CERITY PARTNERS®

Q3 Market & Economic Outlook

July 2026

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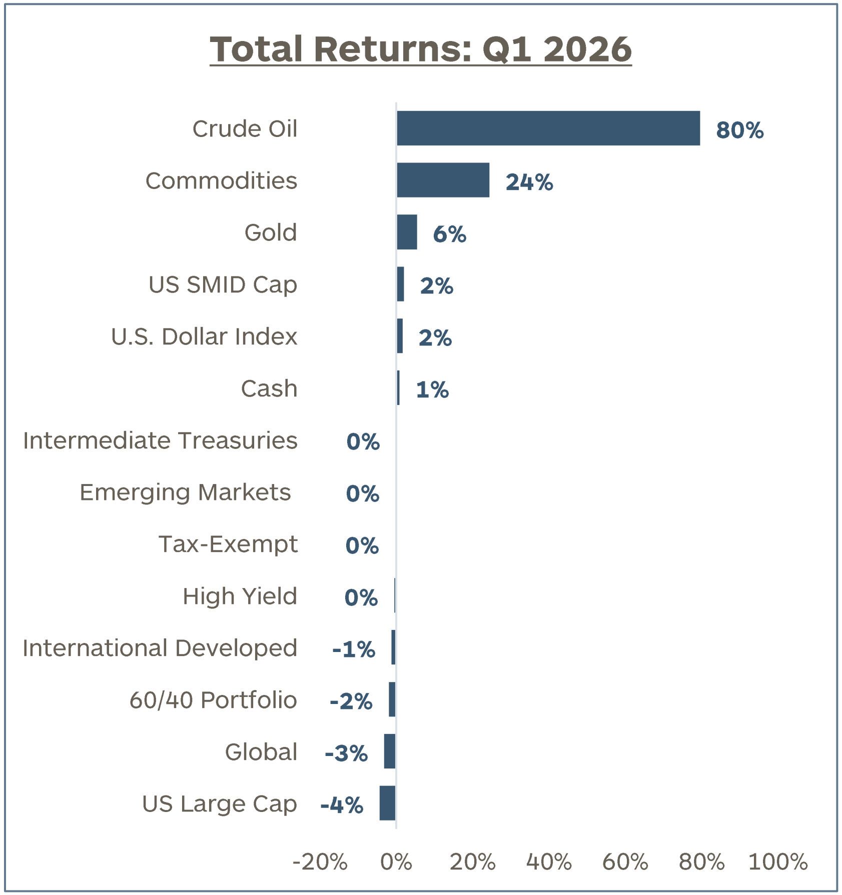
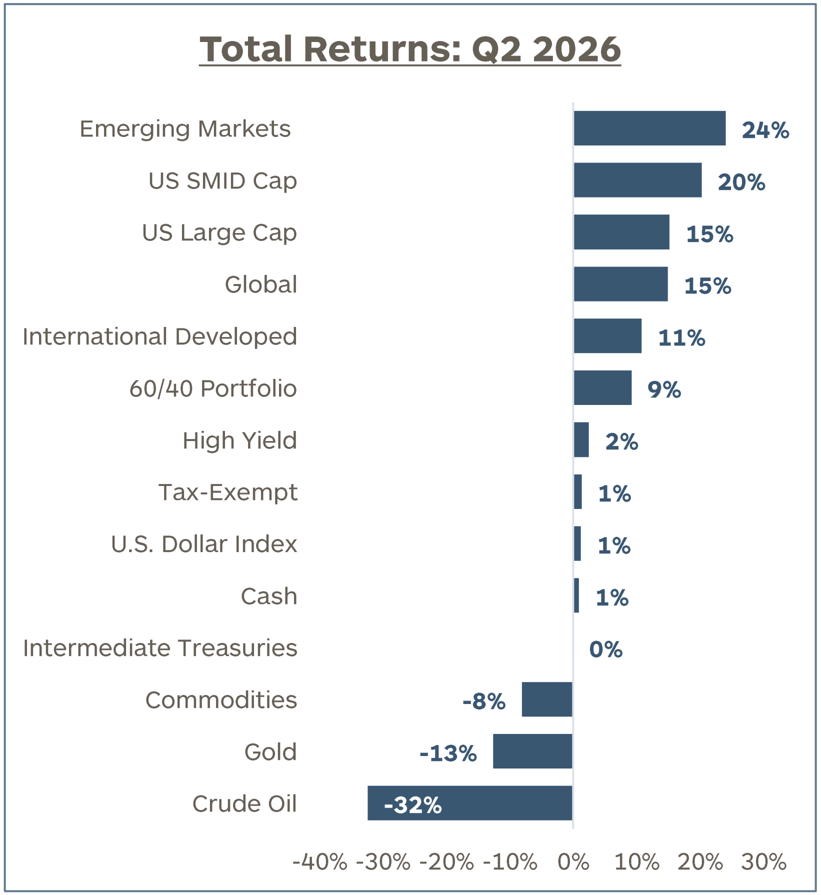
A Tale of Two Quarters

After a tough start, markets delivered one of their best quarters in years.





Source: Asset class returns represented by: MSCI ACWI Net Total Return Index; S&P 500 Total Return Index; Russell 2500 Total Return Index; MSCI EAFE Net Total Return Index; MSCI Emerging Markets Net Total Return Index; Bloomberg US Treasury Bills 1-3 Month Index; ICE US Treasury 3-7 Year Index (Total Return); Bloomberg Municipal Bond 1-10 Year Blend (1-12 Year) Index; Bloomberg US Corporate High Yield Index; Bloomberg Commodity Index Total Return; S&P GSCI Gold Index; Bloomberg WTI Crude Oil Subindex; U.S. Dollar Index (DXY). Cerity Partners, Ycharts

Updating Our Key Themes for 2026

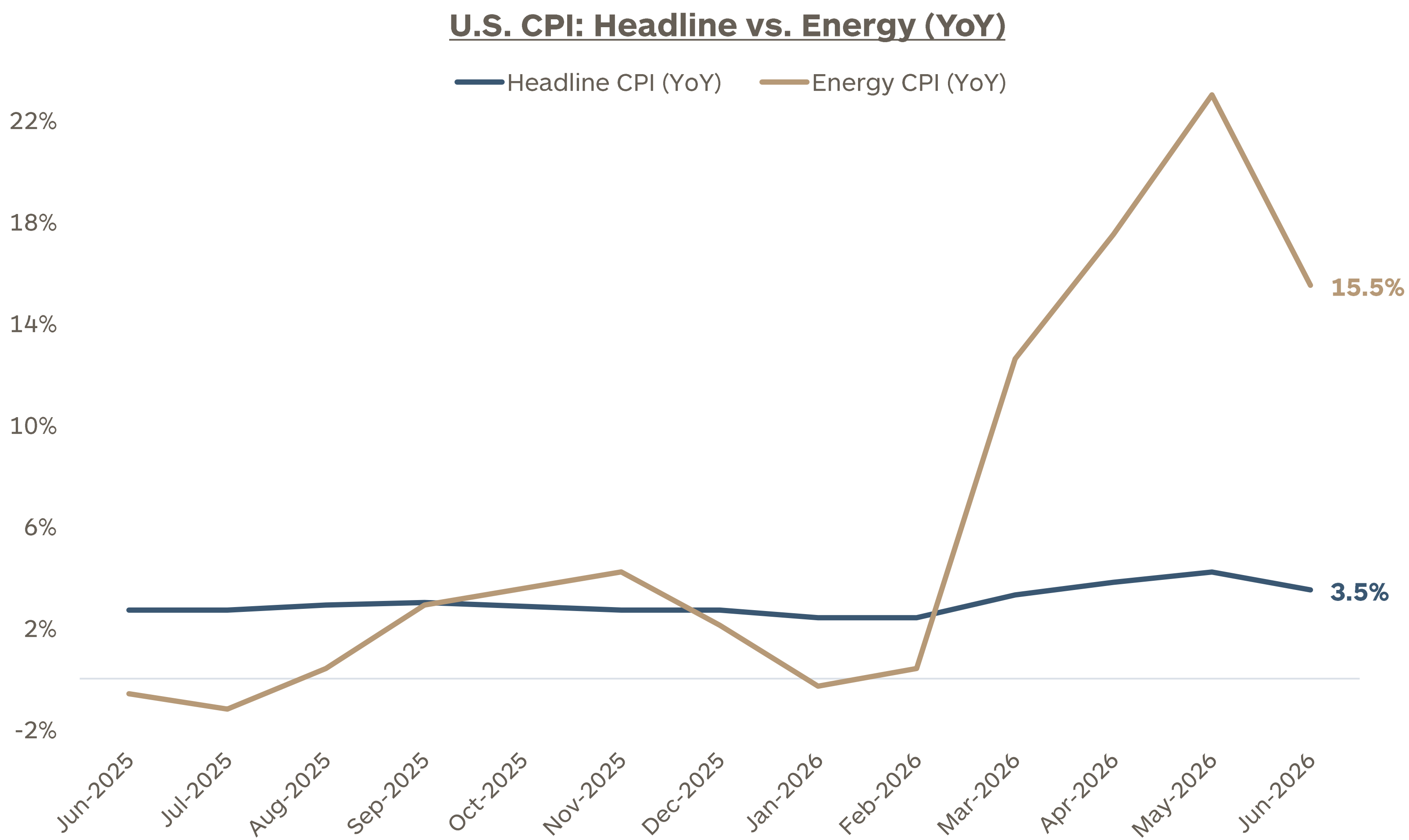
New risks and uncertainties, but still a supportive backdrop for markets.

