

QUARTERLY UPDATE

LETTER FROM OUR CIO

APRIL 1, 2026

Key Economic Developments

The first quarter of 2026 was marked by ongoing resilience in the US economy despite significant global headwinds. Growth and employment remain robust, even as inflationary concerns persist. The latest figures show that US GDP is growing at 2.2%. And while inflation has moderated in the past few quarters, it continues to be a central focus. The Federal Reserve, responding to both stubborn domestic inflation and the global oil price shock stemming from the US-Israel conflict with Iran, has kept its benchmark rate unchanged. Recent comments from Fed officials emphasize that inflation may remain closer to 3% rather than the targeted 2%, largely fueled by higher energy prices. Encouragingly, growth in both output and jobs has so far absorbed these pressures without significant slowing. Other areas of the US economy remain strong, including US home sales which saw an unexpected uptick, a sign of improved affordability conditions. However, this could be threatened if higher oil prices and higher interest rates persist. Overall, the US economy is in decent shape, but the story becomes cloudier the longer oil prices remain elevated.

Market Performance

US stocks set fresh records during Q1, but those were short lived following the Iran conflict. Most notably, the divergence in returns between the technology-driven growth stocks and the value-oriented companies. The Nasdaq Composite ended Q1 2026 down 7%, S&P 500 down 4%, while the Russell 1000 Value index was up 2%. Gains were led by the energy and consumer sectors, benefiting from higher commodity prices and robust consumer demand. Much of the weakness in the technology sector can be attributed to concerns over a slowdown in the pace of growth in AI spending and elevated valuations. Corporate earnings results generally beat expectations, with select industries raising revenue outlooks. Q1 2026 earnings reports are expected to be solid, growing at an annual pace of over 10%.

Looking Forward

Looking forward, the outlook for 2026 is shaped by the interplay of persistent inflation, high energy costs, and global political risks. The consensus remains for moderate, trend-level growth in the US economy, and the labor market is expected to remain strong. But further escalation in oil prices or a prolonged Middle East conflict could challenge both consumer spending and business investment. Markets are preparing for the possibility that there may be no interest rate cuts this year by the Fed unless inflation decelerates more rapidly than currently forecast. Any shift in policy will be highly data dependent. As a result, continued volatility is anticipated as investors weigh corporate earnings growth against the risks of higher input costs and shifting monetary policy. We remain vigilant in monitoring these evolving dynamics and will keep portfolios appropriately balanced between opportunities and risks. Maintaining a diversified portfolio and focusing on market dynamics is paramount to us at Legacy Edge Advisors. We continue to remain constructive on sectors such as semiconductors to take advantage of AI trends, cybersecurity, consumer staples, industrials, and infrastructure. We are tactically neutral in equities but overweight Value and underweight beta (a measure of a stock portfolio's volatility relative to the overall market). This positioning has benefited portfolios in Q1 2026. We continue to monitor the economic, political and market environment and believe that portfolios at Legacy Edge are well positioned for the financial goals according to the risk temperament of our clients.



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