FINANCIAL INSIGHTS

Second Quarter Commentary 2026

If there was one word to describe the second quarter, it would be resilience.

Markets had plenty of reasons to be unsettled. Geopolitical tensions in the Middle East, fluctuating oil prices, ongoing inflation concerns, and uncertainty surrounding interest rates all created periods of volatility. Yet despite these challenges, investors remained focused on the bigger picture, and the stock market finished the quarter on a strong note.

The S&P 500 gained approximately 13% during the quarter, driven largely by continued enthusiasm surrounding artificial intelligence (AI) and improving investor confidence as tensions in the Middle East began to ease.

AI Continues to Shape the Market

Artificial intelligence remains one of the biggest drivers of today's market. While much of the attention has been on the technology companies developing AI, many other industries are benefiting as well. Companies that build data centers, manufacture semiconductors, expand electrical infrastructure, and provide the energy needed to power AI continue to see significant investment.

Although technology stocks led much of the market higher, we also began to see gains spread into other sectors, including healthcare and financials. That's an encouraging sign because healthier markets are typically supported by a broader group of companies rather than just a handful of market leaders.

Interest Rates and Inflation

The Federal Reserve left interest rates unchanged during the quarter, continuing its cautious approach as inflation remains above its long-term target. While inflation has not completely returned to normal, lower energy prices and slowing wage growth are encouraging signs that price pressures may continue to moderate.

Why Diversification Still Matters

The last several years have been exceptionally strong for U.S. stocks, especially the largest technology companies. As a result, many investors now own a greater percentage of their portfolios in just a small number of companies than they may realize.

That's one reason we continue to emphasize diversification. Spreading investments across different sectors, company sizes, and regions can help reduce risk while positioning portfolios to benefit from opportunities wherever they develop.

For some investors, alternative investments—including private credit, infrastructure, real estate, and private equity—may also provide additional diversification and income. While these investments aren't appropriate for everyone, they can play an important role within a long-term investment strategy.

Looking Ahead

As we move into the second half of the year, uncertainty hasn't disappeared. Geopolitical events, inflation, and interest rate decisions will continue to influence markets, and periods of volatility should be expected.

At the same time, the economy continues to show resilience. Businesses are investing, consumers remain active, and innovation—particularly around AI—is creating new opportunities across many industries.

As always, our focus remains on helping clients make thoughtful, long-term financial decisions rather than reacting to short-term market headlines. We will continue to monitor economic developments, evaluate opportunities and risks, and make investment decisions with your long-term goals at the center of every recommendation. If you have any questions about your portfolio or financial plan, please don't hesitate to reach out.

Kind Regards,

The Socha Financial Group Team

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