

# Economic & Market Update

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## MANAGER'S MESSAGE

In the first quarter of 2026, both stock and fixed income markets faced headwinds, marking a challenging start to the year. Rising oil prices, renewed concerns about inflation, and geopolitical tensions weighed on sentiment. At the same time, Treasury yields moved higher—particularly the 10-year rising into the mid-4% range—leading to price declines in longer-duration bonds. Although credit spreads remained relatively stable and corporate earnings expectations were still strong, the combination of rising rates and inflation pressures resulted in simultaneous weakness across equities and bonds.

Consistent with our investment philosophy, we generally suggest to clients that they not get caught up in the noise and focus on their long-term goals as time is the single greatest reducer of risk. This market outlook and commentary is meant to be for informational use. As always, we are grateful for the trust you have placed in us and we look forward to discussing what the current environment means to your specific situation.



## Geopolitical & Goeconomic Risks

Most economic and corporate data pointed to continued growth during the first quarter of 2026. However, the outlook for the remainder of the year has become increasingly uncertain. Geopolitical and goeconomic risks, highlighted by the war with Iran, have added volatility to financial markets and increased risks to the economic outlook. The resulting energy shock, one of the most significant in decades, is having a broad impact across the economy, from higher prices at the pump to rising input costs for chemicals, fertilizers, and industrial goods. Investors are placing greater emphasis on supply chain resilience, while governments are responding with renewed focus on resource security and industrial policy. At the same time, competition between the United States and China continues to influence trade, technology, and capital flows across global markets.

## Price of oil

WTI crude, nominal prices, USD/barrel



## Economic Growth & Inflation

Most forecasts point to U.S. economic growth of approximately 2% in 2026. However, recent developments have begun to weigh on these expectations. For example, on April 2, Vanguard revised its 2026 GDP forecast to 2.3%, while increasing its projections for the unemployment rate to 4.6% and inflation to 2.8%. This evolving environment highlights a key relationship to watch for the remainder of 2026: the balance between economic growth and inflation. Geopolitical developments, particularly rising energy prices, have the potential to slow growth while keeping inflation elevated, creating a more challenging backdrop for both policymakers and investors.

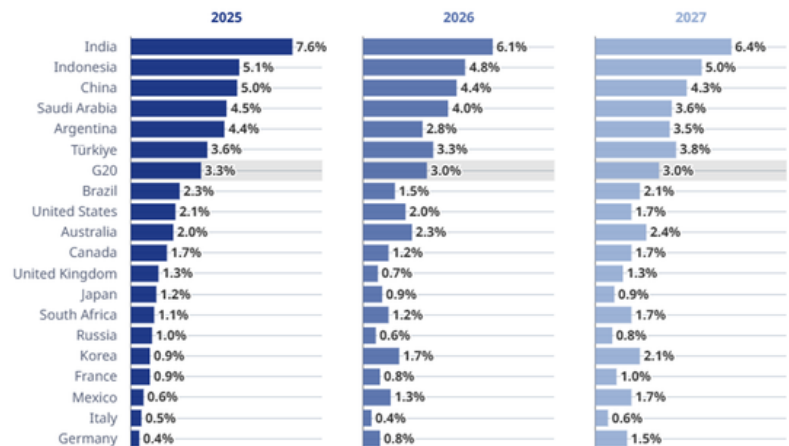
### OECD Inflation Projections

	Forecast for 2026 inflation	Change vs prior	Forecast for 2027 inflation	Change vs prior
G-20	4%	1.2 PP	2.7%	0.2PP
US	4.2%	1.2 PP	1.6%	-0.7PP
Euro area	2.6%	0.7 PP	2.1%	0.1PP
Germany	2.9%	0.8 PP	2.6%	0.2PP
France	1.8%	0.5 PP	1.5%	-0.1PP
Italy	2.4%	0.7 PP	1.8%	OPP
UK	4%	1.5 PP	2.6%	0.5PP
Japan	2.4%	0.2 PP	1.9%	-0.2PP
China	1.3%	1 PP	1.1%	0.3PP
India	5.1%	1.7 PP	4.1%	0.1PP
Brazil	4.1%	-0.1 PP	3.8%	OPP

