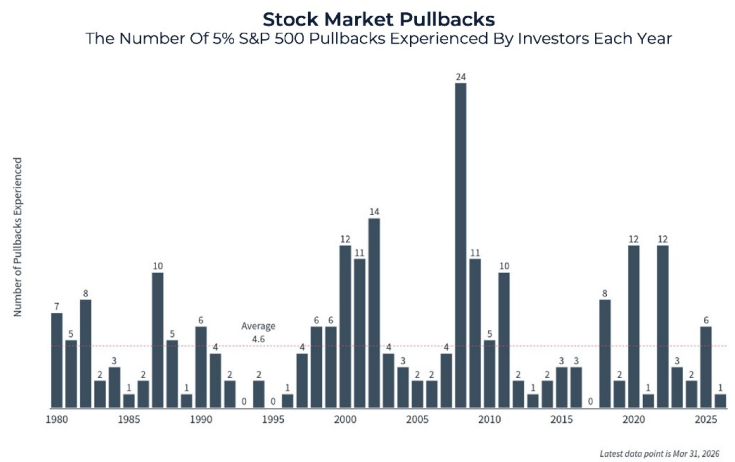


# Q1 2026 Quarterly Newsletter

April 2026

Dear Valued Friends and Clients,

The first quarter of 2026 brought a familiar challenge: headline-driven uncertainty prompting questions about whether to make changes to portfolios. Geopolitical tensions, higher oil prices, and ongoing inflation and policy concerns created volatility—but these swings are a normal part of the market cycle. Since 1980, the S&P 500 has experienced many intra-year declines, yet most years still finish positive. The graph below highlights how many times in a given year the S&P 500 declined by more than 5%. These historical pullbacks can offer perspective on what investors can reasonably expect in a typical market cycle.



This year’s declines have been uneven.

Mega-cap technology has faced pressure, while energy and other sectors have held up well. As our quarterly report shows, underlying fundamentals remain strong, with continued earnings growth and broadening market leadership. For long-term investors, the takeaway is clear: well-diversified portfolios are built to weather volatility. Staying invested and aligned with your goals allows you to navigate short-term swings and participate in market recoveries with confidence.

Warm Regards,



Annette A. VanderLinde, MBA, CWS<sup>®</sup>, AIF<sup>®</sup>  
President

© 2026 Clearnomics, Inc.  
Sources: Clearnomics, Standard & Poor's



## Q1 2026 Financial Market Review: Resilience Amidst the Storm

The first quarter of 2026 was a masterclass in market dispersion, shifting from the “AI-at-any-price” euphoria of 2025 to a grounded, macro-driven reality. While the S&P 500 faced a 7.1% drawdown for the quarter’s high, the “material reality” underneath the surface suggests a structural growth story that remains intact despite significant headline noise.

### 1. The Iran Crisis and the Strait of Hormuz

The defining event of the quarter began in late February when geopolitical tensions in the Middle East escalated into a functional closure of the Strait of Hormuz.

- **Supply Shock:** Maritime traffic through the Strait has plummeted to roughly 6 vessels per day, compared to a historical norm of 185.
- **Oil Market Bifurcation:** While global supply is constrained, Iran’s oil exports rose 8% year-over-year, with nearly all volume flowing directly to China.
- **Energy as a Hedge:** This conflict cemented Energy as the quarter’s top-performing sector, surging 39.4% as it served as both a geopolitical hedge and a play on the massive power requirements for AI data centers.

### 2. The Fed’s “Inflation Optics” Dilemma

The Federal Reserve found itself in a difficult position as the “Trump Put” was called into question by the bond market.

- **Sticky Inflation:** Despite a “quietly soft” labor market where jobs have been grinding sideways, the Fed has been unable to pivot to rate cuts because soaring oil prices keep inflation optics high.
- **No QE Cavalry:** Unlike the Bernanke or Yellen eras, there is currently no “QE cavalry” or safety backstop priced in for 2026, with the two-year yield sitting right at Federal Funds.
- **Growth Estimates:** Interestingly, the Fed quietly upgraded its long-term potential growth estimate from 1.8% to 2.0%, signaling that the underlying economy remains fundamentally strong despite the interest rate pressure.

