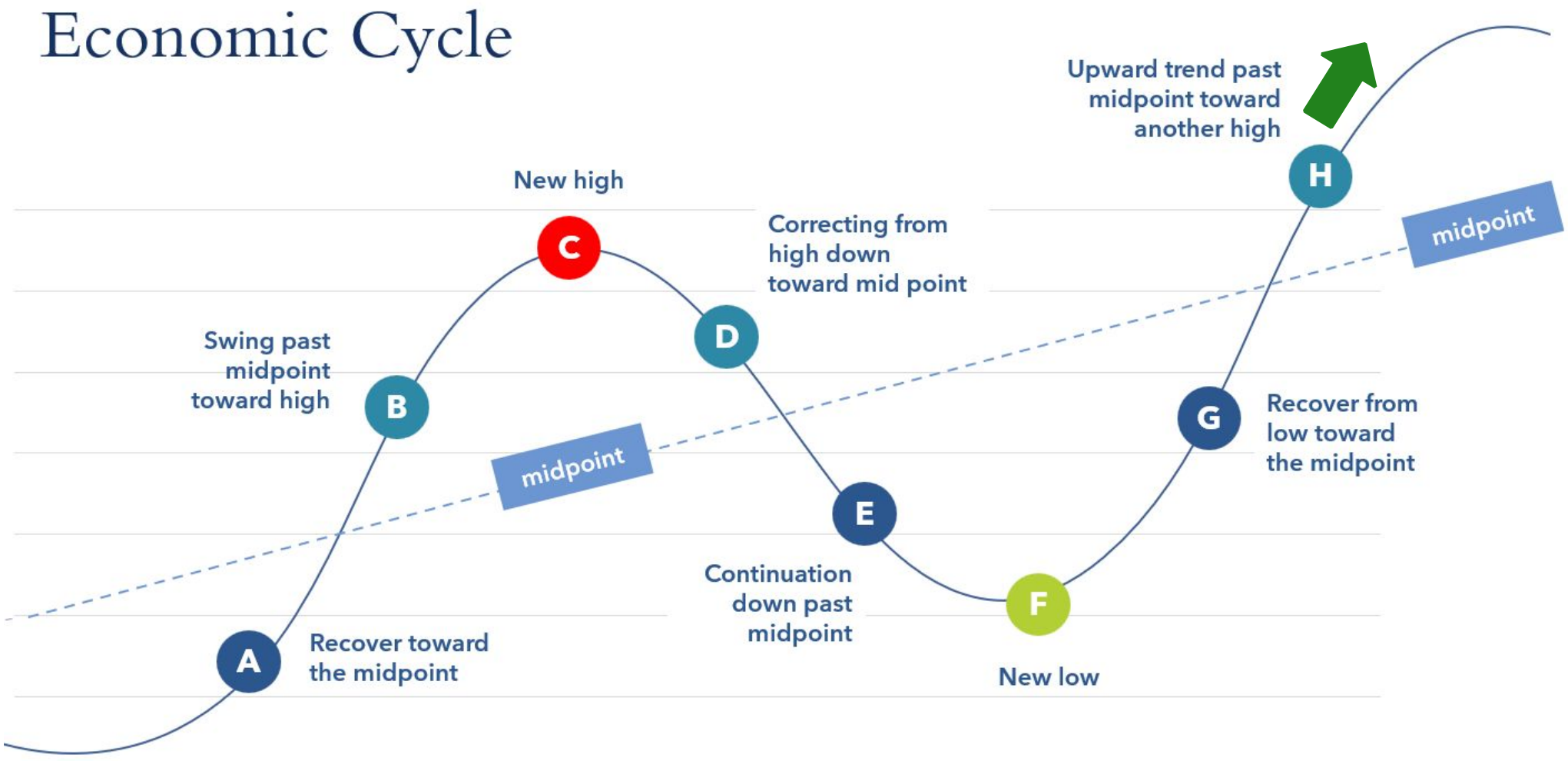
Direction of Monetary Policy
25 bps Hike in Q3
Another 25 basis point hike expected in Q4.

S&P 500 Tech Sector Valuation
~27.3x
F12 PE above 10-yr avg (23x); supported by margin growth

Wholesale Inflation
5.4% August PPI
Businesses may pass this along to consumers or absorb higher costs via margins.