Source: Organization for Economic Cooperation and Development

### Real GDP growth projections

%, year-on-year



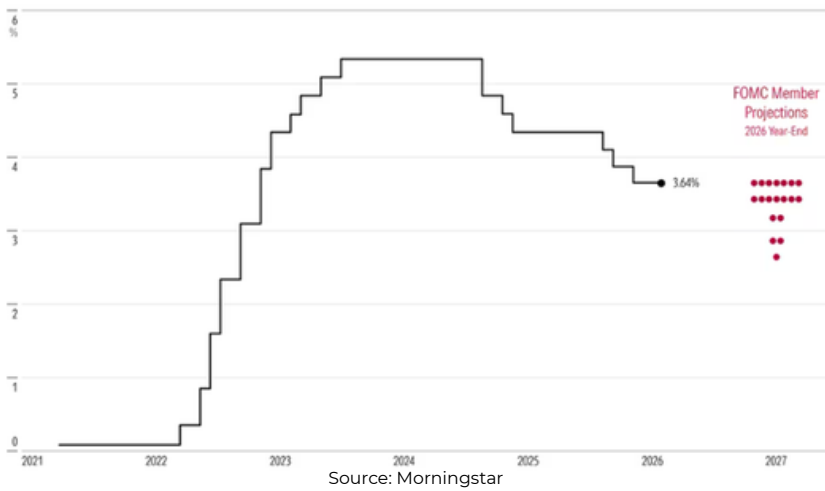
Source: OECD (2026), OECD Economic Outlook, Interim Report March 2026

## Federal Reserve Policy

Financial markets increasingly expect the Federal Reserve to maintain a more neutral, data-dependent stance for the remainder of 2026. Inflation remains elevated at approximately 3%, and some analysts point to the risk of further increases due to energy shocks and supply chain disruptions associated with the Iran conflict. At the same time, the labor market is gradually softening. Federal Reserve policy is further complicated by the lagged effects of its policy decisions. Federal Reserve Chairman Jerome Powell highlighted this challenge when he recently said, “By the time the effects of a tightening in monetary policy take effect, the oil price shock is probably long gone, and you’re weighing on the economy at a time when it’s not appropriate. So the tendency is to look through any kind of a supply shock.”

### Federal Funds Rate: Historical Data and FOMC Projections

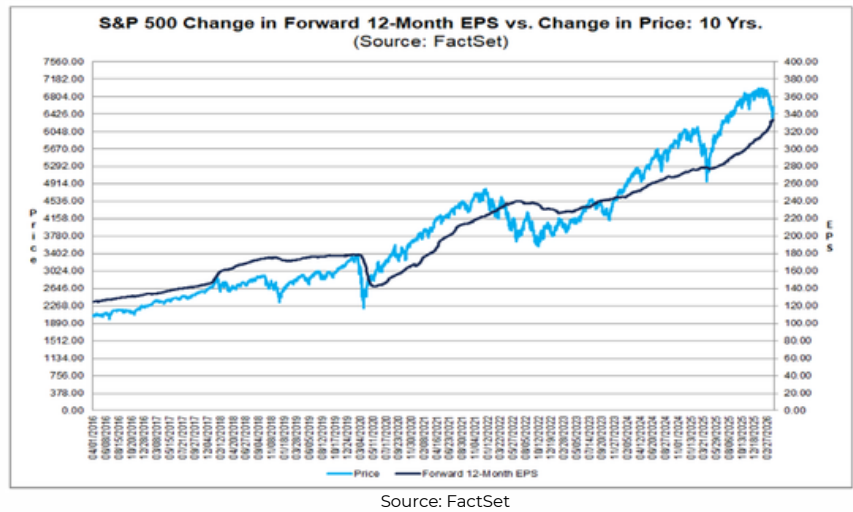
Each dot represents one FOMC member's federal funds rate forecast for the end of 2026.



Investors are also closely monitoring the future of Federal Reserve leadership. Jerome Powell’s term as Chair concludes in May, and the confirmation of Kevin Warsh remains uncertain, adding another layer of complexity to the policy outlook.

