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As summer gives way to fall, the changing season offers a fitting parallel to the current economic and investment landscape. For investors, this period of transition brings a renewed focus of what lies ahead, marked by both opportunity and uncertainty.

The U.S. economy entered the final quarter of 2026 facing a complex mix of resilient activity and mounting headwinds. Substantial investment in artificial intelligence and related infrastructure continued to support growth, while persistent inflation, renewed energy-price pressures, evolving trade and tariff policies, and a moderating labor market complicated the economic outlook. At the same time, elevated government debt, higher long-term interest rates, and uncertainty surrounding Federal Reserve policy reinforced the delicate balance between sustaining economic expansion and containing inflation.

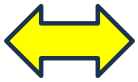
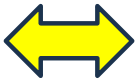
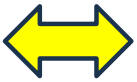
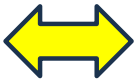
Financial markets also continued to navigate an increasingly complex global landscape. Following a strong first half of the year, market conditions became more measured during the third quarter. Technology and energy benefited from favorable sector-specific dynamics, while softer performance across other market segments, combined with concerns about elevated valuations and the sustainability of earnings growth, contributed to uneven results.

The S&P 500 Index reached a new all-time high of 7,798.99 on August 13, 2026, before experiencing a series of daily declines. Despite this volatility, the index posted a positive third-quarter total return of 2.30%. Gains accumulated during the first half of the year provided a meaningful cushion, allowing the S&P 500's year-to-date total return to remain firmly in double-digit territory at 12.75%. Elsewhere, international equities remained positive for the year but experienced periods of weakness as global investors reassessed the outlook for growth and monetary policy; domestic small-cap stocks faced greater pressure from rising borrowing costs and sensitivity to economic conditions; real estate investments also struggled with rising interest rates and a higher lending environment making property investment less appealing; and higher Treasury yields impacted fixed-income markets negatively. Commodities and energy sectors were among the strongest-performing investments, delivering double-digit gains as rising prices and geopolitical tensions heightened concerns over the global supply of oil and other key resources.

Against this backdrop, the economic and financial crosscurrents underscore the importance of maintaining a long-term perspective, thoughtful portfolio positioning, disciplined risk management, and broad diversification across asset classes.

Current economic data reflected resilience despite some persistent headwinds. GDP grew at an annualized rate of 2.2% in the second quarter of 2026, and positive economic contributors included consumer spending, business investment in AI infrastructure, strong corporate earnings, labor market stability, and overall adaptability from business and households. However, economic resilience does not eliminate risk. Growth momentum has remained uneven, and its sustainability will depend on demand, inflation, interest rates, profitability, and productivity.

See the chart below for a summary of recent economic trends.

GDP	Inflation	Interest Rates	Jobs	Unemployment Rate	Manufacturing
					
Housing	**Consumer Spending**	**Business Spending**	**Corporate Profits**	**Energy Prices**	**Stock Market**
					

During the third quarter, the Federal Open Market Committee (FOMC) marked a notable shift in monetary policy with a 25-basis-point rate increase at their September meeting, bringing the federal funds target range to 3.75% - 4.00%. Following more than three years without a rate hike, the Fed's decision signaled a renewed emphasis on containing persistent inflationary pressures over easing financial conditions. The decision was unanimous and supported by the Committee's assessment that economic activity continued to expand at a solid pace, consumer spending remained resilient, and business investment was robust. As the Committee stated, the rate increase was intended to support a "timelier return" to its 2.0% inflation objective and reduce the risk that elevated inflation becomes entrenched in consumer and business expectations. Policymakers attributed higher inflationary pressures on the effects of tariffs, higher energy and input costs associated with geopolitical developments, and rising prices for technology-related goods. The Fed also expressed concern that sustained energy-price increases and strong investment demand could broaden inflationary pressures across the economy. Based on the statements in the meeting minutes, most policymakers believe another rate increase would likely be appropriate before year-end, but they did not commit to a predetermined path of increases. Officials reiterated that future policy decisions would be guided by incoming inflation and employment data, the broader economic outlook, and the balance of risks. In our view, this signals that interest rates are likely to remain elevated for longer, with the potential for additional tightening if inflationary pressures prove persistent.

As we look toward the final months of 2026 and into 2027, our outlook remains cautiously optimistic, tempered by these economic crosscurrents.

1. The economy is moving forward, but businesses and consumers must be careful about how they spend and borrow money.
2. Inflation is persistent but slowly improving, however, the cost of living is still a concern.
3. Corporate earnings are strong, but investors have high expectations. Disappointing news can send the wrong signal despite strong company profits.
4. AI is creating substantial economic opportunities, but valuations require discipline. AI stocks are highly priced. Investors must be cautious of paying too much for an investment.
5. Interest rates are elevated, but that has restored value to fixed income. Higher rates can hurt some parts of the economy, but they also give investors a better opportunity to earn income from bonds.

