



Retirement Market Recap

Retirement Market Recap Q2 2026: Recovery Without Resolution

The second quarter of 2026 began with retirement savers still dealing with the effects of a major geopolitical shock. The armed conflict that began Feb. 28 between the U.S., Israel and Iran interrupted the transit of global seaborne oil, drove a sharp repricing of inflation risk, and pushed both stock and bond markets lower in March.

The second quarter reversed most of that. Risk sentiment turned as the conflict began to de-escalate and the U.S. and Iran signed a memorandum of understanding on June 17. After reaching nearly \$120 per barrel in April, oil prices retreated over the balance of the quarter. As energy costs came down, concerns about surging inflation eased, helping

both investors and financial markets regain confidence.

A second driver was the growth of corporate investment in artificial intelligence (AI) infrastructure. Large technology companies continued to expand their planned spending on AI infrastructure, increasing their 2026 capital expenditure guidance to

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	Recovery and total returns for major asset classes			
	Q1 2026 Performance	Q2 2026 Performance	2026 YTD through June 30	2026 YTD through July 31
S&P 500 Total Return (U.S. Stocks)	-4.33%	15.20%	10.21%	10.14%
(Global Stocks) MSCI ACWI Net Total Return	-3.20%	14.93%	11.25%	11.33%
(International Stocks) MSCI ACWI Ex USA Net Total Return	-0.71%	14.69%	14.01%	14.43%
MSCI Emerging Markets Net Total Return (stocks)	-0.17%	24.05%	23.85%	20.04%
Russell 2000 Total Return (U.S. small cap stocks)	0.89%	21.49%	22.57%	18.85%
(Public Real Estate Securities) S&P U.S. REIT Net Total Return	4.51%	12.11%	17.17%	19.74%
(Global Bonds) Bloomberg Global Aggregate Index	-1.07%	0.87%	-0.21%	-0.75%
Bloomberg U.S. Aggregate Bond Index	-0.05%	0.67%	0.62%	-0.69%
(60/40 Global Stock-Bond) iShares Core 60/40 Balanced Allocation	-1.02%	8.52%	7.42%	6.72%
Sample Actively Managed 2030 Target Date Fund (TRFHX)	-0.69%	8.54%	7.79%	7.40%

TRFHX is shown for the Sample Actively Managed 2030 Target Date Fund due to its comparable asset class exposure with the 60/40 Global Stock-Bond Index (AOR-ETF); it is a common holding and QDIA with TruePlan's clients.

Source: Ycharts Inc.; data as of July 31, 2026. Past performance is not an indication of future results. You cannot invest directly in any index. Indices are unmanaged and exclude fees and expenses.

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about \$700 billion. Investors gained confidence over the quarter that this spending would continue largely unaffected by events in the Middle East. This investor confidence supported technology and semiconductor-related companies and, through them, a meaningful share of broad market indices.

For many retirement savers who do not select their own investment allocation, the practical outcome was straightforward. Participants invested in a qualified default investment alternative, typically a target date or balanced fund, who made no changes through the March decline recovered those losses within the following three months. As with the tariff volatility of March-April 2025, the period during which a participant might have been most tempted to act was also the period during which acting would have been most costly.

A broad recovery, not a narrow one

One notable feature in Q2 is that the gains were not confined to U.S. large cap stocks. The S&P 500 returned 15.20% for the quarter, but global stocks, international stocks, emerging markets, small cap stocks and public real estate securities all posted double-digit returns as well *(Source: Ycharts Inc.; index total returns for the three months ending June 30, 2026)*.

The recovery extended well down the market capitalization scale. The Russell 2000 Index of U.S. small cap stocks returned 21.49% for the quarter, outpacing the S&P 500 by more than six percentage points in a category that has trailed larger companies for much of the last decade *(Source: Ycharts Inc. with the Russell 2000 and S&P 500 indices)*.

The strongest returns came from emerging markets, returning 24.05%. That result reflects the composition of those indices more than a broad regional recovery, given the large weighting of semiconductor and information technology hardware companies. Emerging markets in the Middle East and Latin America with heavier energy exposure underperformed as oil prices fell *(Source: Ycharts Inc. with the MSCI Emerging Markets Index)*.

Bonds delivered modest positive returns during the quarter. The Bloomberg Global Aggregate Index gained 0.67%, helped by strong corporate earnings, which reduced concerns about credit risk and supported bond prices. While the overall return was relatively small, there was more going on beneath the surface *(Source: Ycharts Inc. with the Bloomberg U.S. Aggregate Bond index)*. Falling energy prices reduced inflation concerns, which would normally support bond prices. However, investors also pushed back

expectations for Federal Reserve (the Fed) rate cuts, causing real yields to rise. Because lower inflation expectations and higher real yields pull bond markets in opposite directions, the overall impact on bond returns was relatively modest.

Commodities moved in the opposite direction from the first quarter. Oil prices fell 38% as the conflict de-escalated, and gold and precious metals declined more than 10%, giving back a portion of the gains that made them the leading category during the March disruption.

