Quarterly Investment Commentary

Third Quarter 2026

Quarter ending September 30, 2026



VOISARD
ASSET MANAGEMENT GROUP

The quarter in four numbers

+2.3%	5.29%	3.7%	3.75–4.00%
US LARGE CAP Q3 TOTAL RETURN	10-YEAR TREASURY YIELD, SEPT 30	HEADLINE CPI SEPTEMBER, YEAR / YEAR	FED FUNDS TARGET RANGE

Perspective

A NOTE FROM DAN HAINES, CFP®, CFA

If your statements this quarter showed stocks up a little and bonds down, it probably felt like an odd combination, and you would not have been the only one who noticed. The market hit new highs and gave some back in September; and the Fed raised rates for the first time in three years. Add geopolitical conflict and swinging oil prices, and it was easy to feel like something had to give.

Looking past the headlines, the story is earnings. At the start of the year, analysts expected S&P 500 earnings to grow 15% in 2026. They now expect 32%. That growth is what let stocks work through higher inflation and rising rates, and it is why valuations have come down this year even as prices went up. The forward P/E ratio has fallen from 23x to around 19x.

What may have gotten lost is what higher rates mean for the bond side of your plan. Bond prices took a hit this quarter, but yields on high-quality bonds are the highest they have been in about two decades, and after adjusting for inflation (the “real yield”) they are back to levels we have not seen since 2008.

What has not changed is the plan. We still make sure you have enough in safe assets to cover the next several years of spending, so a down market never forces you to sell stocks. That is why the headlines don’t get a vote.

DAN HAINES, CFP® · CFA

MARKET PERFORMANCE OVERVIEW

EQUITIES

Global stocks finished the third quarter modestly higher although performance was mixed across styles. The S&P 500 gained about 2% and the Nasdaq about 2.5%, with major indexes setting record highs along the way. The Dow Jones Industrial Average lost about 2.7%.

EARNINGS

Corporate earnings kept doing the heavy lifting. Analysts expect Q3 S&P 500 earnings growth of about 29.1% year over year (FactSet, September 25), which would be the third straight quarter above 25%. That estimate has climbed from 26.6% at the end of June.

THE FED

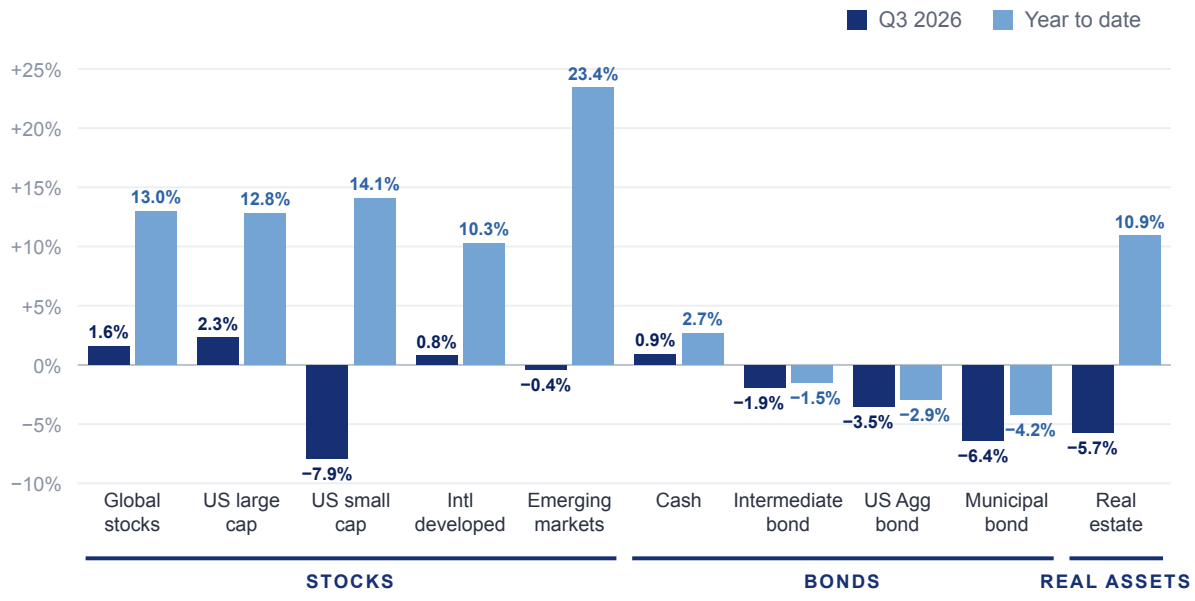
The Federal Reserve raised its target for the federal funds rate by 0.25 percentage points to 3.75%–4.00% on September 16, in a unanimous 12-0 vote. It was the first rate increase since 2023. The majority of committee members expect one more rate hike this year.

