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Macro & Markets

An Analysis of the Current Landscape

4th Quarter 2026

This document, including important disclosures at the end, is meant to be read in its entirety.

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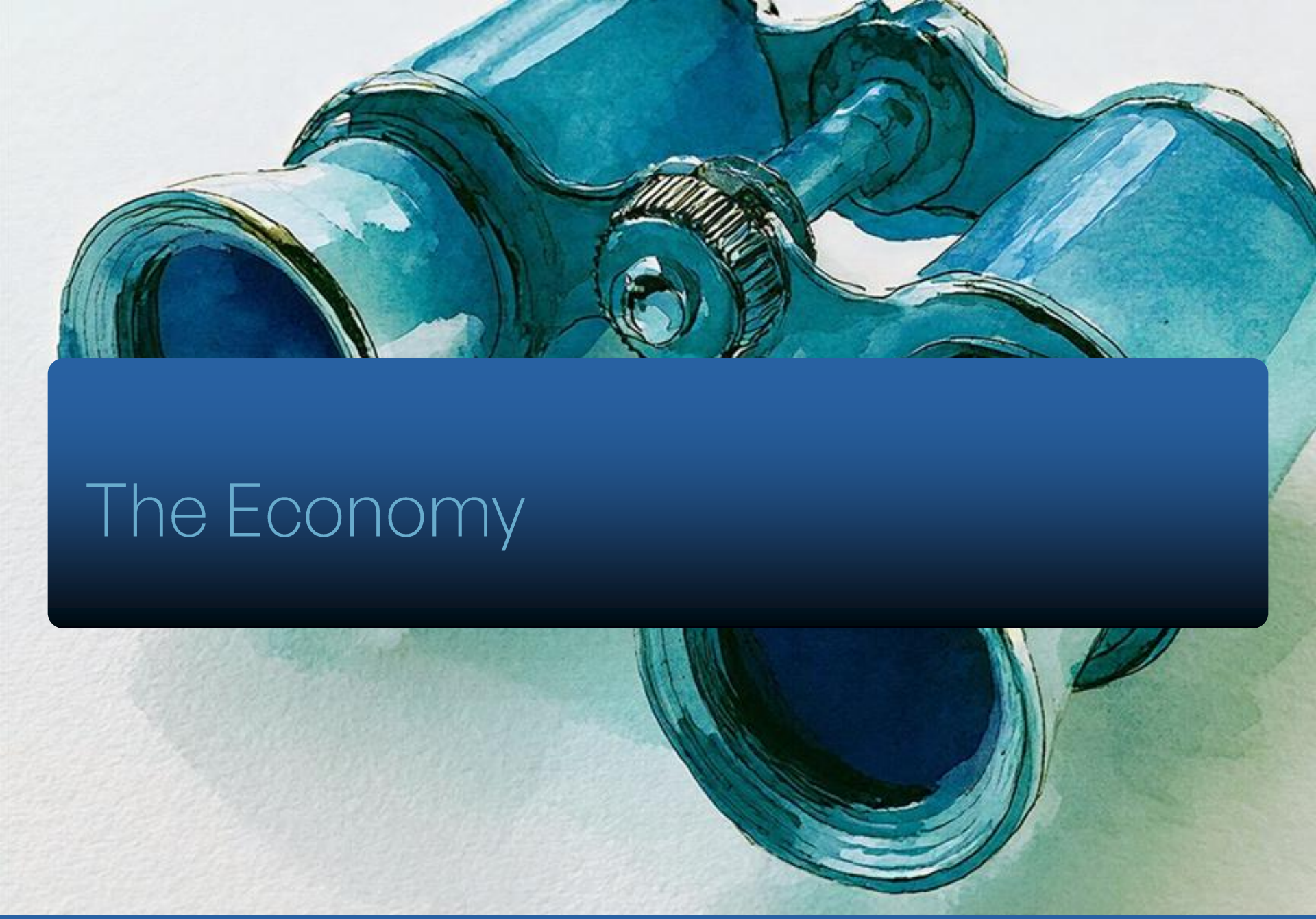
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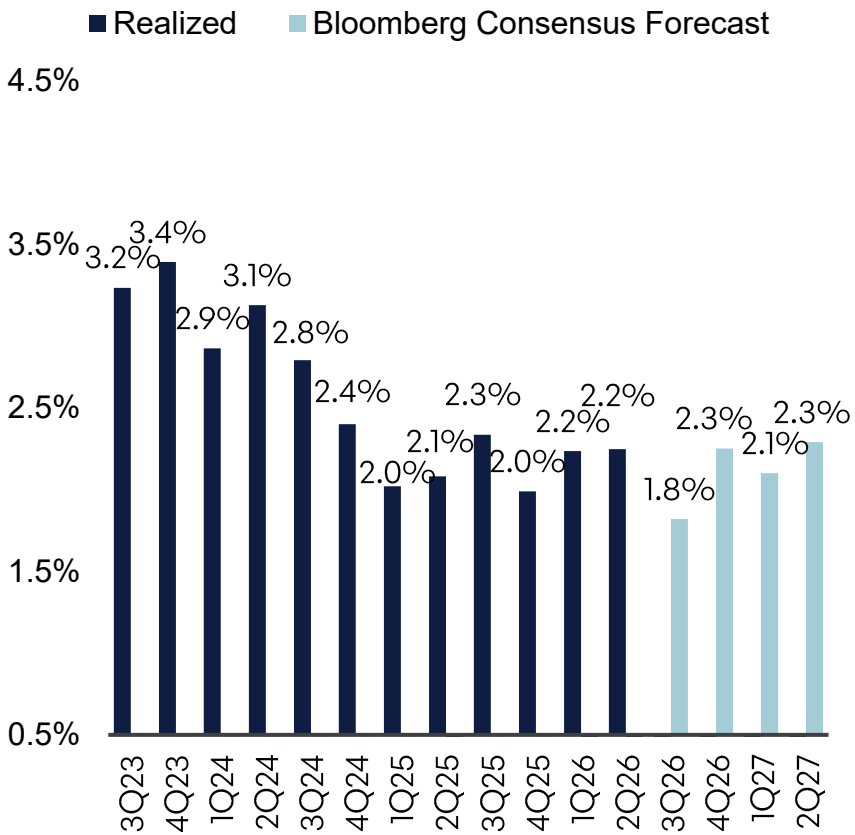
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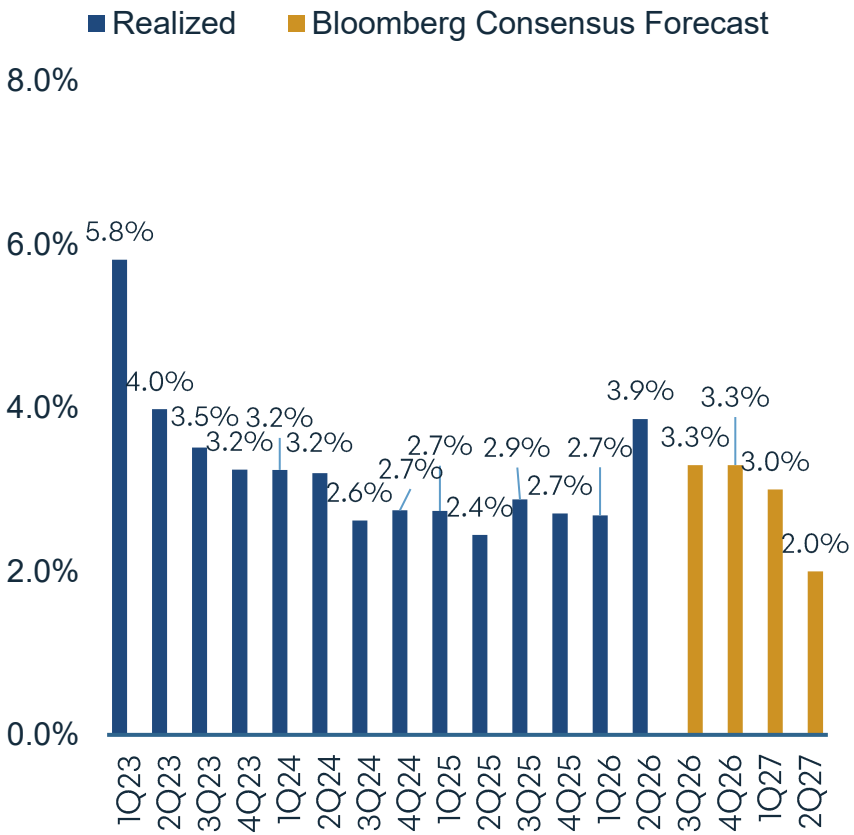
The Economy

