JULY 2026

MARKET NEWSLETTER

The latest news from Gasaway Investment Advisors

"Helping you navigate your financial course."

What's New

A Word from Jim Gasaway

After a -4% decline in the S&P 500, I began Q1's newsletter with a reminder to keep perspective on the long-term growth and innovation of the American economy and stock market. At the time, negative headlines surrounding the conflict in Iran and its impacts were swirling and uncertainty was high. Fast forward to today, and the S&P 500 end Q2 up nearly 15%, easily erasing Q1's decline and turning solidly positive on the year.

Patient investors who stayed the course were rewarded, this time in shockingly short order. This is not to say that every market downturn will be followed by such a swift recovery, but it does happen. I know I regularly talk with people about the market going down 10% on average every 12-18 months and that often at the down 10% number, money floods into buy. (It was interesting that at the worst, the Dow Jones Industrial Average was down 10.01%. Couldn't get much closer than that...)

It is important to understand the reason behind a decline. In the long run, stock prices follow earnings (corporate profits), but in the short run, they are generally trying to anticipate what whatever event is happening will do to corporate earnings. U.S. involvement in another conflict in the Middle East and the spike in oil prices were genuine concerns, but their impact on the average company's bottom line this time was negligible. Markets sensed this before the headlines did, causing the markets to rebound, and the earnings so far are confirming it.

S&P 500 companies grew earnings over 25% year-over-year in Q1, the strongest reading in years, led by an astounding 50% earnings growth in the Technology sector as AI spending continues to bear fruit (Figure 1). So far, Q2 earnings are strong once again. Looking ahead, even as the conflict with Iran drags on, we remain optimistic on the economy and markets as earnings expectations across large and small countries and the U.S. and other countries remain high.

We appreciate the trust that you have placed in us. We are diligently watching your investments and will continue to make adjustments as we see fit. If you have any questions, please reach out to us.

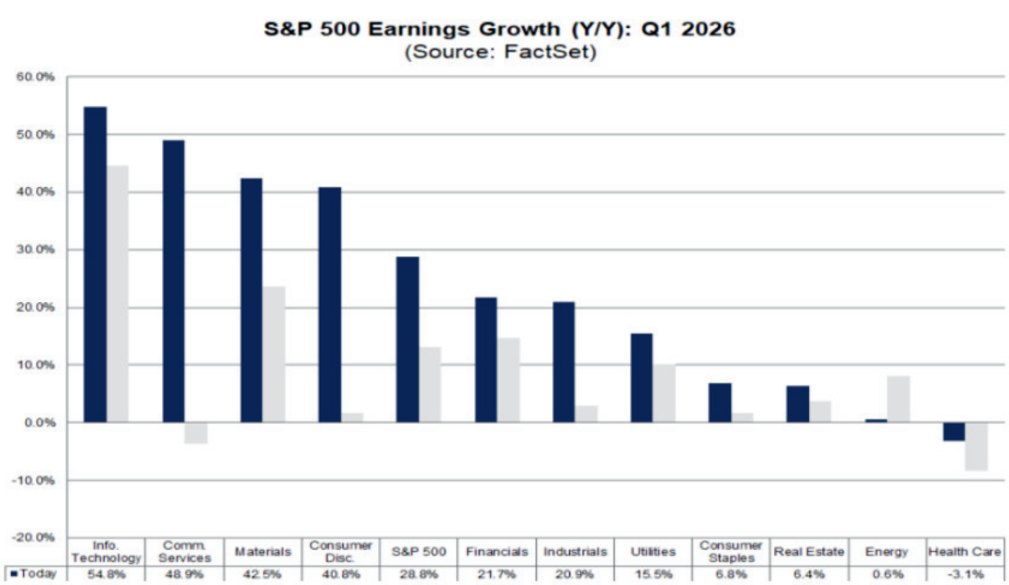

Figure 1. Factset. S&P 500 earnings growth in Q1 2026

PROTECTING WHAT MATTERS MOST: YOUR PAYCHECK

by: Chase Imberger, CFP®, ChFC®, CRPS™, CRPC™, Financial Advisor

When people think about building financial security, they usually think of life insurance, their 401(k), or making smart investment choices. But there's one piece that often gets overlooked: disability insurance.

