

Economic & Market Review First Quarter 2026

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The capital markets were priced with optimism entering 2026. Financial conditions were generally favorable and employment was full. Inflation was low, although still above the Federal Reserve's goal of 2%. Earnings for corporate America were strong and growing. Expectations for cuts by the Federal Reserve were priced into the market and relief for consumers in the form of tax rebates were expected.

A few clouds have gathered as we enter the second quarter. The conflict in Iran has brought heightened uncertainty as the near closure of the Strait of Hormuz — the pathway for fuel to the global economy — impacts the price of oil and the global supply chain. Additional headwinds, such as disruptions in the credit market and a partial government shutdown, are making the Federal Reserve's job harder and less prone to lower interest rates.

With all this dominating the news cycle, it can be easy to forget that the sun also rises. The macro picture still has momentum. Employment remains robust. Rates remain lower than they had been. Profits continue to be strong and growing. Optimism around artificial intelligence persists. But the reality is that the diminished clarity has dampened investors' enthusiasm.

First Quarter 2026 Review

Domestic equity returns were largely negative for the quarter as growth stocks, which have been dominant for years, came under pressure. Value stocks which have not been as favored these many years held up much better. The same is true for small caps. In some ways equities behaved as expected; the higher priced sectors such as technology and communication services have borne the brunt of the pullback this quarter whereas more risk adverse sectors such as staples and utilities have grinded higher and posted a solid return for the first quarter. Per FactSet, the S&P 500 has experienced solid earnings growth of 13% (YoY) and now trades in line with its 5-year average for its P/E ratio.

International equities were soft for the first quarter but outpaced many U.S.-based indices. A weaker U.S. dollar provided tailwinds for international returns, as international developed markets finished near where they started

Our Current Market Perspective

Markets entered 2026 with supportive macro fundamentals, including moderating inflation, resilient earnings growth and a gradual shift in monetary policy toward accommodation. Elevated valuations following several years of strong returns warrant increased selectivity and disciplined risk management. Periodic consolidation and market volatility — such as that which we are witnessing in reaction to the Iran Conflict — are likely as investors digest prior gains, navigate policy uncertainty and expected continued government funding challenges. While potentially disruptive in the near term, we view such volatility as pauses within an ongoing expansion rather than signals of a sustained downturn. Ongoing productivity gains — driven by artificial intelligence, automation and technology investment — continue to support corporate margins and earnings growth across a widening set of industries. While inflation risks persist, material inflationary pressure has yet to fully materialize. The Federal Reserve remains data dependent, balancing economic strength with the need to avoid reigniting inflation.

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This report is incomplete without the important disclosures at the end.

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and emerging markets slightly less so. International diversification helped in Q1, although not as much as investors may have liked.

The **fixed income** market was a bit volatile but steady throughout the quarter. The private credit market continues to be a source of consternation. As such, the more credit risk a fixed income investor took, the less they were rewarded. Treasuries largely held their value. Investment-grade showed relatively minor losses. High yield instruments fared slightly worse.

Diversifiers provided protection and upside. Gold and silver had a volatile ride but finished the quarter with modest single figure gains on top of the outstanding returns of recent years. Real estate generally provided modest returns, while infrastructure produced outsized gains. It was commodities, though, that provided the greatest upside for investors this quarter.

Looking Ahead

What will the second quarter provide? March may provide a clue. It remains unclear when the conflict in Iran will draw to a close. Lower yields that had been expected to account for higher valuations seem unlikely to materialize, at least in the near term. Fortunately, corporate profits and their growth are intact and GDP growth remains at trend. Lower prices and continued earnings growth generally mean better valuations. The promise of artificial intelligence seems unlikely to abate.

Markets can be fickle and volatility is not a surprise, but this bull market has shrugged off difficulties before. While we remain constructive in the intermediate to longer term, given heightened uncertainty and the tremendous bull move these last few years, it may be a beneficial time to review one's asset allocation and make sure it remains consistent with one's goals and risk appetites.

Please reach out to your Financial Professional with any questions.

Our Longer-Term View

- The U.S. economy remains in a post-COVID, productivity-led expansion supporting a secular bull market in equities. While initially concentrated in technology, productivity gains are increasingly broadening across other sectors of the economy.
- Despite ongoing policy uncertainty, corporate earnings growth and productivity improvements remain the primary drivers of long-term equity performance.
- Signs of moderation in the labor market are viewed as a normalization rather than a precursor to recession, with productivity gains helping offset slower employment growth.
- With the yield curve no longer deeply inverted, fixed income markets have moved closer to historical norms, reinforcing their role as income generators and portfolio diversifiers within balanced allocations.

	Global Equities				US Fixed Income				Other Assets	
	US Large	US Small	Intl Developed	Intl Emerging	1-3 Yr Treasuries	Aggregate Bonds	High Yield	Municipal Bonds	Commod.	Gold
Quarter	-4.33	0.89	-1.24	-0.17	0.27	-0.05	-0.50	-0.27	26.87	5.51
YTD	-4.33	0.89	-1.24	-0.17	0.27	-0.05	-0.50	-0.27	26.87	5.51
3-Year	18.32	13.05	13.62	14.84	4.04	3.63	8.60	2.88	15.74	32.53
10-Year	14.16	9.88	8.38	7.80	1.77	1.70	6.12	2.10	10.43	14.06

These views are as of April 1, 2026 and are subject to change based on subsequent developments. The material presented is provided for informational purposes only. Information is based on sources believed to be reliable; however, their accuracy or completeness cannot be guaranteed. Nothing contained herein should be construed as a recommendation to buy or sell any securities. As with all investments, past performance is no guarantee of future results. No person or system can predict the market. All investments are subject to risk, including the risk of principal loss. International investing involves special risks, including, but not limited to, currency fluctuations, economic instability, and social and political uncertainties, not typically present with domestic investments. Emerging market investments can see enhanced volatility due to these risks. The return and principal value of bonds fluctuate with changes in market conditions. In general, bond prices rise when interest rates fall, and vice versa.

Index definitions: The S&P 500 index is an index of 500 of the largest exchange-traded stocks in the US from a broad range of industries whose collective performance mirrors the overall stock market. The Russell 2000 is a stock market index comprised of approximately 2000 U.S. small-cap stocks and is considered a broad indicator of the performance of small capitalization companies. MSCI EAFE Index is an index created by Morgan Stanley Capital International (MSCI) that serves as a benchmark of the performance in major international equity markets as represented by major MSCI indexes from Europe, Australia and Southeast Asia. The MSCI Emerging Markets Index captures large- and mid-cap representation across 24 Emerging Markets countries. The Bloomberg 1-3 Year US Treasury Index measures the performance of U.S. dollar-denominated, fixed-rate, nominal debt issued by the US Treasury with maturities between 1 and 2.999 years. Bloomberg U.S. Aggregate Bond Index is an index with income reinvested, generally representative of intermediate-term government bonds, investment grade corporate debt securities, and mortgage-backed securities. The Bloomberg U.S. Corporate High Yield Index consists of domestic and corporate bonds rated Ba and below with a minimum outstanding amount of \$150 million. Bloomberg 1-15 Year Municipal Bond Index is a market capitalization-weighted index that measures the performance of the intermediate-term (1 to 15 years) tax-exempt bond market. The Dow Jones Commodity Index is a broad measure of the commodity futures market that emphasizes diversification and liquidity through a simple, straightforward, equal-weighted approach. The LBMA Gold Price is the global benchmark for unallocated spot gold, set via electronic auction by the ICE Benchmark Administration (IBA) twice daily (10:30 and 15:00 London time) in USD. It is not possible to invest directly in an index.



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