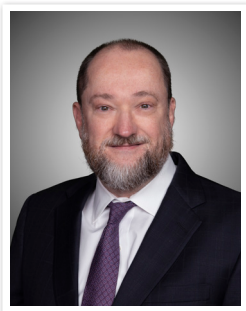


BIONDO PERSPECTIVES

SECOND QUARTER MARKET COMMENTARY



Scott A. Goginsky

Happy Summer! We hope this commentary finds you and your loved ones well as we enter the second half of the year. The first half of 2026 packed an entire market cycle into six months: a geopolitical shock and a painful spring selloff, followed by one of the strongest quarterly rallies in years.

First, the numbers. The S&P 500 returned 15.2% in the second quarter, its best since the second quarter of 2020, and is up 10.2% year to date. The Nasdaq Composite gained 21.6% for the quarter, the Nasdaq 100 jumped 27.7%, and the Dow Jones Industrial Average returned 13.4%.

The more meaningful story, in our view, sits further down the table. The Russell 2000 index of small-cap stocks returned 21.6% for the quarter and is now up 22.6% year to date, its best first half since 1991. The Russell MicroCap index did even better, up 26.1% and 28.0%. For the first time in years, the smallest companies led the way, and it was not close.

Readers of past letters know we have long argued that broader market participation was needed for this bull market to have longer legs. The equal-weight S&P 500 (which counts every company the same, regardless of size) is up 12.1% this year, versus 10.2% for the cap-weighted index. The average stock is beating the giants. The Magnificent Seven mega-cap technology stocks show this contrast: up 11.7% for the quarter, but down 8.8% in June alone and still down 1.7% for the year. **It is the healthiest development this market has seen in years, and we welcome it.**

US Benchmarks	June	YTD	Q2	Q1	vs. 52W High
Russell MicroCap	4.9%	28.0%	26.1%	1.5%	-0.2%
Russell 2000	3.7%	22.6%	21.6%	0.9%	-0.3%
S&P Midcap 400	3.6%	17.3%	14.5%	2.5%	-0.2%
Dow Jones Industrials	2.7%	9.7%	13.4%	-3.2%	-0.6%
NDX Equal Weight	2.5%	19.9%	24.2%	-3.4%	-0.8%
SPX Equal Weight	2.4%	12.1%	11.4%	0.7%	-0.4%
Nasdaq 100	-0.1%	20.3%	27.7%	-5.8%	-1.6%
S&P 500	-1.0%	10.2%	15.2%	-4.4%	-1.6%
Nasdaq Composite	-2.7%	13.1%	21.6%	-7.0%	-3.6%
Magnificent Seven	-8.8%	-1.7%	11.7%	-12.0%	-9.4%

***percentages are in total return as of 6/30/26 Source: NASDAQ

How did we get here? Rewind to March. The closure of the Strait of Hormuz, the chokepoint for roughly 20% of the world's oil flows, handed the global economy a genuine supply shock. Brent crude surged 94% in the first quarter, its biggest quarterly jump since 1990, then gave nearly all of it back, falling 38% in the second quarter (the steepest quarterly decline since 2020) to settle just under $73 per barrel; an interim accord signed on June 17 opened a 60-day window to negotiate a permanent truce. Stocks ran the same script in reverse: their worst quarter since 2022, then a turn in April, and they barely looked back.

Make no mistake; the spring felt far worse at the time than the current quarter-end numbers suggest. An investor who sold in late March locked in the loss and then watched the best quarter in six years unfold without them. History suggested the odds favored staying put. If we look at major geopolitical shocks of recent decades, from the first Gulf War through Russia's invasion of Ukraine, on average, equities were higher one and two years later, and markets typically stabilized well before the conflicts were resolved. **The lesson is not that shocks do not matter; it is that selling into them is, again and again, the most expensive mistake an investor can make.**

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The macro picture is more complicated. The oil spike left fingerprints on inflation data. The Consumer Price Index rose 4.2% over the twelve months ended May, the fastest annual pace in more than three years. Core PCE, the Fed's preferred gauge, has drifted up to 3.4% after three consecutive months of gains. Our view is that much of the headline pressure stems from the oil shock still working its way through the pipeline; with crude back in the low $70s, that arithmetic should reverse in the second half. Core inflation at 3.4% is harder to explain away, and we are watching it closely.



