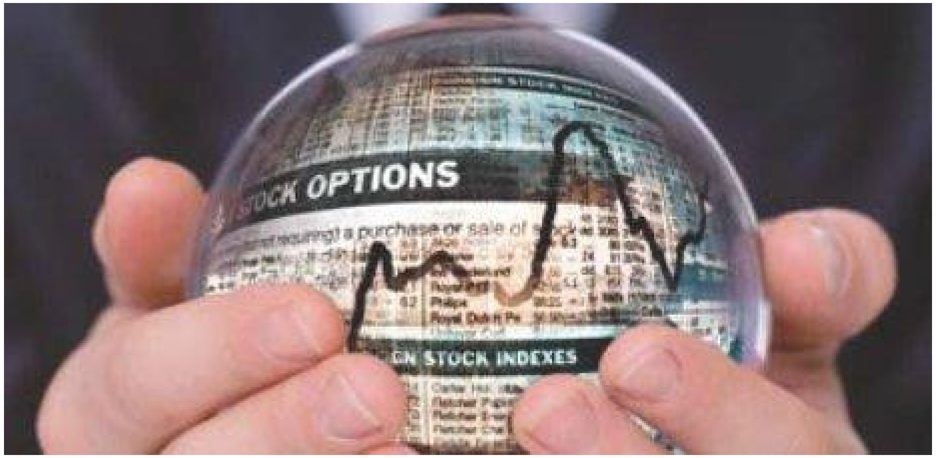
# Beacon Trust Client Webinar: 2026 Midyear Market Review and Outlook



Source: www.TheDigeratiLife.com

**Presented by John M. Longo, PhD, CFA**
Chief Investment Officer,
Beacon Trust

July 21, 2026

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# 2026 H1 Market Recap *

**Equities**
- S&P 500: +10.2%
- R1000 Growth: +5.3%
- R1000 Value: +17.6%
- Russell 2000: +22.6%
- MSCI World Ex U.S.: +9.2%
- MSCI EM: +23.6%

**Fixed Income**
- Bloomberg Barclays Agg: +0.6%

**Alternatives**
- Gold (IAU): -7.0%
- Hedge Funds (HFRI Index): +7.6%
- U.S. REIT: +17.8%
- Bloomberg Commodity: +14.4%

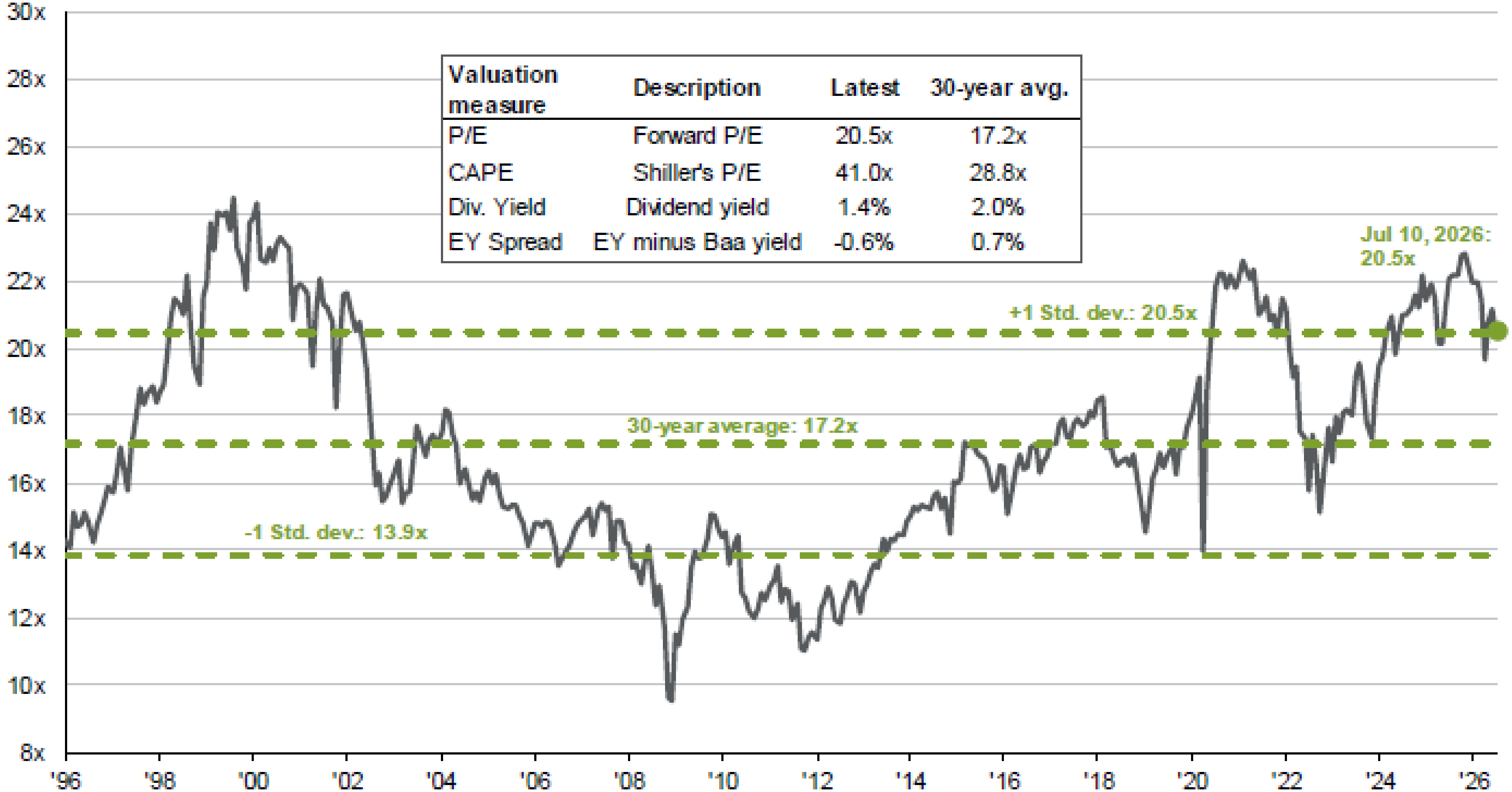
* 2026 H1 total return estimates ending 06/30/26.

