Second Quarter 2026 Market Summary

3600 Minnesota Drive
Suite 860
Edina, MN 55435

Phone: 952-896-5700

Visit us at
silveroakwealth.com

Second Quarter 2026 Market Summary

The second quarter began with a de-escalation of the conflict with Iran, helping restore investor confidence and fueling a recovery in equity markets following the first-quarter selloff. Energy markets also stabilized, with Brent crude oil prices declining approximately 50% from their April peak. The global oil supply had been disrupted from the closing of the Strait of Hormuz, briefly pushed prices to their highest levels since 2008. While an initial ceasefire eased immediate tensions, a lasting resolution has yet to be reached and geopolitical uncertainty remains. Despite these risks, global equities posted their strongest quarterly gains since 2020, a historically constructive signal for future returns.

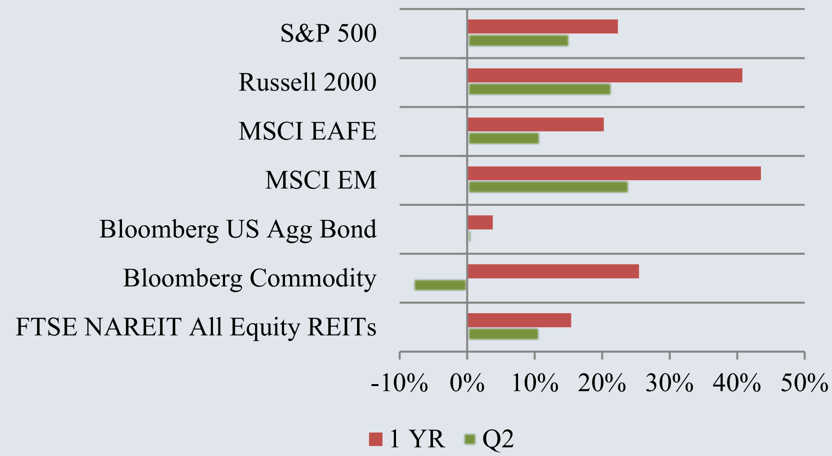
U.S. equities participated broadly in the rally, with U.S. large-company stocks, represented by the S&P 500 Index, increasing by 15.2% during the quarter, while U.S. small-company stocks, represented by the Russell 2000 Index, rose 21.5%. Corporate earnings expectations, which were already projected to grow at a double-digit pace entering the year, have since been revised higher to 24%, supported by an estimated 10% increase in revenue and expanding profit margins. Within the AI ecosystem, market leadership broadened beyond hyperscalers (Amazon, Google, Meta, Microsoft, Oracle) to include semiconductors, memory, and power infrastructure companies, reflecting the next phase of AI-related capital investment.

International stocks, represented by the MSCI ACWI ex U.S. Index, increased 14.5% during the quarter. Financials, energy, utilities and defense companies remain key contributors for developed markets. Emerging markets outperformed gaining 24.1%, building on their strong performance in the prior year. It marked the asset class's strongest quarterly return since the second quarter of 2009, driven largely by continued investment in AI-related infrastructure and technology.

Fixed income returns were more modest. The Bloomberg Barclays U.S. Aggregate Bond Index, representing a broad basket of bonds, posted a 0.7% return during the quarter. Interest rates edged higher as inflation concerns resurfaced in the market. Even so, the 10-year Treasury yield remains range-bound between 4% and 5%, a level it has maintained for much of the past few years. Credit markets continue to show few signs of meaningful stress. Historically, starting yields have been one of the strongest predictors of future bond returns, suggesting today's income levels remain attractive for long-term investors.

The Federal Reserve kept the federal funds rate unchanged at 3.50%–3.75% at its June meeting. New Federal Reserve Chair, Kevin Warsh, set the tone for his term by changing forward-looking guidance and announced five task forces to review FOMC operations. The Fed's updated projections now indicate the possibility of one rate hike this year after previous forecasts were for one rate cut.

Broad Market Index Returns
Second Quarter 2026



Looking Ahead

Markets enter the third quarter balancing ongoing uncertainty against resilient economic fundamentals. Consumer spending remains healthy, supported in part by the household wealth effect, while the labor market continues to stabilize. Economic data has generally surprised to the upside, with improving manufacturing and freight activity, although housing remains constrained by elevated interest rates despite solid underlying demand. Inflation remains contained but has edged higher, making it an important variable to watch in the coming quarters.

Second Quarter 2026 Market Summary (continued)

Artificial intelligence has been the dominant driver of equity returns in recent years and should continue to support earnings growth as the multi-trillion-dollar AI infrastructure buildout progresses. Rapid advances in large language models (LLMs) and coding tools have accelerated the development of AI agents capable of performing increasingly complex tasks. As these capabilities improve, AI adoption continues to broaden across industries. This creates a flywheel effect: greater computing capacity enables more advanced AI applications and autonomous AI agents, which in turn drive additional demand for chips, data centers, power generation, and supporting infrastructure. As AI adoption accelerates, the need for further computing capacity and infrastructure continues to grow, fueling the next wave of investment.

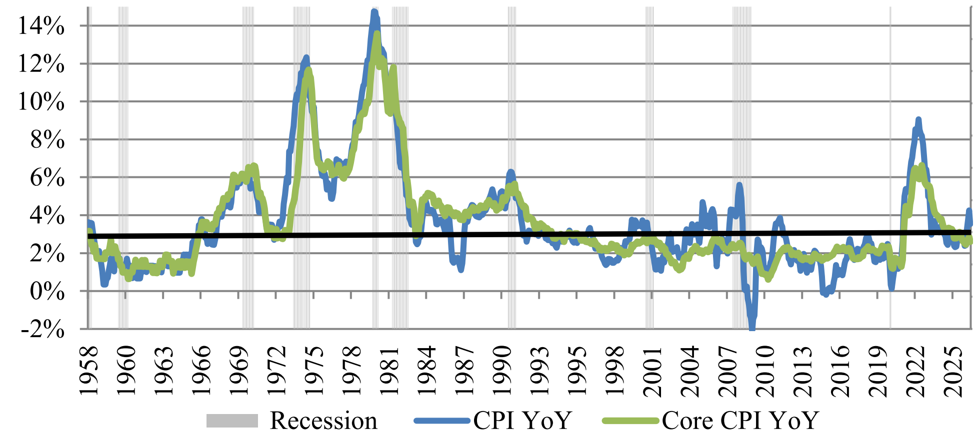
This year, market leadership has broadened beyond the hyperscalers to the companies enabling the AI buildout. Investors have increasingly rewarded businesses benefiting from infrastructure bottlenecks, where constrained supply has translated into stronger pricing power and cash flow generation. The opportunity now extends well beyond the mega-cap technology companies to a diverse group of industries, market capitalizations, and investment styles. Beneficiaries include semiconductor and equipment manufacturers, electric utilities, industrial automation firms, data center REITs, engineering and construction companies, and suppliers of critical raw materials. This broadening participation reinforces the importance of maintaining a diversified portfolio to capture the full range of opportunities created by AI.

