ROANOKE CONNECTIONS

JULY 2026

CARY STREET PARTNERS

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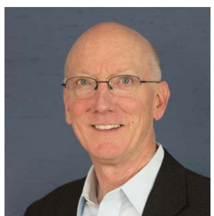
SECOND QUARTER 2026 REVIEW & OUTLOOK



WHITNEY BROWN

Financial Advisor
Branch Office Manager
Managing Director

Markets rallied broadly in Q2, though gains were uneven.

The second quarter of 2026 was generally a strong one for the major indexes — the Dow Jones Industrial Average, the S&P 500, the NASDAQ Composite, and select small and mid-cap indexes all posted solid gains. The start of the second quarter coincided with a bottoming of the first quarter's decline. At this writing through the third week of June, market gains for the quarter range from +20% for the NASDAQ Composite to +12% for the Dow Jones Industrials with mid caps, small caps, and the S&P 500 falling in between.[1] Beneath the surface, the rally has been somewhat spotty with pockets of strength but lacking the broad participation that typically characterizes a healthy rally at this stage.[2] As we move into the third quarter, we are watching closely for signs of either further strengthening or additional weakness.

The NASDAQ stalled in June as Magnificent Seven[3] momentum faded.

Notably, the NASDAQ ran into headwinds in June as several of the index-dominating mega-cap tech names rolled over. Growing concerns about massive AI capital expenditures — and the time it may take to generate meaningful productivity gains for AI users — weighed on the group. Some of these companies appear to be facing longer lag times monetizing their AI investments than others, and the market is beginning to ask harder questions about future returns on that spending.

Broader participation and sector strength were encouraging.

On a more constructive note, the equal-weighted S&P 500 and Value Line Composite Indexes delivered steadier returns throughout the quarter, and small-cap, mid-cap, and large-cap value indexes all trended well.[4] We saw renewed strength in the financial, healthcare, and industrial sectors as money rotated away from big tech. This broadening of participation is a healthier sign than a rally led only by mega caps.

Midterm election year seasonality may introduce near-term indecision.

With 2026 being a midterm election year, some market weakness through the middle two quarters of the year would be consistent with historical patterns around the four-year presidential cycle. Concerns around policy changes should election results switch control of either chamber of Congress usually account for much of the weakness. Markets have typically firmed in the fourth quarter as the anticipated outcome of midterm elections comes into clearer focus.[5]

A wave of major IPOs could add to equity supply.

With much fanfare, the rocket and AI company SpaceX has recently gone public. Both OpenAI and Anthropic are reported to be planning offerings in the near future. By market valuation, these are among the

MARKET MEASURES	2nd QTR	YTD
S & P 500 (price)	14.9%	9.5%
Dow Jones Industrial Average	12.9%	8.9%
NASDAQ Composite	21.4%	12.8%
Russell 2000	21.1%	21.9%
MSCI EAFE	9.5%	6.7%
Bloomberg Inter. Gov't/ Credit Bond Index	0.8%	0.5%
	6/30/26	**6/30/25**
10-Year U.S. Treasury Bond Yield	4.45%	4.23%
Three-month U.S. Treasury Bill Yield	3.83%	4.34%

Source: Telemet Orion

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largest private companies in history. Since going public in mid-June, SpaceX has already attained a market capitalization in excess of $2 trillion. Their entry into public markets will add a significant new supply of stock as insiders seeking liquidity release shares onto the market over the next 12 months or more. In addition, passive index-tracking mutual funds and ETFs that incorporate these new players may be forced to sell other stocks to pay for the newcomers.[6] The additional supply has the potential to exacerbate the mid-year seasonal weakness and volatility many already anticipate. We will be monitoring how the market absorbs these new issues.

Inflation and bond yields remain key watchpoints.

An oil-related supply shock has renewed inflationary pressures, keeping attention on bond yields. The consumer is still spending, supported by a resilient labor market, though affordability pressures have taken a toll on sentiment. The Federal Reserve is under pressure to raise short-term rates if inflation persists. Indeed, their most recent meeting on June 17th under the leadership of new Chair Warsh took a hawkish tilt with a number of participants projecting an increase in the federal funds rate before year-end 2026.[7] The 10-year U.S. Treasury yield sits near 4.5%, toward the upper end of the range since late 2023.[1] With the path of least resistance for yields appearing upward, we continue to favor shorter fixed income durations.

A significant market top does not appear imminent; quality remains our focus.

While the market's underlying technical condition could be healthier, conditions associated with major market tops are not in evidence. We expect news-driven markets and continued volatility in the months ahead. We continue to believe the best long-term investment strategy is to own high-quality stocks with strong track records of revenue and earnings growth along with sound financial positions, complemented by a fixed income allocation – kept at shorter durations given yield pressures – to dampen overall portfolio volatility. ■

THE HIDDEN COSTS OF I BONDS

If you purchased Series I Savings Bonds directly through TreasuryDirect, the investment has likely served you well. You shielded your cash from inflation, deferred your federal taxes, and skipped out on state and local taxes entirely. When assisting clients with the management of their estates, however, our team has identified certain pitfalls.

