Quarterly Market Guide: Q3 2026

Our View of What's Most Relevant Now

July 13, 2026

Traverse Private Wealth is a registered investment advisor in the State of Pennsylvania

Please see important disclosures at the end of this report.

QUARTERLY MARKET GUIDE: Q3 2026

Content

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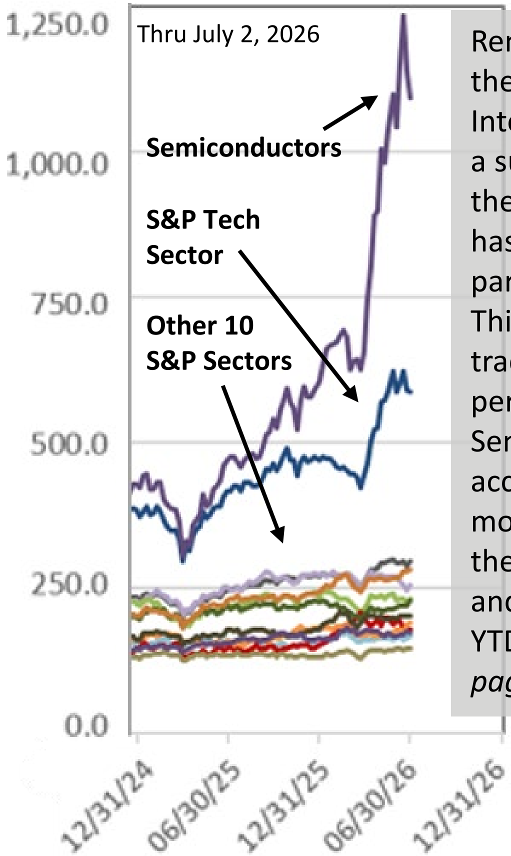
Data in Focus: **AI Trade**

Stocks' Relative Price Perf. (Indexed to 2018)



Reminiscent of the 1999-2000 Internet Bubble, a subgroup of the Tech Sector has exhibited a parabolic ascent. This time the AI trade, as personified by Semi stocks, has accounted for more than all of the Tech Sector's and S&P 500's YTD gains. (*See page 10.*)

Source: Yahoo Finance, Genesia Investments

Index Performance

Index	Asset Class	2026 Q2	2026 YTD	2025
Equity Indexes		Total Returns		
NASDAQ 100	Mega Cap U.S. Growth Equity	27.7%	20.3%	21.0%
S&P 500	Large Cap U.S. Equity	15.2	10.2	17.9
S&P 400	Mid Cap U.S. Equity	14.5	17.3	7.5
S&P 600	Small Cap U.S. Equity	19.7	23.9	6.0
MSCI All Country World	Global Equity	15.1	11.5	22.9
MSCI All Country World (Ex U.S.)	International Equity	14.7	14.0	33.1
MSCI Europe, Asia & Far East (EAFE)	International Developed Market Equity	11.1	9.8	31.9
MSCI Emerging Markets (EM)	International Emerging Market Equity	24.2	24.0	34.4
Fixed Income Indexes				
Bloomberg U.S. Aggregate Bond	U.S. Investment Grade Bond	0.7	0.6	7.3
S&P National AMT-Free Municipal Bond	U.S. Investment Grade Muni Bond	2.3	2.1	3.8
S&P Municipal Bond High Yield	U.S. Muni Bonds (Below Investment Grade)	3.3	3.6	3.3
Bloomberg U.S. Corp. High Yield	U.S. Corp Bonds (Below Investment Grade)	2.5	2.0	8.6
Index Blends: Stock/Bond				
80%/20%: Global Equity (MSCI All Ctry World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		12.1	9.4	19.8
60%/40%: Global Equity (MSCI All Ctry World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		9.2	7.2	16.6
40%/60%: Global Equity (MSCI All Ctry World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		6.3	5.0	13.5
20%/80%: Global Equity (MSCI All Ctry World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		3.5	2.8	10.4
Data as of 6/30/2026				

Source: Morningstar, and blended benchmark returns are based on monthly rebalancing.

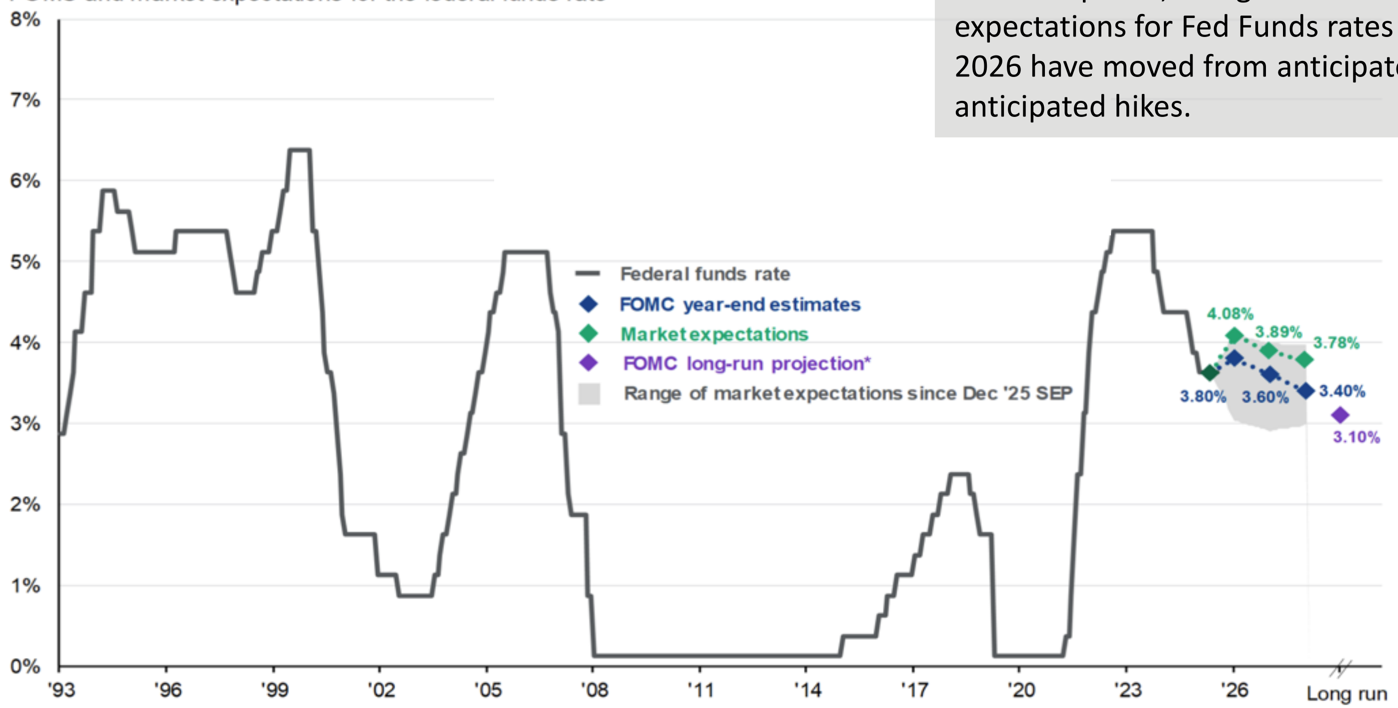
Best quarter in six years for U.S. stocks. And, more than all of it was due to the AI trade. (*See page 10.*)