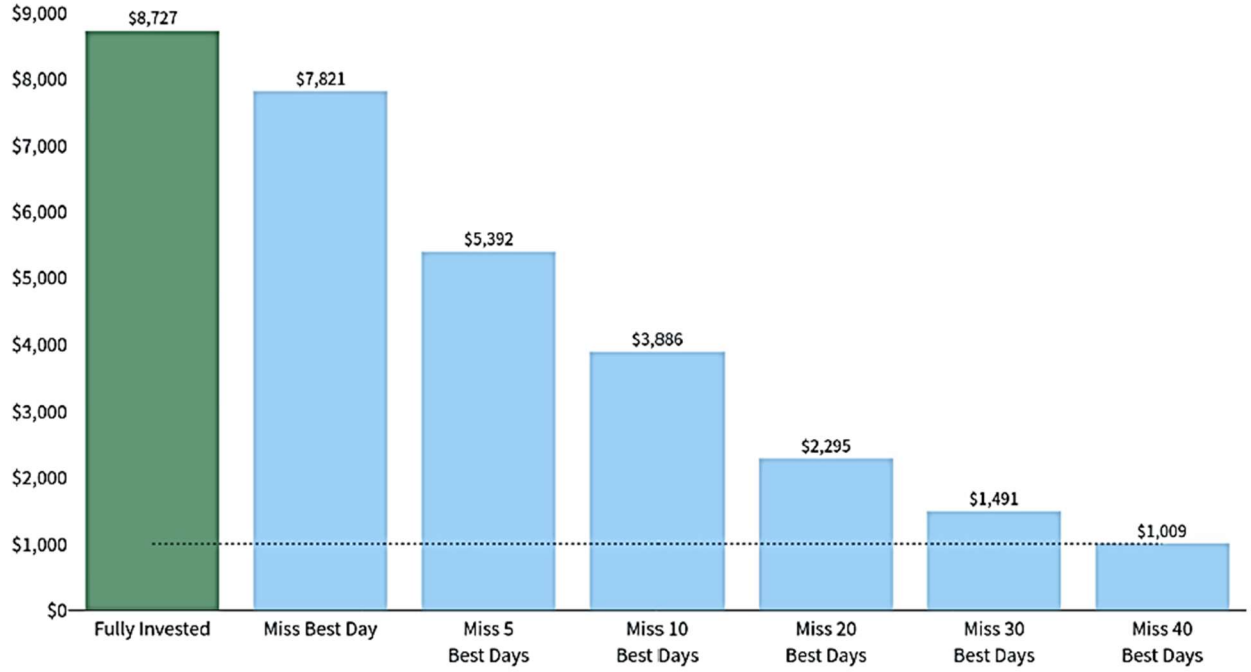
Overall, we believe the U.S. economy remains positioned for continued expansion, though the underlying drivers of growth face increasing challenges. The central question for investors is no longer if the economy can remain resilient, but whether that resilience can be sustained without reigniting inflation or placing additional strain on consumers and financial markets. We think monetary policy will remain a critical influence on financial conditions. Higher rates for longer will eventually filter down with negative pressure on capital investment, housing activity, and consumer spending. We are hopeful that inflation pressures will moderate, giving the Fed some flexibility toward policy easing. Internationally, we believe the landscape will continue to be supportive for investors, but regional economic differences, currency fluctuations, and geopolitical uncertainty warrant a selective, disciplined approach.

We continue to monitor a broad range of risks that could threaten economic expansion and heighten financial market volatility. Key areas of concern include the evolving conflict with Iran, additional geopolitical instabilities, energy market and supply-chain disruptions, resurgent inflation, AI sustainability, Federal Reserve policies, consumer health and sentiment, labor-market deterioration, elevated valuations, and fiscal policy uncertainties.

Understanding the risks of market timing is an important topic for investors, and the illustration on the following page highlights how missing the market's strongest-performing days can significantly diminish long-term investment returns. Using an initial $1,000 investment in the S&P 500 Index over the 25-year period from 2001 through 2026, the illustration demonstrates the importance of remaining invested through periods of market volatility. Despite numerous market declines along the way, investors who remained fully invested throughout the period saw their $1,000 investment grow to $8,727. By comparison, those that remained invested for most of the period but only missed the 10 best-performing days saw their investment grow to $3,886. Missing the 20 best days reduced the ending value further to $2,295, while investors who missed the 40 best-performing days experienced virtually no appreciation.

The lesson is straightforward: the timing of the market's best days is impossible to predict. Because periods of significant market declines and strong recoveries often occur in close proximity, even a well-intentioned decision to temporarily move to the sidelines can have a lasting impact on long-term wealth accumulation. Successful investing is therefore less about predicting when to be in or out of the market and more about maintaining an appropriately diversified portfolio that allows time and compounding to work in an investor's favor.

Missing the Best Performing Days in the S&P 500 Index Over the Past 25 years



Source: Clearnomics and Standard & Poor's. Data as of 09/30/2026.
Past performance may not be indicative of future results. Indexes are not available for direct investment.

