



SilverOak

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First Quarter 2026 Market Summary

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First Quarter 2026 Market Summary

After three years of strong returns across almost all major asset classes, the first quarter of 2026 experienced a resurgence in market volatility. Equity markets began the year with solid momentum, particularly in U.S. value, small caps and international equities, which were up approximately 6-15% through late February. This occurred despite a steady stream of geopolitical and macro headlines, including a U.S. intervention in Venezuela, the U.S. Supreme Court's ruling on tariffs, and AI's potential threat to software companies and the labor market.

However, sentiment weakened as risks accumulated, culminating on February 28th, when the U.S./Israel launched Operation Epic Fury against Iran. Since then, equity markets have been down 9-14%, depending on the segment of the market. The rollercoaster of market action resulted in most major asset classes delivering flat-to-negative returns during the quarter, while commodities stood out as one of the few areas to generate positive performance.

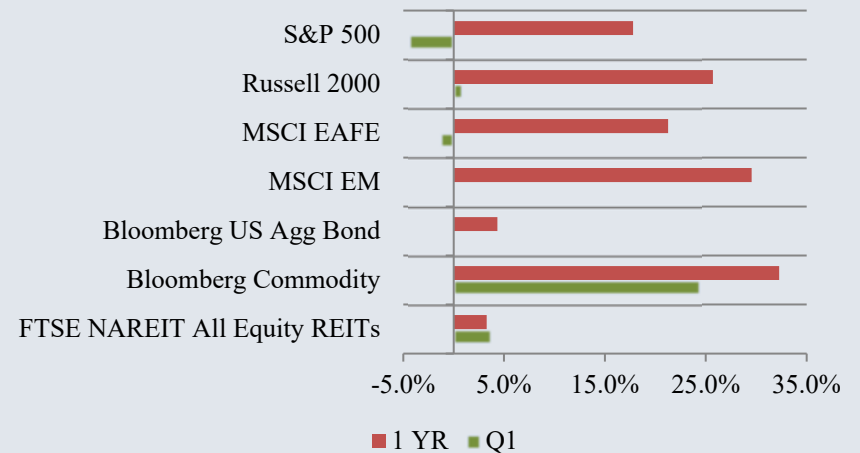
The chart below shows that U.S. large company stocks, as represented by the S&P 500 Index, decreased by 4.3% during the quarter, while U.S. small company stocks, represented by the Russell 2000 Index, rose 0.9%. As noted, small caps had been leading U.S. markets prior to the escalation of tensions in Iran. A portion of this relative outperformance reflects weakness among the "Magnificent Seven" and, more broadly, a pullback in technology stocks, particularly within software. Returns were widely dispersed across sectors, with energy standing out as a significant outperformer.

International stocks, represented by the MSCI ACWI ex U.S. Index, declined 0.7% during the quarter. Despite this, international markets started the year strongly, rising approximately 11%. Emerging markets were even stronger, up roughly 15%, building on their solid performance from the prior year. Commodity-exporting countries generally outperformed commodity importers.

The Bloomberg U.S. Aggregate Bond Index, representing a broad basket of bonds, was down 0.1% during the quarter. There was a modest uptick in interest rates as the market became more concerned about inflation. The Federal Reserve held the fed funds rate steady at 3.50-3.75% in its March meeting. With Iran's disruption of the Strait of Hormuz, which effectively curtailed 20% of global oil supply, oil prices have spiked recently. The short-term supply-demand imbalance in energy markets, along with lingering effects from tariffs, means the Fed is unlikely to begin cutting rates in the first half of the year. Instead, policymakers are expected to remain data-dependent, closely monitoring inflation and labor market conditions, with any potential rate cuts more likely to occur later in the year, at the earliest.

One encouraging development is the gradual easing in shelter costs, which have been persistently elevated and account for roughly one-third of the Consumer Price Index. If geopolitical tensions in Iran do not become more prolonged or materially affect oil prices over the longer term, this trend should provide greater confidence that inflation will continue to move toward the Fed's 2% target by the end of 2027.

Broad Market Index Returns First Quarter 2026



Looking Ahead

The recent decline in equity prices, alongside continued earnings growth, has led to some moderation in valuations, although they remain above long-term averages. Market leadership has also broadened beyond growth, with value stocks outperforming as a wider range of industries participated in the early-year rally. This shift appears partly driven by investor interest in adjacent sectors, such as energy, electric utilities, and infrastructure, that are benefiting from the ongoing buildout of data centers supporting AI and cloud computing. Additionally, the significant capital being deployed by large public hyperscalers and private AI companies provides improved visibility into future growth across these industries.

First Quarter 2026 Market Summary (continued)

History has shown that geopolitical events can provoke alarming headlines in the short term, but markets have generally absorbed these shocks well in the long term, with their significance fading. Despite the recent cool-off, total returns over the past few years remain strong. By nature, market cyclicity means there will be strong years paired with more challenging years. Each year, equity markets routinely experience multiple mid-year corrections, with the magnitude varying over time. While near-term headwinds have emerged, the broader economic backdrop remains constructive.

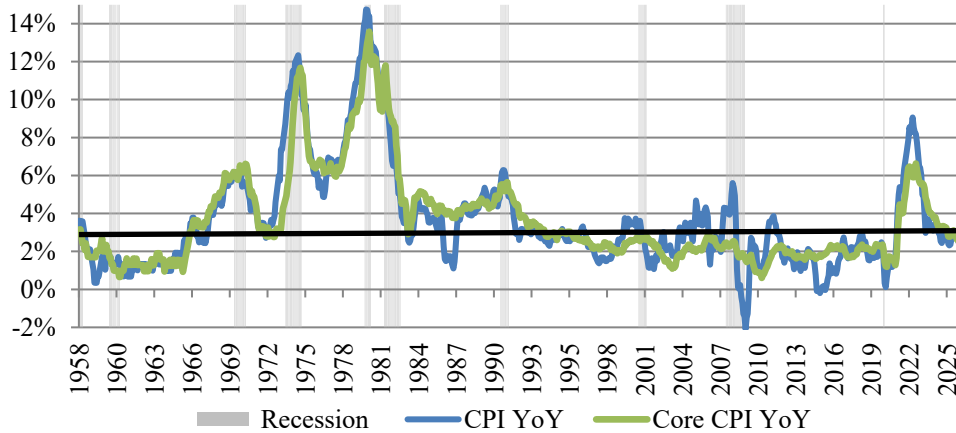
Since quarter-end, there have been signs of de-escalation in the Middle East region, including a temporary ceasefire and the start of peace talks. However, there is no defined timeline for a resolution, and the conflict could persist. This more encouraging backdrop has helped restore market momentum, with trends from earlier in the year re-emerging, most notably in international markets. That said, recent geopolitical developments have introduced enough uncertainty to interrupt the sustained upward trajectory seen over the past few years.