# "Top 10 Forecasts" 2026 Midyear Report Card

| Forecast | Assessment | Rationale for Assessment |
|---|---|---|
| Stock Returns In Line With 2026 EPS Growth | Correct | S&P 500 up ~10% YTD |
| Bonds to Deliver Low to Mid-Single Digit Returns | Correct | Barclays Agg up ~1% YTD |
| The Fed Will Cut Short-Term Rates 25+bps | Incorrect | Fed has not cut YTD |
| Inflation In 2026 Will Fall, On Average, vs. 2025 | Incorrect | Inflation has risen YTD |
| Small-Cap To Outperform Large-Cap in 2026 | Correct | Small Cap up ~20% vs ~10% Large Cap |
| Volatility To Increase Near 2026 Midterm Elections | TBD | Midterm elections occuring in Nov. |
| U.S. Economy Will Expand 2%-3% In 2026 | Correct | GDP up ~2+% YTD |
| Consumer Sentiment Will Increase | Incorrect | Consumer confidence is down YTD |
| Real Estate Prices To Decelerate in 2026 | Correct | Real estate prices up ~1% YOY |
| U.S. Manufacturing (ISM) Will Increase in 2026 | Correct | ISM Manufacturing is up YTD |

# 1. Stock Returns In Line With 2026 EPS Growth

**S&P 500 index: Forward P/E ratio**




| Valuation measure | Description | Latest | 30-year avg. |
|---|---|---|---|
| P/E | Forward P/E | 20.5x | 17.2x |
| CAPE | Shiller's P/E | 41.0x | 28.8x |
| Div. Yield | Dividend yield | 1.4% | 2.0% |
| EY Spread | EY minus Baa yield | -0.6% | 0.7% |

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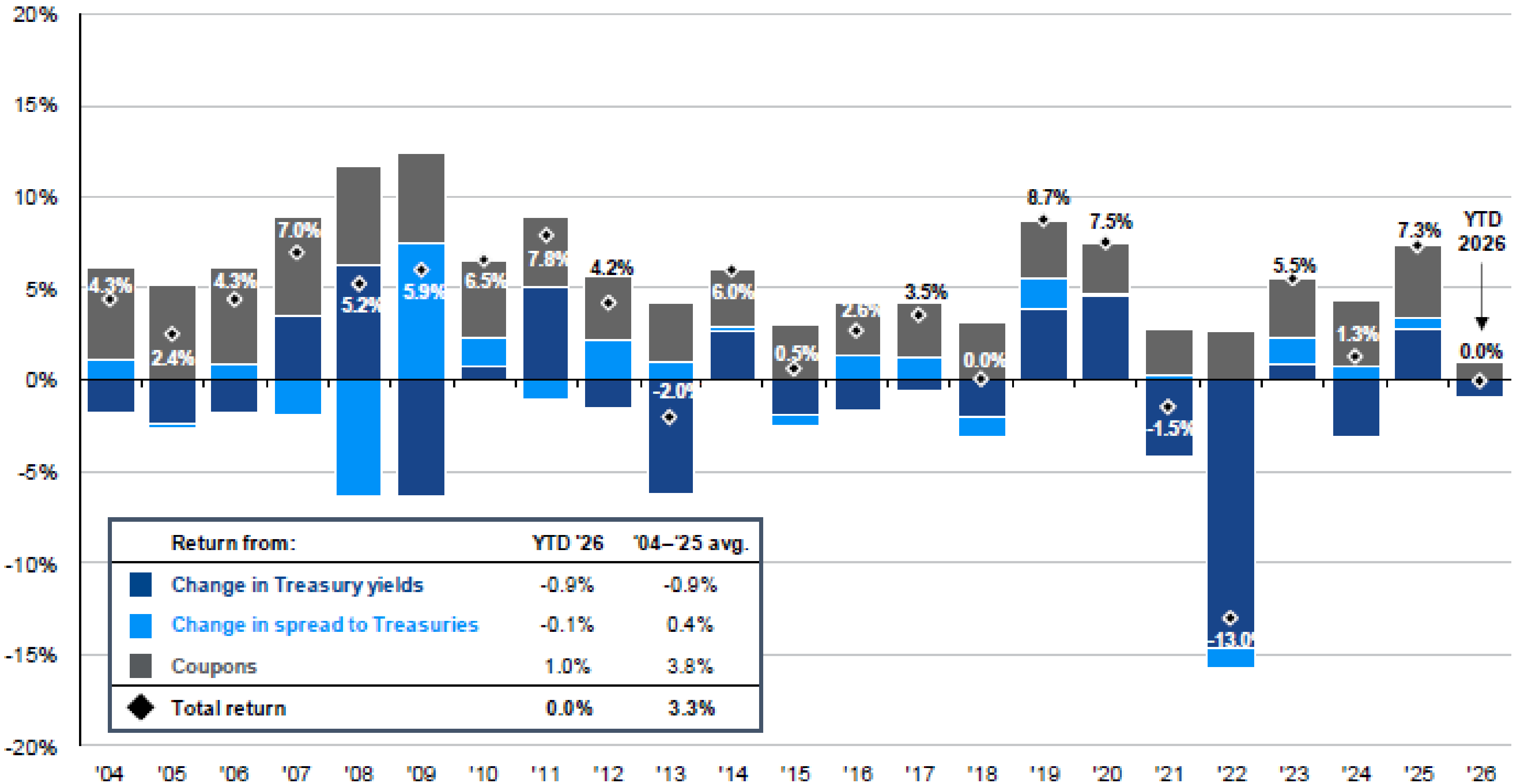
Source: JP Morgan

# 2. Bonds to Deliver Low to Mid-Single Digit Returns

**Bloomberg U.S. Aggregate annual total return**

Total return broken into change in Treasury yields, change in bond spreads over Treasuries and coupon