Key Themes for 2026

1) Monetary policy moves to neutral or slightly restrictive, fiscal policy moves to neutral or slightly positive, while the AI infrastructure buildout remains a key structural tailwind.
2) OBBBA corporate tax changes are spurring a reacceleration in non-AI business investment.
3) Global growth on net remains positive as trend-or-better U.S. growth offsets supply shocks overseas.
4) Broader economic activity lifts employment, while labor force growth remains sluggish.
5) Inflation remains above the Fed target, but progress should resume when the current supply shock fades.
6) The jury is still out on new Fed Chair Warsh's direction regarding interest rates, the Fed balance sheet, and the inflationary vs productivity-enhancing impacts of the AI buildout.
7) We see stability or slight upward pressure for long-term rates, based on strong economic activity.
8) It's hard to fight strong fundamentals for equity markets, with double-digit profit growth balancing high earnings multiples.
9) Better earnings breadth was delayed, not cancelled.
10) International stocks still offer diversification benefits, and an impressive fundamental outlook considering geopolitical headwinds.

Over the Hump for Inflation

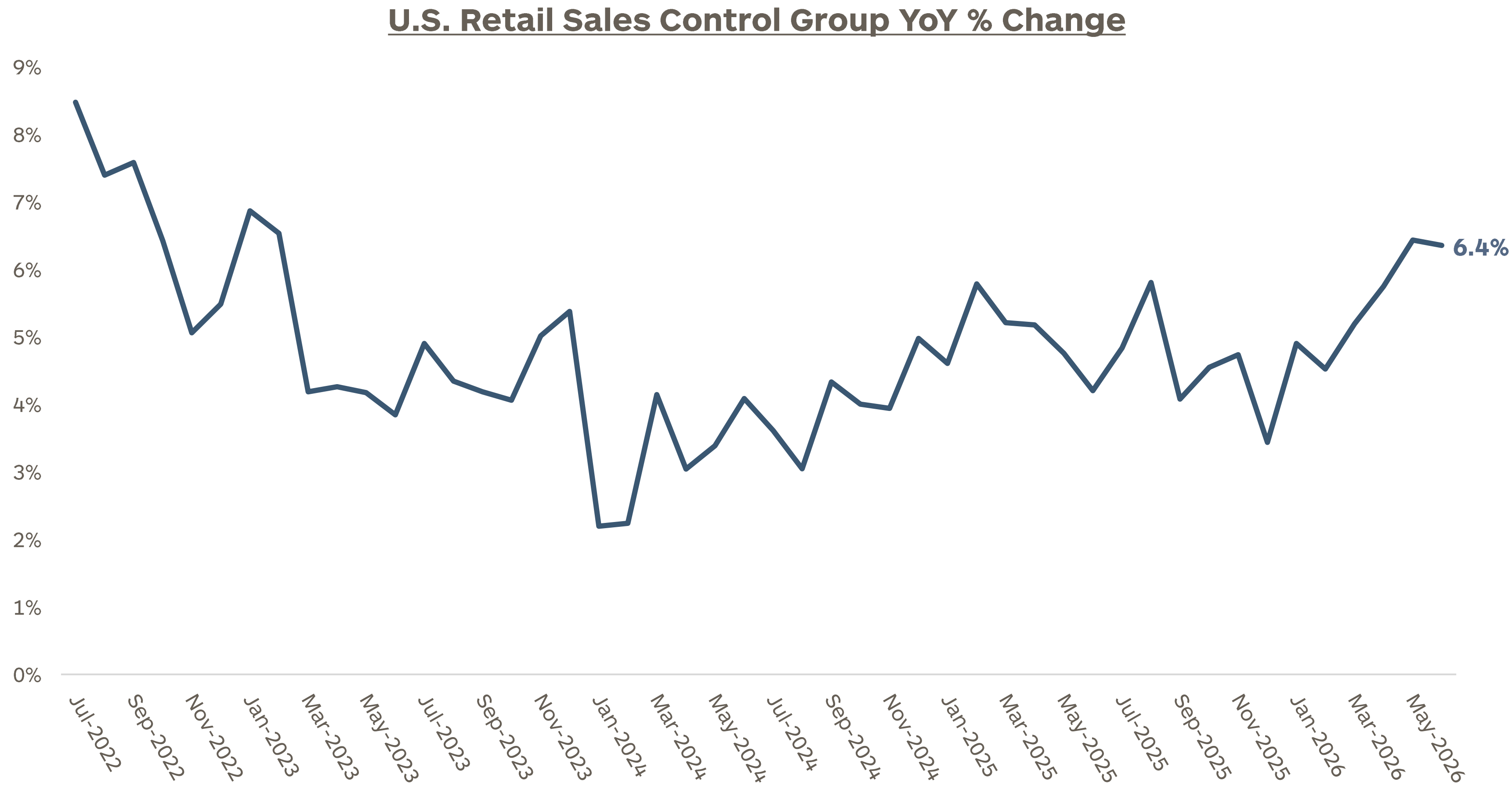
The future depends on the path forward in the Middle East, but for now, it looks like the worst is behind us.



Source: Cerity Partners, Ycharts, June 2025 – June 2026

Consumers Continue to Roll With the Punches

Despite poor sentiment, spending data remains solid

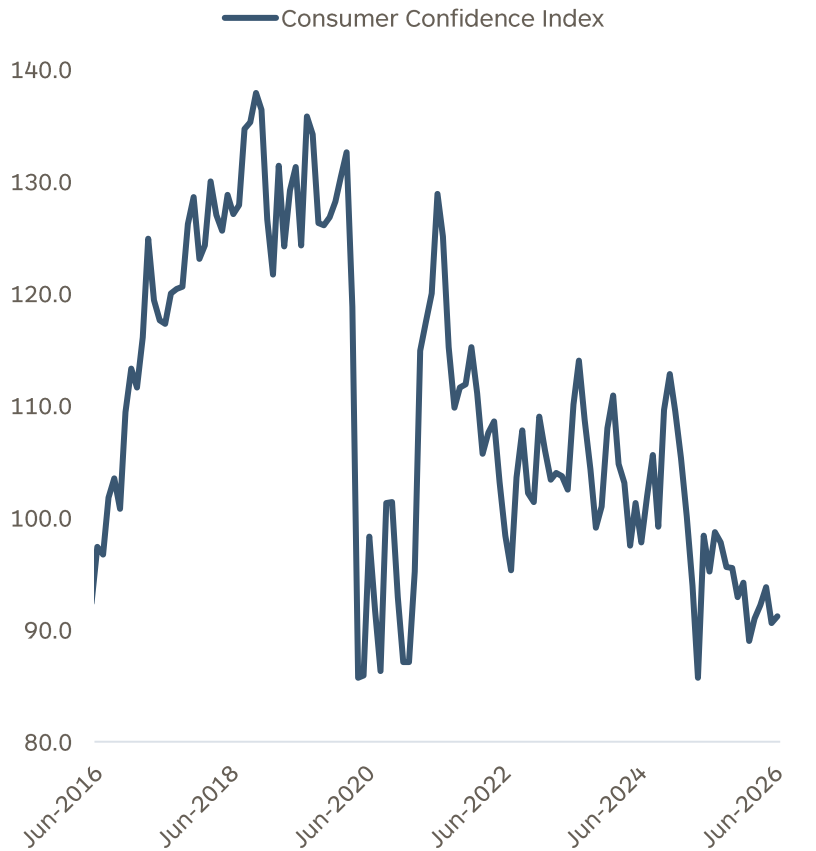


Source: Cerity Partners, FactSet estimates as of 7/7/2026

Not Much Improvement in Sentiment

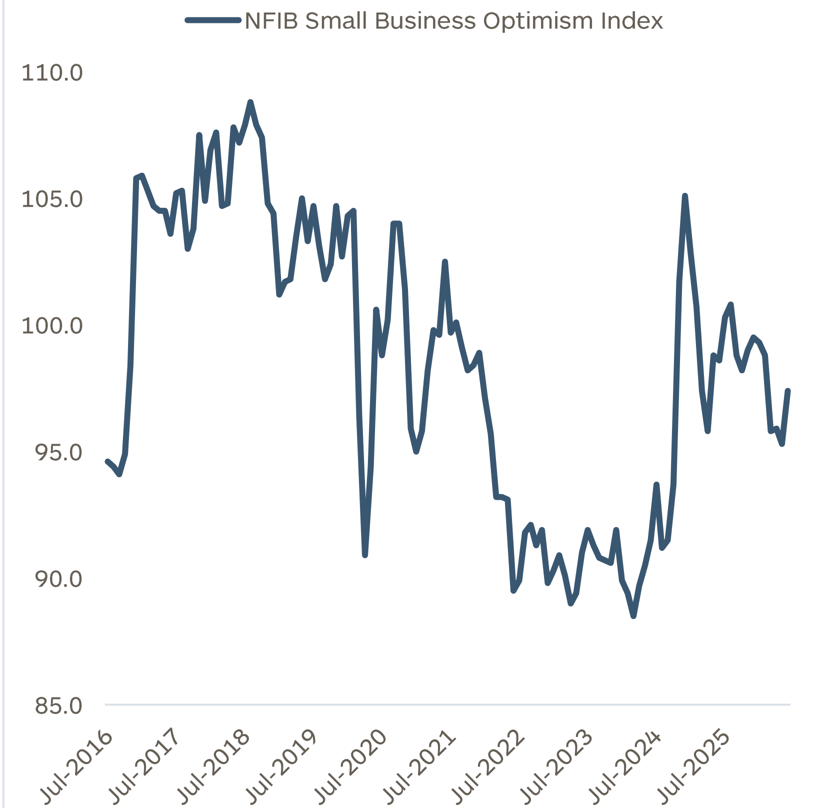
Consumers still feel bad. Small business owners feel okay.

