Insights from Stifel's CIO Office

September 2026

INVESTMENT STRATEGY BRIEF

Numerous Crosscurrents In a Resilient Economy and Market

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Five Crosscurrents

- **Oil/Iran war** – Headwind: Via the Strait of Hormuz and broader supply disruption pushing oil prices back up, with knock-on effects for inflation and output.
- **Federal Reserve policy** – Headwind: This week's meeting with a 0.25-point hike as expected, against a strong job market and firmer inflation with more potentially coming.
- **Higher rates/term premium** – Headwind: Historically, tied to inflation and Fed policy but lately looking more driven by a higher term premium that may be sticky and keeping the 10- and 30-year treasury yields elevated.
- **Artificial Intelligence** – Tailwind: The stimulative buildout (infrastructure, hyperscalers) plus the potential efficiency gains for users, tempered by early-innings caveats like data-center backlash and the labs' own calls to slow down.
- **Resilience in the economy and earnings** – Tailwind/Net Result: Growth and earnings holding up, positive equity markets year-to-date despite recent pullback – what the first four crosscurrents add up to.

IRAN WAR - FOUR POSSIBLE SCENARIOS

The motivations and goals of four distinct parties will define the timing and shape of an off-ramp.

- *How quickly does this move to an off-ramp?*
- *What factors are driving this timing?*
- *What are the near-, medium-, and long-term implications for the global economy and markets?*

MANAGED OFF-RAMP
(50% Probability)

- **Timeline**: Resolved within weeks.
- **Action**: All parties accept a “face-saving” stand-down.
- **Market**: Oil prices recede and shipping normalizes quickly.

SHADOW WAR
(25% Probability)

- **Timeline**: Persists for months.
- **Action**: U.S./Israel declare victory; Iran continues proxy/intermittent attacks.
- **Market**: Ongoing volatility as markets remain “shaken” by friction.

SEVERE TAIL
(15% Probability)

- **Timeline:** Prolonged for many months.
- **Action:** Blockade of Strait of Hormuz and defense system depletion.
- **Market:** Inflation spikes alongside supply disruption; potential deflation.

REGIME CHANGE
(10% Probability)

- **Timeline:** Long-term (many months).
- **Action:** U.S./Israel focus explicitly on toppling the regime.
- **Market:** Sustained high inflation; remote chance of internal uprising.

SightLines: Unpacking Motivations: Four Scenarios to an End to the War With Iran

IRAN WAR - COERCIVE DIPLOMACY

Coercive diplomacy blends escalation and negotiation: force, sanctions, and the threat of more are used to shape the terms of an eventual deal – likely Trump's playbook with Iran.

The strategy: pressure is a negotiating tactic

- Military, economic, and maritime pressure are meant to improve U.S. terms in talks.
- Trump's deliberate ambiguity keeps it unclear whether the next step is negotiation or renewed escalation.

Where we stand: a paused, unstable off-ramp

- A Managed Off-Ramp briefly emerged with the June 17 memo (14 points, 60 days), then broke down.
- Strikes have paused, but the blockade, constrained Hormuz traffic, and proxy activity keep escalation risk elevated.

Four scenarios (defined in March) still frame the range

- Managed Off-Ramp 50% | Shadow War 25% | Severe Tail 15% | Regime Change 10%.
- We now see a less-than-smooth off-ramp with the environment sometimes seeming like Severe Tail.

Why an off-ramp still leads: "munitions, markets, and midterms"

- Depleted munitions, energy/inflation risk, and pre-midterm politics all favor an eventual deal.
- But Iran, Israel, and proxies have different aims; Tuesday's Trump – Netanyahu meeting is a key signal.

