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*Registration of an Investment Adviser does not imply any certain level of skill or training.

ECONOMIC AND MARKET COMMENTARY

3rd Quarter 2026

I. THIRD-QUARTER 2026 ECONOMIC RECAP

By Frank Smith, III, CFA

The Economy: Slowing, Not Stalling. U.S. growth has remained resilient in 2026, driven by household spending and corporate investment. However, higher energy costs from Middle East tensions are expected to reduce purchasing power, while rising rates will affect housing and capital spending. Fiscal support may also diminish after the November elections, leading to a slower fourth quarter.

Labor: Tight Supply, Steady Wages. Monthly job gains are projected at 50,000 to 70,000, reflecting softer demand and a smaller labor pool due to demographic shifts, immigration changes, and productivity improvements. Unemployment is expected to remain near 4.0% at year-end. Wage growth is contained, reducing the risk of wage-driven inflation.

Earnings: AI Remains the Engine. Corporate profits are set to grow over 30% this year, the strongest performance since the pandemic, driven by AI infrastructure spending that benefits many suppliers. As this investment is motivated by competitive necessity rather than low financing costs, we expect it to continue despite higher rates, unless significant regulation is introduced.

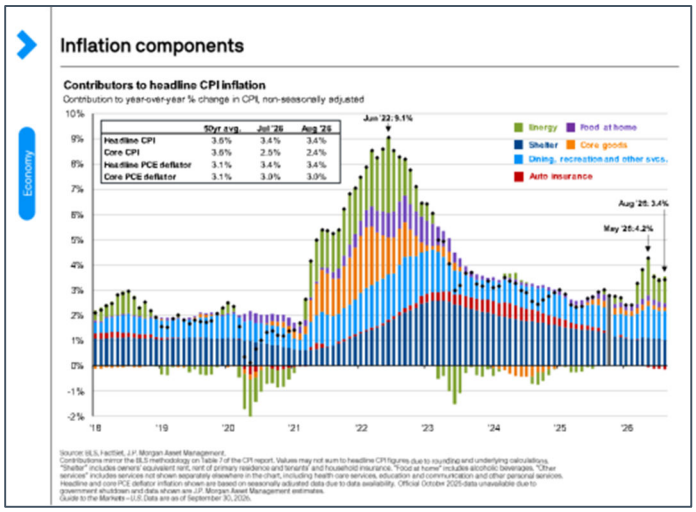
Inflation and the Fed. Energy-related price pressures are expected to keep inflation moderately above the Fed's 2% target through year-end, with outcomes closely linked to Middle East developments. The recent increase is viewed as a temporary shock, and inflation should gradually ease. Following September's 25-basis-point hike, which reversed the two cuts anticipated in January, markets expect at least one more increase, likely in December.

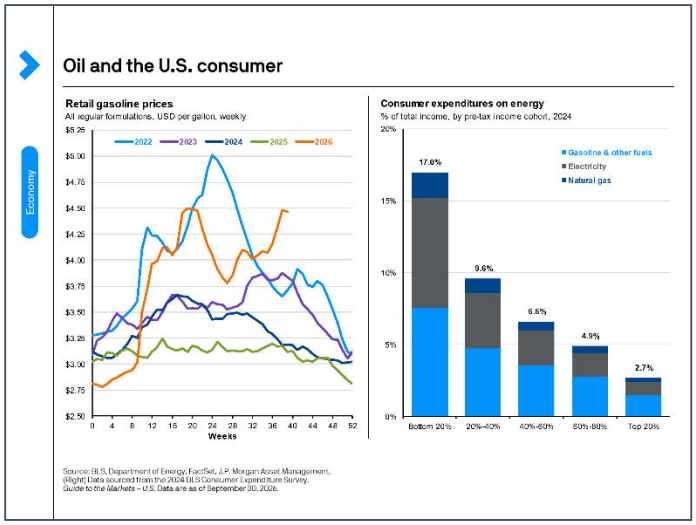
Global Growth and the Dollar. The U.S., Japan, and India have exceeded expectations, while Europe has benefited from increased defense spending. China continues to face challenges from its property sector. As the Bank of Japan and European Central Bank raise rates, narrowing rate differentials may gradually weaken the dollar, providing a potential tailwind for U.S. investors in foreign assets.

Fixed Income: Volatility Persists. Yields have risen to levels not seen since before 2008. While a weaker economy could trigger a bond rally, substantial government and AI-related borrowing may limit gains, and tight credit spreads provide little additional upside.

U.S. Equities: Mega Cap Stocks continue to drive markets. Large-cap stocks remain leaders due to AI-driven earnings, though gains are broadening. With the ten largest companies comprising nearly 40% of the S&P 500 and valuations high as rates rise, the market offers less protection against negative surprises.

International Equities: Attractive. Overseas stocks have outperformed U.S. equities this year, a trend that may continue due to lower valuations, a potentially weaker dollar, AI supply-chain opportunities in emerging markets, and governance reforms in Japan. However, rising concentration abroad underscores the importance of global diversification.





II. THIRD-QUARTER 2026 EQUITY MARKET RECAP

By Cameron Greer and Dodd Williams

In Q3 2026, Equity markets were mixed, as modest gains among the largest companies masked sharp losses elsewhere in the market. The OEX, SPX, RIY, and RAY indices all ended the quarter with a positive return for the period, while the S&P 400 Index, MID, the S&P 600 Index, SML, and the Russell 2000 Index, RTY, all ended the quarter in negative territory, falling 6.36%, 7.93%, and 7.19%, respectively. The primary cause of the weak returns outside of large caps can be attributed to a sharp rise in interest rates. After holding rates steady in July, the Federal Reserve raised its target range by a quarter point to 3.75%-4.00% on September 16, its first increase since 2023, and signaled that another hike could follow this year. The 10-year Treasury yield closed the quarter at 5.29%, its highest level since 2002, which weighed on smaller companies that rely more heavily on floating-rate debt. Compounding this, the conflict with Iran reignited after the ceasefire unraveled in July. The Strait of Hormuz was once again largely blocked as peace talks stalled, and Brent crude rose by more than a third for the quarter to above $100 per barrel, renewing fears of an inflation spike. As of right now, it is unclear how much further the Fed will go to combat inflation or whether a lasting resolution to the conflict will come to fruition.