Consumer Confidence Index



Source: Cerity Partners, The Conference Board, as of 6/30/2026

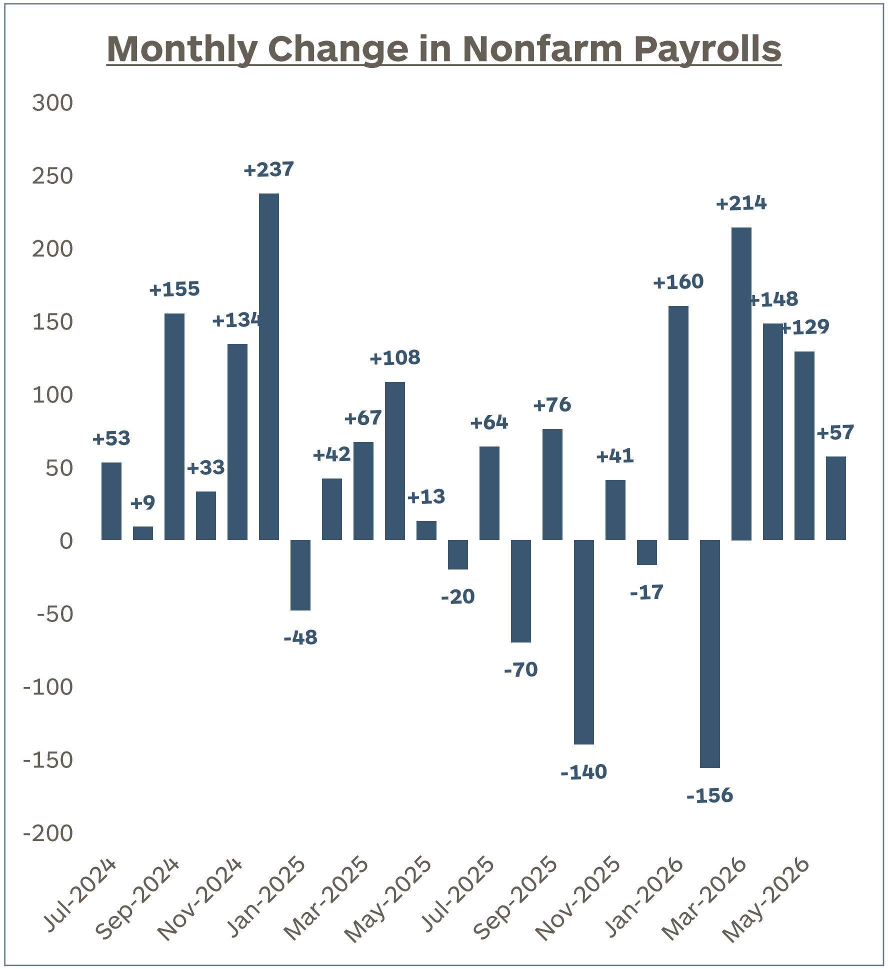
NFIB Small Business Optimism Index

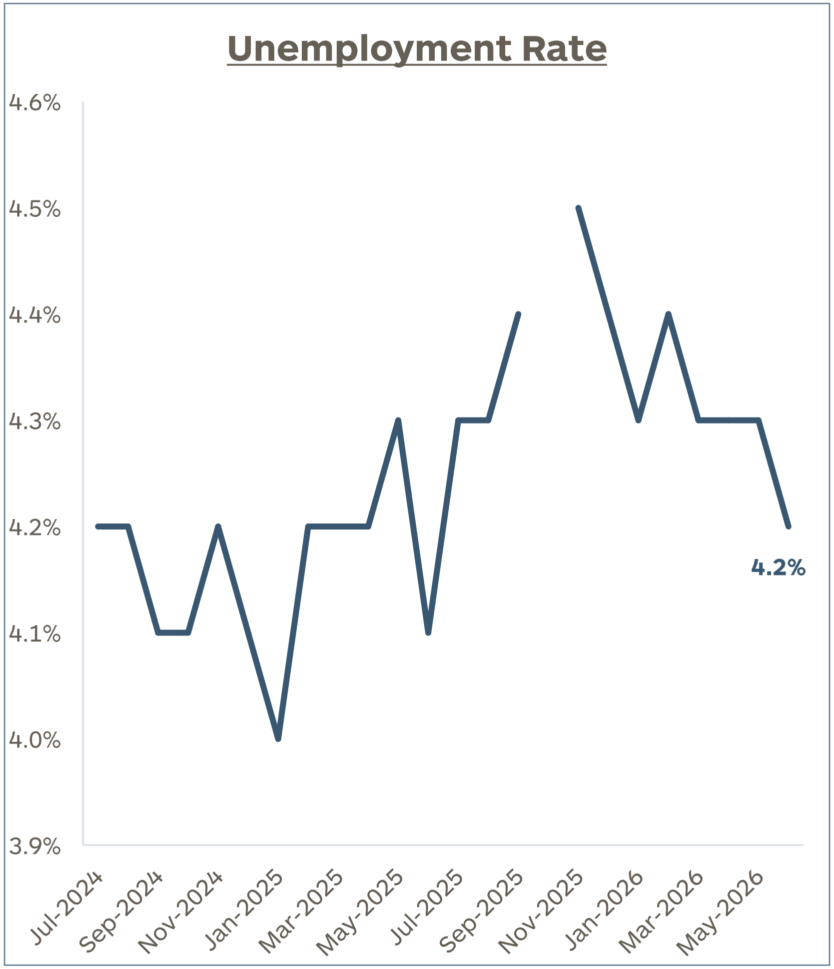


Source: Cerity Partners, NFIB, as of 6/30/2026

Signs of Life in Labor Markets

Not a clear re-acceleration, but employment looks to be moving in the right direction.

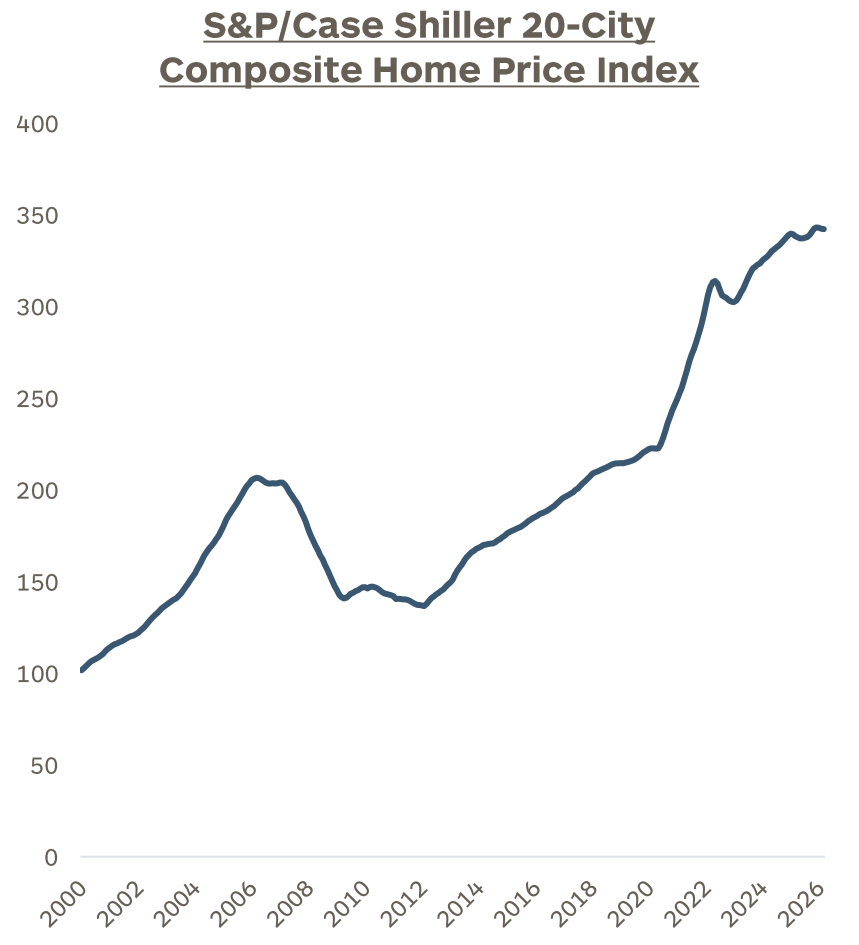




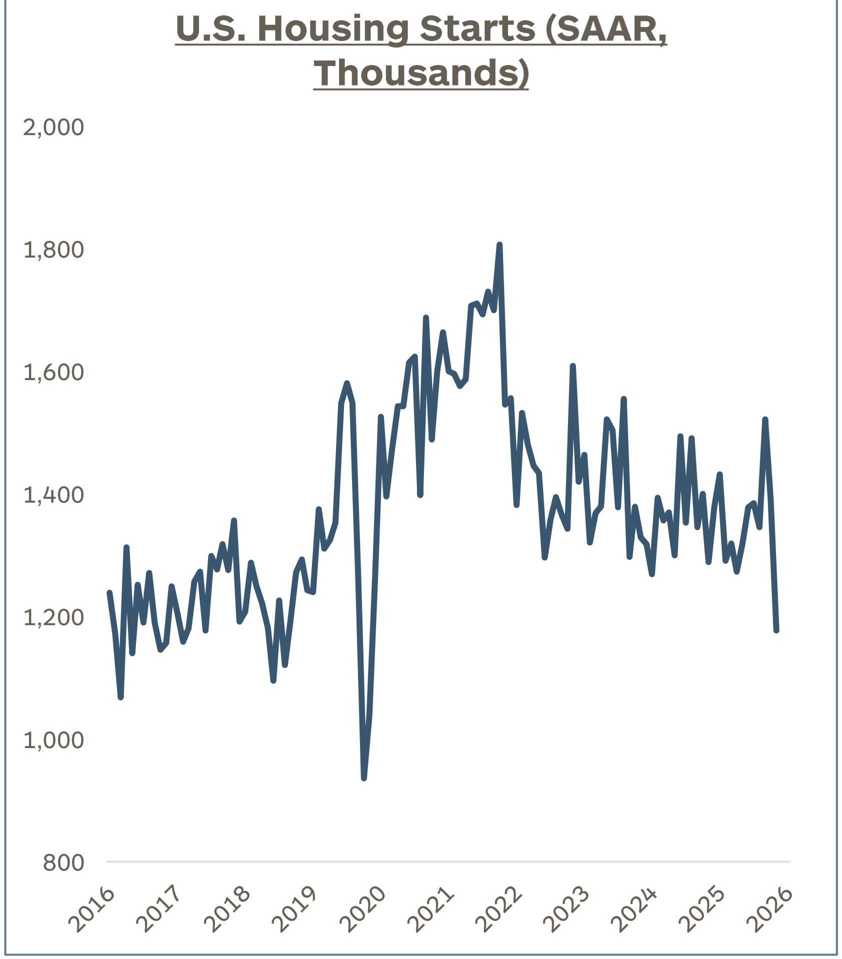
Source: U.S. Bureau of Labor Statistics, Cerity Partners, July 2024 – June 2026

