CAMBRIDGE ADVISORS inc.
INVESTMENT MANAGERS

INVESTMENT PERSPECTIVE — JUNE 2026

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2026 BENCHMARK RATES OF RETURN

INDEX	SECOND QUARTER	YTD
S&P 500	15.20%	10.21%
Russell 2000	21.49%	22.57%
International	10.82%	9.44%
Fixed Income	0.67%	0.62%
JPMorgan Diversified*	9.48%	8.27%

*25% S&P 500 large cap stocks,10% Russell 2000 small cap stocks, 15% MSCI EAFE international stocks, 5% MSCI EME emerging market stocks, 5% REITs, 25% Barclays US aggregate bonds, and 5% each in short term Treasuries, high yield global bonds, and commodities.

MARKET COMMENTARY

Stocks rebounded strongly in the second quarter. The S&P 500, representing large-cap stocks, climbed 15.20% in the quarter, bringing its year-to-date return to 10.21%. Small cap stocks in the Russell 2000 Index surged 21.49% during the quarter resulting in a year-to-date gain of 22.57%. Developed market international stocks gained 10.82% in the quarter and are now up 9.44% in 2026. Meanwhile emerging market stocks jumped 24.05% in the quarter and are up 23.85% year-to-date. The Bloomberg U.S. Aggregate Bond Index rose 0.67% for the quarter and has a year-to-date return of 0.62%.

Energy prices have backed off significantly since the attacks on Iran began but the Energy sector still posted a year-to-date return of 19.7%. Industrials and Technology were the top performers with returns of 20.2% and 19.8%, respectively. The weakest sectors were Financials, Consumer Discretionary, and Communication Services with returns of -1.2%, -0.8%, and 0.8%, respectively.

Corporate earnings also provided support for the market rebound. First-quarter S&P 500 earnings growth came in near 28% year-over-year, nearly double the consensus expectation at the start of the year. Liz Ann Sonders of Schwab noted that, absent a significant shift in the macro landscape, earnings growth is expected to remain strong in the second quarter. Current estimates support that view, with FactSet projecting second-quarter S&P 500 earnings growth of 23.1% and full-year 2026 earnings growth of approximately 21%.

Economic growth also remained positive. First-quarter GDP increased at a 2.1% annualized rate, reflecting continued expansion despite earlier concerns about slowing growth. Business investment tied to artificial intelligence remains a key source of support, helping offset weakness in other areas of the economy. Geopolitical risks have also eased somewhat as the Iran conflict appears to be moving closer to a temporary resolution, reducing some of the pressure on energy markets and investor sentiment. Reflecting the improved backdrop, Strategas Research Partners recently lowered its 2026 recession odds to 25%.

The U.S. unemployment rate remained low at 4.2% in June, reflecting a labor market that is still relatively resilient despite economic headwinds. Employers added 172,000 jobs during the month, with gains led by leisure and hospitality, local government, and health care. While hiring has moderated from the unusually strong pace of prior years, the labor market continues to provide an important source of support for consumer spending and the broader economy.

Inflation remains elevated, with the Fed's preferred measure of underlying inflation—the Core PCE deflator—running at 3.4% year-over-year in May, its highest level since late 2023. While the recent decline in oil prices back toward pre-Iran War levels should help ease headline inflation in the coming months, underlying price pressures remain more persistent. As a result, it will likely take additional time before inflation moves sustainably back toward the Fed's 2% target.

Gold has sold off sharply after peaking in January, even though it is often viewed as a safe-haven asset during periods of geopolitical or economic uncertainty, as well as a potential store of value when inflation is elevated. The recent decline appears to reflect a combination of easing geopolitical concerns, a stronger U.S. dollar, and expectations that interest rates may remain higher for longer, which can reduce the appeal of non-income-producing assets like gold. Bitcoin has also been under pressure and is trading near its lows for the year. While the long-term outlook for digital assets remains attractive as adoption continues to broaden, investors should expect continued volatility and size positions accordingly.

We value our relationship with you, and we are always available to meet with you in person, virtually or by phone. Please do not hesitate to call or email us with any questions that you may have. Also, if your situation has changed, please contact your advisor so we can determine if any changes are needed in your account. A copy of our proxy voting policy and how proxies have been voted is available on request.

The Federal Reserve entered the second quarter with new leadership, as Kevin Warsh became Fed Chair in May. At its June meeting, the Fed left the federal funds rate unchanged at 3.50%–3.75%, signaling that policymakers remain in wait-and-see mode as they balance still-elevated inflation against a resilient but moderating economy. While earlier in the year investors had hoped for rate cuts, current Fed projections and market expectations suggest the Fed is more likely to remain on pause in the near term, with some policymakers even leaving the door open to a future hike if inflation pressures do not ease. For now, the message from the Fed appears to be “higher for longer,” with policy decisions remaining highly dependent on incoming inflation and employment data.

Money market yields remain attractive at roughly 3.5%, while longer-term interest rates have moved modestly higher. The 10-year Treasury yield ended last year at 4.16% and was at 4.42% at the end of June. For most of the past three years, the 10-year Treasury has traded in a range between 4.0% and 4.5%, although it has occasionally moved outside that range, including a brief rise to 4.66% in May. Overall, bond yields remain elevated compared with the very low-rate environment investors experienced in the decade following the financial crisis.

Diversification continues to be prudent in times of uncertainty. Bonds can provide stability and income when stocks are volatile. “Target outcome” or “buffer” ETFs can also add protection to portfolios and provide upside potential if stock prices rise. Dividend income is also attractive in equity and premium income funds. The dividends help with total returns or with income needs depending on the account.

Measuring risk tolerance and investing accordingly is important in this environment. Timing the market or chasing returns may work in the short-term but is more difficult over longer periods. The goal is to be invested appropriately so that you don’t panic and sell when the market goes down. Selling out when markets are volatile, can be detrimental. We use Nitrogen software to help us measure your risk tolerance and make sure you have the appropriate risk in your accounts. Want to check your risk tolerance? Scan this QR code and you will be directed to a risk survey. We’ll receive your results and compare it to your current risk score.

Cambridge Risk QR Code

Cambridge Advisors News

Have you checked out our client portal? In addition to account information, the client portal has a document vault where you can securely upload files or documents. To access the client portal, go to our website www.cambridgeadvisors.net, hover over “clients” and click on “client portal”. Your Username is your email address and you can reset your password if needed. If you haven’t accessed the client portal in a while and have any trouble getting in, let your advisor know—inactivity can toggle off your access, but it is easy to restore. Also, now that tax season is over, it is a great time to upload a PDF of your 2025 tax return to your portal so we can use our tax planning software to help identify strategies for reducing future taxes.

As always, if you have friends or family who would benefit from a relationship with Cambridge, please tell them about us. We would love to help the people who are important to you, and we waive our $500,000 minimum for your referrals.

Scam Alert

In these reports, we have been highlighting scams we’ve seen in hopes it helps prevent it from happening to you. As time goes on and technology evolves, the scams are getting more complex and more people are falling for their tricks.

If you are concerned that you may accidentally fall victim to a scam and want to protect your Schwab accounts further, we can change your account access to “view only”. This allows you to log in and look at your account. However, any trading or movement of money between accounts or to your bank account could only be done by us as your advisor. (Any money transferred to a third party would still require your signature or authorization.) Since we do this for most of our clients anyway, it wouldn’t really change how you use Schwab. Plus, it can be changed back at any time. Please talk to your advisor if you would like this applied to your accounts.