What Is Disability Insurance?

Disability insurance protects one of the most important things in your financial life: your paycheck. If you're covered by a policy and something happens that keeps you from working, disability insurance replaces part of your income for a set period of time. That period depends on the type of policy you have. Short-term disability have a short elimination period (think “deductible”) and often covers you for 3 to 6 months (13 to 26 weeks), though some plans extend up to up to 12 months. Long-term disability policies often have a longer elimination period, but cover you for a much longer period, sometimes all the way until age 65, depending on your policy. Because you can't always predict how long a disability might last, many people find that a blend of both types gives them an added piece of mind.

Some employers offer disability insurance as part of their benefits package while many do not. If you're not sure whether yours does, it's worth asking, and also asking how much of the premium your employer covers.

Is Disability Insurance Right for You?

Here's a simple way to find out: ask yourself, "If I couldn't work for 2 months, 6 months, 9 months, or longer, would I still be able to afford my current lifestyle, or would I have to make serious sacrifices?" If your answer leans toward the second option, it's a good sign that you should start looking into disability policies and see what fits your needs.

A Growing Need

Disability insurance is becoming more important every year. As people advance in their careers and become more specialized, they often become more at risk of being underinsured, meaning their paycheck isn't as protected as it could be. This is especially true for women, sole proprietors, and workers in specialized fields. At the same time, more people are entering the workforce and need this kind of protection, but fewer financial professionals are working on meeting this need.

A disability that stops you from working, or seriously limits your ability to do your job, can throw off your plans for retirement, travel, and long-term financial security. So it's worth asking yourself one final question: can you really afford to go without this coverage? If the answer is no, now is a great time to start exploring your options and find a policy that fits your life.

MARKET ANALYSIS

by: Ethan Thies, CIMA®, ChFC®, Investment Analyst

MONTHLY HIGHLIGHTS[1,2,3]

April	May	June
S&P 500 ↗ 10.4%	S&P 500 ↗ 5.3%	S&P 500 ↘ 1.0%
Unemployment 4.3%	Unemployment 4.3%	Unemployment 4.2% ↓
Inflation (CPI) 3.8% ↑	Inflation (CPI) 4.2% ↑	Inflation (CPI) 3.5% ↓

Q2 2026 · S&P 500 total return	+15.2%

THE ECONOMY

Iran

The conflict in Iran continued to whipsaw the global economy last quarter, though this time in both directions. After crude oil prices nearly doubled from the start of the year and average gas prices peaked above $4.50 per gallon in May, a ceasefire in mid-June and the tentative reopening of the Strait of Hormuz sent oil down more than 30% in a matter of weeks (figure 1).

Unfortunately, the ceasefire broke down in early July, and oil prices have climbed back above $80 per barrel as the Strait of Hormuz remains contested and effectively closed. The most important facet of this conflict for investors remains its effect on oil prices, as their movement directly impacts inflation, interest rates, consumer spending, and the health of the global economy. However, this latest escalation has done little to rattle markets, which have continued to climb since bottoming on March 30. The U.S. dollar has also steadily appreciated

What does the future of the economy look like?