Another significant event that occurred within the market in the third quarter is that the AI trade that dominated the second quarter experienced a sharp reversal. After a record-setting run, semiconductor stocks sold off violently in July, with the Philadelphia Semiconductor Index falling 21% for the month, its worst month since October 2008, and erasing roughly $2.2 trillion in market value. Growing concerns that the pace of AI infrastructure spending may not be justified by near-term revenues led investors to take profits in last quarter's biggest winners. A few newsworthy events occurred during the quarter in regards to AI, such as Sandisk losing nearly half of its value in July after soaring 858% in the first half of the year, and Taiwan Semiconductor's U.S.-listed shares falling 15% in July despite the company raising its spending and revenue outlooks.

Additionally, leadership rotated away from semiconductors and toward the large hyperscalers and software companies, which helped the largest companies hold up the major indices even as chip stocks stumbled. Chip stocks rebounded somewhat late in the quarter, but the episode has kept alive the debate over whether AI-related valuations are sustainable.

Index	Ticker	Description	Quarterly Return
S&P 100	OEX	The largest 100 companies	4.50%
S&P 400	MID	The 101st to 500th largest companies	-6.36%
S&P 500	SPX	The largest 500 companies combined	2.30%
S&P 600	SML	Small capitalization companies – smaller than S&P 500	-7.93%
Russell 1000	RIY	The largest 1000 companies – comprises 93% of the investable market	1.78%
Russell 2000	RTY	Another index of small capitalization companies (the next 2000 after the Russell 1000) – comprises only 8% of the larger Russell 3000	-7.19%
Russell 3000	RAY	The broadest representation of the U.S. stock market representing 98% of the investable market	1.40%

Source: Bloomberg COMP

On a global front, during the third quarter, the MSCI Emerging Markets ETF (EEM) returned 8.05%, Japan's Nikkei Index was down -4.12% and the FTSE 100 Index in the United Kingdom returned 1.80%. Overall, the Equity market in the third quarter of 2026 proved to be a deceptively calm one on the surface, with rising interest rates and the re-escalated Iranian conflict at the very center and a sharp rotation occurring underneath. Moving into the fourth quarter, time will only tell whether the Federal Reserve follows through with another rate hike, how high Treasury yields will climb, and whether a lasting resolution to the Iran conflict can be reached.

References:

Return Figures are from Bloomberg COMP page

Review of markets over the third quarter of 2026 | J.P. Morgan Asset Management

Chip stocks fall as AI breach fuels safety concerns, but Nvidia bucks the trend | Yahoo Finance

War, $100 oil and a bond sell-off reshaped markets in the third quarter | CNBC

Wall Street's favorite bet comes undone as chips whipsaw market | Fortune

I. THIRD-QUARTER 2026 BOND MARKET RECAP

By Chad McKeithen

The third quarter of 2026 was one of the most challenging periods for fixed-income investors in recent years. Persistent inflation, a renewed spike in oil prices, heavy Treasury and corporate supply, and a more hawkish Federal Reserve pushed interest rates to their highest levels in nearly two decades.

In September, the Federal Reserve raised the federal funds target range by 25 basis points to 3.75%–4.00%, its first rate hike since 2023. The vote was unanimous, and updated projections signal the possibility of one more hike before year-end. The 2-year Treasury yield rose 64 basis points during the quarter to 4.89%, while the 10-year Treasury yield rose 68 basis points to 5.28%, its highest level since 2007. Unlike the first half of the year, longer maturities led the move, and the 2-year to 10-year spread widened modestly from 35 to 39 basis points.

Municipal bonds were the weakest-performing sector. The Bloomberg Municipal Bond Index fell roughly 4% in September alone, one of the worst months in the history of the municipal market. Heavy tax-loss selling, quarter-end balance sheet constraints, and thin dealer liquidity amplified the decline, with the 2-year AAA municipal yield climbing 101 basis points during the month. Municipals are now down 4.20% year-to-date. However, the selloff has created attractive value for buyers. The ratio of AAA municipal yields to Treasury yields widened to 78% from 66% at the end of June, and record late-month ETF inflows suggest investors are beginning to step back in.

Agency mortgage-backed securities (MBS) posted a year-to-date return of -2.73% as rising rates weighed on prices, while asset-backed securities held up well, returning 1.94% year-to-date thanks to their short duration. Investment-grade corporate bonds returned -2.60% year-to-date, pressured in part by heavy AI-related issuance, while high-yield bonds posted a modest gain of 0.29%. Credit spreads

remain near historically tight levels, indicating losses were driven by nominal rate movement rather than credit concerns.

The Bloomberg U.S. Aggregate Bond Index is now down 2.46% year-to-date, after gaining 0.62% through the first half of the year. While price declines were significant, starting yields are now considerably higher, with the Aggregate Index yielding 5.49%, investment-grade corporates 5.97%, agency MBS 5.86%, and high-yield bonds 8.26%.

As investors enter the final quarter of 2026, fixed income offers its most compelling income in nearly two decades. Rate volatility may remain elevated and additional Fed tightening is possible, but current yields provide a meaningful cushion against further price declines, and the dislocation in municipals has created especially attractive value for tax-exempt investors. Maintaining a disciplined approach to duration and credit quality remains essential.

