MARKET UPDATE

Q2 2026

FOCUS FINANCIAL®

THE LAYTON TEAM

Wall Street enjoyed a solid quarter of growth during a period of time that was unstable. April, May and June saw a de-escalation in Iran, a reaffirmation of the independence of the central bank, strong corporate earnings, a resilient consumer and a U.S. economy that continued to expand despite several chaotic developments. Both the S&P 500 and the NASDAQ enjoyed strong quarters.

To describe the second quarter as a roller-coaster ride for energy markets would be an understatement. The quarter opened with investors still digesting tariff uncertainty and the ongoing U.S.-Iran conflict, which pushed energy prices higher and raised concerns about the efficacy of risk assets. There were concerns that equities were overvalued, while volatility increased as investors tried to price in the possibility of prolonged disruption to global trade and shipping routes. Then news of U.S.-Iran peace talks and a ceasefire in the Strait of Hormuz helped defuse one of the quarter's biggest concerns. The reopening of key shipping lanes and the prospect of more stable energy markets prompted stocks to move higher.

Information technology and communication services were the sector leaders as investor enthusiasm for AI drove much of the market. Industrials, real estate, financials and health care also made notable strides by the end of the second quarter, while energy, communication services and consumer discretionary spending slipped. Treasury yields drifted higher in the second quarter as energy-linked inflation coupled with fading hopes for near-term fiscal easing ultimately pushed yields up. The 10-year Treasury yield spent most of the quarter swaying within a volatile 4.0%-4.5% range.

Corporate profits are expected to carry strong momentum into the third quarter, according to FactSet. Analysts are projecting a strong year-over-year growth rate of +20%. Corporate America remains resilient despite market anxiety surrounding sticky inflation and unknown Federal Reserve interest rate policy for the rest of the year. It was a difficult time for gold, with prices steadily declining for the worst quarterly performance in 13 years. Gold began Q2 at $4,700 per ounce, then dropped under $4,030 per ounce by the end of June.

Despite persistent inflation, tighter financial conditions and geopolitical tensions, the U.S. economy showed surprising resilience. Gross domestic product held steady at an annualized rate of 2.1% during the quarter. While growth was modest, it exceeded fears of an economic contraction that prevailed throughout the end of the first quarter. Employment growth, which cooled in the first quarter, averaged ~111,000 new jobs in Q2. Growth was primarily in the professional and business services and health care/social assistance; while leisure and hospitality saw job losses. The unemployment rate moved slightly down to 4.2%.

Market/Index	2025 Close	As of June 30	Monthly Change	Quarterly Change	YTD Change
DJIA	48,063.29	52,319.20	2.52%	12.90%	8.85%
Nasdaq	23,241.99	26,213.72	-2.81%	21.41%	12.79%
S&P 500	6,845.50	7,499.36	-1.06%	14.87%	9.55%
Russell 2000	2,481.91	3,024.37	3.60%	21.15%	21.86%
Global Dow	6,169.34	6,823.89	-1.09%	9.60%	10.61%
Fed. Funds	3.50%-3.75%	3.50%-3.75%	0 bps	0 bps	0 bps
10-yr. Treasuries	4.16%	4.41%	-4 bps	10 bps	25 bps

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark performance of specific investments.

In This Update

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DO OUR BIASES AFFECT OUR FINANCIAL CHOICES?

Investors are routinely warned about allowing their emotions to influence their decisions. However, they are not often cautioned about their preconceptions and biases that may color their financial choices.

In a battle between facts & biases, our biases may win. If we acknowledge this tendency, we may be able to avoid some unexamined choices when it comes to personal finance. It may actually "pay" to recognize blind spots and biases with investing. Here are some common examples of bias creeping into our financial lives.

LETTING EMOTIONS RUN THE SHOW.

How many investment decisions do we make that have a predictable outcome? Hardly any. In retrospect, it is all too easy to prize the gain from a decision over the wisdom of the decision and to, therefore, believe that the findings with the best outcomes were the best decisions (not necessarily true). Put some distance between your impulse to make a change and the action you want to take to help get some perspective on how your emotions affect your investment decisions.

VALUING FACTS WE "KNOW" & "SEE" MORE THAN "ABSTRACT" FACTS.

Information that seems abstract may seem less valid or valuable than information related to personal experience. This is true when we consider different types of investments, the state of the markets, and the economy's health.

VALUING THE LATEST INFORMATION MOST.

The latest news is often more valuable than old news in the investment world. But when the latest news is consistently good (or consistently bad), memories of previous market climate(s) may become too distant. If we are not careful, our minds may subconsciously dismiss the eventual emergence of the next market cycle.