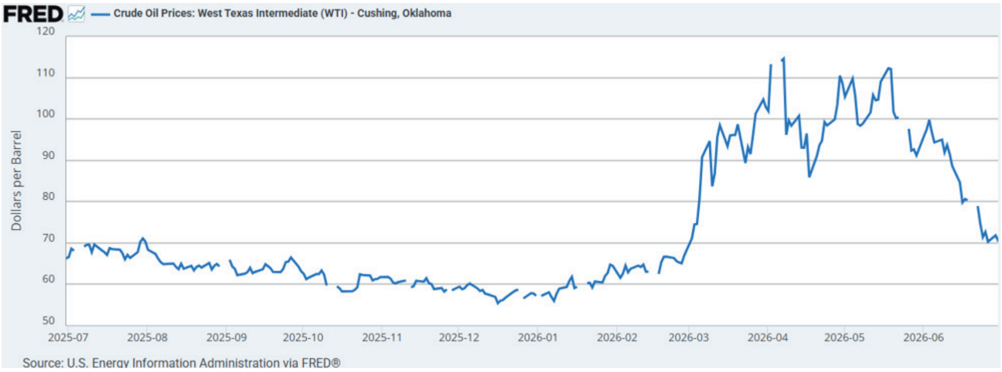

Figure 1. FRED. Crude Oil Prices (WTI) from 6/30/25-6/30/26

throughout the conflict, acting as a minor drag on international stocks.[4] Beyond prices and economic effects, we continue to pray for peace and stability in the region and for the members of our military serving there.

Inflation & Interest Rates

Even with oil prices falling in June, affordability remains a major issue for consumers. The Consumer Price Index (CPI) rose 3.5% year-over-year, below the 3.8% expected but still well above the Federal Reserve's 2% target, where it has been for over five years now. One welcome development has been a cooling in housing prices, helped by an increase in supply (figure 2). June's CPI report showed a 0.1% monthly increase in shelter (housing) prices, the smallest one-month increase since January 2021.[3] With housing being the largest expense for the average household and making up >35% of CPI, further softening would go a long way towards easing affordability pressures.

The Fed's new chairman, Kevin Warsh, has maintained a no tolerance view on inflation since starting in May. At the June meeting, the Committee's projections as a whole turned more hawkish, too, with a 2026 rate hike now expected by half of the members. The shortened statement released afterward ended with a matter-of-fact guarantee: "The Committee will deliver price stability".[5]