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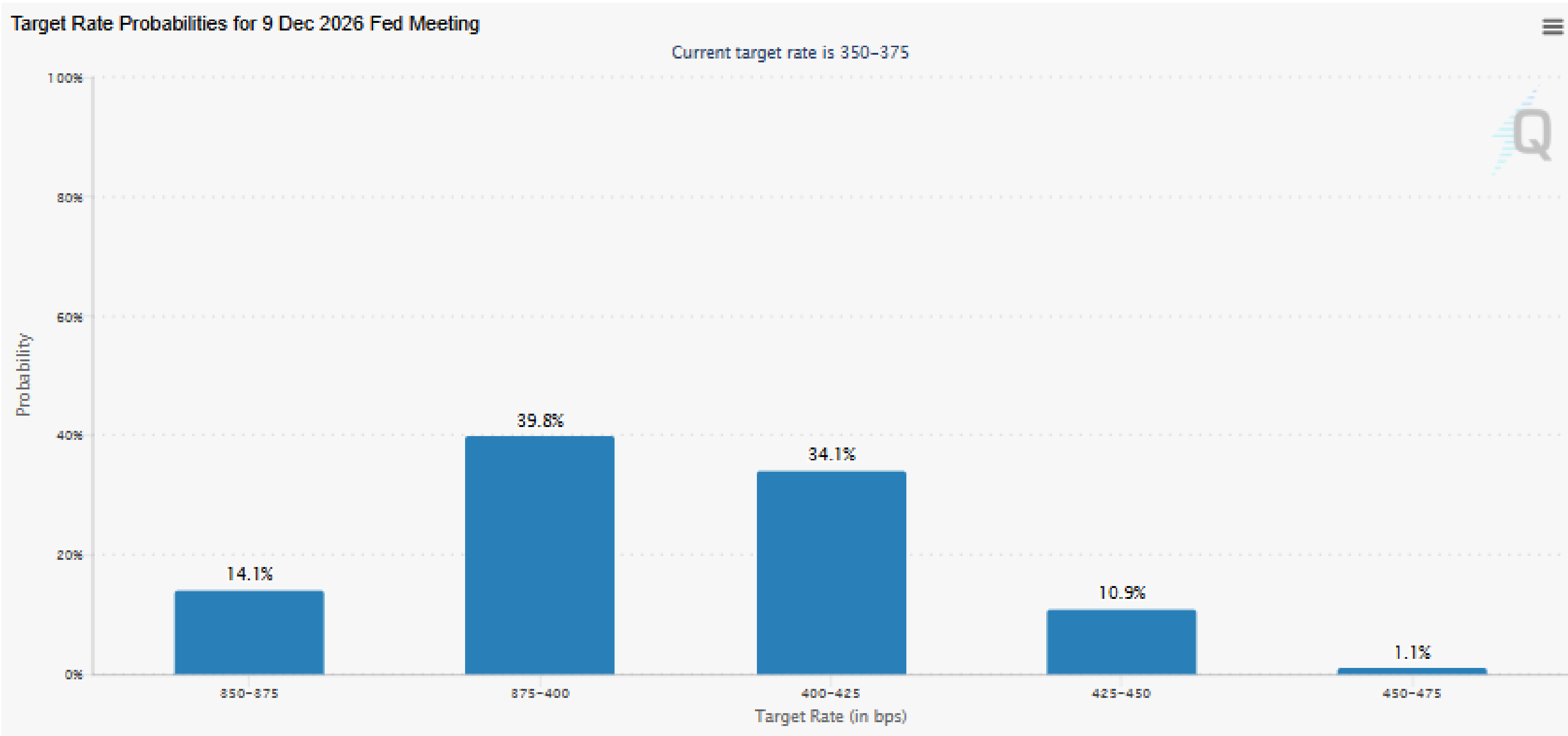
Source: JP Morgan

# 3. The Fed Will Cut Short-Term Rates 25bps or More

## Futures markets suggest a rate cut is unlikely by the end of 2026

29 Jul26 | 16 Sep26 | 28 Oct26 | 9 Dec26 | 27 Jan27 | 17 Mar27 | 28 Apr27 | 9 Jun27 | 28 Jul27 | 15 Sep27

| MEETING INFORMATION | | | | | | PROBABILITIES | | |
|---|---|---|---|---|---|---|---|---|
| MEETING DATE | CONTRACT | EXPIRES | MID PRICE | PRIOR VOLUME | PRIOR OI | EASE | NO CHANGE | HIKE |
| 9 Dec 2026 | ZQZ6 | 31 Dec 2026 | 96.0325 | 12,526 | 144,609 | 0.0 % | 14.1 % | 85.9 % |

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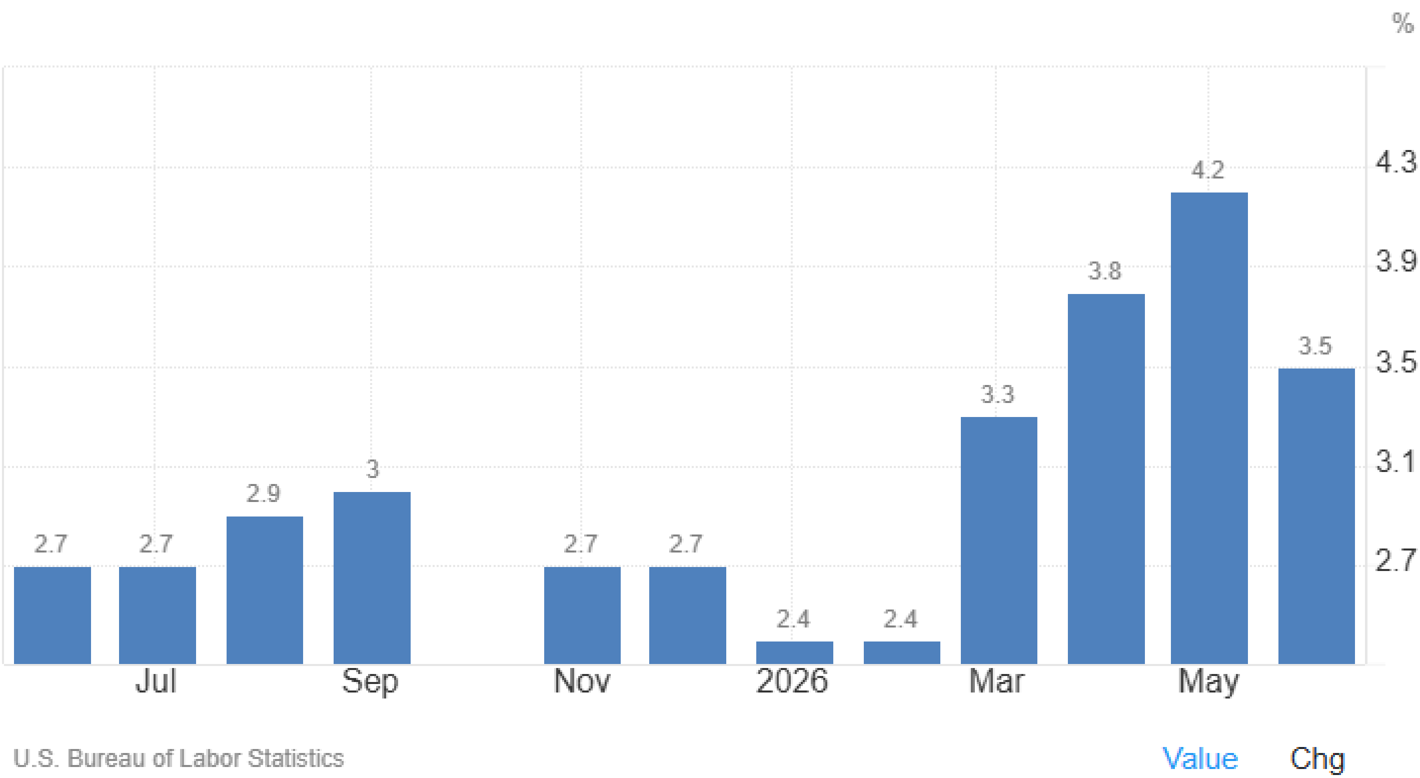
Source: CME Group