The first half of the year served as another reminder that markets are inherently forward-looking and quickly incorporate new information, while headlines often amplify short-term uncertainty and focus on events that markets have already begun to price in. Looking ahead, investors are likely to focus on several key themes, including a robust pipeline of large IPOs and the U.S. midterm elections. Historically, midterm election years have been accompanied by elevated volatility as markets digest political uncertainty, but once elections pass, investor attention has typically shifted back to corporate earnings and economic fundamentals. As always, periodic pullbacks are a normal part of investing, and history has consistently rewarded investors who remain diversified, disciplined, and focused on their long-term objectives.

MACROECONOMICS

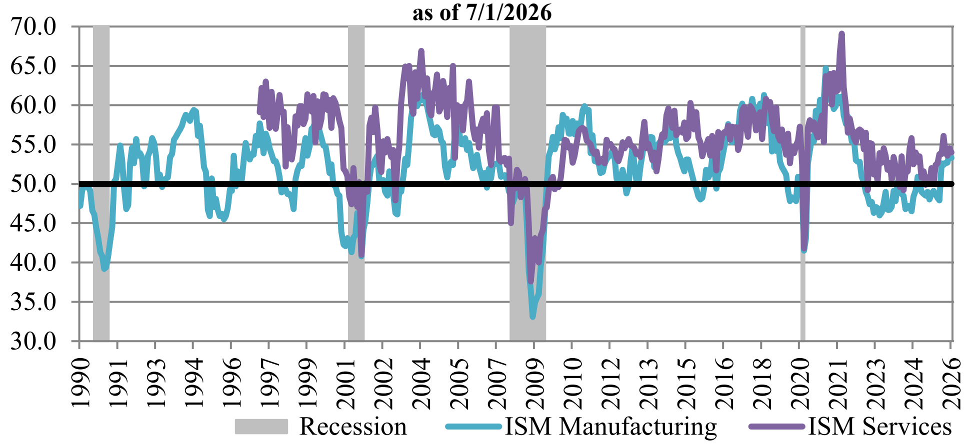
- The Bureau of Economic Analysis released the advanced estimate of second quarter 2026 real GDP, an annual rate increase of 1.5% from the preceding quarter.
- Inflation remains near the Federal Reserve's target range of 2-3%. In June, headline CPI increased 3.5% year-over-year. Core CPI, which excludes food and energy, also increased 2.6%.

Inflation - Consumer Price Index (CPI)
as of 7/14/2026



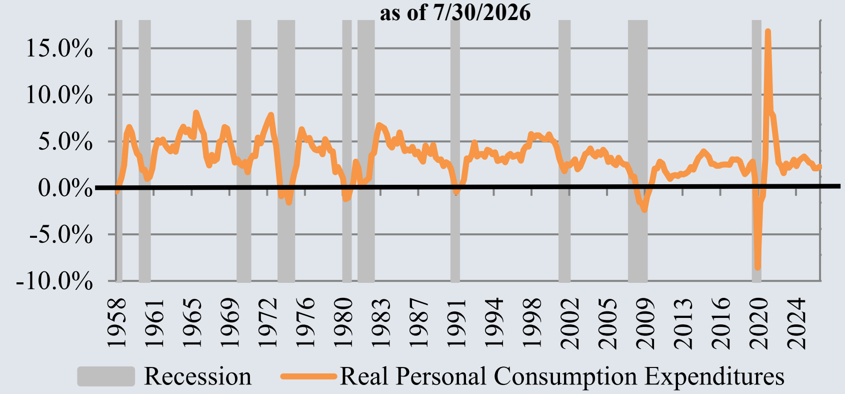
- The ISM Manufacturing Index rose during the quarter, finishing at 53.3 versus 52.7 in March. Typically, when the ISM Index is above 55 it is bullish and when it is below 45 it is bearish. The ISM Non-Manufacturing Index was flat during the quarter finishing at 54.0 in June.

ISM PMI Indices
as of 7/1/2026



- The Real Personal Consumption Expenditures grew at 2.3% year-over-year in 2Q, indicating consumers continue to fuel economic growth.

Real Personal Consumption Expenditures
as of 7/30/2026

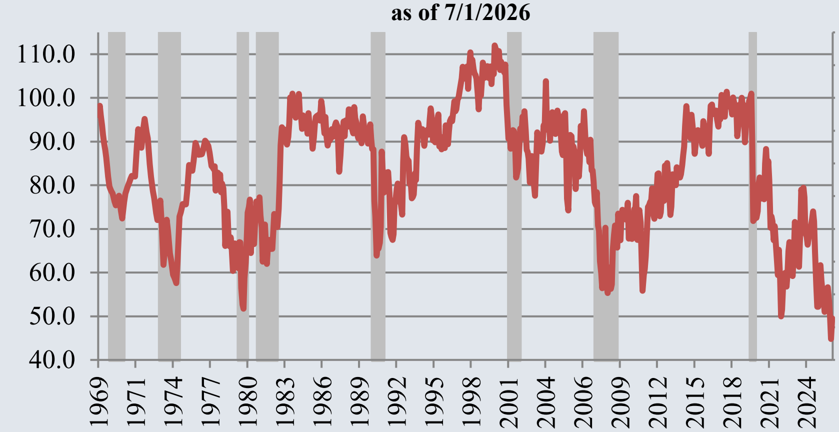


- The U.S. dollar appreciated slightly vs. the second quarter but depreciated by approximately 10% in 2025.

CONFIDENCE METRICS

- The Conference Board's Consumer Confidence Index June reading was 91.2, a decrease from 92.2 in March. Consumers remain concerned with the economy and a weakening labor market.
- The University of Michigan Consumer Sentiment Index final reading for June was 49.5, down from the first 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.