Growth remains positive, but the outlook is uneven

US Year-over-Year Real GDP Growth



US Year-over-Year CPI Growth



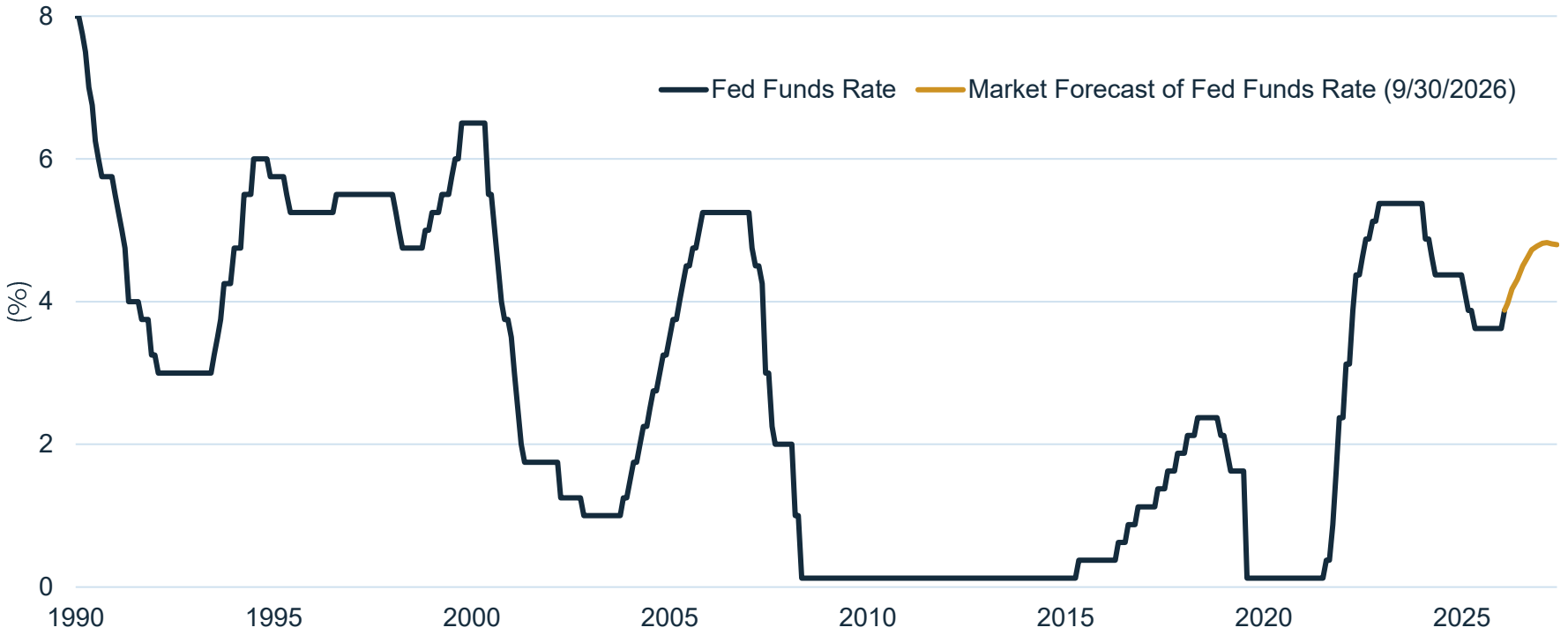
Source: Bloomberg Finance, LP (data through 9/30/2026)

Markets price further increases in policy rates

What markets expect: As of September 30, markets implied the federal funds rate rising from roughly **3.9% to 4.8%** by late 2027. This is a market expectation and not a Federal Reserve commitment.

Why it matters: If realized, higher short-term rates could support income on cash and short-term bonds while keeping borrowing costs elevated. Longer-term bond yields would not necessarily rise by the same amount.

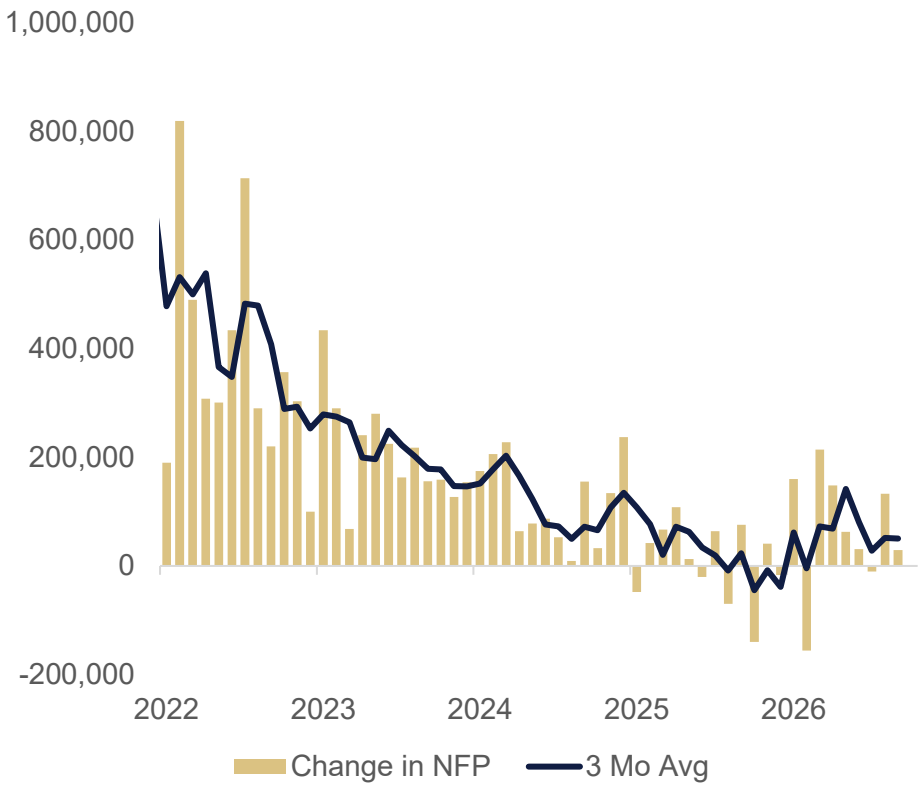
Federal Funds Rate and Market Forecast



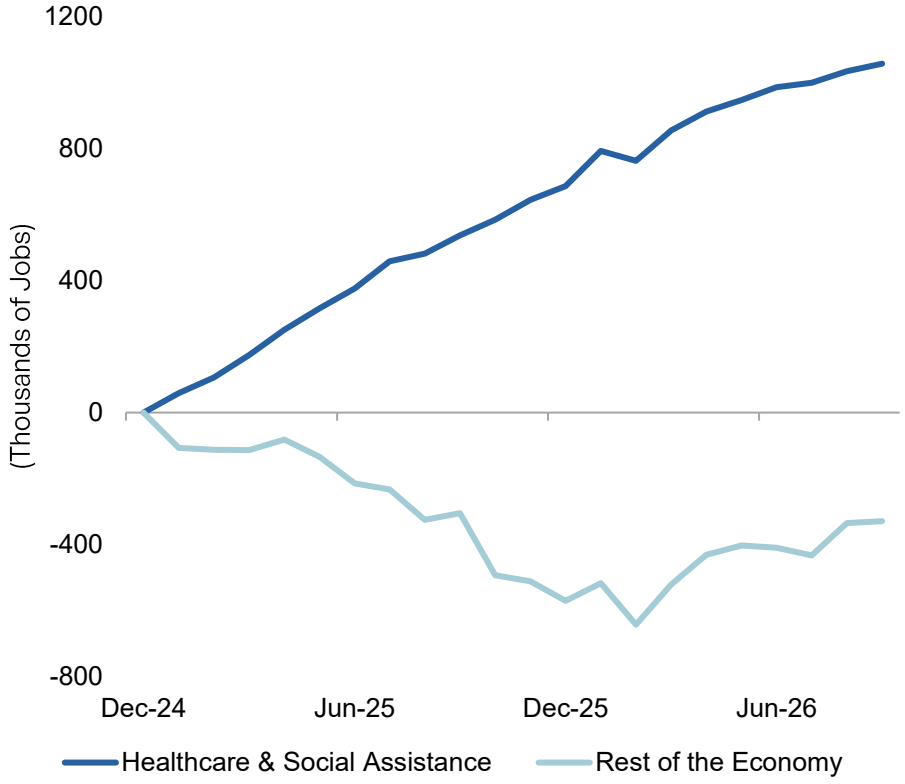
Source: FRED and market-implied interest rate expectations as of September 2026. Forecasts, projections, estimates, and market expectations are inherently uncertain and subject to change. Actual Federal Reserve actions and market outcomes may differ materially from those indicated. Past market expectations are not indicative of future results. "Market Forecast of Fed Funds Rate" is the Market-Implied Federal Funds Rate Expectation. Wealthspire's cycle indicators are proprietary analytical tools based on selected economic and market data. They are subject to judgment, have limitations, may generate false signals, and should not be relied upon as predictors of future market or economic outcomes.

Payroll growth slowing and more concentrated

Nonfarm Payroll Change Since 2022



Labor Market Growth Since 2024 in Healthcare and non-Health care sectors



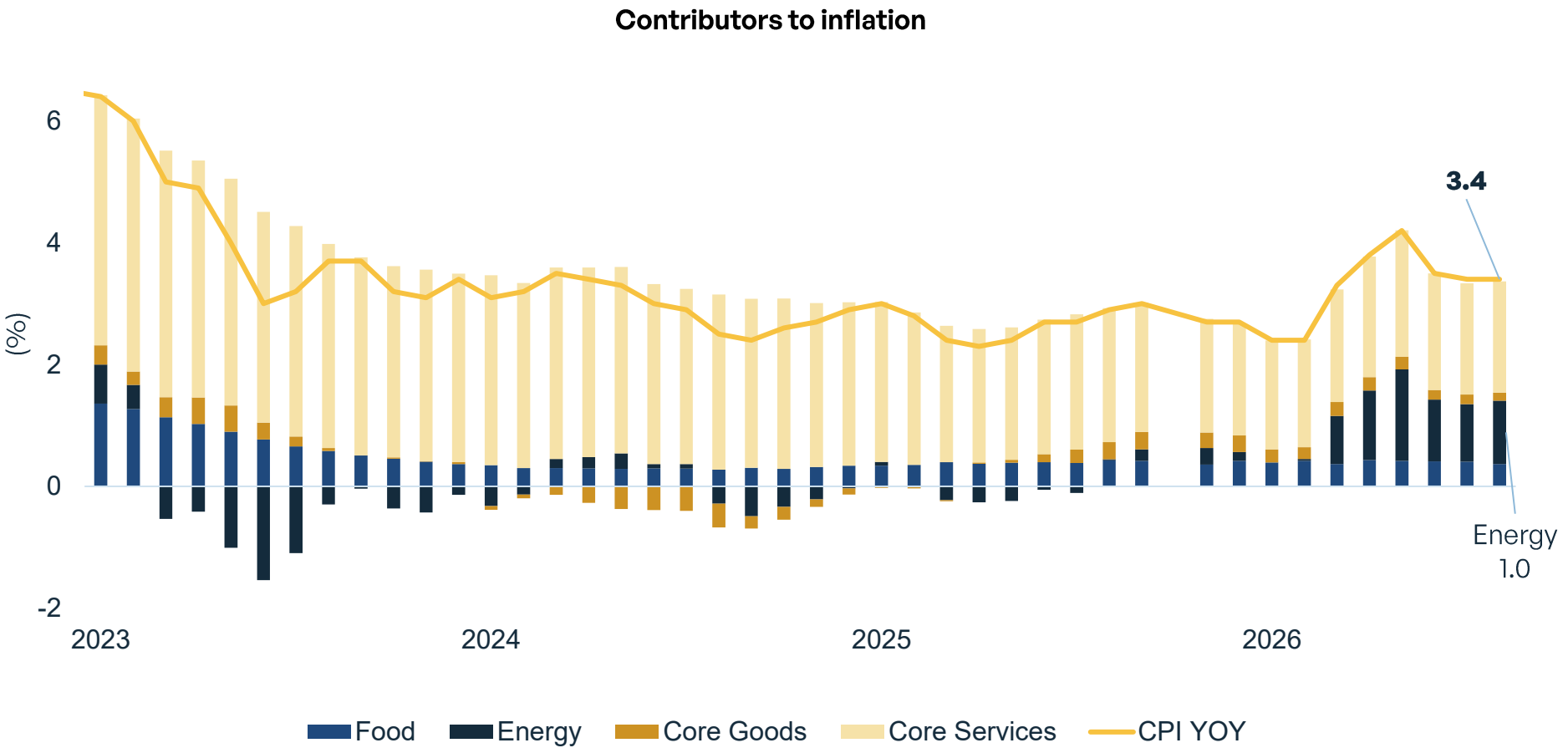
The labor market added an average of 51k jobs in the past three months. There are trends to note though as the healthcare sector has been an outsized gainer. Since December 2024, health care and social assistance have added more than one million jobs, while employment across the rest of the economy declined.

