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Market View Quarterly

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Markets rebounded strongly in the second quarter as geopolitical tensions gradually eased, allowing investors to look beyond elevated energy prices and periods of volatility. Despite ongoing uncertainty around the Iran war for much of the quarter, most major equity indices posted double-digit gains and reached new all-time highs on the back of strong corporate earnings and solid economic growth. Technology stocks rebounded sharply following first-quarter weakness, supported by continued enthusiasm around the Artificial Intelligence (AI) buildout and upcoming initial public offerings (IPO), while small-cap and international equities also posted strong returns, reflecting broad confidence in the economic outlook. Supporting markets was an economy that remained on solid footing, aided by resilient consumer spending, continued investment in AI infrastructure, a reacceleration in job growth, and one of the strongest earnings seasons in recent years, with S&P 500 earnings rising 28.8% year-over-year in Q1.[1] Fixed income markets posted modest gains, though bond yields remained volatile given higher inflation readings, fluctuating energy prices, and changing Federal Reserve (Fed) expectations. As the quarter came to a close, a peace agreement between the U.S. and Iran helped ease concerns over global energy supplies, pushing oil prices to their lowest levels since the end of February and removing a major source of uncertainty for markets.

Domestic Equities[2]

As risks gradually eased throughout the quarter, markets rallied despite a volatile path towards a ceasefire. The reopening of the Strait of Hormuz near quarter-end helped restore confidence in global energy markets, with tanker traffic reaching its highest level since February. At the same time, enthusiasm surrounding AI remained a key driver of market performance and helped the S&P 500 and Nasdaq notch their best quarterly performance since 2020. Technology stocks rebounded sharply from their first-quarter weakness, led by semiconductor companies and other businesses benefiting from continued investment in AI infrastructure, while strong earnings growth across the sector helping support returns. Additionally, investor confidence also received a boost from the highly anticipated SpaceX IPO, the largest public offering in history, as shares rose more than 19% on their first day of trading becoming the sixth largest company in the U.S., valued at more than $2.2 trillion. While technology remained the primary driver of returns, with the tech-heavy NASDAQ increasing 21.60%, a rising tide lifted all boats, with the S&P 500, as well as the Dow Jones Industrial Average advancing 15.20%, and 13.38% respectively. Small-cap stocks also delivered exceptionally strong returns, rising 21.49%, and continued to outperform on a year-to-date basis despite higher interest rate expectations. Market participation also broadened to previously out-of-favor sectors, with Healthcare and Financials delivering some of the strongest performance of any sector in June. Investors who remained focused on long-term fundamentals were ultimately rewarded with strong returns during the quarter. Heading into the second half of the year, corporate earnings remain robust and provide a strong fundamental backdrop for a constructive market outlook.

International Equities[2]

Rising energy prices initially weighed on international equities, particularly in regions that are more reliant on imported energy, but improving geopolitical conditions led to a recovery. Emerging markets remained among the strongest-performing asset classes during the quarter, gaining 24.05%, benefiting from their increasingly important role in the global AI supply chain. Countries such as South Korea and Taiwan continued to see strong demand for semiconductors, memory chips, and other advanced technologies, while several Latin American economies benefited from demand for the critical minerals and commodities needed to support the ongoing expansion of AI infrastructure. This combination of technological leadership and commodity exposure has created a favorable backdrop for many emerging market economies. Developed markets, as measured by the MSCI EAFE Index, advanced a modest 10.82% during the quarter and trailed behind the S&P 500. However, corporate earnings across international markets continued to grow at one of the fastest rates seen in the past two decades. With attractive valuations, improving earnings trends, supportive fiscal policy initiatives, and exposure to several long-term structural growth themes, both developed and emerging international markets should remain well positioned into the second half of the year.