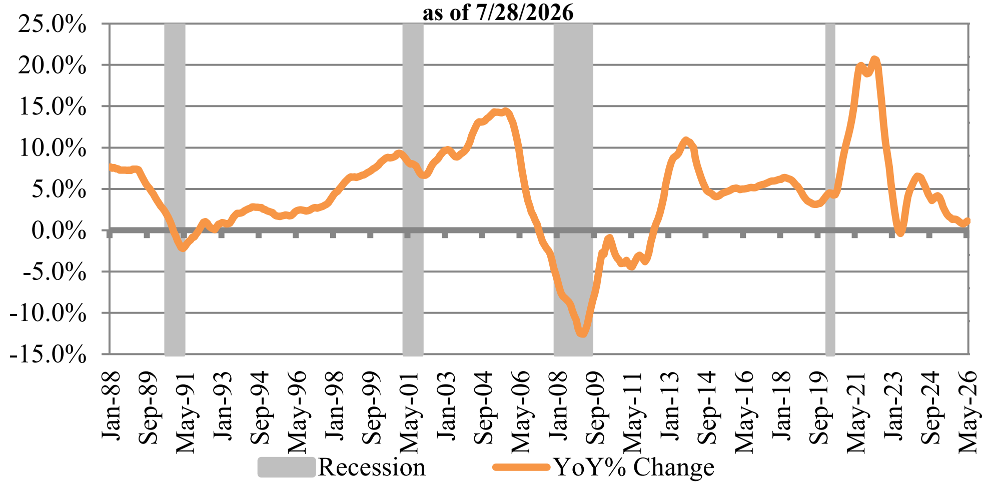
University of Michigan Consumer Sentiment Index
as of 7/1/2026



HOUSING

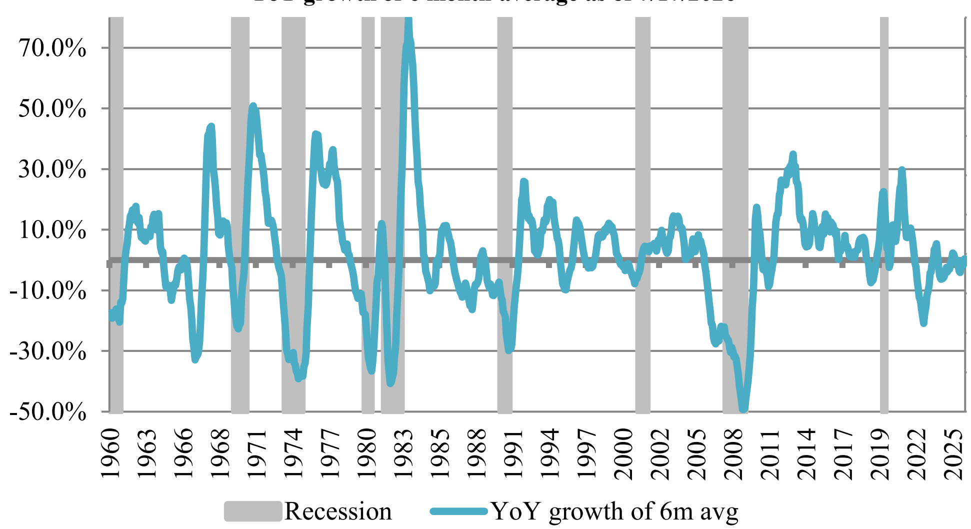
- S&P Case-Shiller U.S. National Home Price Index (seasonally adjusted) showed continued slowing of home prices with an increase of 1.1% year-over-year in May.

S&P Case-Shiller U.S. National Home Price Index, YoY growth
as of 7/28/2026



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

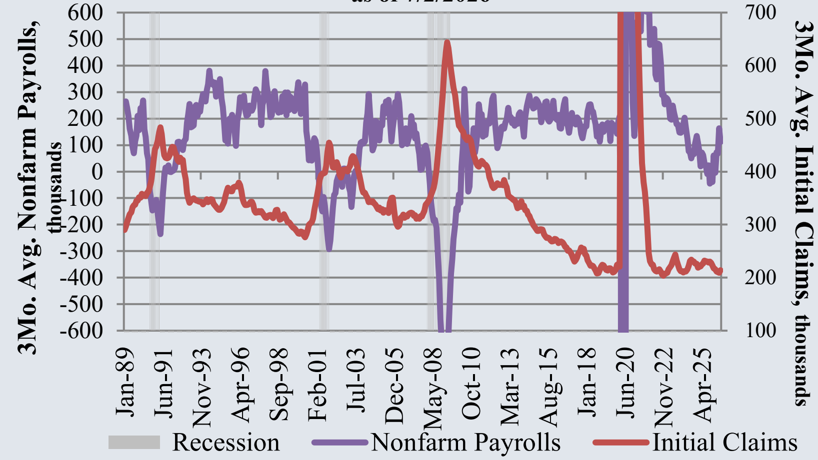
Housing Starts
YoY growth of 6 month average as of 7/17/2026



EMPLOYMENT

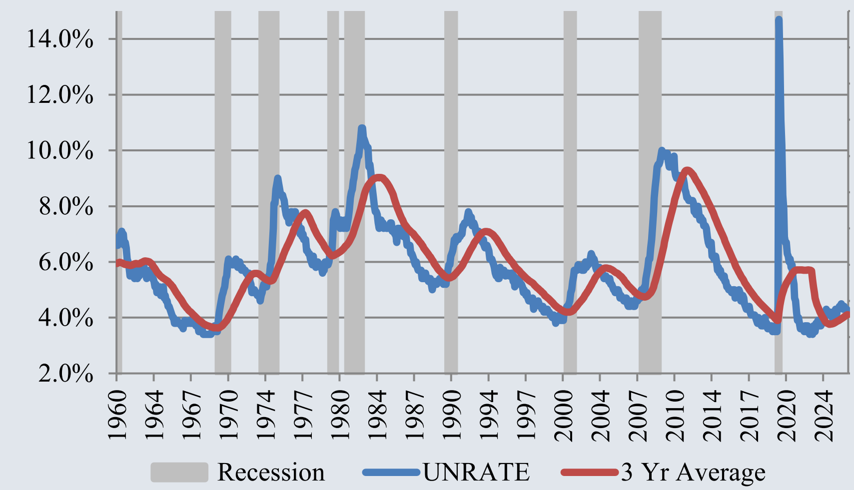
- During the quarter, nonfarm payrolls rebounded, averaging 111,333 jobs added per month, and initial claims remain low.