Source: Bloomberg Finance, LP (data through 9/30/2026)

Inflation persists and its drivers are changing

A 3.4% inflation rate driven by energy presents a different challenge from one driven by services.

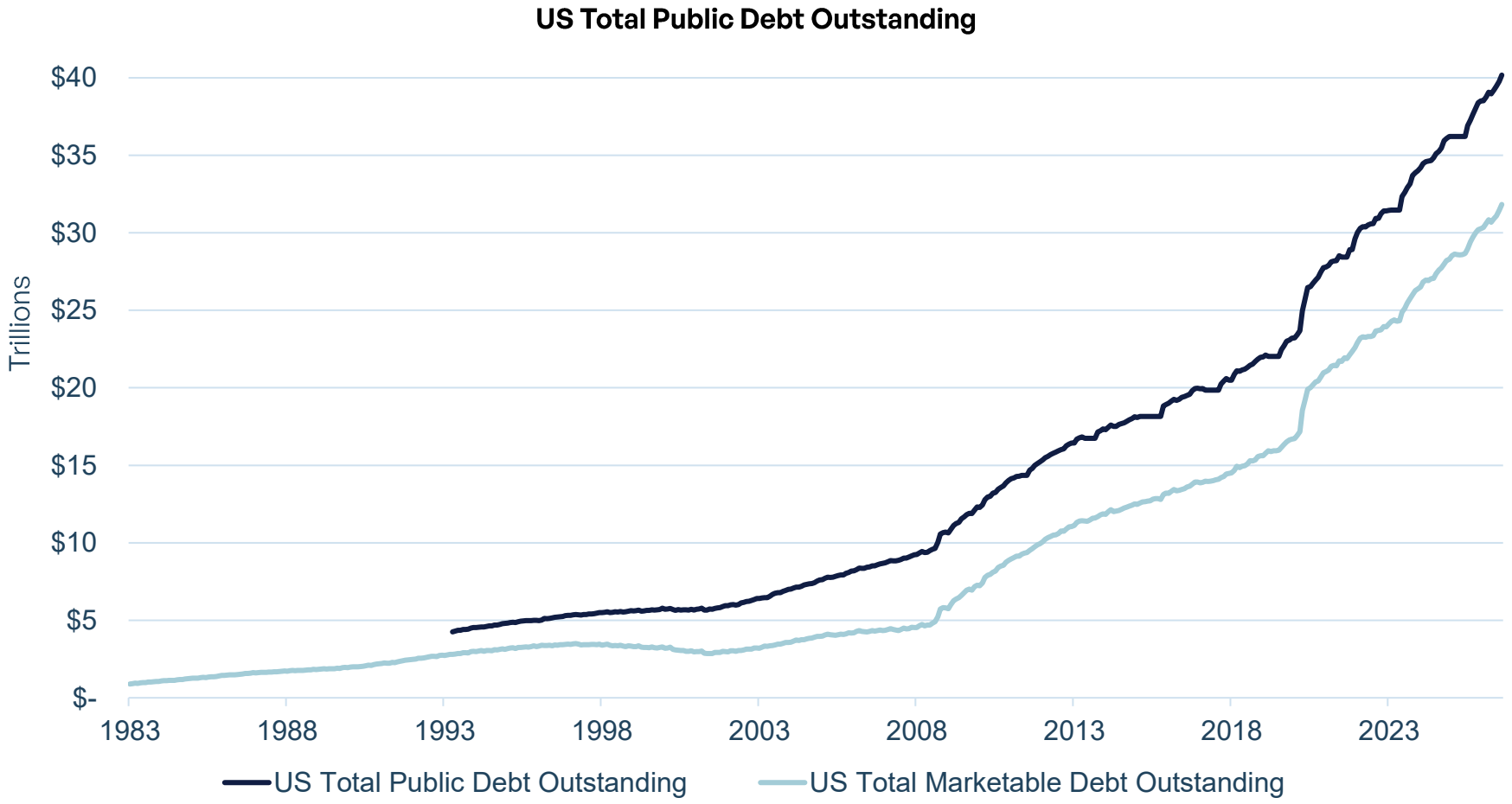
The mix is important when assessing whether a change is temporary or likely to persist.



Source: Bloomberg Finance L.P.(as of 9/30/2026) Historical regime results are based on Wealthspire's retrospective classification of economic periods and the indices shown. Results do not represent client performance and do not reflect advisory fees, transaction costs, or taxes. Certain categories contain a limited number of observations, while others have no observations. Different periods, classifications, indices, or methodologies would produce different results. Historical relationships may not persist.

$40 Trillion came and went

The US public debt moved past $40 trillion in August. Marketable debt (aka publicly traded debt) is at $32 trillion and >100% of GDP for the first time since WW2.

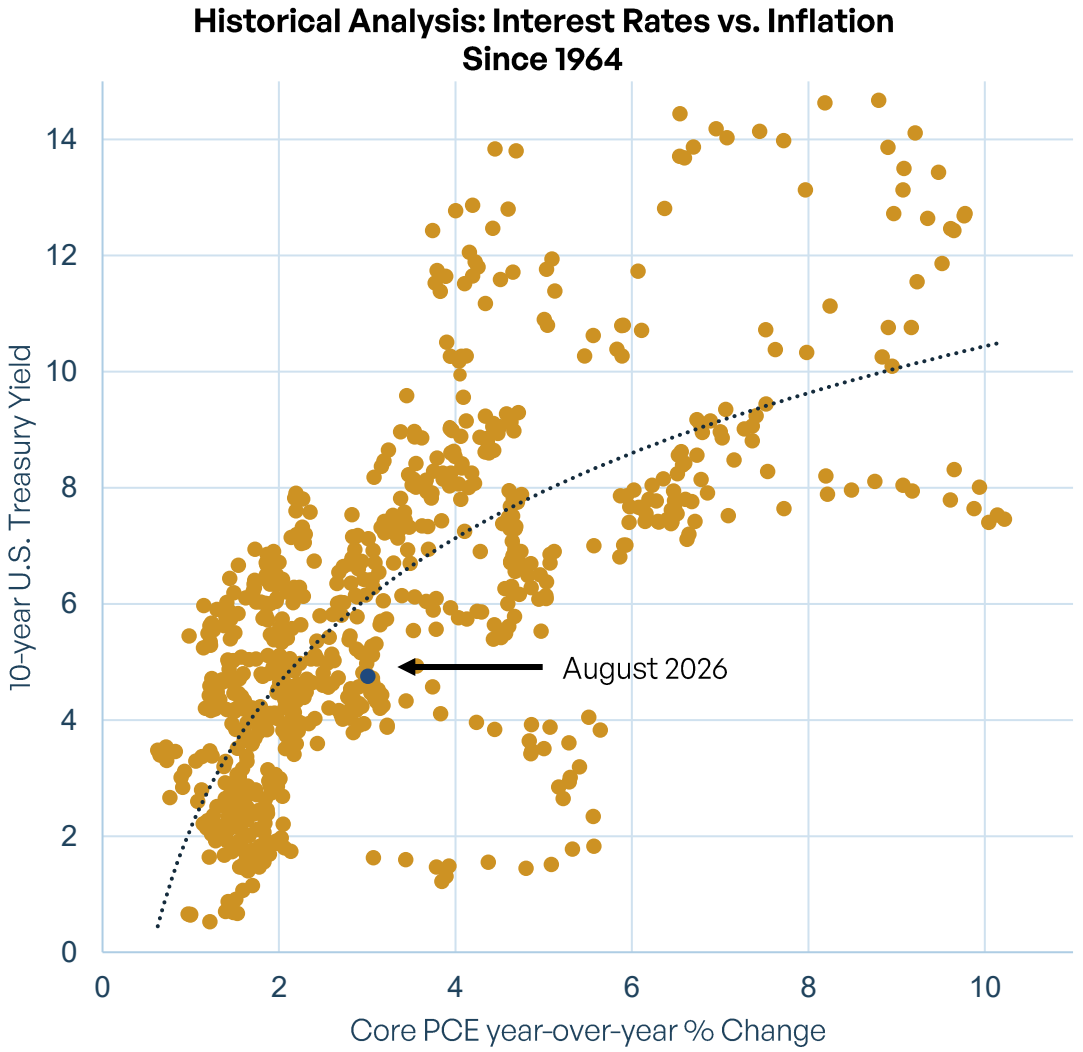


Source: Bloomberg Finance, LP (data through 9/30/2026)