As citizens, voters, and taxpayers, there are few things more important than elections. They shape the direction of policy on issues including entitlement programs, taxes, and the federal debt, and they reflect the values by which new policies are made. However, when it comes to investing, it's important for investors to not vote with their portfolios. This year's midterm election in November is taking place against a challenging backdrop of tariffs, geopolitical conflict, inflation, and questions around AI. It is natural to assume that politics should drive the stock market, or that election years are simply more volatile. History shows that markets have performed well on average through different configurations of Congress, and it is not unusual for a sitting president's party to lose its majority in Congress during a midterm election.

That said, there are other sources of political uncertainty beyond who controls the White House and Congress. One topic many investors worry about is the size of the national debt and budget deficit. The total federal debt recently exceeded $40 trillion for the first time (August 2026), representing almost $120,000 per American. The annual budget deficit is also projected to be above $2 trillion for the government's 2026 fiscal year. Over time, these trends could raise borrowing costs for the government and increase the interest payments it must make each year.

While many of these challenges are real, the key is to distinguish between what investors can and cannot control. Investing in a diversified portfolio designed to perform well across a range of economic and political environments is more important than trying to time the market, predict the result of a single election or where the budget deficit might land next year.

Navigating uncertain markets reinforces a fundamental investment principle we have long emphasized: ***We believe it is time---not timing---that matters most.*** History has consistently demonstrated that investors who maintain their perspective and remain invested throughout the market cycle are best positioned to participate in periods of growth and benefit from the powerful, long-term effects of compounding.

October is National Financial Planning Month, making it an ideal time to review your financial strategy and ensure it continues to reflect your goals and priorities. In addition, National Estate Planning Awareness is recognized in October, which serves as a timely reminder to revisit your will, beneficiary designations, powers of attorney, and other essential estate planning documents.

Your financial goals and family priorities may evolve over time, and we want to help ensure your plan continues to reflect what matters most to you. If it has been a while since we last reviewed your financial or estate planning arrangements, or if you have experienced a meaningful life change, we would welcome the opportunity to discuss this with you.

Please don't hesitate to contact us if you have any questions or concerns. We are here to support you every step of the way

In closing, I want to thank you for the opportunity of working with you and for your continued confidence and trust.

Wishing you good health, and a prosperous remainder of 2026

With kindest personal regards, I am

Very truly yours,

WILLIAM HOWARD & CO. FINANCIAL ADVISORS, INC.



William B. Howard, Jr., ChFC®, CFP®

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Enclosures: Index Performance and U.S. Economic Data

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2026 Total Return Index Performance			
Asset Class	**Index**	**3rd Qtr.**	**YTD**
Cash	BofA/ML Three-Month U.S. Treasury	0.89%	2.65%
U.S. Bonds	Bloomberg Intermediate-Term Treasury	-1.69%	-1.46%
U.S. Large Co. Stocks	S&P 500	2.30%	12.75%
U.S. Small Co. Stocks	Russell 2000	-7.23%	13.71%
International Stocks	MSCI EAFE (net div.)	0.81%	10.33%
Real Estate	DJ Select Real Estate Securities Total Return	-5.72%	10.86%
Source: Dimensional Fund Advisors			

U.S. Economic Data	
GDP	2.2% increase (annual rate) – 2nd Quarter 2026
Inflation	2.6% CPI (less food and energy) and 3.7% CPI (all items) over last 12-months ending September (Energy index rose 20.4%; Food index up 2.5%).
Interest rates	Federal Funds Rate range at 3.75% - 4.00%. 0.25% increase at September FOMC meeting. First rate hike in three years.
Jobs	September 2026 data - Unemployment at 4.2%; non-farm payroll employment rose by 29,000 jobs; Labor force participation rate 61.8%; Employment in all major industries experienced little change.
Manufacturing	Economic activity in the manufacturing sector expanded for the ninth consecutive month after a 10-month period of contraction. September ISM Report Manufacturing PMI registered at 54.5%. Demand and output expanded, while inputs were mixed.
Business Spending	Private non-residential investment continued to trend higher (57.59% increase since Jan 2021); New orders for manufactured goods increased slightly in August, up two consecutive months. Durable orders decreased 0.1% and Nondurable orders increased 0.3%.
Corporate Profits	2nd Quarter 2026 - U.S. corporate profits increased 8.89%. S&P 500 monthly real earnings 2nd Quarter 2026 = $295.39 (one-year increase of 32.74%).
Housing	August 2026 year-over year data - New home sales down 2.0%; Existing home sales decreased 1.2%; Median sales price of existing homes increased 1.6% from the prior year to $429,100; Housing starts decreased 1.2%; Building permits rose 3.5%; Housing inventory was up 3.2% from last year; Unsold inventory = 4.9 month supply; MBA fixed 30-yr mortgage rates = 7.30% ending 9/30/2026.
Consumer Spending	Disposable income remained flat; Consumer Confidence Index remained fell; Retail and food services sales increased; Total vehicle sales declined; Personal durable and nondurable spending remained high; Personal savings rate decreased during the quarter to 4.1%.
Energy	Oil price (West Texas Intermediate) = $97.18/bbl – 9/30/2026 (2026 increase of 69.72%); Gas price (U.S. average regular unleaded) = $4.465/gal – 9/30/2026 (2026 increase of 58.84%)