JOURNEY

Journey Wealth

Quarterly Market Commentary

Q3 July 2026

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Journey Wealth Investment Team

Jack LaLiberte, CFA, CPA, CFP -
Director, Investments

As the Director of Investments, Jack divides his time between developing solutions for clients and assisting with the curation of the firm's investment portfolios. Jack supports Pete in all facets of developing and monitoring the Journey Wealth investment platform, including working with key asset managers, our advisory team, and conducting ongoing research.

As the CIO of Journey Wealth, Pete is responsible for establishing, managing, and articulating the firm's investment platform and approach. He collaborates with the firm's investment partners, monitors markets, and conducts portfolio analysis to construct allocations that align with client objectives.

Pete Franz, CFA, CFP –
Chief Investment Officer

Market Update

Market Recap

In keeping with the trend of the past few years, markets have largely shrugged off the most recent geopolitical shock, demonstrating the resilience of the global growth engine. Interest rates remain above their pre-Iran conflict levels, likely due to market concerns around the future path of inflation, muting recent fixed income performance. Although the inflation outlook remains a concern, global growth fundamentals are appealing. Domestically, employment and consumer health remain stable. Shifting macroeconomic narratives and concerns around AI over-investment have led to broader divergence in equity performance in recent quarters, demonstrating the prudence of a diversified equity allocation.

Looking Ahead

Although the Iranian conflict appears to be winding down, inflationary pressures remain. AI investment has driven up the cost of electronic components as well as electricity. Although energy prices are likely to be less of an inflation driver going forward, the lingering impact of the supply-side shock could generate sustained inflationary pressure as wages adjust to higher goods prices. In the near term, risks appear tilted towards slower growth rather than an elevated likelihood of a recession. Dwindling consumer savings, elevated government debt levels, questionable returns on AI investments and a lack of labor force expansion are likely to hamper domestic economic growth. As we saw in 2025, the best defense against volatility is typically a broadly diversified portfolio. Many of the largest US equities have underperformed the broader indices thus far in 2026, given lofty earnings growth expectations and reliance on continued AI exuberance to justify valuations. International valuations are far more appealing, while also providing exposure to a more diverse array of potential growth catalysts. Fixed income yields have become more attractive in recent months, particularly relative to cash, rewarding investors willing to accept modest duration risk. Higher yields also insulate bond investors from potential rate hikes.

Asset Allocation

Equity markets in 2026 resemble a revolving door, with leadership regimes swinging wildly from small caps to value and then to growth equities. The rapid rotations we've witnessed over the past six months demonstrate the futility of attempting to time equity markets. The global growth outlook appears more tepid but remains far from recessionary levels. As such, we prefer to remain exposed to the largest number of potential growth catalysts, rather than concentrating exposure around a singular trend. Please don't hesitate to reach out to your advisor to schedule time to discuss your financial plan, including your goals and planning assumptions. Allowing planning to drive portfolio construction, rather than prognostication, helps ensure that your portfolio remains aligned with your vision for the future.

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Leading Topics

Economic Fundamentals

The US labor market remains in a tentative equilibrium, with low levels of layoffs and hiring, although hiring has picked up over the past two quarters. Slower growth in employment likely reflects a lower level of labor supply rather than a lack of demand. Labor force participation for individuals aged 25-54 sits at a record high, indicating that although headline job creation numbers may be somewhat underwhelming, AI-related labor demand concerns are likely overblown, at least in the near term. Consumer spending is holding up, although it is increasingly driven by a narrow subset of households. Consumer debt service ratios and delinquencies have stabilized, indicating that balance sheets are normalizing near pre-COVID levels. For domestic real GDP growth to be sustained, productivity will need to make up for a lack of labor force expansion. The global outlook is more compelling, with the IMF estimating 3%+ GDP growth globally in 2026.