Economy

Federal Funds Rate

Federal funds rate expectations

FOMC and market expectations for the federal funds rate



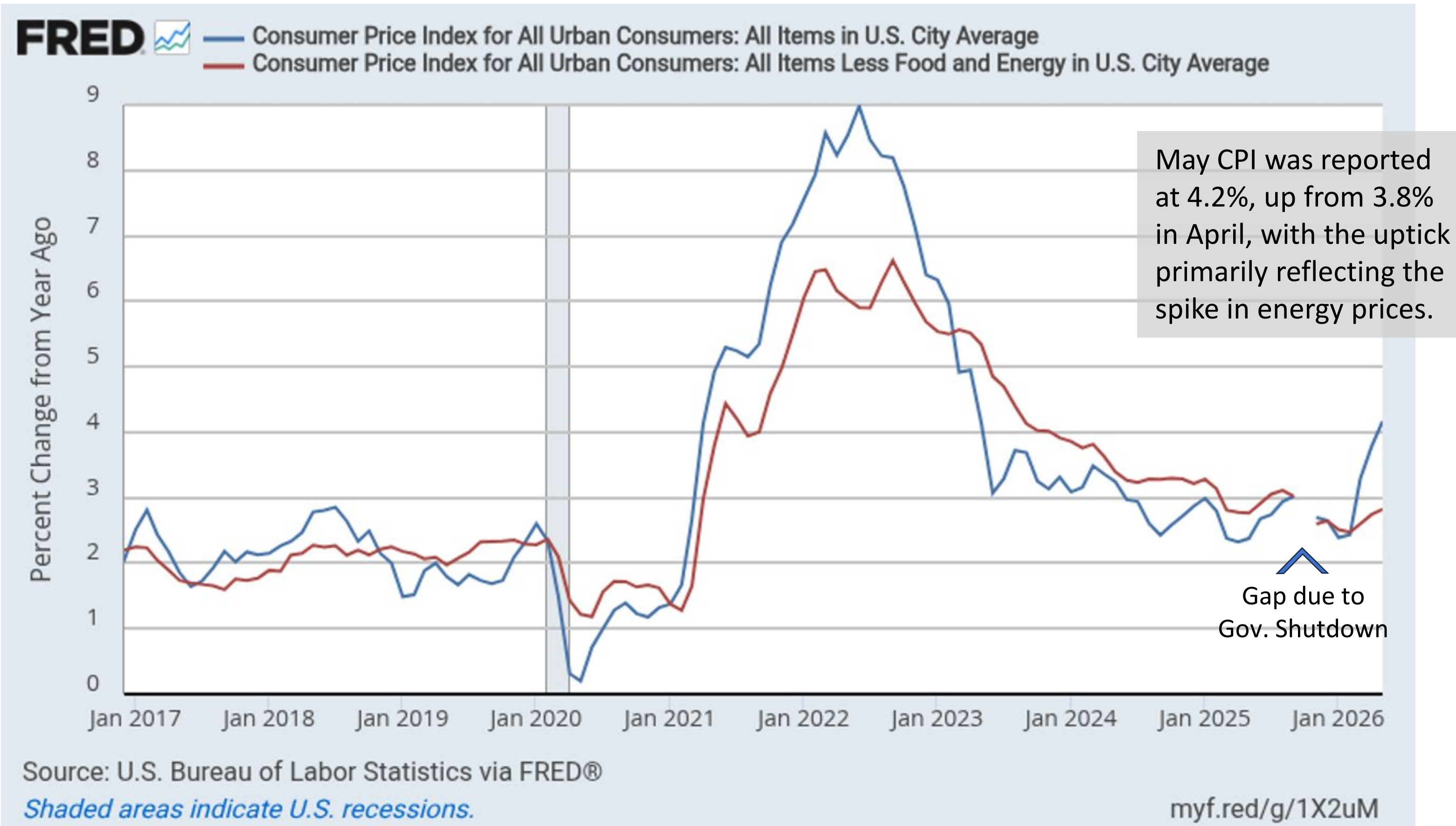
Source: Bloomberg, FactSet, Federal Reserve, J.P. Morgan Asset Management.
Market expectations are based off of USD Overnight Index Swaps. *Long-run projections are the rates of growth, unemployment and inflation to which a policymaker expects the economy to converge over the next five to six years in absence of further shocks and under appropriate monetary policy. Forecasts, projections and other forward-looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections or other forward-looking statements, actual events, results or performance may differ materially from those reflected or contemplated.
Guide to the Markets – U.S. Data are as of June 30, 2026.

