



QUARTERLY MARKET COMMENTARY

SECOND QUARTER 2026

THE FED TURNS, EARNINGS SURGE,
AND THE CASE FOR STAYING INVESTED.

“GOOD NEWS AND CAUTION ARRIVED TOGETHER.”

FOR CLIENTS & PROSPECTIVE CLIENTS · JUNE 2026

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QUARTER IN REVIEW

THE FED TURNS, EARNINGS SURGE, AND THE CASE FOR STAYING INVESTED.

Last quarter we wrote to you in the middle of a geopolitical shock, with the conflict in the Middle East pushing oil and risk premia higher along with the overall level of economic uncertainty. Despite the economic nerves, the economy remained resilient and corporate profits accelerated sharply in the second quarter, but the inflation that came along with them has proven to be sticky. The result has been a mild pivot in rhetoric from the Fed, but more importantly, expectations for earnings growth in the U.S. have increased at the fastest pace that we have seen in years. Investors who remained invested participated in the rebound despite high valuations and geopolitical uncertainty. Our base case for the second half of the year remains constructive, but the path is uncertain and risks remain elevated.

A SHORT RECAP OF THE CHANGING OF THE GUARD AT THE FED

The Federal Reserve held its policy rate at a target range of 3.50%–3.75% at the June 16–17 meeting, the first chaired by Kevin Warsh. The decision itself was expected; the news was in the projections. Compared with March, the Committee marked inflation up, trimmed growth modestly, and flipped the implied path for policy from a cut to a likely hike sometime before the end of 2026.¹

MEDIAN FOMC PROJECTION	MARCH 2026	JUNE 2026
Real GDP growth, 2026 (Q4/Q4)	2.4%	2.2%
Unemployment rate, year-end 2026	4.4%	4.3%
Core PCE inflation, 2026	2.7%	3.3%
Headline PCE inflation, 2026	2.7%	3.6%
Fed funds rate, year-end 2026	3.4%	3.8%
Implied 2026 policy path	One 25 bp cut	Bias toward a hike

Source: Federal Reserve, Summary of Economic Projections, June 17 and March 18, 2026 (median projections).

The takeaways are that the Fed described activity as expanding at a solid pace, with strong productivity and capital investment — but that the energy-driven price pressures from the Middle East conflict have pushed the inflation forecast meaningfully higher and pushed out the potential date for Fed easing. For the long-term investor, the practical implication is a mildly higher-for-longer cash and bond-yield environment than the consensus expected at the start of the year.

THE EARNINGS STORY: U.S. PROFIT EXPECTATIONS HAVE SURGED

While the macro headlines turned more cautious because of the war, corporate fundamentals raced on. Current consensus estimates project S&P 500 earnings growth of roughly 24%–25% for 2026, up from less than 16% at the start of the year. That pattern is unusual: analysts more often trim estimates as a year unfolds, not raise them. First-quarter results were described as exceptionally strong, second-quarter growth is tracking above 20%, and profit margins are running at record levels.²

Much of the upgrade traces to the artificial-intelligence capital-expenditure cycle, with AI-infrastructure beneficiaries accounting for roughly half of this year's earnings growth, though the broadening into the "other 493" has also improved. Among the third-party forecasts we review, Goldman Sachs raised its year-end 2026 S&P 500 target to 8,000 and lifted its 2026 earnings-per-share estimate to about \$340 (24% growth). Forecasts are not guarantees and should be weighed against valuation, policy, inflation, and geopolitical risks. Since the end of the first quarter the index has risen roughly 13% and traded back near record highs.³

“ANALYSTS MORE OFTEN TRIM ESTIMATES AS A YEAR UNFOLDS, NOT RAISE THEM.”

A WORLD TOUR: GROWTH, INFLATION, POLICY, CURRENCIES, EARNINGS

The tables below summarize where the major economies outside the United States stand at mid-year. The common thread is divergence: growth, inflation, and monetary policy are pulling in different directions across regions.