As we outlined last quarter, there remains a navigable path through the prevailing uncertainties that have emerged thus far in 2026. If tensions with Iran prove to be short-lived, the U.S. economy should continue to benefit from resilient consumer spending, along with supportive fiscal, monetary, and tax dynamics. Corporate earnings growth, which was strong last year, has continued into this year and provides an important underpinning for equity markets. While elevated volatility is likely to persist, driven by factors such as AI-related concerns, tariff uncertainty, oil price fluctuations, inflation, and the upcoming midterm elections, the underlying strength of economic and market fundamentals should help cushion against more severe or prolonged downturns. As always, maintaining diversification remains a prudent approach to navigating uncertainty, particularly if conditions evolve differently than expected.

MACROECONOMICS

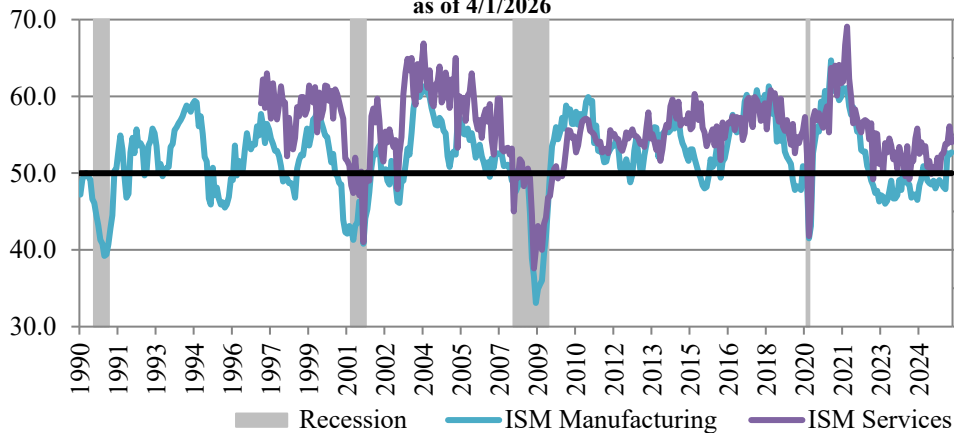
- The Bureau of Economic Analysis released the advanced estimate of first quarter 2026 real GDP, an annual rate increase of 2.0% from the preceding quarter.
- Inflation remains near the Federal Reserve’s target range of 2-3%. In March, headline CPI increased 3.3% year-over-year. Core CPI, which excludes food and energy, also increased 2.6%.

Inflation - Consumer Price Index (CPI)
as of 4/10/2026



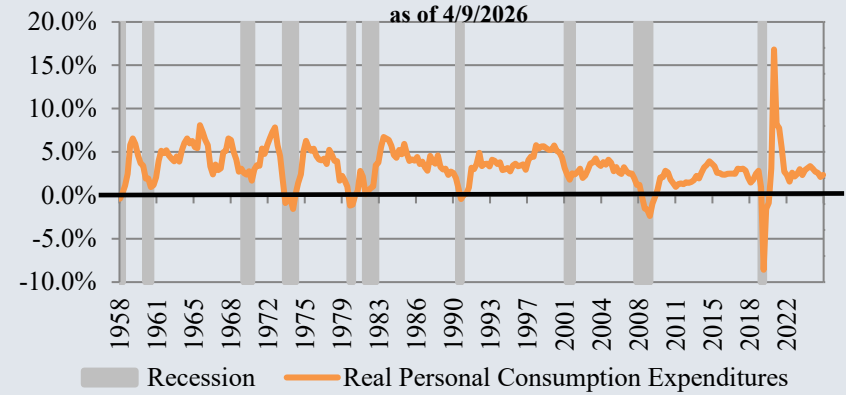
- The ISM Manufacturing Index rose during the quarter, finishing at 52.7 versus 47.9 in December. Typically, when the ISM Index is above 55 it is bullish and when it is below 45 it is bearish. The ISM Non-Manufacturing Index was flat during the quarter finishing at 54.0 in March.

ISM PMI Indices
as of 4/1/2026



- The Real Personal Consumption Expenditures grew at 2.4% year-over-year in 1Q, indicating consumers continue to fuel economic growth.

Real Personal Consumption Expenditures

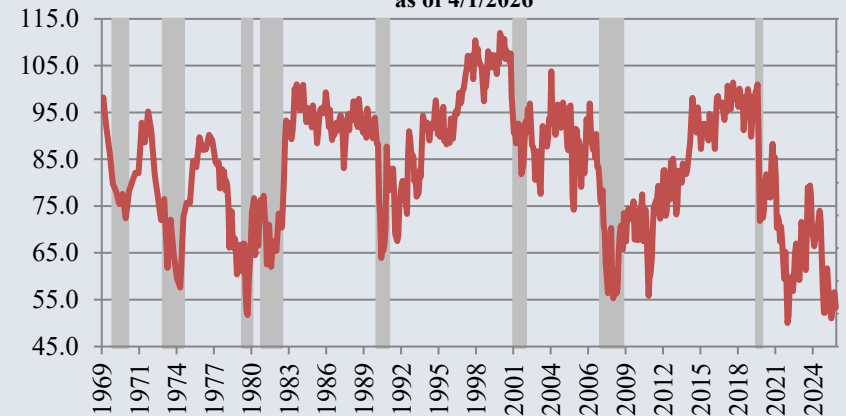


- The U.S. dollar appreciated slightly vs. the fourth quarter but has depreciated by approximately 10% in 2025.