Interest rates are near(er) the long-term

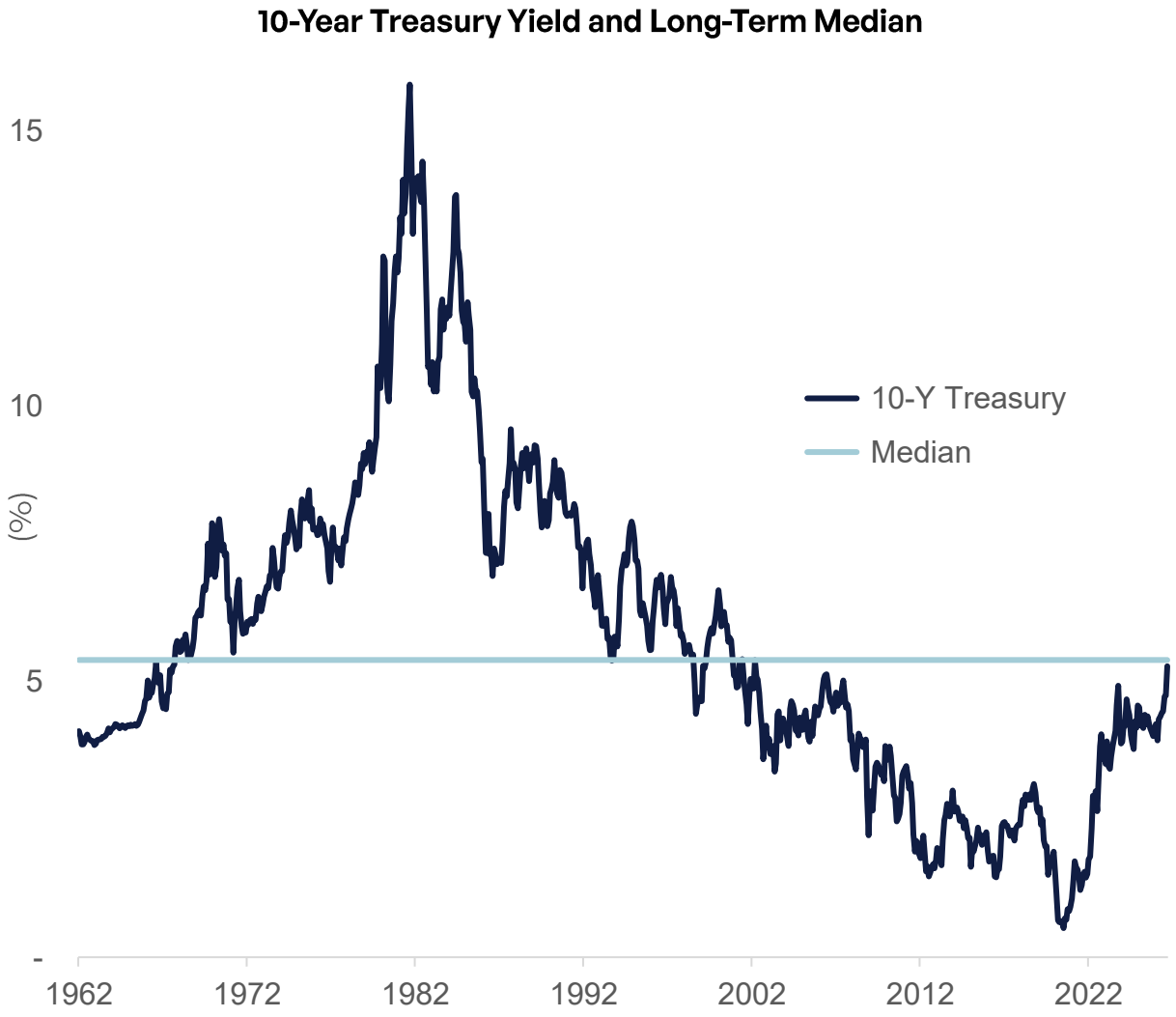
The same inflation rate can coexist with very different interest rates. The historical spread of observations shows that inflation alone cannot explain Treasury yields.

For investors, the question is not simply whether rates are "normal," but what risks today's yield compensates them for. Growth expectations, the expected path of Fed policy, and compensation for holding longer-term bonds also matter.



Source: Bloomberg Finance, LP (data through 9/30/2026)

A Hot Summer For Treasury Yields



"Normal" depends on your reference point. The 10-year Treasury's median yield during 2009 to 2021 was approximately 2.25%.

September's 5.4% yield is roughly 3 percentage points higher, yet close to the long-run median shown here.

Yields can feel unusually high without being historically unusual. The contrast helps explain why today's income opportunities and borrowing costs look so different from the years following the financial crisis.

Source: Bloomberg Finance, LP (data through 9/30/2026)

Summary: A resilient economy with an uneven foundation

What supports growth

Economic activity remains positive

Growth continues, even as hiring slows. The economy's momentum is not uniform across sectors.

Corporate fundamentals provide support

High profit margins and relatively low aggregate leverage provide a constructive starting point, although conditions differ across companies.

Investment creates potential upside

AI-related investment could support activity today and productivity over time. Its longer-term benefits depend on successful adoption and execution.

What could challenge that resilience

Hiring is increasingly concentrated

Health care is driving employment gains, while the rest of the job market weakened. Broader hiring would bring reassurance to those concerned about concentration.

Persistent inflation complicates policy

Services and energy remain important sources of price pressure. Higher rates may restrain demand but cannot directly resolve every source of inflation.

Financing needs raise the stakes

Large investment creates funding demands. The question is not only whether spending can continue, but whether it will generate adequate cash flow and returns.

Resilience is not the same as balance and the key will be whether growth broadens while inflation moderates.

Does today's investment deliver tomorrow's returns?

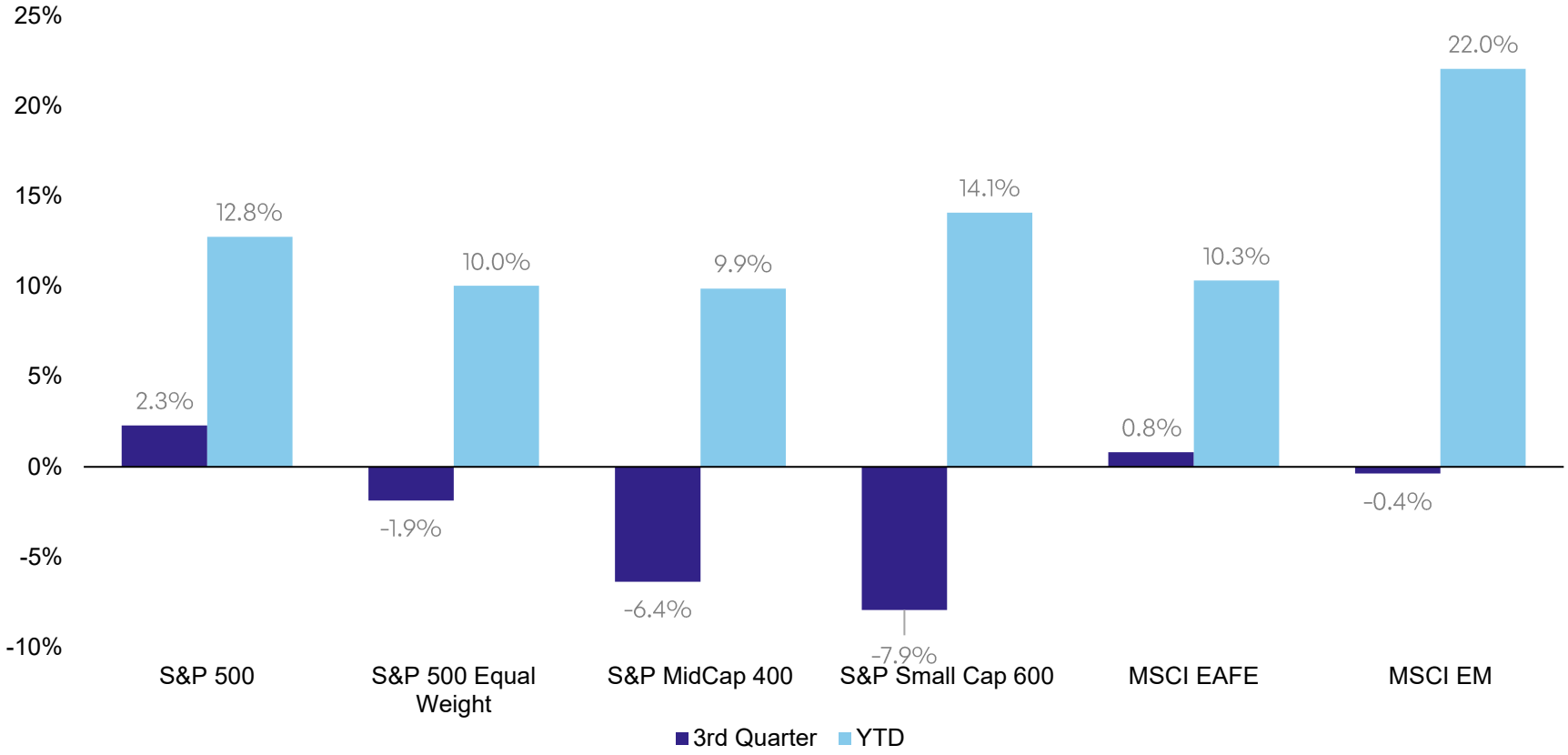


Stock Market

"Nothing important has ever been built without irrational exuberance" – Fred Wilson

These tactical views are general and are not individualized recommendations. Actual portfolio allocations may differ based on a client's investment objectives, risk tolerance, time horizon, liquidity needs, tax circumstances, restrictions, and other considerations. Views are as of the date of this material and may change without notice.

