

THIRD QUARTER 2026 REVIEW & OUTLOOK

The third quarter looked calmer on the surface than it was underneath. The largest stocks kept climbing modestly while the typical stock treaded water, and bond yields pushed toward the top of their three-year range.

The Quarter & Year in Review

Through September 30th, the S&P 500 and NASDAQ gained approximately 2% for the quarter, while the Dow was down almost 3% and the small-company Russell 2000 fell over 7%. The S&P 500 Equal Weight index, which gives every company the same influence regardless of size, was down 2%, a sign that gains were concentrated in the largest names. International stocks, as measured by the MSCI EAFE Index, were up fractionally in U.S. dollar terms. For the year to date, the NASDAQ, S&P 500, and Russell 2000 have returned in a range of 12-16%, ahead of the Dow and developed international markets (MSCI EAFE) at 6-7%. Emerging markets (MSCI Emerging Markets) led with returns around 21%.¹

Driving Stocks: The AI Buildout

Artificial intelligence remains the dominant theme. The largest technology companies, known as “hyperscalers,” are each committing hundreds of billions of dollars a year to processors and data centers, and global AI investment is forecast to exceed \$1 trillion this year, spending without real precedent.² Investors have flirted with moving away from the AI trade, but the promise of rapid revenue growth has proven too alluring. Concerns are creeping in, however, as these companies increasingly borrow rather than use their own cash to fund the buildout. And while Wall Street sees productivity gains, Main Street is less convinced: a recent Pew survey found young adults increasingly wary of AI and concerned it will take their jobs.³

Driving Bonds: Inflation & Competition for Capital

Bond yields have faced upward pressure all year from rising fuel prices, diesel especially, and from heavy demand for borrowing. The U.S. Treasury now competes with the hyperscalers for capital, with one key difference: the companies are financing what should be productive investment, while the Treasury is financing a growing deficit. The 10-year Treasury yield sits at the top of the roughly 3.6%–5% range it has traded in since peaking at 5% in October 2023.

The Federal Reserve under new Chair Kevin Warsh raised short-term rates in September,⁴ part of a broad global campaign of rate hikes as central banks confront higher energy and input costs.⁵ Raising rates is meant to cool growth and ease inflation. So far stocks have taken it in stride, but a recession could turn today’s pause into a bear market, a decline of 20% or more.



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HOW BOND YIELDS WORK & WHY THEY MATTER FOR STOCKS

The yield curve plots what bonds pay against how long until they mature. Normally investors are paid more for waiting longer, so the curve slopes upward.

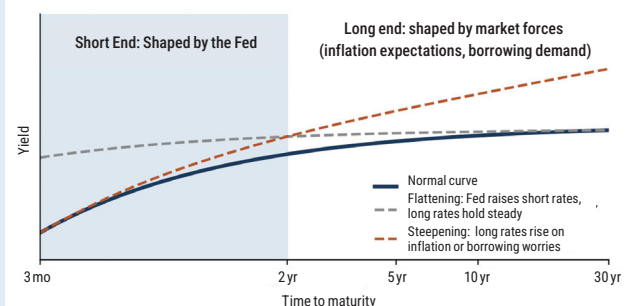
Who moves which end. The Fed directly influences the short end through the rates it sets, historically raising them when inflation accelerates. Beyond about two years, yields are set mostly by market forces.⁶

Flattening and steepening. If investors trust the Fed on inflation, long-term yields hold steady as it raises short rates, and the curve flattens. If not, long-term yields rise too, and the curve steepens. Today, heavy borrowing by the Treasury and by AI builders may also be pushing long-term yields up.

Why stocks care. A stock’s value rests largely on what its future profits are worth today, and higher rates make future profits worth less. That hits growth stocks hardest since their value depends on profits far in the future. Value stocks, which return more through dividends today, may hold up better.

Why shorter maturities now. Bond prices fall when yields rise, and longer bonds fall more. Shorter bonds limit that effect and let maturing money be reinvested sooner at higher rates.

THE YIELD CURVE



The Character of Recent Market Action

At times this year the rally broadened, with stocks of all sizes participating, a healthy sign. Lately the market has turned apathetic: little enthusiasm from buyers, but little urgency from sellers. Because the S&P 500 and NASDAQ are weighted by company size, a handful of giants can lift them while most stocks go nowhere. Equal-weight measures such as the Value Line Arithmetic Index show the average stock has been noticeably softer since mid-August. The Lowry Research indicators we follow, which gauge the underlying supply and demand for stocks, show little sign of a major market top, but they continue to weaken, and the market likely needs a catalyst.⁶

Midterm Seasonality Points to Possible Year-End Rally

History offers some perspective. Using data back to 1928, Ned Davis Research combines three recurring cycles (a one-year seasonal cycle, the four-year presidential cycle, and a ten-year decennial cycle) into a composite of how stocks tend to behave through the year. Midterm years like 2026 have historically been among the presidential cycle's weaker stretches, and this year's composite anticipated weakness building into early October before a year-end rally.⁷ So far, the pattern has held in the broader market. Seasonal patterns do not always repeat, but if this one continues, the fourth quarter could see a rally, though we expect some indecision leading into the November elections.