The newest inflationary force comes from the same place as this quarter's best returns: the artificial intelligence build-out. The Wall Street Journal called the data-center boom the third wave of inflation in this cycle, after tariffs and fuel. The five largest cloud companies are expected to spend roughly $741 billion on it this year, up nearly 75% from 2025. Goldman Sachs projects that data centers will drive nearly half of the growth in US power demand through 2030. The same spending that just handed the Philadelphia Semiconductor Index its best quarter on record is also a reason core inflation could prove stickier than the oil math alone suggests. The takeaway for the second half is a split screen: the headline inflation number should ease as the oil spike fades, while the piece tied to the AI build-out is the part we expect to stick.

The economy itself absorbed the shock better than almost anyone expected. First-quarter GDP was revised upward to 2.1% annualized growth, sharply up from 0.5% in the fourth quarter 2025. The labor market is sending a cooler signal: payroll growth slowed to just 57,000 jobs in June, although the unemployment rate ticked down to 4.2%.

"The market and the economy are not the same, and we have learned not to equate them."

We also want to be direct about what this rally has not fixed: affordability. Consumer prices are climbing at their fastest pace in more than three years, electricity bills are projected to rise about 6% higher each year through 2027, and hiring has slowed to a crawl. The market and the economy are not the same, and we have learned not to equate them. If that gap keeps widening, it will show up in consumer spending, and we treat that as a real risk to the second half, not a footnote.

Corporate America, meanwhile, is doing its part. Analysts now expect second-quarter earnings growth of 23.1% on revenue growth of 12.3%, and both estimates rose during the quarter, which is rare. The upward revisions have come from well beyond a handful of technology names, and that breadth of profit growth is exactly what a durable bull market requires.

That brings us to the Federal Reserve, where the biggest change of the quarter had nothing to do with rates. Kevin Warsh chaired his first FOMC meeting on June 16 and 17, and while the committee unanimously held the federal funds rate at 3.50%-3.75%, the message around the decision turned distinctly hawkish. Nine of eighteen committee participants now project at least one rate hike by year-end; in March the median still called for a cut this year. As we write, the CME FedWatch Tool puts the odds of a hike at the late-July meeting near 1 in 3, and of at least one hike by September near 70%.

So where does the Fed go from here? The old axiom says don't fight the Fed, and we do not intend to, but we think the consensus is drawing the wrong conclusion from the new chair's tough talk. The market fears that hikes will choke off the recovery. Our read is different on two counts. First, if headline inflation rolls over in the August and September reports as the oil round-trip works through the data, which we expect, the Fed will likely deliver less tightening than is currently priced. That would be a meaningful positive catalyst for both stocks and bonds. Second, a central bank willing to lean against inflation early is a point in favor of this expansion's durability, not a strike against it. The expansions that ended badly were the ones where the Fed waited too long.



Ranking what matters for the second half: inflation comes first, and it is not close. The August and September prints will do more to set the market's direction than any single Fed meeting. Within inflation, the AI build-out's push on electricity and hardware prices is what we watch most closely because it will not unwind the way oil did. Second is the truce itself; the 60-day negotiating window closes in mid-August, and a renewed closure of the Strait is the clearest tail risk on the board. Third, we want breadth. We want small caps and the average stock to keep participating; rallies driven by a handful of names have repeatedly proven fragile. Fourth, the consumer. The affordability squeeze we flagged earlier has no policy fix and no quick reversal. If it deepens, it will show up in spending before it shows up in anything else we track. Of course, we have no crystal ball to tell us how these will resolve, but we do have a much clearer picture of the risk factors than we did in March.

Regarding our portfolios, we want to explain how a rally like this fits our investment approach. The biggest gains this year have come from a small group of semiconductor and AI-related stocks. We own some of these companies, but not at the outsized weights many indexes now assign to them, and we do not plan to. During such periods, portfolios like ours are not designed to keep pace with an index that relies heavily on the momentum of its largest holdings. Trying to match the index as it rises would mean taking on the same concentration risk when it falls, which is exactly what we aim to avoid. Investors faced similar temptations in 1999 and again in 2020. In both cases, discipline paid off, and chasing the leaders at their peaks was ultimately a mistake. That's why we stick to our process: we remained invested through the spring decline, added to high-quality companies when prices dipped, and trimmed some of our extended winners during the June rally. If the trend of broadening mentioned earlier continues, it aligns well with our strategy. Patience is essential. Our approach is built for full market cycles, not just one market regime, and we're committed to sticking with it.

The most important variable, though, is not the market's allocation. It is yours. This spring was a useful stress test: if the March decline felt unbearable, that is worth a conversation about whether your investment allocation still matches your risk tolerance and goals. This is a great time to review your financial plan while the news is relatively calm.

As always, please feel free to reach out to our team so we can review your specific situation and make sure your portfolio is built for whatever the second half brings. We appreciate the opportunity to serve you and your financial needs, and we are grateful for the continued trust and confidence you have placed in us as your financial partners.



