# C&N VANTAGE POINT

QUARTERLY MARKET RECAP & OUTLOOK | SECOND QUARTER, 2026

## MEET A TEAM MEMBER

### JEFF RICHARDSON

*Associate Wealth Advisor*

Jeffrey Richardson, Associate Wealth Advisor, has been with C&N Wealth Management for four years. Originally from La Quinta, California, Jeffrey began his career in the United States Navy as an Information Systems Technician, where he developed strong technical and problem-solving skills. Following his military service, he studied Computer Science before transitioning into the banking industry, where he has more than eight years of experience in financial services and banking operations.

Jeffrey is committed to providing reliable, client-focused service and enjoys helping clients navigate their financial decisions with confidence. His attention to detail, professionalism, and dedication to delivering exceptional support are at the core of his approach.

Jeffrey resides in Westfield, Pennsylvania, and is the proud father of his seven-year-old daughter. Outside of work, he enjoys golfing—primarily for the enjoyment, not necessarily the scorecard—and spending quality time with his family.

| Key Equity Indexes - As of Quarter End | %YTD Return** | NTM P/E** | P/B** | Dividend Yield** |
|---|---|---|---|---|
| S&P 500 | 9.98 | 20.37 | 5.20 | 1.03 |
| Russell 2000 | 21.43 | 26.12 | 2.10 | 1.14 |
| Russell 1000 Growth | 2.81 | 24.62 | 12.08 | 0.39 |
| Russell 1000 Value | 18.38 | 17.68 | 3.19 | 1.62 |
| MSCI EAFE | 11.71 | 15.75 | 2.29 | 2.47 |
| MSCI EM | 24.06 | 11.52 | 2.36 | 1.61 |

Sources: JP Morgan Weekly Market Recap; Northern Trust. Past performance does not guarantee future results, which may vary.
** As of 7/3/2026

| Key Interest Rates | 2026 | | | |
|---|---|---|---|---|
| | 9/26/25 | 12/31/25 | 3/27/25 | 7/3/26 |
| 2-yr Treasury Note | 3.63 | 3.47 | 3.88 | 4.14 |
| 10-yr Treasury Note | 4.2 | 4.18 | 4.44 | 4.49 |
| 30-yr Treasury Note | 4.77 | 4.84 | 4.98 | 4.98 |
| 30-yr Fixed Mortgage | N/A | 6.25 | 6.5 | 6.57 |
| Corp. Bond Index | 4.85 | 4.82 | 5.28 | 5.22 |
| High-Yield Bond Index | 7.07 | 7.06 | 7.82 | 7.44 |

Sources: JP Morgan Weekly Market Recap & Oppenheimer Markets Review At-a-Glance
Past performance does not guarantee future results, which may vary.

## 2026 YTD EQUITY STYLE PERFORMANCES**

| | US Equity Style | | | MSCI World Style | | |
|---|---|---|---|---|---|---|
| Equity Size | Value | Core | Growth | Value | Core | Growth |
| Large | 16.22% | 10.31% | 5.33% | 10.71% | 9.63% | 8.61% |
| Medium | 17.58% | 15.30% | 7.27% | 9.63% | 10.09% | 10.97% |
| Small | 23.15% | 22.69% | 22.26% | 11.48% | 16.63% | 22.01% |

## YTD U.S. FIXED INCOME PERFORMANCES***

| Bloomberg Benchmark | Return |
|---|---|
| Treasury Index | 0.28% |
| Aggregrate Index | 0.62% |
| High Yield Bond Index | 1.96% |
| Municipal Bond Index | 2.32% |