The Federal Reserve, Inflation & Fixed Income

Expectations around the path of interest rates have shifted dramatically since the beginning of the year. Given the return of inflationary pressure, markets now expect the Fed to raise rates 1-2 times in 2026. Longer-term rates rose modestly in the first two quarters of 2026. While tempering fixed income returns, higher yields help insulate investors from future interest rate volatility. Given elevated equity valuations and a softer growth outlook, the opportunity set in fixed income remains compelling. We believe that a moderate approach to both duration and credit quality is appropriate, as the yield curve is likely to steepen. Investors with outsized cash holdings are vulnerable to reinvestment risk and should consider modest duration extension.

Global Equity Markets

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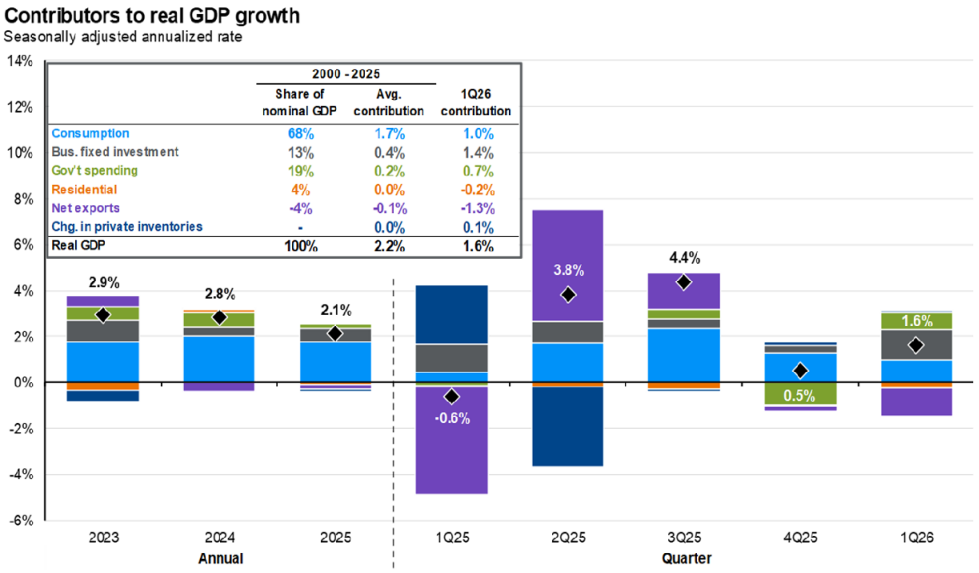
US Economic Outlook: Tepid Resilience

Over the past several years, the global economy has demonstrated remarkable resilience in the face of trade disruptions, geopolitical conflict and shifting monetary policy regimes. US GDP has entered a period of slower but still positive growth. Risks appear to be tilted towards inflation rather than an elevated likelihood of a recession. Corporate investment and consumer spending remain the largest components of GDP growth.

Consumer health is bifurcated between higher and lower income consumers. Consumer debt burdens have returned to pre-COVID levels while delinquencies have risen sharply. Auto loan and credit card delinquencies are near 20-year highs, signaling strain for lower income consumers. However, overall consumer debt remains well below the levels that preceded the 2008 Financial Crisis. Wealthier consumers continue to benefit from the "wealth effect", as unusually strong market performance in recent years has bolstered balance sheets and supported vigorous spending. The degree of concentration is staggering, with the top 10% of households by income representing over 50% of total consumer spending. While the concentration is concerning, wealthier households tend to invest a large proportion of excess cash flows, potentially reducing the cost of capital and promoting the virtuous cycle of investment.

Capital investment has become a much more significant component of GDP growth over the past few quarters. That surge in investment consists almost entirely of spending on AI-related hardware and infrastructure. In 2025, AI and data center-related energy infrastructure investments made up over 10% of total US corporate CapEx. While there has been a vigorous discourse surrounding the impact of AI on employment, there's little evidence thus far that AI has had a material impact on overall labor demand.