Housing Markets Still Can't Find Their Footing

Affordability remains a major issue



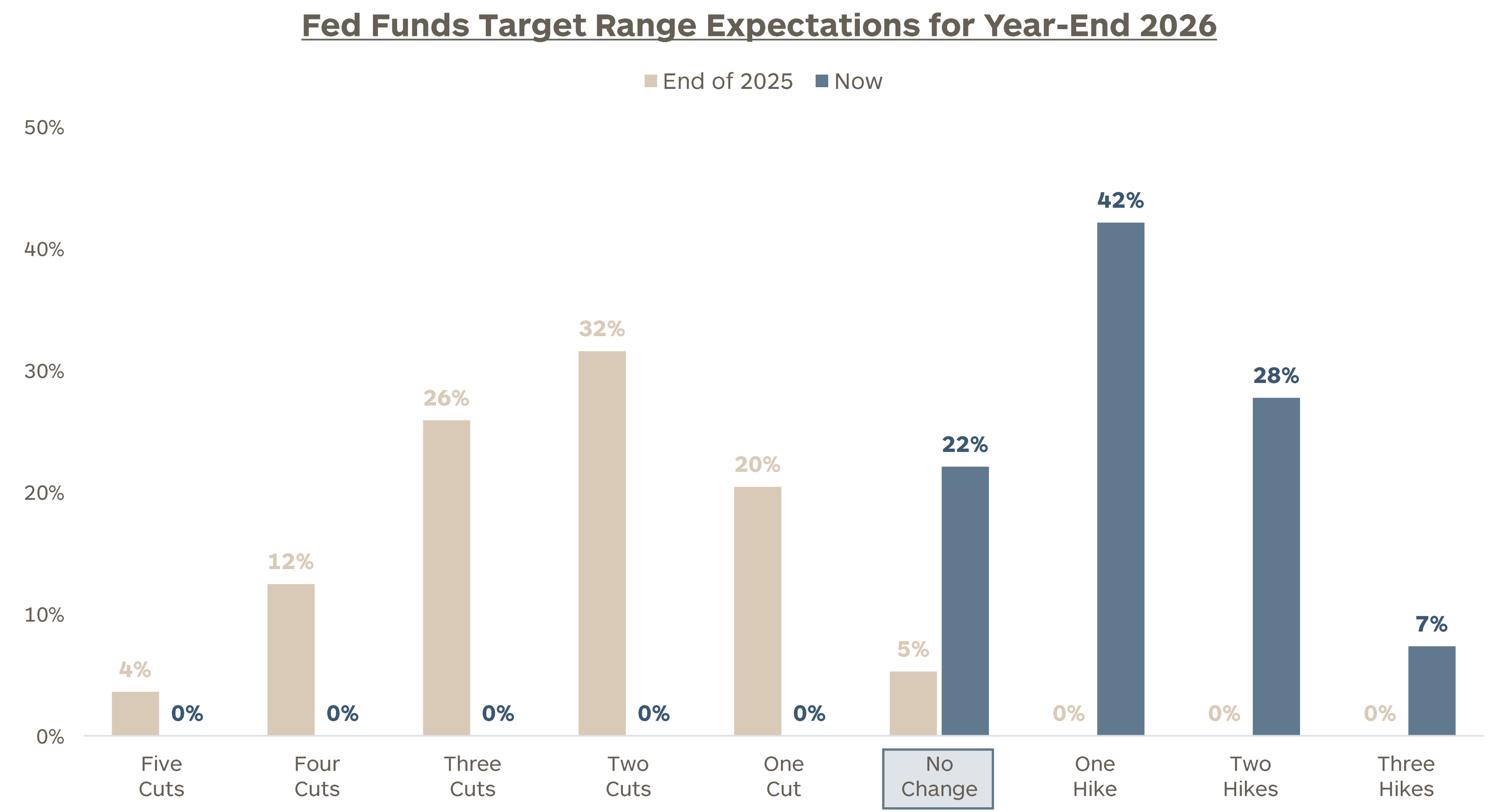
Source: Cerity Partners, Standard & Poor's, FactSet, January 2000 to April 2026



Source: US Census Bureau, Cerity Partners, July 2016 – May 2026

Fed Policy Expectations Have Been Flipped on Their Head

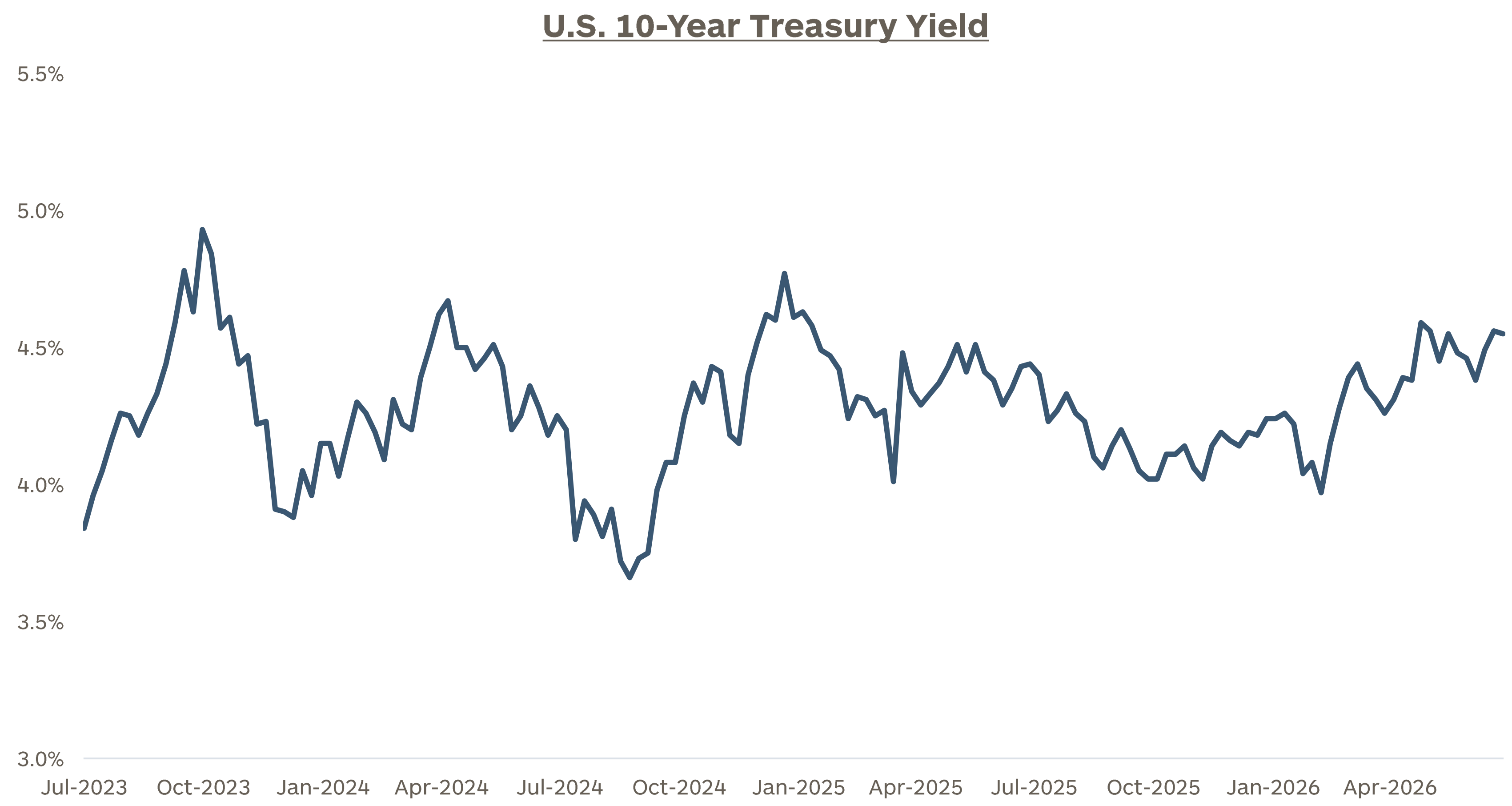
Markets went from pricing in a few rate cuts to pricing in a few rate hikes.