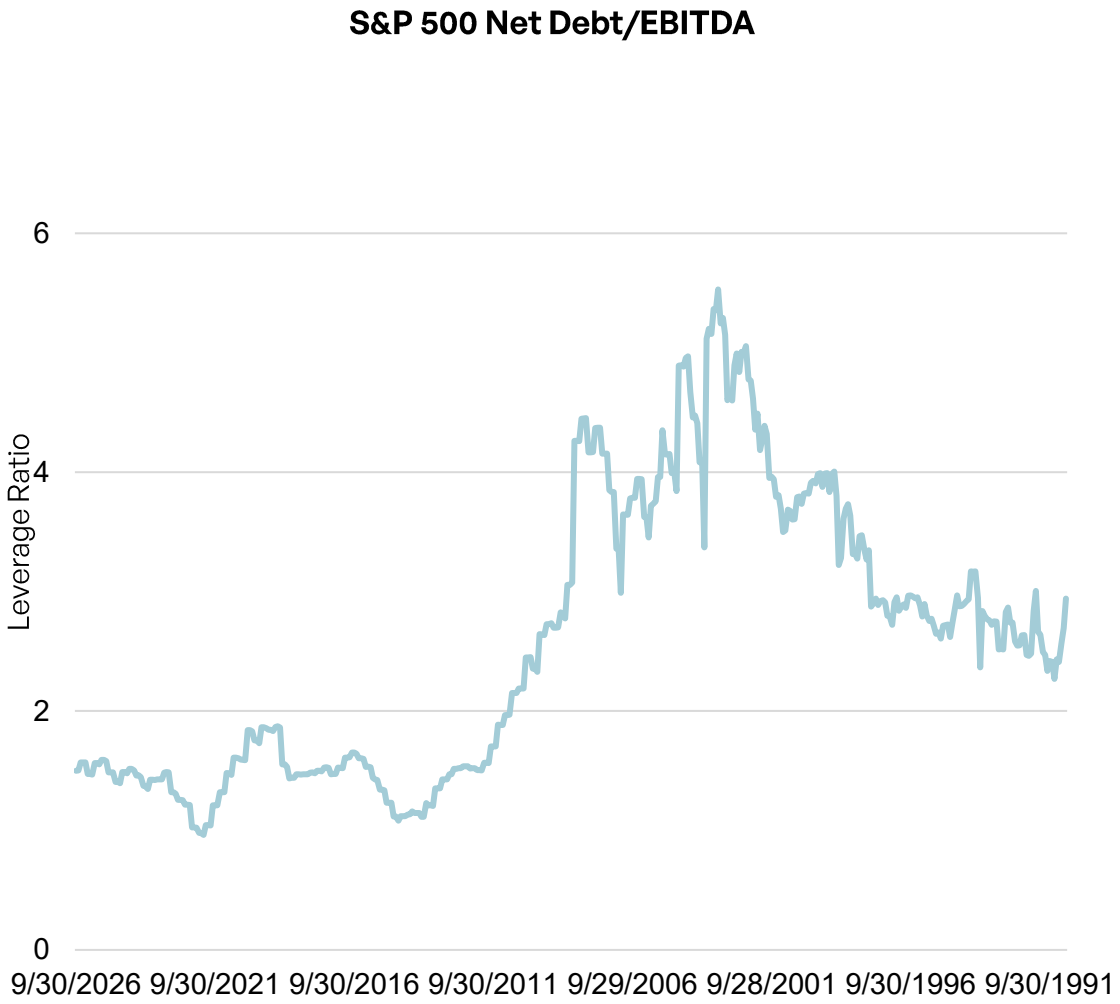
Equity returns diverged sharply in the third quarter



The S&P 500 outperformed its equal-weight counterpart by 4.2 percentage points in Q3 and there was pronounced underperformance from small and mid-cap stocks.

Source: Bloomberg Finance, LP (data through 9/30/2026)

Aggregate corporate leverage remains relatively low



Net debt

Total amount of money owed minus its cash and liquid assets.

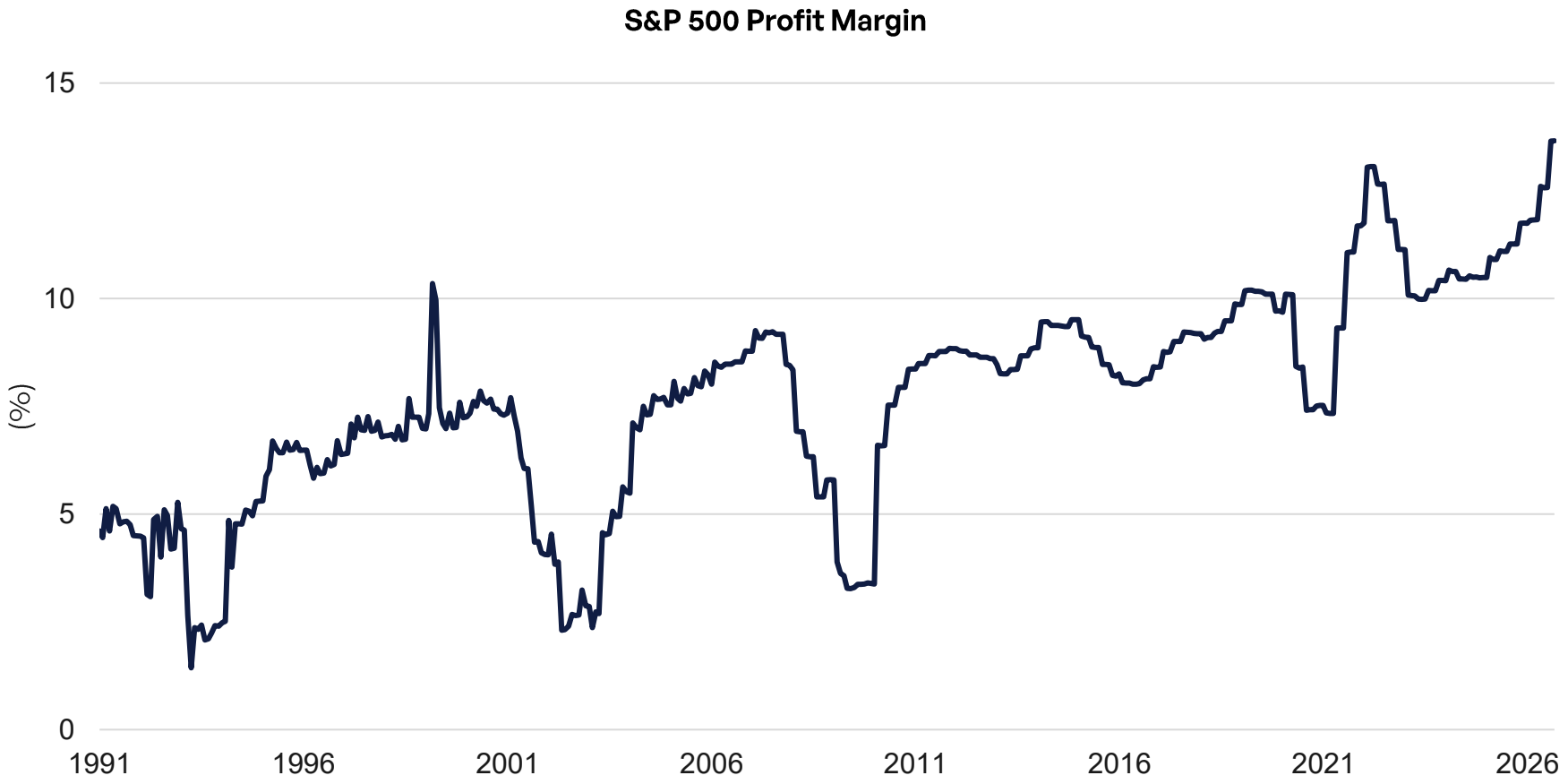
EBITDA

Earnings before interest, taxes, depreciation and amortization. Provides a view on how companies everyday business operations are performing.

Net debt/EBITDA was 1.5x at the end of September relative to a peak >5.5x in 2003 and a median of 2.5x since 1991.

Source: Bloomberg Finance, LP (data through 9/30/2026)