Outlook: Quality Remains our Focus

Although the market's technical health could be better, the conditions associated with major tops are not in evidence. We expect news-driven volatility through the elections. With yields more likely to rise than fall, we continue to favor shorter-maturity bonds. Our long-term approach is unchanged: own high-quality companies with strong records of revenue and earnings growth and sound finances, complemented by fixed income, kept shorter for now, to dampen overall portfolio volatility. ■

MARKET MEASURES	3rd QTR	YTD
S & P 500 (price)	2.0%	11.8%
Dow Jones Industrial Average	-2.7%	5.9%
NASDAQ Composite	2.5%	15.6%
Russell 2000	-7.5%	12.7%
MSCI EAFE	0.7%	7.5%
Bloomberg Inter. Gov't/Credit Index	-2.1%	-1.5%
	9/30/26	9/30/25
10-Year U.S. Treasury Bond Yield	5.30%	4.15%
Three-month U.S. Treasury Bill Yield	4.13%	3.95%

Source: Telemet Orion

¹ Telemet Orion, September 30, 2026. Unless otherwise noted, all index and market data in this article are from this source as of this date.

² Goldman Sachs, "Global AI Investment Is Forecast to Exceed \$1 Trillion in 2026," August 7, 2026.

³ Pew Research Center, "Young Adults in the U.S. Are Increasingly Wary of AI, Concerned It Will Take Jobs," August 18, 2026.

⁴ Federal Reserve, Federal Open Market Committee statement, September 16, 2026.

⁵ Neil Irwin, "The Global Credit Tightening Is Underway," Axios, September 18, 2026.

⁶ Michael N. Zuber, CMT, Lowry Market Trend Analysis, Lowry Research, September 18, 2026.

⁷ Ed Clissold and Thanh Nguyen, "Average Stock Is Following Seasonal Weakness. Does That Foreshadow a Q4 Rally or a Market Top?" Ned Davis Research, September 22, 2026.

⁸ U.S. Bank, "How Changing Interest Rates Impact the Bond Market," September 18, 2026.



RETIREMENT MYTHS THAT MAY SURPRISE YOU

Retirement is often less about money than most people think. When most people think about retirement, they picture reaching the finish line. In reality, retirement is often the starting line for an entirely new phase of life.

After helping clients prepare for retirement over many years, we've found that some of the biggest surprises have little to do with investment performance and everything to do with lifestyle, purpose, taxes, and spending.

Myth ①: Retirement is a Financial Event

Retirement is first and foremost a behavioral event. For more than 40 years, our clients have worked hard, saved diligently, made sacrifices, and delayed gratification in preparation for retirement. They learned how to accumulate wealth but often have spent very little time preparing for the lifestyle changes retirement brings.

What many people discover is that a financial plan is not the same as a life plan.

We've seen retirees become restless after a few years because they have less structure, less identity, and less purpose than they anticipated. While financial readiness is essential, fulfillment in retirement often depends on having meaningful activities, relationships, and goals beyond work.

Before retirement arrives, consider one important question: *What would an ideal week look like for me?*

The life part of retirement deserves the same attention as the money part. Purpose, relationships, activities, and personal fulfillment all benefit from intentional planning.

Retirement life should be designed with the same care that retirement assets are managed.

The Legal Documents Every Family Should Consider When a Child Turns 18



The day your child turns 18 is a milestone worth celebrating — but it also brings a quiet shift in legal reality that catches many families off guard. Overnight, your son or daughter becomes an adult in the eyes of the law, fully empowered to make their own medical and financial decisions without any parental input. That independence is a good thing,

Myth ②: The Number is the Goal

Many people spend years chasing "the number" they believe will finally make them feel financially secure.

What we've observed is that confidence in retirement rarely comes from reaching a specific dollar amount. We've seen clients retire comfortably with modest savings and others remain uneasy despite significant wealth.

Some clients tell us that once they reach their target number, they'll finally feel secure. Yet financial confidence is often driven by preparation, flexibility, and perspective rather than a single account balance.