CONFIDENCE METRICS

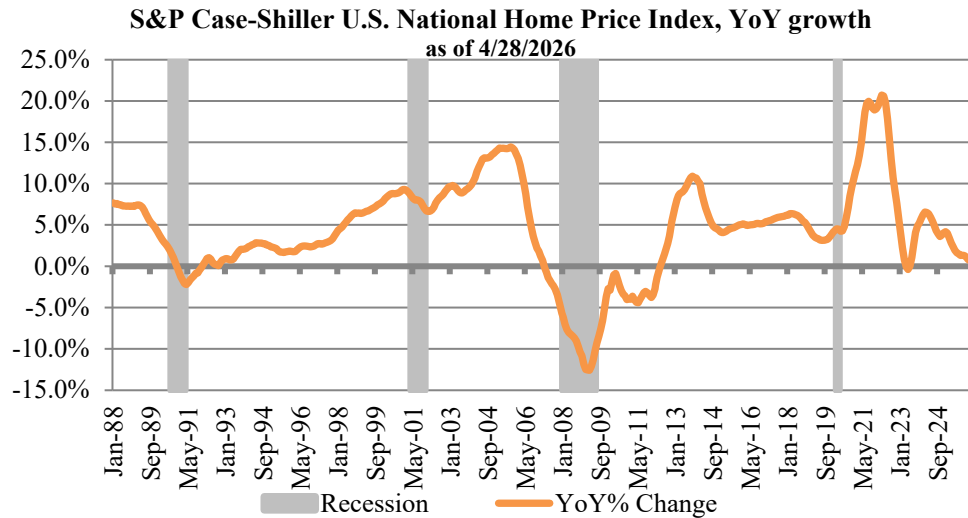
- The Conference Board’s Consumer Confidence Index March reading was 91.8, a decrease from 94.2 in December. Consumers remain concerned with the economy and a weakening labor market.
- The University of Michigan Consumer Sentiment Index final reading for March was 53.3, down from the fourth quarter. The index can often be viewed as a contrarian indicator: low readings have historically been followed by above-average equity market returns, and vice versa.

University of Michigan Consumer Sentiment Index
as of 4/1/2026

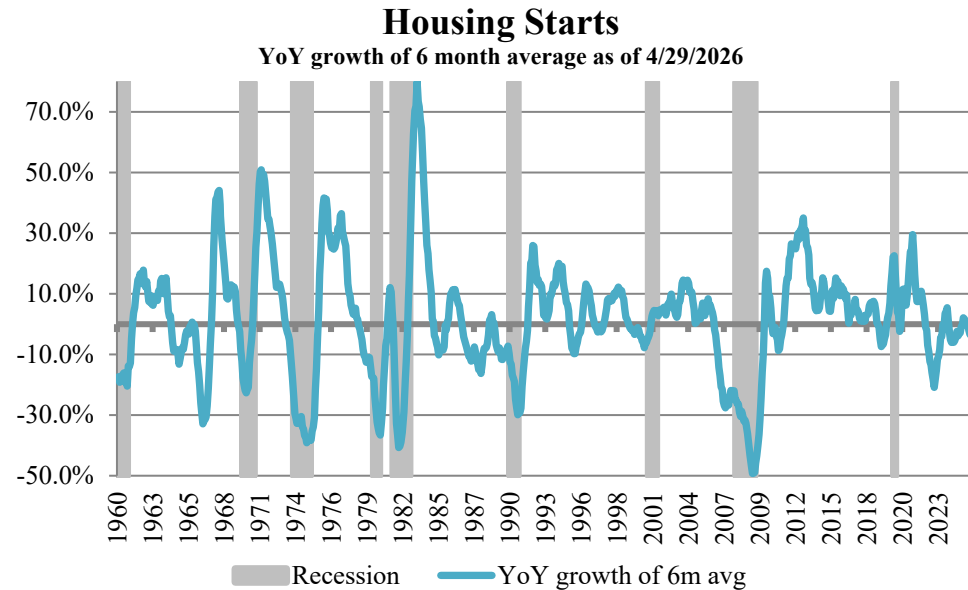


HOUSING

- S&P Case-Shiller U.S. National Home Price Index (seasonally adjusted) showed continued slowing of home prices with an increase of 0.7% year-over-year in February.

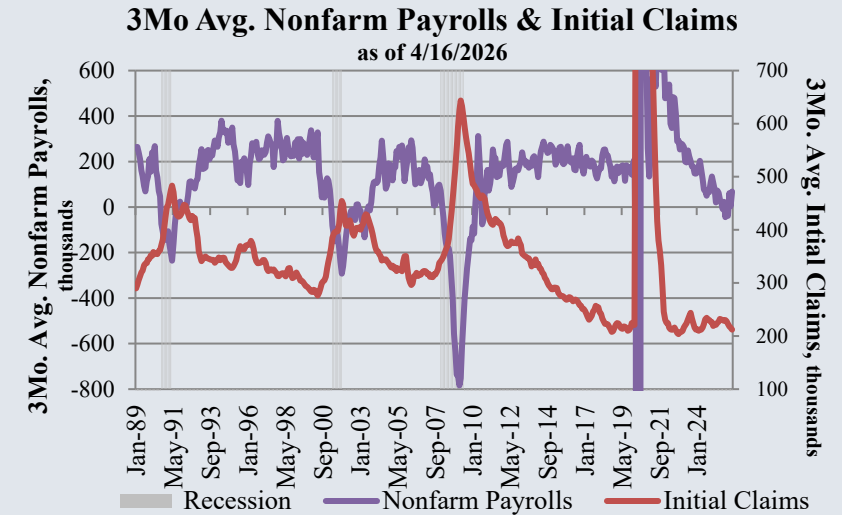


- Housing starts have remained subdued over the past two years, in part, due to higher financing costs. However, the housing market remains supply challenged.

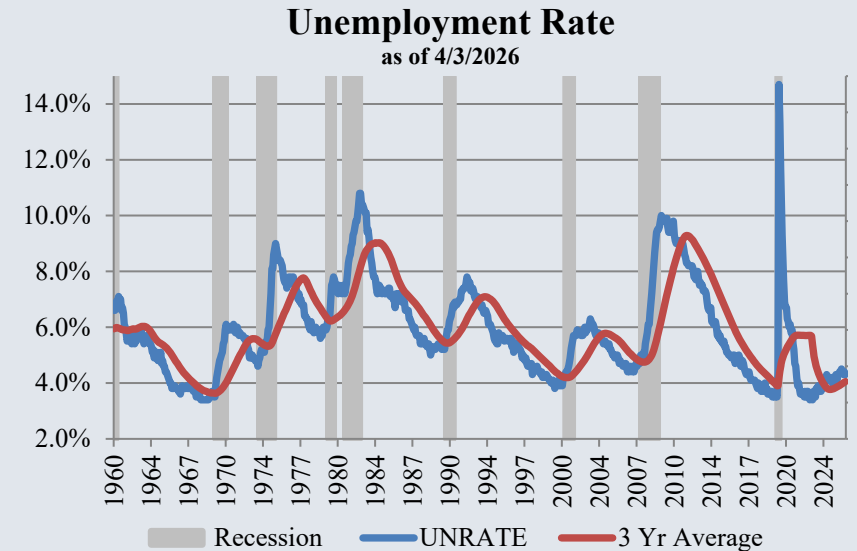


EMPLOYMENT

- During the quarter, nonfarm payrolls continued to be subdued, averaging only 68,333 jobs added per month, but initial claims remain low.



- The unemployment rate was essentially flat during the quarter at 4.3% and remains above its three-year average, showing potential weakness.