3Mo Avg. Nonfarm Payrolls & Initial Claims
as of 7/2/2026



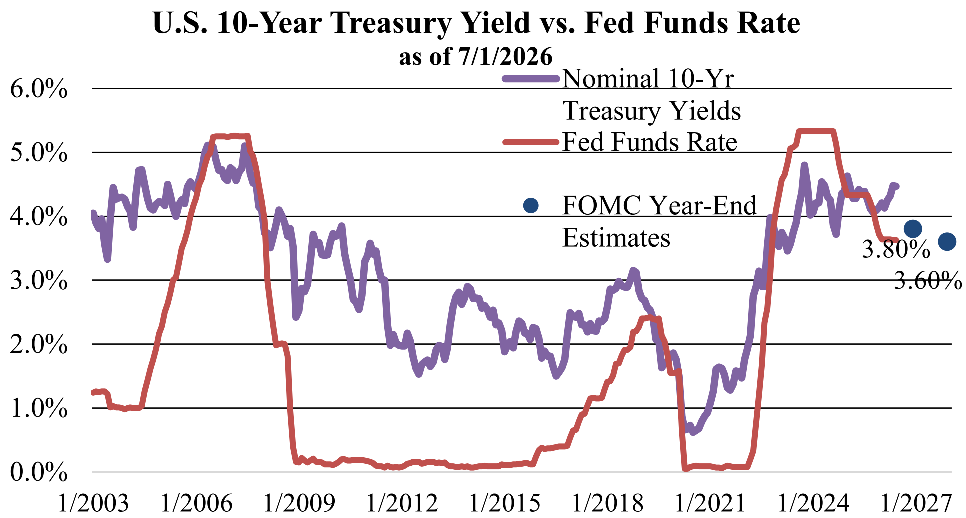
- The unemployment rate was essentially flat during the quarter at 4.2% and remains above its three-year average, showing potential weakness.

Unemployment Rate
as of 7/2/2026

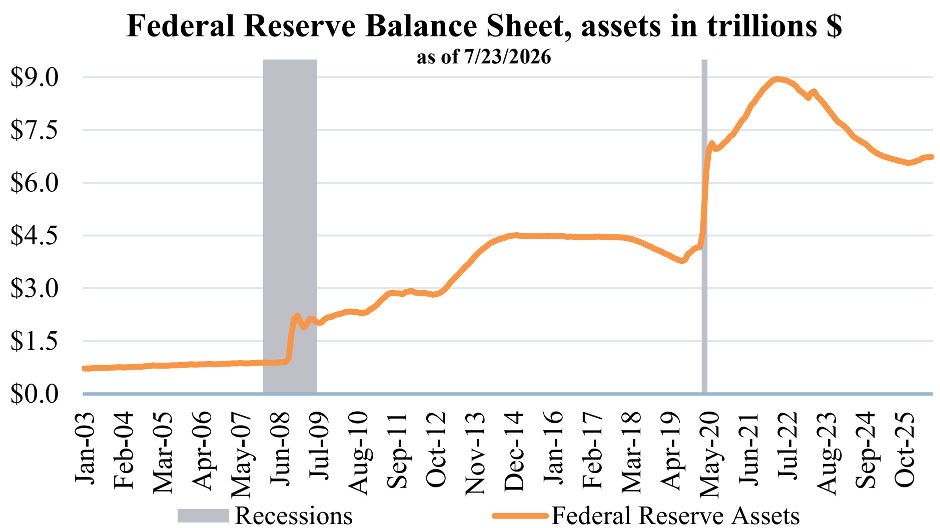


FED POLICY

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

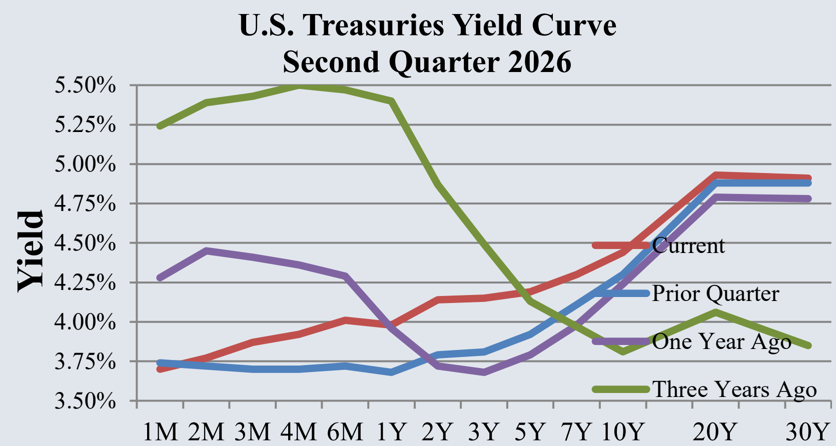


- The Fed ceased reducing its balance sheet in December but noted it could initiate further purchases of Treasuries if needed.

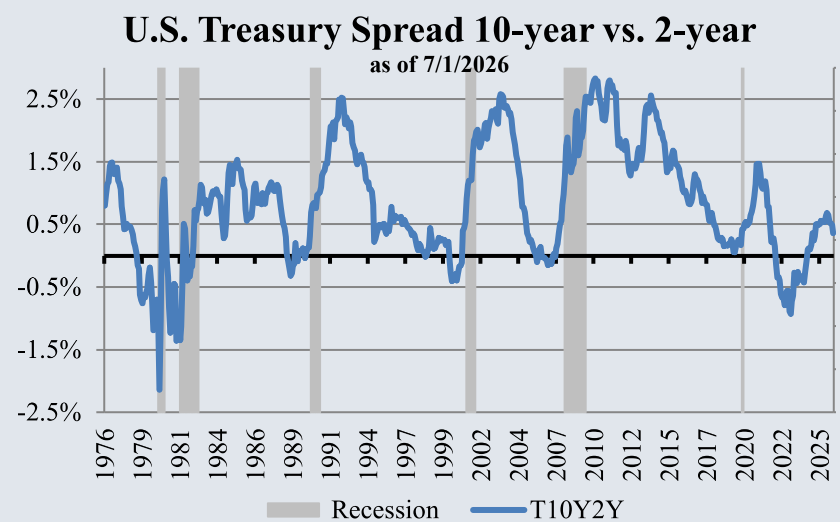


FIXED INCOME

- 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.



- 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.



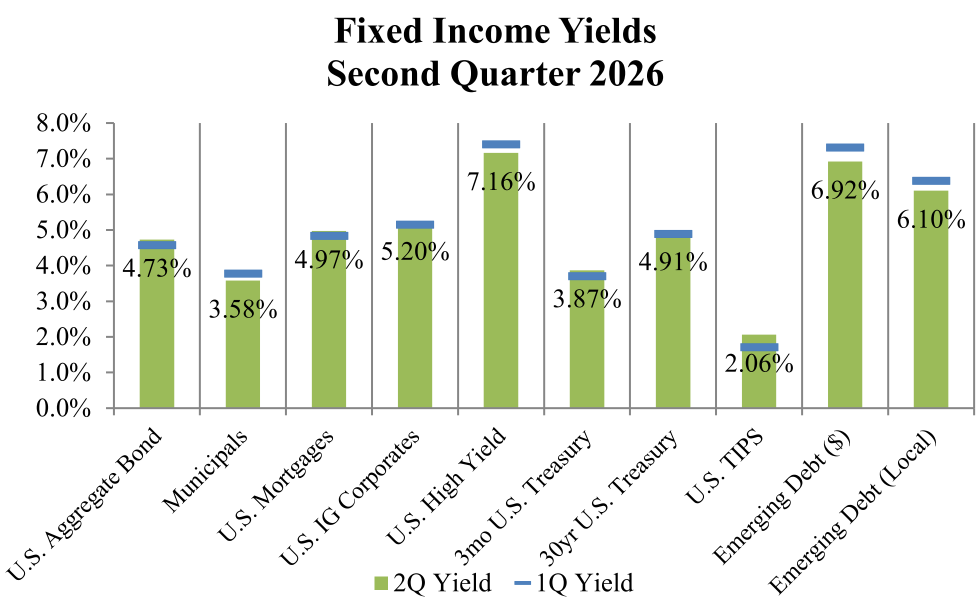
FIXED INCOME (continued)