Fixed Income[2]

Fixed income markets delivered restrained returns during the quarter as geopolitical tensions, elevated inflation concerns, and shifting Fed expectations drove interest rates higher. Treasury yields moved higher across much of the curve as markets went from anticipating rate cuts at the start of the year to pricing in the possibility of rate hikes following the surge in energy prices caused by the conflict in the Middle East. As oil retreated, yields moved lower from their highs, helping support bond returns. Against this backdrop, the Bloomberg U.S. Aggregate Bond Index (0.67%) and Bloomberg Global Aggregate Bond Index (0.87%) generated modest gains, with shorter- and intermediate-term bonds generally outperforming longer-duration securities. High-yield bonds also performed well, supported by attractive income, strong corporate fundamentals, and low default expectations. With the Fed on pause at least through the end of July, rates are likely to remain somewhat elevated and range-bound. Looking ahead, elevated yields continue to provide attractive income opportunities, while healthy credit conditions and a more stable geopolitical backdrop should support fixed income markets through the remainder of the year.

Commodities & Alternatives[2]

The second quarter highlighted how quickly commodity markets can adjust as expectations evolve. Oil markets dominated headlines in early April after oil briefly climbed above $110 per barrel, amid concerns over escalating tensions in the Middle East. As the quarter progressed, however, optimism surrounding ceasefire negotiations and diplomatic efforts helped ease fears of a prolonged disruption, allowing oil prices to retreat from their highs, ending June at $69.48 and declining 35% from the quarter's high. Beyond energy, commodity markets followed distinct paths that reflected a mix of structural and cyclical drivers. Despite geopolitical tensions and central bank demand remaining strong, gold prices fell 13.53%, weighed down by a firmer dollar and higher yields. Other metals, such as copper, rose 10.44% and remained one of the strongest performers, supported by continued investment in artificial intelligence, power grid infrastructure, and electrification. Natural gas posted gains of +13.88% during the quarter, while coal prices regained momentum after an early spring pullback as global electricity demand remained resilient. Agricultural markets also contributed to positive returns, with several key crops posting solid gains in the quarter as weather conditions, trade developments, and evolving supply expectations supported prices.

Conclusion

The market's ability to navigate the uncertainty and volatility experienced during the second quarter serves as a reminder of the importance of remaining invested through periods of disruption rather than reacting to short-term headlines. While the outlook for the second half of the year remains positive, investors should continue to expect periods of volatility, particularly as geopolitical and policy developments evolve. While inflation is expected to ease over the course of the year, driven in part by declining energy prices, the uneven nature of the K-shaped economy is expected to continue. However, as geopolitical concerns fade, market focus should shift back toward fundamental drivers of market performance. Against this backdrop of strong corporate earnings, stable economic growth, a steady labor market, and sustained investment in artificial intelligence infrastructure should provide a supportive foundation for markets and the overall economy.

Economic Definitions

Federal Reserve (Fed): The Federal Reserve System is the central banking system of the United States of America.

Index Definitions

S&P 500: The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities and serves as the foundation for a wide range of investment products. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

NASDAQ: The NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market. The index was developed with a base level of 100 as of February 5, 1971.

Dow Jones Industrial Average: The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

Russell Mid-Cap: Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index, which represent approximately 25% of the total market capitalization of the Russell 1000 Index.

Russell 2000: The Russell 2000 Index is comprised of the smallest 2000 companies in the Russell 3000 Index, representing approximately 8% of the Russell 3000 total market capitalization. The real-time value is calculated with a base value of 135.00 as of December 31, 1986. The end-of-day value is calculated with a base value of 100.00 as of December 29, 1978.

MSCI EAFE: The MSCI EAFE Index is a free-float weighted equity index. The index was developed with a base value of 100 as of December 31, 1969. The MSCI EAFE region covers DM countries in Europe, Australasia, Israel, and the Far East.

MSCI EM: The MSCI EM (Emerging Markets) Index is a free-float weighted equity index that captures large and mid-cap representation across Emerging Markets (EM) countries. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

Bloomberg US Agg Bond: The Bloomberg US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

Bloomberg High Yield Corp: The Bloomberg US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Bloomberg EM country definition, are excluded.

Bloomberg Global Agg: The Bloomberg Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

Bloomberg Municipal Bond Index: The Bloomberg U.S. Municipal Index covers the USD-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and prerefunded bonds.

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1 FactSet Earnings Insight

2 Morningstar Data as of 6.30.2026

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