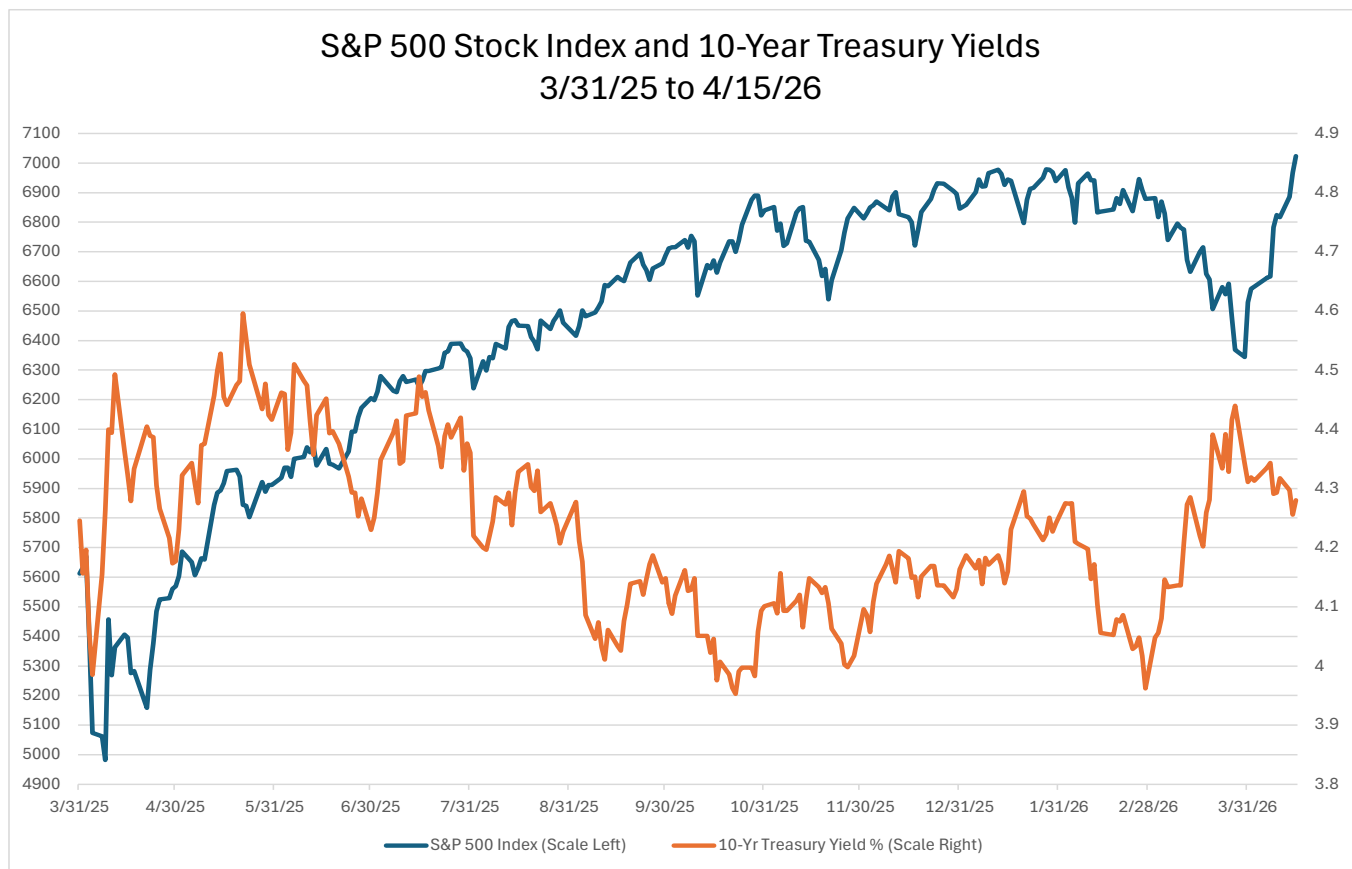


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April 19, 2026

Stock & Bond Benchmark Total Returns (%) For Periods Ending March 31, 2026					
	QTR	1-Year	3-Years	5-Years	10-Years
Standard & Poor's 500	-4.33	17.80	18.32	12.06	14.16
Bloomberg Barclays U.S. Aggregate Bond	-0.07	4.26	3.59	0.29	1.69
60% Stocks / 40% Bonds TAA Composite Index	-2.63	12.31	12.34	7.40	9.26
3-month Treasury Bills	0.90	4.03	4.74	3.40	2.25
Inflation (CPI)	1.90	3.26	3.04	4.51	3.32

Returns (%) include capital gains, dividends and interest. All data **annualized** for periods greater than one year.
60% Stocks / 40% Bonds TAA Composite Index is rebalanced monthly.
Sources: S&P Dow Jones Indices, Federal Reserve, BLS.



Executive Summary

- Stocks remained resilient despite geopolitical risks and higher oil prices
- The U.S. economy is less sensitive to energy shocks than in past decades
- Economic growth and productivity continued to support earnings improvement
- The recent stock market decline improved valuations and supported a rebound
- Staying disciplined remains key to long-term success

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Review: Geopolitical Shock Meets a Resilient Bull Market

Investors entered 2026 navigating a markedly different backdrop than just a few months prior. While the fundamental drivers of the market—moderate economic growth, improving productivity, and resilient corporate earnings—remained intact, the first quarter introduced a meaningful geopolitical shock that tested investor sentiment.