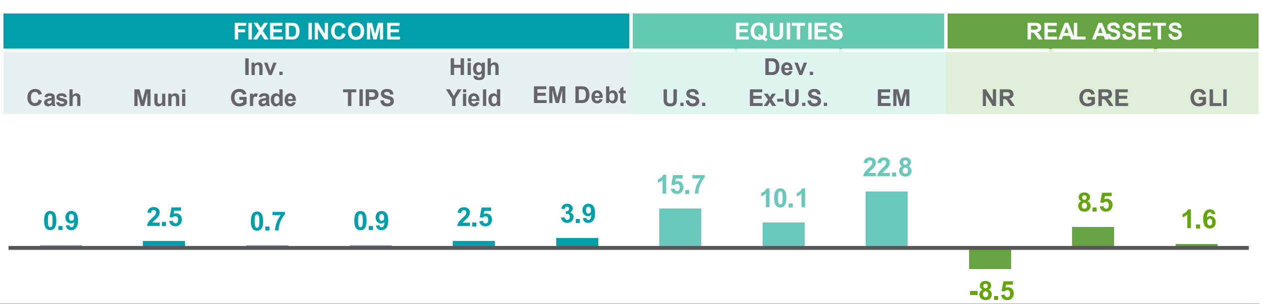
Source: Bloomberg. US Equity Style Returns are Russell Indices. Past performance does not guarantee future results, which may vary.
**As of 3/31/2026
***All returns represent total returns as of 6/30/2026

# FROM SHOCK TO RECOVERY

After a difficult start to the year, equity markets rebounded sharply in the second quarter. One of the central focuses was the U.S.-Iran conflict and the prospect of reopening the Strait of Hormuz. News flow was often volatile, with reports of progress frequently interrupted by renewed tensions or conflicting comments. Despite the uneven path, markets increasingly priced in the view that a resolution would eventually emerge. As the probability of a reopening improved and negotiations advanced toward a memorandum of understanding, commodity prices retreated from their highs, helping ease concerns around both higher inflation and weaker global growth. The global economy proved more resilient than many anticipated. Economic data generally held up well, particularly in the U.S., where consumer spending continued to expand, labor market conditions showed some signs of improvement, and technology capital expenditure was strong. The combination of resilient demand and easing energy pressures helped shift the balance of risks in a more constructive direction by quarter-end. Against this backdrop, central banks signaled a bias toward a more restrictive policy posture. One of the more notable monetary policy developments came in the U.S., where Kevin Warsh's inaugural meeting as Chair of the Federal Reserve resulted in higher yields at the short-end of the Treasury curve. While policy rates were left unchanged, markets moved to price additional tightening and adjusted to Warsh's message that forward guidance would play a smaller role in future communications. Outside the U.S., policy paths were more mixed, but most major central banks enter the second half of the year with a more restrictive stance than at the start of 2026. The European Central Bank and Bank of Japan were among central banks delivering rate increases during the quarter. In terms of financial market performance, equity markets significantly outperformed fixed income markets as investors looked through near-term geopolitical uncertainty and focused on strong earnings fundamentals. Corporate profit growth trended strongly across most major regions, allowing equities to generate outsized returns without a significant increase in valuation multiples. The AI buildout continued to be a defining market theme. Persistent shortages in semiconductors and memory components, coupled with continued growth in technology investment, drove exceptional performance in AI-linked markets and sectors, including global semiconductors, Korea, emerging markets, and U.S. large-cap technology stocks. Yet the advance was broader than just remarkable returns in those pockets of the markets. Financials, banks, and small cap equities also posted strong gains, reflecting confidence in the durability of economic and corporate profit growth. Nearly every U.S. large-cap sector outside energy and utilities finished the quarter in positive territory. By the end of the quarter, technology stocks started to experience some pressure, and leadership had begun to rotate from AI beneficiaries.

### SECOND QUARTER 2026 TOTAL RETURNS (%)

Equities delivered an exceptionally strong quarter on the back of receding geopolitical risks and ongoing technology strength.




| | Cash | Muni | Inv. Grade | TIPS | High Yield | EM Debt | U.S. | Dev. Ex-U.S. | EM | NR | GRE | GLI |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| YTD | 1.8 | 2.3 | 0.6 | 1.2 | 2.0 | 1.5 | 11.2 | 9.3 | 22.6 | 9.7 | 9.4 | 10.0 |

Source: Northern Trust Asset Management, Bloomberg. NR: Natural Resources; GRE: Global Real Estate; GLI: Global Listed Infrastructure. Indexes are gross of fees. Past performance is not indicative or a guarantee of future results. Index performance returns do not reflect any management fees, transaction costs or expenses. It is not possible to invest directly in any index.

