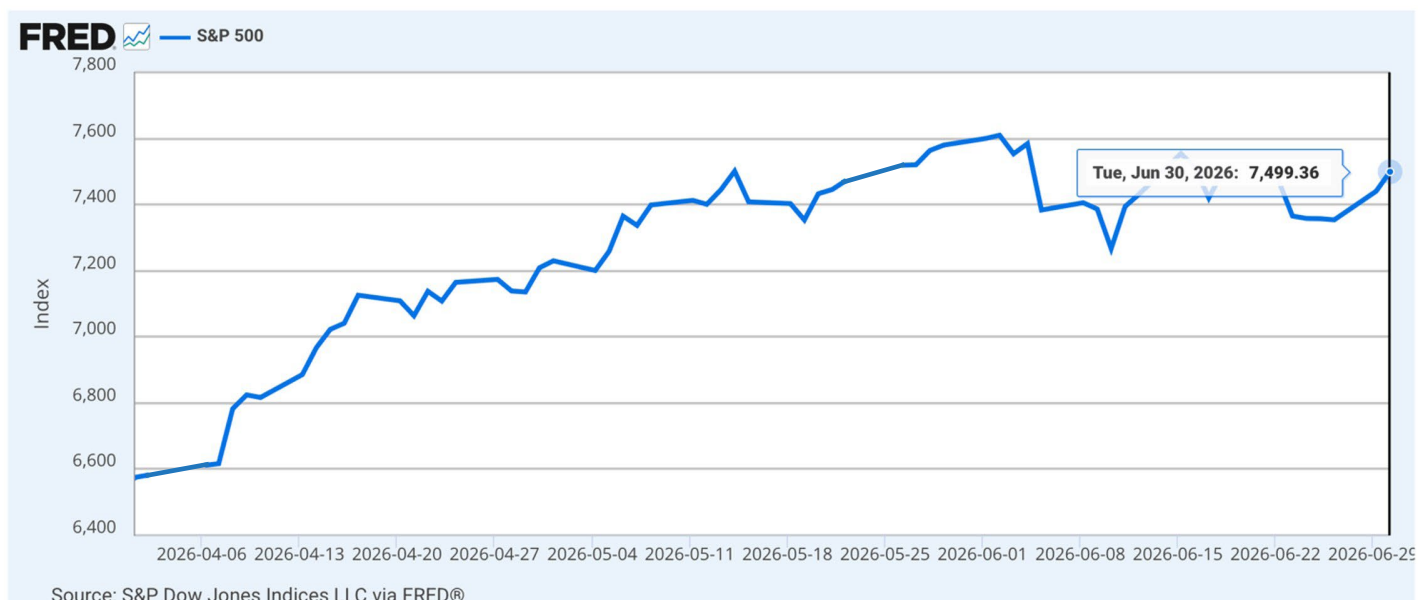


- ◆ Market Snapshot
- ◆ Geopolitics, Oil, and Inflation
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S&P 500 CHART FOR 2ND QUARTER 2026



MARKET SNAPSHOT

The second quarter of 2026 was defined by a meaningful shift in market psychology. The first quarter ended with investors focused on geopolitical escalation, higher oil prices, renewed inflation pressure, and the possibility that interest rates could remain elevated for longer. By the end of the second quarter, the tone had changed. The risks had not disappeared, but markets began to move away from the most extreme outcomes and refocused on earnings, economic resilience, and long-term growth themes.

The S&P 500 chart above reflects that change in sentiment. After beginning the second quarter near 6,528, the index recovered sharply and ended June at approximately 7,499. While the path was not straight, the quarter demonstrated how quickly equity markets can recover when investors believe that worst-case scenarios are becoming less likely.

Oil prices remained an important part of the story. The late-first-quarter disruption in the Strait of Hormuz pushed energy prices higher and raised concerns that inflation could reaccelerate. As the second quarter progressed, supply concerns moderated, cease-fire discussions advanced, and oil prices moved lower from their highs. This helped reduce the immediate inflation shock that had pressured markets earlier in the year.

