

Quarterly

Market Review

»» Quarter 1 | 2026

Honest questions. Genuine advice.



VERABANK
WEALTH MANAGEMENT

2026 Q1 Market Review

This report features VeraBank Wealth Management market commentary, global stock and bond market performance data, and a timeline of events for the past quarter.

With commentary about what has taken place in the financial markets and economy through March 2026; you'll also find returns data for major asset classes which we also include in client portfolios.

The report concludes with our current views on the market and an article providing perspective on the geopolitical risks impacting markets today.

Contact a [VeraBank Wealth Management Advisor](#) with any questions or if you know someone who might benefit from our expert advice.

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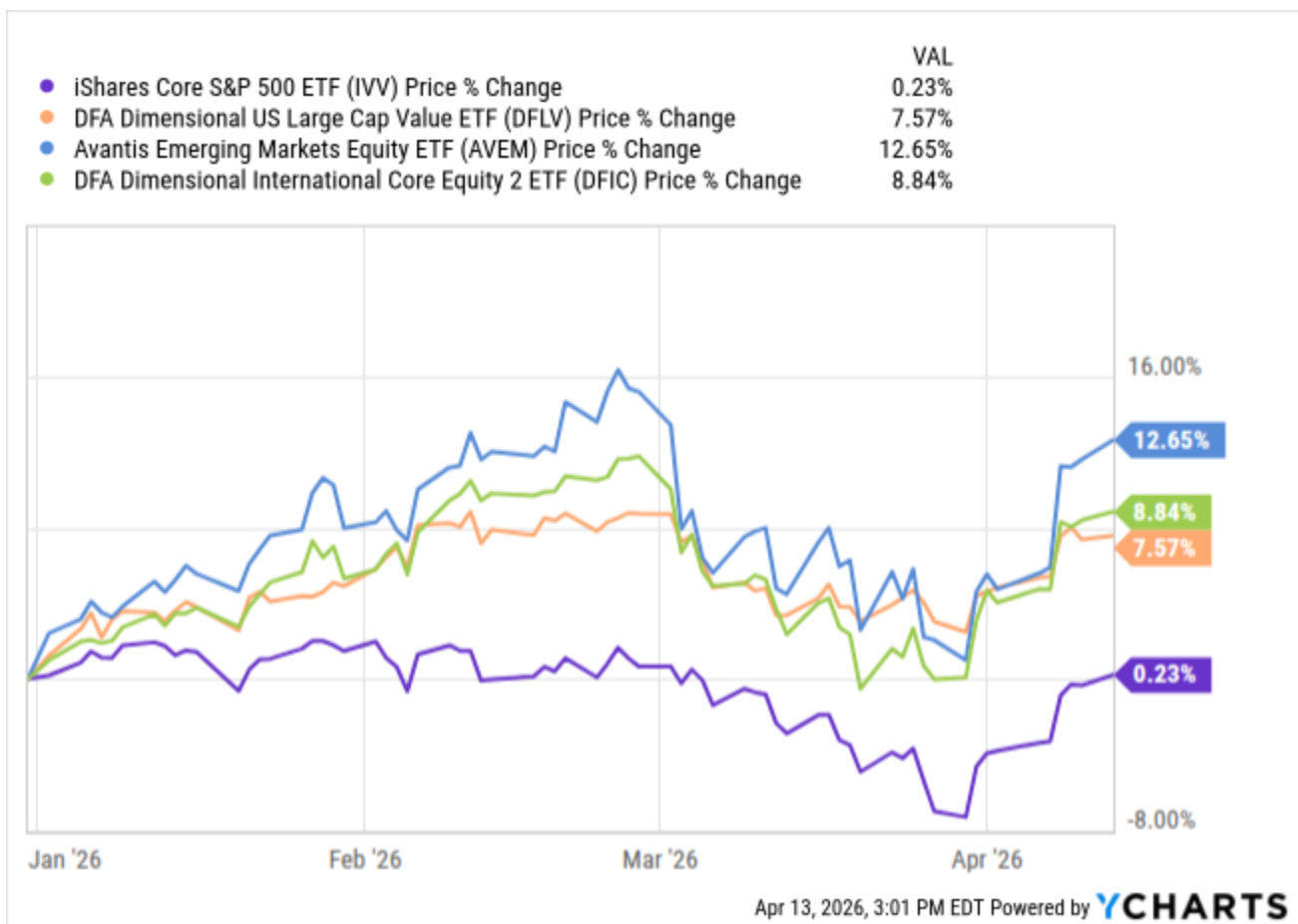
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2026 Q1 Market Review