## KEY DEVELOPMENTS

### Growth Through The Shock

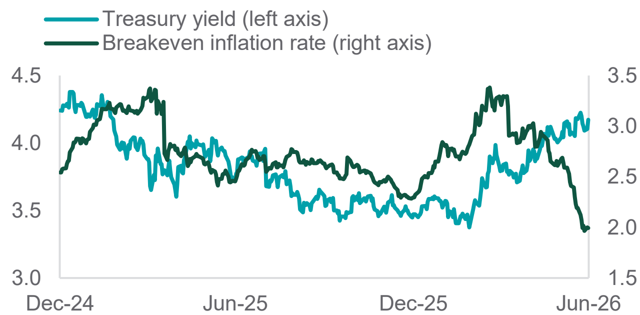
Despite one of the largest oil supply disruptions in history, oil markets and global growth proved notably resilient. While spot crude prices surged, longer-dated oil prices remained more contained, supported by existing supply buffers and confidence that disruptions would prove temporary. Amid higher headline inflation driven by energy prices, global growth remained firm, aided by reduced tariff uncertainty, accommodative financial conditions, U.S. consumer tax refunds, and continued strength in technology investment.

**Price of Brent crude oil ($ per barrel)**


### Higher For Longer

In the face of the energy shock, many central banks continued to maintain a more restrictive posture. The agreement to reopen the strait reduced market pricing of near-term inflation pressures, but elevated core inflation and the absence of major economic cracks kept expectations for rate hikes tilted upward. This was reinforced at June's Fed meeting, where new Chair Kevin Warsh expressed a commitment to price stability and indicated that forward guidance will play a smaller role in shaping policy expectations than in the past.

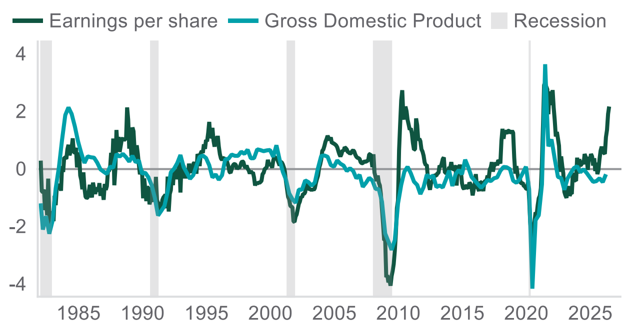
**2-year Treasury yield vs. breakeven inflation rate (%)**




### Profitability Beyond Economic Growth

While economic growth remained resilient, corporate earnings growth was particularly exceptional. The gap between U.S. large cap profit growth and economic activity widened to one of its largest levels in decades, a dynamic more commonly seen during recoveries. This cycle has been different, with AI-related profits proving more structural than cyclical in nature. Although many sectors posted gains, the AI ecosystem was the primary driver of above-average earnings growth and the key engine behind the quarter's outsized equity returns.

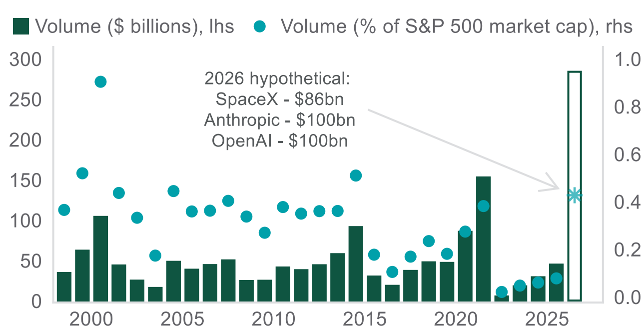
**Standardized y/y change in U.S. GDP and EPS**




### Financing Innovation

The IPO market came back to life with the SpaceX listing and other potential mega offerings (i.e., OpenAI, Anthropic). If these deals come to market, issuance volumes could reach historic levels. While the size may be manageable relative to overall market capitalization, they reflect a broader trend: the high capital needs of next-generation technologies. From equity issuance and debt financing to index concentration and corporate fundamentals, the innovation buildout is reshaping how investors evaluate markets and allocate capital.

