

There's the narrative, and there's the data. At NewSquare Capital, we're focused on the data.

At the end of the first quarter, we borrowed an analogy from Ralph Wanger, the longtime portfolio manager of the Acorn Fund. He compared the stock market to an excitable dog, zigzagging on a leash through New York's City's Central Park while its owner walks steadily forward toward his destination. The dog's erratic movements represent the market's short-term volatility: It's headline-driven, sometimes dramatic, and impossible to forecast. The owner represents the underlying economy, the long-term progress of businesses, and fundamentals, the forces that ultimately drive market returns.

At the time, the S&P 500® was down year-to-date, oil had spiked from less than \$60 per barrel to more than \$100 in less than three months, and the month-long conflict with Iran dominated every screen, fueling concerns about inflation and the path of interest rates. Six months later, the conflict is still in the headlines, along with U.S. gasoline prices near \$4.50 per gallon, rising bond yields and borrowing costs, and still-high prices. Indeed, the dog is still barking, sniffing, and pulling on the leash.

"Far more money has been lost by investors preparing for corrections, or trying to anticipate corrections, than has been lost in corrections themselves."

—Peter Lynch, legendary manager of Fidelity's Magellan Fund

Sometimes it pulls really hard. And yet, look at how far the owner has walked.

After March 30, the S&P 500® Index recorded 27 record closes to reach an all-time high of 7,816 on August 13. The Index finished the third quarter less than 2% below that peak. After falling 4.4% in the first quarter, the Index was up nearly 12% through the first nine months of 2026. Had an investor let March's headlines pull them off the path, they would have missed that recovery entirely.

There's often a big gap between what the headlines say and what the economy—and the market—are actually doing.

Why the headlines feel worse than the facts

News is built to capture attention, and nothing captures attention like fear. A missile strike, a spike in gas prices, or a rate hike makes for a gripping headline. Positive economic developments rarely do. Median household incomes recently hit an all-time, inflation-adjusted high. Business investment is on a steady rise, and it's not all about data centers and artificial intelligence. That kind of news doesn't feed the algorithm, so a lot of people don't see it. The events in the headlines are real, but they are only one part of the picture. Markets, by contrast, weigh everything at once. They see the risks and the fundamentals, the conflict and the accelerating earnings growth.

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This isn't about politics or picking a side. It's about perspective. When headlines lean heavily toward what could go wrong, investors can come away believing the economy is weaker than it actually is. That belief, not the economy itself, is what leads to emotions that can cloud judgment and poorly timed decisions that can hurt investment outcomes. **Headlines tell you what is loud. Data tells you what matters.**

In March, with stocks sliding and uncertainty mounting, we reminded investors that periods of volatility tend to be short-lived and that discipline matters most when markets make it difficult to remain disciplined. We wrote, "You have that plan for a reason. Now is the reason."

The last six months have shown why. Markets look different today than they did in March, but the principle is the same. A long-term investment plan is not something to follow only when markets are falling, nor should a strong market be an invitation to abandon that plan in pursuit of what has recently worked. Through both periods of uncertainty and periods of optimism, maintaining perspective, managing risk, and staying focused on long-term goals remain essential.

What the data is telling us

Step away from the daily news flow and a very different story emerges. Much of the recent economic data, drawn from non-partisan, government sources, points to an economy that is growing, investing, and lifting household incomes.

Recent economic reports

Indicator	Latest reading
Third quarter 2026 real GDP growth (nowcast)	3.8% annualized (as of Sept. 30) ¹
Second quarter 2026 real GDP growth	2.2% annualized, revised up from 1.5%; consumer spending up 3.8% ²
Real median household income (2025)	\$87,460, up 2.6% from 2024 in real terms and the highest inflation-adjusted level on record ³
Official poverty rate (2025)	10.2%, the lowest on record; child poverty also at a record low of 13.4% ⁴
Unemployment rate (August 2026)	4.1%, with 162,000 jobs added in August ⁵

The Atlanta Fed's GDPNow model is a running estimate rather than an official forecast, and it may well change before the government's first GDP report in late October. Still, the figure has hovered between roughly 4% and 5% for most of the quarter, a pace few would guess from the headlines.