- During the quarter, the Bloomberg Barclays U.S. Aggregate was up 0.67%. Credit sensitive areas such as High Yield and Emerging Market Debt outperformed as spreads narrowed. Municipals also had a strong quarter.

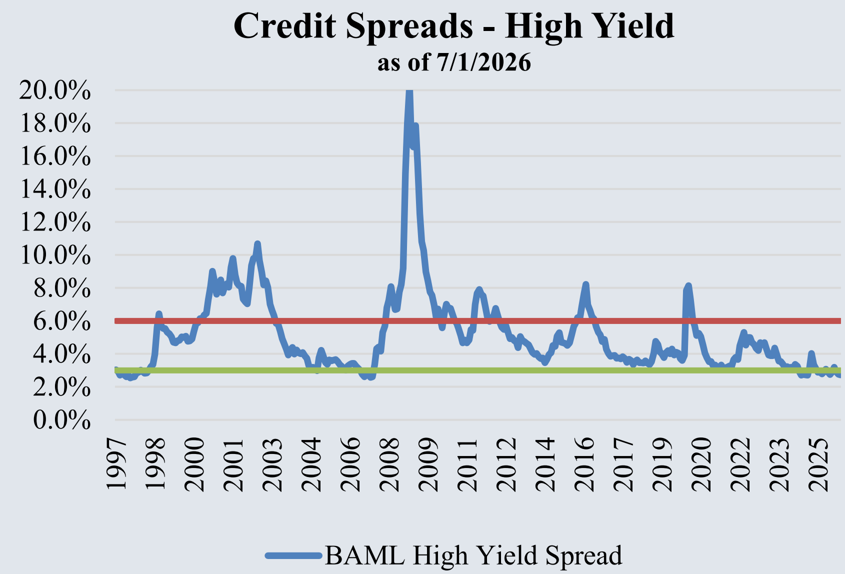
	2Q 26 Return	1-Yr Return	5-Yr Return	10-Yr Return
U.S. Aggregate Bond	0.67%	3.79%	0.08%	1.54%
Municipals	2.50%	7.03%	1.05%	2.15%
U.S. Mortgages	0.58%	5.21%	0.50%	1.38%
U.S. IG Corporates	1.40%	4.34%	0.34%	2.60%
U.S. High Yield	2.47%	5.91%	4.17%	5.81%
3mo U.S. Treasury	0.90%	3.89%	3.58%	2.38%
30yr U.S. Treasury	0.88%	2.34%	-7.25%	-2.34%
U.S. TIPS	0.89%	3.42%	1.01%	2.58%
Emerging Debt ($)	4.63%	11.78%	2.58%	3.72%
Emerging Debt (LCL)	3.85%	7.85%	2.13%	2.68%

Bloomberg and JPMorgan Indices

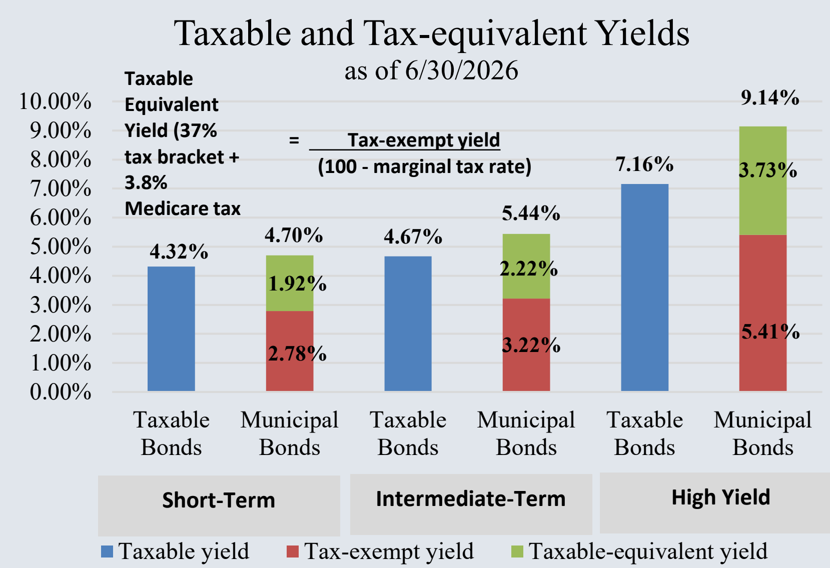
- Yields declined slightly during the quarter but remain a positive source of income.



- Credit spreads slightly narrowed during the quarter and remain near historically low levels.



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



DOMESTIC EQUITIES

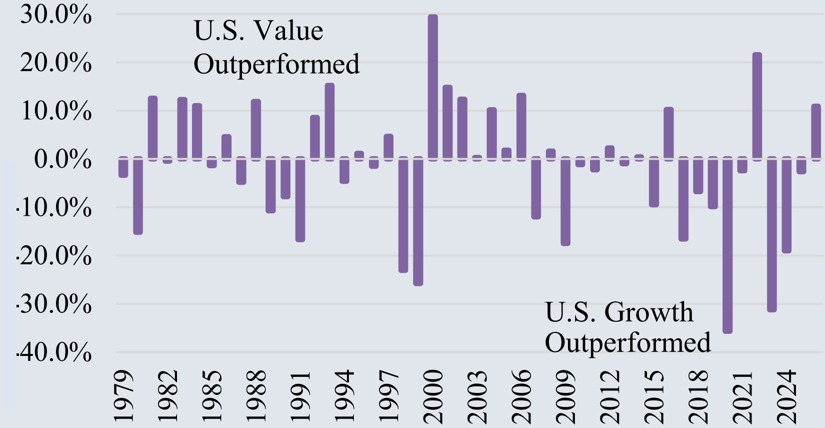
Second Quarter 2026 Returns			
	Value	Core	Growth
Mega Cap		10.7%	
Large Cap	13.8%	15.1%	16.7%
Mid Cap	13.4%	13.8%	14.6%
Small Cap	17.2%	21.5%	25.7%
Micro Cap	23.2%	25.6%	29.0%

- The Russell 1000 Index, comprising of large and mid-capitalization stocks, posted a positive total return of 15.1% during the second quarter. On a year-over-year basis, the Russell 1000 Index has increased 22.0%.
- Small capitalization stocks, as represented by the Russell 2000 Index, increased 21.5% during the second quarter. On a year-over-year basis, the index has increased 40.8%.