VeraBank Wealth Management Commentary

U.S. markets navigate geopolitical tensions, military conflict, and higher oil prices

- U.S. stock indices have been resilient, despite volatility as a result of the U.S. and Iran military conflict and heightened geopolitical tensions.
- Non-U.S. stock markets continue to outperform the U.S. Emerging markets (AVEM) are up 12.65% and International Developed Markets (DFIC) are up 8.84% (as of 4/13/26) after the recent rally post-ceasefire agreement.
- In the U.S., value stocks (DFLV) are up 7.57% while the S&P 500 (IVV) is only up 0.23%. This outperformance in value stocks is driven by strength in energy companies and defensive stocks, as compared to the tech-heavy S&P 500 index.

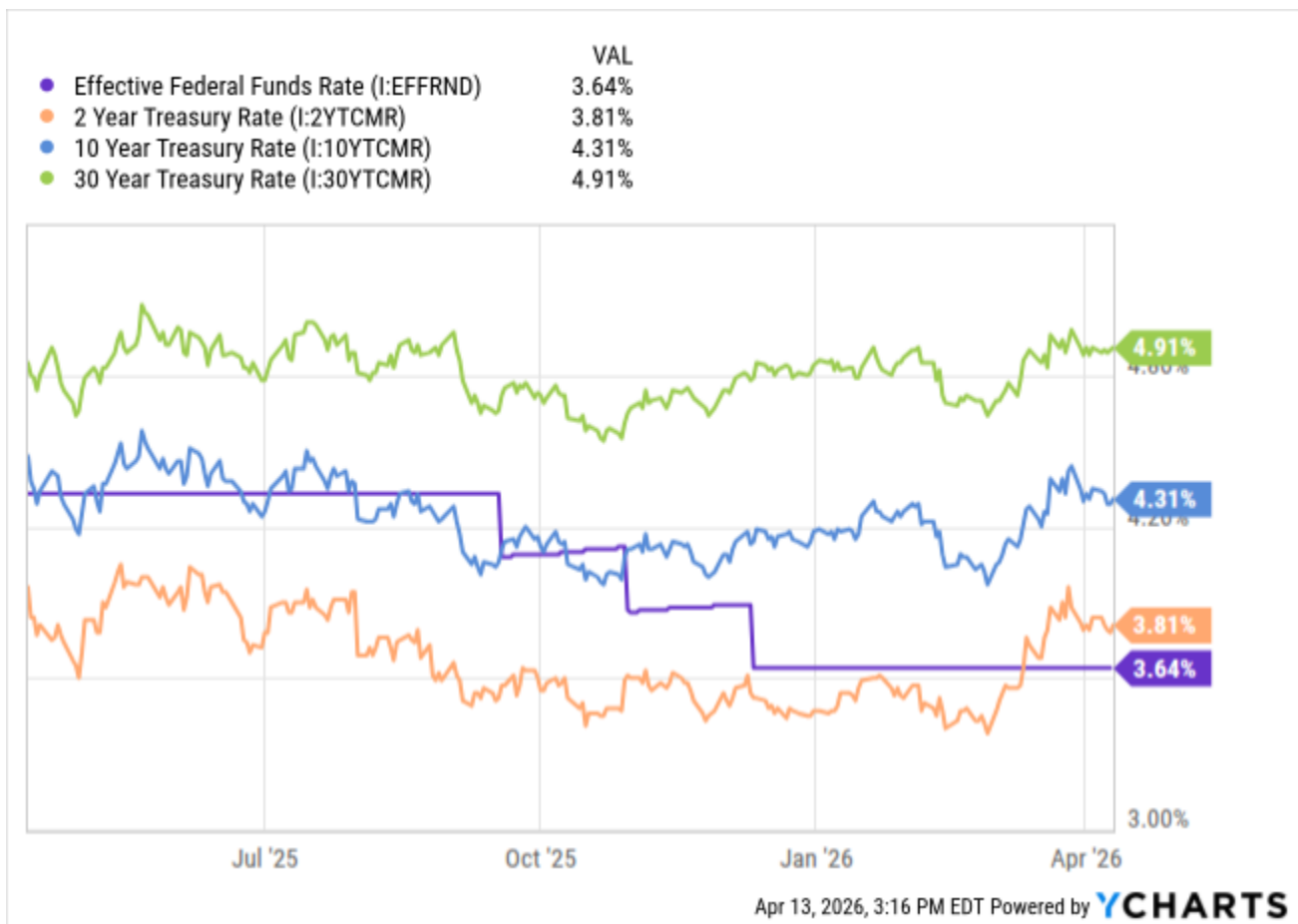


2026 Q1 Market Review

VeraBank Wealth Management Commentary







Interest rates rise – the Federal Reserve holds steady

- Interest rates have increased over the last month, as inflation remains sticky, and a spike in oil prices fuels fear of even greater future inflation levels.
- U.S. Treasury yields have now risen to levels not seen since July 2025 and are above the level when the Federal Reserve cut the Fed Funds rate to 4.00% on September 2025.
- Fed Funds Outlook: The Fed Funds futures market is currently pricing in zero movement in the Fed Funds throughout 2026, likely a result of increased inflation worries.