FIXED INCOME

Treasury yields rose sharply on changing monetary policy expectations, concerns around the long-term fiscal outlook, and heavier issuance this year. The 10-year Treasury yield ended the quarter near 5.29%, its highest level since 2007, and the 30-year yield crossed 5.6%, a level not seen since 2002.

ASSET CLASS RETURNS

Third quarter 2026 and year to date as of September 30, 2026.



Source: Dimensional Fund Advisors.

Growth holds, inflation lingers

ECONOMIC UPDATE

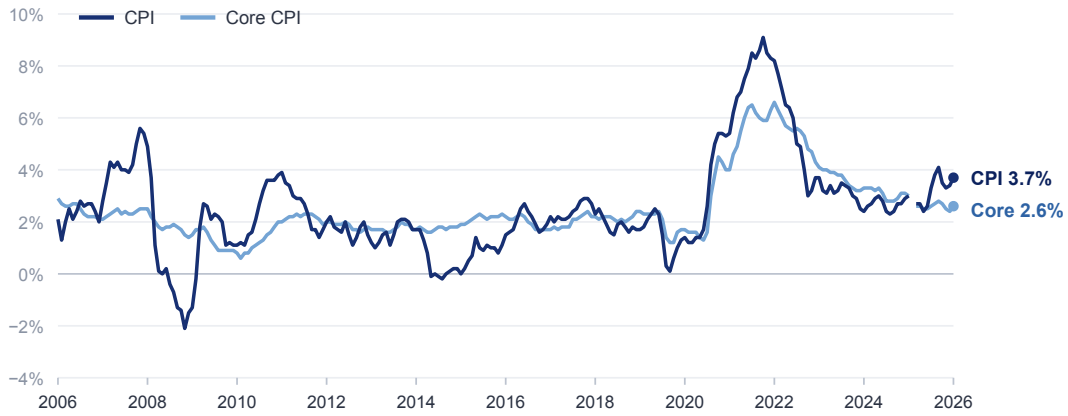
The economy has shown solid growth with consumer spending and business investment leading the way. At the same time, net exports and the housing market have been a drag. That said, the Federal Reserve Bank of Atlanta's GDPNow forecasting model currently shows third quarter GDP growth of 3.6%.

Inflation is the problem the Fed is working on. The consumer price index rose 3.7% year/year as of September on higher energy prices. However, when food and energy are stripped away, core CPI increased only 2.6% as of September. In response to inflation levels above the Fed's long-term target, the Federal Reserve increased the Fed Funds Rate at its September meeting. The statement said economic activity is expanding at a solid pace, spending is resilient, productivity growth is strong, and inflation remains elevated. Expectations are for one more rate hike this year.

3.7%	2.6%	+162K
HEADLINE CPI, SEP Y/Y	CORE CPI, SEP Y/Y	PAYROLLS, AUGUST

OIL KEEPS INFLATION ELEVATED

Year-over-year change in CPI and core CPI, September 2006 to September 2026.



Source: Bureau of Labor Statistics. October 2025 CPI was not published.

The job market held up better than expected. Payrolls rose by 162,000 net new jobs in August, far above the roughly 53,000 forecast, and the unemployment rate held at 4.1%. The prior twelve-month average gain was only 31,000 a month, so hiring has been uneven. Unemployment remains low at 4.1% as modest hiring has been offset by limited labor force growth.

Interest rates were the story of the quarter. The 10-year moved from 4.44% to about 5.29%, a rise of more than 80 basis points. The 2-year ended near 4.90%, the 5-year near 5.10%, and the 30-year near 5.63%. 30-year mortgage rates hit 7% by the end of September. Policy makers have shown some concern around higher long-term rates; however, they have less control around this part of the bond market compared to short-term yields.