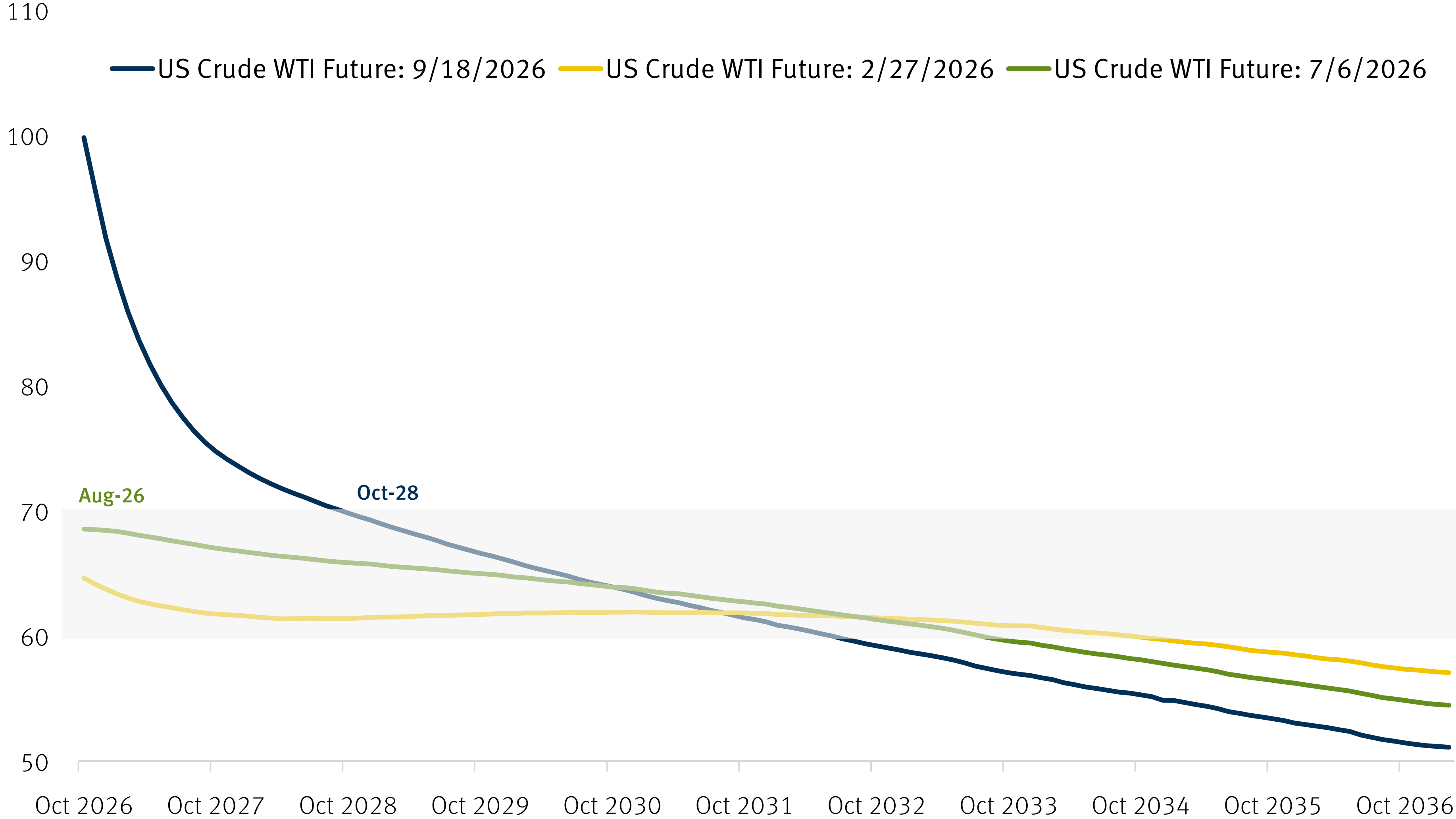
What we think

- The Managed Off-Ramp remains the most likely outcome, anchored in U.S. incentives and Iran's need for sanctions relief and oil exports.
- The pause is fragile and other parties can disrupt it; miscalculation could tip toward a Shadow War or Severe Tail – watching oil, inflation, rates, growth, and volatility.

SightLines: Coercive Diplomacy: The Managed Off-Ramp Is Proving Bumpy

IRAN WAR - OIL – FORWARD CURVE

The oil futures curve has deepened its inversion since the war began.