Source: Cerity Partners, CME Fedwatch, 7/6/2026

More of the Same at the Long End

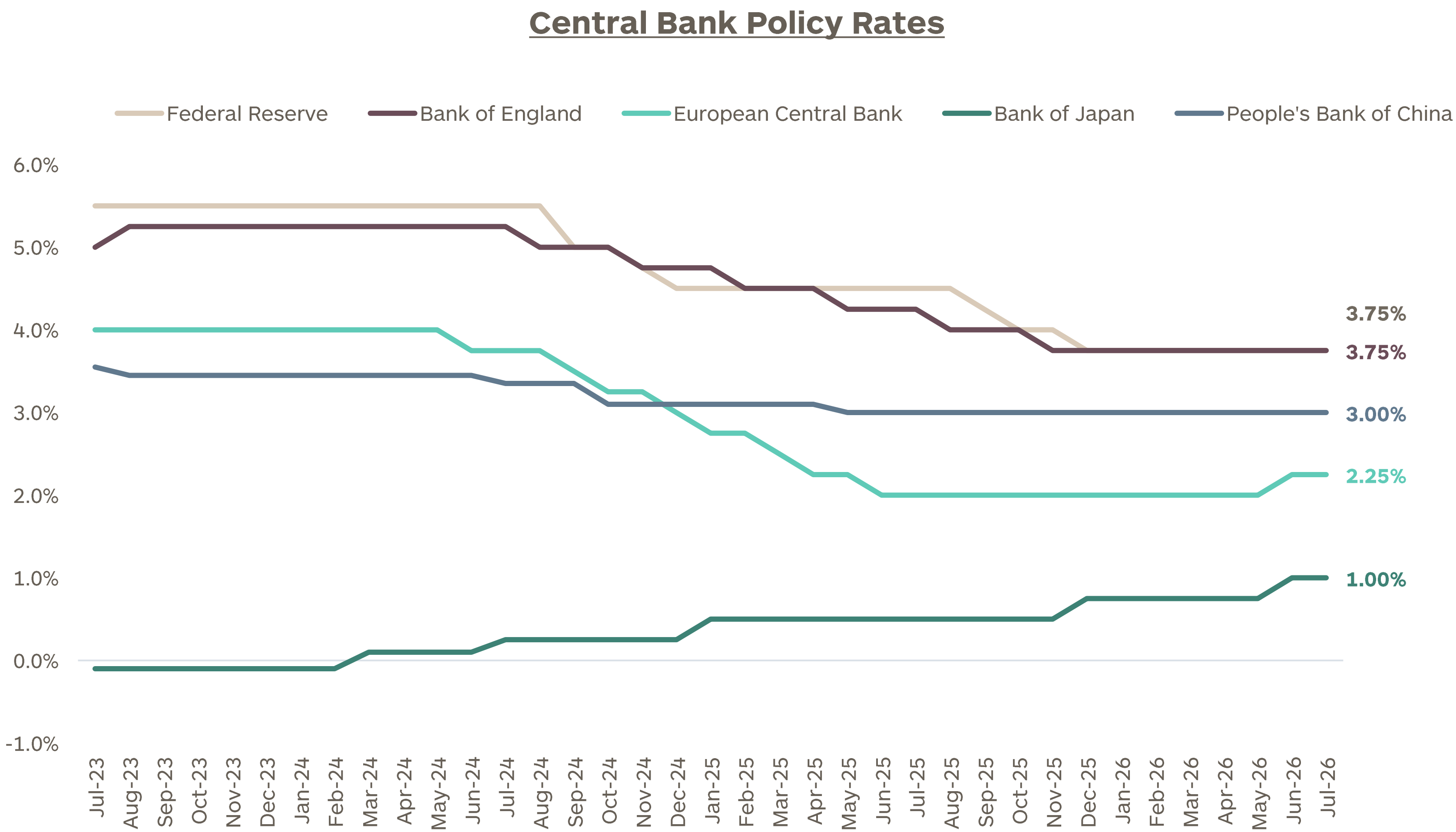
The 10-year Treasury has been rangebound for the past few years.



Source: Ycharts, Cerity Partners, 7/21/2023 – 7/17/2026

Global Central Banks Are Leaning More Hawkish

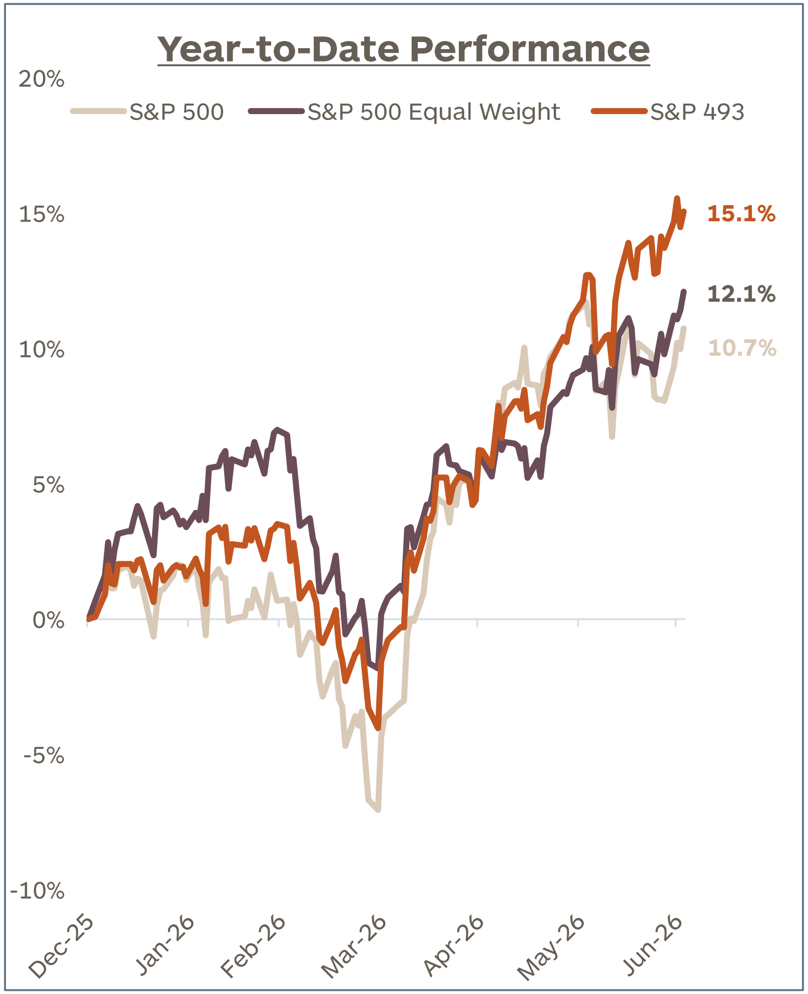
Major central banks are either holding or hiking in the wake of the Iran energy crisis.

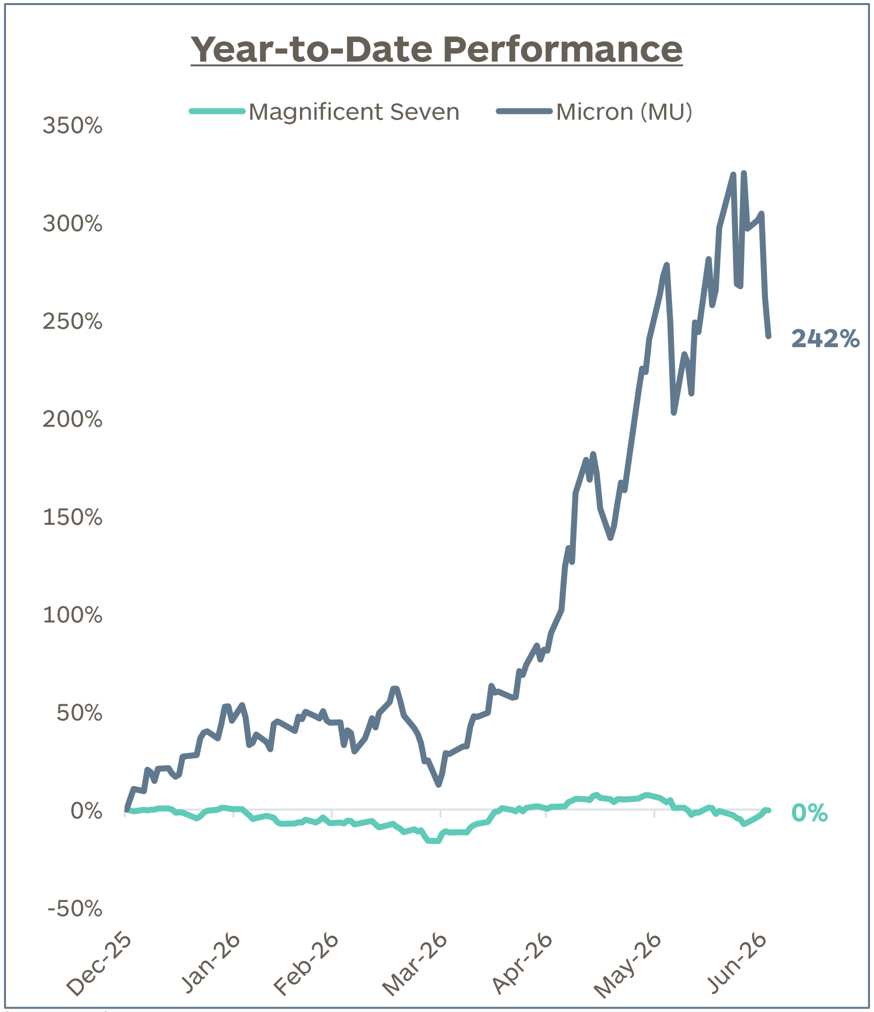


Source: FactSet, Cerity Partners, 7/1/2023 – 6/30/2026

A Hand-Off of Momentum

At the surface markets are doing well. Underneath, memory stocks took the momentum baton from the Mag 7.