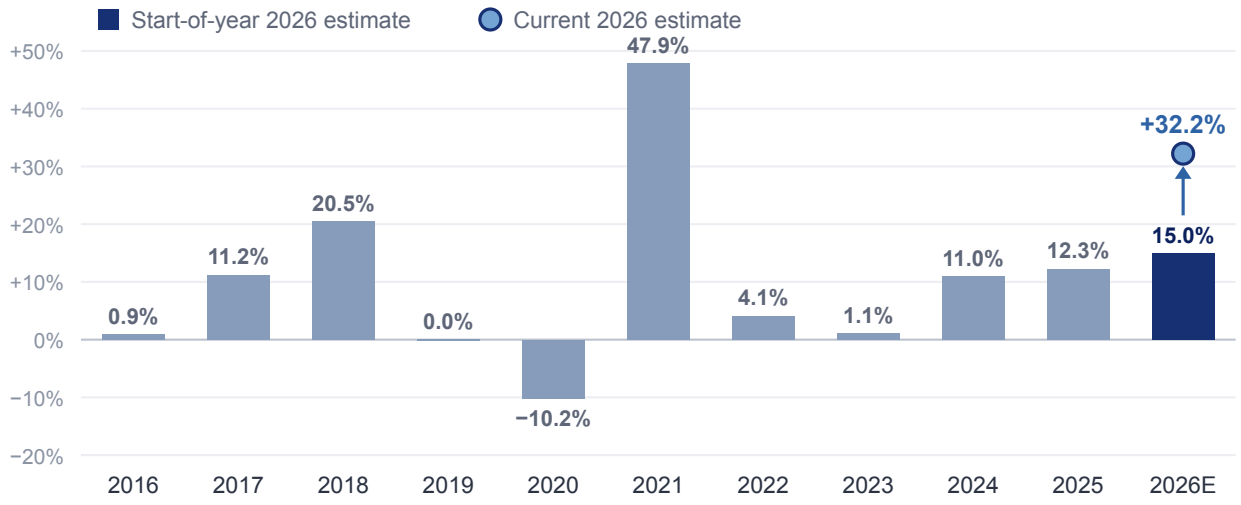
Earnings carry the market

EQUITY RECAP

Global stocks were up a couple percent in the third quarter (+1.6%). Despite the headlines around geopolitical events, oil prices, and higher rates, the real story for the year has been exceptional earnings growth. At the start of the year, S&P 500 earnings were expected to grow 15% in 2026. As of the end of September, 2026 earnings are expected to grow 32%, a more than doubling of expected growth over 9 months. AI-related companies are powering this growth, although it is worth pointing out that Energy and Materials are expecting to see earnings growth of 97% and 38%, respectively. If current estimates hold, Q3 would mark the third consecutive quarter of earnings growth above 25%. This growth has allowed stocks to push past concerns around higher inflation and rising interest rates and to post double-digit returns this year. It is worth noting that double-digit earnings growth is expected in 2027 and 2028 as well.

S&P 500 EARNINGS GROWTH

2026 earnings growth estimates have doubled since the start of the year.



Calendar-year earnings growth, 2016 to 2026E. Source: Dimensional Fund Advisors.

The third quarter was more challenging for small caps and REITs as higher interest rates weighed on returns. Even with this pullback, both of these segments have generated mid-teens returns for the year. All major market segments across size and geography have seen returns of 10%+ this year through September.

Looking at valuations, it would be natural to think that another year of strong performance has pushed valuations even higher above long-term averages. However, given the strong earnings growth, price-to-earnings ratios have actually declined this year. The Forward P/E ratio for the S&P 500 has declined from a high of 23x to around 19x currently. This lower multiple could reflect a few potential concerns for investors. There have been questions around the sustainability of AI capital expenditures and the earnings of the companies that benefit. In addition, investors are looking to see what productivity gains from AI will materialize and how that will impact profitability and growth going forward. Lastly, uncertainty around the outcome of geopolitical conflicts could weigh on multiples as well.