Quarterly Market Summary

First Quarter 2026 Index Returns

	Stocks				Bonds	
	U.S. Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	U.S. Bond Market	Global Bond Market ex U.S.
Q1 2026	-3.96%	-0.94%	-0.17%	0.77%	-0.05%	-0.19%
						
Since January 2000						
Average Quarterly Return	2.3%	1.6%	2.2%	2.2%	1.0%	1.0%
Best Quarter	22.0%	25.9%	34.7%	32.3%	6.8%	5.4%
	2020 Q2	2009 Q2	2009 Q2	2009 Q3	2023 Q4	2023 Q4
Worst Quarter	-22.8%	-23.3%	-27.6%	-36.1%	-5.9%	-4.1%
	2008 Q4	2020 Q1	2008 Q4	2008 Q4	2022 Q1	2022 Q1

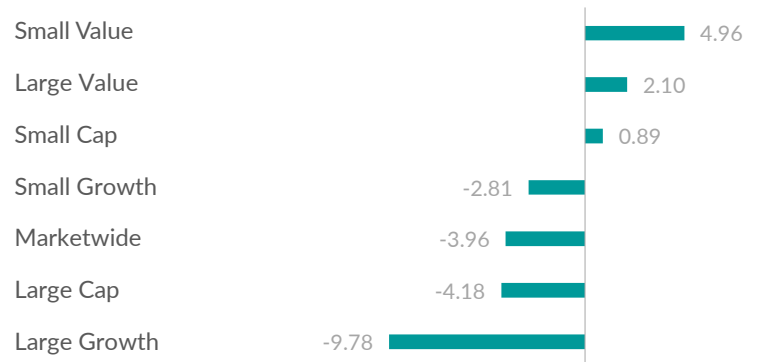
Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: US Stock Market (Russell 3000 Index), International Developed Stocks (MSCI World ex USA Index [net dividends]), Emerging Markets (MSCI Emerging Markets Index [net dividends]), Global Real Estate (S&P Global REIT Index [net dividends]), US Bond Market (Bloomberg US Aggregate Bond Index), and Global Bond Market ex US (Bloomberg Global Aggregate ex-USD Bond Index [hedged to USD]). S&P data © 2026 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. MSCI data © MSCI 2026, all rights reserved. Bloomberg data provided by Bloomberg.

U.S. Stocks

First Quarter 2026 Index Returns

- The U.S. equity market posted negative returns for the quarter and underperformed both non-U.S. developed and emerging markets.
- Value outperformed growth.
- Small caps outperformed large caps.