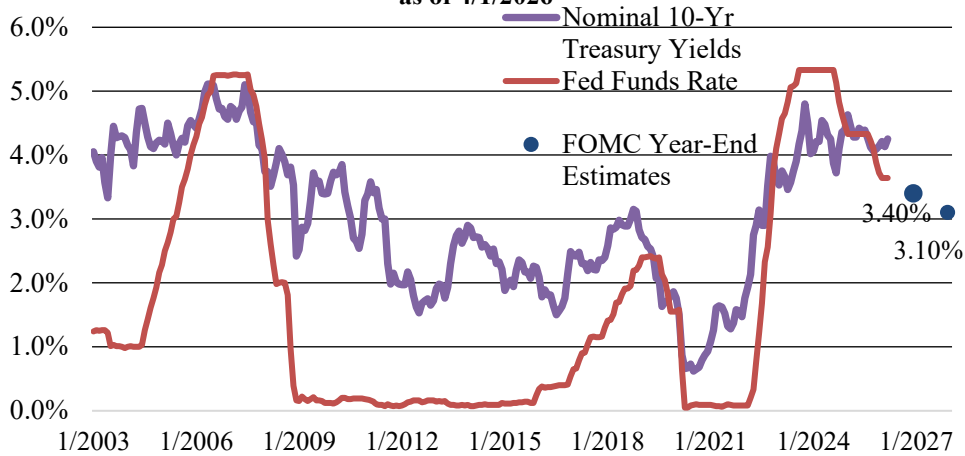


FED POLICY

- During the quarter, the Federal Open Market Committee (FOMC) held the federal funds rate at 3.50%-3.75%. The Fed is still forecasting a rate cut in the second half of 2026.

U.S. 10-Year Treasury Yield vs. Fed Funds Rate

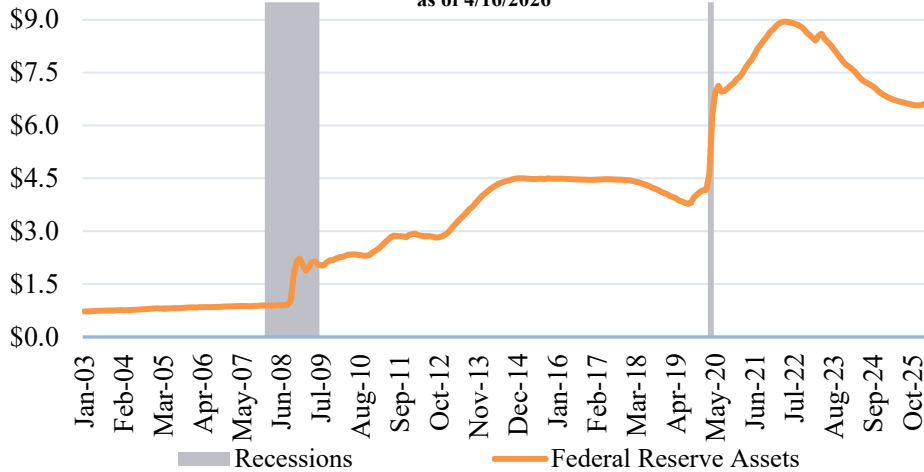
as of 4/1/2026



- The Fed ceased reducing its balance sheet in December but noted it could initiate further purchases of Treasuries if needed.

Federal Reserve Balance Sheet, assets in trillions \$

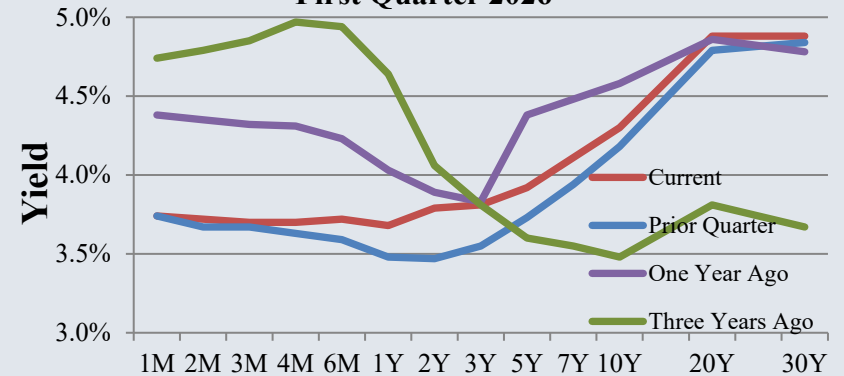
as of 4/16/2026



FIXED INCOME

- During the quarter, yields rose across the majority of the U.S. Treasury curve. Short-term interest rates are controlled or heavily influenced by central banks, whereas long-term interest rates are affected by market forces and economic growth.

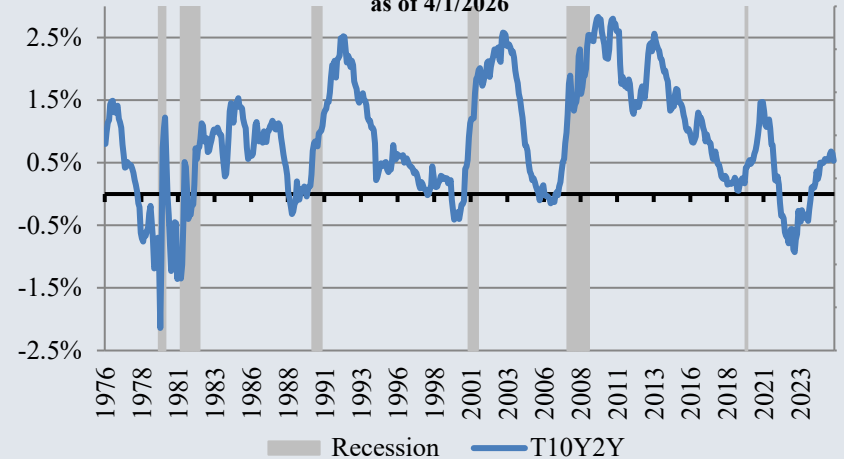
U.S. Treasuries Yield Curve First Quarter 2026



- The spread between short and intermediate-term Treasuries remained positive. The curve had been inverted for over two years, the longest such occurrence. Historically, an inverted yield curve has signaled a recession. This time, while the overall economy avoided one, certain sectors, such as manufacturing, faced downturns.