Economic data remained mixed but generally supportive. Inflation was still above the Federal Reserve's long-term target, but the pressure was more concentrated in energy than in a broad reacceleration across the economy. May CPI increased 4.2% year over year, while core CPI increased 2.9%, with energy up 23.5% over the prior year. Labor market data also showed signs of cooling but nothing drastic. June payrolls increased by only 57,000, while the unemployment rate declined to 4.2% as labor force participation also moved lower.

Against this backdrop, equity markets rallied sharply. Investors appeared willing to look through the initial geopolitical disruption and refocus on resilient corporate earnings, improving market breadth, and the possibility that the inflation impact from higher oil prices may prove temporary. We note that crude oil closed on June 30th at \$70.38 per barrel, down from \$101.38 March 31st. Technology and growth stocks rebounded strongly, but the recovery was not limited to mega-cap leadership. Mid-cap and small-cap stocks also participated meaningfully, which is an important improvement from the narrow leadership seen in prior periods.

The chart below indicates the performance for each major asset category for the past five quarters. Returns shown reflect index price performance and exclude dividends.

Selected Indices	6/30/25	9/30/25	12/31/25	3/31/26	6/30/26	2Q%
S&P 500 (Large Cap)	6,209	6,688	6,845	6,528	7,499	14.87%
S&P 400 (Mid Cap)	3,102	3,263	3,340	3,376	3,853	14.13%
S&P 600 (Small Cap)	1,333	1,449	1,467	1,513	1,804	19.23%
Dow Jones Industries (Large Cap)	44,126	46,397	48,063	46,301	52,319	13.00%
Nasdaq	20,409	22,660	23,241	21,590	26,214	21.42%
MSCI/EAFE (International)	89	93	95	97	104	7.22%
Treasury Bond Rates						
5-year Treasury Note Yield (%)	3.79	3.74	3.72	3.94	4.19	6.35%
10-year Treasury Note Yield (%)	4.21	4.15	4.18	4.31	4.44	3.02%

The chart above indicates the performance for each major asset category for the past 5 quarters. Returns shown reflect index price performance and exclude dividends.

Domestic Stocks

U.S. equities recovered strongly in the second quarter following first quarter weakness. Index level changes as shown in the chart above include the S&P 500 which rose 14.88%, the Dow Jones Industrial Average advanced 13.00%, and the Nasdaq Composite increased 21.42%.

The strongest rebound came from areas that had been under the most pressure earlier in the year, particularly growth-oriented and technology-related stocks. As oil prices dropped and geopolitical concerns moderated, investors became more willing to reprice risk assets higher. The Nasdaq's outperformance reflected renewed enthusiasm for technology, artificial intelligence infrastructure, and growth stocks.

Importantly, the rally was not limited to large-cap technology. The S&P MidCap 400 rose 14.12%, while the S&P SmallCap 600 advanced 19.26%. This broader participation was encouraging because it suggested the recovery was not entirely dependent on a narrow group of mega-cap companies.

Overall, domestic equity performance in Q2 reflected a sharp reversal from Q1. Markets moved from fear of an expanding energy and inflation shock toward a more constructive view that the economy could absorb the disruption without falling

into recession. However, after such a strong rebound, valuations again become important, and future gains will likely require continued earnings growth.

International Markets

International equities also advanced during the quarter, though gains were more modest than in U.S. markets. The MSCI EAFE Index increased 7.09% during the second quarter.

Developed international markets continued to benefit from more attractive starting valuations relative to the U.S. and less exposure to the concentrated mega-cap technology leadership that has driven much of the domestic market. However, performance was restrained by global energy uncertainty, currency movements, and uneven economic growth outside the United States.

Currency dynamics also remained important. The U.S. dollar strengthened during periods of geopolitical stress but later softened as oil prices declined and markets reduced expectations for a more aggressive Federal Reserve response. While international equities participated in the broader recovery, the second quarter favored U.S. markets, particularly because of the sharp rebound in technology and growth-oriented sectors.

Treasury Bond Yields

Treasury yields modestly moved higher during the second quarter. The 5-year Treasury yield increased from 3.94% to 4.19%, while the 10-year Treasury yield rose from 4.31% to 4.44%.

The increase reflected the market's reassessment of inflation risk following the energy shock. Even as oil prices eased later in the quarter, inflation data remained uncertain, and investors became less confident that the Federal Reserve would be able to cut rates quickly.