Ranked Returns (%)



Periodic Returns (%)

Annualized

Asset Class	QTR	1-Year	3-Years	5-Years	10-Years	15-Years	20-Years
Small Value	4.96	28.09	13.80	5.79	9.61	8.62	6.98
Large Value	2.10	15.87	14.31	9.43	10.58	10.47	8.12
Small Cap	0.89	25.72	13.05	3.77	9.88	8.98	7.54
Small Growth	-2.81	23.58	12.27	1.62	9.79	9.09	7.88
Marketwide	-3.96	18.09	17.86	10.87	13.72	12.81	10.26
Large Cap	-4.18	17.74	18.14	11.34	13.97	13.09	10.46
Large Growth	-9.78	18.81	21.18	12.76	16.83	15.33	12.48

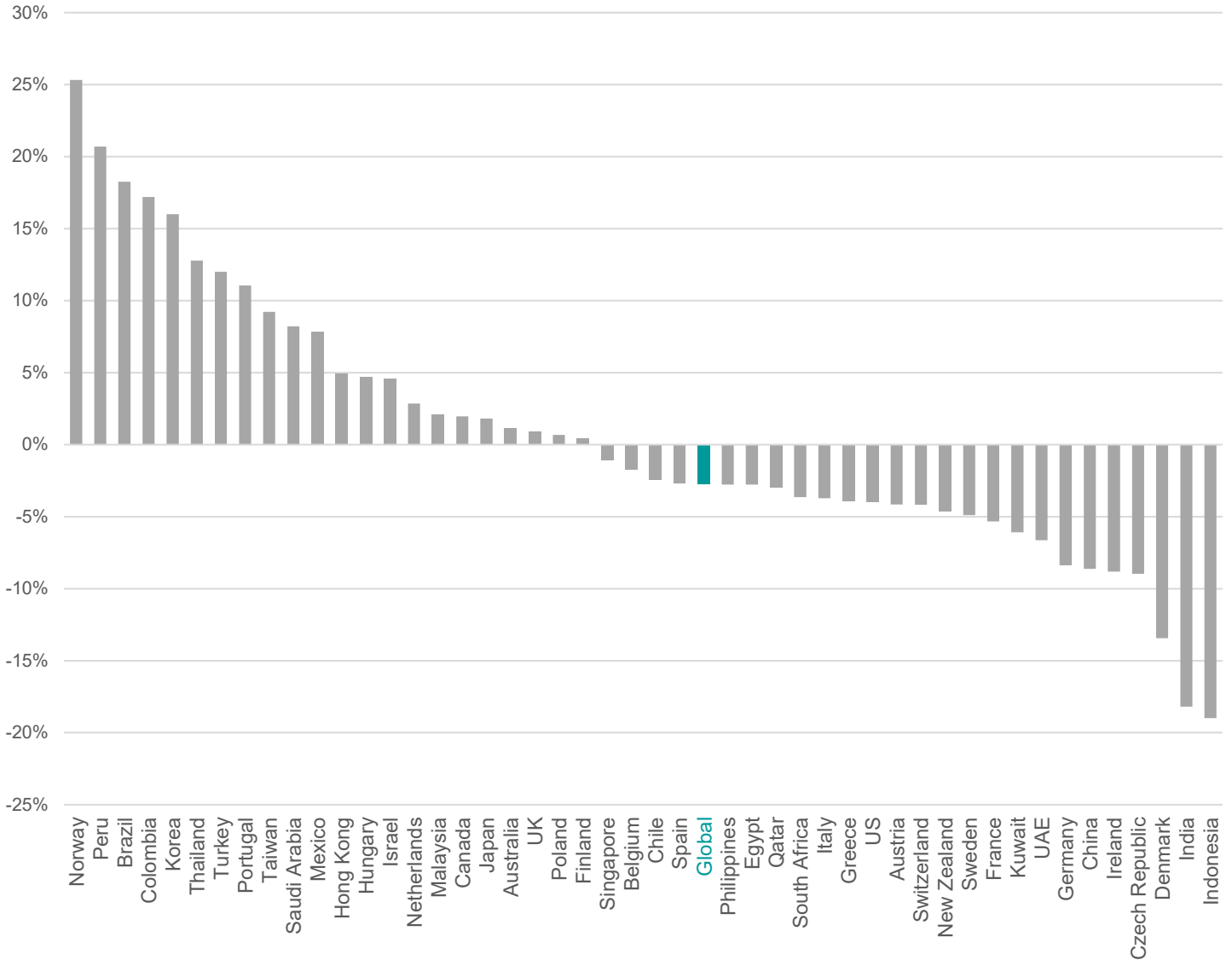
World Market Capitalization

63% U.S. Market
\$62.6 trillion

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Country Returns

First Quarter 2026 Index Returns



Past performance is no guarantee of future results. Country returns are the country component indices of the MSCI All Country World IMI Index for all countries except the United States, where the Russell 3000 Index is used instead. Global is the return of the MSCI All Country World IMI Index. MSCI index returns are net dividend. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. MSCI data © MSCI 2026, all rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes.