J.P.Morgan
ASSET MANAGEMENT

Big change here over recent quarters. Now with inflation risks elevated due to higher crude oil prices, along with decent GDP, expectations for Fed Funds rates within 2026 have moved from anticipated cuts to anticipated hikes.

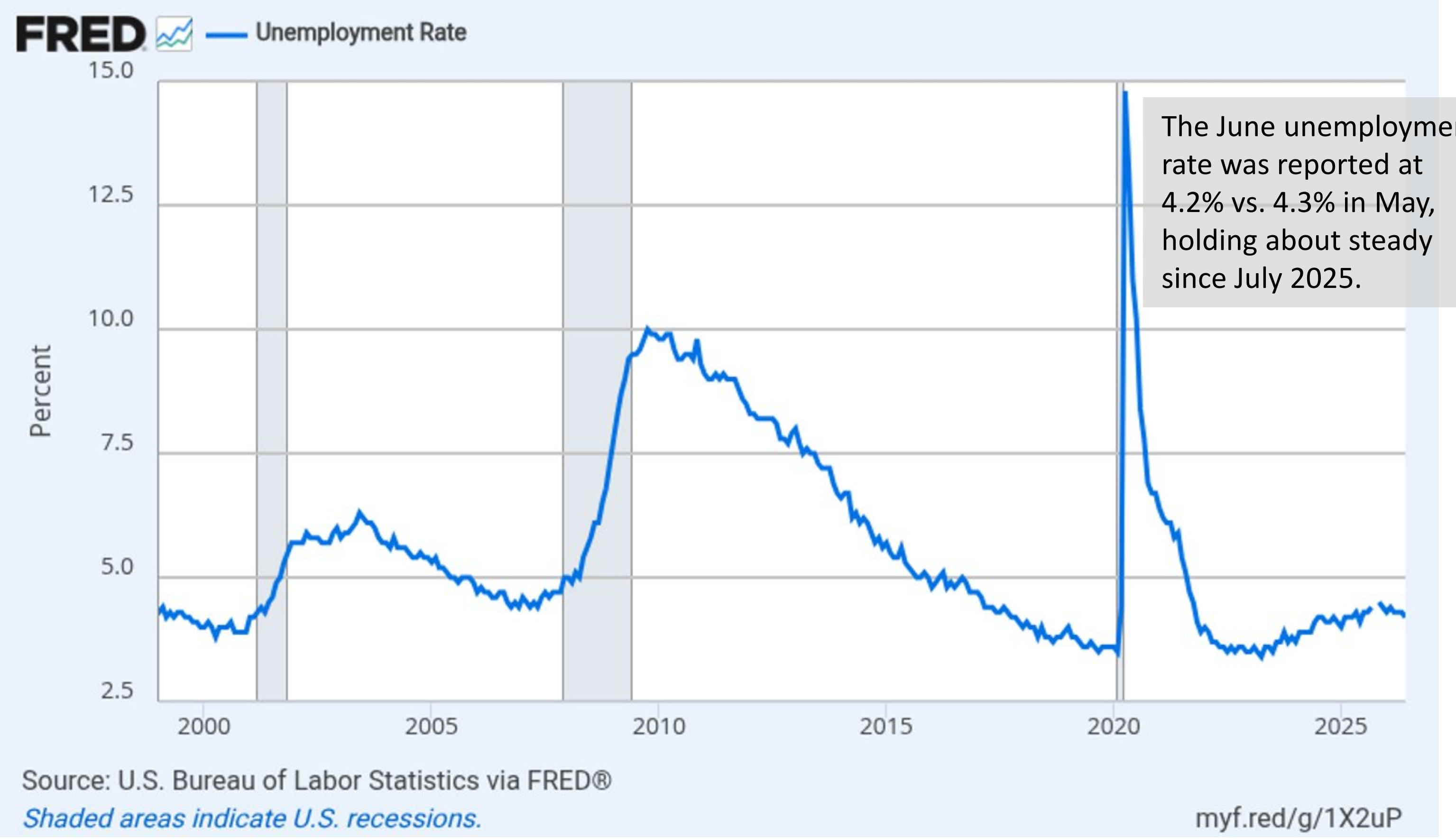
Economy

Inflation



Economy

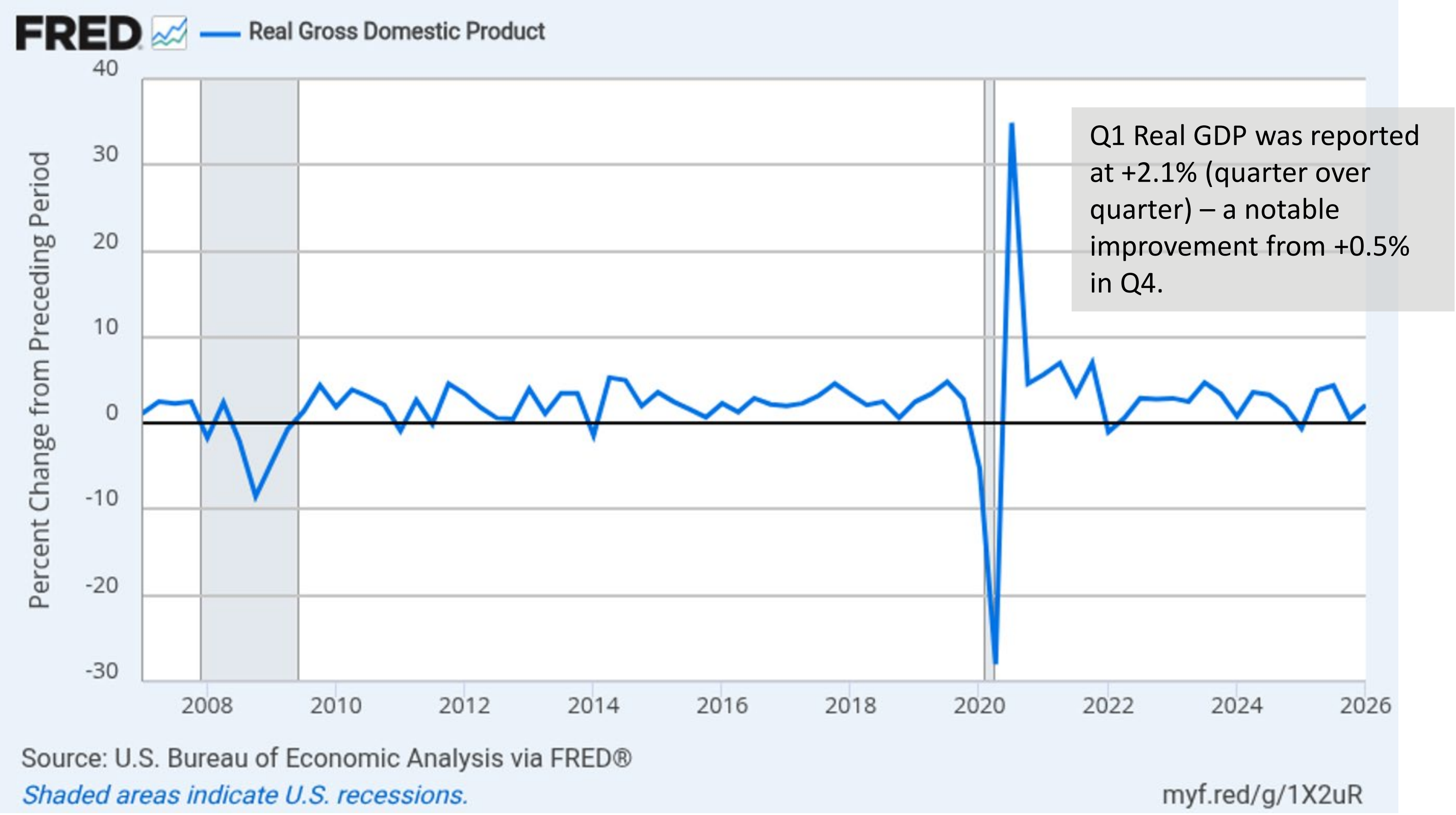
Unemployment Rate



The June unemployment rate was reported at 4.2% vs. 4.3% in May, holding about steady since July 2025.