As noted in our recent quarterly commentaries, international stocks have continued to outperform their U.S. counterparts. For the 12 months ending June 30, the MSCI ACWI ex USA Index returned 27.66% compared with 22.32% for the S&P 500. Over longer periods the relationship still runs the other way, with the S&P 500 returning 15.51% annualized over ten years against 9.93% for international stocks *(Source: Ycharts Inc. with the MSCI ACWI ex USA Index and S&P 500 Index; data as of June 30, 2026)*. Shifting market leadership can make it difficult to predict which region will outperform next, underlining the case for diversification.

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A transition at the Fed

The second quarter included the first policy meetings held under new Federal Reserve Chair Kevin Warsh. At the June 17 meeting, the Federal Open Market Committee voted unanimously to hold the target interest rate range at 3.50% to 3.75% and removed forward guidance from the policy statement, with nine participants projecting at least one rate increase in 2026.

The removal of forward guidance is a change in how the Fed communicates rather than a change in the level of interest rates. Under the prior approach, markets were given a general indication of the expected path of policy. Without it, markets must interpret the Fed's intentions from incoming economic data. For investors, the practical effect is that individual inflation and employment reports are likely to move markets more than they did previously.

Inflation data during the quarter was mixed. The Consumer Price Index declined 0.4% in June, the largest single month decline since April 2020, which brought headline inflation to 3.5% from 4.2%, with most of the reversal attributable to energy. Inflation remains above the Fed's 2% target (Source: *Graham Capital Management; From Energy Shock to Price Discovery, July 2026*).

How institutions are reading Q2

The research providers we follow were broadly constructive on the second quarter, and with reason. The recovery extended across regions, market capitalizations and asset classes rather than being concentrated in a single area; corporate earnings supported the move, and several firms continue to describe the global economy as being in a mid-cycle expansion. Alongside that constructive assessment, several characteristics of the recovery warrant attention.

The first is concentration. While index-level breadth improved, a substantial share of the quarter's gains came from a relatively narrow group of companies connected to AI infrastructure and semiconductor supply chains.

The second is how that investment is being financed. AI-related investment is increasingly funded through public and private credit markets, which ties the theme more closely to credit conditions than was the case in earlier technology investment cycles (Source: *Graham Capital Management; From Energy Shock to Price Discovery, July 2026*).

The third concern is where economic growth is coming from. Data center construction is making headline GDP growth appear stronger than it otherwise would be, and growth excluding that activity would look weaker (Source: *First Trust Advisors; Warsh Has the Fed Right Where He Wants It, July 2026*).

Taken together, these observations describe a quarter in which the recovery was genuine and broadly based, and in which the conditions supporting it are worth monitoring.

After quarter end: July

Looking forward, July was marked by renewed geopolitical tensions in the Middle East and a sharp rotation within the markets. The initial weeks following Q2 served as a reminder that market leadership can shift quickly and that diversification remains an important tool for managing risk during periods of uncertainty.

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	Total Returns through June 30, 2026				
	3 month total return	1 year total return	3 year annualized total return	5 year annualized total return	10 year annualized total return
S&P 500 Total Return (US Stocks)	15.20%	22.32%	20.61%	13.41%	15.51%
(Global Stocks) MSCI ACWI Net Total Return	14.93%	23.67%	19.70%	10.98%	12.78%
(International Stocks) MSCI ACWI Ex USA Net Total Return	14.69%	28.27%	19.42%	9.35%	10.46%
(International Developed Stocks) MSCI EAFE Net Total Return	10.82%	20.23%	16.44%	9.05%	9.66%
MSCI Emerging Markets Net Total Return (stocks)	24.05%	43.51%	23.03%	7.20%	10.07%
Russell Midcap Total Return (US mid-cap stocks)	13.83%	21.63%	16.51%	8.50%	12.00%
Russell 3000 Total Return (US broad market stocks)	15.44%	22.82%	20.36%	12.31%	15.06%
Russell 1000 Total Return (US large cap stocks)	15.14%	22.02%	20.47%	12.66%	15.30%
Russell 2000 Total Return (US small cap stocks)	21.49%	40.78%	18.60%	6.98%	11.62%
(Public Real Estate Securities) S&P US REIT Net Total Return	12.11%	20.23%	11.07%	4.68%	4.77%
(Global Bonds) Bloomberg Global Aggregate IndexReturn	0.87%	0.62%	3.41%	-1.55%	0.38%
Bloomberg US Aggregate Bond Index	0.67%	3.79%	4.16%	0.08%	1.54%
Bloomberg US Corporate High Yield Bond Index	2.47%	5.91%	8.86%	4.17%	5.81%
(Cash) Bloomberg US Treasury Bills 1-3 Month Index	0.92%	3.96%	4.74%	3.61%	2.35%
Bloomberg US TIPS Index	0.89%	3.42%	3.98%	1.01%	2.58%
(60/40 Global Stock-Bond) iShares Core 60/40 Balanced Allocation (AOR)	8.52%	15.94%	13.52%	6.93%	8.40%

AOR seeks to track the investment results of the S&P Target Risk Balanced Index composed of a portfolio of underlying equity and fixed income funds intended to represent a balanced allocation target risk strategy. The fund is a fund of funds and seeks its investment objective by investing primarily in underlying funds that themselves seek investment results corresponding to their own respective underlying indexes. It generally will invest at least 80% of its assets in the component securities of its underlying index. The index measures the performance of the S&P Dow Jones Indices LLC proprietary allocation model.

Source: Ycharts Inc.; data as of June 30, 2026.

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