Recession Risk Next 12 Months
20% Contrarian Bearish
Bloomberg Economist Survey

ECONOMIC CYCLE ASSESSMENT

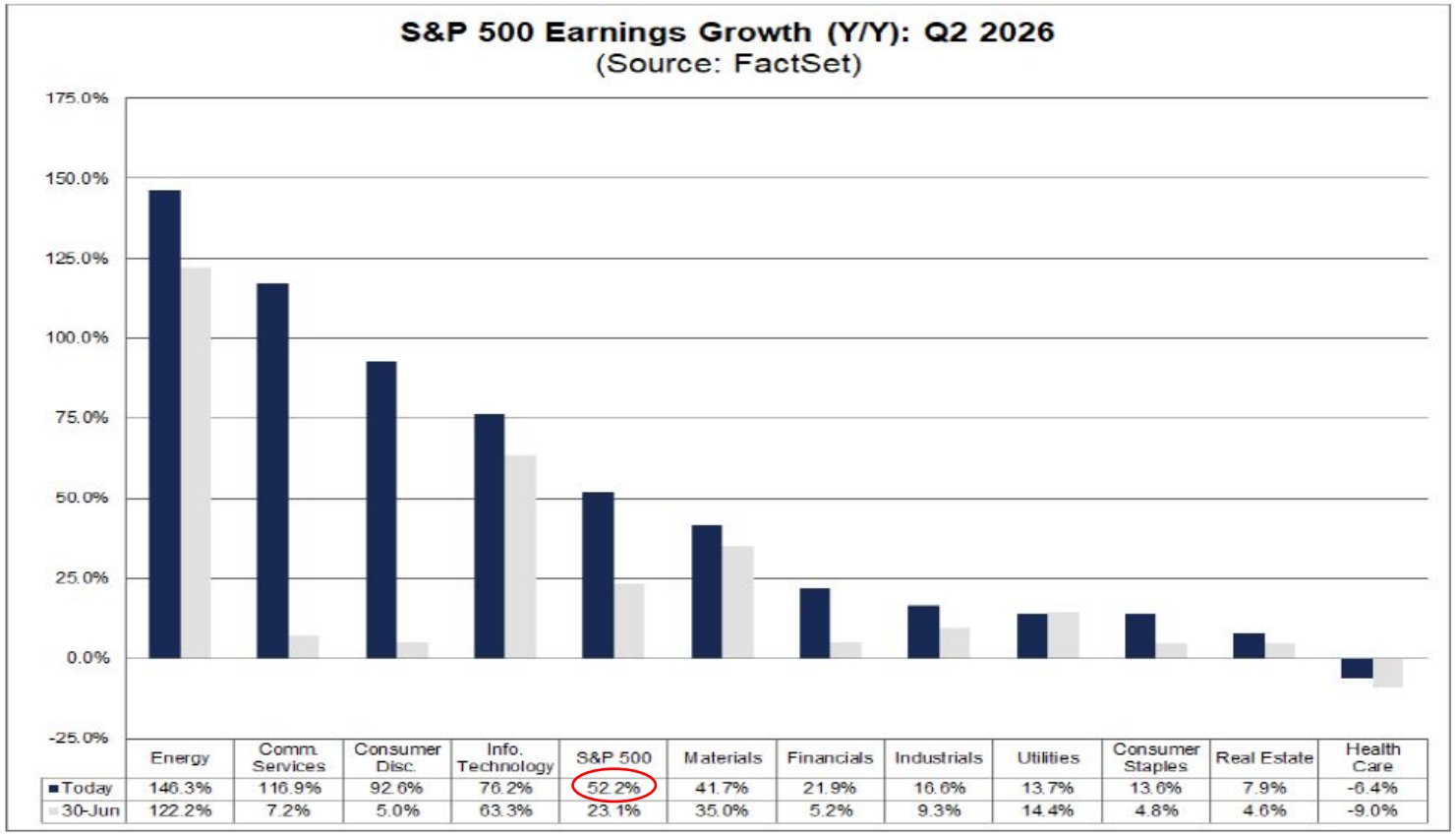


WHAT DRIVES THE MARKET

Corporate Earnings	UP — Q2 EPS growth +52.2% YoY; Q3 estimates raised 1.4% to +29.6% YoY during the quarter. Positive expectations for 2027 but the rate of earnings growth may slow.
Inflation	UP — August CPI was 3.4%, core PCE was 3.0%, and energy prices rose 16.3% YoY, keeping inflation above the Fed's 2% target.
Interest Rates	HIGHER — 10-yr 5.29% (+82 bp in Q3); 30-yr 5.64%, highest since 2002
Fed Policy	TIGHTENING — hiked 25 bp to 3.75–4.00% on Sep 16; median dot implies one more 2026 hike
Geopolitics	VOLATILE — Iran ceasefire collapsed Jul 8; U.S. blockade reinstated; Sept attacks on Gulf energy infrastructure. Upcoming midterm elections.