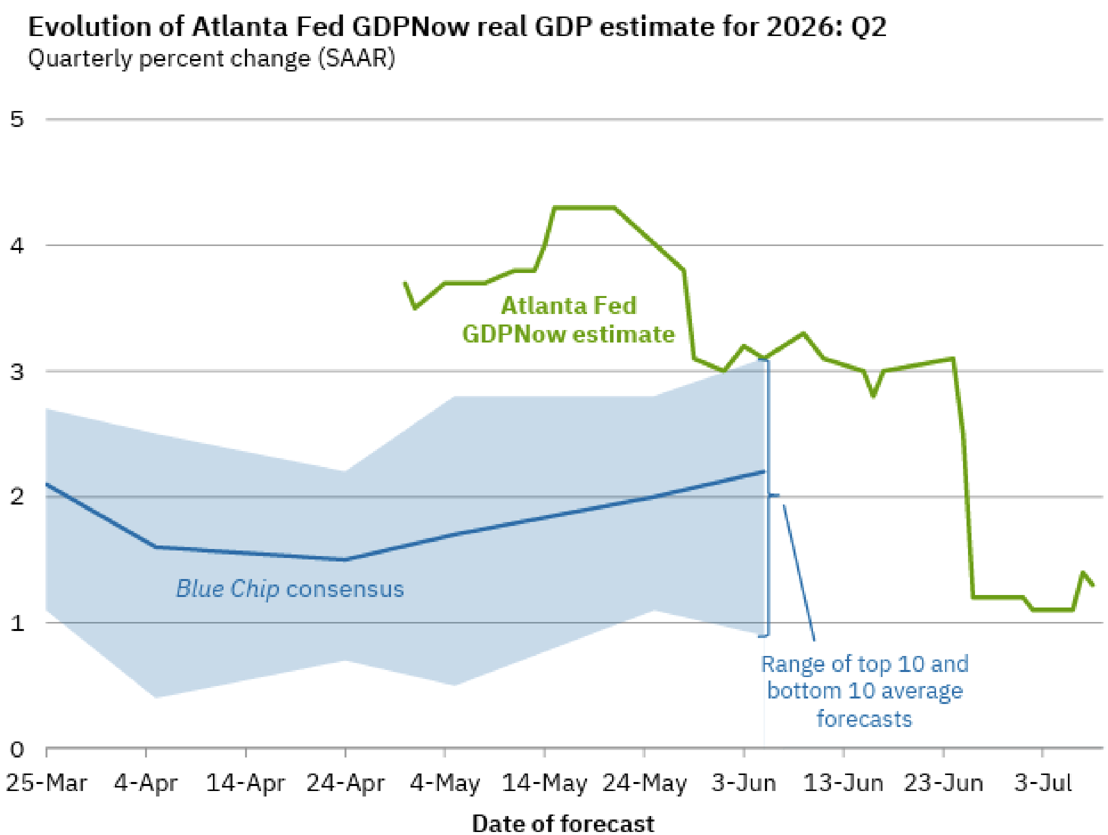
Economy

Real GDP



Economy

Real GDP Estimate – Atlanta Fed GDPNow

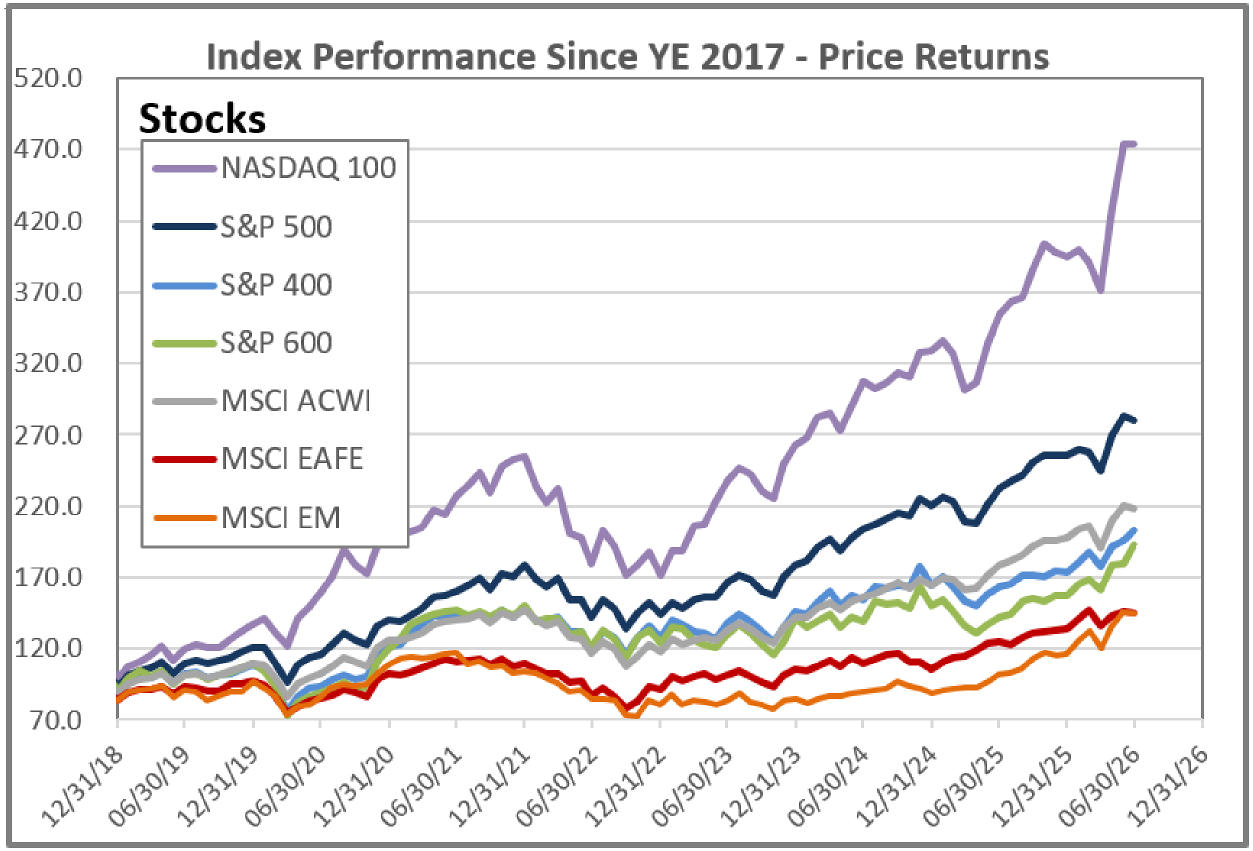


Sources: *Blue Chip Economic Indicators* and *Blue Chip Financial Forecasts*
Note: The top (bottom) 10 average forecast is an average of the highest (lowest) 10 forecasts in the *Blue Chip* survey.