Income and inflation. After the post-pandemic surge that lifted consumer prices more than 20% cumulatively between 2021 and 2024, annual inflation had cooled considerably before this year's oil shock. It remains elevated today, at 3.4% on the Fed's preferred PCE measure in August, but that reading came in below expectations. We're consumers, too. Like you, we feel rising prices when we fill up the car's tank, shop for groceries, or apply for financing. Inflation has cooled since a recent high in May, and the typical American household's income grew faster than prices in 2025, to the highest level the Census Bureau has ever recorded. Neither of those things may feel true at any one moment, but they are.

Tax policy aimed at workers, retirees, and builders. The tax legislation passed in July 2025 created new federal deductions for qualified tips (up to \$25,000) and overtime pay (up to \$12,500, or \$25,000 for joint filers), along with an additional \$6,000 deduction for taxpayers 65 and older, which lowers the tax bill on retirement income, including Social Security, for many seniors. Most of these provisions run through 2028, and income limits apply. On the business side, the law permanently restored 100% bonus depreciation, allowing companies to deduct the full cost of qualifying equipment in the year it is placed in service, and extended similar treatment to new factory construction.

A capital-spending boom. Those incentives are helping to fuel a wave of investment in manufacturing, construction, and the data centers that power AI. In the second quarter, business investment rose at an 8.5% annualized pace, with spending on equipment and software buoyed by AI demand.

A different view of higher yields. Rising interest rates are usually framed as bad news, and they do raise borrowing costs, and thus prices. But higher long-term yields can also reflect a healthy economy that is competing for capital to fund new investment. In September, New York Fed President John Williams attributed much of the recent rise in long-term Treasury yields to a strong U.S. economy and economic outlook, rather than market dysfunction or unanchored inflation expectations. Maybe even more importantly, today's yields mean that savers and bond investors are earning more

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income than they have in nearly two decades.

Staying on the path

None of this means the risks have disappeared. Wars in Ukraine and the Middle East are tragic, ongoing realities. Energy costs remain elevated, and the Federal Reserve raised rates in September for the first time since 2023. Long-term Treasury yields sit near their highest levels since 2007, and the bond market sold off during the third quarter. The University of Michigan Index of Consumer Sentiment remains weak, though it has improved since hitting an all-time low in May. We take all of the news—whether good or bad—seriously, and we monitor it closely. But we know that acknowledging risk is very different from being driven by it.

At NewSquare, our process is designed to respond to evidence rather than emotion. We evaluate conditions as they evolve, listen to what markets are signaling through price action and fundamentals, and adjust portfolios when the data warrants it, not when the headlines are loudest. That discipline kept us on the path in March, and we believe it will keep us on course going forward, no matter what's to come. Headlines change daily. Our discipline doesn't.

The dog will keep lunging. There will always be another alarming headline, another reason to wonder whether this time is different. History, and the last six months, suggest the better course may be to keep your eyes on the owner: the economy, the businesses within it, and the long-term investment plan you built for exactly these moments.

As always, if your goals or circumstances have changed, we welcome the conversation.

Market Review: Third Quarter 2026

U.S. stocks posted modest gains in the third quarter as strong corporate earnings and continued enthusiasm for artificial intelligence offset renewed tension in the Middle East and a sharp rise in interest rates. The S&P 500® Index rose roughly 2% for the quarter, and the NASDAQ Composite gained about the same, while the Dow Jones Industrial Average slipped about 2%. The path was anything but smooth. After a summer pullback of nearly 5% from its early-June peak, driven largely by nerves about AI spending, the S&P 500® returned to record territory in early August on the back of a strong earnings season and hopes for progress on reopening the Strait of Hormuz.

Leadership narrowed again in September, with large-cap growth and technology stocks outperforming while small caps, real estate, and more economically sensitive sectors lagged. Stronger earnings expectations helped ease valuations, as profit forecasts rose more quickly than stock prices. At roughly 19 times expected earnings over the next 12 months, the S&P 500®'s valuation finished four multiple points below its year-ago level and near its historical average.