CORPORATE EARNINGS

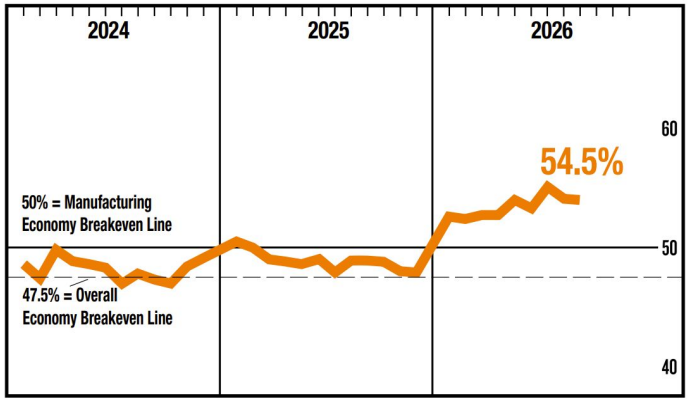
Q2 S&P 500 earnings rose 52.2% YoY, one of the strongest quarters in recent years, with ten of eleven sectors posting growth, supported by resilient economic activity and continued expansion in both manufacturing and services.



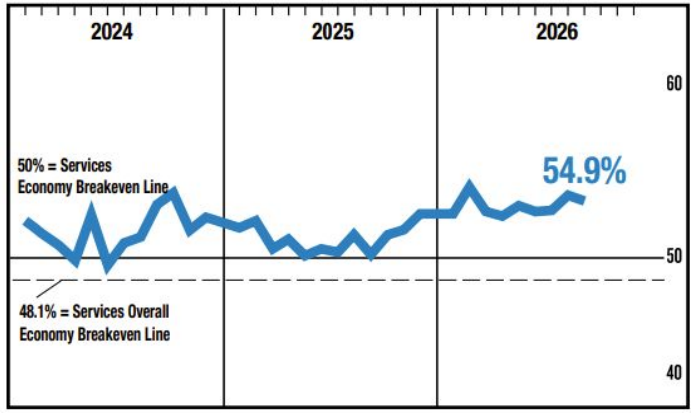
	Energy	Comm. Services	Consumer Disc.	Info. Technology	S&P 500	Materials	Financials	Industrials	Utilities	Consumer Staples	Real Estate	Health Care
Today	146.3%	116.9%	92.6%	76.2%	52.2%	41.7%	21.9%	16.6%	13.7%	13.6%	7.9%	-6.4%
30-Jun	122.2%	7.2%	5.0%	63.3%	23.1%	35.0%	5.2%	9.3%	14.4%	4.8%	4.6%	-9.0%

Source: FactSet, 10/9/2026

Manufacturing PMI at 54.5% (9/2026)