Chart 1 – Rate & Bond Sector Changes

Rates/Indicators

	9/30/26	6/30/26	Q / Q Change
Prime	7.00	6.75	0.25
Effective Fed Funds	3.88	3.62	0.26
3m T-bill	4.11	3.82	0.29
2yr UST	4.89	4.25	0.64
10yr UST	5.28	4.60	0.68
2-10yr UST Spread	39	35	4
10y AAA Muni/10y UST	78%	66%	12%

Bond Sector Yields

	9/30/26	6/30/26	Qtr. Change
U.S. Aggregate	5.49	4.73	0.76
IG Corps	5.97	5.20	0.77
U.S. High Yield	8.26	7.16	1.10
Municipals	4.76	3.58	1.18
MBS	5.86	4.97	0.89
Asset Backed	5.81	5.14	0.67

Bond Sector Total Returns

	YTD Total Return	Avg Maturity
U.S. Aggregate	-2.46%	8.30
IG Corps	-2.60%	10.10
U.S. High Yield	0.29%	4.70
Municipals	-4.20%	13.30
MBS	-2.73%	8.00
Asset Backed	1.94%	2.10

The source of the information in this commentary is SSW, J. P. Morgan Asset Management, Bloomberg COMP, Yahoo Finance, Al Jazeera, and CNBC.

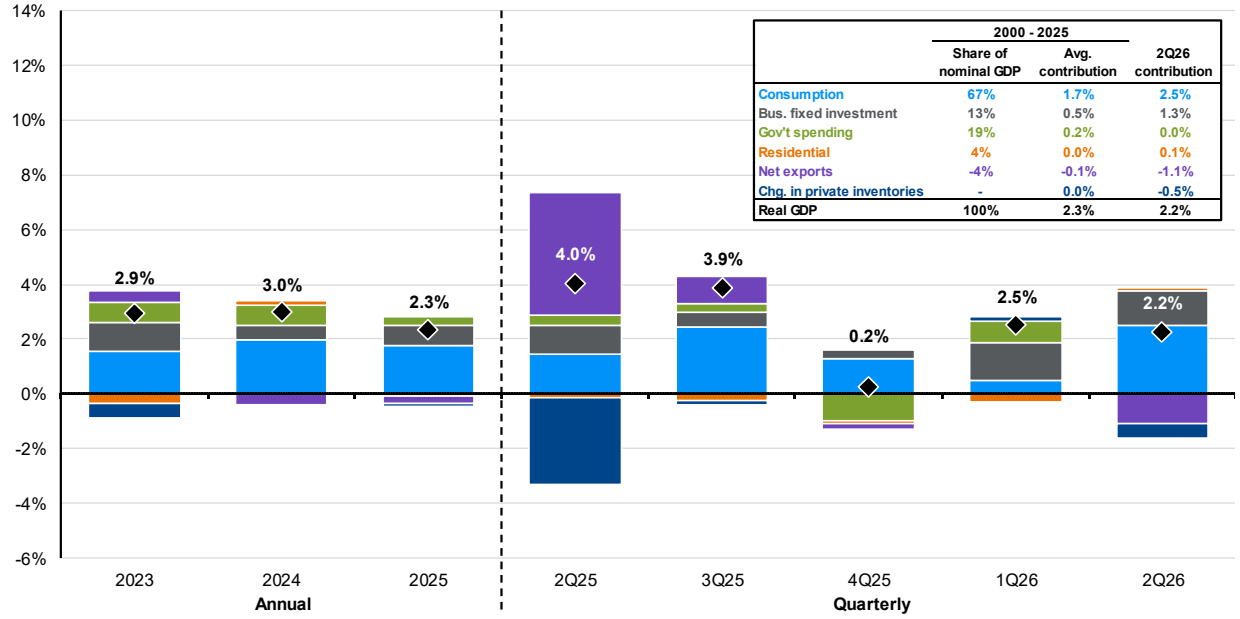
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Components of GDP growth

Contributors to real GDP growth

Seasonally adjusted annualized rate



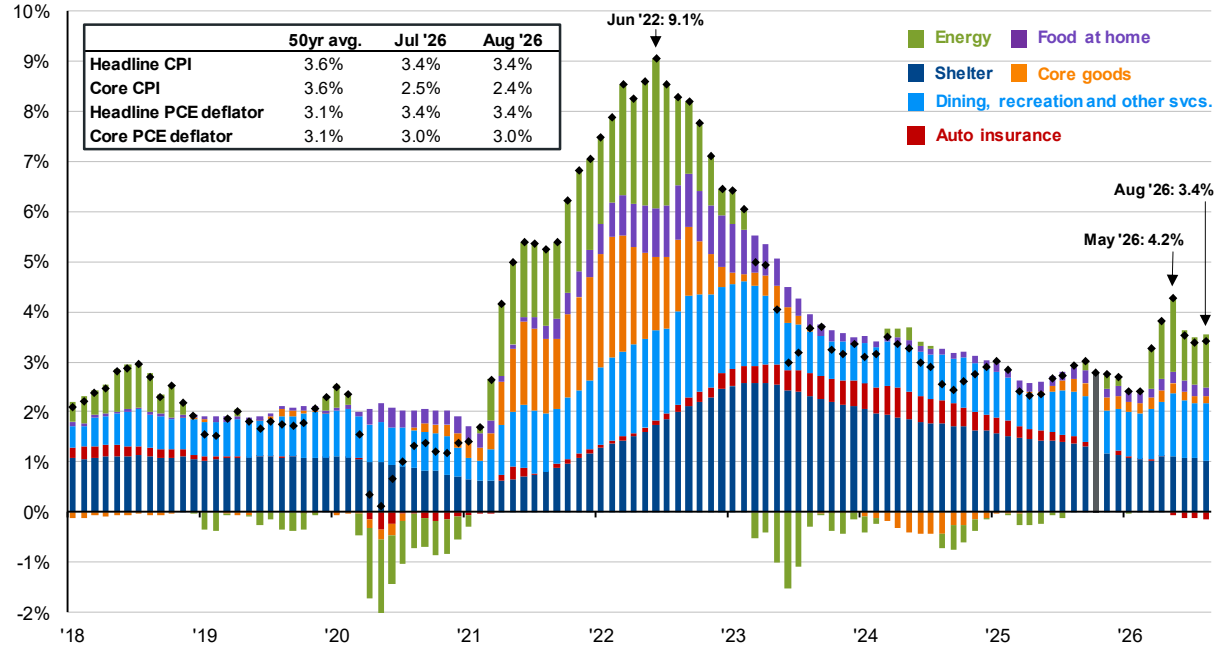
	2000 - 2025 Share of nominal GDP	Avg. contribution	2Q26 contribution
Consumption	67%	1.7%	2.5%
Bus. fixed investment	13%	0.5%	1.3%
Gov't spending	19%	0.2%	0.0%
Residential	4%	0.0%	0.1%
Net exports	-4%	-0.1%	-1.1%
Chg. in private inventories	-	0.0%	-0.5%
Real GDP	100%	2.3%	2.2%