	S&P 500 Weight	Russell 1000 Value Weight	Russell 1000 Growth Weight	2Q 26 Return	1-Yr Return	10-Yr Return
Energy	3.0%	5.5%	0.4%	-13.4%	29.0%	8.7%
Materials	1.8%	3.8%	0.3%	2.0%	16.7%	10.4%
Financials	11.8%	19.1%	4.4%	9.0%	4.1%	13.4%
Industrials	8.9%	11.4%	8.9%	14.9%	27.3%	14.4%
Cons. Disc.	9.3%	10.6%	8.2%	9.3%	9.5%	13.0%
Technology	38.0%	18.6%	54.3%	31.8%	37.5%	26.6%
Comm. Services	9.7%	3.3%	16.1%	8.3%	21.1%	11.7%
Real Estate	1.8%	3.7%	0.4%	8.5%	11.1%	6.5%
Health Care	8.9%	12.6%	5.4%	8.8%	19.9%	10.2%
Cons. Staples	4.6%	7.5%	1.2%	0.3%	5.5%	7.9%
Utilities	2.2%	3.9%	0.3%	-0.5%	14.2%	9.1%
S&P 500 Index	100.0%	100.0%	100.0%	15.2%	22.3%	15.5%

- During the quarter, technology and industrials were the strongest sectors. Energy and utilities saw a sell-off.

U.S. Value vs. Growth Relative Equity Performance (as of 6/30/26)



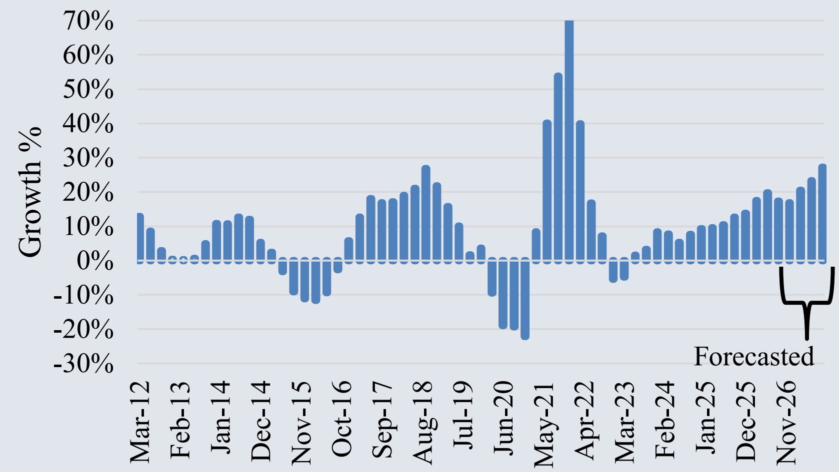
Russell 1000 Value TR vs. Russell 1000 Growth TR

- Value has outperformed growth year-to-date. 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 7/28/2026)



- Corporate earnings are expected to grow more than 20% in 2026, with profit margins remaining strong. Secular growth in AI continues to boost earnings.

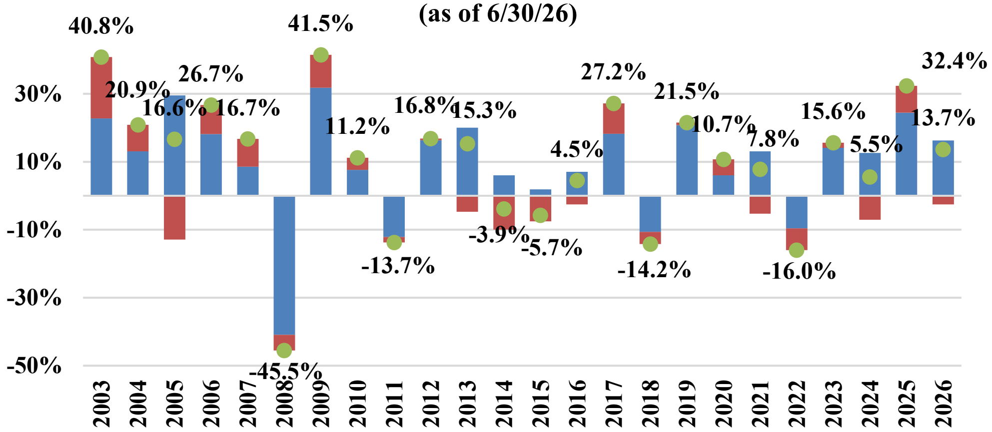
INTERNATIONAL EQUITIES

- Developed international stocks, as represented by the MSCI EAFE, were up 10.8% during the quarter, and 20.2% on a year-over-year basis.
- Emerging market stocks outperformed developed markets during the second quarter as the MSCI Emerging Markets Index was up 24.1%. On a year-over-year basis, EM stocks are outperforming developed markets with a return of 43.5%.

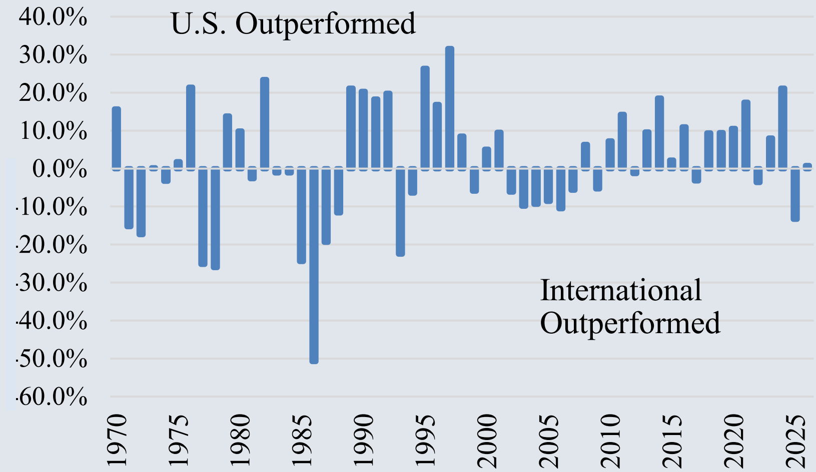
	2Q 26 Return	1-Yr Return	5-Yr Return	20-Yr Return
World	14.9%	23.7%	11.0%	8.4%
World Ex-U.S.	14.5%	27.7%	8.8%	5.8%
EAFE	10.8%	20.2%	9.0%	5.5%
Europe	10.9%	18.6%	9.5%	5.6%
Japan	14.2%	29.1%	9.5%	4.9%
Pacific Ex-Japan	3.7%	12.4%	5.2%	6.6%
Emerging Markets	24.1%	43.5%	7.2%	6.8%
EM (Asia)	30.2%	48.7%	7.6%	8.3%
EM (Latin America)	-3.6%	31.7%	9.0%	4.8%
EM (Eastern Europe)	13.4%	33.2%	-12.5%	-2.5%