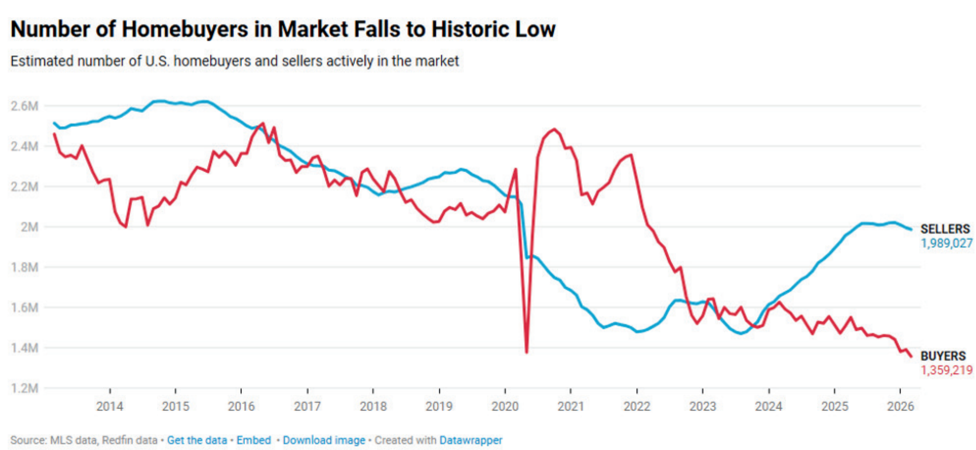

Figure 2. Redfin. Number of Homebuyers vs Sellers, 2013-2026

Figure 3. FRED. Labor Force Participation Rate since 2000

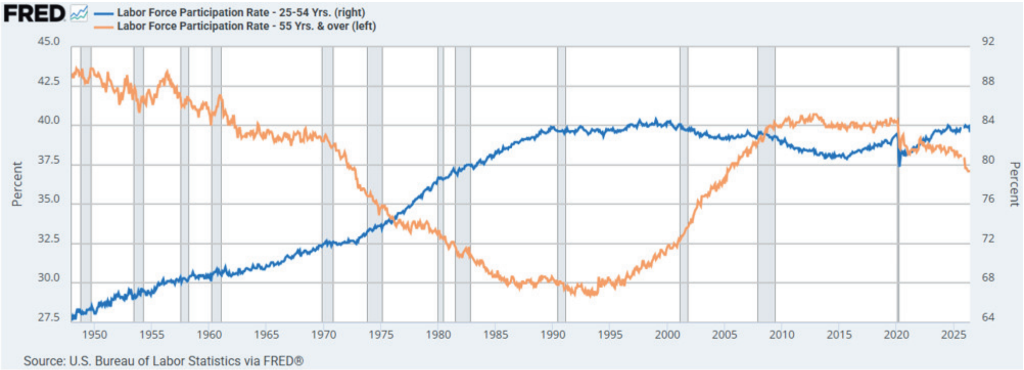

Figure 4. FRED. 25-54 yrs (blue) vs 55+ yrs (orange) Labor Force Participation Rate since inception

The Labor Market

The labor market remains a mixed bag. On the one hand, the unemployment rate remains historically low.[2] On the other hand, job openings and hiring rates have declined steadily since 2022, and the labor force participation rate, which has declined steadily since 2000, has turned sharply lower in 2026 (figure 3).

With the unemployment rate and labor force participation rate decreasing simultaneously, we can conclude that even though over 95% of people looking for work are finding it, more and more Americans aren't working or looking for work at all. The age breakdown helps in understanding why: Prime-age participation (ages 25-54) has recovered from its COVID dip to near record highs of 84% (108 million working out of 130 million total), while participation for those aged 55 and older has fallen from around 40% pre-COVID to around 37% (39 million working out of 105 million total)(figure 4).[6] In other words, most of this decline in the overall participation rate is coming from retirees leaving the workforce, but this does not increase the unemployment rate as retirees are not counted in that equation.

The industries doing the most hiring reinforce this point. Recent job gains have been dominated by healthcare and social assistance, while jobs growth overall has been weak (figure 5). While an aging population likely means more of these jobs will be available, it also means rising Medicare costs and further strain on an already unsustainable Social Security program, two categories that together currently account for more than a third of

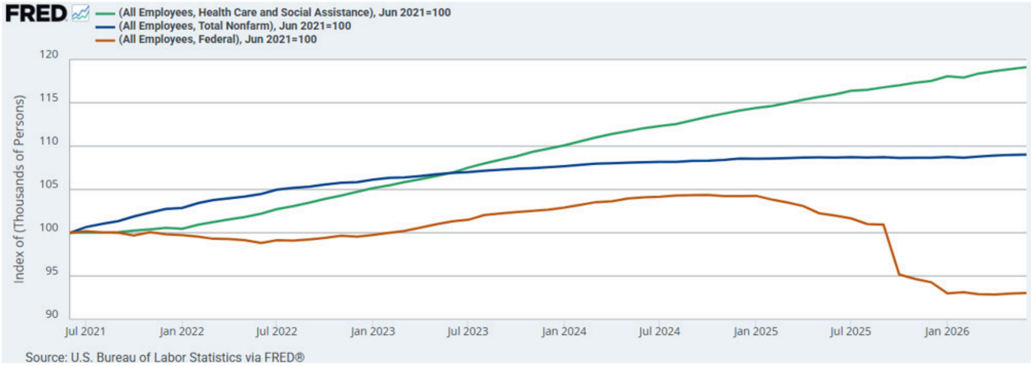

Figure 5. FRED. Total Employees by Sector (All/Health Care & Social Assistance/Federal)

all federal spending.[7]