The labor market has remained remarkably stable, despite unspectacular levels of job creation. Unemployment has remained range-bound, as low levels of hiring have been offset by limited labor supply. The supply dynamic is likely due to a surge of retirements as well as a lack of immigration flows. Between 2024 and 2025, immigration flows were more than halved to 1.3 million. The domestic-born labor force is largely static, with a similar amount of Americans turning 18 and 65 annually. As such, the 100k per month job creation figure, while unimpressive by historical standards, is essentially the required level to maintain labor market equilibrium. A better measure of labor market health, labor market participation for individuals aged 25-54, sits near all-time highs. Future GDP growth will likely depend far more heavily on productivity gains than on labor force expansion. Developments in the AI-sphere may aid in bolstering productivity, although precise figures on AI-related productivity benefits have proven elusive.

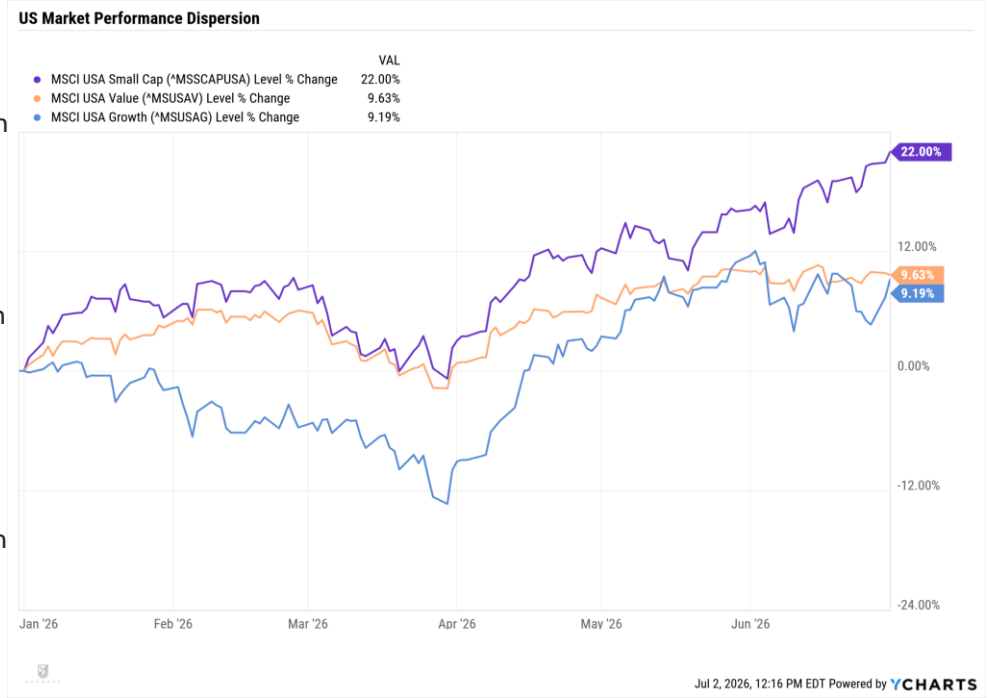


Source: JP Morgan

US Equities: Concentration & Dispersion

The first half of the year has been characterized by a series of distinct and rapidly shifting equity leadership regimes. In January and early February, it seemed as if accommodative monetary policy would finally drive a small-cap breakthrough. In March, value equities held up to volatility better than other segments, as investors rotated to more defensive positioning. After March 31st, despite more hawkish Fed expectations, growth equities roared back, although they are still lagging their small-cap counterparts by a wide margin. The Magnificent 7 lagged in June due to concerns about AI over-investment, while other growth names captured investor attention. The rapidity of change and degree of dispersion, not only amongst equity segments but also within them, highlights the futility of attempting to time market shifts. Even the Magnificent 7 have showcased dramatic dispersion year-to-date, with Alphabet experiencing a mid-double digit return and Microsoft experiencing an approximate 20% decline over the same period. This dispersion illustrates the challenge of attempting to select winners and losers, particularly over short periods.