At the same time, yields moderated somewhat late in the quarter as oil prices retreated, and investors began to believe the worst of the inflation shock may have passed. Fixed income markets remained caught between two competing narratives: *inflation that is still too high, and an economy and labor market that are beginning to cool.*

Overall, bond performance remained challenged by higher yields, particularly in longer-duration securities. The quarter reinforced the importance of discipline around duration, credit quality, and liquidity.

Federal Reserve Actions

The Federal Reserve maintained a cautious and data-dependent stance during the second quarter. At its June 17 meeting, the Fed held the federal funds rate steady at 3.50%–3.75%, reaffirming its commitment to controlling inflation while supporting a stable labor market.

The Fed's challenge became more complicated during the quarter. Headline inflation moved higher due to energy prices, making near-term rate cuts more difficult to justify. At the same time, labor market data began to soften, with June payroll growth slowing and labor force participation declining.

For now, the Fed appears to be in a holding pattern. Inflation remains above target, but the economy is no longer clearly overheating. This leaves policy in a cautious position, with little urgency to cut rates, and also limited reason to tighten further unless inflation pressures persist.

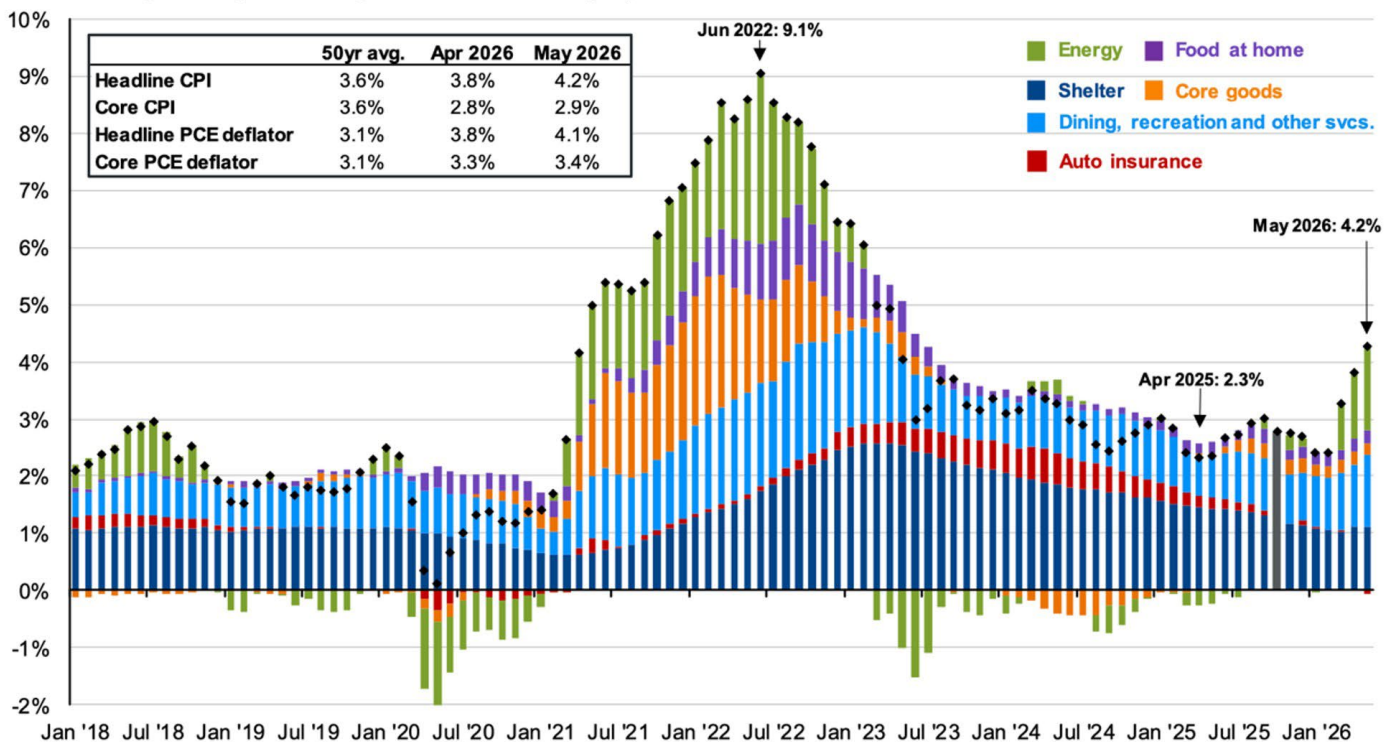
GEOPOLITICS, OIL, AND INFLATION

Geopolitics remained an important part of the market backdrop during the second quarter, but the tone improved from the prior quarter. The first quarter forced markets to digest the escalation involving the United States, Israel, and Iran, along with disruption in the Strait of Hormuz and the risk of a larger energy shock.