Source: BEA, FactSet, J.P. Morgan Asset Management.
Guide to the Markets – U.S. Data are as of September 30, 2026.

Inflation components

Contributors to headline CPI inflation

Contribution to year-over-year % change in CPI, non-seasonally adjusted



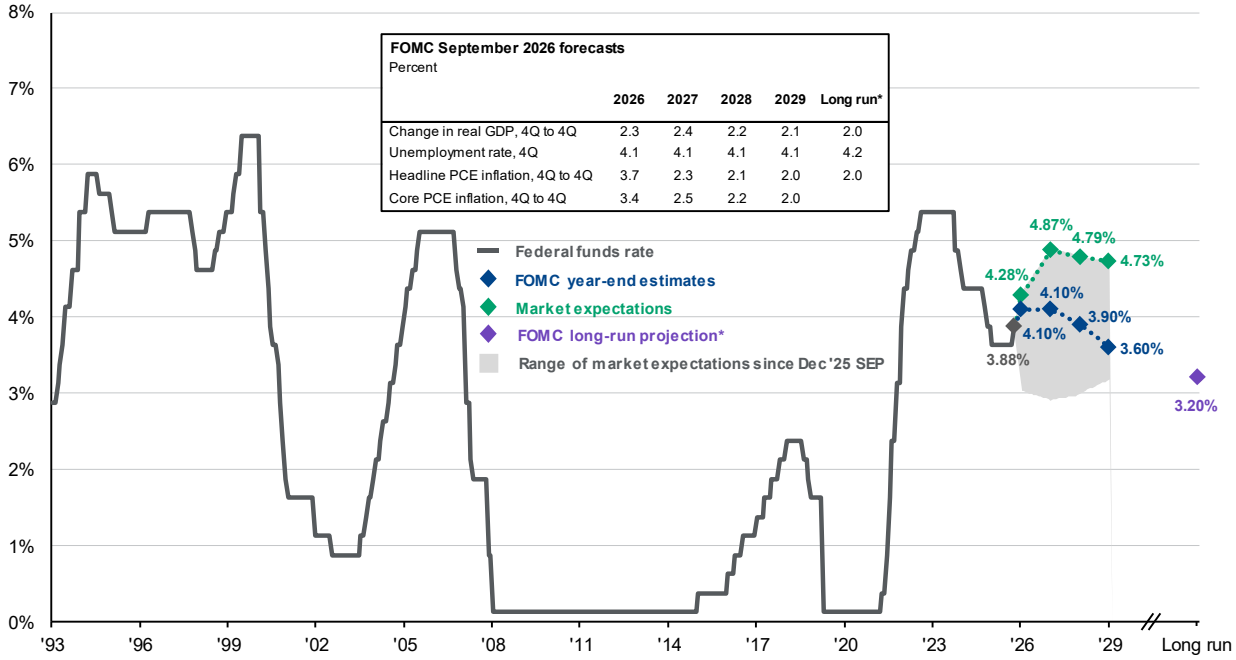
	50yr avg.	Jul '26	Aug '26
Headline CPI	3.6%	3.4%	3.4%
Core CPI	3.6%	2.5%	2.4%
Headline PCE deflator	3.1%	3.4%	3.4%
Core PCE deflator	3.1%	3.0%	3.0%

Source: BLS, FactSet, J.P. Morgan Asset Management.
Contributions mirror the BLS methodology on Table 7 of the CPI report. Values may not sum to headline CPI figures due to rounding and underlying calculations. "Shelter" includes owners' equivalent rent, rent of primary residence and tenants' and household insurance. "Food at home" includes alcoholic beverages. "Other services" includes services not shown separately elsewhere in the chart, including health care services, education and communication and other personal services. Headline and core PCE deflator inflation shown are based on seasonally adjusted data due to data availability. Official October 2025 data unavailable due to government shutdown and data shown are J.P. Morgan Asset Management estimates.
Guide to the Markets – U.S. Data are as of September 30, 2026.