Despite wider dispersion in equity returns, the S&P 500 remains remarkably concentrated, with nearly 40% of the index weighting comprised of just 10 names. Nine of these 10 companies are in the technology space and offer only a modicum of diversification. While it's difficult to argue that the ongoing development of artificial intelligence won't prove to be transformational, the risk remains that the pace of investment may surpass the tangible impact on profitability. A lapse in AI-related optimism would likely impact the largest S&P 500 components disproportionately. The S&P 500 also offers little in terms of value, with a P/E ratio of 20x forward earnings, well above the long-term average and a level from which forward returns have tended to disappoint. We advocate for the unexciting but prudent practice of diversification, now more than ever. Diversification doesn't necessarily mean accepting lower returns, it simply means broadening portfolio exposures to catch a wider variety of tailwinds, rather than solely relying on a single trend. Small cap US equities and international markets offer exposure to a broader array of opportunities, without the degree of concentration or the lofty valuations on offer in the narrow neighborhood of US large cap growth equities.



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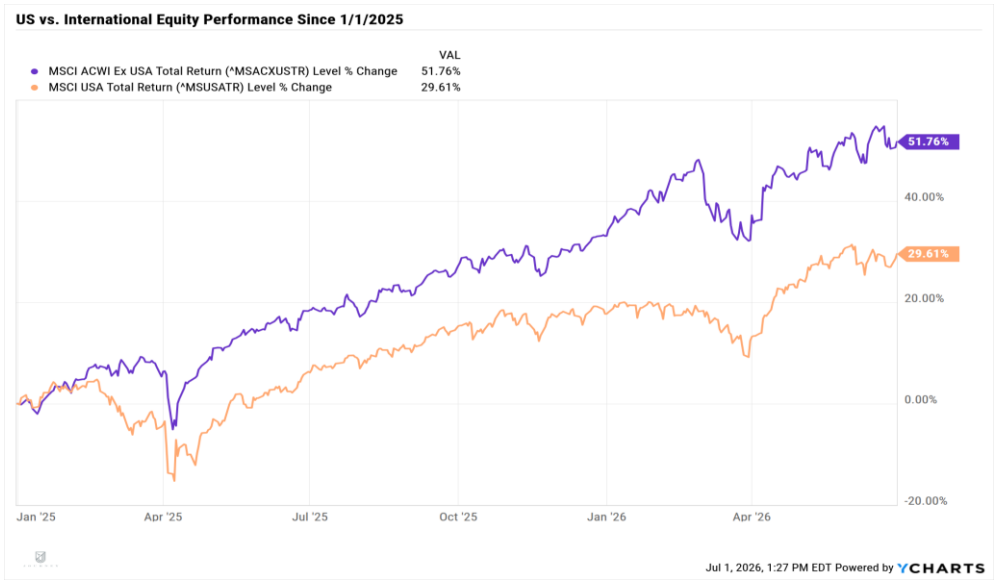
Global Equity Opportunities

Since the beginning of 2025, international equities have outperformed their domestic counterparts by a substantial margin. Even this year, with AI-related exuberance acting as a stiff tailwind for US markets, international equities have outperformed dramatically. There are likely several contributing factors behind the recent outperformance, including more appealing valuations, meaningful diversification benefits, and growing recognition of the compelling growth trends that exist outside of the US. Although many investors have become conditioned that US equities always outperform, given their generational run over the past decade and a half, historically, equity leadership tends to shift frequently.

