LaFleur & Godfrey
PRIVATE WEALTH MANAGEMENT

Spring 2026 Quarterly Commentary

John Koczara
Dan Van Timmeren
Aaron Ritsema
Sahana Madhanagopal

Fragile Resilience...

Economic Perspective

US economic growth expectations have fallen dramatically during the first quarter due to heightened geopolitical risks from the Iran War, a parabolic move upward in the price of a barrel of oil as well as softening jobs numbers. As a result, the Atlanta Fed's first quarter GDP Now economic growth estimate has fallen from north of 3% to just over 1% today. It is certainly a big move, but understandable, given the volatile daily headlines we have been living with. No wonder why the economic narrative has shifted from 'full steam ahead' to 'fragile resilience'! The economic bull case remains driven by AI productivity & policy tailwinds. The optimists point to a broadening of AI capex spending into corporate workflows – boosting profit margins even as revenue growth has slowed down. With more money to spend, business investment has risen 1.6% - good, not great, growth. Bulls also point to strong retail sales - which recently jumped 3.5% year-over-year - posting the highest increase since last summer. Several Wall Street economists have pointed out that higher consumer tax refunds were the primary catalyst for recent strength.

On the other hand, the economic bears have been feasting lately. The parabolic move upward in oil to over $115 a barrel has dampened economic sentiment & the outlook for employment. In fact, we are beginning to see early cracks in the labor market. This development needs to be watched very carefully. Month-to-month payroll gains have been lumpy, however the 3-month moving average has cratered to just 68,000 new jobs per month. This will certainly concern the Fed - which typically likes to see anywhere from 100k to 150k monthly payroll gains. Also of concern is inflation expectations – which have risen steadily along with commodity prices. With inflation expectations now near the upper band of the Fed's comfort zone, this could quiet some doves at the Fed that have been pushing for easier monetary policy & rate cuts to reaccelerate the economy. We believe the outcome will depend on how smoothly the transition to new leadership at the Fed goes.

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Market Perspective

While all major stock market indices are down year-to-date, we believe some perspective is warranted. Yes, previous tech leaders are leading the declines – but, over the last 12 months, the Nasdaq Composite is still up 38% and the broader market has delivered returns over 20%! However, while things may not be as bad as they seem, geopolitical risks have risen and the market does not like uncertainty. As a result, the market's decline year-to-date has been more about valuation compression than a deterioration of fundamentals. From a portfolio management perspective, we are encouraged by the recent change in market leadership. Technology and Communication Services sectors have lagged – replaced by outperformance in the Energy, Materials and Utilities sectors. This has dampened volatility in our client portfolios and enabled our equity portfolios to 'weather the storm'.

Our investment team believes that, if geopolitical headline risk dissipates, market sentiment could improve over the near-term. Kevin Warsh has been nominated to replace Jerome Powell as Fed Chair. He will undoubtedly have a dovish, interest rate easing (lowering) bias which could help support equities and minimize the typical midterm election year stock market malaise. Lastly, as long as inflation and interest rates remain range bound into midyear, we believe previous accommodative policy initiatives from the administration are likely to buoy economic growth and minimize the stagflation narrative.

Looking Ahead

Stock market returns during a midterm election year can be tricky. In fact, looking from a historical perspective, returns tend to be the weakest of the four-year presidential cycle by a wide margin (on average experiencing a high-teens correction). Conversely, the economy typically has its best year as administrations love strong economies going into elections. While both the economy and the stock market have been pretty resilient in 2026, we caution that we are still early in the year and things could change in the coming months. Our investment team will continue to monitor the developments and stand ready to act accordingly if need be. However, history time and time again tells us that staying the course with your current investment strategy is often your best strategy. This time is likely to be no different.

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