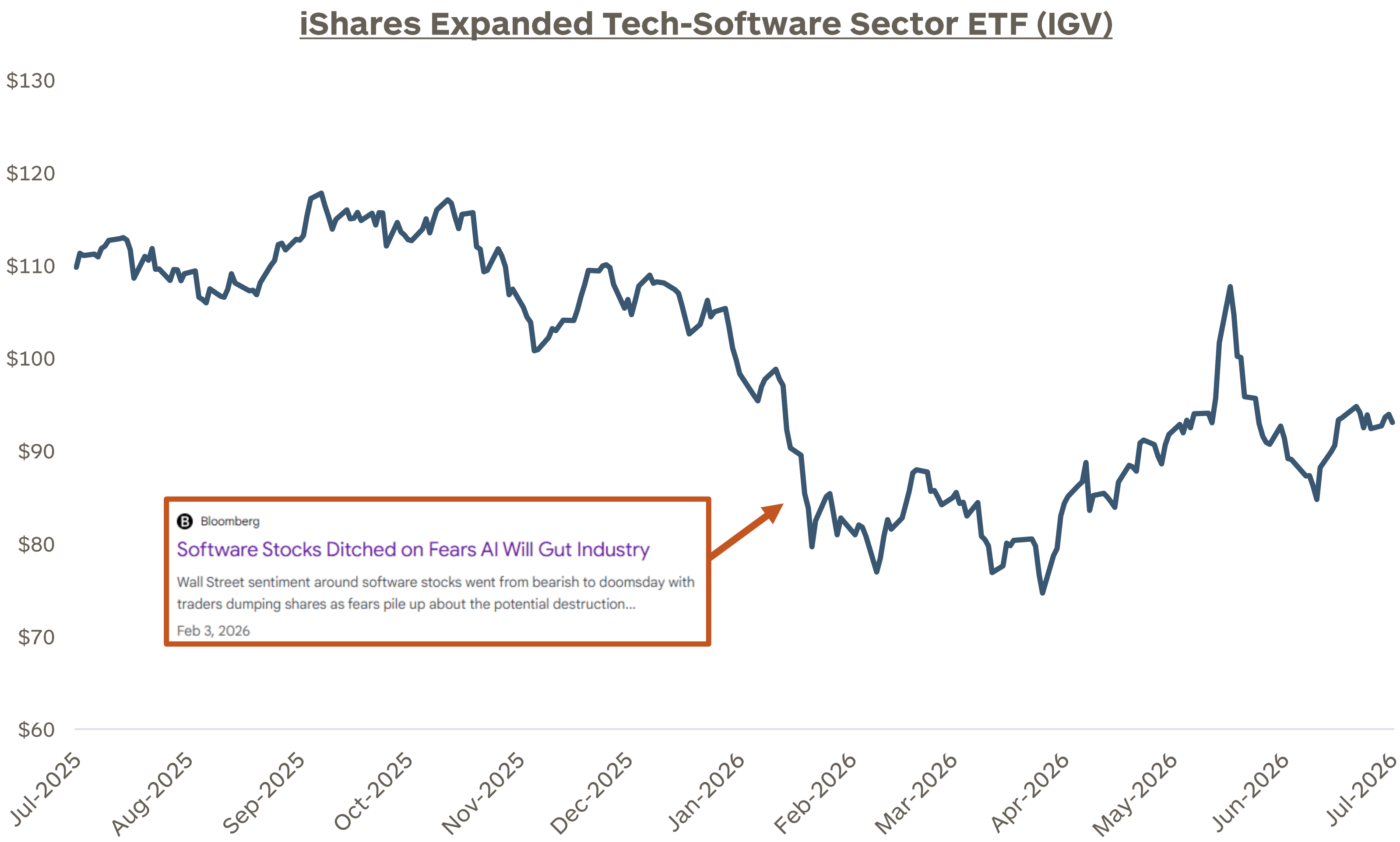




Source: S&P 500 Total Return Index, RSP, MAGS, XMAG ETFs, 1/1/2026 – 7/2/2026. Ycharts, Cerity Partners

Rumors of Software's Demise Have Been Greatly Exaggerated

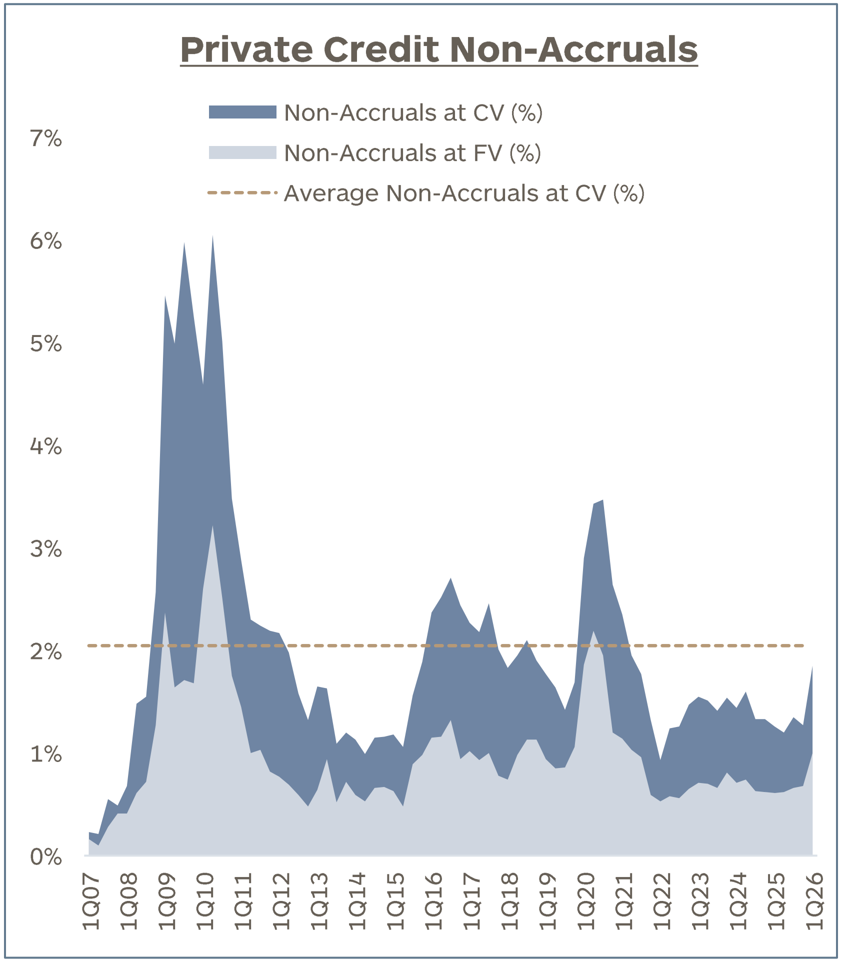
The SAASpocalypse risk is real, but likely exaggerated.

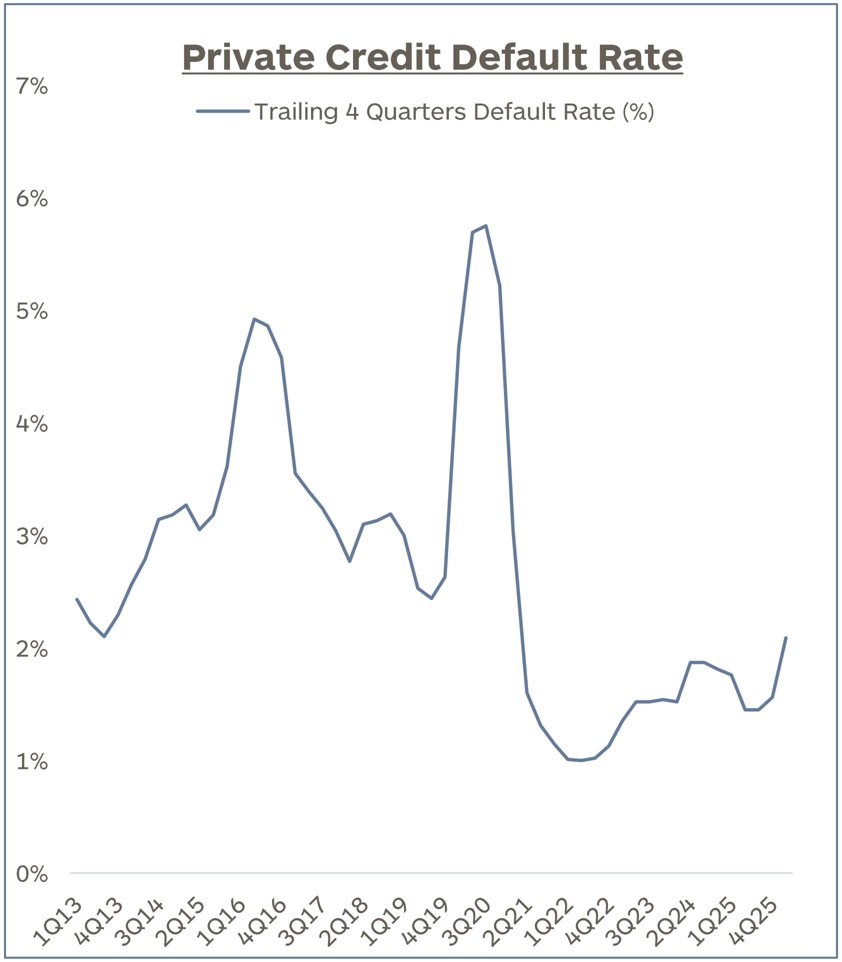


Source: Ycharts, Cerity Partners, 7/16/2025 – 7/16/2026

Business As Usual for Private Credit

Despite the headlines and redemption requests, underlying fundamentals remain healthy

