2026 Mid-Year Market Outlook

Mid-Year Outlook

We're halfway through the year, and markets have already weathered quite a few moving pieces. A new Federal Reserve chair, geopolitical shock in the Middle East that pushed oil prices and bond yields higher, and a technology spending boom are already reshaping entire corners of the market. Through all of it, stocks kept climbing and the economy kept growing. **That resilience is the story.**

While economic growth is expected to continue at a moderate pace, inflation, interest rates, and policy decisions may continue to create periods of market volatility. Maintaining a balanced, diversified investment approach remains as important as ever.

Here are four themes we're watching as we move through the second half of 2026.

> With uncertainty expected to persist, we believe tactical portfolios should seek to carefully balance risk mitigation with proactive positioning for new opportunities.
>
> *– Marc Zabicki*
> *Chief Investment Officer, LPL Research*

Four Themes We're Watching

We see four themes shaping markets in the second half:

- First, U.S. midterms could shift congressional control and policy direction.
- Second, rising resource nationalism is steering capital toward commodities and real assets and shifting the geopolitical landscape.
- Third, AI is maturing, and the focus is likely to move from buildout to beneficiaries and return on investment.
- Finally, a leadership change at the Fed adds uncertainty; with inflation elevated and geopolitics tense, the new chair will have little margin for error.

ECONOMY

Economy: Still Growing, Just More Carefully

Think of the economy like a long-distance runner who has been pushing hard for miles and is now finding a more sustainable pace. Growth is expected to moderate throughout the rest of 2026. A recession is not in the forecast, but much depends on recent geopolitical events not spilling over negatively into the broader economy. Businesses continue to invest heavily in technology and infrastructure, which is helping offset weakness in housing and other areas sensitive to higher interest rates.

Inflation has ticked up, driven mainly by energy costs tied to the conflict in the Middle East. The good news is that the underlying trend in inflation has remained relatively contained. We expect inflation to cool toward 2.9% by year-end if geopolitical tensions meaningfully ease.

STOCKS

The Stock Market: Gains Expected To Continue But Anticipate Turbulence

The bull market is expected to keep running in the second half. Corporate earnings have been genuinely compelling, with first quarter growth near 30% and more expected to follow. That earnings strength is a real foundation, not just enthusiasm.

Watch for bouts of volatility. Midterm election years are historically more volatile, and there are real uncertainties around AI spending returns and energy prices that could cause bumps along the way. Pullbacks, when they come, are a normal part of any healthy market and may be opportunities to add.

BONDS & CASH

Bonds And Cash: Returns Will Still Be Income Driven

With the Fed expected to hold interest rates steady for most of the year, bond investors should set their expectations accordingly. Meaningful price gains are unlikely with rates expected to remain range-bound. The opportunity lies in the income bonds are generating right now, which remains historically attractive.

We believe the Treasury yield curve will stay fairly flat as longer-term securities face headwinds from heavy issuance, sticky inflation, and higher developed market yields. Shorter-maturity bonds and Treasury Inflation-Protected Securities (TIPS) look like the sweet spot. Longer-term oriented investors should continue to benefit from extending cash maturities slightly to capture still elevated bond yields, as we believe the Fed will eventually continue its rate-cutting campaign.

PORTFOLIOS

Portfolio Positioning

While we expect markets to continue moving higher over the long term, the second half of the year may bring periods of increased volatility as investors react to economic data, interest rates, and policy developments. Rather than trying to predict short-term market movements, we continue to emphasize broad diversification across asset classes, sectors, and global markets rather than concentrating in any one investment theme.

We believe maintaining a balanced portfolio aligned with your long-term goals remains the most effective way to navigate changing market conditions. As always, we'll continue monitoring the markets and making portfolio adjustments when appropriate to help keep your investments aligned with your long-term strategy. If your goals or circumstances have changed, we'd welcome the opportunity to review your plan together. We appreciate the trust you've placed in us and look forward to helping you navigate whatever the second half of the year may bring.

Read the Full Mid-Year Outlook

Schedule a Planning Meeting

Planning to go the Distance

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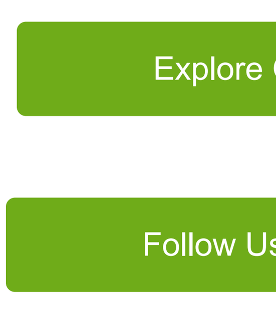

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