The reality is that retirement planning is about much more than accumulating assets. It is about creating a sustainable income strategy, maintaining flexibility through life's changes, creating guardrails, and building a retirement that reflects your personal goals and values.

The number is not the goal. The number is simply the entry ticket to the retirement life you've designed.

Myth ③: When I Retire, I Need to be Conservative with My Spending

While every retirement journey is unique, many retirees spend less than their financial plans allow.

Years of disciplined saving can make it surprisingly difficult to transition from accumulating wealth to using it. After decades of hearing "save more," many retirees find themselves hesitant to enjoy the resources they've worked so hard to build.

A thoughtful retirement income strategy can provide guardrails that help retirees spend with more confidence while managing the risk of outliving their savings. Within those boundaries, retirees may find opportunities to travel, pursue long-delayed interests, create memorable experiences with loved ones, or provide support to family members when it is most meaningful.

Retirement should not be defined by unnecessary deprivation. It should be about using your resources intentionally to support the life you've envisioned.

You can be financially prudent and still enjoy spending the wealth you've spent a lifetime creating.

Myth ④: Taxes are an April Problem

For many retirees, taxes become one of the largest financial expenses they will face.

Many people do an exceptional job saving through employer retirement plans and traditional IRAs, accumulating substantial retirement assets during their careers. However, much of that money has never been taxed.

As retirement unfolds and required distributions eventually begin, retirees often discover that taxes play a larger role in their financial picture than they expected.

The good news is that retirement frequently creates a valuable planning window. During this period, proactive tax strategies may be evaluated and implemented before future distribution requirements take effect.

Tax planning is not about finding shortcuts. It is about understanding the rules and making informed decisions at the right time. The earlier these conversations occur, the more options are typically available.

The tax bill may be more manageable, but only if planning occurs before the bill arrives.



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Final Thoughts ...

Retirement planning is about much more than investments. It involves purpose, spending, taxes, family, and creating a meaningful next chapter of life.

The most successful retirements we observe are not necessarily those with the largest portfolios. They are retirements in which individuals and families have thoughtfully prepared for both the financial realities and the personal opportunities that retirement presents.

If you or someone you care about is approaching retirement, we'd welcome the opportunity to explore these questions together and develop a plan that addresses both the financial and life aspects of retirement. ■

of course. But without the right documents, it can leave parents unable to help in a crisis — locked out of medical information, unable to manage finances, and with no legal standing to act on their child's behalf. Whether your child is a college freshman or well-established in their career, these situations can arise suddenly and the consequences for families can be painful. **Here are the key documents worth having a conversation about:**



Even if your child remains on your health insurance, federal privacy law (HIPAA) generally limits what providers can share with you about your child's medical records or care without your child's written consent. A HIPAA waiver, which some providers, including hospitals and clinics, may require on their own forms, gives you access to records, treatment history, and billing information, and allows you to speak directly with their doctors. Most providers have these forms available in the office.

VA Advance Directive for Health Care

For Virginia residents, the state's Advance Directive combines two protections in one. The Medical Power of Attorney allows your child to designate you as their health care agent if they become unconscious or incapacitated, meaning you can make decisions on their behalf rather than facing that situation without any legal authority. The Living Will component lets your child document their own preferences regarding life support, ventilators, feeding tubes, and similar interventions. The form is available free online and must be signed in front of witnesses.



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**Durable
Financial Power
of Attorney**

This document authorizes you to help manage your child's financial affairs — bank accounts, rent, student loans, taxes — if they become incapacitated or are otherwise unable to act for themselves, such as during an extended period studying abroad. Signing requirements vary by state. In Virginia, a notary is not strictly required for validity, but a notarized signature presumed genuine, is needed if the document will be used for real estate, and is expected by many financial institutions. Forms are available through online legal platforms or a licensed attorney.

**FERPA
Release
Form**

Regardless of who pays tuition, most colleges and universities will not share academic or billing records with parents without the student's written consent under the Family Educational Rights and Privacy Act. A signed FERPA release — available through your child's registrar, financial aid office, or student portal — keeps you in the loop on the records that matter.

Every family's situation is different, and the right approach will depend on your child's circumstances, your relationship, and the level of involvement that makes sense. A trusted attorney is always the best starting point to ensure these documents are properly prepared and tailored to your needs.

For families whose situations are straightforward, Cary Street Partners offers access to [Wealth.com](https://wealth.com), an unaffiliated digital estate planning platform that provides basic documents — including Financial Powers of Attorney, Advance Medical Directives, and Wills — at no cost to our clients. It's a helpful resource, though not a substitute for comprehensive legal counsel. Ask your advisor if this is a good fit for your situation.

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