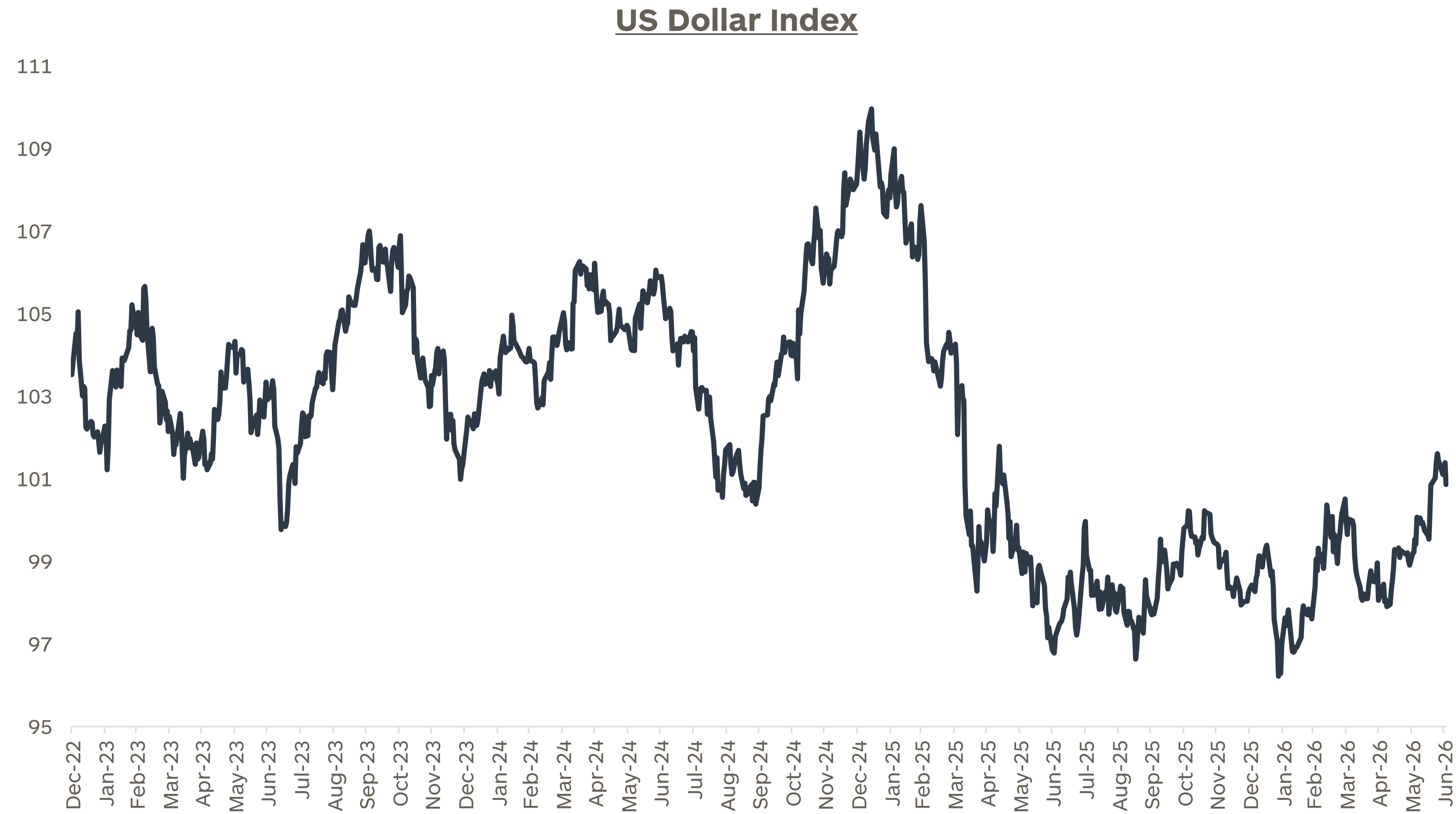




Source: Cerity Partners, Cliffwater Direct Lending Index, as of March 31, 2026.

Remember "Sell America"?

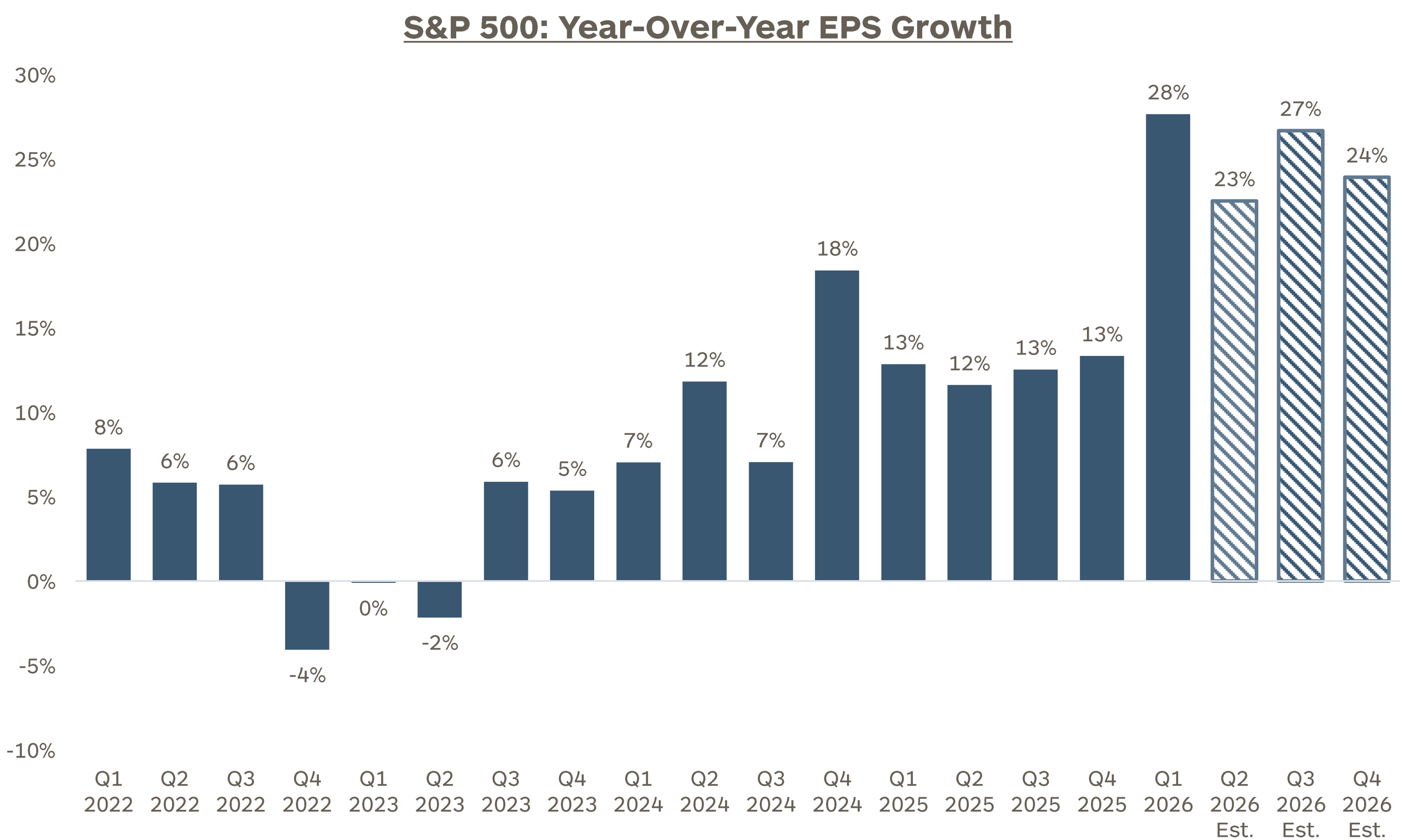
The US Dollar Index is at its strongest level in a year.



Source: FactSet, Cerity Partners, 1/1/2023 – 7/2/2026

Analysts Expect the Good Times to Keep Rolling

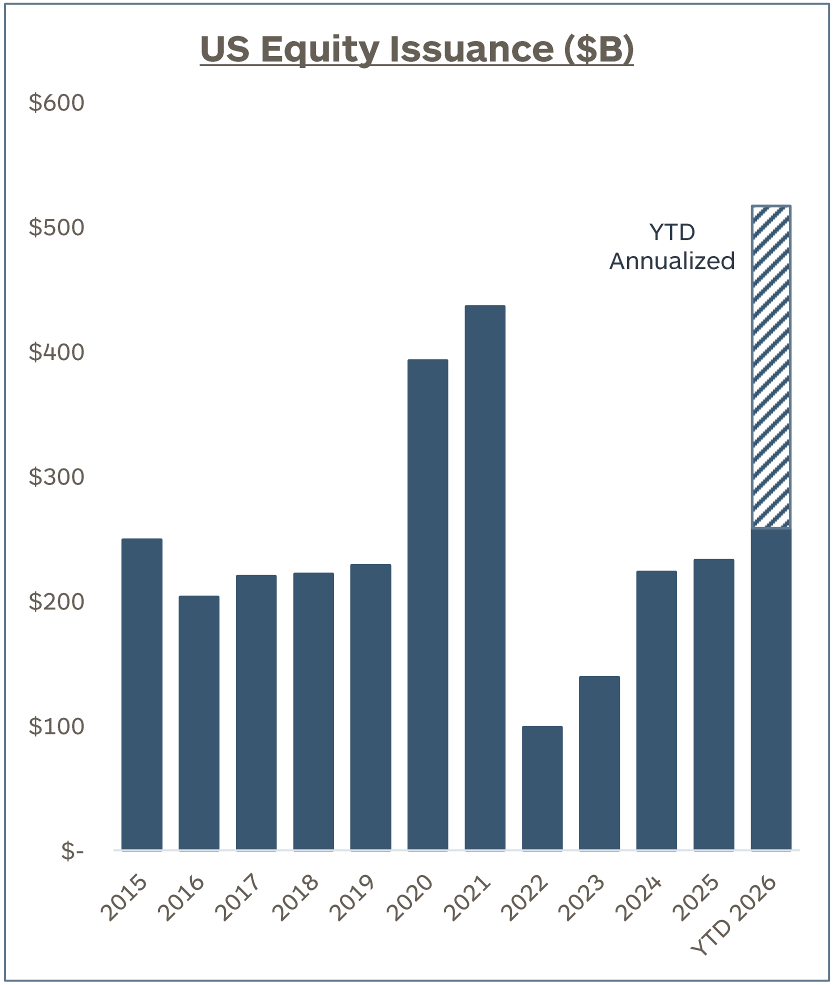
Four straight quarters of 20%+ earnings growth is now expected for 2026.