THE STOCK MARKET

Broad Rally & Earnings

After a negative first quarter, the S&P 500 rallied over 15% in Q2, its best quarter since the post-COVID recovery of 2020 and the best 2nd quarter of any midterm year in history.[8] Emerging markets, led by Korea and Taiwan, surged 24% during the quarter after a flat 1st quarter. Encouragingly, returns from all markets were driven almost exclusively by earnings growth, even the impressive 24% return of emerging markets (figure 6). In fact, their multiples have shrunk as prices haven't been able to rise quickly enough to keep up with earnings growth. Similarly, S&P 500 earnings grew over 28% in Q1, well above the 13% growth expected initially, and future quarters are expected to grow at over 20% as well.[9]

As we noted in at the end of 2025, the S&P 500 and the Nasdaq entered 2026 with historically high valuations and were due for some mean reversion; therefore,

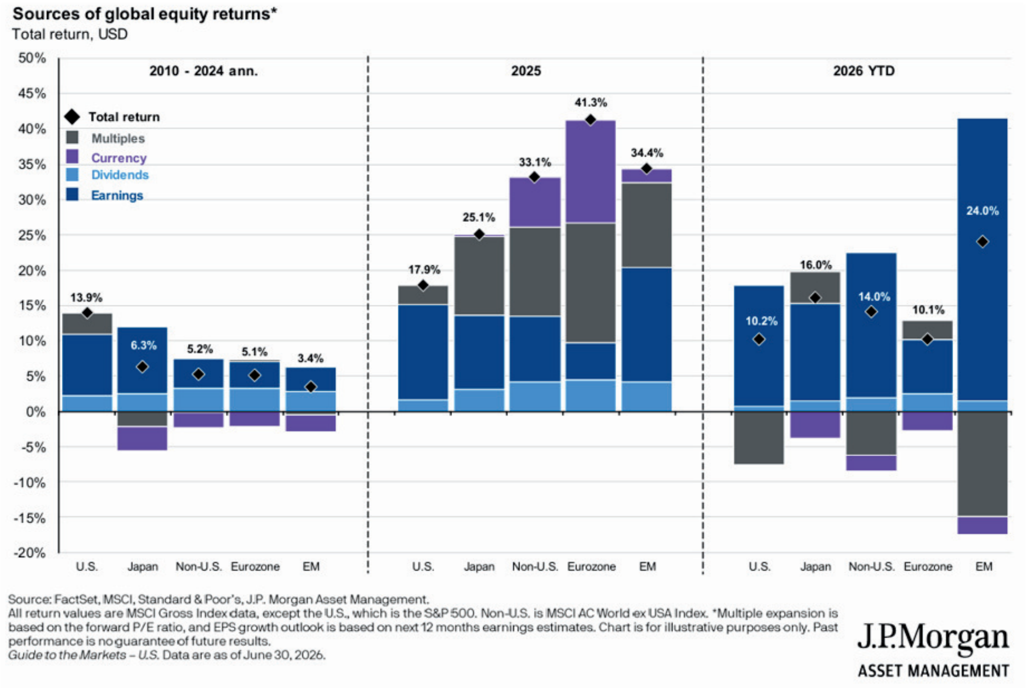

Figure 6. JP Morgan. Sources of global equity returns

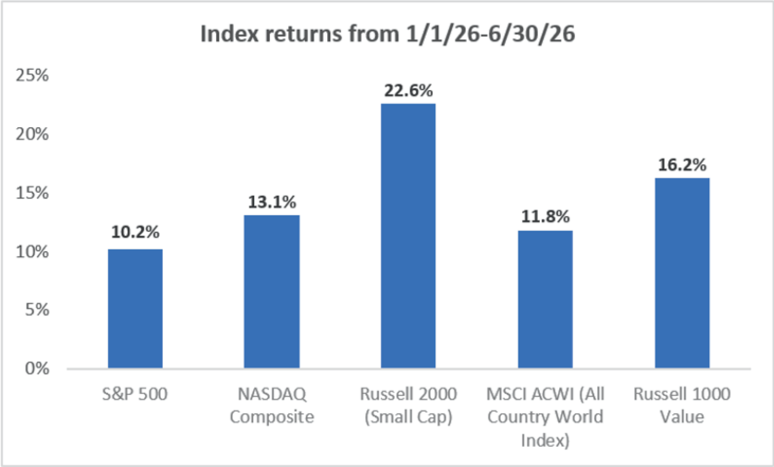

Figure 7. Morningstar. YTD Index Returns as of 6/30/26

we favored small caps, international, and value stocks. As of the end of Q2, these sectors have all outperformed the S&P 500 year-to-date (figure 7).