Investors who invest solely in the equities of their home country have tended to have inconsistent and at times, incredibly poor investment experiences. Take the extreme example of the Japanese equity market. Japan experienced an explosion of economic growth in the 1980's, and asset valuations climbed. At one point, the Japanese equity market accounted for about 40% of the global equity market cap. However, the valuation bubble eventually popped and Japan now represents about 5% of the global equity market weight. The Nikkei didn't return to its 1989 high-water mark until 2024. That's 35 years of taking equity market risk for essentially no return. Contrarily, a Japanese investor in 1989 who instead spurned home country bias and elected to invest in a global market-cap weighted index (MSCI World), would've earned a 425% return over that same 35-year period that it took the first investor to break even. While we're not indicating that we expect domestic equities to earn zero returns over the next 35 years, I believe this is a poignant example of how home country bias can be detrimental to investment outcomes. A concentration in a single country increases risk without a corresponding increase in expected returns.

Outside of the risk and valuation considerations, there are several compelling growth trends likely to continue to drive international equity performance. In Asia, a burgeoning middle class is driving economic development. China weathered US tariffs well, with exports hitting a record high in 2025. A shift towards manufacturing more complex goods has solidified China's dominant position in global export markets. In Europe, the worst of the Iran-related energy headwinds are likely in the rearview mirror. Substantial investments in defense and infrastructure, as well as tariff reductions, will likely continue to support gradual growth. Two constants during the 15-year era of US equity market exceptionalism were a strong Dollar and historically low interest rates. As both of those dynamics have shifted, so has the global economic landscape and the relative attractiveness of various investment opportunities. While no one knows what the future will hold, global diversification seems prudent given the elevated valuations and considerable level of concentration present in US equity markets.



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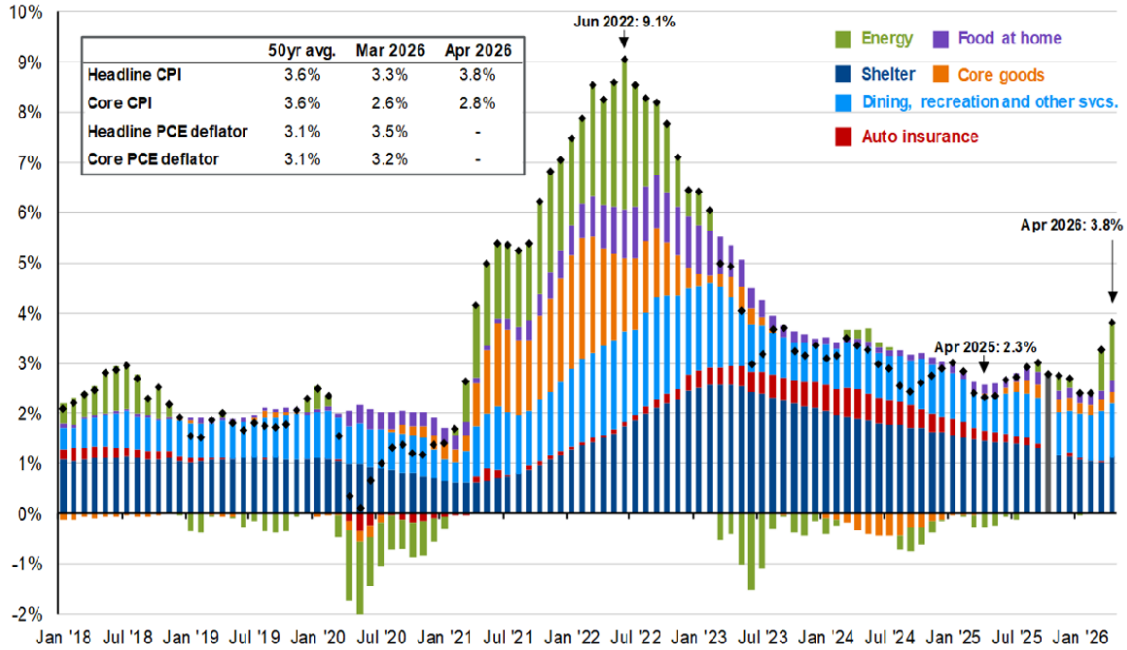
Inflation & The Fed

