Mid-Year 2026: Buy the Dips, Eye New Highs

We have already seen two downdrafts this year — this is normal, and markets have rallied after each. With **earnings, employment, and the economy** in reasonable shape, we stay **constructive into the second half**. Should a third pullback come around the midterms, we would be buyers.

HOUSE STANCE
Overweight
equities · measured duration

BENCHMARK TOTAL RETURNS · H1 2026 (THROUGH 6/30)

S&P 500	S&P 400	RUSSELL 2000	NASDAQ	MSCI WORLD EX-US	US AGG. BOND
+10.1%	+17.2%	+22.6%	+20.2%	+14.6%	−0.1%

US Equity Markets

A real shift is underway in the Mag 7: once distinct monopolies with light capex, they're now in the same business with heavy capex budgets. Tellingly, even as the broad market makes highs, these names sit **below last year's peaks** — leadership is broadening to mid- and small-caps. We see this as a **healthy, rational shift**: markets are functioning as they should.

Fixed Income & Yields

The **3m–2y** segment of the curve — a clean read on the market's expected path of Fed travel — is near its highest since 2022. The message: the market is leaning toward **near-term hikes, not cuts**.

- Keep **duration measured** until the curve's signal clarifies.
- Stay up-in-quality; favor intermediate ladders.
- US Agg essentially flat in H1 (−0.1%) — income, not price, is doing the work.

Global Macro Themes

- **Peace dividend.** A peace accord with Iran bodes well, with the Strait of Hormuz set to fully reopen.
- **Oil has room to fall.** Crude trades near $70/bbl with room toward $65 once Hormuz is fully open — and lower still on a Russia–Ukraine truce.
- **Record supply.** The US, Russia, and non-Gulf OPEC are pumping the most ever; the UAE and Saudis are ramping; Iran exports resume.
- **US-first policy.** Decisions that put US businesses first underpin earnings resilience.

> *"Stay diversified and stay the course. Disciplined investors who hold through the noise are the ones rewarded over time."*

Ideas for the Second Half

1. **Buy the dips.** Use the expected Sep–Oct pullback to add into strength.
2. **Broaden beyond Mag 7.** Lean into mid-caps (S&P 400) and small-caps (Russell 2000) leading the tape.
3. **Ride cheaper energy.** Falling oil is a tailwind for consumers and margins; favor energy users over producers.
4. **Keep duration measured.** With the curve flagging hike risk, favor quality and income over long bonds.
5. **Stay invested through November.** Position for Q3 new highs; treat election-year volatility as opportunity.

Outlook & Thesis

Markets do not rally linearly. It is our belief that **political change in November** poses risks to equity valuations — markets hate uncertainty. Once resolved, we see **new highs for stocks** and dynamic investment opportunities in the latter innings of 2026. Believe in US economic resilience and policy decisions that put US businesses first. The peace accord with Iran and falling commodity prices are catalysts. There remains much to like in this investment landscape.

S&P 500 SCENARIOS · YEAR-END 2026 — from ~7,450

CASE	DRIVERS	TARGET	RETURN
Bull	Soft landing, cooling oil, broad earnings beats; clean election outcome.	**8,350**	+12%
Base	Mid-single-digit EPS growth carries the tape; volatility around midterms.	**7,825**	+5%
Bear	Election uncertainty, sticky rates, growth scare; multiple de-rates.	**6,925**	−7%