# 4. Inflation In 2026 Will Fall, On Average, Vs. 2025




Inflation was trending down until the military conflict with Iran. There is a small chance it will fall dramatically by year end.

Source: TradingEconomics.com

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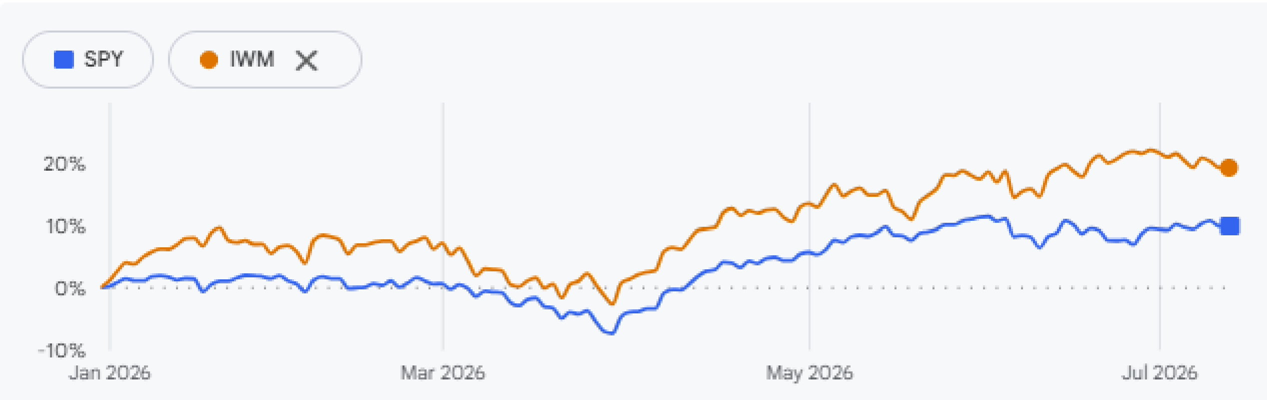
# 5. Small-Cap To Outperform Large-Cap in 2026

State Street SPDR S&P 500 ETF Trust

**$749.17** +9.86% (+67.25) YTD

Jul 13, 8:04:00 PM UTC-4 · USD

Line Compare Indicators




1D 5D 1M 6M YTD 1Y 5Y MAX

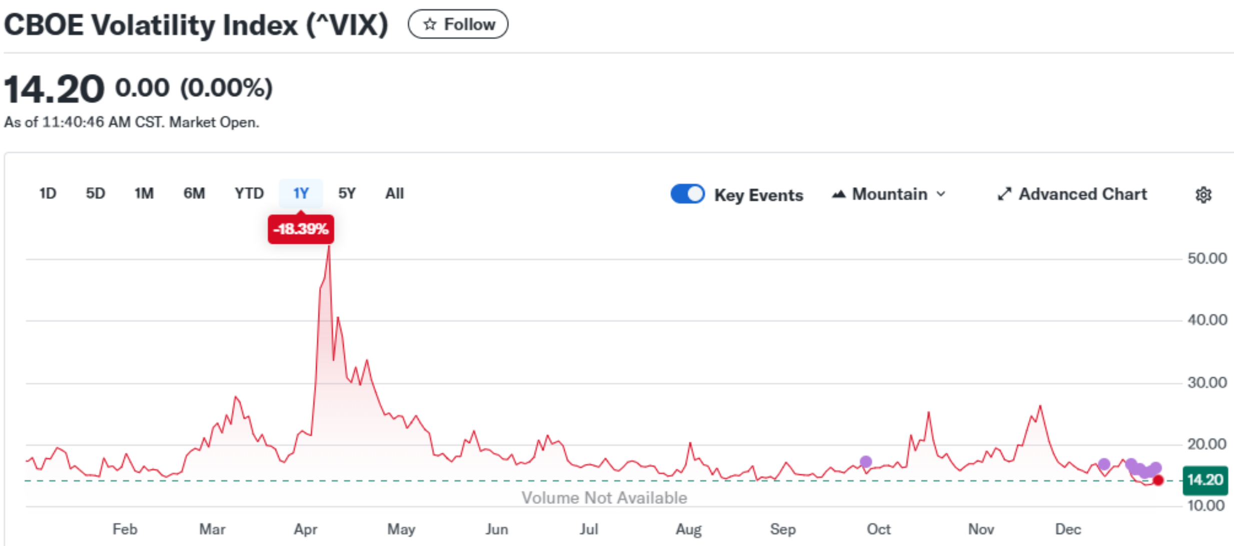
| | Symbol | Price | Change | % Change | Prev Close |
|---|---|---|---|---|---|
| | SPY<br>State Street SPDR S&P 500 ETF Trust | $749.17 | +67.25 | +9.86% | $754.95 |
| | IWM<br>iShares Russell 2000 ETF | $293.48 | +47.32 | +19.22% | $295.99 |

Small-Cap stocks have substantially lagged large-cap stocks over the past 5 years.

Small-cap stocks may have benefited from a "catch-up trade" as well as the gains in productivity driven by AI applications.

Source: Google Finance

# 6. Volatility To Increase Near 2026 Midterm Elections




Source: Yahoo! Finance

The midterm elections may impact important government policies. Hence, we think investors will actively reposition their portfolios before and after the elections resulting in increased volatility

Downside volatility may be an opportunity for long-term investors, as it was after the “tariff tantrum” in March-April of 2025.