The Fed and interest rates

Federal funds rate expectations

FOMC and market expectations for the federal funds rate

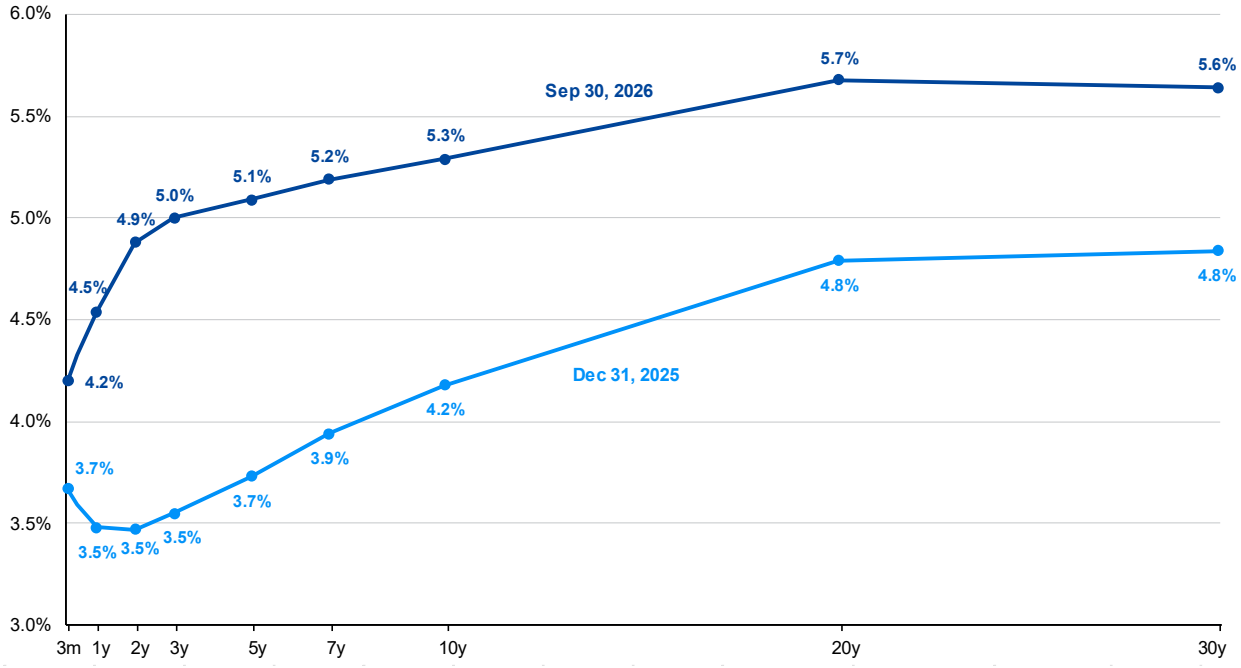


Source: Bloomberg, FactSet, Federal Reserve, J.P. Morgan Asset Management.
Market expectations are based off USD Overnight Index Swaps. *Long-run projections are the rates of growth, unemployment and inflation to which policymakers expect the economy to converge over the next five to six years in absence of further shocks and under appropriate monetary policy. Forecasts, projections and other forward-looking statements are based upon current beliefs and expectations and are for illustrative purposes only.
Guide to the Markets – U.S. Data are as of September 30, 2026.

Fixed Income

Yield curve

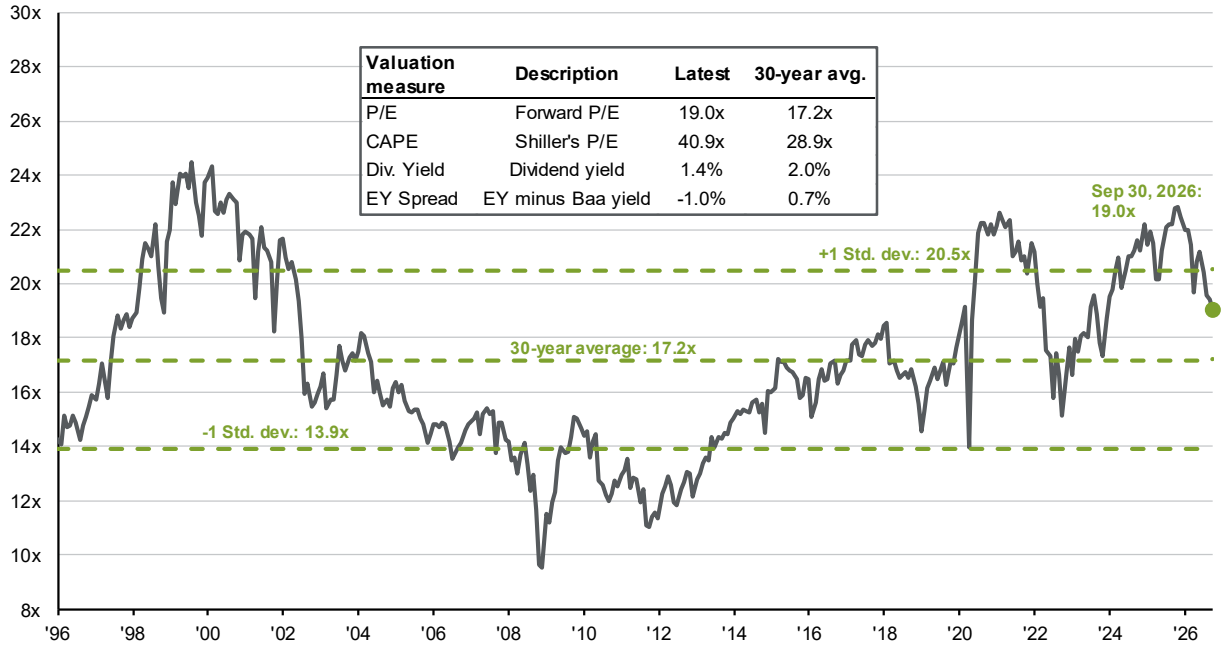
U.S. Treasury yield curve



Source: FactSet, Federal Reserve, J.P. Morgan Asset Management.
Guide to the Markets – U.S. Data are as of September 30, 2026.