U.S. Treasury Spread 10-year vs. 2-year

as of 4/1/2026



FIXED INCOME (continued)

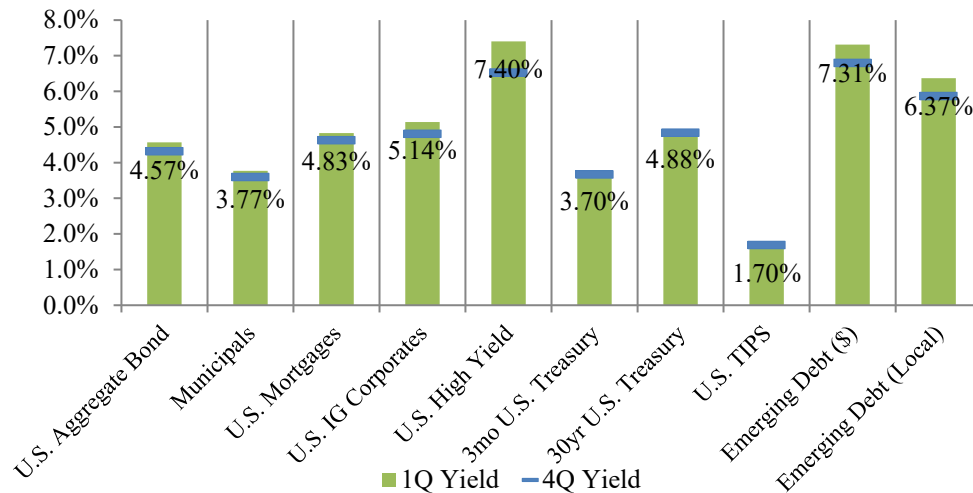
- During the quarter, the Bloomberg Barclays U.S. Aggregate was down 0.05%. Credit sensitive areas such as High Yield and Emerging Market Debt underperformed as spreads widened.

	1Q 26 Return	1-Yr Return	5-Yr Return	10-Yr Return
U.S. Aggregate Bond	-0.05%	4.35%	0.31%	1.70%
Municipals	-0.18%	4.29%	0.84%	2.16%
U.S. Mortgages	0.40%	5.79%	0.45%	1.43%
U.S. IG Corporates	-0.54%	4.78%	0.76%	2.81%
U.S. High Yield	-0.50%	7.01%	4.23%	6.12%
3mo U.S. Treasury	0.87%	4.05%	3.40%	2.29%
30yr U.S. Treasury	-0.14%	-0.66%	-6.01%	-1.74%
U.S. TIPS	0.26%	3.00%	1.48%	2.66%
Emerging Debt (\$)	-1.26%	10.38%	2.47%	3.75%
Emerging Debt (LCL)	-2.25%	11.76%	2.06%	2.57%

Bloomberg and JPMorgan Indices

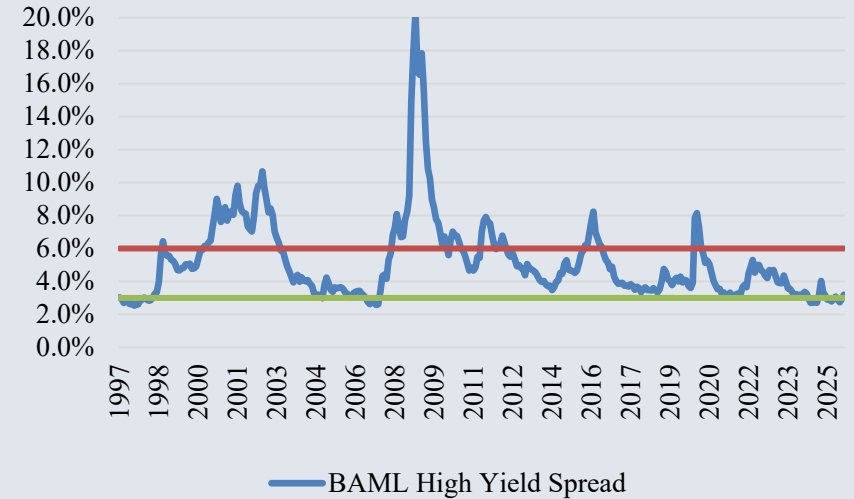
- Yields increased during the first quarter and remain a positive source of income.

Fixed Income Yields First Quarter 2026



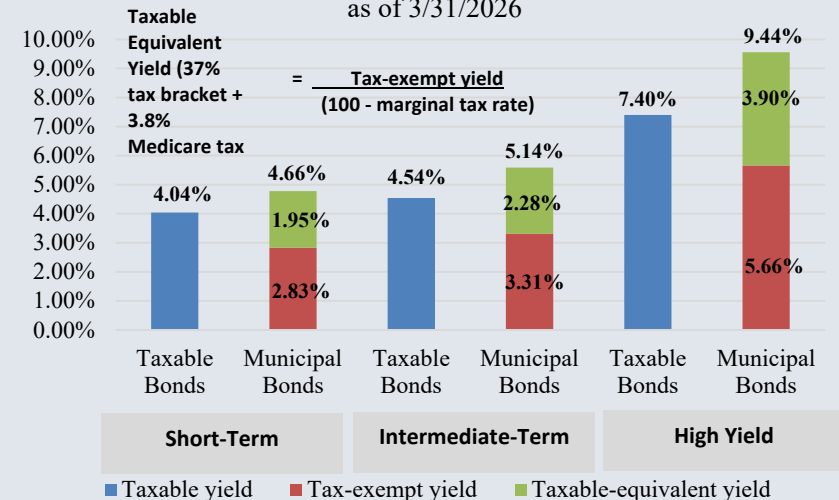
- Credit spreads slightly widened during the quarter but remain near historically low levels.

Credit Spreads - High Yield as of 4/1/2026



- Municipals are currently more attractive relative to taxable bonds on an after-tax basis for investors in the highest marginal tax bracket.

Taxable and Tax-equivalent Yields as of 3/31/2026



DOMESTIC EQUITIES

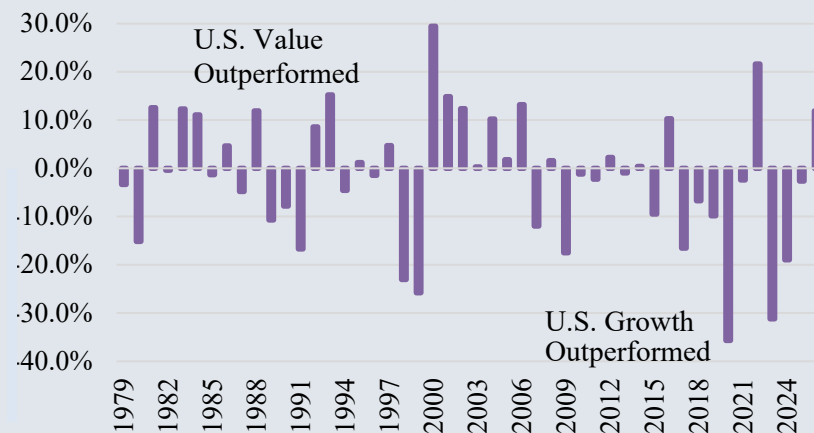
First Quarter 2026 Returns			
	Value	Core	Growth
Mega Cap		-7.9%	
Large Cap	2.1%	-4.2%	-9.8%
Mid Cap	3.7%	1.3%	-6.4%
Small Cap	5.0%	0.9%	-2.8%
Micro Cap	5.8%	1.5%	-4.3%

- The Russell 1000 Index, comprising of large and mid-capitalization stocks, posted a negative total return of 4.2% during the first quarter. On a year-over-year basis, the Russell 1000 Index has increased 17.7%.
- Small capitalization stocks, as represented by the Russell 2000 Index, increased 0.9% during the first quarter. On a year-over-year basis, the index has increased 25.7%.