The Atlanta Fed GDPNow estimate is based on a mathematical model. We surmise that the recent downward revision for the Q3 estimate is likely attributable to recently reported increases in the trade deficit.

Equities

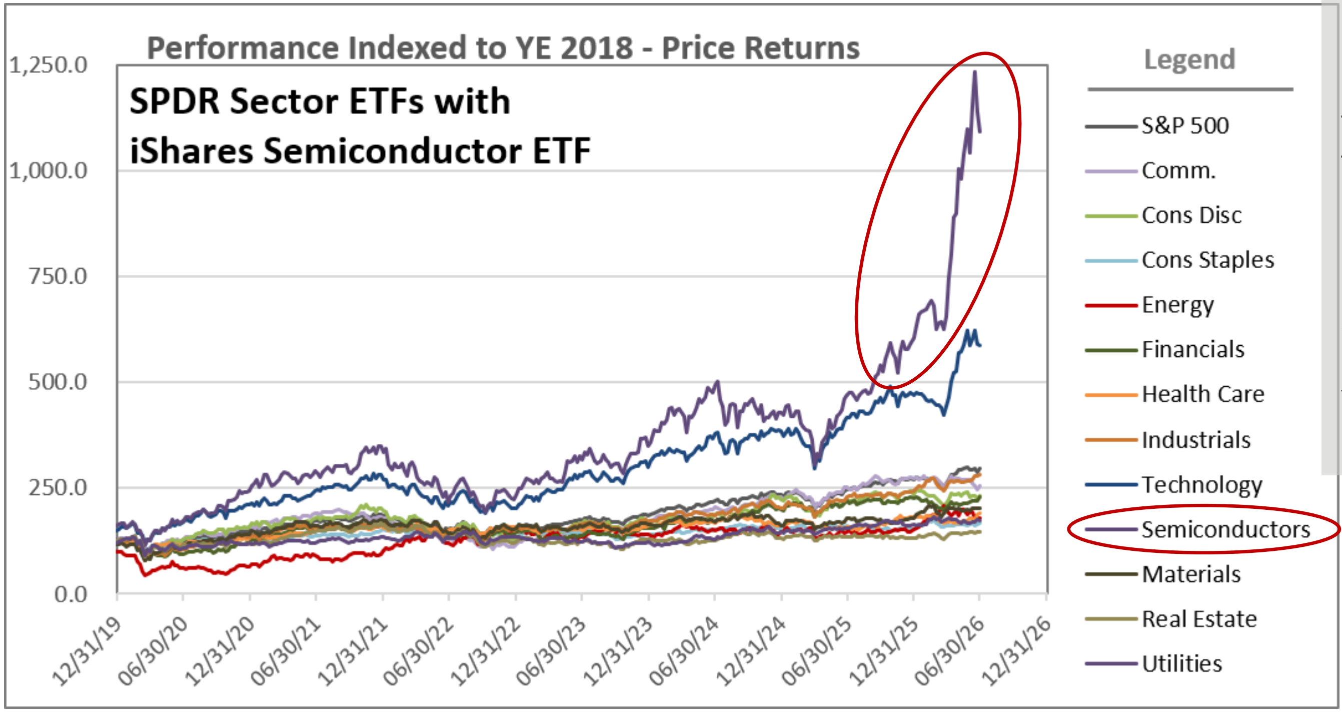
Sub-Asset Class Relative Performance



Source: Bloomberg and Yahoo Finance data, with analysis by Genesia Investments LLC