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

MSCI ACWI ex U.S. Index, total return and currency impact (as of 6/30/26)



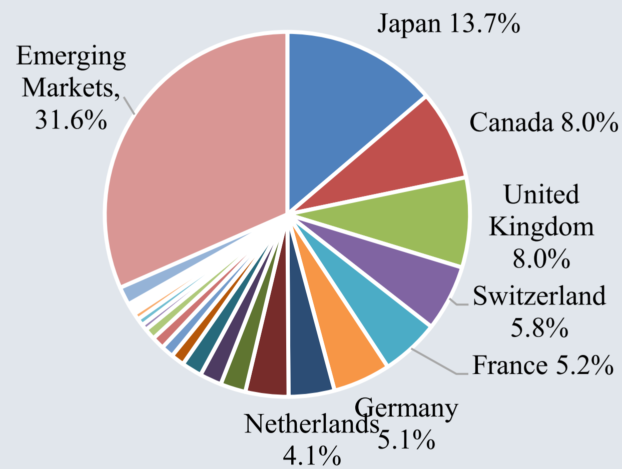
U.S. vs. International Equity Performance (as of 6/30/26)

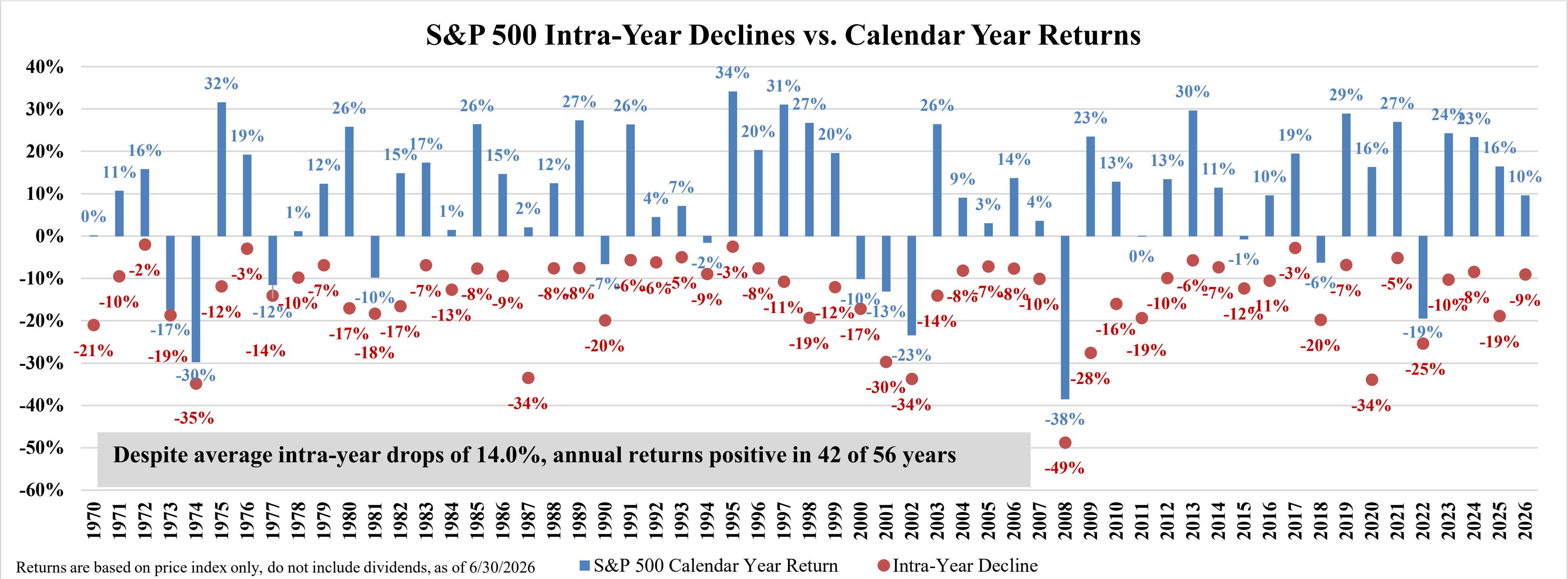


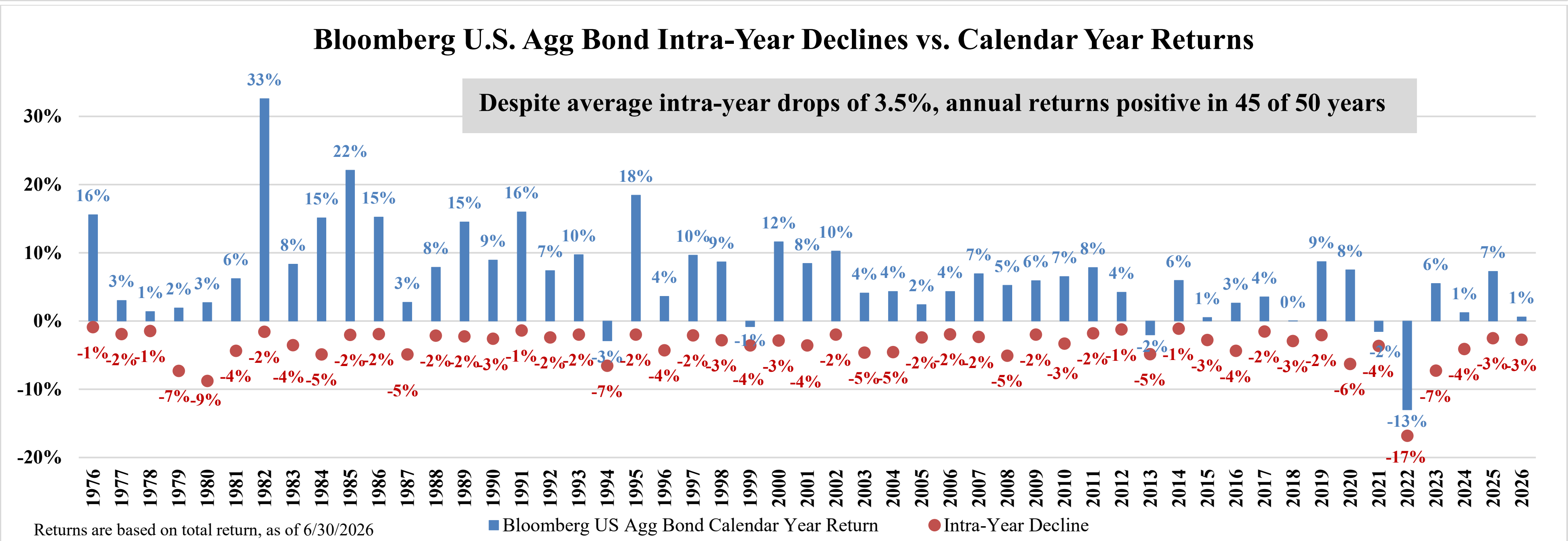
S&P 500 TR vs. MSCI EAFE NR

- International equities underperformed 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 6/30/2026)