	S&P 500 Weight	Russell 1000 Value Weight	Russell 1000 Growth Weight	1Q 26 Return	1-Yr Return	10-Yr Return
Energy	4.0%	7.7%	0.5%	38.2%	36.3%	11.5%
Materials	2.1%	4.4%	0.3%	9.7%	18.0%	10.6%
Financials	12.6%	20.0%	5.9%	-9.3%	0.7%	12.7%
Industrials	9.0%	13.5%	6.7%	4.6%	25.2%	13.0%
Cons. Disc.	9.9%	7.0%	13.2%	-9.2%	11.7%	11.9%
Technology	32.9%	11.7%	49.6%	-9.1%	29.0%	22.8%
Comm. Services	10.3%	7.9%	12.1%	-6.9%	32.5%	11.5%
Real Estate	2.0%	4.0%	0.5%	2.8%	2.3%	6.2%
Health Care	9.5%	11.7%	8.1%	-4.9%	2.3%	10.0%
Cons. Staples	5.3%	7.5%	2.9%	7.7%	6.3%	8.4%
Utilities	2.5%	4.7%	0.3%	8.3%	19.7%	9.9%
S&P 500 Index	100.0%	100.0%	100.0%	-4.3%	17.8%	14.2%

- During the quarter, energy, materials and utilities outperformed. Technology and consumer discretionary saw more of a sell-off.

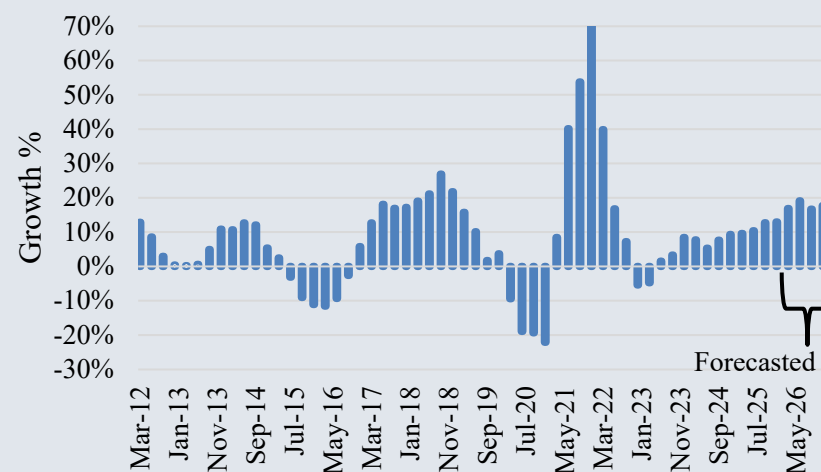
U.S. Value vs. Growth Relative Equity Performance (as of 3/31/26)



Russell 1000 Value TR vs. Russell 1000 Growth TR

- Value outperformed growth during the quarter. However, growth has outperformed for fourteen out of the past nineteen years, as large tech companies have grown earnings and market cap significantly.

S&P 500 Earnings Growth Trailing 12-Month Operating Earnings Growth YoY (as of 4/28/2026)



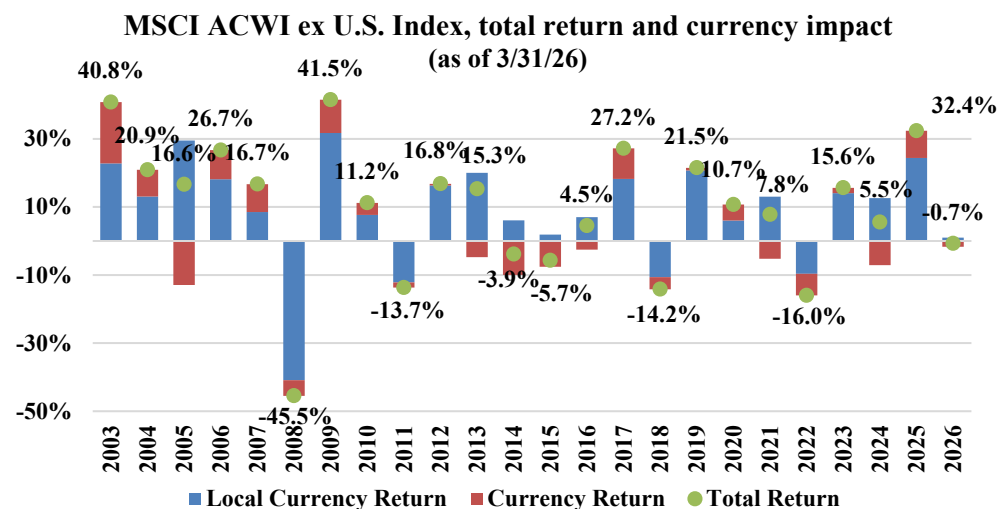
- Corporate earnings are expected to grow more than 10% in 2026, with profit margins remaining strong. Secular growth in AI continues to boost earnings.

INTERNATIONAL EQUITIES

- Developed international stocks, as represented by the MSCI EAFE, were down 1.2% during the quarter, but up 21.3% on a year-over-year basis.
- Emerging market stocks performed in line with developed markets during the first quarter as the MSCI Emerging Markets Index was down 0.2%. On a year-over-year basis, EM stocks are outperforming developed markets with a return of 29.6%.

	1Q 26 Return	1-Yr Return	5-Yr Return	20-Yr Return
World	-3.2%	20.0%	9.5%	11.3%
World Ex-U.S.	-0.7%	24.9%	7.0%	8.4%
EAFE	-1.2%	21.3%	7.9%	8.4%
Europe	-2.8%	19.1%	8.8%	8.5%
Japan	1.4%	25.9%	6.6%	8.5%
Pacific Ex-Japan	3.0%	23.8%	5.4%	7.5%
Emerging Markets	-0.2%	29.6%	3.7%	7.8%
EM (Asia)	-1.5%	28.4%	2.8%	8.5%
EM (Latin America)	14.6%	57.4%	12.9%	8.4%
EM (Eastern Europe)	0.6%	37.2%	-12.3%	-1.7%

- Currency was additive to international equity returns in 2025 but detracted slightly in 1Q 2026. The U.S. dollar has been very strong the past ten years, but currency trends tend to be cyclical.