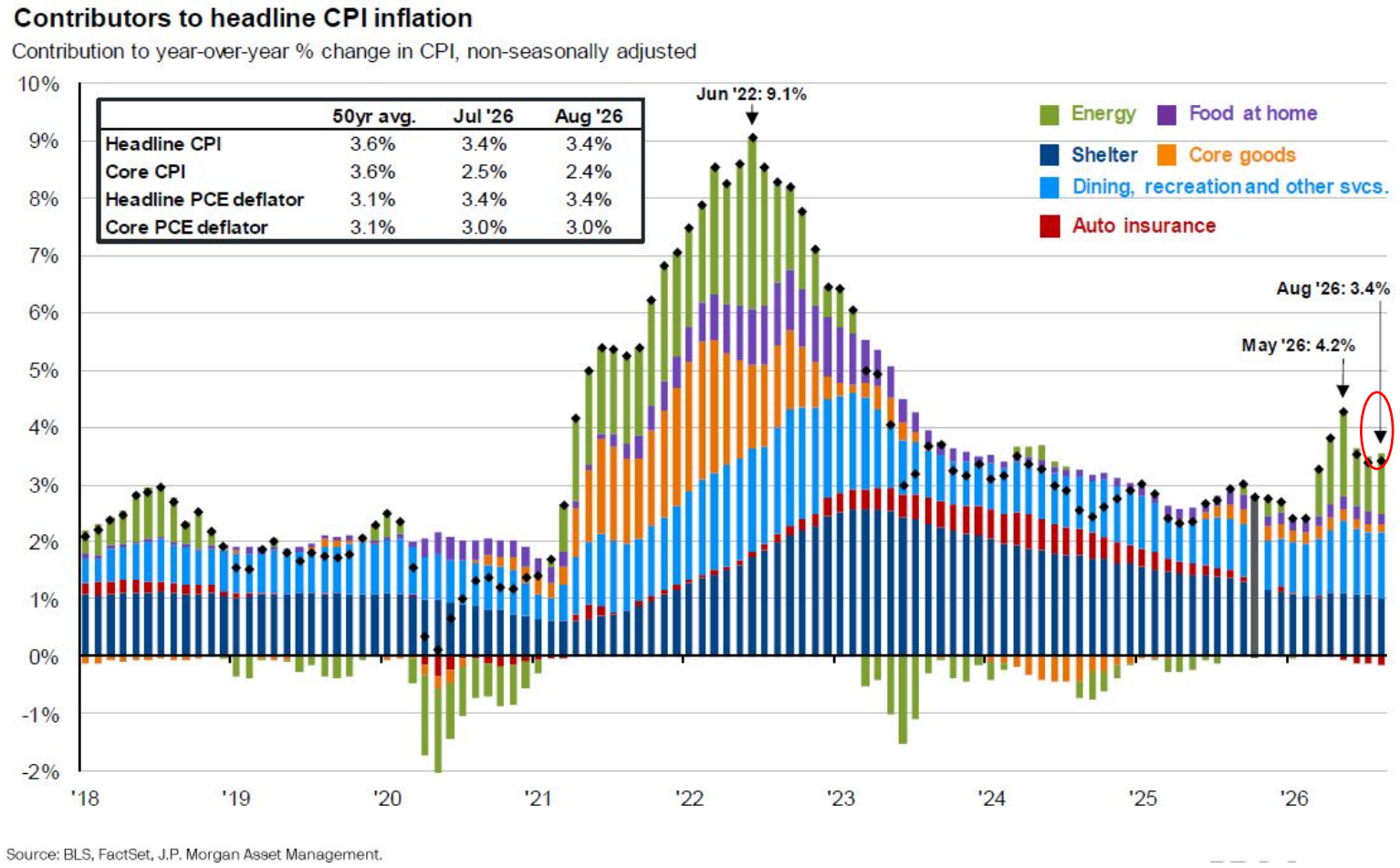
Services PMI at 54.9% (9/2026)



Source: Institute for Supply Management

INFLATION

August CPI was 3.4%, core PCE was 3.0%, and energy prices rose 16.3% YoY, keeping inflation above the Fed's 2% target. While persistent inflation driven by higher energy prices related to the Iran conflict remains above the Federal Reserve's target, economic demand appears strong enough to slow the disinflation process.