## Corporate Earnings

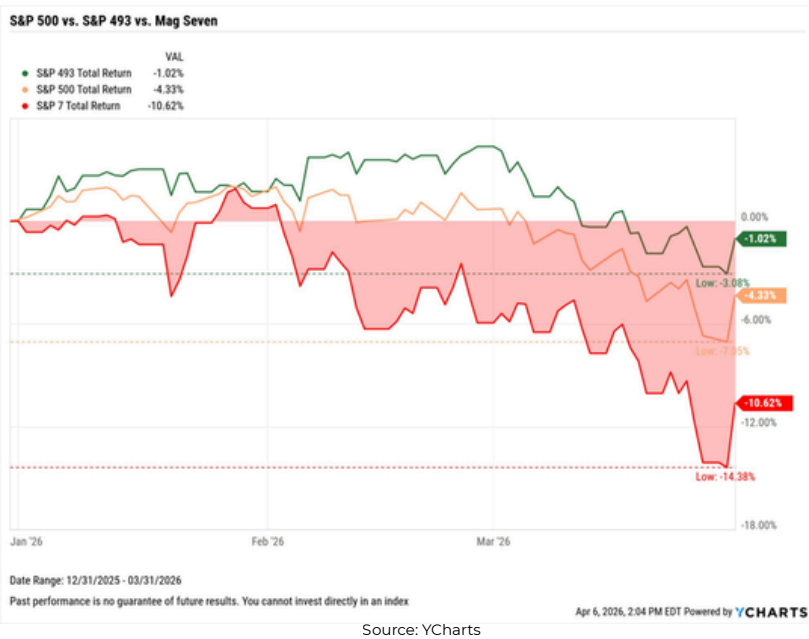
Corporate earnings remain a key area of strength. According to FactSet, S&P 500 earnings for the first quarter of 2026 are projected to grow 13.2% year over year, marking the sixth consecutive quarter of double-digit earnings growth. Strong investment in artificial intelligence and expectations for supportive fiscal policy have contributed to this resilience. However, investor focus is shifting toward the outlook for the remainder of 2026. Uncertainty stemming from the Iran conflict and rising energy prices has reduced visibility into future earnings. While long-term corporate earnings continue to grow, the near-term outlook is increasingly sensitive to geopolitical and macroeconomic developments.



PAST PERFORMANCE IS NO INDICATION OF FUTURE RETURNS. YOU CANNOT INVEST DIRECTLY IN AN INDEX. INVESTING INVOLVES RISK, INCLUDING POSSIBLE LOSS OF PRINCIPAL. NOT INVESTMENT ADVICE. INFORMATION NOT GUARANTEED ACCURATE. SEE COMPLETE DISCLOSURES.

## Financial Markets Performance

Financial markets experienced a notable increase in volatility during March following the conflict with Iran. At the same time, market concentration remains historically high. The “Magnificent 7” companies (Apple, Alphabet, Amazon, Meta, Microsoft, Nvidia, and Tesla) have been major drivers of returns in recent years, but they have underperformed the broader market so far in 2026. In contrast, the natural resources sector posted strong returns during the first quarter, reflecting the impact of rising commodity prices.



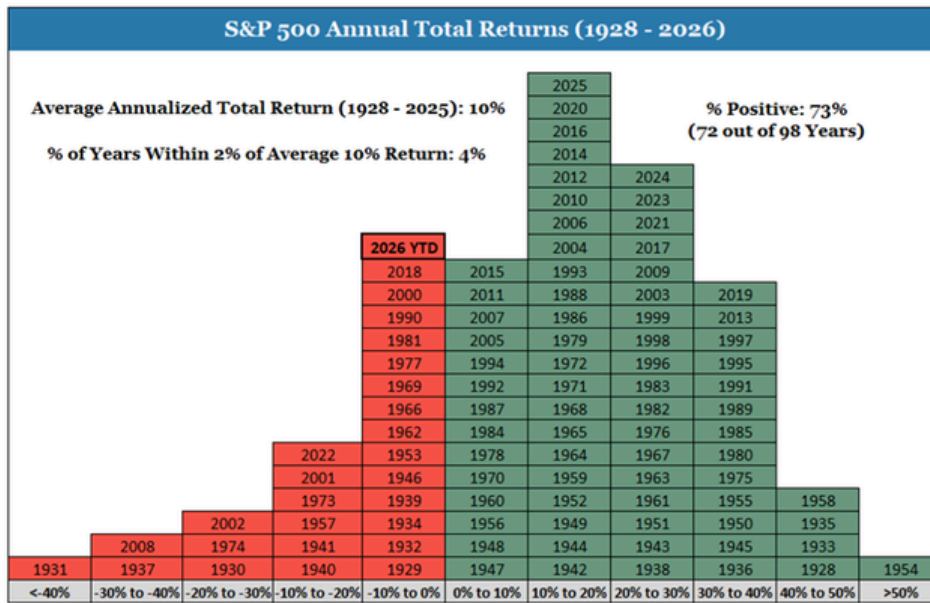
## Weight of the top 10 companies in the S&P 500