Until March, it looked like US inflation was grinding slowly but inexorably towards the Fed's 2% target. The improvement from 2023 to early 2026 was driven largely by drastic disinflation in housing costs. In March, inflationary pressure returned with a vengeance, as oil prices nearly doubled over the course of a month. Energy prices have since normalized but the aftershocks are likely to reverberate through the inflation data for some time. When oil prices drop, it's not instantly reflected in downstream pricing of goods and services. Given the level of geopolitical uncertainty, even once oil supply normalizes, producers are likely to build larger risk premiums into their pricing structures to act as a buffer against any additional policy shifts. AI-related investment is also driving some inflationary pressure relating to electricity costs and electrical components. On a positive note, tariff-related inflation continues to wane, as the uncertainty around trade policy has dramatically declined. Longer-term futures contracts point to some modest downside in oil prices between now and the end of the year. One-year inflation swaps point to a slightly cooler but persistent inflation level of around 3%.

In May, Kevin Warsh became the new Fed Chair. Viewed as a strong advocate for price stability and a critic of the Fed's post-2008 accommodative policy stance, Warsh has changed the tone and detail of Fed communications, suggesting that forward guidance will likely be limited. This added uncertainty may increase the information value of market data and raise volatility. With less explicit guidance from the Fed, forward curves are more likely to reflect the market's assessment of appropriate policy rather than the FOMC's stated path. Bond market volatility may also rise as investors contend with a wider range of possible Fed actions. Markets currently expect the Fed to raise rates one to three times this year, a sharp reversal from the two to three cuts anticipated at the start of the year. That shift has flattened the yield curve as short-term yields have risen. A flatter curve could support a stronger dollar and pressure equities, particularly financials, where narrower spreads can weigh on net interest income. Long-term rates are also likely to trend higher, given structural concerns around government debt issuance, which could limit both housing activity and appreciation.

Contributors to headline CPI inflation

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



	50yr avg.	Mar 2026	Apr 2026
Headline CPI	3.6%	3.3%	3.8%
Core CPI	3.6%	2.6%	2.8%
Headline PCE deflator	3.1%	3.5%	-
Core PCE deflator	3.1%	3.2%	-

Source: JP Morgan

Fixed Income Outlook

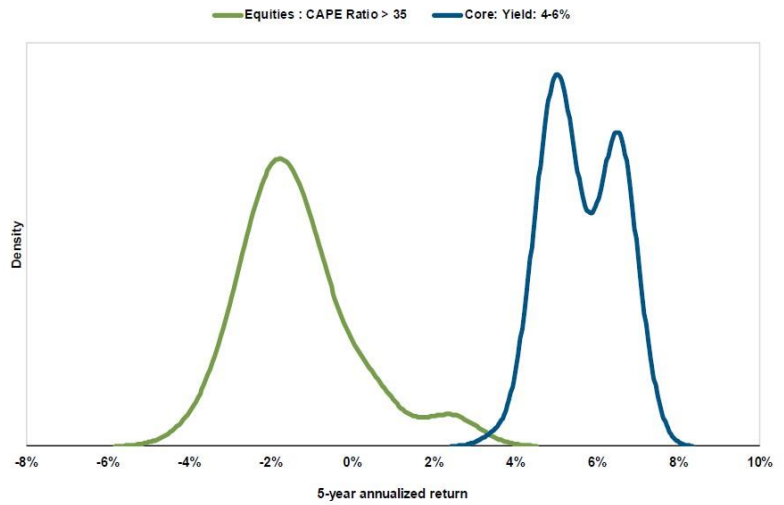
While fixed income markets have experienced some volatility this year due to a shifting inflation outlook and the related policy ramifications, the opportunities available within fixed income are difficult to ignore. Core bonds currently provide a yield premium of about 100 bps over money market rates. Although the likelihood of rate cuts in the near term has diminished, we believe that the existing spread presents an attractive opportunity to extract a meaningful yield premium while reducing reinvestment risk.

