MARKET INSIGHTS

UNITED BANK
Wealth Management

Second Quarter 2026

Investors have long faced global political and military risks, and wise investors consider both individual opportunities and the broader macro environment. Civilizations have risen and fallen for many reasons, and the industrial age has highlighted the divide between countries fostering innovation and profit and those under authoritarian rule. For the past 75 years, the Middle East has been a frequent source of conflict, with global demand for fossil fuels and growing energy needs from China and India straining relationships with major producers. This helps explain how countries like Russia and Iran have sustained themselves despite sponsoring global terrorism and disruptive policies. While the immediacy of Iran's nuclear threat remains uncertain, limiting the capabilities of hostile regimes offers long-term benefits. Short-term uncertainty is a modest price to pay for reducing global risk, and patient investors are likely to benefit over time.

INVESTMENT TAKEAWAYS

- The military conflict in Iran has affected financial markets across the globe. Investors have assessed the risks and taken modest steps to reduce financial market exposure.

- Oil prices have seen the largest impact, with West Texas Intermediate rising approximately 60% from pre-war levels and U.S. gas prices up about 33%. U.S. equities have declined modestly, European equities declining by around 10%, and Treasury yields have increased, with the 10-year at 4.3% and the 2-year near 3.9%. While the President initially expected the conflict to last four to six weeks, recent statements suggest it may continue for another month or more, creating growing uncertainty for investors despite efforts to reassure markets.

- March's labor report showed a return to resilience, with total nonfarm payroll employment increasing by 178,000 following a decline of 133,000 in February. Despite weak Q4 economic reports, stagnant retail spending, and reemerging inflation pressures, job losses are minimal, and future growth will depend on the duration of the Iran conflict.

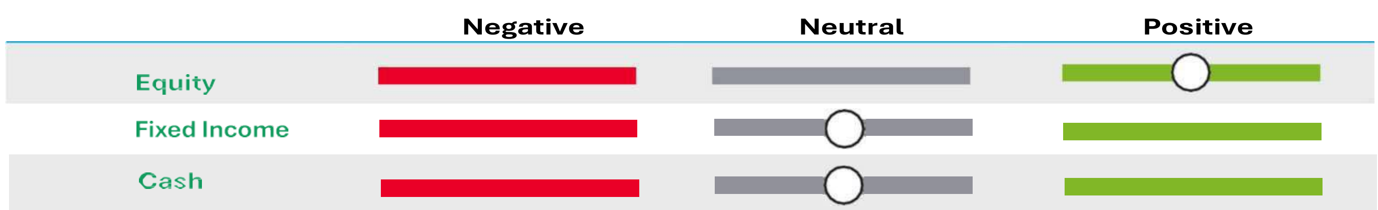
- The Federal Reserve continues to balance its dual mandate of controlling inflation and supporting employment. Even if the Iran conflict ends soon, short-term disruptions to global oil supply may keep inflation elevated, limiting immediate policy changes.

- With tariff threats largely behind us, corporate earnings forecasts remain strong over the next 12 months. The full impact of the Iran conflict on profit margins, particularly from higher energy costs will be closely monitored.

- Short-term interest rates are expected to stay stable through the first half of 2026, while the longer end of the yield curve may reflect ongoing geopolitical risks. We favor high-quality intermediate maturities with selective exposure to high-yield bonds.

- We remain committed to maintaining risk-managed portfolios. United Wealth and Investment Management supports both value and growth companies, allocating equally to each style. Most equity assets remain tactically tilted toward U.S. large-cap companies based on current market expectations. Mid- and small-cap companies should perform well with lower rates.

BROAD CASSET CLASS VIEW



EQUITY ASSET CLASSES

An equity rotation is underway

It is widely acknowledged that the current bull market began in the later stages of the Great Recession. In March 2009, the S&P 500 fell to 676, and over the past 17 years it has risen nearly tenfold. While value stocks have performed well, growth stocks, especially mega-cap technology, have driven most of the equity gains. Two recent trends are reshaping that landscape. Since the 2024 U.S. elections, investors have shown greater interest in international equities, which have lagged U.S. stocks for much of the bull market. Meanwhile, U.S. mid-cap and small-cap equities have rallied strongly since fall 2025, outperforming large-cap stocks.

U.S. Large-Cap equities remain the foundation of global innovation and development, but elevated valuations suggest technology has attracted a disproportionate share of investor capital. Other equity classes appear underappreciated and may offer stronger performance potential.

The United Bank Wealth Management Investment Committee remains committed to U.S. Large-Caps for their long-term performance, predictability, and diversification benefits. At the same time, we see multi-year opportunities emerging elsewhere. Accordingly, we have modestly reduced U.S. large-cap exposure to increase domestic mid-caps, maintained our overweight in small-caps, and slightly increased developed international and emerging market equity exposure.