Semiconductor Surge

After years of outperformance from the 'Magnificent 7' (Apple, Microsoft, Alphabet [Google], Amazon, Meta, Nvidia, and Tesla), there's a new leader in the AI trade: semiconductor stocks. These chipmakers have been the most direct beneficiaries of the enormous sums the hyperscalers are pouring into AI infrastructure. The four largest hyperscalers, Amazon, Microsoft, Alphabet, and Meta, have guided to roughly $725 billion in combined capital expenditures in 2026, up about 77% from the year before. Wall Street expects the spending to keep climbing, topping $1 trillion across big tech in 2027.[10] While the S&P 500 and the Magnificent 7 index finished the quarter with respectable gains of 14% and 10%, the VanEck Semiconductor ETF (SMH) shot up over 67% (figure 8).

That same spending wave also helped account for the outperformance from emerging markets, specifically South Korea and Taiwan. These two countries now make up over 50% of the MSCI Emerging Markets benchmark, with 3

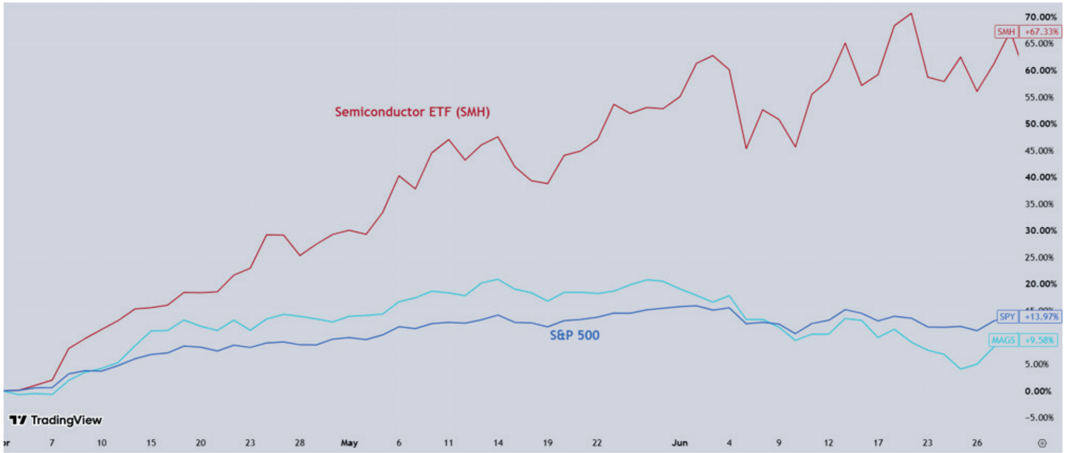

Figure 8. Trading View. S&P 500, SMH ETF, MAGS ETF from 4/1/26-6/30/26

chipmakers (TSMC, SK Hynix, and Samsung) accounting for over 30% on their own.[11]

OUR OUTLOOK & CONCLUSION

Looking ahead, and as has been the case for years now, we are cautiously optimistic on equities for the remainder of the year. In the long term, earnings drive equity returns, and there has been and is forecasted to be no shortage in earnings growth. The questions are: Can earnings continue to grow at historic levels and live up to their lofty expectations? And how long can the hyperscalers continue spending at such an extreme pace on AI infrastructure?