While fixed income returns appear benign relative to the past few decades of torrid equity market performance, there's no guarantee that that dynamic will continue. Given elevated domestic equity valuations and a slower growth outlook, the next decade may look rather different. While equities still have their place as the long-term growth engine of your portfolio, the yields offered by fixed income are attractive on a relative and absolute basis. This is especially valuable for investors beginning to draw on their portfolios, as a balanced allocation can greatly mitigate sequence-of-return risk.

Not all fixed income is created equal. Given the shifting yield curve and credit spreads, an active approach to fixed income is beneficial. While a cap-weighted approach to equity investing makes some logical sense, that methodology seems inappropriate for devising a fixed income allocation. Loaning the largest amounts to the entities with the most debt seems like a suboptimal capital allocation strategy. The Bloomberg Aggregate Bond Index, for example, is made up of about 70% Treasury and mortgage-backed securities. The Index takes little credit risk, which on the surface seems appealing, but also sacrifices yield while exposing investors to substantial duration risk. We believe that skilled managers with wide mandates can take advantage of inefficiencies and dislocations in the fixed income markets to extract superior risk-adjusted returns than a passive index.

Although fixed income prices have proven volatile over the past few quarters, yields are attractive. The relationship between starting yields and subsequent returns has historically proven to be strong. Against the backdrop of stretched equity valuations and a slower growth outlook, fixed income yields appear compelling, especially for investors who are beginning to draw on their portfolios and are particularly sensitive to sequence-of-return risk.

Fixed Income vs. Equities: In these environments, high quality core bonds can deliver equity-like returns, but with potentially lower volatility



Historically, starting conditions for Equities and Core (CAPE > 35, Core yield: 4-6%) have led to better 5-Year Forward Returns for Core

Source: PIMCO, uses data back to January 1976. Core refers to the Bloomberg U.S. Aggregate Index. CAPE refers to the cyclically adjusted price-to-earnings ratio for the S&P 500.

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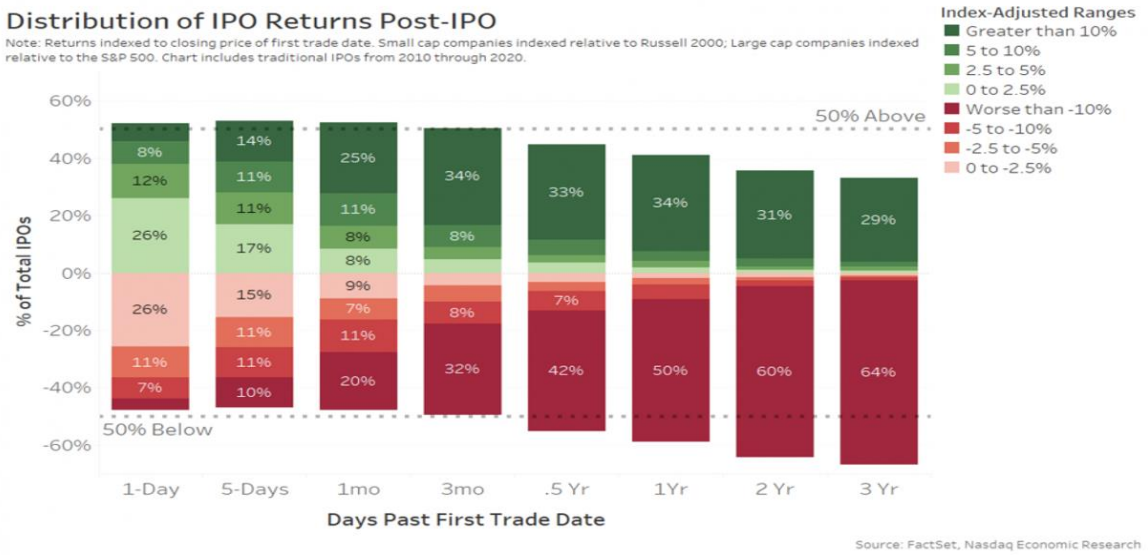
IPOs: Opportunities or Cautionary Tales?