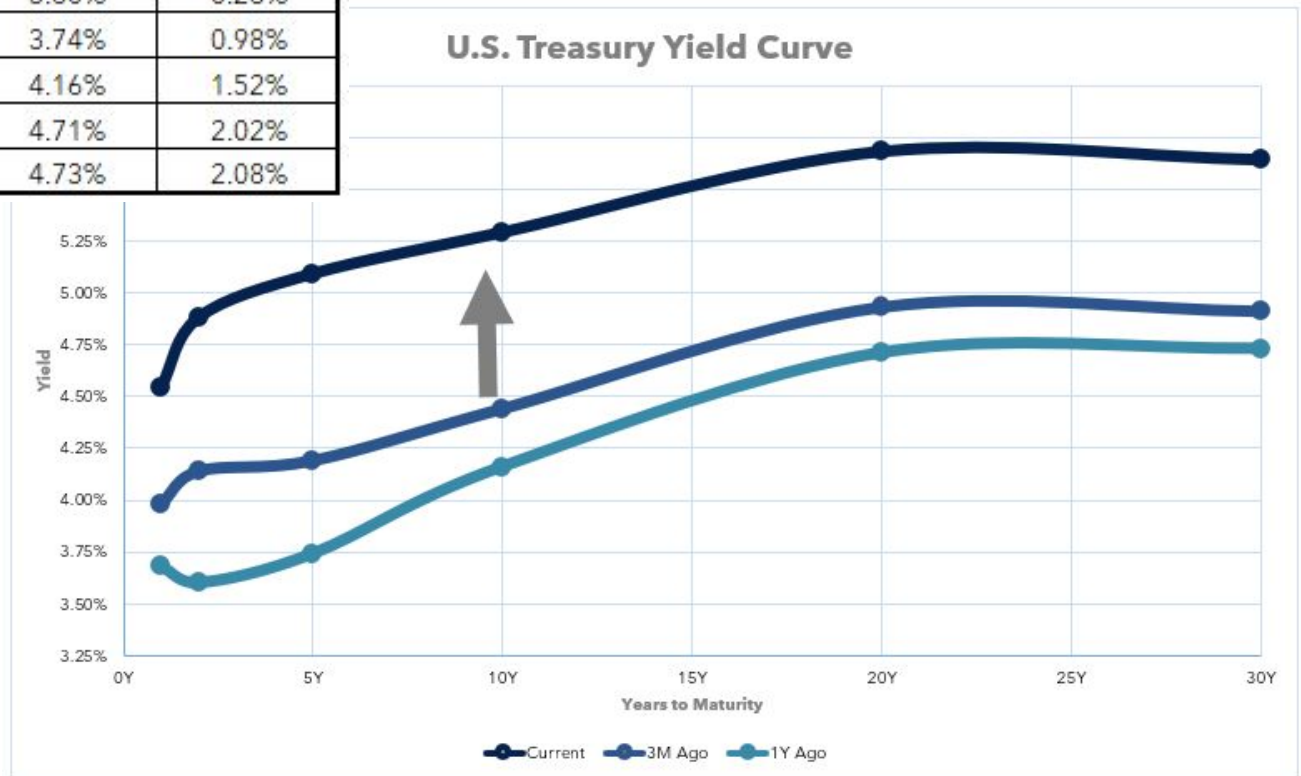
	50yr avg.	Jul '26	Aug '26
Headline CPI	3.6%	3.4%	3.4%
Core CPI	3.6%	2.5%	2.4%
Headline PCE deflator	3.1%	3.4%	3.4%
Core PCE deflator	3.1%	3.0%	3.0%

Source: BLS, FactSet, J.P. Morgan Asset Management.

Yield Curve Shifted Higher

Treasury yields rose across all maturities during Q3, led by intermediate and long-term rates as investors recalibrated policy and inflation expectations.

			Date	9/30/2026	6/30/2026	9/30/2025	9/30/2021
	Label	Ticker	Name	Current	3M Ago	1Y Ago	5Y Ago
Years to Maturity	1	I:1YTCMR	1 Year Treasury Rate	4.54%	3.98%	3.68%	0.09%
	2	I:2YTCMR	2 Year Treasury Rate	4.88%	4.14%	3.60%	0.28%
	5	I:5YTCMR	5 Year Treasury Rate	5.09%	4.19%	3.74%	0.98%
	10	I:10YTCMR	10 Year Treasury Rate	**5.29%**	4.44%	4.16%	1.52%
	20	I:20YTCMR	20 Year Treasury Rate	5.68%	4.93%	4.71%	2.02%
	30	I:30YTCMR	30 Year Treasury Rate	**5.64%**	4.91%	4.73%	2.08%



Source: Y-Charts, Current data as of 9/30/2026

INTEREST RATES & FED POLICY

October Rate Hike Probability

Markets assign an **80.6%** probability to **“no change”** at the October meeting, though expectations for additional tightening remain elevated.



GEOPOLITICS

TWO RISKS TO WATCH

IRAN CONFLICT | IMMEDIATE MACRO RISK

Potential disruption to energy supply and shipping could keep oil elevated, slow disinflation, and constrain Federal Reserve flexibility.