A hard quarter for bond prices

FIXED INCOME RECAP

10-YEAR TREASURY YIELD

5.29%

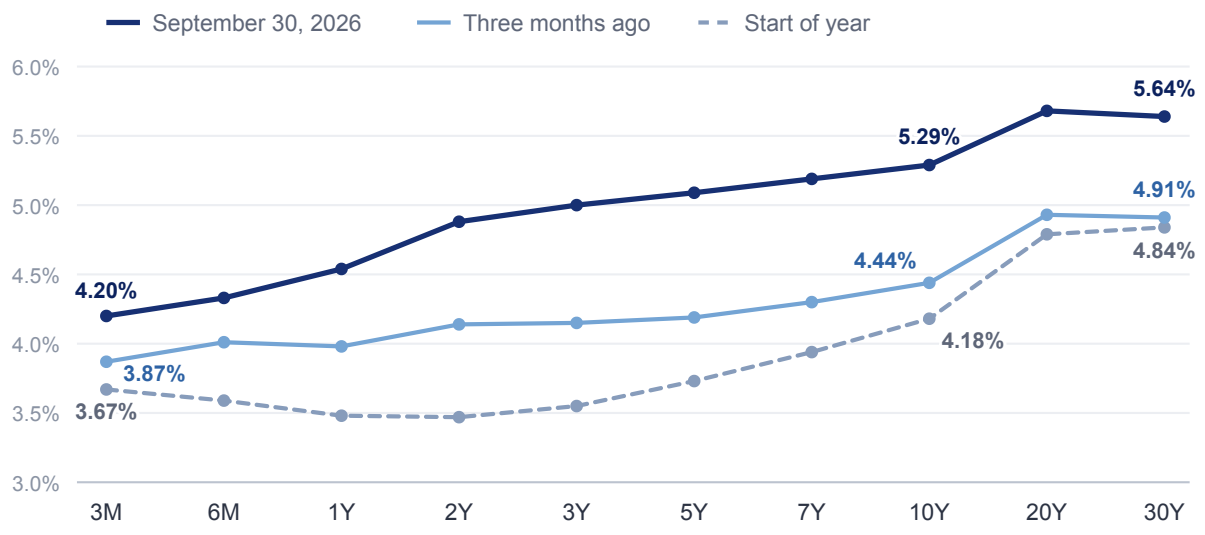
Up from 4.44% on June 30. The highest level in about 20 years.

The third quarter was challenging for bond investors as rising yields pressured bond prices. Interest rates increased across the yield curve, with the 10-year Treasury yield hitting levels not seen in almost 20 years. There are a range of factors cited for the increase in rates. For shorter maturities, it is the Federal Reserve raising rates in the face of inflation persistently above their targets. For intermediate and longer maturities, heavy issuance, technical factors and more uncertainty around future inflation as a result of fiscal policy have been cited as pushing rates higher.

When there is a sharp increase in rates, a bond may not generate enough income to offset the decline in price. It is important to note that all bonds are not created equal and some see bigger price declines than others when interest rates go up. Generally, short-term bonds see less price movement compared to bonds with longer maturities. Our bond portfolios focus more on short and intermediate-term maturities, which helped weather a tough quarter for fixed income.