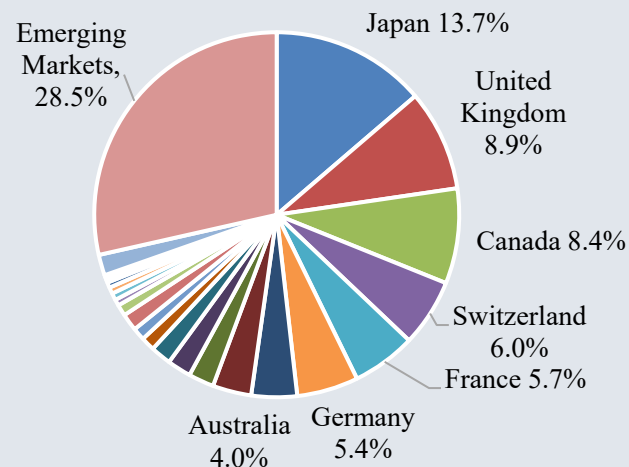
U.S. vs. International Equity Performance (as of 3/31/26)



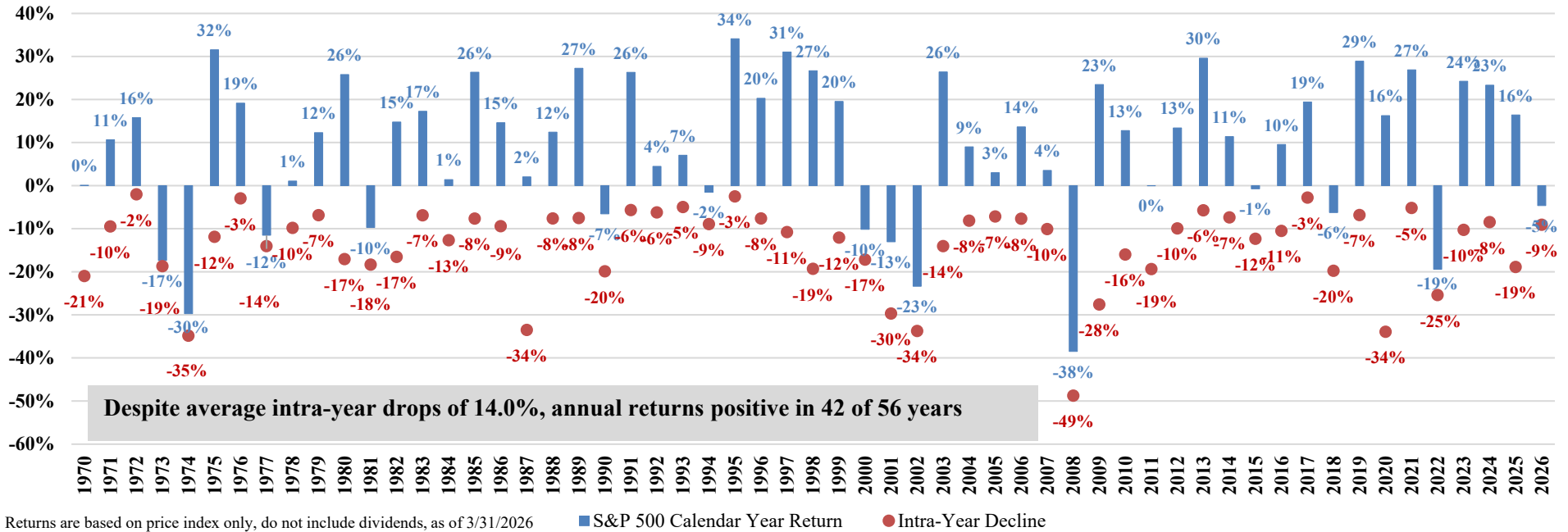
S&P 500 TR vs. MSCI EAFE NR

- International equities outperformed U.S. equities during the quarter. In 2025, International equities outperformed by the widest amount since the early 2000s. Performance is cyclical as shown in the chart above.

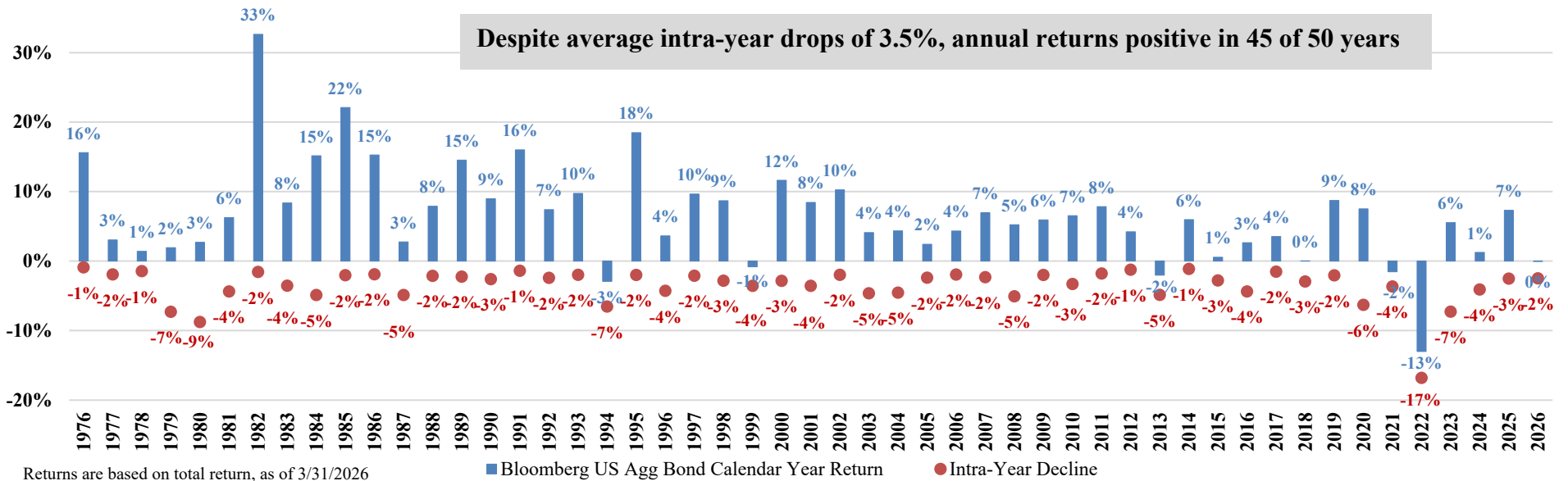
Country Weighting in MSCI ACWI ex U.S. (as of 3/31/2026)



S&P 500 Intra-Year Declines vs. Calendar Year Returns



Bloomberg U.S. Agg Bond Intra-Year Declines vs. Calendar Year Returns



Market leadership changes. Focus on asset allocation and diversification.