Scott A. Goginsky, CFA®
Partner, Research Analyst & Portfolio Manager

Sources: Index returns, benchmark statistics, earnings estimates, market outlook – Nasdaq, CNBC, NBC News; Oil prices & statistics – Yahoo Finance, US Energy Information Administration; Geopolitical shock history – State Street Global Advisors; Inflation, employment, economic data – The Wall Street Journal, Bureau of Labor Statistics, Bureau of Economic Analysis, Federal Reserve, Yahoo Finance, CME FedWatch.

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TRAVELING THIS SUMMER? A FEW SIMPLE SAFEGUARDS



Before you head out on your summer trip, a few quick reminders to keep your accounts secure while you're away:

- Let us know about extended international travel. It helps us tell the difference between you and a fraudster if unusual login or transaction activity comes up.
- Skip the hotel or airport Wi-Fi for account access. Public networks are an easy target. Use your phone's cellular connection or a trusted VPN instead.
- Stick to our official website. Bookmark it ahead of time rather than searching for it while traveling.
- Pause before responding to urgent requests. If you get a call, text, or email asking you to move money or share a login code — even if it looks like it's from us — hang up and call us directly using the number on our website.

A little precaution now means one less thing to worry about while you're relaxing.



Ariel Kosco
Wealth Advisor

THE RIGHT WAY TO SAVE FOR YOUR CHILD? IT DEPENDS.

Saving for your child's future isn't as simple as it used to be. The right choice depends on your goals, tax treatment, who controls the assets, and how the account can be used over time.

As a mom of two boys, I've spent a lot of time thinking about how parents can help their kids financially without creating tax headaches or limiting future opportunities. Many assume this means opening a college savings account, but options now include 529 plans, custodial (UTMA) accounts, and the new Trump Accounts. The right choice depends on your goal: college savings, adult flexibility, a home or business down the road, or simply a financial head start.

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529 Plans

A 529 plan is designed for education savings. Contributions grow tax-free, and withdrawals are generally tax-free when used for qualified expenses like tuition, fees, books, and certain room and board costs. Non-qualified withdrawals are generally subject to income tax on earnings plus a penalty, making it important to align these funds with education-related goals.

Contributions are governed by federal gift tax rules rather than an annual IRS limit, and families can "superfund" a 529 account by front-loading multiple years of contributions at once, if structured correctly.

The parent, not the child, controls the account. Unused funds can be redirected to another eligible family member, and recent rule changes allow rolling unused 529 assets into the beneficiary's Roth IRA, provided IRS requirements are met.

UTMA Accounts

A UTMA (Uniform Transfers to Minors Act) account lets parents, grandparents, and others invest on a child's behalf for almost any purpose that benefits them, such as a car or a down payment on a home. That flexibility comes with an important tradeoff. There's no strict IRS contribution cap, but contributions are irrevocable gifts subject to federal gift tax rules.

UTMA accounts aren't tax-deferred; investment income is generally taxable each year and may be subject to special tax rules that result in taxation at the parent's tax rate. Once the child reaches the age of majority under state law, the assets become theirs outright, with no requirement they be used for education or any specific purpose.

In addition, UTMA accounts are generally treated as the child's assets for financial aid purposes, which can impact how need-based aid is calculated during college.

Trump Accounts

Trump Accounts are the newest option, designed to encourage long-term investing for kids. Eligible children can receive a one-time $1,000 government contribution at birth, and family members can add up to $5,000 more per year.

Funds are invested in market-based index funds designed for long-term growth. Parents or guardians manage the account during childhood; the child gains full control as an adult, and the account continues under traditional retirement-style rules. Investment growth isn't taxed annually. However, withdrawals will be subject to the rules and requirements established for these accounts, which vary depending on when and how funds are accessed.

Custodial IRAs

Unlike the accounts above, a custodial IRA is tied to a child's own earned income. Contributions can be made into either a Traditional or Roth IRA, subject to IRS limits. A custodial Roth IRA started at a young age can offer decades of potential tax-free growth.

Each option carries different tax treatment, ownership rules, and financial aid implications, so it's worth discussing with your financial advisor and tax professional to choose a strategy that aligns with your family's long-term goals.

"While choosing the right account is important, the biggest advantage many parents have is not a particular account type - it's time."

While choosing the right account is important, the biggest advantage many parents have is not a particular account type - it's time. Starting early lets compounding do the heavy lifting, often making small, consistent contributions more powerful than larger ones started later.

The goal isn't to predict your child's exact path, it's to create opportunities for whichever path they choose.

Sources: IRS, Fidelity, TrumpAccounts.gov

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