S&P 500 Intra-Year Declines vs. Calendar Year Returns
Despite average intra-year drops of 14.0%, annual returns positive in 42 of 56 years
Returns are based on price index only, do not include dividends, as of 6/30/2026
S&P 500 Calendar Year Return
Intra-Year Decline


Bloomberg U.S. Agg Bond Intra-Year Declines vs. Calendar Year Returns
Despite average intra-year drops of 3.5%, annual returns positive in 45 of 50 years
Returns are based on total return, as of 6/30/2026
Bloomberg US Agg Bond Calendar Year Return
Intra-Year Decline

Market leadership changes. Focus on asset allocation and diversification.

Best

Asset Class Performance

Worst

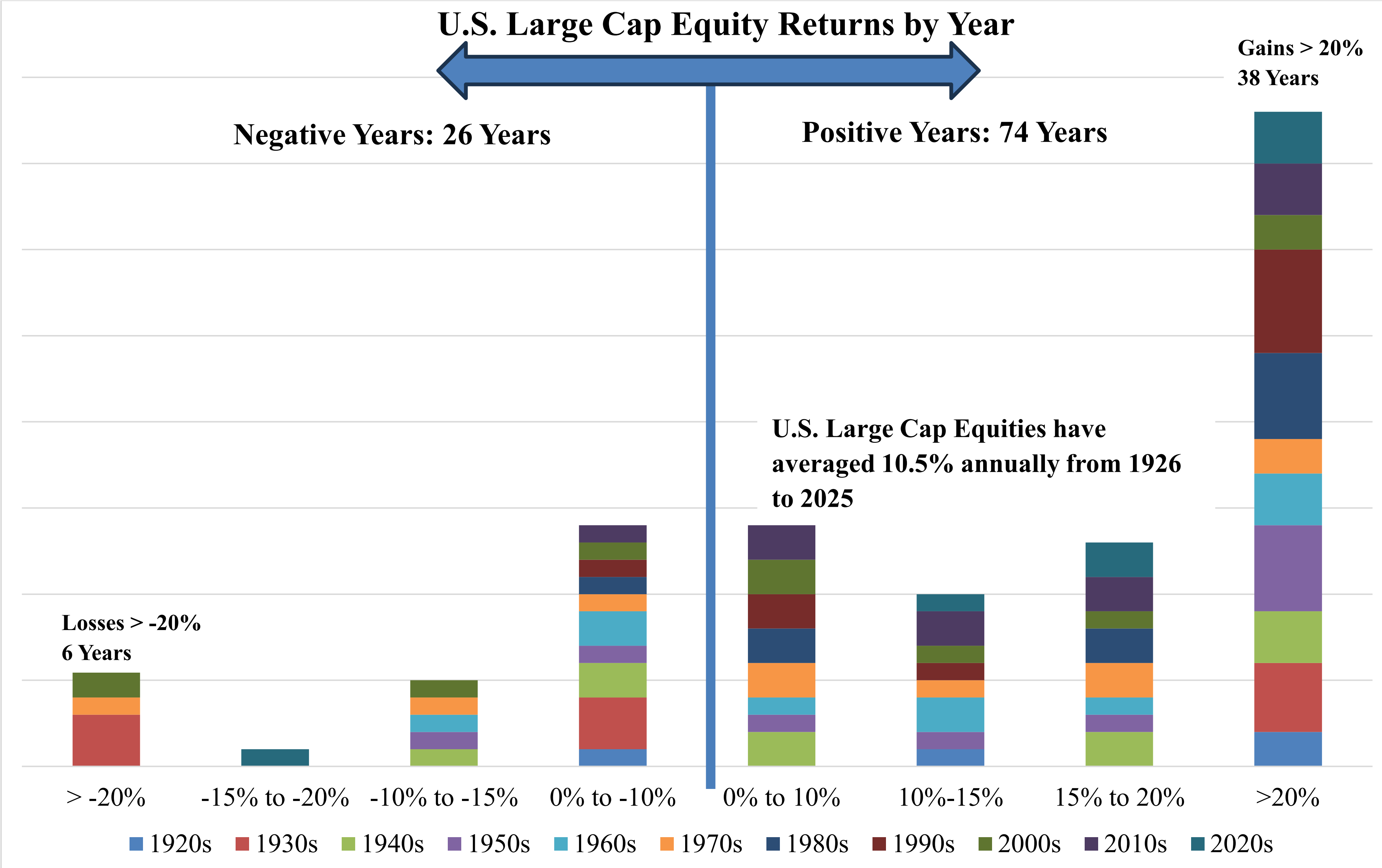
2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026 YTD	10-yrs '16-'25 Return	10-yrs '15-'24 Volatility
Real Estate 2.8%	Small Cap 21.3%	Emerging Markets 37.8%	Cash 1.8%	Large Cap 31.5%	Small Cap 20.0%	Real Estate 41.3%	Commodities 16.1%	Large Cap 26.3%	Large Cap 25.0%	Emerging Markets 34.4%	Emerging Markets 24.0%	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%	Small Cap 22.6%	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%	Real Estate 14.9%	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%	Commodities 14.4%	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%	Large Cap 10.2%	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%	International 9.8%	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%	Asset Allocation 9.5%	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%	High Yield 2.1%	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%	Cash 1.8%	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%	Fixed Income 0.6%	Fixed Income 2.0%	Cash 0.6%

Performance of all sited 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 6/30/2026



Source: Morningstar, through 6/30/2026. Index: IA SBBI US Large Stock TR USD Ext

Disclaimer:

Information and analysis provided in this market summary are for general and educational purposes only. Any opinions expressed in this summary are not intended to be accounting, legal, tax or investment advice.

Information contained in this market summary has been gathered from third parties, which are believed to be accurate and reliable. However, SilverOak Wealth Management LLC does not guarantee the accuracy or completeness of the data.

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.