Equities

S&P 500 Sector Performance vs. AI Trade (i.e., Semis)



Semiconductor stocks, which make up just over half of the Tech Sector and about 19% of the S&P 500, have accounted for more than all of the YTD gains logged by the S&P 500. That means, excluding semis, the rest of the S&P 500 as a group has actually declined YTD. (*See summary of the math below*.)

The Equities chart on this page will rotate through the year based on perceived relevance.

The math: YTD thru June 30, the S&P 500 total return (TR) was 10.2%, the S&P Tech Sector TR was 32.7% [as measured by the SPDR Tech Sector ETF (XLK)], and semiconductor stocks TR was 113% [as measured by the iShares Semiconductor ETF (SOXX)]. As the Tech Sector accounts for just over 37% of the S&P 500, this means the Tech sector alone accounted for about 12 percentage points (32.7% x 37%) of the S&P 500's YTD gain of 10 percentage points - more than all of it. And, as semiconductor stocks account for over 50% of the S&P Tech sector, this means that semiconductor stocks alone accounted for nearly 60 percentage points of the Tech Sector's 32.7 percentage point gain - more than all of it by a factor of almost 2x.

QUARTERLY MARKET GUIDE: Q3 2026

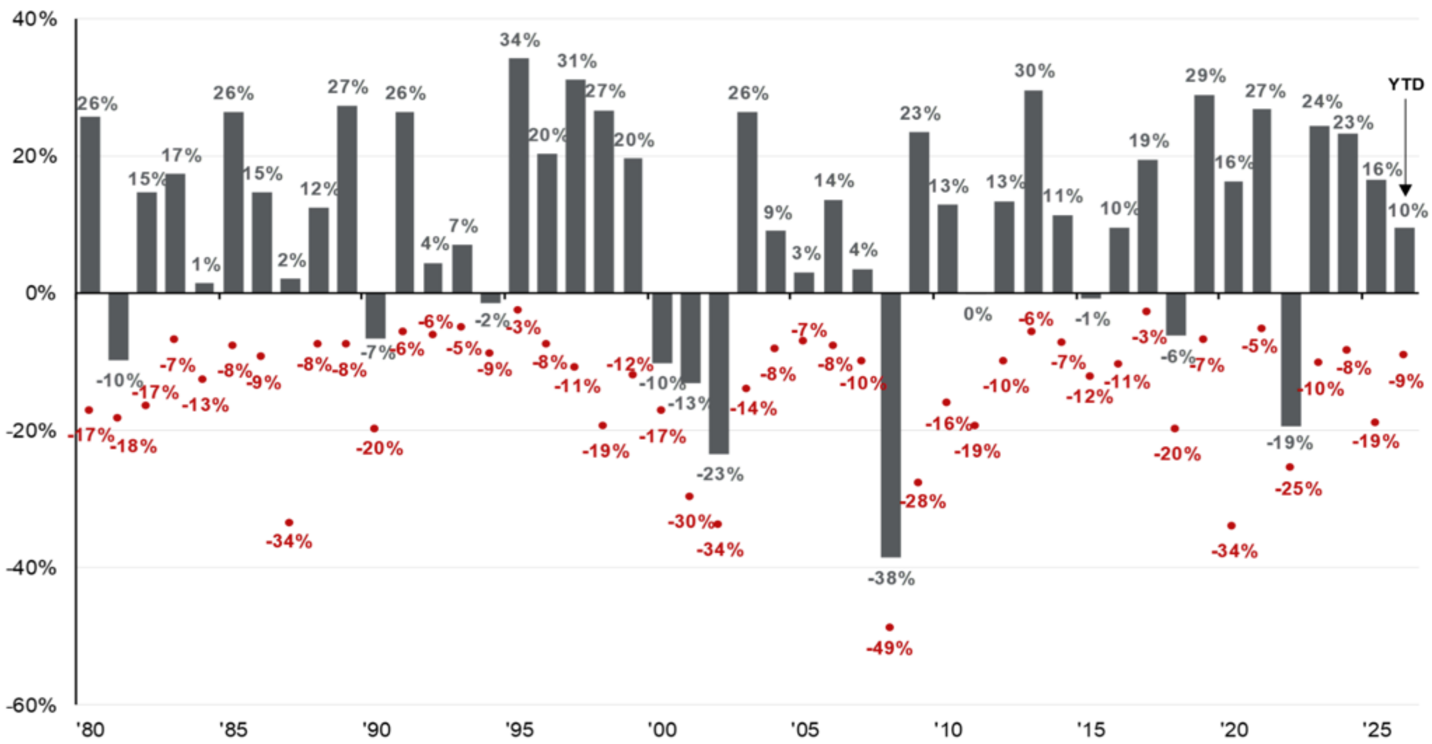
TRAVERSE PRIVATE WEALTH

Equities

S&P 500 Annual Returns & Intra-Year Declines

S&P 500 intra-year declines vs. calendar year returns

Despite average intra-year drops of 14.2%, annual returns were positive in 35 of 46 years