**U.S. initial public offering (IPO) volumes by year**



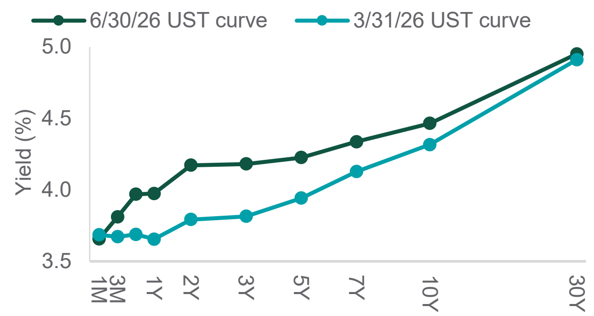

Source: Northern Trust Asset Management, Bloomberg, Macrobond. Data as of 6/30/2026. Note: EPS (earnings per share) is for the S&P 500 Index (third chart); 2026 hypothetical estimates from ASR (fourth chart). Past performance is not indicative or a guarantee of future results. Index performance returns do not reflect any management fees, transaction costs or expenses. It is not possible to invest directly in any index.

**MARKET REVIEW**

## Interest Rates

The 2-year Treasury yield rose 38 basis points (bps), significantly outpacing the 15-bp increase in the 10-year yield. The 10-year Treasury yield climbed through mid-May, peaking just below 4.7% alongside the peak in oil prices before retreating to under 4.5% by quarter-end as concerns surrounding the U.S.-Iran conflict eased. Beyond the energy shock, economic resilience allowed central banks to maintain a hawkish stance. While the Fed remained on hold, markets shifted from pricing 7 bps of cuts to 38 bps of hikes by year-end.

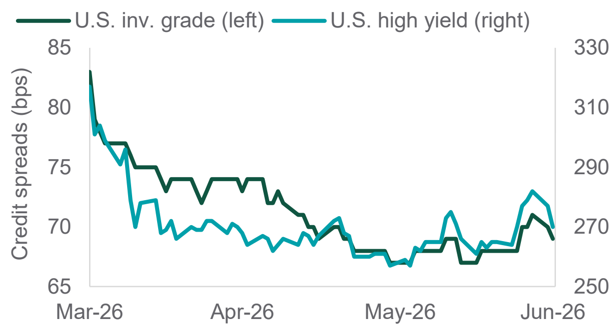
### U.S. TREASURY YIELD CURVE




## Credit Markets

Investment grade (IG) credit spreads contracted 14 bps to 0.69%, while high yield (HY) spreads tightened 47 bps to 2.70%. IG bonds returned 0.7%, and high yield gained 2.5%. Although U.S. interest rates moved higher, the drag was more than offset by starting yields and spread tightening for bonds with exposure to credit risk. After facing pressure in the first quarter from higher energy prices and AI-related concerns, credit spreads spent most of the second quarter retracing those moves, ending not far from record lows.

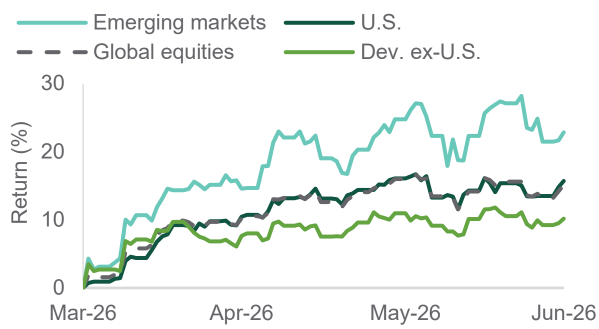
### CREDIT SPREADS




## Equities

Similar to oil futures, equities traded ahead of both the peak in spot oil prices and the formal reopening of the Strait of Hormuz. Global equities gained 15% during the quarter, approximately 1.5 standard deviations above their 30-year average. While U.S.-Iran de-escalation helped, technology stocks led the advance on the back of remarkable semiconductor strength. This led to outsized gains in tech-heavy markets such as Korea (+68%) and contributed to the outperformance of U.S. and emerging markets relative to developed ex-U.S.