S&P 500 valuation measures

S&P 500 index: Forward P/E ratio



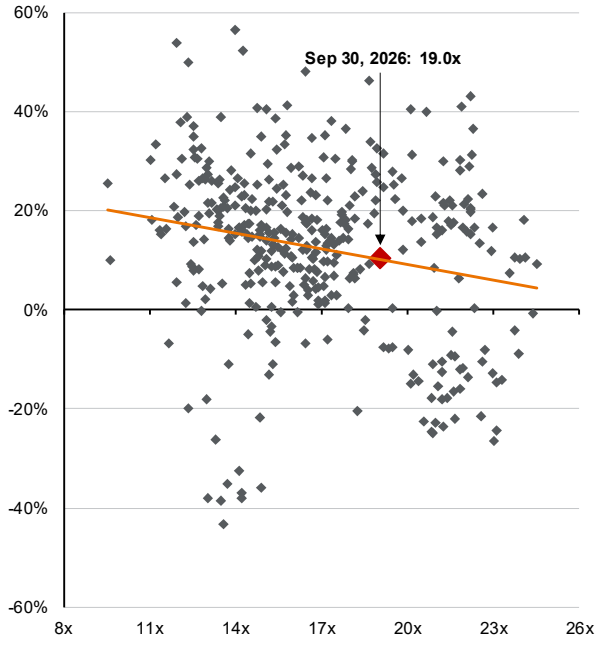
Valuation measure	Description	Latest	30-year avg.
P/E	Forward P/E	19.0x	17.2x
CAPE	Shiller's P/E	40.9x	28.9x
Div. Yield	Dividend yield	1.4%	2.0%
EY Spread	EY minus Baa yield	-1.0%	0.7%

Source: Bloomberg, FactSet, Moody's, Refinitiv Datastream, Robert Shiller, Standard & Poor's, J.P. Morgan Asset Management.
Forward P/E ratio is the most recent S&P 500 index price divided by consensus analyst estimates for earnings in the next 12 months, provided by IBES since March 1994 and FactSet since January 2022. Shiller's P/E uses trailing 10-years of inflation-adjusted earnings as reported by companies. Dividend yield is calculated as consensus estimates of dividends in the next 12 months, provided by FactSet, divided by the most recent S&P 500 index price. EY minus Baa yield is the forward earnings yield (the inverse of the forward P/E ratio) minus the Bloomberg U.S. corporate Baa yield since December 2008 and interpolated using the Moody's Baa seasoned corporate bond yield for values beforehand.
Guide to the Markets – U.S. Data are as of September 30, 2026.

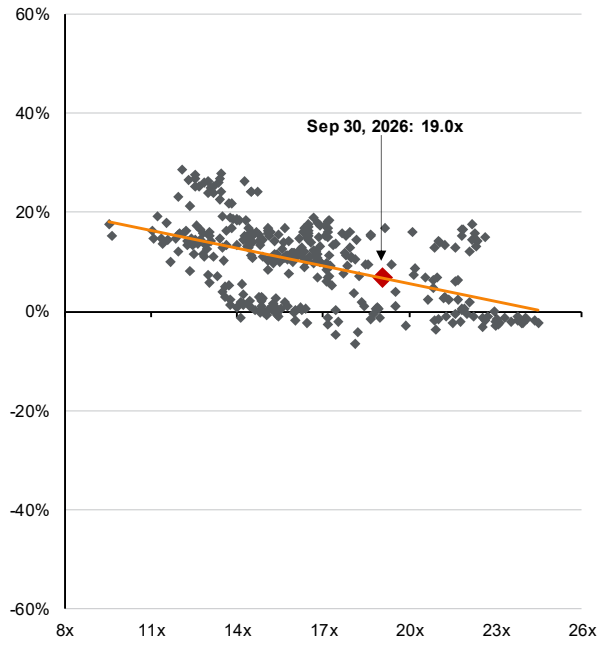
Equities

P/E ratios and equity returns

Forward P/E and subsequent 1-year returns
S&P 500 Total Return Index



Forward P/E and subsequent 5-year annualized returns
S&P 500 Total Return Index



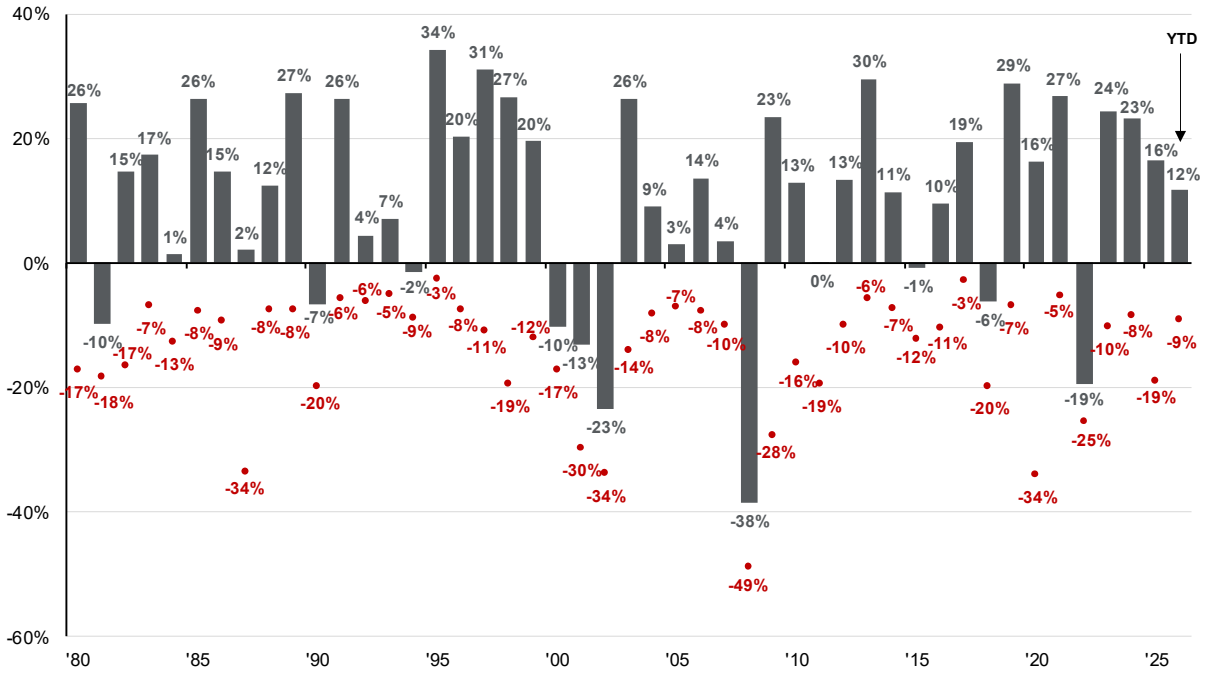
Source: FactSet, Refinitiv Datastream, Standard & Poor's, J.P. Morgan Asset Management.
Returns are 12-month and 60-month annualized total returns, measured monthly, beginning 12/31/1993. The forward P/E ratio is the most recent S&P 500 index price divided by consensus analyst estimates for earnings in the next 12 months, provided by IBES since December 1993 and FactSet since January 2022. Past performance is no guarantee of future results.
Guide to the Markets – U.S. Data are as of September 30, 2026.