ECONOMIC GROWTH

Global growth is projected at about 3.1% in 2026, a touch slower than 2025 as the Middle East conflict and higher energy prices weigh on activity, before firming to 3.2% in 2027. The United States remains the standout among large developed economies; India leads the emerging world.⁴

ECONOMY	2026 REAL GDP GROWTH	COMMENT
World	≈ 3.1%	Slower on energy/war drag; 3.2% in 2027
United States	2.2%	Fed June SEP (Q4/Q4); above ~2.0% trend
Eurozone	≈ 1.1%	Cyclical improvement; structural headwinds
Germany	≈ 0.9%	Fiscal easing (defense, infrastructure) helping
United Kingdom	≈ 1.0%	War + slower easing weigh on growth
Japan	≈ 0.9%	Domestic-demand led; policy normalizing
China	≈ 4.4%	Property drag vs. strong exports/tech
India	≈ 6.4%	Fastest-growing major economy
Emerging markets (agg.)	≈ 4.2%	Wide dispersion across countries

Source: IMF World Economic Outlook, April 2026 (reference scenario); U.S. figure from the Federal Reserve June 2026 SEP (Q4/Q4).

INFLATION

Inflation is the swing variable of 2026. The energy shock has lifted headline rates across the board, most visibly in the United States and Europe, before an expected gradual moderation as the conflict's effects fade.⁵

ECONOMY	HEADLINE INFLATION, 2026	COMMENT
United States	4.2% (CPI, May)	Fed projects 3.6% PCE by year-end (core 3.3%)
Eurozone	≈ 3.2% (HICP)	Above the ECB's 2% target on energy
United Kingdom	≈ 3%	Sticky services inflation
Japan	≈ 2%	At the BoJ target for the first time in a generation
China	≈ 1%	Disinflation; rising slowly off a low base
India	≈ 4%	Near target after a soft 2025
World	Up then down	IMF: ticks up in 2026, declines in 2027

Source: U.S. BLS (CPI, May 2026) and Federal Reserve SEP; Eurostat; IMF WEO April 2026. Figures marked "≈" are estimates / latest readings.

CENTRAL-BANK POLICY RATES

The synchronized easing that markets expected in January has fractured. The European Central Bank delivered its first hike since 2023 in June, the Bank of Japan is tightening to support the yen, the Fed has shifted to a hawkish hold, and a few banks that would like to cut feel unable to while energy-driven inflation persists. Divergent policy is a recipe for currency volatility and relative-return differences across regions.⁶

CENTRAL BANK	POLICY RATE (LATE JUNE 2026)	RECENT DIRECTION
Federal Reserve (US)	3.50%–3.75%	Hawkish hold; dots imply a possible hike
ECB (Eurozone)	2.25%	Hiked +25 bp on June 11 — first since 2023
Bank of England	3.75%	On hold; cautious on services inflation
Bank of Japan	≈ 1.00%	Tightening; defending a weak yen
Bank of Canada	2.25%	On hold
Swiss National Bank	0.00%	On hold at the lower bound
People's Bank of China	≈ 3.0%	Easing bias; benchmark rates near record lows

Source: respective central banks, as of late June 2026.

CURRENCIES

The U.S. dollar fell about 9% in 2025, a major tailwind for international holdings. That has reversed in 2026: the dollar index climbed back above 100 in June — its highest since May 2025 — as the Fed's hawkish turn and the U.S. rate advantage reasserted themselves. A firmer dollar can be a headwind for unhedged foreign returns, while currency-hedged exposure may reduce that currency headwind in some periods and detract in others.⁷

CURRENCY / INDEX	LEVEL (LATE JUNE 2026)	2026 THEME
U.S. Dollar Index (DXY)	≈ 101	Rebounded after –9% in 2025; up year-to-date
EUR / USD	≈ 1.14	Eased despite the ECB hike — Fed rate edge
GBP / USD	≈ 1.34	Off the ~1.38 highs of January
USD / JPY	≈ 159	Yen weak despite hikes and intervention

Source: ICE U.S. Dollar Index; market data as of June 26, 2026.