During the second quarter, oil prices remained volatile, but the market began to move away from the most extreme scenarios. Energy prices eased from their highs as supply concerns moderated, and investors became more confident that the disruption would not necessarily become a prolonged global supply crisis.

Contributors to headline CPI inflation

Contribution to year-over-year % change in CPI, non-seasonally adjusted



Source: BLS, FactSet, J.P. Morgan Asset Management

The CPI chart above is useful because it shows how inflation pressures have shifted over time. The inflation spikes in 2021 and 2022 were broad and persistent. The more recent increase was more concentrated, with energy playing a larger role. That distinction matters. If oil prices remain contained, the inflation impact may prove temporary. If the conflict re-escalates or key energy routes are restricted again, inflation expectations and Treasury yields could move higher.

Oil prices moved higher during the disruption, but the current environment remains very different from the 1970s. The United States is far less dependent on foreign oil than it was fifty years ago, supported by stronger domestic production and a more diversified energy supply chain. That does not make the U.S. immune from global oil prices, but it does make the economy better positioned to absorb temporary disruption.

For now, the market appears to be treating the energy shock as serious but manageable. The duration of the disruption will matter more than the initial move. A short-lived period of higher oil prices may leave only a temporary mark on inflation, while a more prolonged period would place greater pressure on consumers, businesses, and financial markets.

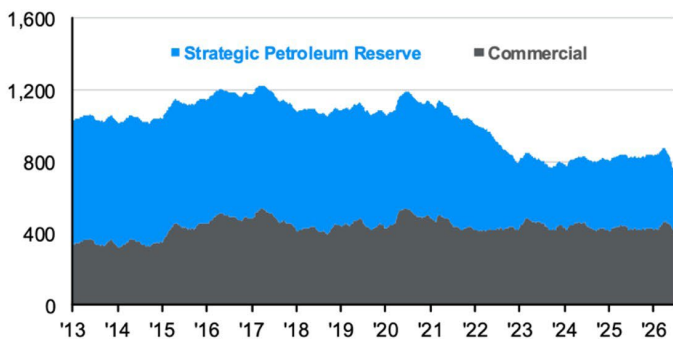
Change in production and consumption of liquid fuels

Production, consumption and inventories, millions of barrels per day

Production	'23	'24	'25*	'26*	'27*	'23-'27
U.S.	22.0	22.8	23.6	24.2	25.0	13.9%
OPEC	28.5	28.4	29.3	23.1	29.3	2.8%
Russia	10.9	10.5	10.5	10.5	10.7	-2.4%
Global	102.5	103.1	106.1	99.0	109.3	6.7%
Consumption						
U.S.	20.3	20.5	20.6	20.7	20.7	2.2%
China	16.0	16.4	16.6	16.4	16.9	5.9%
India	5.4	5.6	5.7	5.8	6.1	13.2%
Global	101.4	102.8	104.0	102.9	105.3	3.8%
Inventory Change						
	1.0	0.3	2.1	-3.9	4.0	

U.S. crude oil inventories

Million barrels



Price of oil

WTI crude, nominal prices, USD/barrel



Source: FactSet, J.P. Morgan Asset Management; (Top and bottom left) EIA. Forecasts are from the April 2026 EIA Short-Term Energy Outlook and start in 2025. Liquid fuels include crude oil, natural gas, biodiesel and fuel ethanol. WTI crude prices are continuous contract NYM prices in USD.

