

Where We Stand

John Stoltzfus, Chief Investment Strategist at Oppenheimer Asset Management, explains his top-down view of markets, the economy and asset allocation.

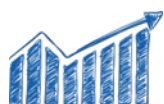
Second Quarter 2026

Current View



Economic Growth

Economic indicators showed resilience through the end of June 2026. Growth in the quarter appears on pace to match the 2.1% pace of Q1 as retail sales point to an uptick in consumption. Business fixed investment spending has also been a key source of growth as AI firms build out infrastructure.



Equities

Stocks delivered strong gains in Q2 with the S&P 500 up 14.9% in price. However, this was bettered by the Russell 2000 small caps, which rose 21.2% as gains spread to segments of the market that lagged for much of 2025. We see this broadening of investor preferences continuing to avoid overconcentration in tech stocks.



Fixed Income

The U.S. 10-year bond yield fluctuated within a range of 4.2% to 4.7% over the June quarter of 2026. While we favor equities over fixed income, we continue to find bonds to be complementary to equities and other asset classes within diversified portfolios.



Inflation

The war with Iran sent energy prices sharply higher over the March to June period, before a cease-fire agreement took hold in late June that allowed oil prices to slide back to pre-war levels. The inflation outlook hinges in part on the success of the re-opening of the Strait of Hormuz to shipping of energy and agricultural products.



Employment

Jobs growth has been strengthening in 2026. After a net loss of 116,000 jobs in Q4:25, the U.S. hiring rebounded to add 218,000 jobs in Q1 and 334,000 in Q2. The unemployment rate slid to 4.2% in June, from 4.5% in Q4:25. The JOLTS data showed 7.5 million open jobs in May, up from 6.5 million at the end of 2025.



Oil

Oil prices jumped in late February as Iran disrupted traffic at the Strait of Hormuz, through which 20% of the world's crude oil passes. The cease fire plan agreed to in late June brought prices down to pre-war levels but remains shaky.



Currencies

The U.S. dollar has traded within a range over the first half of 2026 but at the end of June stood just 1.2% higher on a trade-weighted basis than at the start of 2026. The dollar has been boosted by flight to quality flows and by a change in expectations for Federal Reserve policy, which now favors a possible tightening in the face of sticky inflation pressures.



Monetary Policy

The jump in energy prices between March and June could keep the Fed on hold over much of 2026. With inflation pressures rising and the job market resilient, the central bank changed its policy stance in June to favor inflation control over the medium term.



Public Policy

Large deficits and rising debt levels could bring upward pressure on bond yields and bouts of uncertainty to financial markets.



International Markets

Developed international and emerging equities outperformed U.S. equity markets over 2025 and the first half of 2026. A weakening in the dollar could provide tailwinds for foreign assets held by U.S. investors.



Positive ● Neutral ● Negative ●

Keys to Allocation



1

Core-Satellite Approach

We advocate combining individual securities and actively managed portfolios around a core of other broadly diversified and strategically allocated investments.

2

Broad Market-Cap Exposure

We favor exposure across large-, mid-, and small- cap equities when making stock- and sector-specific allocations as global markets remain prone to frequent rotation and rebalancing.

3

Knowing What You Own

Understanding how different investments interact with each other and how they behave in certain market environments is helpful for investors in achieving their long-term investment goals.

Sector Views

Sector	Rating	Sector	Rating
Technology Rationale: Products vital to business and consumers are poised to deliver greater efficiencies and convenience from innovation.	Outperform	Consumer Staples Rationale: This defensive sector remains attractive given resilient demand and M&A opportunities. Although valuations remain full, opportunities may arise in market downdrafts.	Perform
Financials Rationale: Potential reduction in regulation stateside offers opportunity. Sector should benefit as interest rates normalize.	Outperform	Energy Rationale: The uncertainties around the cease-fire with Iran create opportunity for volatility in oil prices that could benefit the sector.	Perform
Healthcare Rationale: Regulation and litigation risks persist. AI offers the potential to streamline the process of research and development in pharmaceutical products, biotechnology and diagnostic tools.	Perform	Utilities Rationale: Longer term, normalization of interest rates creates opportunity with bond proxy risk lessening. AI energy demand also provides support.	Underperform
Consumer Discretionary Rationale: Leisure, hospitality, and entertainment spending remains supportive. Valuations create prospects for M&A.	Outperform	Real Estate Rationale: Pressure on commercial RE valuations in major U.S. cities remains a drag but whets appetite of distressed asset buyers for repurposing.	Perform
Industrials Rationale: Aerospace, infrastructure, robotics, agriculture, power generation, energy, and defense equipment procurement drive demand for products.	Outperform	Materials Rationale: This sector is likely to benefit as domestic and international infrastructure needs are addressed.	Perform
		Communications Rationale: Exposure to tech-driven segments (AI, 5G, search, advertising and streaming) provides opportunity.	Perform

Views expressed represent OAM's current internal viewpoints and are based on OAM's views of the current market environment, which is subject to change. These materials may include discussion of general market activity, industry or sector trends, or other broad-based economic, market or political conditions and should not be construed as investment advice. There can be no assurance that any of the views or trends described herein will continue or will not reverse. Past events and trends do not imply, predict or guarantee, and are not necessarily indicative of, future events or results. Asset allocation and diversification may not protect against market risk, loss of principal or volatility of returns. All investments involve risks, including possible loss of principal. Oppenheimer Asset Management is the name under which Oppenheimer Asset Management Inc. (OAM) does business. OAM is a registered investment adviser and is an indirect wholly owned subsidiary of Oppenheimer Holdings Inc., which also indirectly wholly owns Oppenheimer & Co. Inc. ("Oppenheimer"), a registered investment adviser and broker dealer. 9005800.1