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Perspective on Third Quarter 2026 Economic & Market Events

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As we approach the end of 2026 and begin looking toward a new year, we are reminded that financial markets rarely move in a straight line. Changing interest rates, government policies, technological advances, and global events have given investors plenty to consider. Yet, through it all, the importance of maintaining a long-term perspective and a disciplined investment strategy remains unchanged.

Despite the uncertainty reflected in daily headlines, the U.S. economy has continued to demonstrate resilience. Consumer spending, business investment, and corporate earnings have supported economic growth, even as inflation and interest rates remain important considerations. While inflation has moderated from the levels experienced several years ago, progress has been uneven. The Federal Reserve continues to balance price stability with sustainable economic growth. Rather than attempting to anticipate every interest rate decision, we believe it is more prudent to maintain investment strategies that can adapt to changing conditions.

The recent midterm elections have introduced a new dynamic as we look toward 2027. With Democrats gaining control of both chambers of Congress, the prospect of divided government has raised questions about the direction of tax policy, regulation, trade, and federal spending. The short-term market volatility following the elections illustrates how quickly investor expectations can change as political and economic developments unfold. While these developments deserve our attention, their longer-term implications will take time to become clear. History reminds us that markets have navigated many different political environments, and we believe election results should not dictate long-term investment decisions.

Technological innovation continues to offer meaningful opportunities for economic growth, particularly as artificial intelligence and automation become more widely adopted. However, recent volatility in technology-related investments reminds us that even promising developments carry risks. As the substantial costs of developing AI infrastructure become more apparent, investors are looking more closely at how quickly those expenditures will translate into sustainable earnings. Although these technologies may improve productivity across many industries, their benefits will likely develop unevenly, and not every investment will meet expectations.

Within equity markets, our focus remains on participating in long-term economic growth while maintaining appropriate diversification. Different sectors, investment styles, and geographic regions naturally move in and out of favor. Rather than attempting to predict which will lead next, we

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emphasize a balanced approach designed to participate in market opportunities without becoming overly dependent on any single area.
Fixed income continues to serve an important role in diversified portfolios. Today's interest rate environment offers meaningful income opportunities, while bonds can provide balance during periods of equity market volatility. Although fixed-income investments carry their own risks, we believe they remain an important component of a thoughtful investment strategy, particularly for clients seeking income and greater stability.

As we look toward 2027, there are reasons for both optimism and caution. The adaptability of the American economy, continued business investment, and opportunities for improved productivity provide a foundation for future growth. At the same time, inflation, government policy, and global events may contribute to periods of volatility, and future investment returns may be more moderate than those experienced in recent years.

There will always be reasons to be optimistic and reasons to be cautious. Successful investing does not depend on predicting every market movement. It depends on having a thoughtful plan, maintaining appropriate diversification, and remaining focused on long-term objectives. Market conditions will change, sometimes unexpectedly, but those changes do not necessarily alter the purpose behind your investments.

Our responsibility is to help you remain focused on what matters most. We continually evaluate investment strategies and monitor portfolios to help ensure they remain aligned with your goals, time horizon, and tolerance for risk. Just as importantly, we recognize that financial planning is personal. Understanding your circumstances, anticipating changing needs, and helping you make informed decisions are central to the way we serve our clients.

As another year draws to a close, we want to express our sincere appreciation for the confidence you continue to place in Uwharrie Investment Advisors. We value the relationships we have built with you and your family and never take for granted the responsibility that comes with helping you plan for your financial future. Whether you have questions about the markets, would like to review your portfolio, or simply want to discuss your plans for the coming year, we encourage you to contact your advisor.

As the year draws to a close, we wish you and your family a joyful holiday season and a new year filled with good health, happiness, and prosperity.

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