RATES MOVED HIGHER ACROSS MATURITIES

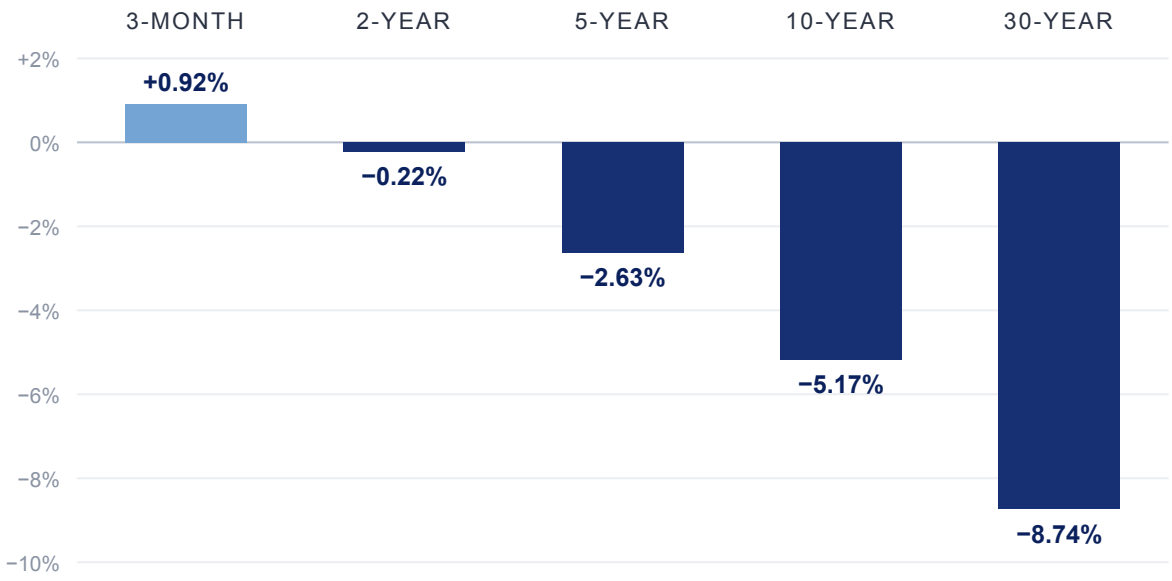
U.S. Treasury yield curve.



Source: Federal Reserve Bank of St. Louis.

ALL BONDS ARE NOT CREATED EQUAL

Third quarter 2026 Treasury bond returns by maturity.

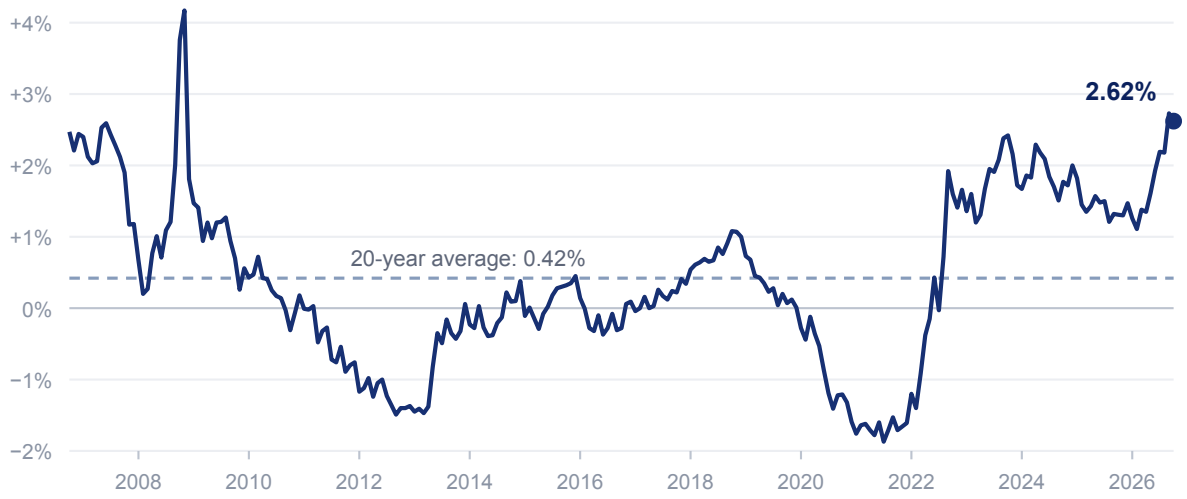


Source: Dimensional Fund Advisors; Bloomberg Treasury Bellwether Indices.

The silver lining for bond investors is that there is now more yield to provide cushion against price declines compared to five years ago and the outlook for bonds is more favorable. Another way to judge the outlook for fixed income investors is looking at yields after adjusting for expected inflation. This is called a “real yield” and indicates the level of interest after accounting for changes in prices. An investor would generally like to see a positive real yield, which indicates that the bond investments will yield enough to maintain the purchasing power of the investment and have some return beyond that.

REAL YIELDS HAVE REBOUNDED

5-year TIPS yield versus its 20-year average.



Source: Dimensional Fund Advisors; Bloomberg Treasury Bellwether Indices.