Annual returns and intra-year declines

Equities

S&P 500 intra-year declines vs. calendar year returns

Despite average intra-year drops of 14.2%, annual returns were positive in 35 of 46 years



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.
Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest peak-to-trough decline during the year. Returns shown are calendar year returns from 1980 to 2025, over which the average annual return was 10.7%. Past performance is no guarantee of future results.
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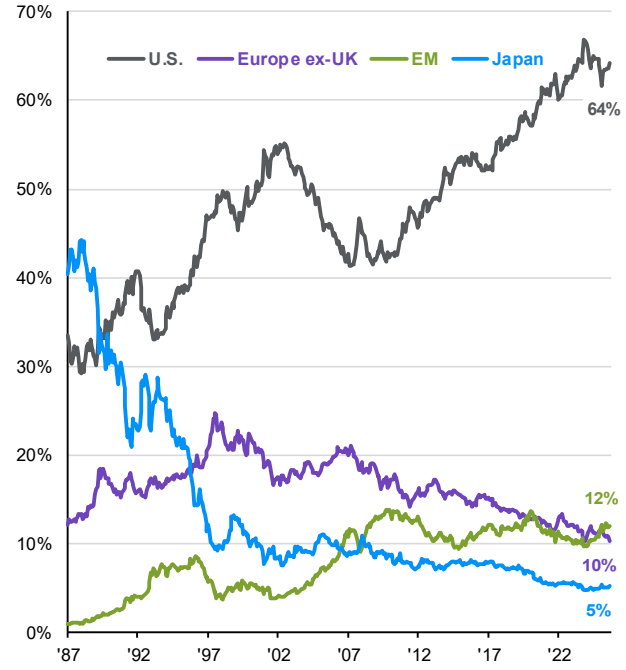
Global equity markets

International

Returns	2026 YTD		2025		15-years
	Local	USD	Local	USD	Ann.
Regions					
U.S. (S&P 500)	-	12.7%	-	17.9%	15.7%
Non-U.S.	16.1%	14.7%	25.1%	33.1%	8.7%
EAFE	12.9%	10.8%	21.2%	31.9%	9.0%
Eurozone	11.4%	7.8%	24.7%	41.3%	9.9%
Emerging markets	23.4%	23.7%	32.1%	34.4%	7.4%
Selected Countries					
Japan	23.3%	23.0%	24.7%	25.1%	9.2%
UK	9.6%	8.2%	25.8%	35.1%	7.8%
France	1.1%	-2.2%	14.2%	29.5%	9.1%
Canada	13.3%	9.4%	30.9%	37.4%	8.8%
Germany	3.6%	0.2%	20.9%	37.1%	9.0%
China	-11.7%	-11.7%	30.7%	31.4%	5.2%
Taiwan	72.9%	70.7%	34.0%	39.8%	18.8%
Korea	86.3%	98.3%	96.5%	100.8%	12.5%
India	-9.1%	-14.7%	9.5%	4.3%	6.9%
Brazil	13.2%	18.7%	35.6%	50.4%	3.1%

Share of global market capitalization

% weight in MSCI All Country World, USD, monthly

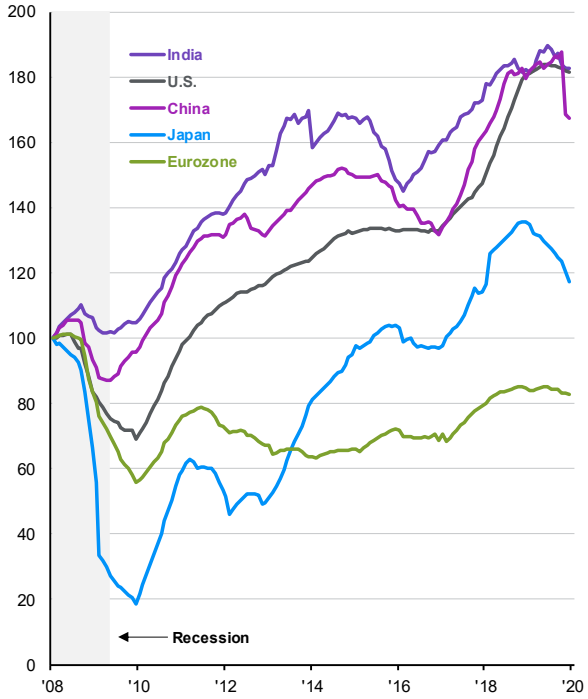


Source: FactSet, MSCI, Standard & Poor's, J.P. Morgan Asset Management.
(Left) All return values are MSCI Total Return Index (Gross) data. Non-U.S. is MSCI AC World ex USA Index. 15-year history based on USD returns. 15-year annualized return figures are calculated using a rolling 12-month period ending with the previous month-end. Please see disclosure page for index definitions. Past performance is no guarantee of future results.
Guide to the Markets – U.S. Data are as of September 30, 2026.