		View	Relative Trend	Rationale
Market Capitalization	Large-Cap Equity			We think U.S. large-cap equity should remain the core allocation in most U.S. equity portfolios. After years of outperformance, other, less expensive segments may present opportunities to excel. Large-caps will continue to perform well as the economy generates growth, and large-cap value companies should receive additional attention as valuations appear appealing.
	Mid-Cap Equity			We expect continued gains in mid-cap equity in 2026, as this segment is just beginning to perform strongly. Previous Fed rate cuts further accelerated mid-cap outperformance versus large-cap. Mid-cap growth remains favored, though value equities have also shown a solid recovery.
	Small-Cap Equity			The “America First” agenda promoted by the Trump administration in its first year did not unfold as expected. In 2026, small-cap equity may benefit from a tailwind. Like Mid-caps, Small-caps are just beginning to gain a market advantage, and we expect this segment to deliver strong performance. Potentially lower interest rates could further support small-cap profitability.
Style	Growth			The AI and IT growth story remains relevant, but market activity and performance are broadening to other equity segments and sectors. Investors are increasingly recognizing opportunities beyond tech companies, a trend we expect to continue in 2026 as other segments, styles, and value companies attract attention. AI will drive economic benefits across numerous industries and applications, and while most equity gains so far have been concentrated in companies building the AI infrastructure, future gains are likely to be more widespread.
	Value			United continues to maintain a slight equity value style bias to help protect portfolios from volatility. We have recently increased our weight in value allocations. Companies in our value-based Large Cap Dividend Strategy are recognized for strong balance sheets, above-average dividend yields, and investor-friendly policies. Value stocks have rallied impressively since April 2025 and have performed on par with, or even exceeded, growth over the past 12 months. We expect these gains to continue into 2026.
Region	United States			We continue to believe that the U.S. stock market is likely to deliver stronger long-term performance than most foreign markets. However, when U.S. laws or policies affecting international trade deviate from conventional practices, risk adjustments are likely. This has been the case since the 2024 elections.
	Developed International			Over the past year, the trend of international equity underperformance has shifted, with investors significantly increasing allocations outside the U.S. Policies implemented by the Trump administration have created an environment where foreign governments must align more closely to support their economies. We do not expect either the administration or foreign governments to change course in 2026 and anticipate continued gains this year.
	Emerging Markets			President Trump has taken a different approach to foreign relations than some previous administrations, focusing more on economic factors. Countries like China are negotiating with greater attention to financial considerations, giving governments more flexibility. We view this shift as supportive for international markets, with China likely to expand its global economic presence.

FIXED INCOME

Higher energy prices drive inflation potential with interest rates rising across the yield curve

First-quarter fixed income returns were less affected than initially expected despite shocks to the global energy market. Interest rates rose modestly, primarily due to the Middle East conflict, as rates prior to the war were slightly lower than at the end of 2025. The war's duration, energy access, and geopolitical stability have weighed on markets, prompting issuers to offer higher yields amid renewed inflationary pressures. While last year's tariff threats have eased, disruptions to energy supply have introduced new inflation risks. A shorter Iranian conflict could encourage investors back into the market, lowering rates, whereas a prolonged conflict would have the opposite effect.

The Federal Reserve has taken limited action recently. Despite slower job growth, rising energy prices may prevent rate cuts until inflationary pressures ease. We anticipate eventual short-term easing once the conflict's trajectory becomes clearer.

United maintains a neutral-duration stance in managed bond portfolios. Tariff policies are unlikely to materially affect downstream inflation beyond current levels. We continue to favor a blend of high-quality intermediate-term bonds with selective exposure to shorter maturities. Corporate and municipal bonds remain strong across credit tiers, and high-yield bonds from stable, growing companies provide attractive opportunities for modest allocations. For tax-sensitive accounts, municipal bonds remain the preferred option. Overall, we recommend a fixed-income core of high-quality bonds to serve as a volatility buffer while maintaining income and diversification.

Positioning		Low Medium High	Rationale
	Credit		United prefers fixed-income portfolios with a core of high-quality bonds that serve as a volatility buffer. Credit spreads have returned to a normalized state.
		Short Int. Long	
	Duration		Short rates have mirrored Fed action for some time. We expect little change in Fed policy until a new Fed Chair is appointed. Intermediate and long rates are reacting to higher inflation expectations due to the Iran War. We expect this condition to be temporary.

COMMODITIES

Energy prices spike due to Iran war

On a global level, there has been a consistent inverse relationship between the U.S. dollar and both oil and gold prices for more than fifty years. Because both commodities are generally priced in dollars, when the dollar is stronger, their prices tend to fall, and when the dollar is weaker, they tend to rise. Precious metals spiked last year largely due to a weaker dollar resulting from unconventional economic policies enacted by the Trump administration. Recently, the dollar has strengthened as the U.S. economy serves as a store of international value during periods of global hostilities. Although the U.S. may have initiated the conflict with Iran, investors still rely on the strength of the U.S. economy to weather the storm. The Iran conflict presents a separate set of challenges related to oil prices. The 60% year-to-date rise in the price of a barrel of oil may be short-lived if hostilities end soon, but prices could rise further if the conflict is prolonged. Gold is already down 15%, and silver is down 35% from their respective all-time highs set in January of this year.

Conclusion

U.S. Markets Hold Despite Global Geopolitical Risks

Despite the military activity initiated in the first quarter, the U.S. economic outlook remains positive. Record S&P 500 earnings will likely be reported this year, marking the sixth consecutive year that corporate earnings set all-time highs. Unless further military action reduces global energy production or access, we do not see the current Middle East conflict depressing the U.S. or global economy for an extended period or causing meaningful long-term consequences.

Important Disclosures

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Economic forecasts set forth may not develop as predicted.

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