

Q4 OUTLOOK

Markets Resilient Against an Uncertain Backdrop

If there's one theme that has defined 2026, it's resilience.

Over the past year, investors have faced no shortage of reasons to be cautious. Inflation is stubbornly high. Interest rates have been rising. Geopolitical tensions continue to influence energy markets and global growth. Election season is once again upon us, bringing a fresh wave of headlines and predictions about what comes next.

Yet despite those challenges, the economy has continued to grow, corporate profits have remained remarkably strong and the U.S. stock market has climbed to new highs.

The third quarter offered a reminder that markets rarely move in a straight line. Volatility increased, some areas of the market stumbled and bond prices came under pressure. But stepping back from the quarter-to-quarter noise reveals a more encouraging picture: The fundamental forces supporting a long-term wealth strategy remain firmly in place.

Key Takeaways

- Equity markets are positive in 2026, with the S&P 500 up nearly 13% year-to-date through Q3, while small-cap, value and international stocks have all posted double-digit gains.
- Q3 performance was more mixed, as rising interest rates pressured small-cap stocks, international equities and bonds, even as large-cap growth stocks continued to advance.
- Corporate earnings remain a major source of market strength, with S&P 500 earnings expected to grow nearly 30% year-over-year in the third quarter, which would mark eight consecutive quarters of double-digit earnings growth.
- Energy and technology stocks continue to lead the market, driven by higher commodity prices, AI-related investment and strong profit growth.
- Inflation remains elevated, prompting the Federal Reserve to shift from a holding pattern back to raising the fed funds rate, which has contributed to higher bond yields.
- Bond markets struggled during the quarter, but higher interest rates have also created some of the most attractive income opportunities investors have seen in years.
- Midterm elections are just a few days away, with potential implications for future tax policy, AI regulation and other legislative priorities that could shape the investment landscape in 2027 and beyond.

A Strong Year, Even if the Road Has Been Uneven

The third quarter produced mixed results across financial markets. Large-cap stocks managed to move higher, supported once again by technology and other growth-oriented companies. Small-cap stocks struggled, international markets lost some momentum, and bonds faced another difficult period as interest rates continued to climb.

Energy was the standout sector during the third quarter, benefiting from higher commodity prices and ongoing concerns about global supply. Technology has also continued its impressive

Subscribe to our Insights

RWAwealth.com/insights/#subscribe

By providing your email address, you consent to receive marketing content from RWA Wealth Partners, LLC

performance, supported by strong demand for AI-related infrastructure, software and semiconductor investments.

Major equity benchmarks remain solidly positive for 2026. The S&P 500 has gained nearly 13% year-to-date, while small-cap, value-oriented and international stocks have all delivered double-digit returns. Market leadership has shifted several times throughout the year, but investors maintaining diversified exposure across asset classes and sectors have continued to participate in the market's advance.

Q3 has been a good reminder that market leadership is constantly evolving. Trying to predict exactly which sector or asset class will outperform next is far more difficult than maintaining a disciplined investment approach that gives portfolio exposure to a broader set of opportunities.

Earnings Remain the Foundation of the Market

Market narratives often focus on interest rates, politics or economic forecasts. In the long run, however, corporate earnings remain one of the most important drivers of stock returns.

Companies are expected to deliver another quarter of impressive earnings growth, which would mark the eighth consecutive quarter of double-digit gains. Profit margins remain near historically elevated levels, and analysts expect every major sector of the S&P 500 to post positive year-over-year earnings growth.

Technology and energy continue to lead the way, but strength has become increasingly broad-based. Businesses across a variety of industries have demonstrated an ability to adapt to higher costs, changing consumer behavior and a more challenging economic environment.

Artificial intelligence remains an important part of that story. While much of the public discussion has focused on the excitement surrounding AI, the more meaningful development for investors is the impact these investments are having on corporate profitability. Demand for computing power, semiconductors, software and supporting infrastructure continues to drive earnings growth across large portions of the economy.