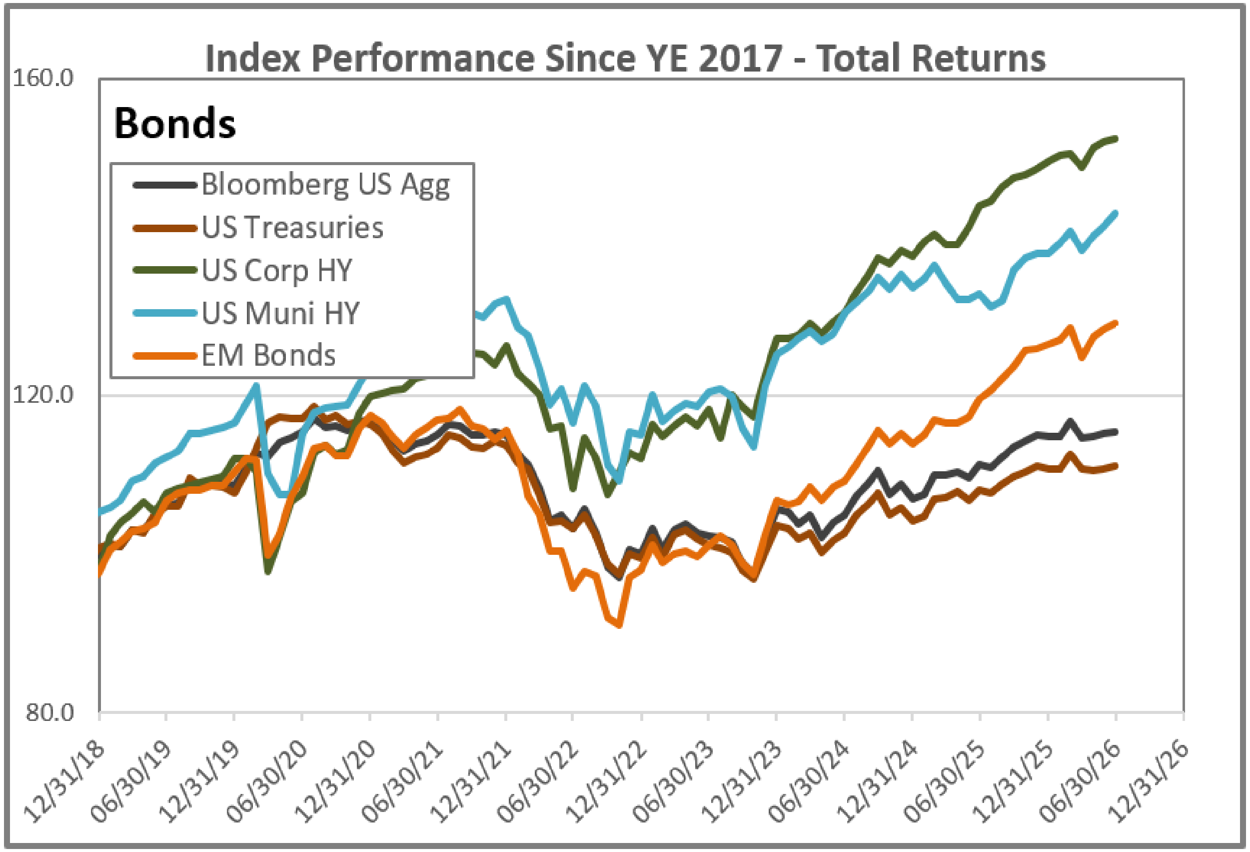


Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.
Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest peak-to-trough decline during the year. Returns shown are calendar year returns from 1980 to 2025, over which the average annual return was 10.7%. Past performance is no guarantee of future results.
Guide to the Markets – U.S. Data are as of June 30, 2026.