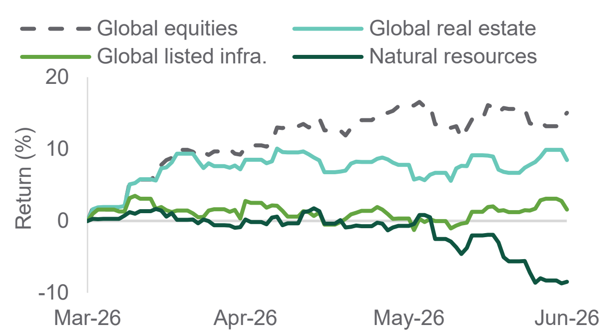
### REGIONAL EQUITY INDICES




## Real Assets

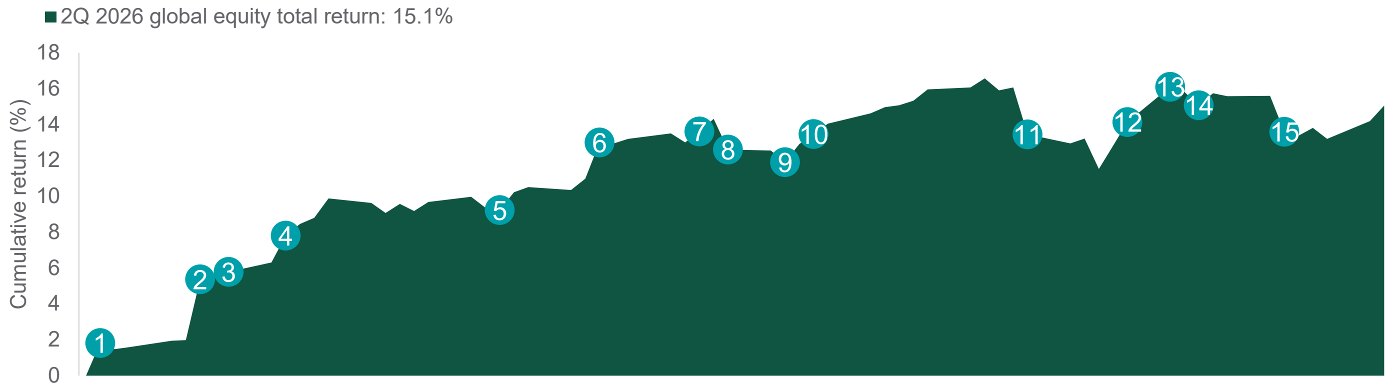
Real assets exhibited significant dispersion during the quarter. Global real estate gained 8.5%, followed by a 1.6% return for global listed infrastructure, while natural resources declined 8.5%. All three lagged global equities (15.1%). Natural resources was the clear underperformer after returning 20% in Q1, trading largely sideways before selling off in late May as commodity prices fell 14% from that point through quarter-end. Despite the volatile path, all three real asset categories remain up roughly 10% year-to-date.

### REAL ASSET INDICES




Source: Bloomberg. Returns in U.S. dollars. Indexes are gross of fees. Past performance is not indicative or a guarantee of future results. Index performance returns do not reflect any management fees, transaction costs or expenses. It is not possible to invest directly in any index.

## NOTABLE MARKET EVENTS DURING THE QUARTER




| APRIL | MAY | JUNE |
|---|---|---|
| 1 A 35-nation coalition weighed a push to persuade Iran to open the Strait of Hormuz, partially unwinding the war premium in oil prices. | 6 Advanced Micro Devices (AMD) surges 19% as data center spending helped drive above-consensus revenue and guidance during its first-quarter earnings release. | 11 May payrolls intensified pressure on the Fed to hike. Tech stocks sold off, contributing to one of several circuit-breaker events in South Korea during a very robust but volatile quarter. |
| 2 A Pakistan-brokered U.S.-Iran ceasefire reduced near-term Hormuz closure risk, driving the quarter's largest single-day rally. | 7 April PPI hit its fastest pace since 2022 while the 10-year Treasury yield rose to its highest level since July. | 12 SpaceX's record IPO surged 19% on debut, lifting U.S. equity issuance. |
| 3 March U.S. CPI posted its sharpest annual rise in four years, fully pricing out 2026 Fed cuts. | 8 Brent oil hit $123 per barrel on its ninth consecutive daily gain. | 13 The U.S. and Iran reached a peace deal, leading to lower oil prices and interest rates, while pushing equities higher. |
| 4 The U.S. launched a formal Hormuz naval blockade and oil surged above $100 per barrel. | 9 The 30-year Treasury yield hit 5.18% — its highest since 2007 — as investors considered inflation, economic resilience and a rising term premium. | 14 Fed President Kevin Warsh's inaugural FOMC abandoned forward guidance and vowed price stability, prompting Treasury curve flattening. |
| 5 Powell's final FOMC produced four dissents — the most in 34 years — as the Fed remained on hold. | 10 Nvidia guided Q2 revenue higher, prompting widespread analyst upgrades and reinforcing the AI supercycle thesis. | 15 Tech stocks sold off, leading to the quarter's worst single-day drop for global equities. Equities still proceeded to finish the quarter up a robust 15%. |

Source: Bloomberg. Returns in U.S. dollars. Indexes are gross of fees. Past performance is not indicative or a guarantee of future results. Index performance returns do not reflect any management fees, transaction costs or expenses. It is not possible to invest directly in any index.