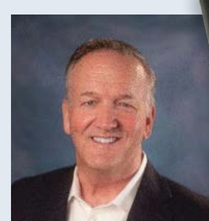
No Step-Up in Basis

When you pass away and leave stocks, most individual bond types, or real estate to your heirs, those assets generally receive a "step-up in basis." Your heirs inherit them at current market value, which can effectively erase years of capital gains taxes. I Bonds, however, do not receive a step-up in basis; the accumulated interest is generally taxed as ordinary income. When you pass away, that tax obligation may pass to your beneficiaries, who could owe ordinary federal income tax on the interest the bond earned from the day you bought it.

TreasuryDirect After Death

When your beneficiaries claim your bonds, they may face a lengthy process. The TreasuryDirect platform can be slow and documentation-heavy when handling the death of an account owner. Your loved ones cannot simply click a button to transfer the funds; it is often a paper-intensive process that can freeze accounts for months during legal reviews. For direct inheritors, the minimum timeframe may be six months; for trusts, it may be at least one year. During that time, assets may remain frozen, and TreasuryDirect may provide limited information.

The Bottom Line



BOB MARTIN

Financial Advisor
Managing Director

I Bonds can be a useful way to generate income as part of a bond portfolio while allowing investors to defer federal taxes. Leaving them behind as part of your overall estate, however, requires caution. If you own I Bonds, take a moment to review how they fit into your estate plan and make sure your heirs are prepared for the unique tax and paperwork hurdles they may face. In some cases, it may be worth evaluating whether to redeem I Bonds during life, coordinate ownership with estate documents, or ensure beneficiaries know how to access TreasuryDirect records.

Note: This material is not intended as tax or legal advice. Please consult your tax and estate professionals before making decisions.

RETIREPATH VIRGINIA

NAVIGATING WHAT THE JULY 2026 CHANGES MEAN FOR YOUR BUSINESS

Beginning July 1, 2026, many small Virginia businesses will be required to take action regarding employee retirement benefits. Notices from the state are scheduled to go out to businesses beginning in July 2026.

What is RetirePath Virginia?

RetirePath Virginia is a state-facilitated retirement savings program designed to help workers save through payroll-deduction IRAs. The program was created by state law to expand retirement-savings access for private-sector workers whose employers do not sponsor a workplace plan.

What is Changing in 2026?

New legislation expands the program to smaller employers by lowering the employer eligibility threshold from 25 employees to 5 and broadening employee eligibility.

Who Needs to Take Action?

Employers affected by the 2026 updates must act if they have five or more employees, have been in business for two or more years, and do not already offer a qualified retirement plan. To comply with the expanded legislation, affected employers have the options to register for the state-run RetirePath IRA program, or establish a qualified employer-sponsored retirement plan (401(k), SIMPLE IRA, SEP IRA, etc.).

How the Program Works

Eligible employees are automatically enrolled unless they choose to opt out; employee participation is voluntary, and an employee can opt out or re-enroll at any time. Employee contributions default to a Roth IRA, which the employee can adjust. Because RetirePath is an IRA-based program, contributions are subject to standard IRS annual limits—$7,500 for 2026 (or $8,600 for those age 50 and older)—and Roth contributions are subject to IRS income limits.

The Right Approach for Your Business

The right approach depends on workforce size, cash flow, and your broader goals. If you own or are employed by a small business that may be affected, we encourage you to begin reviewing your options now, ahead of any state notices this summer. And if someone in your network — a family member, friend, or colleague — runs a small business in Virginia, this may be worth sharing with them. As always, please consult your trusted advisors about your specific circumstances.

HUGH BROWN

Financial Advisor

Let Cary Street Partners be your guide. We will work with you to evaluate, select, and operate a plan that best serves your organization and your employees.

WELCOME SHANNON MCCLURE

We are very happy to report that Shannon McClure has joined our Roanoke office as a Client Support Associate in support of Bob Martin's team initially. Shannon is a lifelong native of Roanoke. Her background is predominantly in the banking industry with sixteen years of experience, most recently in enterprise risk management. She graduated from Liberty University in 2023 with a Bachelor's degree in History, and she earned her MBA in 2024 from Western Governors University.

When not working, she and her fiancé Billy love to travel and attend country music concerts and sporting events. She is also an animal lover with three dogs and four cats, and a passion for rescue and lifesaving programs to relocate homeless pets.

Sources:

[1] Telemet Orion, June 23, 2026

[2] Lowry Research, Lowry Market Trend Analysis, June 18, 2026

[3] The "Magnificent Seven" refers to a group of seven high-performing, influential stocks in the technology sector. Alphabet (GOOGL; GOOG), Amazon (AMZN), Apple (AAPL), Meta Platforms (META), Microsoft (MSFT), NVIDIA (NVDA), and Broadcom (AVGO).

[4] Telemet Orion, June 23, 2026

[5] Ned Davis Research, 2026 midterm election handbook, Ed Clissold and Than Nguyen, February 10, 2026

[6] Envestment, What advisors need to know about the coming mega IPOs, Nathan Yates, CIMA, CETF, June 8, 2026

[7] Lord Abbett, June Fed Meeting: Policy Signals from the New Chairman, Leah G. Traub, June 22, 2026

CARY STREET
PARTNERS

WEALTH MANAGEMENT

601 S. Jefferson Street, Suite. 410, Roanoke, Virginia 24011

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