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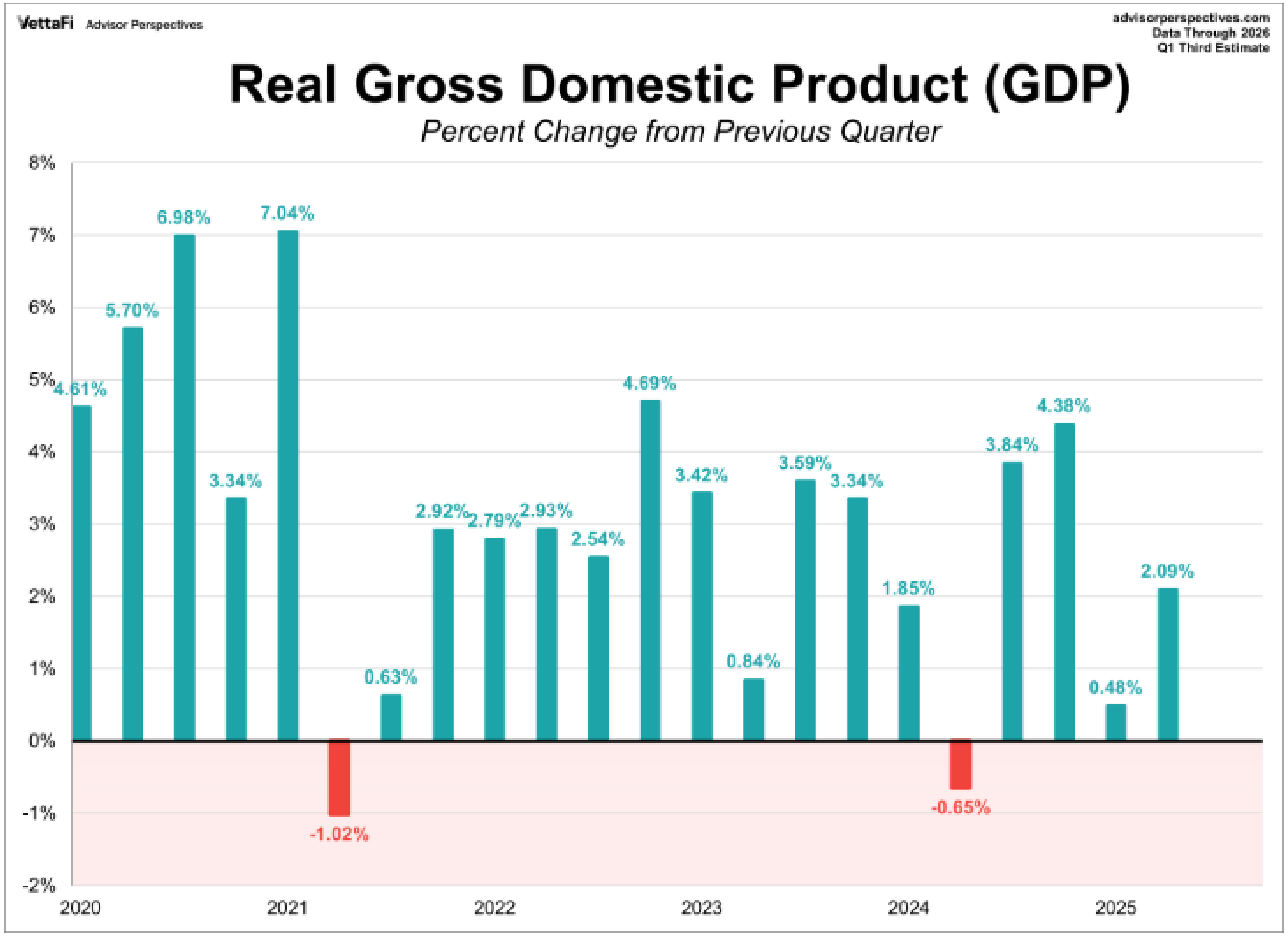
# 7. The U.S. Economy Will Expand 2%-3% In 2026




2026 GDP growth estimates are 2.0%+.

The tax benefits from the One Big Beautiful Bill (OBBB) and the highest income tax refunds on record may help consumers in 2026.

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Source: Advisor Perspectives

# 7. The U.S. Economy Will Expand 2%-3% In 2026

| Current law | Final legislation | |
|---|---|---|
| **Standard deduction** | | |
| $15,000 single; $30,000 married filing jointly for 2025 | $15,750 single; $31,500 married filing jointly for 2025 | |
| **'Bonus' deduction for older adults** | | |
| $1,600 for age 65 and older for 2025; $2,000 unmarried / not surviving spouse for 2025 | $7,600 for age 65 and older; $8,000 for unmarried / not surviving spouse; both from 2025 through 2028 | |
| **State and local tax deduction (SALT)** | | |
| $10,000 limit through 2025 | $40,000 limit for 2025; increases by 1% through 2029; reverts to $10,000 in 2030 | * |
| **Child tax credit** | | |
| Max credit of $2,000 per child through 2025; refundable portion $1,700 for 2025 | Max credit of $2,200 per child; refundable portion $1,700 with inflation adjustments for 2025 | |
| **Estate and gift tax exemption** | | |
| $13.99 million single; $27.98 million married filing jointly for 2025 | $15 million single; $30 million married filing jointly for 2026 | |
| **Tax on tips** | | |
| N/A | Deduct up to $25,000 per year from 2025 though 2028 | * |
| **Overtime pay** | | |
| N/A | Deduct up to $12,500 per taxpayer from 2025 through 2028 | * |
| **Auto loan interest** | | |
| N/A | Deduct up to $10,000 of annual interest on new loans from 2025 through 2028 | * |
| **Trump Accounts for child savings** | | |
| N/A | One-time $1,000 credit to account per child born between 2025 through 2028 | |
| **Charitable deduction for non-itemizers** | | |
| N/A after 2021 | $1,000 single; $2,000 married filing jointly; permanent after 2025 | * |

Summary table of One Big Beautiful Bill (OBBB).

In our view, OBBB will provide a boost to the lower income consumer who has struggled in recent years.