CORPORATE EARNINGS AROUND THE WORLD

Profits are improving almost everywhere, and the gap between U.S. and non-U.S. earnings growth is narrowing — though the U.S. still leads on both the level and the durability of growth. Global (MSCI ACWI) earnings rose about 24% year-over-year in the first quarter, more than double the prior four-quarter average.⁸

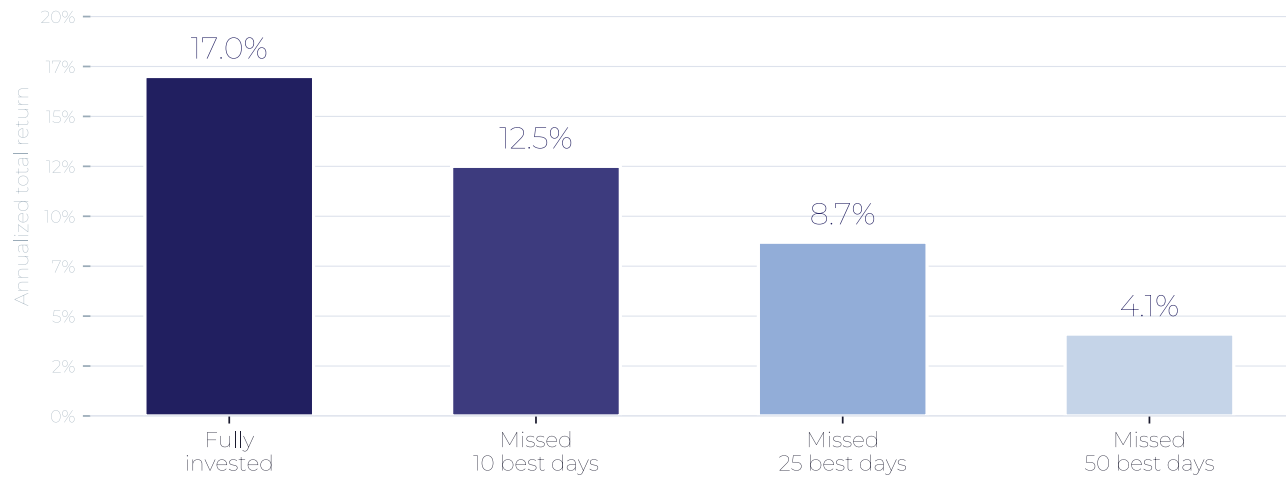
REGION / INDEX	2026 EPS GROWTH (CONSENSUS)	COMMENT
S&P 500 (US)	≈ 24%–25%	Up from <16% at the start of the year
MSCI All-Country World	≈ 14%–17%	Q1 grew ~24% y/y vs. ~11% trend
MSCI Europe	≈ 9%–12%	Estimates revised up after months of cuts
MSCI Japan	≈ 8%–11%	Wage growth and reform tailwinds
MSCI Emerging Markets	≈ 17%–25%	Led by AI/semis (Korea, Taiwan)
MSCI China	≈ 13%–15%	Tech/exports driving the rebound

Source: FactSet; J.P. Morgan Asset Management; UBS; Lazard; LPL Research — 2026 consensus estimates.

THE PENALTY FOR NOT STAYING INVESTED

With the headlines noisy, the temptation to step out of the market and "wait for clarity" is understandable. We generally caution against all-in/all-out market timing unless a client's objectives, liquidity needs, risk tolerance, or broader financial circumstances have changed. The exhibit below is one important historical illustration of why. It shows the annualized total return of the S&P 500 from the trough of the Global Financial Crisis (March 9, 2009) through May 15, 2026 — and what happened to that return if an investor missed only a handful of the best days.

EXHIBIT • THE PENALTY FOR NOT STAYING INVESTED



Source: Goldman Sachs Wealth Management Investment Strategy Group, 2026 Outlook. Annualized total return, S&P 500, from the trough of the GFC (March 9, 2009) through May 15, 2026. Historical index illustration only; not Dauntless client performance; does not reflect advisory fees, transaction costs, or taxes.