Bond markets were the quarter's main source of stress, as the Bloomberg U.S. Aggregate Bond Index (Agg) returned -3.51%, with all sectors declining. Sharply rising U.S. Treasury yields and a more hawkish Fed outlook weighed on bonds as heavy government borrowing and increased debt issuance by U.S. hyperscalers added to demand for investor capital. With energy prices keeping inflation elevated and the economy running hot, the U.S. Federal Reserve, now led by Chair Kevin Warsh, raised its benchmark rate by 0.25 percentage points in September, to a range of 3.75%–4.00%. It marked the Fed's first rate hike in more than three years, and policymakers signaled that rates will likely stay higher for longer.

The 10-year Treasury yield climbed nearly half a percentage point in September to close the quarter at 5.29%, near its highest level since 2007. The 30-year yield briefly touched 5.62%, a level not seen since 2002. Persistently high energy costs, a resilient economy, and concerns about federal deficits all contributed. Rising yields weighed on bond prices, particularly at longer maturities, although August's softer-than-expected inflation report offered some relief in the quarter's final days.

Commodities rallied, driven in large part by the conflict in the Persian Gulf. West Texas Intermediate (WTI) crude oil prices rose 31.4% during the third quarter and finished September up 58.9% year-to-date. Renewed U.S. strikes on Iran in early September pushed crude back above \$100 before prices eased late in the month, with West Texas Intermediate (WTI) ending the quarter near \$90. Diplomatic proposals to reopen the Strait have surfaced, but did not produce an agreement by September 30. Oil helped push the Bloomberg Commodity Index up approximately 15% during the quarter. Precious metals remained strong as LSEG spot gold prices rose 3.7%. Copper prices climbed during the quarter, reaching more record highs amid tight mine supply, supply disruptions, and supportive longer-term demand expectations amid the AI buildout.

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¹ <https://www.atlantafed.org/research-and-data/data/gdpnow/current-and-past-gdpnow-commentaries>

² <https://tradingeconomics.com/united-states/gdp-growth>

³ <https://www.census.gov/newsroom/press-releases/2026/income-poverty-health-insurance-coverage.html>

⁴ <https://www.census.gov/newsroom/press-releases/2026/income-poverty-health-insurance-coverage.html>

⁵ <https://www.bls.gov/news.release/empsit.nr0.htm>

Indexes referenced:

The S&P 500® Index is widely regarded as the best single gauge of large-cap US equities. The Index includes 500 leading companies and covers approximately 80% of available market capitalization.

The University of Michigan Index of Consumer Sentiment (MCSI) is a monthly survey that measures American consumer confidence and expectations regarding the U.S. economy.

The Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment-grade, US dollar-denominated, fixed-rate taxable bond market. The Index includes Treasuries, government-related corporate securities, mortgage-backed securities, (MBS) (agency fixed-rate pass-throughs), asset-backed securities (ABS), and commercial mortgage-backed securities (CMBS) (agency and nonagency).

The Dow Jones Industrial Average (DJIA) is a price-weighted index that tracks thirty of America's biggest and most established companies, acting like a quick temperature check of the U.S. economy.

The Nasdaq Composite Index (IXIC) is a market capitalization-weighted index encompassing over 3,000 stocks, with a strong focus on the technology sector.

The Bloomberg Commodity Index (BCOM) measures commodity-market performance using 23 exchange-traded physical commodity futures, representing 21 commodities in agriculture, energy, industrial metals, precious metals, and livestock.

Additional statistical data sourced from: Bloomberg Finance, LPL Research, Morningstar, and NewSquare Capital, LLC.

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Investments in initial public offerings (IPOs) and companies associated with artificial intelligence (AI) involve substantial risks and may experience significant price volatility. The market value of these investments may be affected by factors including investor sentiment, technological developments, competition, regulatory changes, valuation concerns, and broader market conditions. There can be no assurance that companies associated with AI will achieve their expected growth objectives or that current levels of investor interest will be sustained.

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