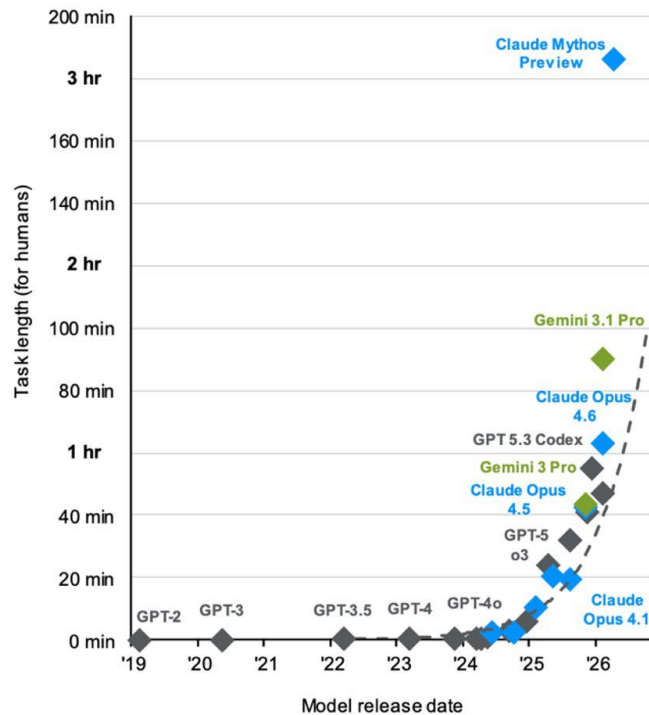
ARTIFICIAL INTELLIGENCE AND MARKET LEADERSHIP

Artificial intelligence remained one of the most important themes driving markets in the second quarter. The AI story is no longer limited to software companies or a handful of large technology stocks. It is influencing semiconductors, data centers, utilities, power infrastructure, industrial companies, and capital spending plans across the economy. This helps explain why technology and growth stocks rebounded so strongly during the quarter. Investors continue to view AI as a long-term driver of productivity, earnings growth, and corporate investment.

The following AI chart is important because it shows that this theme is moving from imagination to implementation. Models are becoming more capable, and businesses across many industries are beginning to use AI in at least some part of their operations. That is why markets are assigning value not only to the companies building AI models, but also to the companies providing the infrastructure required to support them. At the same time, the AI theme is becoming more complex. The opportunity is real, but the level of investment required is enormous. Data centers require power, cooling, land, transmission capacity, and ongoing capital investment. This is beginning to create second-order effects across the economy, particularly in electricity demand, utility planning, and infrastructure spending.

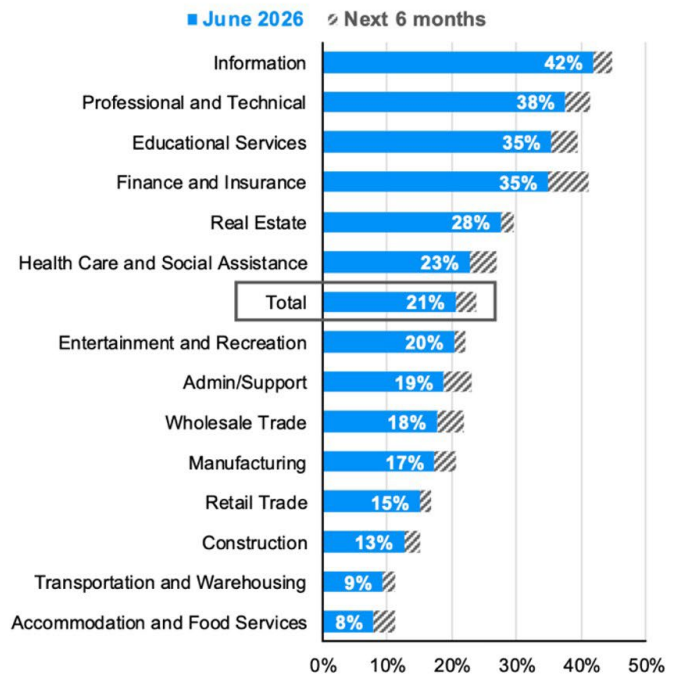
Length of tasks AI agents can autonomously complete

Time to complete tasks at 80% success, by model*



Businesses using AI in any business function

% of all firms reporting use of AI applications



Source: J.P. Morgan Asset Management; (Left) METR, “Measuring AI Ability to complete long tasks”; (Right) Census Business Trends and Outlook

The important distinction is that AI may be both a longer-term investment theme and also a source of valuation risk. The market is increasingly pricing in the expectation that AI will produce meaningful earnings growth and productivity gains. If that happens, the investment cycle may be justified. If earnings do not keep pace with expectations, some AI-related areas could become vulnerable to disappointment.

