



# Quarterly Client Newsletter

## 1<sup>st</sup> QUARTER 2026 COMMENTARY

BY FRANK STERNECK  
CHIEF INVESTMENT OFFICER

The first quarter of 2026 finished on a more challenging note as we had to deal with increased volatility driven by a combination of geopolitical tensions, persistent inflation, and shifting expectations for interest rates.

Almost all major stock markets fell between 8% and 10% from their 2026 highs even though underlying fundamentals remained strong heading into the start of the conflict in Iran. Spiking energy prices were clearly the major factor and focus driving equity volatility and direction.

Losses were most pronounced in growth-oriented sectors, particularly large-cap technology, while more defensive and value-oriented segments held up relatively better. International markets were also pressured, and small-cap equities underperformed amid rising economic uncertainty.

Fixed income markets experienced renewed volatility as Treasury yields moved higher during the quarter, reflecting both persistent inflation pressures and reduced expectations for near-term rate cuts.

### Key Drivers of the Quarter

#### 1) Geopolitical Risk – U.S.–Iran Conflict

The escalation of conflict involving the United States and Iran was a central driver of market performance. Oil prices surged above \$100 per barrel amid concerns about potential disruptions in the Strait of Hormuz, a critical global energy chokepoint.

This energy shock contributed to renewed inflation pressures and weighed on global growth expectations. Markets experienced several “risk-off” episodes, with investors rotating toward defensive assets while equities - particularly more cyclical and growth-sensitive segments - came under pressure.

#### 2) Interest Rate Repricing

Entering the year, markets anticipated multiple Federal Reserve rate cuts in 2026. However, stronger-than-expected economic data and rising energy prices led to a reassessment of that outlook. Interest rates remained higher for longer, putting pressure on equity valuations and contributing to the broad market pullback.

#### 3) Economic Resilience Amid Headwinds

Despite these challenges, the U.S. economy remained relatively resilient. Labor markets stayed firm and consumer spending continued, helping to support corporate earnings expectations. While growth is expected to moderate, recession concerns did not materially increase during the quarter.

#### 4) Equity Market Concentration and Rotation

A notable feature of the quarter was the reversal of some prior market leaders. Mega cap technology stocks, which have been key drivers of returns in recent years, experienced meaningful declines and contributed disproportionately to overall index weakness. At the same time, early signs emerged of a rotation into more defensive and value oriented sectors.

*(continued on back)*

**MISSION** As a fiduciary we commit to excellence and high standards as we deliver tailored portfolios and financial planning to reduce risk, improving the probability of our clients' success.

**CORE VALUES** Client-Centric Stewardship  
Integrity  
Excellence  
Teamwork

## 1st QUARTER 2026 COMMENTARY, CONTINUED

### Portfolio Positioning and Outlook

Our portfolios remain aligned with our clients' long-term goals and the associated strategic allocations, with an emphasis on diversification, quality, and risk management. Periods like this reinforce the importance of maintaining a disciplined approach, particularly when markets are volatile and adjusting to new information.

Looking ahead, markets are likely to remain sensitive to both economic data and geopolitical developments — especially the trajectory of the U.S.–Iran conflict and its impact on energy prices and inflation.

While volatility may persist in the near-term, we believe the market is setting itself up for a strong rebound once some of the excessive uncertainty gets resolved.

We encourage you to remain focused on your long-term financial goals and avoid being over influenced by the media's headlines and short-term market movements.

As always please feel free to reach out with any questions or thoughts you may have.

## TAX RETURN REQUEST FOR TAX PLANNING STRATEGIES

BY AUSTIN DRAKE CFP®, SENIOR WEALTH ADVISOR

Now that most of you have wrapped up your 2025 tax filings, we would like to shift the focus from closing out last year to making the most of what comes next. Your completed return provides valuable insight that helps us ensure your financial plan and investments are positioned in a tax efficient way.

By reviewing your return, we can better identify planning opportunities and apply strategies tailored for the remainder of 2026. If you have not yet shared your 2025 tax return with us, please send it at your earliest convenience.

A thorough review of your income, liabilities, and overall net worth, including assets held outside of Sterneck Capital Management (SCM), is an important part of effective tax planning. Having visibility into this data allows us to evaluate potential tax impacts and uncover additional opportunities.

As part of our wealth management services, our financial planning process evolves with your situation and incorporates ongoing tax aware strategies to help optimize outcomes over time.

For secure delivery, the easiest method is uploading your documents through the eMoney Vault within our financial planning platform. If you need help accessing or using the Vault, please reach out and I would be happy to assist.

If you do not currently have a financial plan in place and would like to learn more about the value it can provide, we would welcome the opportunity to connect.

*Disclosure: Advisory services offered through Sterneck Capital Management LLC (SCM), a Registered Investment Adviser. SCM opinions are subject to change, are informational, not intended as a forecast or guarantee of future results, and does not constitute individual investment advice. Investments in securities entail risk and are not suitable for all investors. Statements of future expectations, projections, and other forward-looking statements are based on available information and SCM's view at the statement time. Forward-looking statements may be identified by the use of such words as: "believe," "expect," "anticipate", "should," "planned," "estimated," "potential" and other similar terms.*