Despite this, equity markets demonstrated notable resilience. Stocks experienced a near 10% intra-quarter correction, but improved earnings expectations and a still-constructive economic environment provided support. As the quarter progressed and into April, markets stabilized and began to recover.

Geopolitics & Policy: A Renewed Source of Volatility

Geopolitical risks re-emerged in a meaningful way during the first quarter. The U.S. and Israel conducted targeted strikes on Iran aimed at disrupting its nuclear capabilities. In response, Iran asserted control over the Strait of Hormuz—a critical passageway through which approximately 20% of global oil supply flows.

Oil prices rose sharply, increasing concerns around inflation and reducing the likelihood of near-term Federal Reserve rate cuts. As in prior periods, initial market reactions were driven by fear and uncertainty, but over time, focus returned to underlying fundamentals.

Macro Environment: Energy Still Matters—But Differently

While oil remains a critical global commodity, its role within the U.S. economy has declined significantly over time.

Today, oil and gas production represents roughly 2% of U.S. GDP (approximately 4–5% when including downstream activity), compared with closer to 3% in the early 1970s. **For consumers, gasoline expenditures are about half of what they were decades ago** -- declining from approximately 4% of total spending in 1972 to closer to 2% today.

However, gasoline does have an outsized influence on consumer sentiment and discretionary spending. While representing a small ~2% of total income, it accounts for a much larger ~7%-8% share of discretionary spending.

This creates an important dynamic. **While the U.S. economy is less vulnerable to oil shocks structurally, rising gasoline prices can still influence consumer behavior—especially in discretionary categories such as travel, dining, and retail.**

In contrast to 2025, when lower energy prices supported consumer spending, higher energy costs in 2026 are beginning to function as a modest headwind.

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Despite this shift, the broader economic backdrop remains constructive. The Federal Reserve continues to project moderate economic growth of approximately 2.4%, while inflation is expected to move modestly higher. Importantly, productivity gains—supported by continued investment in technology and artificial intelligence—are helping offset cost pressures and sustain corporate profitability.

Markets: Volatility, Dispersion, and Recovery

The first quarter was marked by volatility and meaningful dispersion across markets.

The S&P 500 Total Return Index declined 4.33% for the quarter, with a 9% intra-quarter drawdown before stabilizing and rebounding into mid-April's all-time highs. **Growth stocks underperformed value, and small-cap stocks led larger companies, supporting our market broadening expectations.** Bonds modestly outperformed equities, while cash delivered positive returns.

Commodities were the clear outlier, posting one of their strongest quarters in decades, driven largely by energy prices following the escalation in the Middle East.

Traditional “safe haven” behavior was less consistent. Gold rallied early but reversed in March, as the U.S. dollar strengthened amid increased global demand for liquidity to fund higher-priced energy purchases.

Investor Behavior: Headlines vs. Reality

Geopolitical shocks often trigger sharp, sentiment-driven market reactions. As uncertainty rises, volatility increases—but as clarity improves, markets typically stabilize and refocus on fundamentals.

This quarter followed that familiar pattern. While consensus initially expected higher oil prices to lead to inflation, tighter policy, slower growth, and weaker markets, the opposite occurred. The economy remained stable, earnings improved, and markets proved more resilient than anticipated.

The takeaway is clear: over time, markets are driven more by earnings and economic fundamentals than by headlines. Maintaining discipline through these periods is where long-term investment outcomes are often determined.

Outlook: Economy Still Constructive, Stay Disciplined

The outlook remains broadly consistent. Economic growth is expected to continue at a moderate pace, with somewhat higher inflation driven by energy prices and tariffs.

Earnings growth, supported by productivity gains and continued investment in technology, remains the primary driver of equity markets. Oil futures currently suggest fuel prices may moderate over time, which could help ease inflation pressures.

We expect equities to trend higher over the long term, though likely with continued periods of volatility.

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Key risks include sustained increases in energy prices—particularly gasoline and diesel—and the potential for a broader or prolonged geopolitical conflict, which could weigh more heavily on global growth, especially outside the United States.

At the same time, the U.S., as the world’s largest oil producer and a net exporter of energy, is well-positioned. This may provide some degree of economic resilience and, at the margin, increased geopolitical influence as global energy dynamics evolve.

Portfolio Positioning: Discipline Over Reaction

We continue to maintain a disciplined approach, with balanced portfolios positioned near benchmark targets and modest sector tilts toward Communication Services, Consumer Staples, and Technology, alongside underweights in Utilities and Consumer Discretionary.

We are not reacting to short-term headlines or chasing commodity-driven movements. Instead, our focus remains on diversification, risk management, and systematic rebalancing.

While geopolitical risks and rising energy prices created volatility during the quarter, they did not materially alter the broader trajectory of the economy or corporate earnings. Periods like Q1:2026, while unsettling, are a normal part of investing.

Staying disciplined and aligned with long-term asset allocation objectives remains the key factor in achieving successful outcomes. As always, we remain focused on building resilient portfolios designed to navigate uncertainty and support your long-term financial goals.

We appreciate your continued trust and welcome your questions.

Wishing you continued health and success,

Geoff & Lance

[Raymond Capital Advisors, LLC](#)
[A Retirement Wealth Advisor](#)

Reminder – We have new email addresses:

geoff@raymondcapitaladvisors.com
lance@raymondcapitaladvisors.com

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