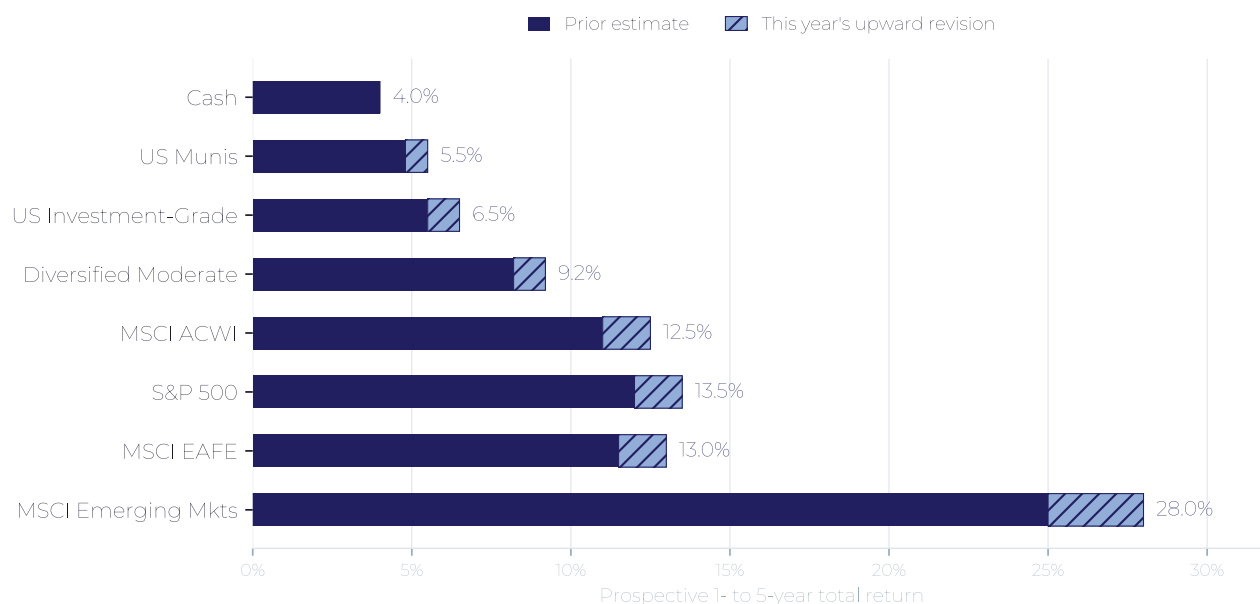
In that historical period, the full-period return of roughly 17% per year would have been reduced to 12.5% if an investor missed just the 10 best days, to 8.7% missing the best 25, and to 4.1% missing the best 50. An important caveat is that the best days often cluster inside volatile periods: a large share of the market's best single days have historically occurred during bear markets or in the first two months of a new bull market, exactly when a nervous investor may be inclined to be on the sidelines. Independent studies reach a similar conclusion — Hartford Funds finds that missing the 10 best days over a recent 30-year window cut an investor's ending wealth by more than half.⁹

This historical evidence is part of the backbone of our advice through periods like this one: build portfolios with an appropriate level of resilience in advance, so allocation decisions are less dependent on making the difficult call of when to leave and when to return. That does not mean remaining fully invested is always appropriate for every investor; near-term cash needs, changed circumstances, or reduced risk tolerance should be addressed directly.

UPDATED EXPECTED RETURNS: WHEN EARNINGS BEAT, THE RETURN OUTLOOK IMPROVES

Staying invested is a discipline; prospective returns are estimates based on assumptions that may not occur. The exhibit below shows updated one- to five-year prospective total returns across the major asset classes. The solid bars are the prior estimates; the hatched extensions are this year's upward revision, which reflects the fact that earnings have significantly exceeded expectations.¹⁰

