

Perspective on First Quarter 2026 Economic & Market Events

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Financial markets entered 2026 facing continued volatility and an increasingly event-driven environment shaped by geopolitical developments, shifting trade dynamics, and persistent inflation concerns. Broad equity indices generally declined during the first quarter, though performance varied significantly across sectors. Leadership rotated away from many of the large technology and communication services companies that had driven markets in prior periods, while energy, commodities, and more defensive sectors demonstrated relative strength amid rising geopolitical tensions and commodity price volatility. ¹

Fixed-income markets experienced improved stability as interest rates began to level off after an extended period of tightening. Bond yields remained elevated relative to recent history, creating more attractive income opportunities for investors. Credit conditions remained generally healthy, though spreads widened slightly in response to ongoing geopolitical uncertainty. ²

The U.S. economy continued to demonstrate resilience in early 2026, though growth has moderated. Consumer spending remains steady, supported by a strong labor market, while business investment has shown signs of caution amid policy uncertainty. Inflation has continued to ease gradually but remains above long-term targets, reinforcing a cautious stance from the Federal Reserve. ³

Globally, economic conditions remain mixed. Developed markets are navigating slower growth, while select emerging markets are benefiting from improved trade dynamics and localized reforms. Currency fluctuations and regional instability continue to influence capital flows. ⁴

As we move further into 2026, investors continue to navigate an environment shaped by moderating economic growth, evolving monetary policy, and ongoing geopolitical uncertainty. The Federal Reserve has adopted a more measured, data-dependent approach as inflation gradually cools, though policymakers remain cautious about easing financial conditions too quickly. This has created a market environment where both growth opportunities and income-generating investments can play an important role within diversified portfolios. ³

Geopolitical developments also remain an important consideration. Ongoing conflicts abroad, trade negotiations, and continued supply chain adjustments have contributed to periodic market volatility and shifting commodity prices. While these events can create short-term uncertainty, they also reinforce the value of maintaining diversification across sectors, asset classes, and geographic regions. ⁴

Corporate earnings have generally remained stable entering the year, though investors have become more selective as valuations in some areas of the market—particularly large technology companies—remain elevated. At the same time, the continued expansion of artificial intelligence and digital infrastructure investment is creating meaningful long-term opportunities across multiple industries. We believe this environment favors a disciplined approach focused on quality companies with strong balance sheets, durable earnings, and sustainable competitive advantages.^{1, 5}

Global economic trends are also influencing portfolio strategy. Efforts to strengthen domestic manufacturing, modernize infrastructure, and diversify supply chains continue to reshape investment opportunities both in the United States and abroad. Select international markets may benefit from these transitions, though careful attention to economic and political stability remains essential.⁴

Our role as advisors is centered less on making short-term market predictions and more on helping clients navigate uncertainty in a disciplined and thoughtful way. While we partner with experienced third-party investment managers for portfolio implementation and day-to-day investment management, our focus remains on aligning each client's investment strategy with their unique financial circumstances, long-term goals, and cash flow needs.

Periods of market volatility can often create emotional pressure for investors, particularly when headlines and geopolitical events dominate the news cycle. During these times, we believe one of the most important aspects of our role is helping clients manage downside risk appropriately while maintaining a long-term perspective. This includes evaluating risk tolerance, liquidity needs, retirement timelines, income requirements, and broader life objectives.

Rather than reacting to short-term market movements, our process emphasizes maintaining a diversified investment strategy designed to support long-term financial well-being through varying market conditions. We continue to work closely with our third-party managers to monitor economic developments, interest rate trends, market valuations, and global events, while also ensuring portfolios remain aligned with each client's overall financial plan.

In today's environment, where uncertainty can shift quickly, we believe thoughtful planning, consistent communication, and disciplined portfolio management remain essential. Our commitment is to help clients stay focused on their long-term goals while navigating periods of market volatility with perspective and confidence.

The first quarter of 2026 highlighted how quickly market conditions can shift in response to economic data, geopolitical developments, and changing investor sentiment. While economic fundamentals remain relatively stable, market volatility and sector rotation reinforced the importance of maintaining a disciplined, diversified investment approach grounded in long-term objectives rather than short-term market movements. Ongoing portfolio reviews and thoughtful

risk management remain essential as investors continue to navigate an environment shaped by uncertainty, inflation concerns, and evolving global events.

We appreciate the continued trust you place in our advisory team. Periods like this—where markets are stabilizing but uncertainty remains—underscore the importance of disciplined guidance and proactive communication. Our team remains actively engaged in monitoring market developments, evaluating portfolio positioning, and identifying opportunities aligned with your long-term objectives. We encourage you to connect with your advisor to review your portfolio, discuss any changes in your financial goals, and ensure your investment strategy remains well-positioned for the road ahead.

Citations:

¹ Bloomberg Market Data, Q1 2026 Market Performance Summary

² Federal Reserve Bank of St. Louis, Interest Rate and Bond Market Data, 2026

³ U.S. Bureau of Economic Analysis and Bureau of Labor Statistics, Economic Indicators, 2026

⁴ International Monetary Fund (IMF) and World Bank, Global Economic Outlook Updates, 2026

⁵ McKinsey & Company, Global Technology and AI Investment Trends Report, 2025–2026

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