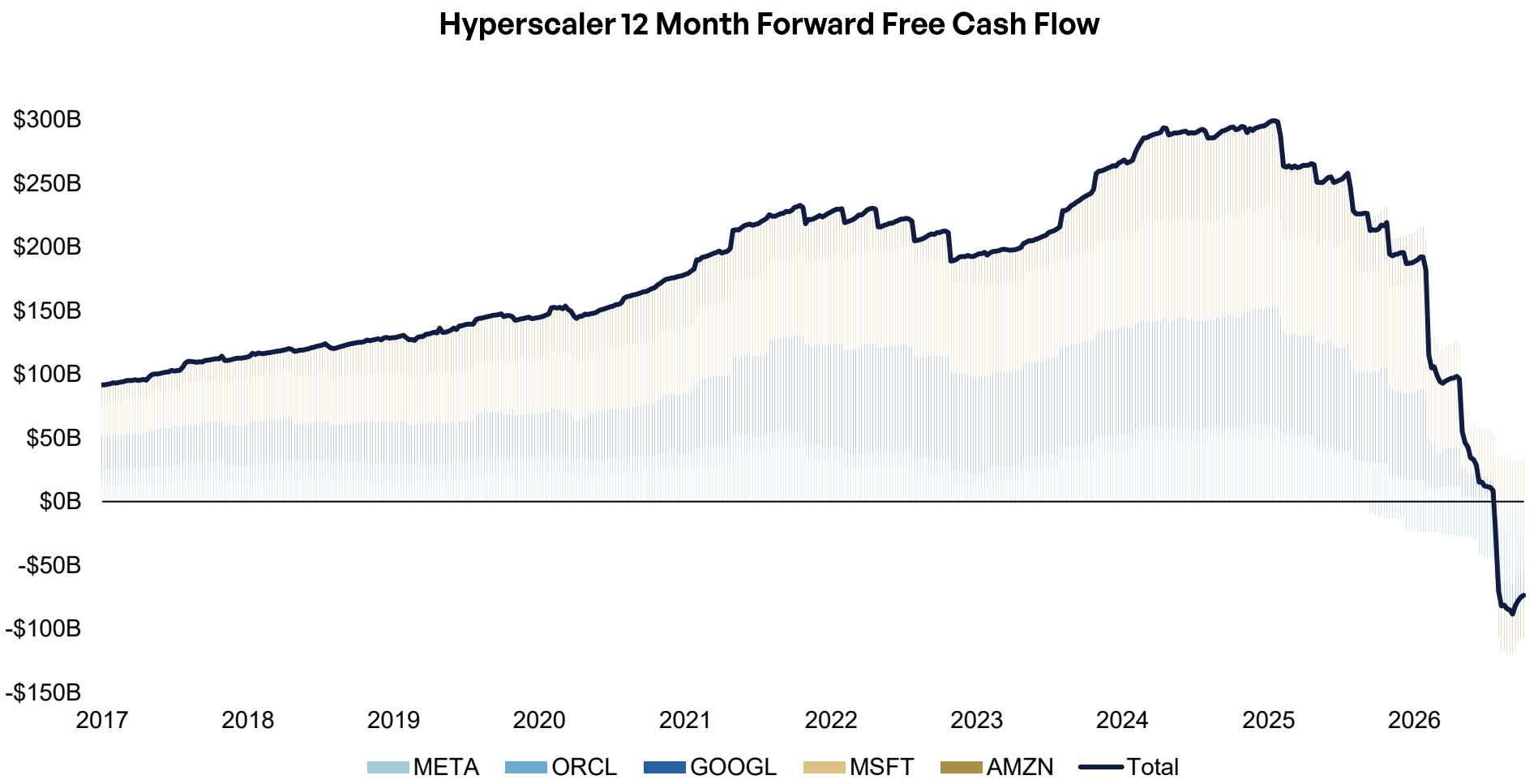
Profit margins at the highs



Profit margins rose above 13.5% and while high margins are a corporate strength, they also raise the question of how much further profitability can improve and how much investors already expect.

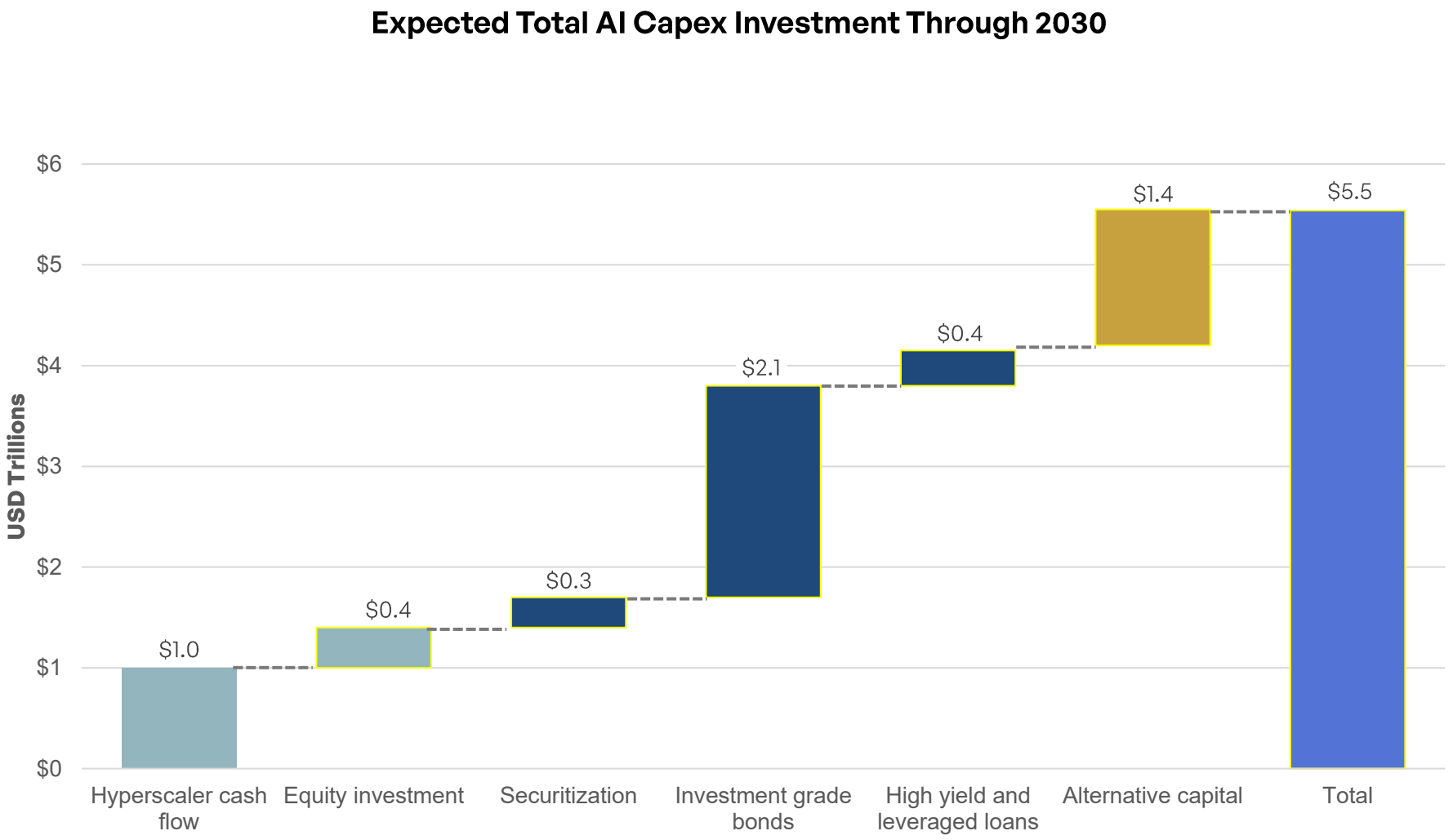
Source: Bloomberg Finance, LP (data through 9/30/2026)

What to watch for? Capital intensity on the rise



Source: Bloomberg Finance, LP (data through 10/2/2026)

Financing needs also on the rise



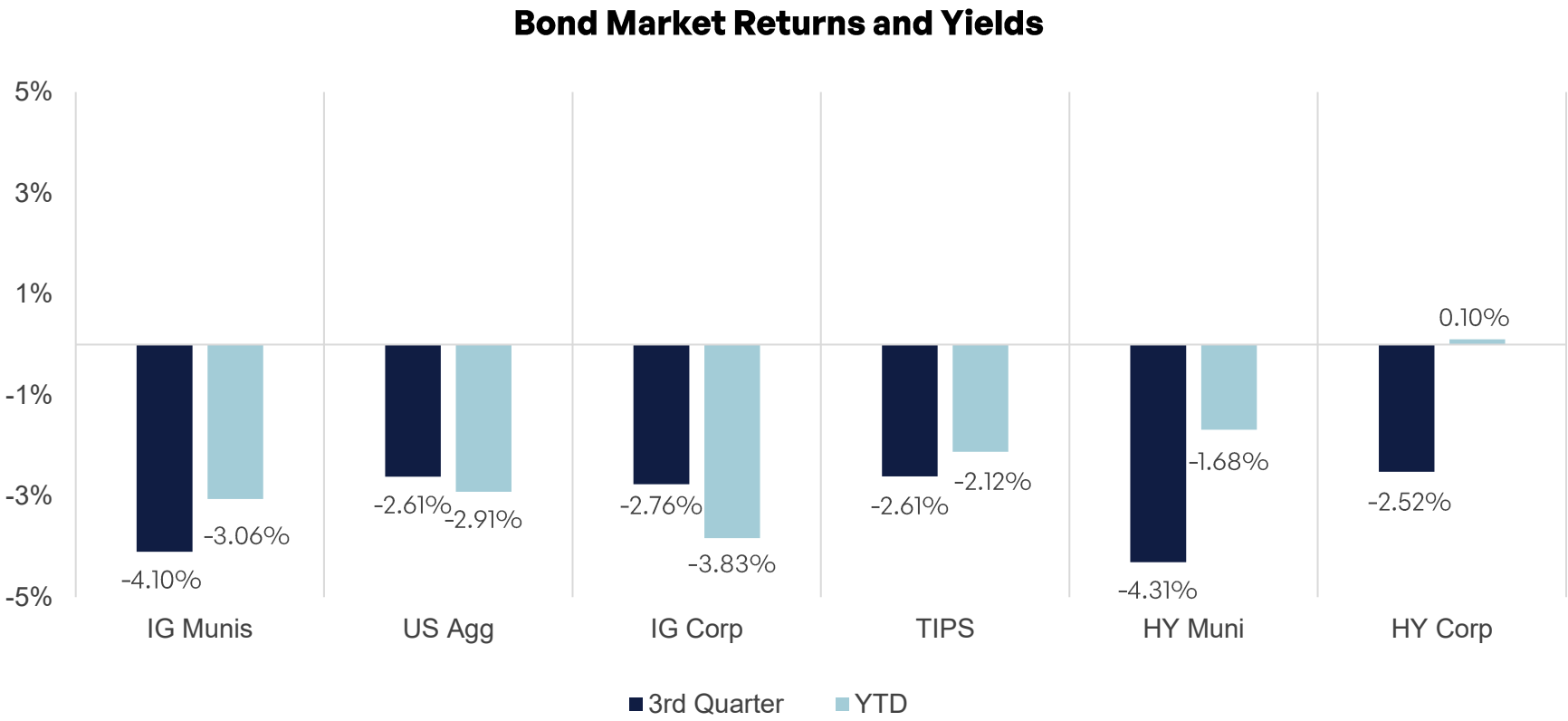
Source: JP Morgan (data through 7/31/2026)