MIDTERM ELECTION | POLICY CATALYST

The election could affect congressional control and the outlook for fiscal, energy, defense, and regulatory policy, while budget negotiations may add volatility.

STRAIT OF HORMUZ: MARKET-IMPLIED NORMALIZATION TIMELINE



Source: Bloomberg, 10/12/2026

Prediction-market probabilities rise for later normalization dates, suggesting that a near-term resolution is not currently the base case. However, liquidity varies considerably across contracts.

More actively traded contracts imply only a 5%–28% probability of normalization between December 2026 and April 2027.

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Section 3:
Market Outlook

MARKET OUTLOOK: KEY RISKS AND CATALYSTS

Strong earnings and AI investment remain supportive, but higher yields, tighter capital conditions, and uneven fundamentals raise the value of selectivity.

01

CORPORATE EARNINGS & EQUITY VALUATION

Strong Earnings Likely Offset Higher Rates

- Q3 earnings growth is projected at 29.6%, extending the strong profit cycle.
- Rising earnings have helped equities absorb higher yields better than in prior rate shocks.
- Watch guidance, margins, and whether participation broadens beyond AI leaders.

02

INFLATION & INTEREST RATES

Higher-for-Longer Rate Regime

- Persistent inflation, fiscal supply, and hawkish policy keep upward pressure on global yields.
- Higher starting yields restore income, but long-duration bonds remain vulnerable.
- Favor flexible curve exposure and short- to intermediate-term income.

MARKET OUTLOOK: KEY RISKS AND CATALYSTS

Strong earnings and AI investment remain supportive, but higher yields, tighter capital conditions, and uneven fundamentals raise the value of selectivity.

03

AI & INFRASTRUCTURE INVESTMENTS

AI: From Buildout to Monetization

- AI capex remains elevated as bottlenecks shift toward chips, memory, power, and data centers.
- The next test is whether revenue and cash flow keep pace with investment.
- Selectivity matters as refinancing and execution risks rise.

04

CAPITAL & CREDIT

Competition for Capital

- Heavy Treasury supply and AI financing needs are competing for investor capital.
- Higher refinancing costs increase pressure on weaker issuers.
- Favor quality credit, clear cash flows, and strong lender protections.

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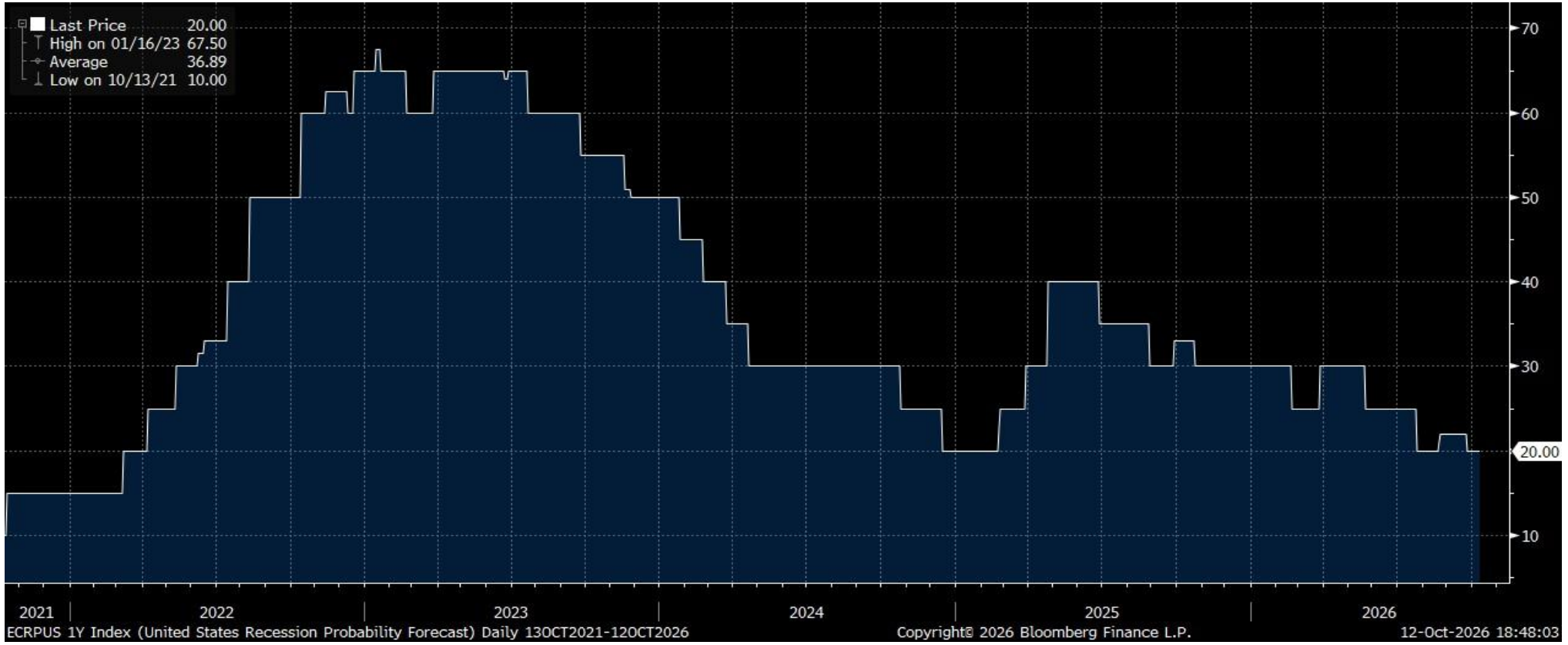
PORTFOLIO STRATEGY