J.P.Morgan ASSET MANAGEMENT

Fixed Income

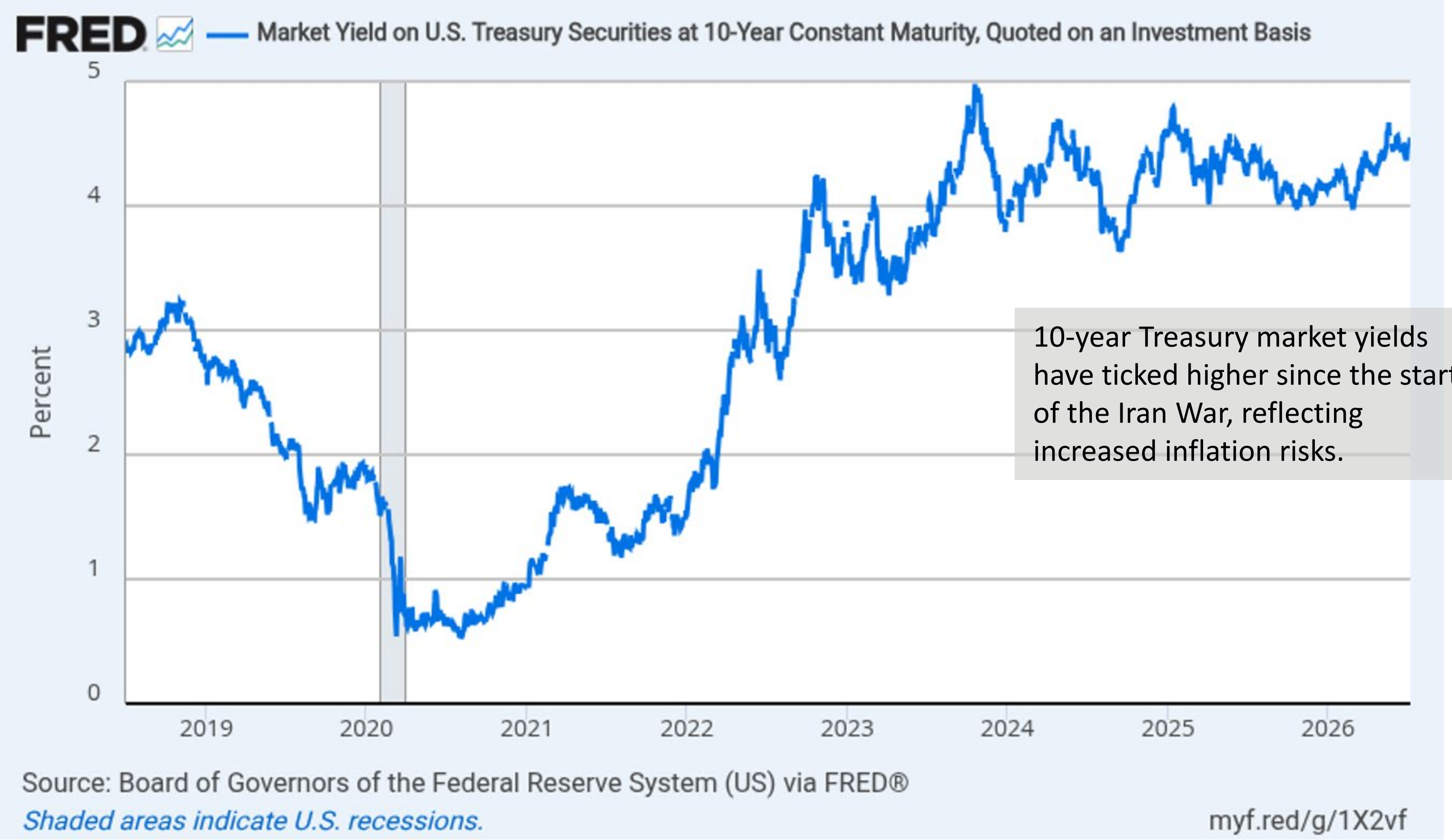
Sub-Asset Class Relative Performance



Source: Bloomberg monthly index data, with analysis by Genesia Investments LLC

Fixed Income

Market Yield - U.S. Treasury 10-Year Bond



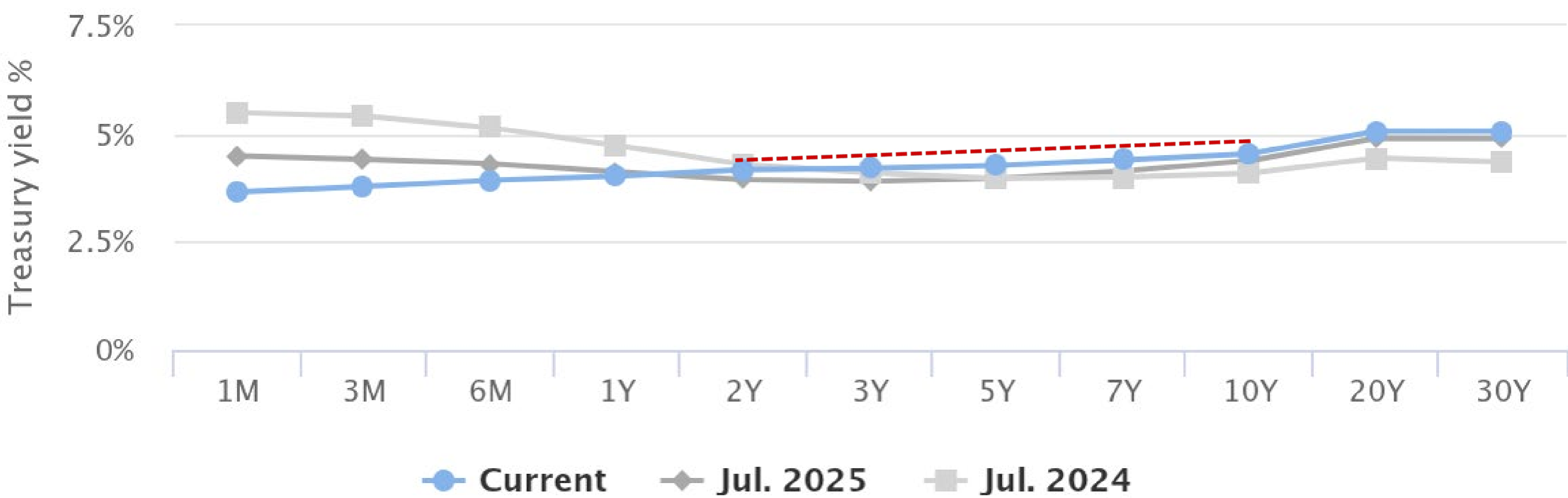
10-year Treasury market yields have ticked higher since the start of the Iran War, reflecting increased inflation risks.

Fixed Income

Treasury Yield Curve

As of July 9, 2026

The yield curve flattened a bit over the recent quarter, as short-term rates (i.e., 2 Year Treasuries) moved up by a little more than did longer-term rates (i.e., 10 Year Treasuries).



Source: GuruFocus.com

Fixed Income

Treasury Yield Spreads – 10-Year vs. 2-Year

Fixed Income

Credit Spreads – U.S. Corp High Yield vs U.S. Treasuries

High yield credit spreads remain near cycle lows.

About the Author:
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Sources Include:

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Federal Reserve Bank of Atlanta Research & Data – https://www.atlantafed.org/cqer/research/gdpnow

GuruFocus.com LLC, U.S. Treasury Yield Curve Data & Charts -- https://www.gurufocus.com/yield_curve.php

JP Morgan, Quarterly Guide to the Markets -- https://am.jpmorgan.com/us/en/asset-management/adv/insights/market-insights/guide-to-the-markets/

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Reference to market index information is included for illustrative purposes only, as it is not possible to directly invest in an index. Indexes are unmanaged, hypothetical vehicles that serve as market indicators. Index total return performance data reflects the assumptions of the reinvestment of interest and dividends but does not include the deduction of fees or transaction costs which otherwise reduce performance of an actual portfolio. The blended indexes are shown for informational purposes only and are not representative of any particular investment or plan.

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