Bond Markets

"What the wise do in the beginning, fools do in the end" – Warren Buffett

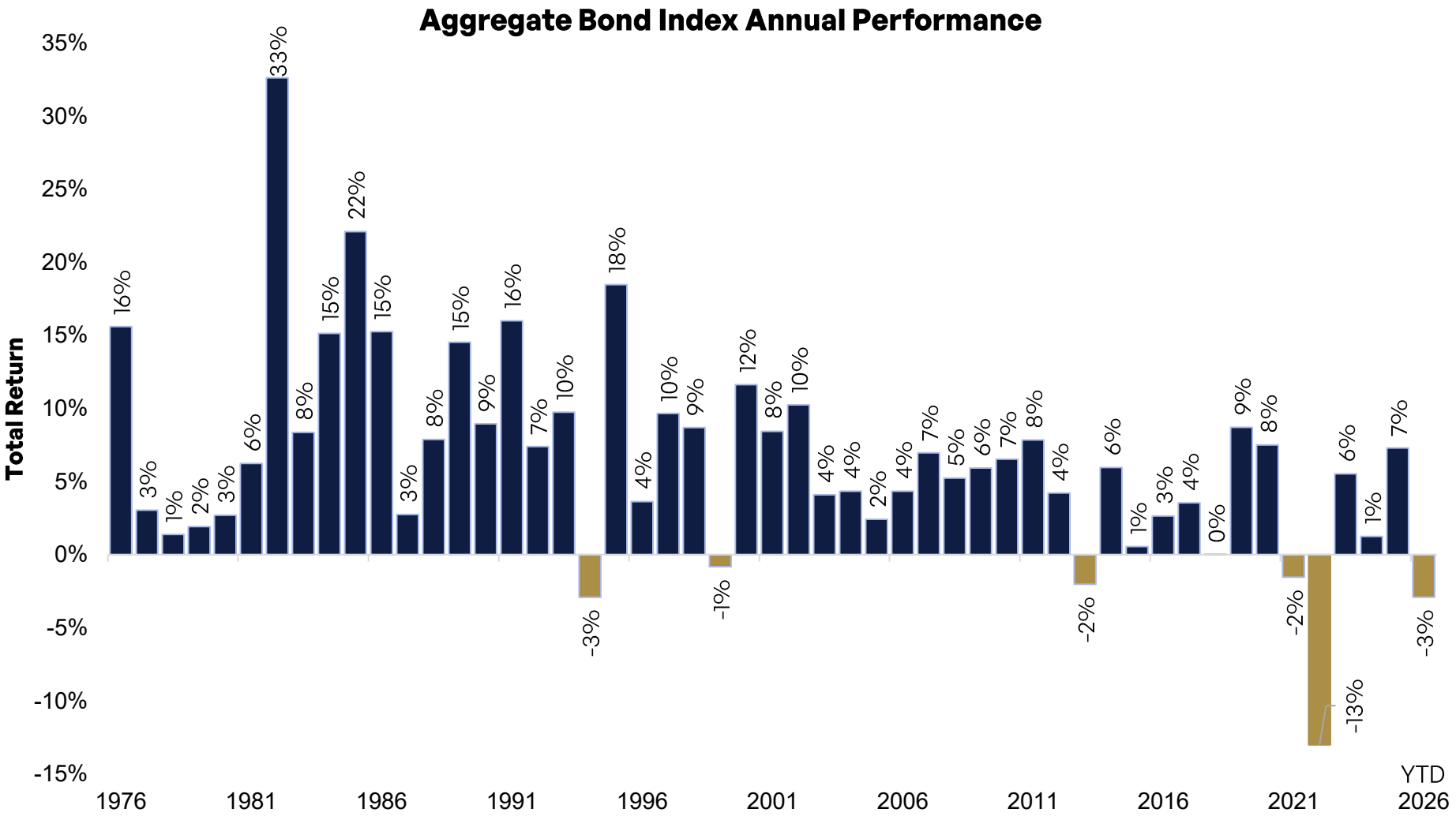
Bond Markets Suffer Losses



Yield to Worst (YTW)	4.19%	5.54%	6.20%	5.25%	6.15%	8.18%
Duration	4.52	5.80	7.61	5.37	7.70	3.15

Source: Morningstar (data through 9/30/2026)

After 3 positive years, a return to the red



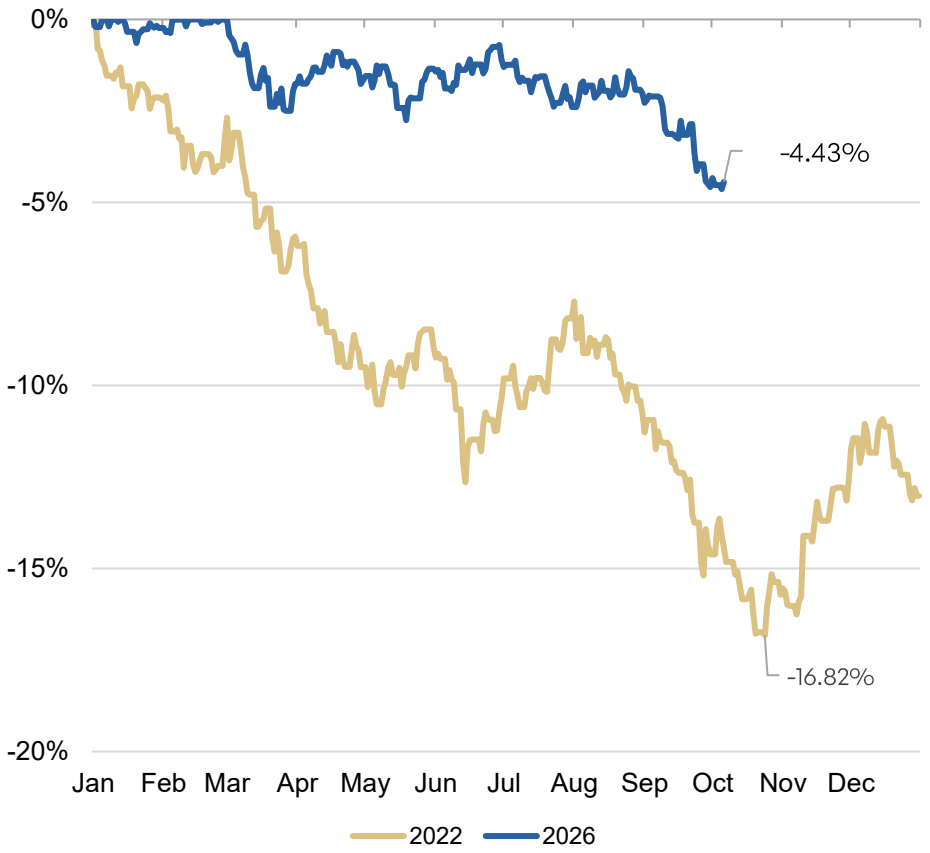
Source: Bloomberg Finance, LP (data through 9/30/2026)

The 2026 experience rhymes with, doesn't repeat 2022

Change in 10-Year Treasury Yield: 2022 vs. 2026

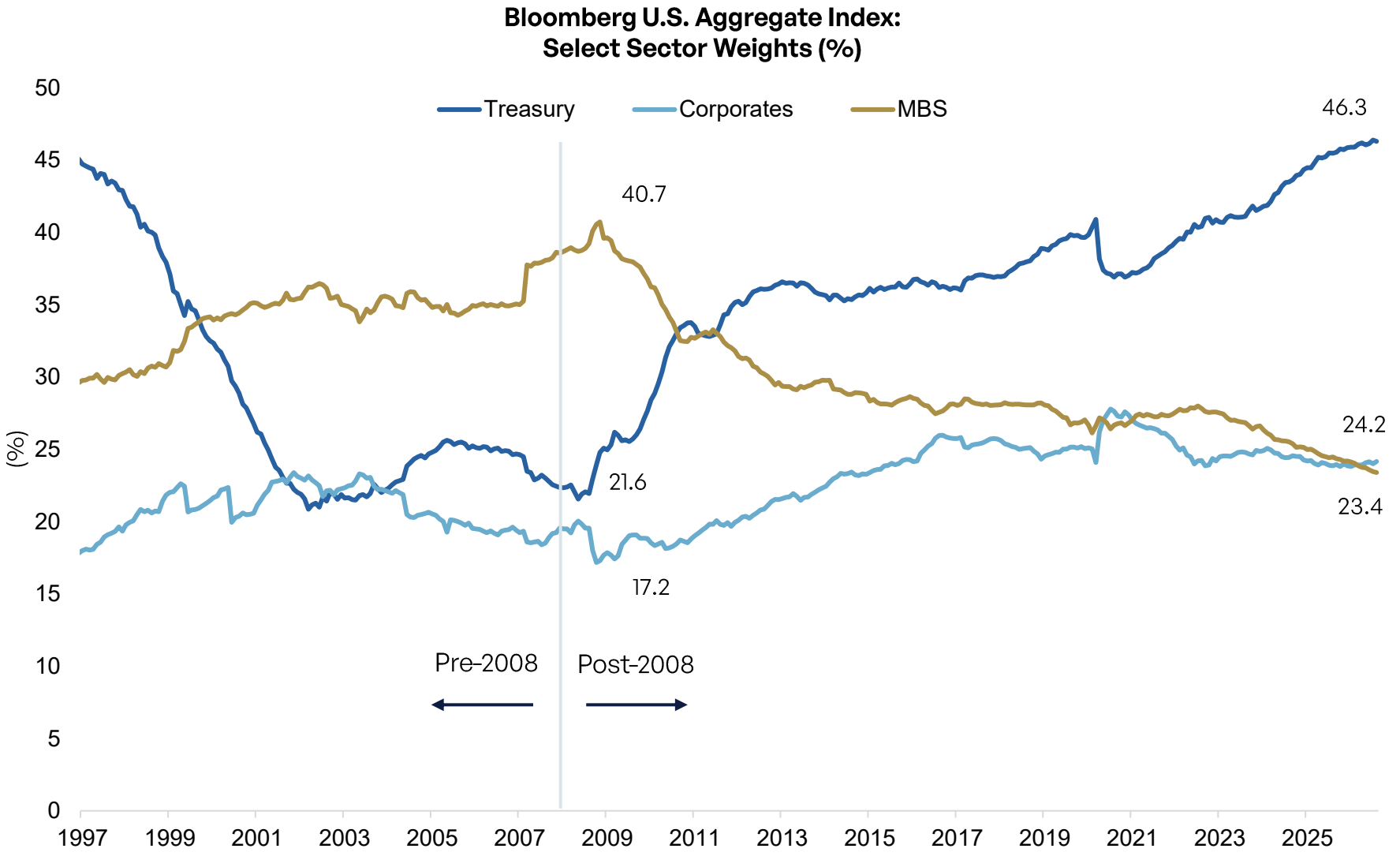


Bloomberg Agg Bond Index Drawdown During the Year: 2022 vs. 2026



Source: Bloomberg Finance, LP (data through 10/6/2026)