Fixed Income

First Quarter 2026 Index Returns

Within the U.S. Treasury market, interest rates increased during the quarter.

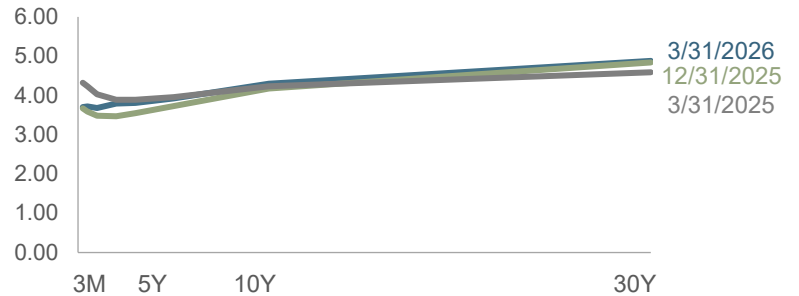
On the short end of the yield curve, the 1-month U.S. Treasury bill yield remained unchanged at 3.74%. The yield on the 2-year U.S. Treasury note increased 32 bps to 3.79%.

The yield on the 5-year U.S. Treasury note increased 19 bps to 3.92%. The yield on the 10-year U.S. Treasury note increased 12 bps to 4.30%. The yield on the 30-year U.S. Treasury bond increased 4 bps to 4.88%.

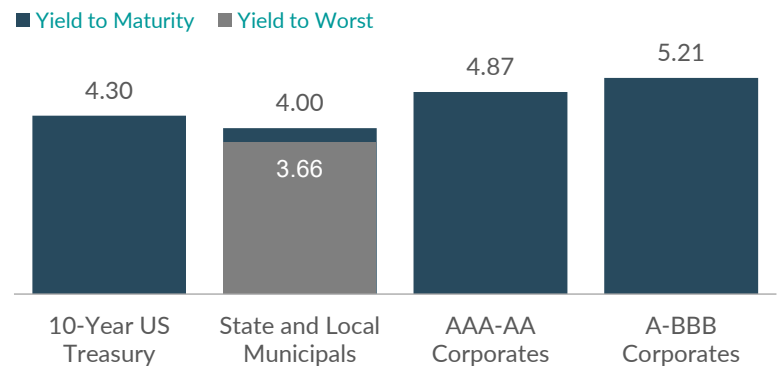
In terms of total returns, short-term U.S. Treasury bonds returned +0.15% and intermediate-term U.S. Treasury bonds returned +0.05%. Short-term corporate bonds returned +0.09% and intermediate-term corporate bonds returned -0.22%.

The total returns for short- and intermediate-term municipal bonds were +0.43% and -0.57%, respectively. Within the municipal fixed income market, general obligation bonds returned -0.32% while revenue bonds returned -0.13%.

U.S. Treasury Yield Curve (%)



Bond Yields Across Issuers (%)



Periodic Returns (%)

Asset Class	QTR	Annualized					
		1-Year	3-Years	5-Years	10-Years	15-Years	20-Years
ICE BofA US 3-Month Treasury Bill Index	0.85	4.00	4.74	3.34	2.26	1.53	1.70
ICE BofA 1-Year US Treasury Note Index	0.59	3.67	4.32	2.58	2.05	1.47	1.90
Bloomberg U.S. TIPS Index	0.26	3.00	3.18	1.48	2.66	2.78	3.64
FTSE World Government Bond Index 1-5 Years (hedged to USD)	0.23	3.88	4.35	1.92	1.99	1.95	2.49
Bloomberg U.S. Aggregate Bond Index	-0.05	4.35	3.63	0.31	1.70	2.39	3.28
Bloomberg Municipal Bond Index	-0.18	4.29	2.87	0.84	2.16	3.29	3.50
Bloomberg U.S. Government Bond Index Long	-0.40	0.49	-1.47	-4.55	-0.77	2.55	3.47
FTSE World Government Bond Index 1-5 Years	-0.48	5.15	3.55	0.26	0.84	0.14	1.81
Bloomberg U.S. High Yield Corporate Bond Index	-0.50	7.01	8.60	4.23	6.12	5.72	6.56