EXHIBIT • UPDATED 2026 PROSPECTIVE RETURN BY ASSET CLASS



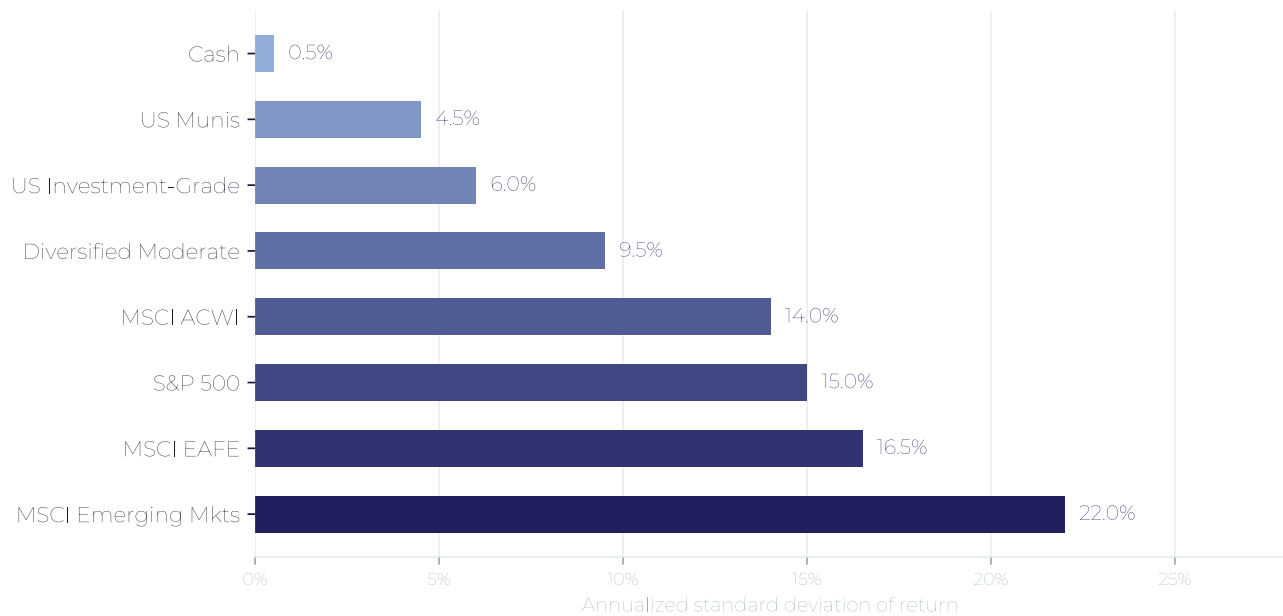
Source: Goldman Sachs Wealth Management Investment Strategy Group, 2026 Outlook. Hatched bar segments denote the upward revision reflecting stronger-than-expected earnings. Model-based forecast; not actual or promised performance; actual results may differ materially.

Two points stand out. First, equities — and the diversified moderate benchmarks built around them — carry the highest expected returns in this framework, with the S&P 500, the all-country index, and emerging-market equity revised up the most as profit forecasts climbed. Second, the upgrade is broad: it is not just a U.S. story, even though the U.S. remains the anchor. That is the case for owning a global equity sleeve, where appropriate, rather than relying on a single region.

RETURN IS ONLY HALF THE STORY: THE VOLATILITY OF THOSE SAME ASSETS

A higher expected return generally comes with a higher expected swing. The companion exhibit below plots the model-based volatility — the annualized standard deviation of return — for each of the same asset classes shown above, ordered from least to most volatile.¹¹

EXHIBIT • ASSET-CLASS VOLATILITY (ANNUALIZED STANDARD DEVIATION)



Companion view constructed by Dauntless Advisory from the volatility figures shown in the GS ISG prospective-return exhibit. Model-based estimate; not a guarantee of actual volatility.

Reading the two exhibits together is the central point of asset allocation. In this framework, cash sits at roughly 0% volatility but ~4% expected return; the S&P 500 offers ~12% expected return for ~15% volatility; emerging-market equity offers the highest expected return (~25%) but also the highest volatility (~22%). High-quality bonds and municipals occupy the low-volatility end — modest expected returns, but potential ballast that can help a portfolio hold equities through volatile periods. We blend these deliberately so that the overall portfolio's risk is aligned with the investor's plan, not the riskiest line item in it.

Important limitation: expected-return and volatility estimates are forward-looking, model-based, and sensitive to assumptions about inflation, interest rates, earnings, valuations, policy, currencies, and geopolitical events. They are included to illustrate relative tradeoffs, not to predict any client's actual result.