Given the recent SpaceX offering, as well as the robust pipeline of looming potential large IPOs, we felt that it was appropriate to address the historical context behind the hype. While we generally don't advocate for clients purchasing individual equities at all, IPO shares purchased in the immediate aftermath of an offering tend to offer some of the least compelling long-term return profiles relative to the broader market. When asked why Berkshire Hathaway doesn't participate in IPOs, Warren Buffett said that "An IPO is like a negotiated transaction – the seller chooses when to come public – and it's unlikely to be a time that's favorable to you." In an IPO transaction, there exists a distinct informational asymmetry between management and potential investors. While companies going public are subject to disclosure requirements, insiders can control one of the most important factors, which is timing. That doesn't categorically mean that the underlying companies represent poor investments. However, management, the most knowledgeable group regarding company fundamentals, gets to select the timing for going public, and are likely to do so at a time that is advantageous for the company.

First day IPO performance often garners headlines, piquing investor interest with the prospect of earning a quick return. However, those attractive first day figures are usually based on the pre-IPO offer pricing, which is often unavailable to the average investor. As the initial hype fades, IPOs tend to underperform the broader equity market while experiencing greater volatility. Regardless of the outlook for the company, there is nearly always a better entry point than in the immediate period after the IPO. We don't recommend that clients attempt to pick individual stocks, nor do we attempt to participate in a game that we believe is unwinnable on a consistent, risk-adjusted basis. However, if you choose to play the stock-picking game, it is hard to argue that out of the thousands of companies that are publicly traded, the best bargain available to investors is the market's most hyped new issuance. These newly minted shares often serve as expensive participation trophies rather than a shortcut to a higher echelon of wealth.



IPO Data (1992 – 2024)	IPOs	Russell 3000 Index
Annualized Compound Return	5.13%	10.44%
Annualized Standard Deviation	28.11%	15.00%

Source: Dimensional, using Bloomberg data.

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What's It All Mean

Economic Outlook

US economic data points to a slower growth trajectory, although a recession in the near term seems unlikely. Labor market activity has picked up modestly and participation for working-aged Americans is near all-time highs. Consumer health is bifurcated, with the wealthiest households driving an outsized proportion of spending. If US GDP growth is to continue at a reasonable pace, productivity gains are going to have to make up for slower labor force expansion. Globally, the outlook is brighter, with growth expectations around 3%.

Inflation & The Fed

In March, inflation returned, largely driven by energy prices. While energy prices have returned to their pre-Iran conflict levels, inflation is unlikely to reach the Fed's 2% target rapidly. Fed expectations have shifted dramatically, as the market now expects 1-3 rate hikes this year, rather than potential cuts. A lack of rate cuts is likely to place additional pressure on low-income consumers, given elevated levels of consumer debt, and may curtail housing market activity.

Fixed Income Opportunities

Core fixed income offers potentially attractive yields without the need to accept substantial credit risk. These yields are particularly appealing on a relative basis given elevated equity valuations and diminished cash yields. Given modest yield curve steepness and tight spreads, we recommend a measured approach to duration and credit risk. Fixed income is particularly useful for investors who are beginning to draw on their assets, as a balanced allocation can greatly mitigate sequence-of-return risk.

Equity Outlook

Equity markets in 2026 resemble a revolving door, with leadership regimes swinging wildly. The rapid rotations we've witnessed over the past six months demonstrate the futility of attempting to time equity markets. The concentration risk and valuations on offer in large-cap US equities remain concerning. We believe that a meaningful allocation outside the largest S&P 500 constituents, including international and small cap equities, offers diversification benefits as well as exposure to a wider array of growth catalysts.

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Relevant Disclosures

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