# Is AI Inflationary or Deflationary? The Fed May Soon Have to Decide

The AI boom goes from strength to strength. Big technology companies are pouring hundreds of billions of dollars into chips, data centers, and power-hungry infrastructure. One estimate puts annual AI infrastructure investment above $650bn in 2025 and potentially over $800bn in 2026. Meanwhile, SpaceX's record initial public offering (IPO) — raising about $75bn and valuing the company near $1.75tn at issue — is a useful reminder that capital markets remain wide open for anything with a plausible claim on the AI future.

That creates an awkward problem for the Federal Reserve (Fed). AI may be a long-run productivity miracle. But the short-run impulse looks less like disinflation and more like a classic investment boom colliding with limited supply. Semiconductors are scarce and used in almost all industrial goods. Electric grids are constrained. Construction costs are rising. Land, labor, copper, turbines and transformers are not infinitely elastic. Data centers may be digital assets in the long run, but they require very physical inputs.

Some Fed officials have already expressed concern that these pressures could complicate the inflation outlook. The concern is not simply that Nvidia chips cost more. It is that the AI build-out touches several sticky categories at once: equipment, electricity, commercial construction, skilled labor and financial conditions. Add buoyant equity markets and robust IPO demand, and the Fed must also consider whether asset-price inflation is loosening conditions even as policy rates remain restrictive.

This is where the new Fed chair, Kevin Warsh, matters.

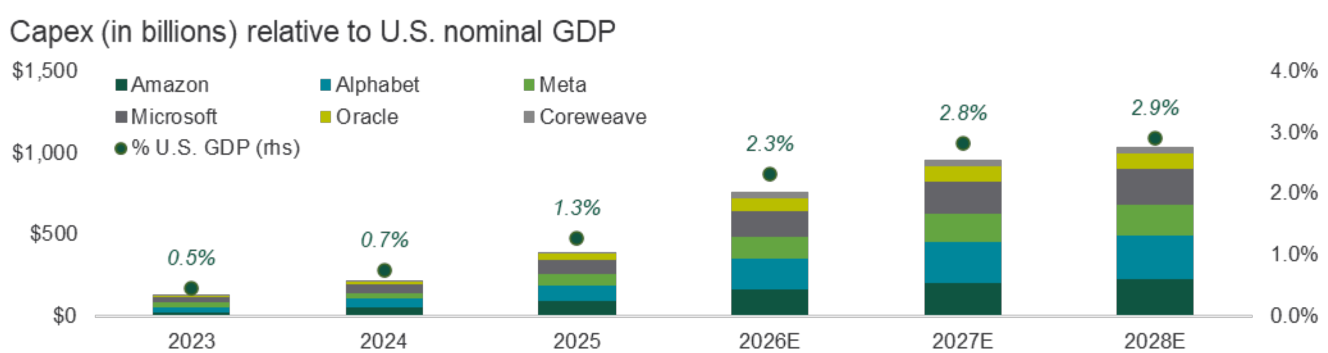
Having chaired his first Federal Open Market Committee (FOMC) meeting this week, Warsh has already signaled that the central bank's inflation framework needs updating, including greater attention to trimmed or underlying inflation measures rather than simply relying on core personal consumption expenditures (PCE). At his Senate hearing, Warsh said he wants to understand "the underlying inflation rate" and whether shocks are creating second-round effects. After several years of overshooting the 2 percent target, the Federal Reserve's institutional credibility is no longer free.

The numbers could force the issue. If AI-related demand adds as much as 0.5 percentage points to core inflation over the coming year, policymakers cannot easily look through it. A credible central bank may need to lean against the boom by keeping rates higher, slowing credit growth, and tightening financial conditions enough to cool the most speculative parts of the cycle.