U.S. PREMINENCE IS INTACT

Underpinning the whole framework is a structural conviction also emphasized by the Goldman Sachs Investment Strategy Group, whose 18th annual Outlook is built around two themes — "U.S. Preeminence" and "Staying Invested." The argument is straightforward: factors that make the U.S. economy large, productive, and innovative can translate into stronger corporate earnings, and because equity performance ultimately follows earnings, that supports our current preference for U.S. equities in many diversified portfolios, where appropriate.¹²

“CONVICTION IN U.S. EARNINGS POWER IS WHY THE U.S. IS THE CORE OF MANY EQUITY ALLOCATIONS.”

That said, U.S. leadership does not eliminate risk. Elevated valuations, index concentration, policy shifts, currency moves, taxes, regulation, or earnings disappointment could cause U.S. equities to lag non-U.S. markets, sometimes sharply. A U.S. preference should still be sized to the investor's objectives, risk tolerance, time horizon, and liquidity needs.

The structural case rests on four mutually reinforcing pillars that the ISG outlook documents in detail: economic scale and wealth (nominal GDP, GDP per capita, total market capitalization, and the U.S. share of global private capital);¹³ harder-to-replicate advantages (energy abundance, leadership across critical and emerging technologies, and management quality); compounding historical results (the U.S. leads on labor productivity per worker, and a dollar invested in U.S. equities at the GFC trough has outpaced the same dollar invested in many other major equity markets, even where annualized volatility was higher); and the channel that connects those structural strengths to portfolios — earnings. U.S. trailing earnings per share have pulled decisively away from the Eurozone, Germany, and China since the GFC, which is one mechanism by which structural advantage can become shareholder return.¹⁴

Our balance: we hold the U.S.-preeminence thesis and the staying-invested discipline together. Conviction in U.S. earnings power is why the U.S. is the core of many equity allocations; the narrowing of global earnings growth and the lessons of 2025 — when a falling dollar helped international markets outperform — are why we still believe many portfolios benefit from a meaningful, partly currency-hedged slice abroad. Owning both can reduce reliance on any single region, sector, or policy regime, though diversification does not eliminate the risk of loss.

HOW THE CORE BUILDING BLOCKS HAVE BEHAVED

For illustrative purposes only, the following ETFs are used as broad market proxies — MUB (munis), AGG (core U.S. bonds), SPY (U.S. large-cap), IEMG (emerging-market equity), EAFE (developed international), HEDJ (currency-hedged Europe), and BAR (physical gold). These examples are not recommendations to buy, sell, or hold any ETF, and not all clients hold these ETFs or exposures. Through late June 2026, those proxies behaved as follows:

DEVELOPED EQUITIES

SPY · EAFE · HEDJ

BROADLY STRONG

U.S. large caps rebounded from the first-quarter dip and traded back near record highs on the earnings upgrade; currency-hedged Europe benefited from the firmer dollar, while unhedged international gave back some of 2025's currency tailwind as the dollar recovered.

**EMERGING-MARKET
EQUITY**
IEMG**STRONGEST
IN
QUARTER**

A semiconductor- and AI-driven surge in Korea and Taiwan carried emerging markets ahead of developed equities in this proxy set, more than offsetting the modest headwind a firmer dollar can pose for unhedged foreign holdings. Over the past year, EM has been the strongest-performing proxy shown here — a reminder that diversified portfolios may benefit from a dedicated EM sleeve where appropriate.

CORE BONDS & MUNIS
AGG · MUB**DIFFICULT
QUARTER**

The Fed's hawkish shift pushed yields up and prices down, a reminder that fixed income can still experience negative returns even when its intended role is income and portfolio ballast. Higher starting yields, however, may improve the forward return outlook.

GOLD
BAR**FIRM**

Supported by geopolitical risk and sticky inflation. Gold served as a low-correlation diversifier in this period, though it can be volatile, generates no income, and may underperform when real yields or risk appetite rise.

ETF returns referenced are fund-level market returns and are not Dauntless client account returns. Returns do not reflect Dauntless advisory fees, client-specific taxes, transaction costs, timing, cash flows, or account restrictions. Source: fund sponsors (iShares, State Street, WisdomTree, GraniteShares) and public market data, as of June 26, 2026.