Three other sources of uncertainty are important for investors. The first is the conflict in Iran, which is a constantly changing situation. The second is trade policy, which is another wildcard. The temporary Section 122 tariffs announced in February are set to expire on July 24, and President Trump recently announced a 50% tariff on a range of Canadian goods and threatened a 100% tariff on generic drugs beginning in 2028. Other product-specific tariffs, including 50% on steel, aluminum, and copper, remain in place.[12] The third is the midterm elections in November. Historically, midterm years have been the weakest of the four-year presidential cycle, though they tend to outperform in the later months (figure 9).

Whatever happens, our equities remain well-diversified across U.S. and International markets, including Large, Mid, Small, Technology, and Emerging sectors, among others. This diversification helps insulate from risks that affect specific companies, sectors, and countries, but has still allowed us to participate in the broad rally this year. As for fixed income, we remain split between CDs (which do not carry interest

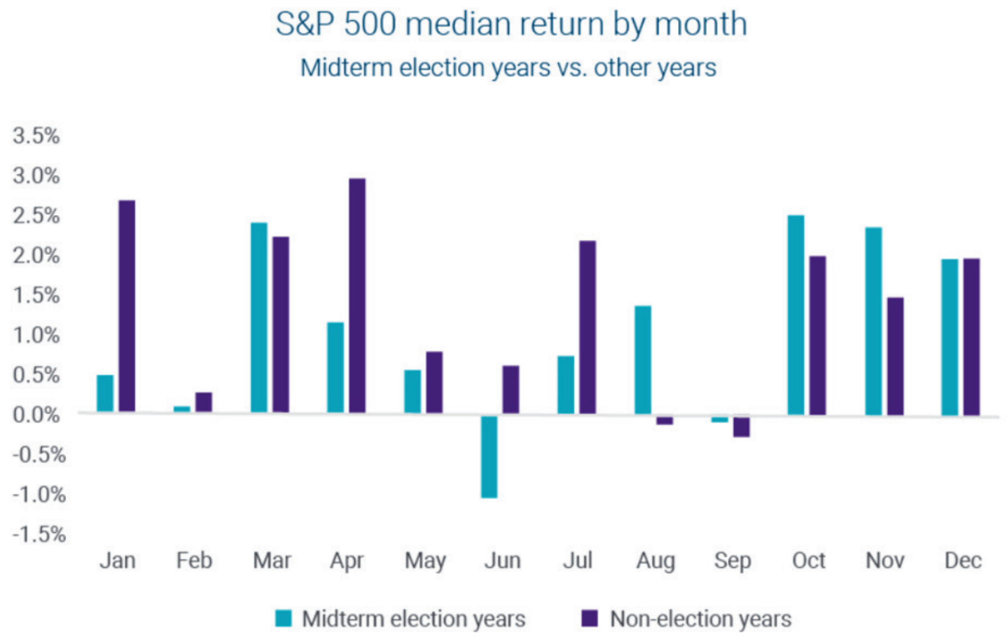

Figure 9. Bloomberg, S&P Dow Jones Indices. S&P 500 returns during midterm years by month

rate risk unless sold early) and well-diversified bond funds with relatively short durations for lower interest rate risk as economic growth and inflation put upward pressure on rates. In taxable accounts, we are also allocated to municipal bond funds for the income they provide that is free of federal tax.

We greatly appreciate the trust you have placed in us. We will continue to watch the stock and bond markets, global factors, corporate earnings, inflation, interest rates, tariffs, and the overall economy in order to manage and invest your money prudently. As always, feel free to reach out to us with any questions, comments, or concerns about your investments or the markets in general.

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Helping you navigate your Financial course!

About Gasaway Investment Advisors:

Gasaway Investment Advisors is a financial planning and investment advisory firm serving individuals and businesses since 1990. Over the last 30+ years, it has been our mission to educate the community and hold ourselves to a higher fiduciary standard in which we put our clients' interests first.

Our Mission:
To provide quality services to our customers. To treat our customers and coworkers in a kind and friendly manner. To be a positive influence in the community.

Our Vision:
To help the everyday individual make sound financial decisions while eliminating stress caused by financial burdens. Together, we will navigate your financial course to create a happier and fulfilling journey.

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