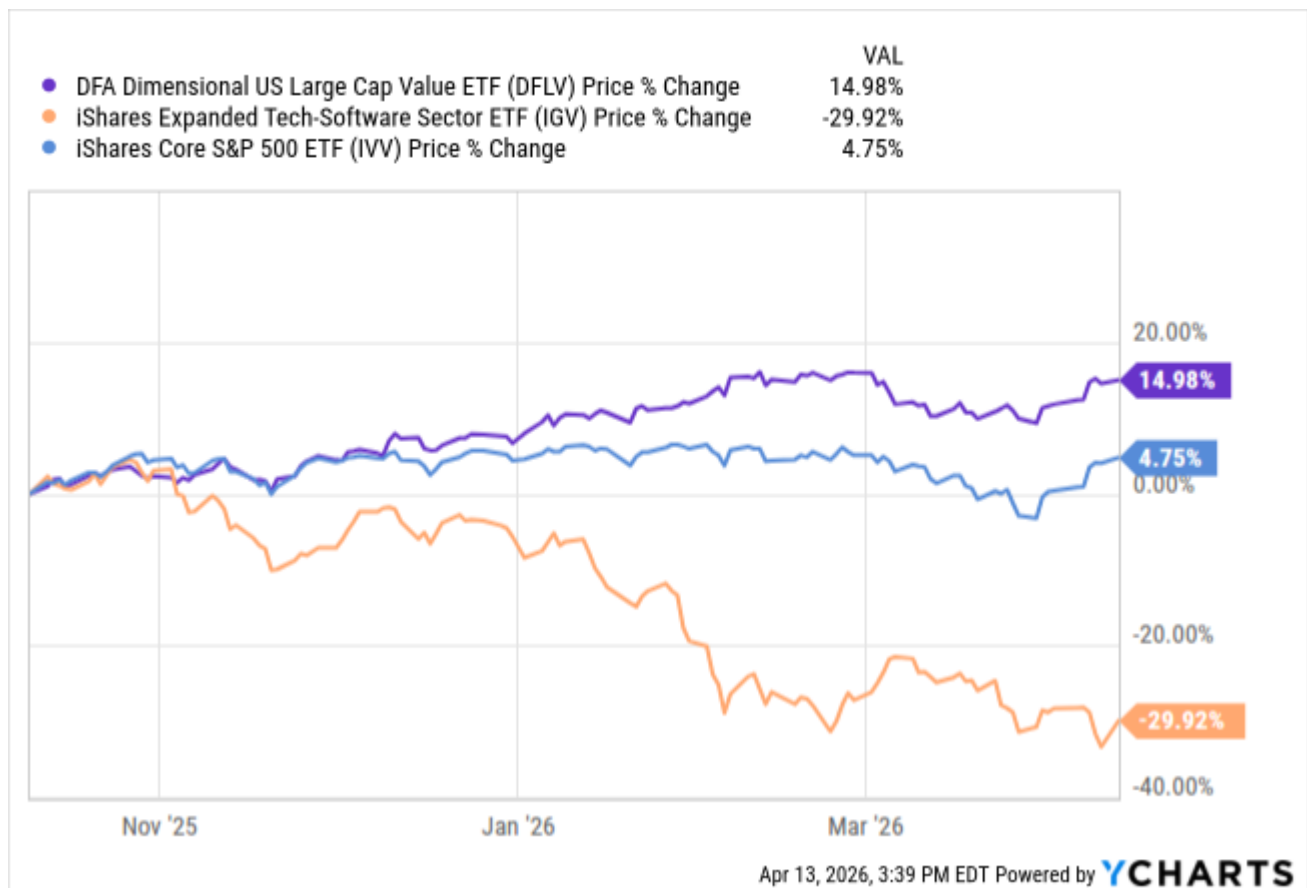
One basis point (bps) equals 0.01%. **Past performance is not a guarantee of future results.** Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Yield curve data from Federal Reserve. State and local bonds, and the Yield to Worst are from the S&P National AMT-Free Municipal Bond Index. AAA-AA Corporates represent the ICE BofA US Corporates, AA-AAA rated. A-BBB Corporates represent the ICE BofA Corporates, BBB-A rated. Bloomberg data provided by Bloomberg. US long-term bonds, bills, inflation, and fixed income factor data © Stocks, Bonds, Bills, and Inflation (SBBI) Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefeld). FTSE fixed income indices © 2026 FTSE Fixed Income LLC, all rights reserved. ICE BofA index data © 2026 ICE Data Indices, LLC. S&P data © 2026 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Bloomberg data provided by Bloomberg.