The longer-term hierarchy is broadly consistent with history: equities have delivered higher returns with larger drawdowns; bonds and munis have delivered lower but steadier returns whose role is income and risk reduction; and gold has contributed diversification in certain risk-off or inflation-sensitive environments. These relationships are historical and may not hold in every future period.

BRINGING IT BACK TO YOUR PLAN

The through-line of the quarter is that good news and caution arrived together. Earnings are beating expectations and the structural case for U.S. and global equity ownership remains strong; at the same time, inflation is proving sticky, the Fed has turned, and rates may stay higher for longer. Neither fact is, by itself, a reason to abandon a thoughtful plan. Both are reasons to make sure the plan still fits.

Our job at Dauntless is to help build portfolios that can absorb noisy headlines while still participating in the long-term growth of the global economy. If the second quarter's moves — in rates, in the dollar, or in your own circumstances — have changed your comfort level or your upcoming cash needs, this is an appropriate moment to revisit your allocation or planning assumptions and confirm that the strategy remains aligned with your real-world life. We look forward to being in touch.

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SOURCES & NOTES

1. Federal Reserve, Summary of Economic Projections, June 17, 2026 and March 18, 2026 (median projections); FOMC statement, June 17, 2026. The June meeting was the first chaired by Kevin Warsh.
2. Charles Schwab, 2026 Mid-Year U.S. Stock & Economy Outlook, citing LSEG I/B/E/S (as of late May 2026); FactSet, Earnings Insight (June 2026), which puts 2026 S&P 500 earnings growth at ~24%.
3. Goldman Sachs Global Investment Research, S&P 500 forecast update (May 2026): year-end 2026 target 8,000; 2026 EPS ~\$340 (24% growth).
4. International Monetary Fund, World Economic Outlook, April 2026 ("Global Economy in the Shadow of War"), reference scenario; United States figure from the Federal Reserve June 2026 SEP (Q4/Q4). Country figures are approximate.
5. U.S. Bureau of Labor Statistics (CPI, May 2026) and Federal Reserve SEP (PCE projections); Eurostat (HICP); IMF WEO April 2026. Figures marked "≈" are latest readings or estimates.
6. Respective central banks (Federal Reserve, ECB, Bank of England, Bank of Japan, Bank of Canada, Swiss National Bank, People's Bank of China), as of late June 2026. The ECB figure is the deposit facility rate; the PBoC figure is the 1-year Loan Prime Rate.
7. ICE U.S. Dollar Index and major-pair spot rates; market data as of June 26, 2026. The dollar declined roughly 9% in 2025.
8. FactSet; J.P. Morgan Asset Management; UBS; Lazard Asset Management; LPL Research — 2026 consensus earnings estimates. Ranges reflect differences across data providers and index definitions.
9. Goldman Sachs Wealth Management Investment Strategy Group, 2026 Outlook, Section I (pwm.gs.com). For publicly available illustrations of the same concept, see Hartford Funds, "Timing the Market Is Impossible" (data: Ned Davis Research, Morningstar, Hartford Funds, 2026), and J.P. Morgan Asset Management, Guide to the Markets, "Time in the market."
10. Goldman Sachs Wealth Management Investment Strategy Group, 2026 Outlook — one- and five-year expected total returns by asset class. Hatched bar segments denote the upward revision reflecting stronger-than-expected earnings.
11. Volatility figures are the model-based annualized standard deviations shown in the GS ISG prospective-return exhibit (the percentages in parentheses on that chart's axis labels). Companion chart constructed by Dauntless Advisory for illustration; ordering is by volatility, low to high.
12. Goldman Sachs Wealth Management Investment Strategy Group, 2026 Outlook (18th annual), themes "U.S. Preeminence" and "Staying Invested" (pwm.gs.com).
13. Goldman Sachs Wealth Management Investment Strategy Group, 2026 Outlook, "U.S. Preeminence Is Intact." Underlying public data: IMF; World Bank; MSCI; Bloomberg; U.S. Energy Information Administration; Belfer Center Critical & Emerging Technologies Index; World Management Survey; OECD.
14. Goldman Sachs Wealth Management Investment Strategy Group, 2026 Outlook — trailing-12-month earnings per share in local currency, indexed to the pre-GFC peak = 100.