% of market capitalization, % of last 12 months' earnings

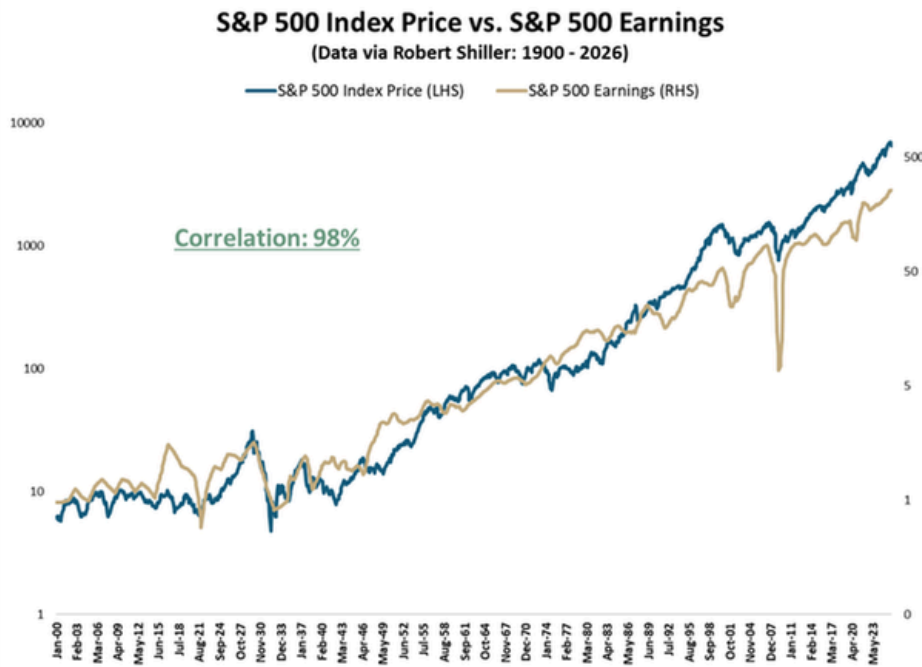


## Investing for a Lifetime

An environment characterized by more frequent external shocks highlights the importance of diversification and long-term investing. Historical data provides valuable perspective: since 1928, the S&P 500 has delivered positive returns in the majority of years, despite wars, recessions, and financial crises. Out of 99 years (including partial data for 2026), the market has experienced only 12 years with declines greater than 10%, while posting positive returns in 72 years. Over time, corporate earnings growth has remained a significant driver of market returns. While short-term volatility has been a regular characteristic of investing, maintaining a long-term perspective has historically been one of the most effective approaches to building wealth.



Source: Charlie Bilello from Creative Planning



Source: Peter Mallouk from Creative Planning

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## OUR COMMITMENT TO OUR CLIENTS

Your IFA Wealth team is dedicated to continual collaboration, providing individualized guidance, all while building relationships that are lasting. If questions or concerns arise – no matter how small – know that we are here to help. Our team’s goal for every relationship is to help instill a sense of confidence, comfort and assurance.

## PRACTICE UPDATES

### Community Spotlight: Rescue Mission Manna Food Pantry

Our team recently had the pleasure of volunteering at the **Rescue Mission Manna Food Pantry**, where we spent time giving back alongside an incredible group of staff and volunteers. During our visit, we helped pack boxes with donated food items and assisted in serving individuals and families in the food pick-up line. It was a meaningful, hands-on experience that allowed us to see firsthand the impact this organization has in supporting our local community.



The **Rescue Mission Manna Food Pantry** is a vital resource in the Roanoke community, providing weekly grocery boxes filled with non-perishable staples, fresh produce, and frozen meats to families facing food insecurity. Operating as a convenient drive-thru service, the program is open to anyone in need through a simple registration process. Volunteers play an essential role in making this possible, helping sort donations, pack boxes, and serve during distribution days—offering meaningful ways for individuals and groups to get involved.