Market Perspectives

VeraBank Wealth Management Commentary

Expect the Unexpected

- For the last several years, U.S. technology company stocks appeared to be an unstoppable force fueled by AI spending and technological advancement that would disrupt entire industries.
- In November 2025, a trend began that has dramatically picked up steam throughout 2026 – software and many technology companies are now feared to be some of the most likely companies disrupted by AI. In just the last six months, the S&P 500 (IVV) has outperformed a software-focused fund (IGV) by almost 35%. U.S. value companies (energy, industrials, financials) have outperformed software by almost 45% in just six months.
- We expect the unexpected when building client investment portfolios, and plan for the unexpected by diversifying investments across markets, managing risk to an appropriate level for each individual, and we avoid the guessing game of predicting what might happen next.



Geopolitical Risks and Market Implications: A Goals-Based Investment Perspective

Geopolitical risk remains one of the most persistent and difficult to forecast variables affecting global economies and financial markets. The good news is there is no requirement to make investment decisions based on these risks – in fact, you’re better off leaving it out of your portfolio.

Over the past 30 years, the U.S. has been involved in multiple conflicts – including the Iraq War, the War in Afghanistan, and most recently the 2026 conflict with Iran. Each of these episodes has created periods of heightened uncertainty, market volatility, and shifts in global economic conditions. However, history demonstrates that while geopolitical shocks can be severe in the short term, their long-term impact on diversified investment portfolios is often more limited and transient.

The current conflict involving the U.S. and Iran represents a meaningful escalation in geopolitical tension, particularly given its implications for global energy markets and trade routes. Disruptions to critical shipping lanes and oil infrastructure have already contributed to rising energy prices and increased inflationary pressures globally. Market volatility has surged, with measures of investor uncertainty rising sharply as participants reassess risk across asset classes. Additionally, central banks and policymakers are now navigating a more complex environment, balancing inflation risks with slowing growth and tighter financial conditions.

Short-term Market Impact

In the short term, geopolitical shocks can spike market volatility and trigger risk-off sentiment. Equity markets typically experience modest drawdowns, averaging around 5-6% for the S&P 500 across two dozen events since 1970 before stabilizing. Oil prices surge on supply fears (as seen in the most recent conflict with Iran, where Brent crude climbed above \$100/barrel amid Hormuz disruptions), while investment flows boost the U.S. dollar and other safe-haven assets. Bonds can offer ballast but may face pressure from concurrent inflation expectations.

The S&P 500 fell roughly 5% in March as investors processed the news out of Washington and the middle east, which is fairly consistent with market declines experienced in the 2025 12-Day War between Iran and Israel and the 2022 Ukraine invasion.

The Bigger Picture

Despite these near-term disruptions, historical evidence suggests that markets are resilient in the face of geopolitical shocks. Over time, economic fundamentals including corporate earnings, productivity, and monetary policy tend to reassert themselves as the primary drivers of asset prices. In fact, long-term equity returns following major geopolitical events have often aligned with historical averages, underscoring the importance of maintaining a disciplined investment approach.

Geopolitical Risks and Market Implications: A Goals-Based Investment Perspective

From a goals-based investment perspective, this reinforces the value of broad diversification and strategic asset allocation. Rather than attempting to predict or react to geopolitical events that are inherently uncertain, we structure portfolios to withstand a wide range of outcomes through thoughtful construction and aligning assets to specific goals.

Tune Out the Short-term Noise

While geopolitical risks can create meaningful short-term challenges for markets and economies, they rarely alter the long-term trajectory of diversified portfolios. We work with clients to expect the unexpected and implement a goals-based approach. Grounded in broad asset allocation and disciplined rebalancing, this approach provides a resilient framework for navigating uncertainty while remaining focused on achieving long-term financial objectives. The best strategy is to remain invested, rebalance thoughtfully, and let time and fundamentals work in your favor.

If you aren't currently working with us and you don't have an investment plan in place that is proactively designed to navigate both bull markets and volatile markets (or know someone else who might benefit from our expertise), contact a [VeraBank Wealth Management advisor](#) with any questions.



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