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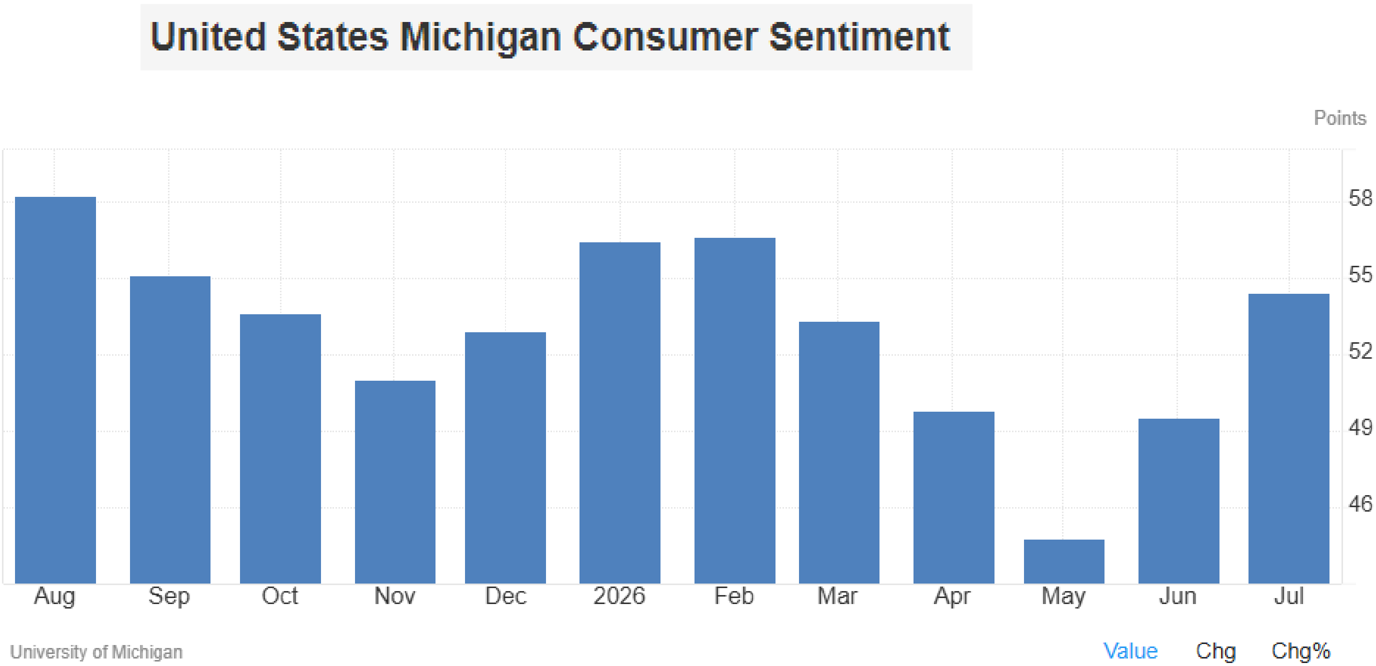
Source: CNBC

# 8. Consumer Sentiment Will Increase



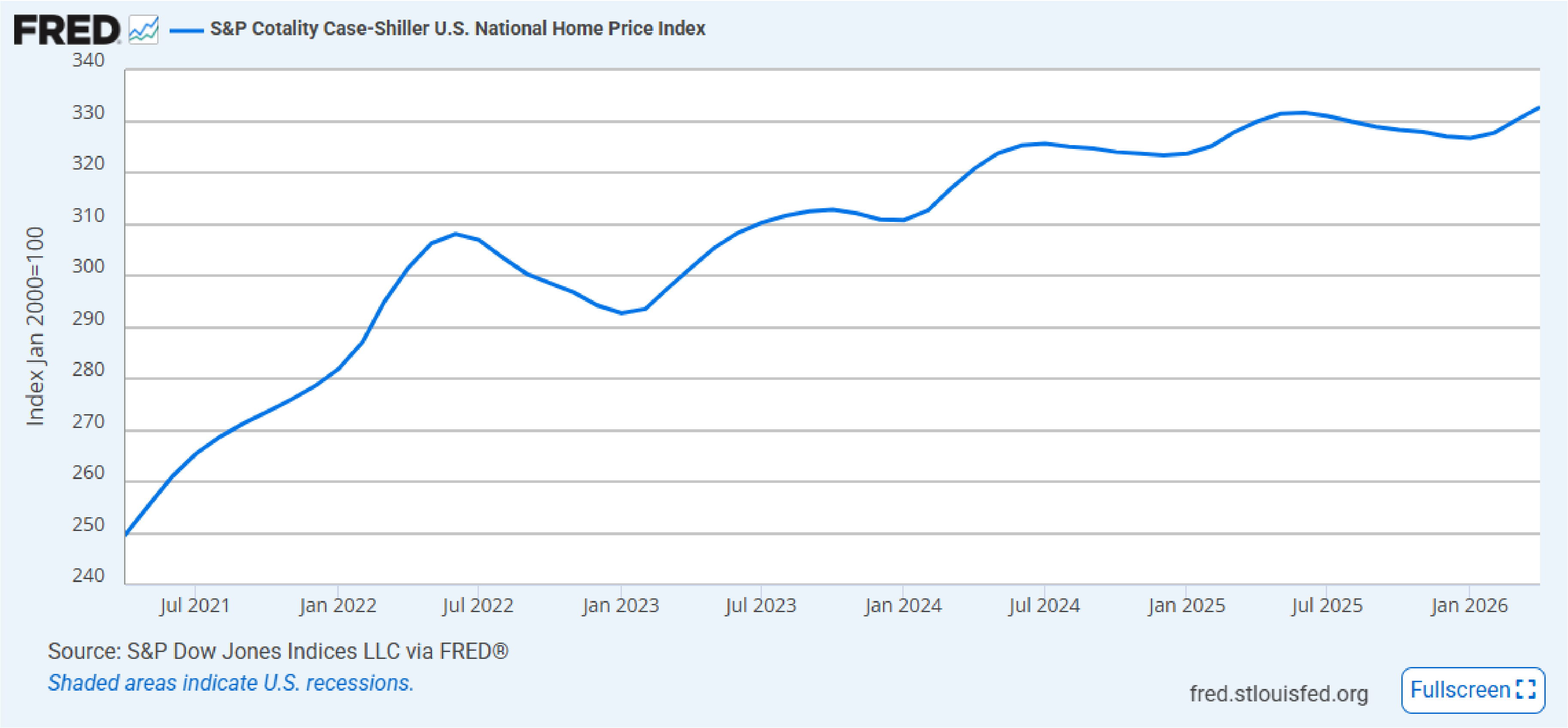

Consumption accounts for ~70% of U.S. GDP so consumer sentiment bears monitoring.