Fixed income investors should be cautious of composition

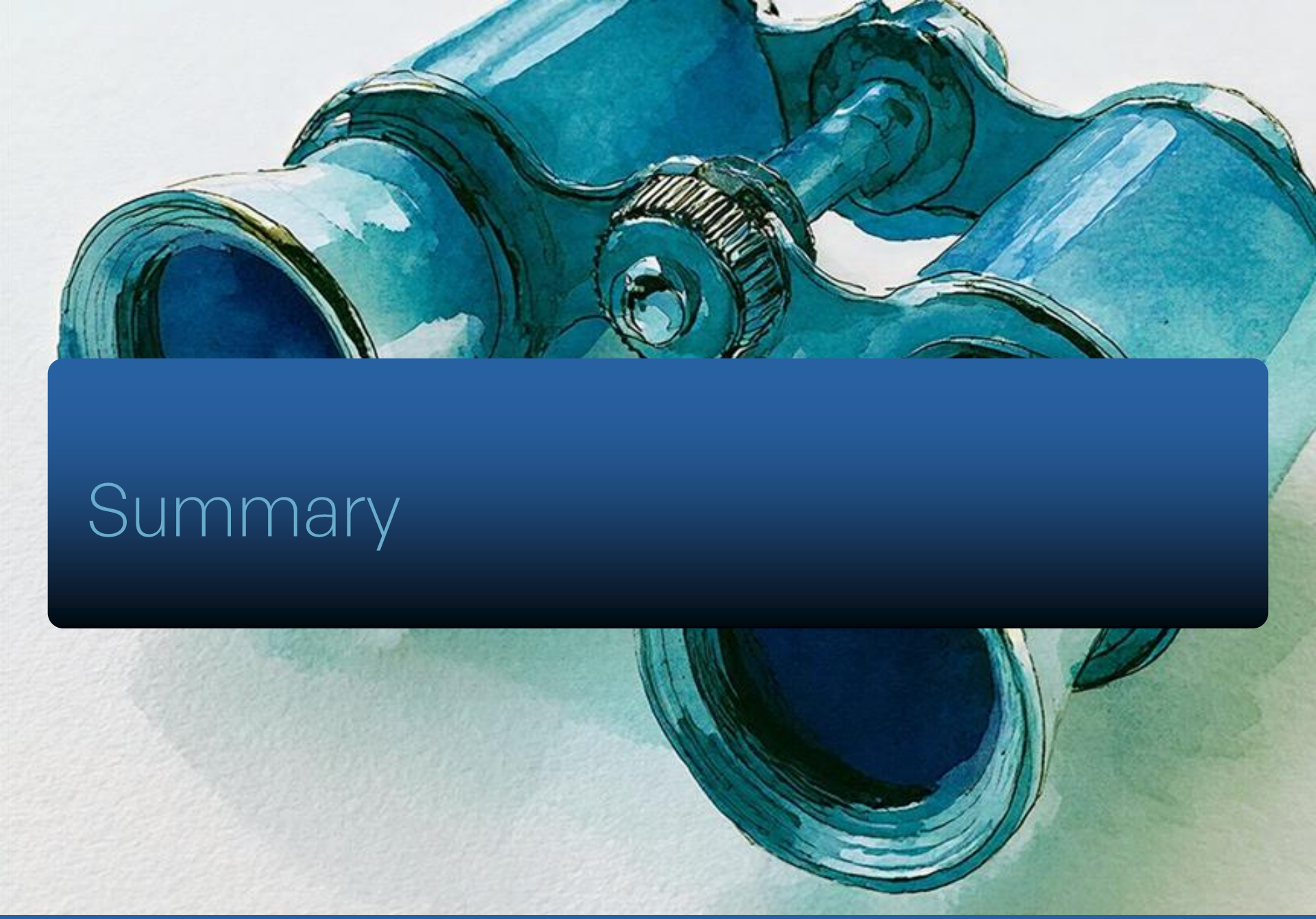


Source: FactSet (data through 8/31/2026)

Higher starting yields improve the income outlook



Source: Bloomberg Finance, LP (data through 10/2/2026)



Summary

Incumbent Party Usually At A Structural Disadvantage

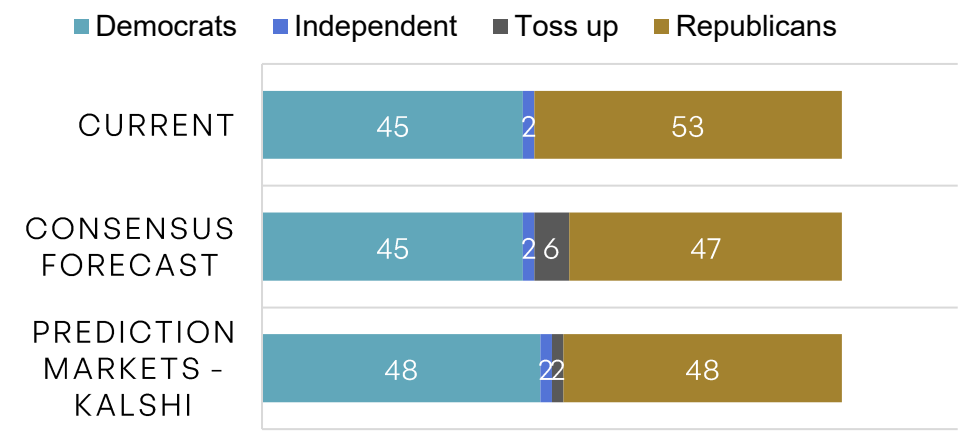
Year	President	Party	Midterm US House Results
1946	Truman	Democratic	-45
1950	Truman	Democratic	-29
1954	Eisenhower	Republican	-18
1958	Eisenhower	Republican	-48
1962	JFK	Democratic	-4
1966	LBJ	Democratic	-47
1970	Nixon	Republican	-12
1974	Ford	Republican	-48
1978	Carter	Democratic	-15
1982	Reagan	Republican	-26
1986	Reagan	Republican	-5
1990	GW Bush Sr	Republican	-8
1994	Clinton	Democratic	-52
1998	Clinton	Democratic	+5
2002	GW Bush	Republican	+8
2006	GW Bush	Republican	-30
2010	Obama	Democratic	-63
2014	Obama	Democratic	-13
2018	Trump	Republican	-40
2022	Biden	Democratic	-9

Source: The American Presidency Project (Historical election and market data are provided for informational purposes only. Election outcomes and market performance are influenced by numerous factors, and historical patterns may not recur.) Historical regime results are based on Wealthspire's retrospective classification of economic periods and the indices shown. Results do not represent client performance and do not reflect advisory fees, transaction costs, or taxes. Certain categories contain a limited number of observations, while others have no observations. Different periods, classifications, indices, or methodologies would produce different results. Historical relationships may not persist.

2026 Midterm Elections: Current Congressional Outlook

CONGRESS

U.S. SENATE

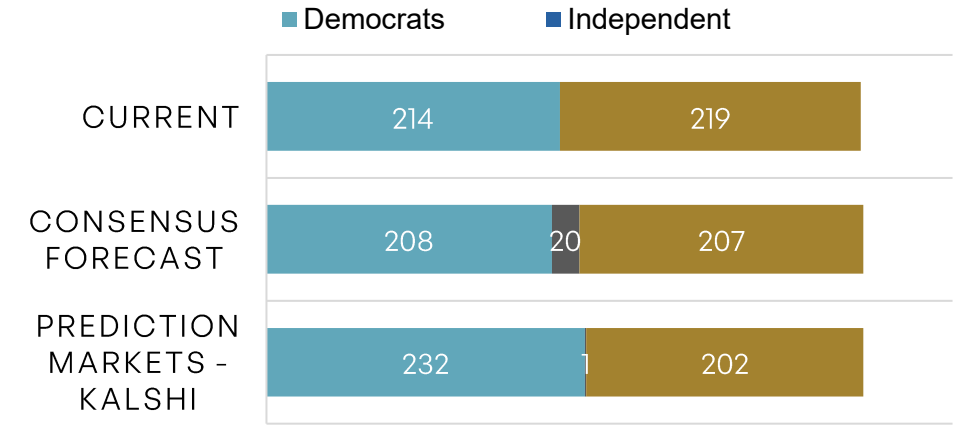


Republicans currently hold narrow majority in the U.S. Senate

35 seats are up for election in 2026, including special elections in Florida and Ohio

22 of the 35 seats are currently held by Republicans

U.S. HOUSE



Republicans currently hold narrow majority in the U.S. House

All 435 House seats will be contested on November 3, 2026

218 seats are needed for a House majority (assuming no vacancies)

Source: 270toWin Research (as of 9/4/2026)

Summary



Macro

Growth remains resilient, but hiring is narrow and inflation persistent.

The outlook is mixed rather than uniformly strong or weak.



Markets

Corporate balance sheets and profitability provide support, while investment spending raises cash-flow questions.

Higher bond yields offer income potential, not immunity from losses.



Portfolio Implications

Review liquidity needs, concentration, and bond interest-rate exposure against investment horizons.

Avoid allowing a single economic or political forecast to drive the entire portfolio.

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