One proxy for real yields is the interest rate on TIPS (Treasury inflation protected securities) which are government issued bonds where the principal is adjusted for inflation. Thus, the yield is a “real yield” as the interest the bond pays is adjusted for inflation as the principal value of the bond changes. The chart above shows that real yields had been negative for much of the period of 2011-2022. With the recent rise in interest rates, real yields are back to levels not seen since 2008. With a real yield 2% above the 20-year average, bonds yields present an attractive income source for investors.

Municipal bonds had a challenging quarter as well, with interest rates rising more than 1.3% for certain maturities. This has presented a compelling option for investors in high tax rates, with taxable equivalent yields well above 5%.

What it means for your plan

TAKEAWAYS AND OUTLOOK

If Q2 felt like whiplash, Q3 felt like a slow squeeze. Stocks hit records, then slipped. Oil dropped, then roared back. And for the first time in three years, the Fed raised rates. Clients who check their statements may see stocks up a little and bonds down, and that combination is uncomfortable. It is also not a sign that anything is broken.

Rising rates cut both ways. They put pressure on bond prices in the short run and raise the cost of borrowing money. They also raise what savers and bond investors earn from here. For retirees living off a portfolio, it is a welcome sight to see meaningful income from high-quality bonds. Our planning conversations have not changed meaningfully. A key question is always whether you have enough in safe assets to cover the next several years of spending and reduce the risk of having to sell stocks in a down market.

We have used the movements in asset prices as an opportunity to rebalance, both across risky assets (stocks) and more stable assets (bonds and cash) and within asset classes. In fixed income portfolios, we've taken advantage of short-term bonds that have performed well and purchased intermediate-term bonds which are offering higher yields compared to earlier in the year.

Going into the fourth quarter, three things are worth watching: whether the Fed raises rates again, whether oil prices stabilize, and whether Q3 earnings meet analysts' growth expectations. The midterm elections are also in November. At our firm, we remain laser-focused on executing the long-term plans we have designed for clients. If you are not a client and have not stress-tested your portfolio against rising rates, now is a good time to do it. We are here to help.

Let's keep moving forward, together.

SOURCES

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- Federal Reserve: FOMC Statement and Chair Warsh press conference, September 16, 2026 (target range 3.75%–4.00%; 12-0 vote): www.federalreserve.gov/mediacenter/files/FOMCpresconf20260916.pdf; secondary coverage: www.cnbc.com/2026/09/16/fed-rate-decision-september-2026.html
- Federal Reserve Bank of Atlanta: GDPNow, third quarter 2026 real GDP growth estimate (3.6%): www.atlantafed.org/cqer/research/gdpnow
- Treasury yields, September 30, 2026 (10-year ~5.29%; 2-year ~4.90%; 5-year ~5.10%; 30-year ~5.63%): www.cnbc.com/2026/09/30/treasury-yields-bonds-selloff.html; tradingeconomics.com/united-states/government-bond-yield. June 30 10-year (4.44%): www.advisorperspectives.com/dshort/updates/2026/07/01/10-year-treasury-yield-long-term-perspective-june-2026
- Federal Reserve Bank of St. Louis (FRED): U.S. Treasury yield curve, September 30, 2026, three months earlier, and start of year (chart): fred.stlouisfed.org
- Equity quarter-end performance (S&P 500 ~+2%, Nasdaq ~+2.5%, Dow ~-2.7%): www.thestreet.com/stock-market-today/stock-market-today-dow-jones-sp-500-nasdaq-updates-sept-30-2026
- FactSet Earnings Insight, September 25, 2026 (Q3 estimated earnings growth 29.1%): www.factset.com/earningsinsight; Motley Fool, September 22, 2026: www.fool.com/investing/2026/09/22/s-and-p-500-profits-are-on-track-for-a-third-straight-quarter-of-25-growth-the-index-hasn-t-kept-up/
- Dimensional Fund Advisors: asset class returns, third quarter and year to date through September 30, 2026; S&P 500 earnings growth, 2016 to 2026E; real yields, 5-year TIPS versus 20-year average (charts)
- Bloomberg Treasury Bellwether Indices: third quarter 2026 Treasury bond returns by maturity (chart)



IMPORTANT DISCLOSURES

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