We think sentiment will increase as inflation increases at a more moderate pace and the OBBB tax benefits accrue to consumers .

Source: TradingEconomics.com

# 9. Real Estate Prices To Decelerate in 2026

Increased supply, high prices, and elevated mortgage rates should help limit further price appreciation for residential homes in 2026

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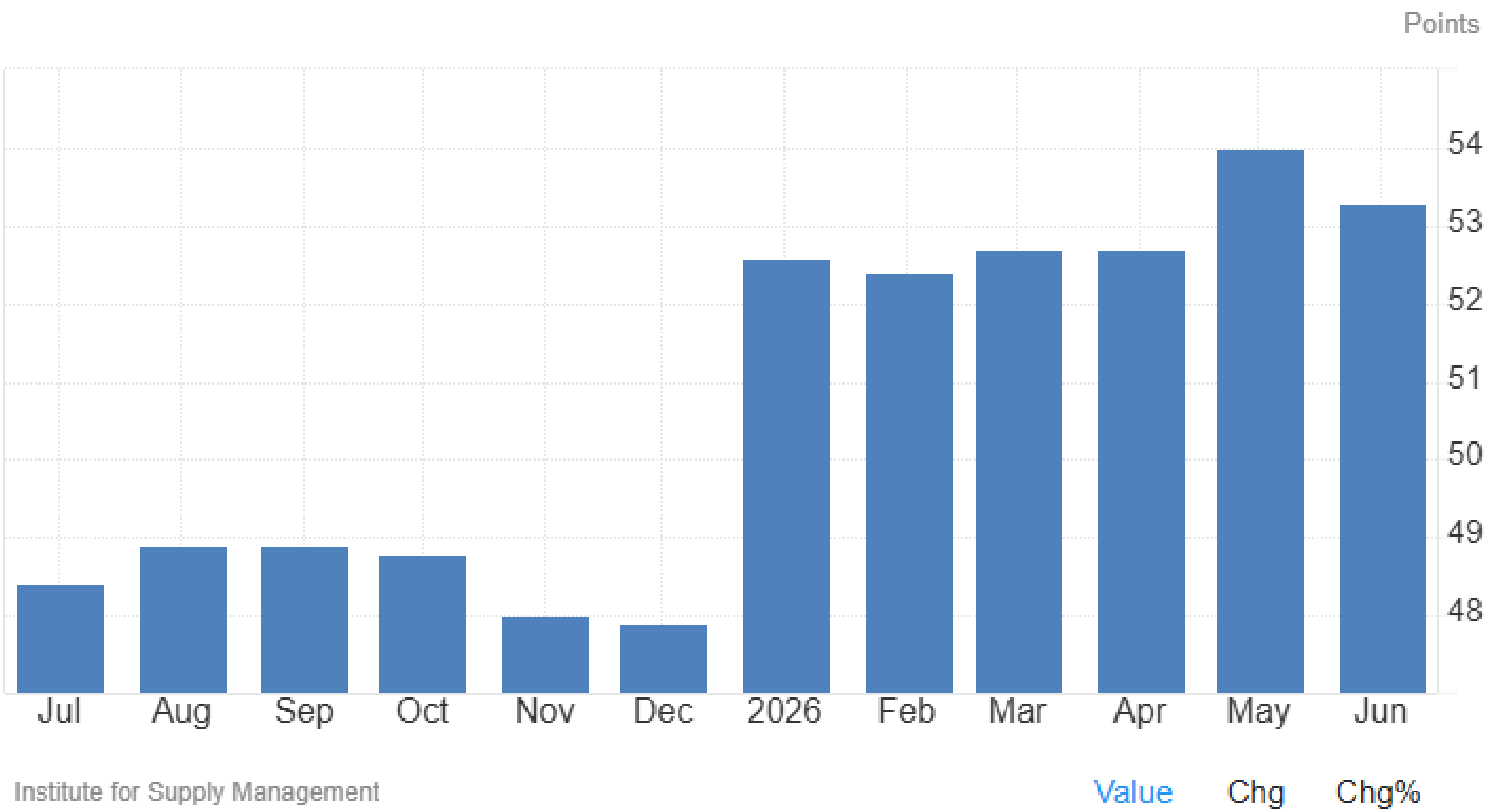
Source: Federal Reserve

# 10. U.S. Manufacturing (ISM) Will Increase in 2026

In our view, prior pledges of manufacturing projects will slowly come into fruition in 2026

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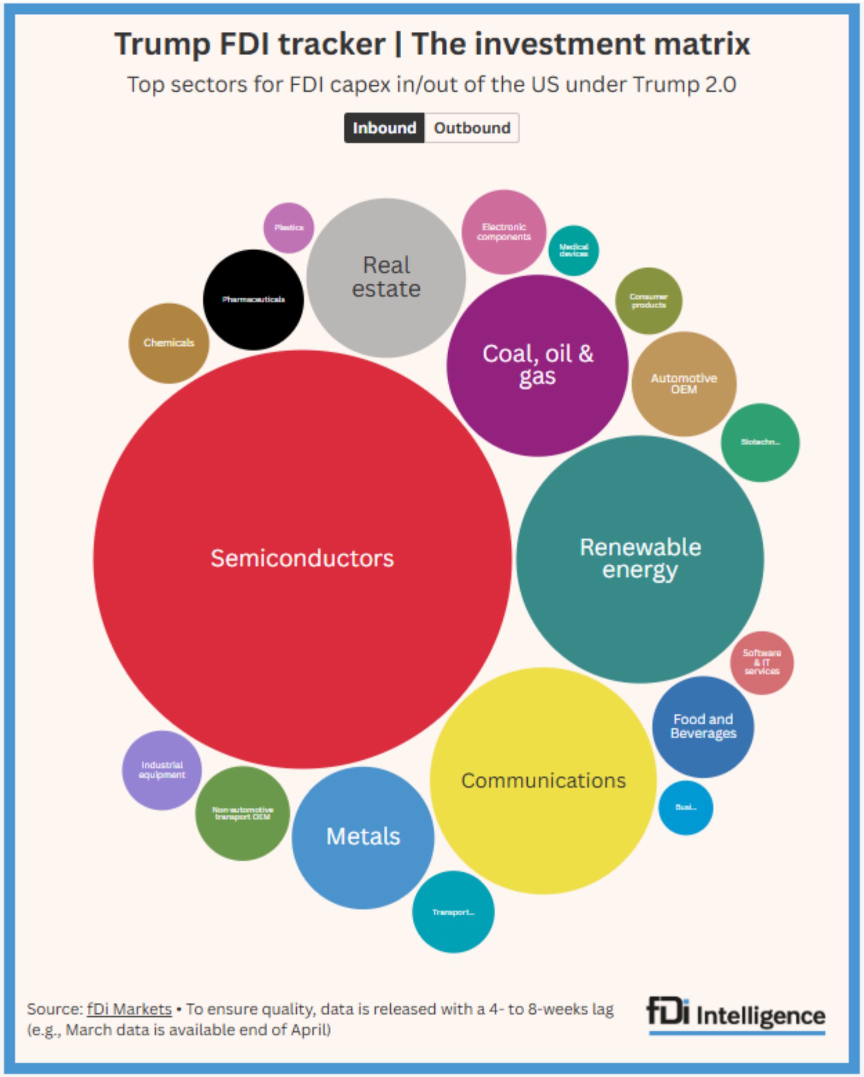
Source: TradingEconomics