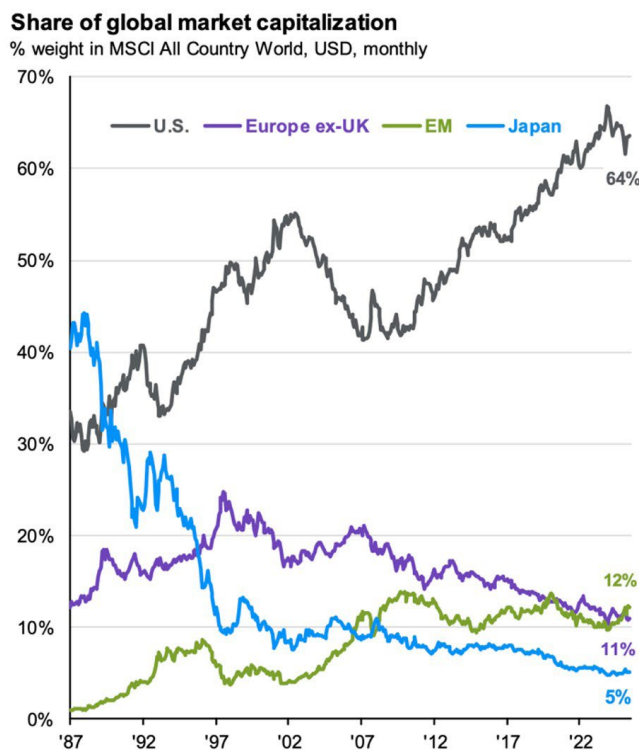
For investors, the practical takeaway is to remain balanced. AI is likely to remain an important driver of market leadership, but not every company connected to AI will benefit equally. As with prior technology cycles, the long-term impact may be significant, but the market will still need to separate real earnings growth from speculation.

EARNINGS, VALUATIONS, AND MARKET BREADTH

Beyond geopolitics, oil, and artificial intelligence, the second quarter also reflected a renewed focus on corporate earnings and market breadth. After a difficult first quarter, investors became more willing to look through short-term uncertainty because earnings expectations remained generally stable.

This is important because market recoveries are more resilient when they are supported by earnings rather than only by expanding valuations. In 2025, much of the market’s strength came from a combination of strong earnings and higher price-to-earnings multiples. In the second quarter of 2026, the rebound again pushed valuations higher, which means future returns may depend more heavily on whether earnings can continue to grow.

Returns	2026 YTD		2025		15-years Ann.
	Local	USD	Local	USD	
Regions					
U.S. (S&P 500)	-	10.2%	-	17.9%	14.4%
Non-U.S.	16.6%	14.0%	25.1%	33.1%	7.1%
EAFE	12.1%	9.8%	21.2%	31.9%	7.4%
Eurozone	13.1%	10.1%	24.7%	41.3%	7.6%
Emerging markets	26.9%	24.0%	32.1%	34.4%	5.7%
Selected Countries					
Japan	20.2%	16.0%	24.7%	25.1%	8.3%
UK	7.6%	6.2%	25.8%	35.1%	6.4%
France	6.2%	3.4%	14.2%	29.5%	7.0%
Canada	11.5%	7.7%	30.9%	37.4%	7.2%
Germany	2.2%	-0.5%	20.9%	37.1%	6.2%
China	-14.8%	-14.9%	30.7%	31.4%	2.9%
Taiwan	64.8%	62.6%	34.0%	39.8%	16.9%
Korea	135.4%	118.9%	96.5%	100.8%	11.3%
India	-4.9%	-9.7%	9.5%	4.3%	5.7%
Brazil	4.5%	9.5%	35.6%	50.4%	0.4%



Source: FactSet, MSCI, Standard & Poor's, J.P. Morgan Asset Management.