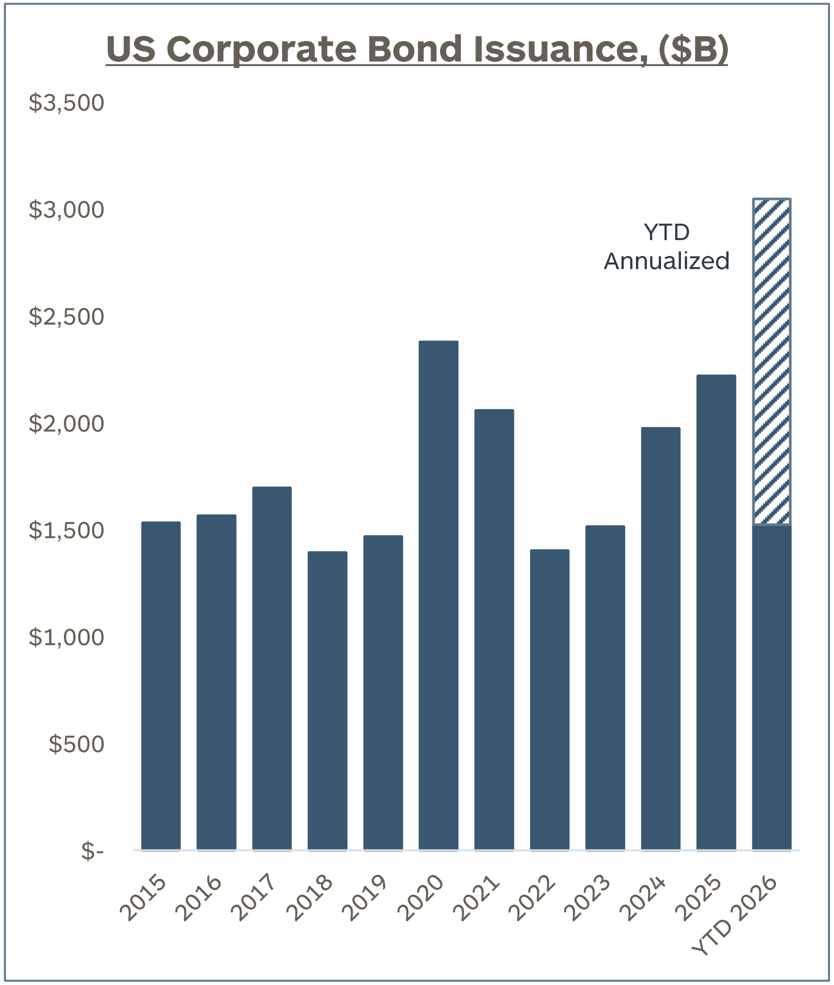
Source: Cerity Partners, FactSet estimates as of 7/7/2026

Financing the A.I. Buildout

Both stocks and corporate bonds are on pace for a record year of issuance.



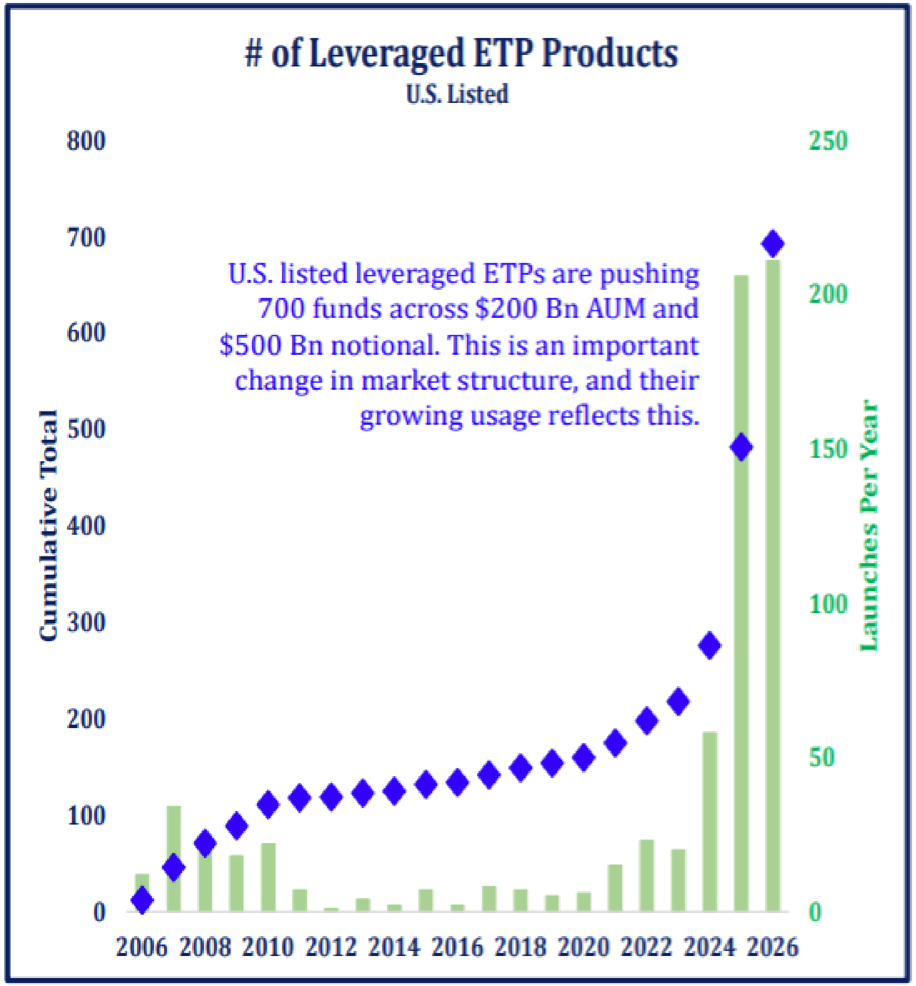
Source: SIFMA, Cerity Partners, YTD is through June 2026



Source: SIFMA, Cerity Partners, YTD is through June 2026

Some Newer Risks to Monitor...

Leveraged trading products are proliferating, which could mechanically impact broader volatility



Source: Strategas, 7/7/2026

Some Newer Risks to Monitor...

Animal spirits are appearing in South Korean stock markets, which are increasingly linked to ours.

KOSPI Composite Index

Top 10 Holdings (66.11% of Total Assets)

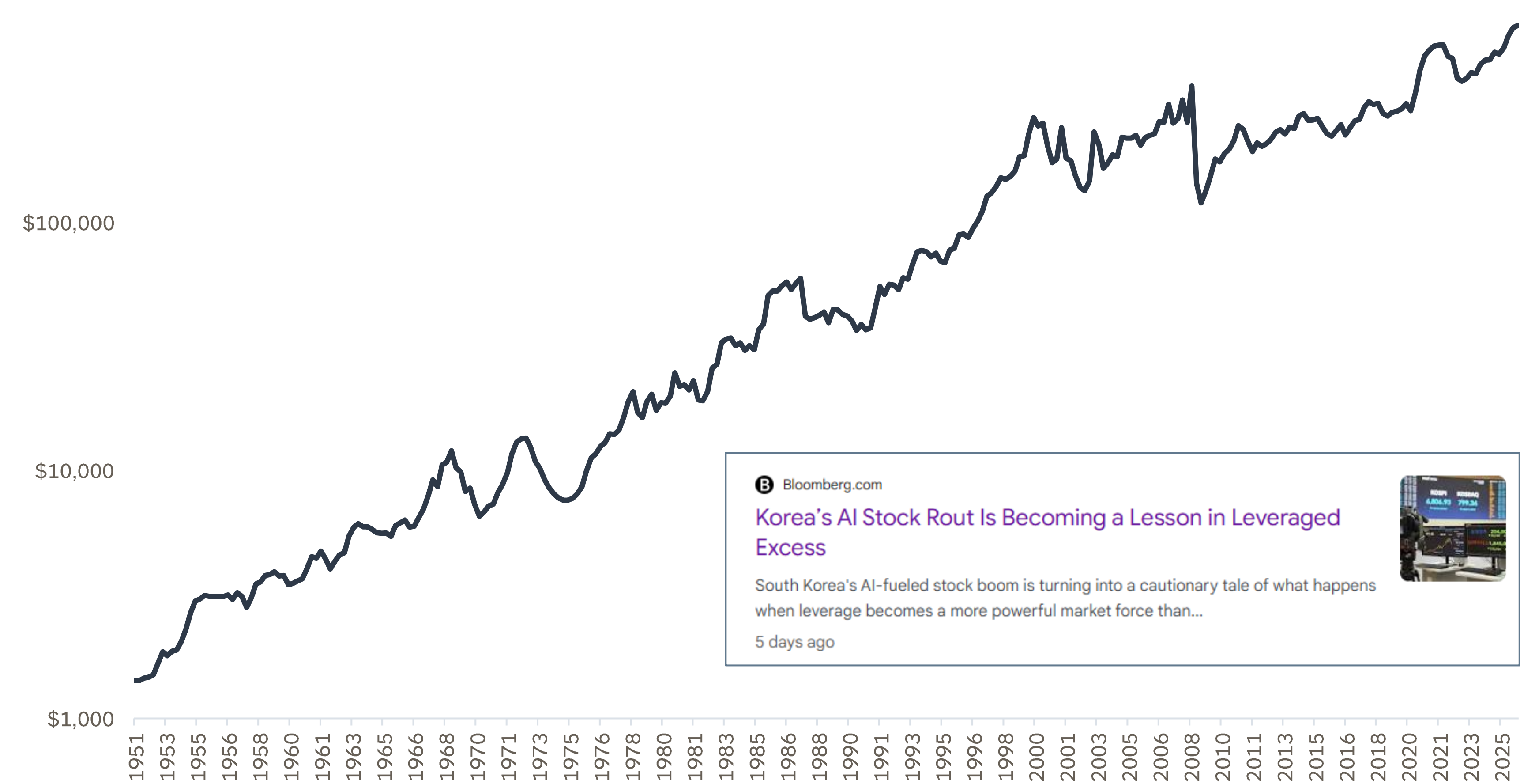
Symbol	Company	% Assets
000660.KS	SK hynix Inc.	27.17%
005930.KS	Samsung Electronics Co., Ltd.	23.19%
402340.KS	SK Square Co., Ltd.	4.26%
009150.KS	Samsung Electro-Mechanics Co...	3.63%
005380.KS	Hyundai Motor Company	1.74%
105560.KS	KB Financial Group Inc.	1.58%
028260.KS	Samsung C&T Corporation	1.19%
055550.KS	Shinhan Financial Group Co., Ltd.	1.19%
034020.KS	Doosan Enerbility Co., Ltd.	1.11%
032830.KS	Samsung Life Insurance Co., Ltd.	1.06%

Source: Cerity Partners, Factset, 7/18/2025 – 7/20/2026

Some Newer Risks to Monitor...

Back home, retail investor leverage continues to climb.

United States Margin Debt (Millions, Log Scale)



Source: Security Brokers and Dealers; Receivables Due from Customers (Margin Loans and Other Receivables); Asset, Level, Millions of U.S. Dollars, Quarterly, Not Seasonally Adjusted, FRED, Q1 2026

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2026