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026 YTD	10-yrs '16-'25 Return	10-yrs '15-'24 Volatility
	Real Estate 2.8%	Small Cap 21.3%	Emerging Markets 37.8%	Cash 1.8%	Large Cap 31.5%	Small Cap 20.0%	Real Estate 41.3%	Commodities 16.1%	Large Cap 26.3%	Large Cap 25.0%	Emerging Markets 34.4%	Commodities 24.4%	Large Cap 14.8%	Small Cap 20.7%
	Large Cap 1.4%	High Yield 14.3%	International 25.6%	Fixed Income 0.0%	Real Estate 28.7%	Emerging Markets 18.7%	Large Cap 28.7%	Cash 1.5%	International 18.9%	Small Cap 11.5%	International 31.9%	Real Estate 3.7%	Small Cap 9.6%	Real Estate 17.3%
	Fixed Income 0.6%	Large Cap 12.0%	Large Cap 21.83%	Real Estate -4.0%	Small Cap 25.5%	Large Cap 18.4%	Commodities 27.1%	High Yield -12.7%	Small Cap 16.9%	Asset Allocation 10.2%	Large Cap 17.9%	Small Cap 0.9%	Emerging Markets 8.9%	Emerging Markets 16.5%
	Cash 0.0%	Commodities 11.8%	Small Cap 14.7%	High Yield -4.1%	International 22.7%	Asset Allocation 10.5%	Small Cap 14.8%	Fixed Income -13.0%	Asset Allocation 14.2%	High Yield 9.2%	Asset Allocation 15.8%	Cash 0.9%	International 8.7%	Large Cap 15.1%
	International -0.4%	Emerging Markets 11.6%	Asset Allocation 14.5%	Large Cap -4.4%	Asset Allocation 19.4%	International 8.3%	Asset Allocation 13.5%	Asset Allocation -13.9%	High Yield 14.0%	Emerging Markets 8.1%	Commodities 15.8%	Asset Allocation 0.3%	Asset Allocation 8.2%	International 14.8%
	Asset Allocation -2.0%	Real Estate 8.6%	High Yield 10.4%	Asset Allocation -5.8%	Emerging Markets 18.9%	Fixed Income 7.5%	International 11.8%	International -14.0%	Real Estate 11.4%	Commodities 5.4%	Small Cap 12.8%	Fixed Income -0.1%	High Yield 6.0%	Commodities 13.0%
	High Yield -2.7%	Asset Allocation 8.3%	Real Estate 8.7%	Small Cap -11.0%	High Yield 12.6%	High Yield 7.0%	High Yield 1.0%	Large Cap -18.1%	Emerging Markets 10.3%	Cash 5.3%	High Yield 12.1%	Emerging Markets -0.1%	Real Estate 5.8%	Asset Allocation 10.1%
	Small Cap -4.4%	Fixed Income 2.7%	Fixed Income 3.5%	Commodities -11.3%	Fixed Income 8.7%	Cash 0.5%	Cash 0.0%	Emerging Markets -19.7%	Fixed Income 5.5%	Real Estate 4.9%	Fixed Income 7.3%	International -1.1%	Commodities 5.7%	High Yield 8.4%
	Emerging Markets -14.6%	International 1.5%	Commodities 1.7%	International -13.4%	Commodities 7.7%	Commodities -3.1%	Fixed Income -1.5%	Small Cap -20.4%	Cash 5.1%	International 4.4%	Cash 4.3%	High Yield -1.3%	Cash 2.2%	Fixed Income 5.1%
	Commodities -24.7%	Cash 0.3%	Cash 0.8%	Emerging Markets -14.3%	Cash 2.2%	Real Estate -5.1%	Emerging Markets -2.2%	Real Estate -25.0%	Commodities -7.9%	Fixed Income 5.5%	Real Estate 2.3%	Large Cap -4.3%	Fixed Income 2.0%	Cash 0.6%

Best
↑
Asset Class Performance
↓
Worst

Performance of all cited indices is calculated on a total return basis and includes dividend reimbursement. Indices are not available for direct investment. Past performance is not indicative of future results. It is important to remember that there are risks inherent in any investment and there is no assurance that any asset class or index will provide positive performance over time.

* Large Cap – S&P 500 Index

* Small Cap – Russell 2000 Index

* International – MSCI EAFE GR Index

* Emerging Markets – MSCI EM GR Index

* Fixed Income – Barclays Capital Aggregate Bond Index

* Real Estate – FTSE NAREIT All Equity REIT Index

* Commodities – Bloomberg Commodity Index

* High Yield – Barclays Global High Yield Index

* Cash – Barclays 1-3m Treasury Index

The “Asset Allocation” portfolio assumes the following weights: 25% S&P 500, 10% Russell 2000, 15% MSCI EAFE, 5% MSCI EM, 25% Barclays Agg, 5% Barclays 1-3m Treasury, 5% Barclays Global High Yield Index, 5% Bloomberg Commodity Index, 5% FTSE NAREIT All Equity REIT Index

Source: Morningstar, through 3/31/2026

U.S. Large Cap Equity Returns by Year

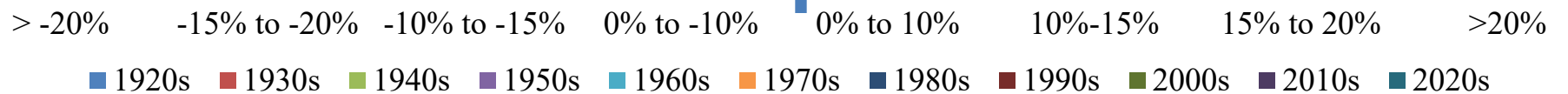
Negative Years: 26 Years

Positive Years: 74 Years

Gains > 20%
38 Years

U.S. Large Cap Equities have averaged 10.5% annually from 1926 to 2025

Losses > -20%
6 Years



Source: Morningstar, through 3/31/2026. Index: IA SBBI US Large Stock TR USD Ext

Disclaimer:

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Investment decisions should be made based on an investor's specific circumstances taking into account items such as, risk tolerance, time horizon and goals and objectives. All investments have some level of risk associated with them and past performance is no guarantee of future success.