The global market capitalization chart above also provides some perspective. U.S. stocks continue to represent a historically large share of global equity market value. That reflects the strength of U.S. corporate earnings, the dominance of U.S. technology companies, and the depth of U.S. capital markets. However, it also means investors should be aware of concentration risk. A large portion of global equity performance is now tied to the continued success of U.S. companies, particularly the largest technology and AI-related names.

At the same time, concentration remains a significant risk. A large portion of U.S. market performance continues to be influenced by a relatively small group of dominant companies, many of which are tied directly or indirectly to artificial intelligence. That does not mean the opportunity is not real, but it does mean expectations are high.

The key question going forward is whether earnings growth can broaden beyond the largest companies. If earnings improve across more sectors and market capitalizations, the recovery would likely be on stronger footing. If leadership narrows again, the market may become more vulnerable to disappointment from a small number of highly valued companies.

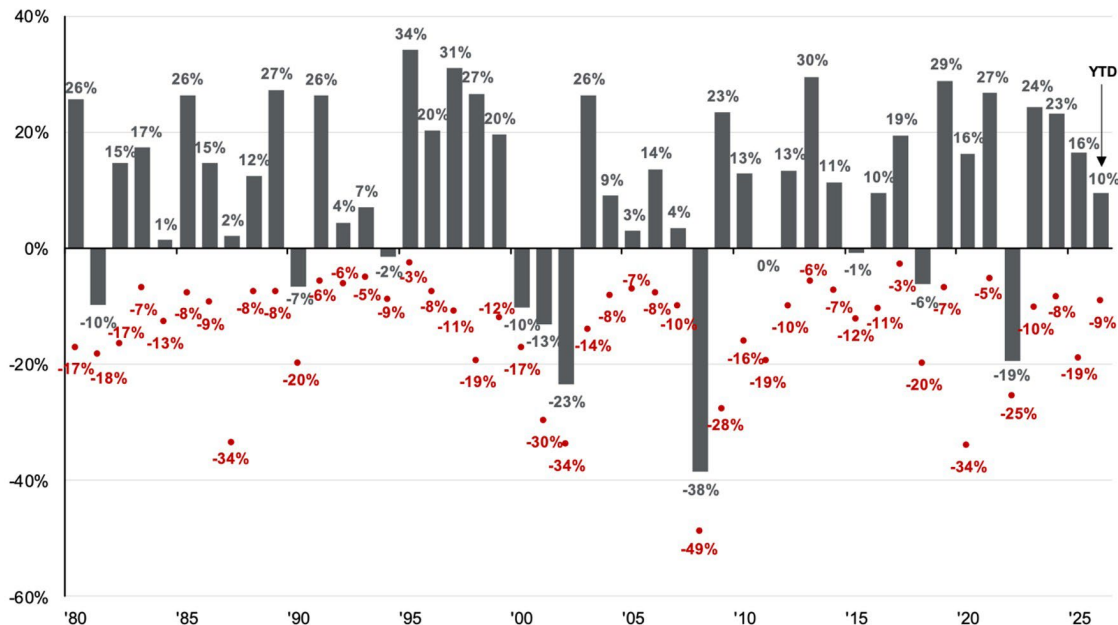
SUMMARY

The second quarter of 2026 reflected a meaningful recovery from the volatility experienced earlier in the year. Equity markets rebounded sharply, supported by resilient earnings, easing oil concerns, broader market participation, and continued enthusiasm surrounding artificial intelligence.

At the same time, several risks remain. Inflation is still above the Federal Reserve's target, Treasury yields moved higher, geopolitical risks have not fully disappeared, and equity valuations are again more demanding after the strong rally. Artificial intelligence remains a powerful long-term theme, but it also introduces valuation risk if expectations move too far ahead of actual earnings and productivity gains. Investors have been historically rewarded for maintaining investment in the markets, as the chart below indicates. Albeit, yearly and periodic volatility is a normal part of the investment landscape.

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.

At Chancellor Wealth Management, we continue to believe the appropriate response is not to be set off course by reacting to short-term headlines, but to remain disciplined with a long-term strategy. Markets have moved through periods of uncertainty, but a well-built plan should be designed to withstand volatility and remain aligned with each client's long-term goals.

IMPORTANT DISCLOSURES

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