Hi! I'm Frank Holsteen, Managing Director of Wespath's Investment Management team. Today I'm here to recap the investment news from the second quarter of 2026.

Investors had plenty to keep an eye on over the last few months. The war in Iran continued to influence energy markets, inflation remained elevated, and the Federal Reserve entered a new chapter under its new chair. Despite those challenges, markets spent much of the quarter focused on growth opportunities rather than uncertainty, creating what many investors would describe as a "risk-on" environment.

That optimism was especially visible in the stock market.

The Russell 3000 Index returned 15% during the quarter, with some of the strongest gains coming from smaller companies. Small-cap stocks returned 21%, as measured by the Russell 2000 Index.

Artificial intelligence remained one of the biggest drivers of performance, but the story evolved. Earlier in the AI cycle, investors focused heavily on the large technology companies making major investments in artificial intelligence. This quarter, attention shifted toward the companies supplying the hardware needed to support that growth.

Semiconductor companies gained more than 80% during the quarter, as measured by the Philadelphia Semiconductor Index, as investors looked for ways to benefit from growing demand for AI infrastructure. That enthusiasm spread overseas as well, particularly among technology companies in Taiwan and South Korea that play important roles in the global semiconductor supply chain.

Another sign of investor confidence was the amount of money flowing into the market. Companies raised funding through stock and bond offerings at a rapid pace, particularly in industries connected to artificial intelligence.

Bond markets delivered positive, though more modest, returns.

The Bloomberg U.S. Aggregate Bond Index gained 0.7% during the quarter. Shorter-term bond yields moved higher as investors adjusted expectations for interest rates. Even with ongoing geopolitical uncertainty and rising inflation, demand for corporate bonds remained strong and credit markets continued to show resilience.

Inflation remained a key concern. In May, the Consumer Price Index reached an annual rate of 4.2%, the highest reading in three years. Energy costs were a major contributor, reflecting supply-chain disruptions and market volatility associated with the conflict in the Middle East.

Meanwhile, the Federal Reserve kept its target interest-rate range unchanged at 3.50% to 3.75%. However, policymakers signaled a growing possibility that interest rates could remain higher for longer than investors previously expected.

We also saw continued resilience in the labor market.

Employers added an estimated 57,000 jobs in June, while the unemployment rate edged down to 4.2%. Although job growth remained concentrated in a relatively small number of industries, overall employment conditions continued to provide support for the broader economy.

As always, Wespath will continue to monitor the latest news on geopolitics, investments and the economy—and update you on the most important market developments. We're here to keep you informed throughout 2026 to help you achieve your long-term investment goals.