Looking ahead, earnings expectations remain favorable through 2027. Forecasts will undoubtedly change as new information emerges, but current projections suggest that corporate America remains on solid footing despite the challenges posed by inflation and higher borrowing costs.

Earnings growth is one of the clearest indicators of long-term business health, and we believe that picture remains relatively strong.

Higher Rates Are Creating New Opportunities

One of the most important developments this year has been the return of higher interest rates.

For bond investors, that has not always been comfortable. Rising yields pushed bond prices lower during the third quarter, contributing to negative returns across many areas of fixed income. Municipal bonds and investment-grade bonds were among the weakest performers as markets adjusted to a higher-rate environment.

Yet higher rates tell only part of the story.

The same environment that has created short-term pressure on bond prices has also produced some of the most attractive income opportunities investors have seen in years. Today's yields are dramatically different from those available throughout much of the previous decade.

Subscribe to our Insights

RWAwealth.com/insights/#subscribe

By providing your email address, you consent to receive marketing content from RWA Wealth Partners, LLC

Because of these improved opportunities, we've moved away from a more defensive duration posture and back toward a neutral stance within fixed income. While interest rates may continue to fluctuate, we believe current yield levels may provide a stronger foundation for future returns than investors have enjoyed in quite some time.

Looking Beyond the Election Headlines

As we move toward the midterm elections, we're already hearing more questions about how political outcomes could affect portfolios.

Our view: Elections are rarely a good reason to make significant changes to a long-term financial plan.

Don't get us wrong—elections and their outcomes are enormously influential and important for the economy, our personal finances and the business environment. But the challenge for investors is that markets often begin pricing in expectations long before ballots are cast, and proposed policies frequently evolve once governing begins.

Instead of attempting to predict short-term market reactions, we'll be paying closer attention to the policy landscape that emerges after the election.

Depending on the outcome, discussions surrounding tax policy could reaccelerate. Likewise, policymakers may take a more active role in shaping the regulatory framework surrounding artificial intelligence and emerging technologies. Both areas have the potential to influence businesses, investment opportunities and financial planning strategies in the years ahead.

We believe investors are best served by maintaining a disciplined long-term perspective rather than making portfolio decisions based on political forecasts or election headlines.

Staying Focused on What Matters Most

The investment environment entering 2027 is more complicated than it appeared at the beginning of this year.

Inflation remains elevated. Interest rates are higher. Certain areas of the market have accounted for a large share of overall returns. Political uncertainty is high as the election approaches. And global economic challenges have not disappeared.

Yet many market and economic factors remain surprisingly resilient.

The economy continues to expand. Corporate earnings remain strong. Businesses continue to invest and innovate. Investors can once again earn attractive levels of income from high-quality fixed-income investments. And diversified portfolios have the potential to benefit from opportunities across multiple areas of the market.

Successful investing is rarely about predicting the next headline. More often, it's about maintaining a thoughtful plan during periods when headlines make investing uncomfortable.

While we expect volatility to remain part of the investment landscape, we remain constructive on the long-term outlook. By focusing on fundamentals, maintaining diversification and remaining disciplined through changing market conditions, we believe investors can continue making progress toward their financial goals regardless of what the next quarter brings. Your RWA team is here to support you, as always.

Subscribe to our Insights

RWAwealth.com/insights/#subscribe

By providing your email address, you consent to receive marketing content from RWA Wealth Partners, LLC

RWA WEALTH PARTNERS

The information in this material is presented by RWA Wealth Partners, LLC ("RWA"). The contents are for informational and educational purposes only and are not intended as investment, legal or tax advice. Please consult your investment, legal, or tax advisor concerning any specific questions you may have. Past performance is not indicative of future results. The historical returns of markets, asset classes, or individual securities may not be an accurate predictor of future performance. RWA does not guarantee the accuracy or completeness of any third-party or sourced data contained in this material.

© 2026 RWA Wealth Partners, LLC. All Rights Reserved.