### 3. The Great Valuation Reset (Mag 7 vs. Value)

The quarter saw a historic “multiple compression” where investors moved away from high-valuation growth stocks.

- **Mag 7 Retrenchment:** The Magnificent 7 fell 16.1% from their January highs, a move driven by sentiment and P/E contraction rather than a fundamental breakdown in earnings.
- **The Hyperscaler Opportunity:** Despite the sell-off, hyperscale tech companies are maintaining a 30-40% return on equity while trading at low-20s multiples—a setup analysts describe as a “buying opportunity hiding inside a sentiment storm.”
- **Diversification Wins:** Small caps, value, and international stocks all held up materially better than the tech giants, proving that diversification is finally “doing exactly what it was supposed to.”

## Where We Are Now

During the quarter, markets approached correction territory (typically defined as decline of 10% or more), and technical conditions weakened as momentum slowed. Historically, these environments can take time to stabilize, particularly when uncertainty remains elevated.

At the same time, it is important to distinguish between “oversold” and “undervalued.” While recent declines have improved valuations, markets may require clearer catalysts—such as easing geopolitical tensions or policy clarity—before a sustained recovery takes hold.

## What We’re Watching

As we move into the second quarter, our focus remains on several key indicators:

- **Earnings revisions:** whether estimates begin to move lower or remain resilient
- **Oil prices and inflation:** and their impact on consumer spending and Fed policy
- **Interest rate expectations:** with limited room for near-term easing
- **Geopolitical developments:** particularly their effect on global trade and energy supply
- **Portfolio Perspective:** In this environment, we believe a disciplined approach remains essential. Periods of volatility often create both risks and opportunities, and positioning should reflect both:
  - Maintain broad diversification across asset classes and geographies
  - Avoid overconcentration in prior market leaders
  - Be patient and selective in deploying capital
  - Focus on long-term fundamentals rather than short-term headlines

## Bottom line

The first quarter reflects a market adjustment to a more complex environment—not one in structural decline. While volatility may persist in the near term, the combination of steady earnings, resilient economic activity, and improving opportunities beneath the surface supports a constructive long-term outlook.

**Staying invested, diversified, and disciplined remains key.**

### Please Note!

Quarterly performance reports will soon be available on the Orion client portal.  
[libertywealthadvisors.com/client-portals](http://libertywealthadvisors.com/client-portals)

As of 3/31/2026		Quarter End	Year-To-Date	Last 5 Years Annualized
CRSP US Total Market Index Total Return	CRSPTMT Index	-3.96	-3.96	10.77
S&P 600 Value	SMLV Index	4.36	4.36	5.19
CRSP US REIT Index Total Return	CRSPRET Index	2.02	2.02	3.31
MSCI Europe Total Return	NDDUE15 Index	-2.82	-2.82	8.79
MSCI Pacific Total Return	NDDUP Index	1.87	1.87	6.17
MSCI Emerging Markets Total Return	M1EF Index	-0.17	-0.17	3.69
Bloomberg US Aggregate	LBUSTRUU Index	-0.05	-0.05	0.31
Bloomberg Global Aggregate ex-USD USD Hedged	LEGATRUH Index	-0.15	-0.15	0.81
Bloomberg US TIPS (Series-L)	LBUTTRUU Index	0.26	0.26	1.48
Bloomberg US High Yield Very Liquid Index	BVLNTRUU Index	-0.50	-0.50	3.90
Bloomberg Municipal 1-15 Year	I06112US Index	-0.27	-0.27	1.17

## Your Liberty Wealth Team – News and Updates



As Liberty Wealth Advisors continues to grow and expand, it's important that we build out our team of qualified professionals to support the important work we do for our clients. We are delighted to announce that we welcomed our new colleague, Scott Palazzolo, to the Liberty Wealth Advisor's team in March. Scott joins us as a Senior Client Service Specialist, directly serving our clients and supporting our Advisory team. Based in our Royal Oak, MI office, Scott is here to help with any questions or service questions that you may have.

You can read more about Scott on our website. Please join us in welcoming Scott to the team!