Q2 2026 Market Commentary

Another Rapid Stock Market Recovery: Q2 Summary

There has been a "V-shaped" recovery in stock prices three separate times in the last 6 years: 2020 (Pandemic), 2023 (Rate Hikes), and 2025 (Liberation Day). Now the count stands at four, after the rapid recovery in stock prices in Q2 of 2026. As discussed in our Q1 commentary, the oil price spike resulting from the closure of the Strait of Hormuz caused a selloff, but the trend reversed almost immediately at the start of the second quarter. What did the market realize in April that it had missed in March? **In short: earnings resilience**.

While stock prices were falling, earnings estimates (or expected profits) were rising. These two forces converged to bring forward valuations down considerably in a short amount of time. As the market began to digest positive earnings estimates, then validated by actual earnings announcements, it started to become clear that **the tech-heavy US market is not hampered by high oil prices**. To be clear, there is a substantial impact from higher oil and gas prices on companies and families, but it was not enough to slow down the AI-led growth in tech profits. In fact, earnings in the technology sector rose by more than 20% year-over-year, which is well above average.

Mag 7 Lost the Lead, but Tech Stays Ahead

Last year, the **Magnificent 7** (Apple, Amazon, Google, Microsoft, Tesla, Nvidia, and Meta) had some of the highest returns within the index. Due to their significant size, those seven names accounted for much of the market's overall return. This year, the Mag 7 returns are lagging. Other names related to the AI trade have taken the lead in 2026, such as Micron and Intel. **The Mag 7 are often called "hyperscalers"** (except for

Nvidia and Apple). The **hyperscalers are spending hundreds of billions** to build these data centers, which is **straining cash flows**. Google resorted to selling stock to raise capital to fund their AI investments; the first time they've raised equity capital since 2005.

The beneficiaries of the immense hyperscaler investments are the semiconductor stocks like Micron and Intel. You can look at the hyperscalers as gold mines, and the **semiconductor stocks as the picks and shovels**. Gold mine prices rose, and they started spending more cash to increase production. This led investors to see the picks and shovels business as a more attractive than the gold mine itself. As the picks and shovels business in this metaphor, **the semiconductor sector is up more than 80% in 202**6, which is an enormous 6-month return for an entire sector to achieve.

Looking Ahead: July to December

Coming into the back half of the year, we remain optimistic for continued strong US market performance, while understanding there is always the risk of a market correction (stock price decline of 10% or more). The summer can be a bit volatile, but historically, stock prices tend to do well in Q4.

Tech, and specifically AI, will continue to lead the stock market conversation, even if the returns plateau or reverse. In the first couple weeks of Q3 we have seen significant volatility in the semiconductor sector as investors look to take profits off the table. We expect that volatility to continue as traders work out fair prices after the rapid appreciation in Q2.