Selectivity Over Broad Beta

- Higher dispersion raises the value of active security and sector selection.
- Maintain equity exposure with a focus on earnings durability and AI bottlenecks.
- Use cash, quality and short-term fixed income, and real assets to diversify interest rate and inflation risk.

Recession Risk: Markets continue to assign a relatively low probability to a near-term recession, reflecting resilient economic fundamentals and improving growth expectations. However, renewed inflationary pressures, higher-for-longer interest rates, and geopolitical disruptions remain key risks that could challenge the expansion.

United States Recession Probability Forecast



Source: Bloomberg, 10/12/2026

ACTION GUIDE

Stay invested, but favor selectivity, earnings durability, disciplined duration, and dry powder.

KEY MESSAGES

01

Inform your advisor about liquidity needs and life changes.

Changes in spending needs, income, withdrawals, risk tolerance, or financial goals may warrant portfolio adjustments.

02

Keep your long-term goals in focus.

Short-term volatility should not automatically change plans designed for multi-year objectives.

03

Review your financial plan regularly.

Periodic reviews help ensure portfolios remain aligned with changing circumstances and objectives.

04

Stay disciplined during periods of uncertainty.

Market pullbacks are a normal part of investing and should be evaluated within the context of a long-term plan.

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Hypothetical performance results do not represent the actual management of investor assets and actual returns could differ significantly from the hypothetical returns presented. As such, performance does not represent the profit or loss resulting from actual trading. The results show investment decisions that theoretically would have been made had the strategy been employed during the period reflected. Hypothetical performance presentations are subject to the fact that they are designed with the benefit of hindsight and subject to significant limitations. These returns may not reflect actual adjustments that Synergy Asset Management, LLC may have made in response to material economic or market factors or any other considerations had the portfolio(s) actually been investing during the period. There are numerous other factors related to the implementation of any specific strategy that cannot be fully accounted for in the preparation of hypothetical performance results and all of which may adversely affect actual results. These hypothetical returns are set forth for illustrative purposes only and are not necessarily indicative of future performance.

Disclosures

Return Estimates

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Black-Litterman

The Black-Litterman model is an analytical tool used by portfolio managers to optimize asset allocation within an investor’s risk tolerance and market views. The Black-Litterman model starts from a neutral position using modern portfolio theory (MPT), and takes additional input from investors' views to determine how the ultimate asset allocation should deviate from the initial portfolio weights. It then undergoes the process of mean-variance optimization (MVO) to maximize the expected return given one's objective risk tolerance.

Monte Carlo Simulation

A Monte Carlo simulation is a way to model the probability of different outcomes in a process that cannot easily be predicted due to the intervention of random variables. It is a technique used to understand the impact of risk and uncertainty. Monte Carlo simulations can be applied to a range of problems in many fields, including investing, business, physics, and engineering. It is also referred to as a multiple probability simulation.

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Thank You

We appreciate your time and continued support of Sound Planning Group. If you have questions about this review, please don't hesitate to reach out — we're here to help.