# 10. U.S. Manufacturing (ISM) Will Increase in 2026

## $21 trillion in Foreign Direct Investment (FDI) has been pledged. Implementation is TBD




We believe at least some of these pledges will come to fruition in 2026, boosting U.S. (ISM) manufacturing activity.

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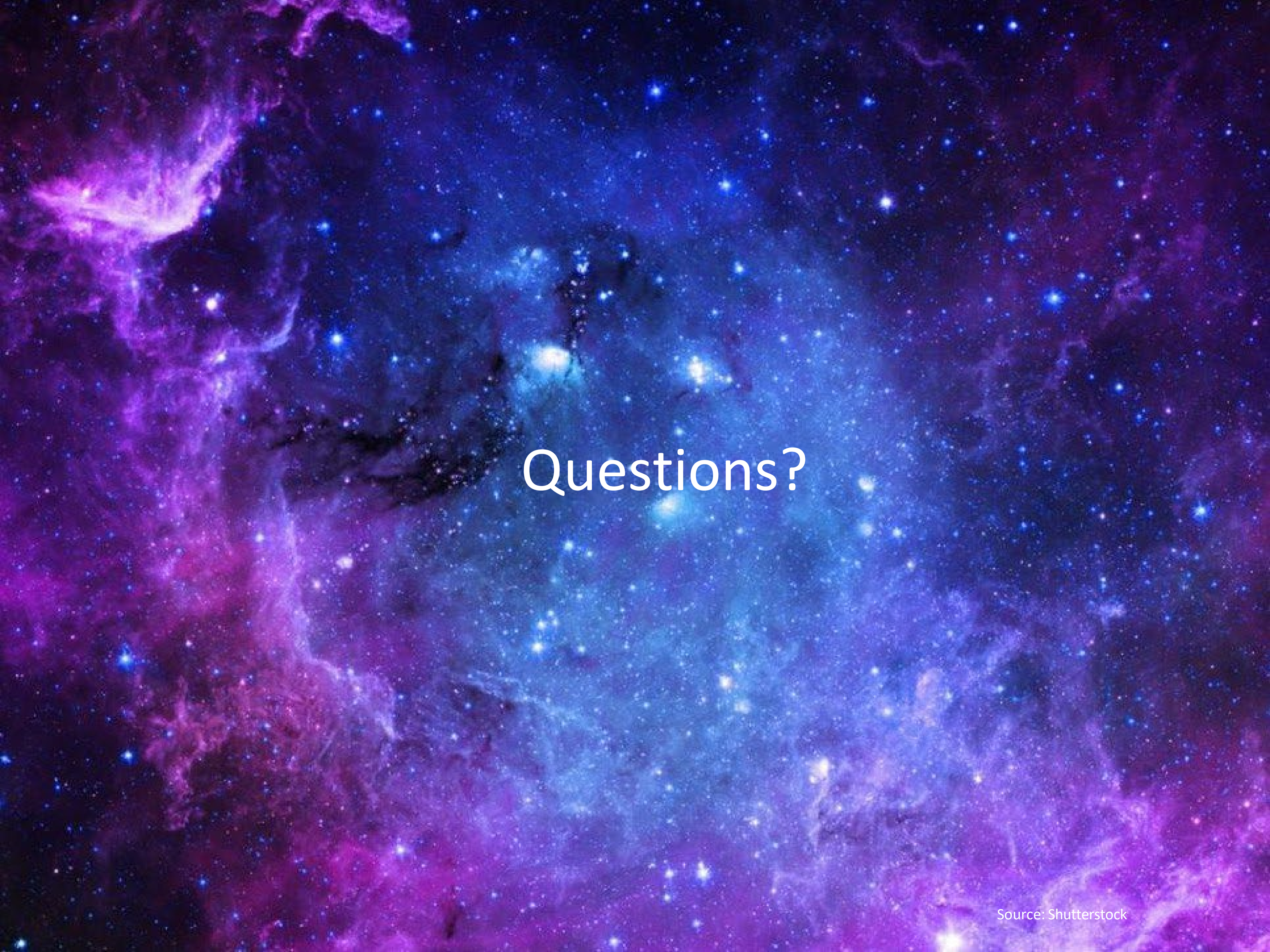
Source: FDI Intelligence

# Revisiting 4 Investment Themes for 2026

1. Prepare for equity returns roughly in line with earnings growth.
   - Implication: Annual equity returns of 20%+ are not normal. Returns of mid single digits to 10%+ are more realistic over the next 3-5 years.
2. Prepare for lower short-term U.S. interest rates.
   - Implication: The days of 5% yields on money market funds are over. Consider adding fixed income securities of intermediate-term duration.
3. Emphasize and search for firms that may benefit from the productivity gains driven by the proliferation of artificial intelligence applications.
   - Implication: Tech stocks will not be the only beneficiaries of AI growth.
4. Emphasize quality investments and firms with demonstrated profitability over unprofitable ones.
   - Implication: In a more subdued return environment, we favor high quality firms trading at reasonable valuations.



Source: Shutterstock