BEING OVERCONFIDENT.

The more experienced we are at investing, the more confidence we have in our investment choices. When the market is going up, and a clear majority of our investment choices work out well, this reinforces our confidence, sometimes to a point where we may start to feel we can do little wrong, thanks to the state of the market, our investing acumen, or both. This can be dangerous.

THE HERD MENTALITY.

You know how this goes: if everyone is doing something, they must be doing it for sound and logical reasons. The herd mentality leads some investors to buy high (and sell low). It can also promote panic selling. The advent of social media hasn't helped with this idea. Above all, it encourages market timing, and when investors try to time the market, it can influence their overall performance.

Sometimes, asking ourselves what our certainty is based on and reflecting on ourselves can be helpful and informative. Examining our preconceptions may help us as we invest.

MAKING A CHARITABLE CONTRIBUTION

Why sell shares when you can gift them? If you have appreciated stocks in your portfolio, you might want to consider donating those shares to charity rather than selling them.

Donating appreciated securities to a tax-qualified charity may allow you to manage your taxes and benefit the charity. If you have held the stock for more than a year, you may be able to deduct from your taxes the fair market value of the stock in the year that you donate. If the charity is tax-exempt, it may not face capital gains tax on the stock if it sells it in the future.

Keep in mind this article is for informational purposes only. It's not a replacement for real-life advice. Make sure to consult your tax and legal professionals before modifying your gift-giving strategy.

There are several reasons to consider donating highly appreciated stock to a tax-exempt charity. For example, you may own company stock and have the opportunity to donate some shares. There also are potential tax benefits to consider if you donate appreciated securities that you have owned for at least one year.

If you sell shares of appreciated stock from a taxable account and subsequently donate the proceeds from the sale to charity, you may face capital gains tax on any gain you realize, which effectively trims the benefit of cash donation.

When is donating cash a choice to consider? If you provide the charity with a cash gift, there may be some limitations. Cash gifts are generally deductible up to 60% of adjusted gross income. A donor should also consider state taxes in addition to federal.

If you donate shares of depreciated stock from a taxable account to a charity, you can only deduct their current value, not the value they had when you originally bought them.

Remember the tax rules for charitable donations. If you donate appreciated stock to a charity, you may want to review IRS Publication 526, Charitable Contributions. Double-check to see that the charity has non-profit status under federal tax law, and be sure to record the deduction on a Schedule A that you attach to your 1040.

If your contribution totals $250 or more, the donation must be recorded – that is, the charity needs to give you a written statement describing the donation and its value and whether it is providing you with goods or services in exchange for it.

If your total deduction for all non-cash contributions in a tax year exceeds $500, then complete and attach Form 8283 (Noncash Charitable Contributions) to your 1040 when filing. If you donate more than $5,000 of property to a charity, you will need to provide a letter from a qualified appraiser to the charity (and, by extension, the IRS) stating the monetary value of the gift(s).

Gifting cash or other assets to an organization is a wonderful opportunity. But keep in mind that tax rules are constantly being adjusted, and there's a possibility that the current rules may change. Make certain to consult your tax and legal professionals before starting a new gifting strategy.

LAYTON TEAM NEWS AND EVENTS - SUMMER EDITION

Spencer and his family enjoyed a fun vacation to Lake Vermillion where they spent time with extended family at the cabin.

Angela's son graduated from Hopkins High School in June. Her and Titus are preparing to send him off on his next great adventure in August.

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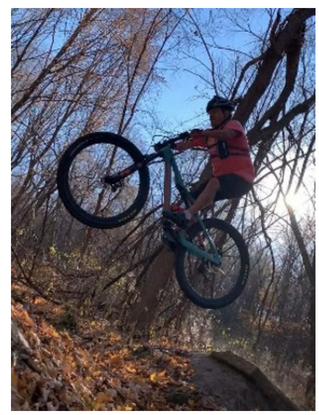
Lauren and her husband James have been enjoying many summer weekends at their cabin watching the beautiful sunsets over the lake with their new puppy, Bentley.

Tara and her family enjoyed an unforgettable family trip exploring the breathtaking beauty of Glacier and Banff. She was grateful to have taken some time away from their busy schedules to make family memories they will cherish for a lifetime.

John enjoyed a fun and relaxing trip to Idaho where he spent time fly fishing for rainbow trout in the Coeur d'Alene river.



Josue has been enjoying nature and the gorgeous weather this summer by chasing the mountain bike trails and catching some air.

Trent and his wife Mae spent two wonderful weeks traveling around Spain. They enjoyed incredible views during a hot air ballon ride.