The complication is that AI may still be deflationary in the end. If it replaces labor, compresses wages and raises productivity, today's inflationary capital expenditure (capex) surge may be tomorrow's disinflationary supply shock. The Fed's task is therefore not to decide whether AI is good or bad. It is to decide which horizon matters.

With inflation data firming and Warsh promising to restore credibility, the debate is likely to intensify. AI may yet lower prices. But first it must work through the inflationary cost of building itself.

**THE HYPERSCALER CAPEX BOOM – NOW VISIBLE IN NATIONAL ACCOUNTS**




Source: Northern Trust Asset Management, Bloomberg. Capital expenditure reflects reported actuals for 2023–2025 and Bloomberg consensus estimates for 2026–2028. Amazon represented by AWS only. Coreweave reflects available reported and estimated data from IPO onwards. Historical trends are not predictive of future results.

# C&N PORTFOLIO POSITIONING:

## NEUTRAL RISK ASSETS

C&N Vantage Point
July 2026

**Market Views:**
Equities Pressured Short Term, Structrally Strong Long Term.
Fed Likely On Hold Until Year End.
Remain Diversified. Above Average Volatility To Continue.

**Market Risks:**
Inflation Going Higher And Staying Longer.
High Oil Prices Lead To Economic Demand Destruction.
Stagflation. (Slow Growth. High Inflation.)

| Risk Type | Asset Class | Sector Category | Under Weight | Neutral | Over Weight | Viewpoints |
|---|---|---|---|---|---|---|
| | Cash/Cash Alternatives | **Ultrashort Bonds** | | | ● | Maintain slight overweight. This is a source of funds for rebalancing in the event of a larger equity market downturn. |
| Risk Control | Alternatives (Fixed Based) | **Absolute Return** | | ● | | This is a bond alternative category. Yields have risen and equity volatility has increased. We believe this is a more favorable risk/reward environment for Absolute Return. We maintian neutral positioning. |
| Risk Control | Alternatives (Fixed Based) | **Inflation-Linked Bonds** | | | ● | Inflation expectations are increasing, given the ramifications of higher oil prices. We maintain a slight overweight. |
| Risk Control | Fixed Income | **US Investment Grade Bonds** | | ● | | Yields have increased since the Iran conflict as higher inflation fears have surfaced. We maintain our neutral position as economic risks are balanced. |
| Risk Control | Fixed Income | **International Bonds** | ● | | | U.S. yields remain more competitive than most foreign developed markets. We stay underweight international bonds, but maintain our allocation towards unhedged bonds due to dollar weakness. |
| Risk Control | Fixed Income | **Emerging Markets Bonds** | | ● | | We maintain our neutral position given the unknown impacts of potential tariff wars, and expecting any growth shock from the Iran conflict to hit emerging markets first. |
| Risk Assets | Fixed Income | **High Yield Bonds** | | ● | | Higher oil and its possible impacts, such as demand destruction and higher inflation, may cause a growth slowdown. We reduced High Yield in April and maintain a neutral allocation. |
| Risk Assets | Equities | **US Large Cap** | | | ● | We maintain a slight overweight to this category but shift our overweight from Value to Growth. We added to Large Growth during April's weakness believing its structurally strong in the long term. |
| Risk Assets | Equities | **Developed Ex-US** | | ● | | We favor Foreign Large Value believing it offers better valuation than their U.S. counterparts. A higher dividend yield provides a slightly more defensive posture. |
| Risk Assets | Equities | **US Mid & Small Cap** | ● | | | The potential for a slowing U.S. economy and unknown tarriff and oil impacts had us reducing Mid Cap and Small Cap in April. We continue to prefer large caps. |
| Risk Assets | Equities | **Emerging Markets** | ● | | | Uncertainty from oil price impacts has us maintaining an underweight to this category, as we prefer developed international equities who tend to have more diversified revenue sources. |
| Risk Assets | Alternatives (Equity Based) & Real Assets | **Real Estate** | | ● | | A Fed that looks to maintain rates for much longer, and increasing concerns on the data center buildouts had us reducing our REIT exposure in April. We maintain our neutral position. |
| Risk Assets | Alternatives (Equity Based) & Real Assets | **Commodities/Natural Resources** | | ● | | The asset class has had strong YTD performance. We retain our neutral stance and will monitor market conditions as the Iran conflict appears to be ending. |

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Quarterly Market Recap & Outlook Second Quarter, 2026

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