Global equity earnings

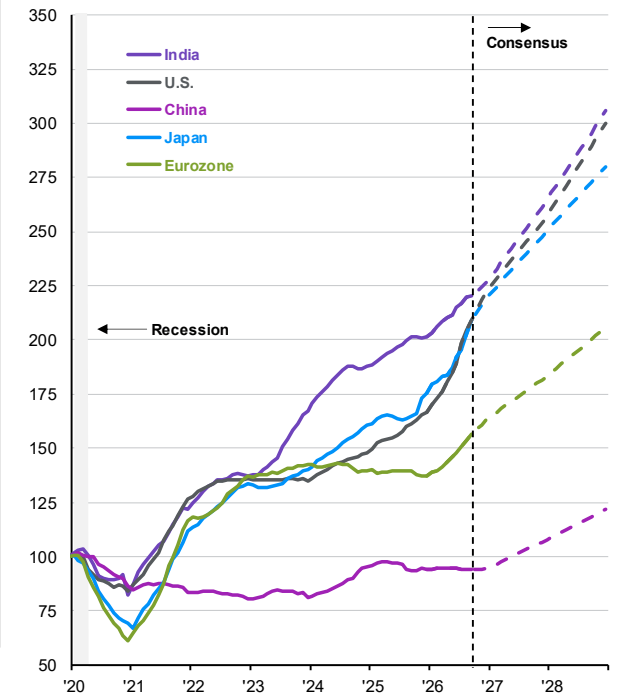
Earnings growth: GFC to pre-pandemic

Jan 2008 = 100, last 12 months, local currency, monthly



Earnings growth: Pandemic to present/consensus estimates

Jan 2020 = 100, last 12 months, local currency, monthly

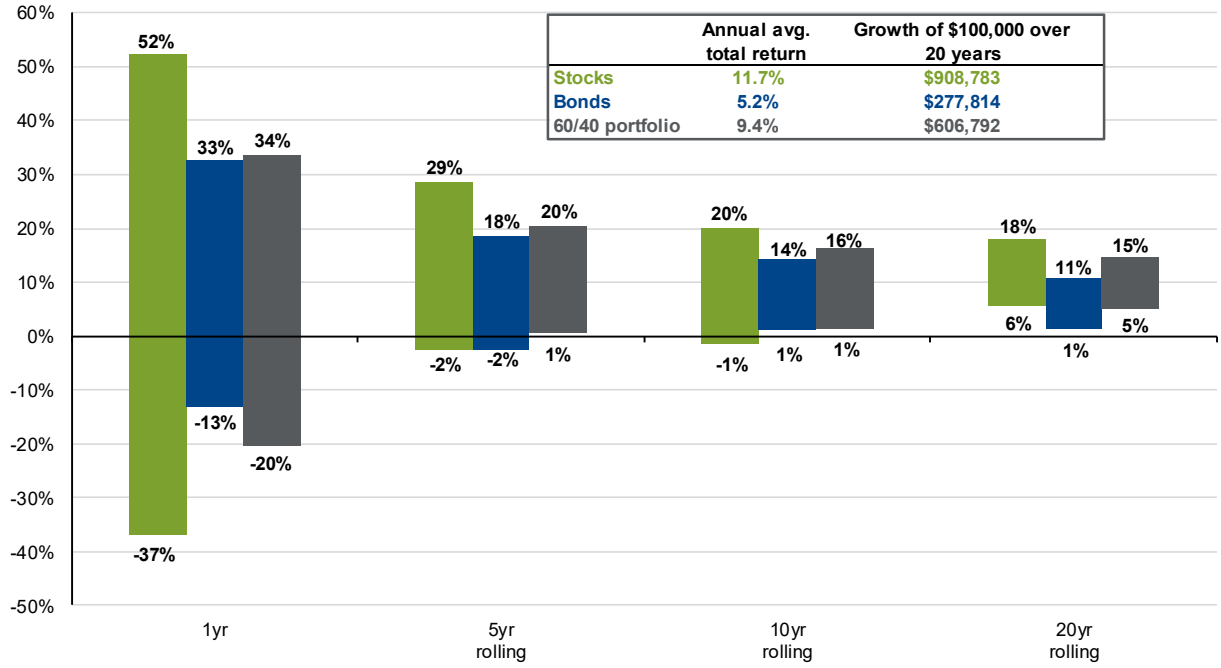


Source: FactSet, MSCI, Standard & Poor's, J.P. Morgan Asset Management.
Countries are represented by their respective MSCI country index except for the U.S., which is represented by the S&P 500. GFC = Global Financial Crisis.
Guide to the Markets – U.S. Data are as of September 30, 2026.

Time, diversification and the volatility of returns

Range of stock, bond and blended total returns

Annual total returns, 1950 - 2025



	Annual avg. total return	Growth of $100,000 over 20 years
Stocks	11.7%	$908,783
Bonds	5.2%	$277,814
60/40 portfolio	9.4%	$606,792

Source: Bloomberg, FactSet, Federal Reserve, Standard & Poor's, Strategas/Ibbotson, J.P. Morgan Asset Management.
Returns shown are based on calendar year returns from 1950 to 2025. Stocks: S&P 500; Bonds: Strategas/Ibbotson for periods prior to 1976 and the Bloomberg U.S. Aggregate thereafter. Growth of $100,000 is based on annual average total returns from 1950 to 2025.
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