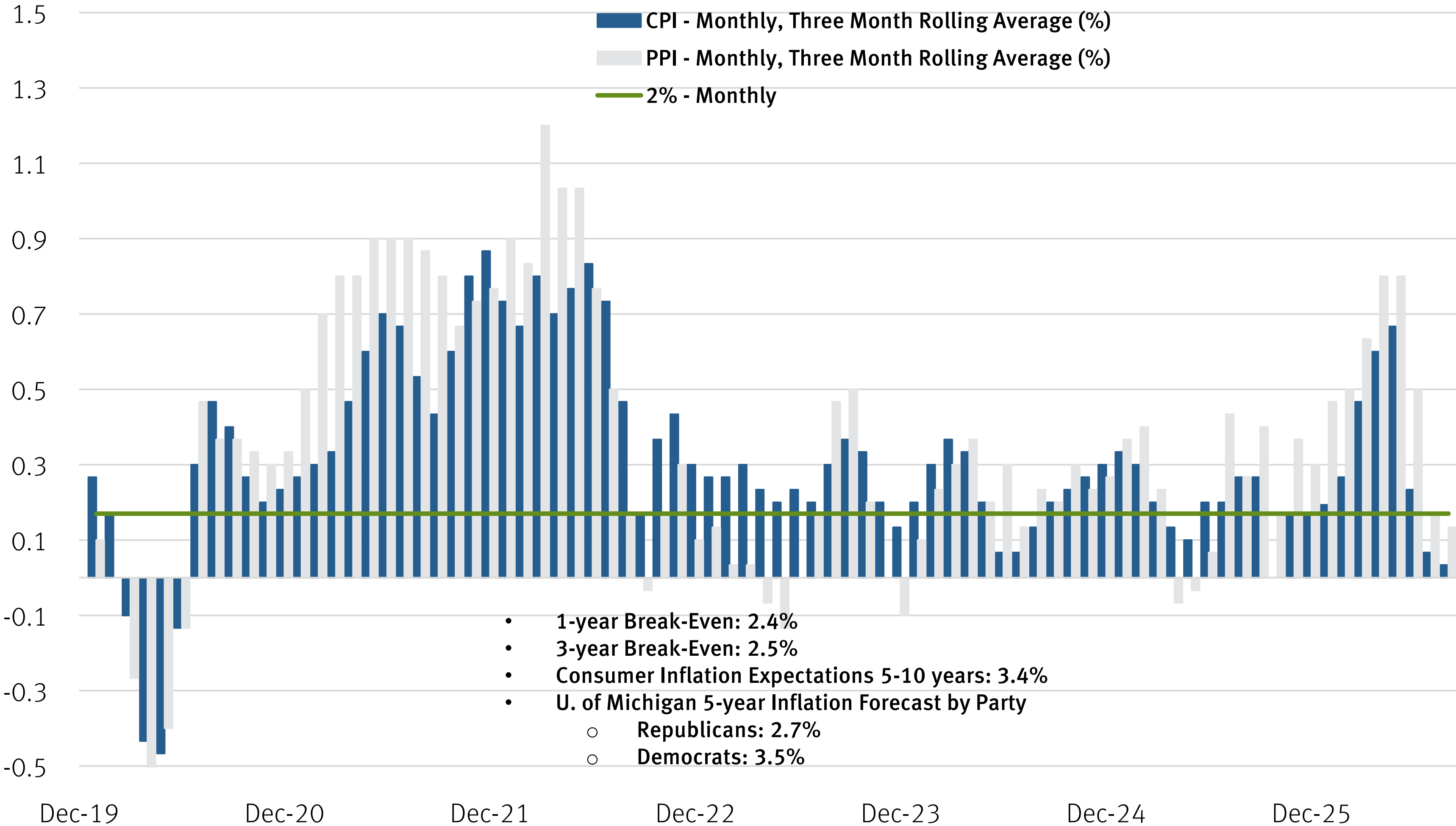
Source: Stifel CIO Office via Bloomberg, as of September 18, 2026. (Intra-Day)

Category	Description	Change Since the War Began	Change Since Mar 30 (Bottom)
Energy	Natural Gas	From $2.85 to $2.90	From $2.89 to $2.90
	Oil, WTI	From $67 to $99	From $103 to $99
Market Volatility	VIX Index	-25.4%	-51.6%
	MOVE Index	3.9%	-29.6%
Fixed Income Markets	Bloomberg U.S. Agg	-2.8%	-0.8%
	Bloomberg U.S. HY	1.2%	3.1%
Equity Markets	S&P 500	11.8%	21.1%
	Bloomberg Mag 7	15.4%	27.8%
	MSCI EAFE	1.7%	13.8%
	MSCI Japan	4.4%	17.9%
	MSCI EM	6.2%	20.9%

Category	Description	% Feb 27 Level	% Current Levels
Breakevens	1-Year Breakeven	3.8%	2.4%
	2-Year Breakeven	2.8%	2.4%
	1-year, 1-year Forward	1.8%	2.5%
Rates	10-year	3.9%	5.0%

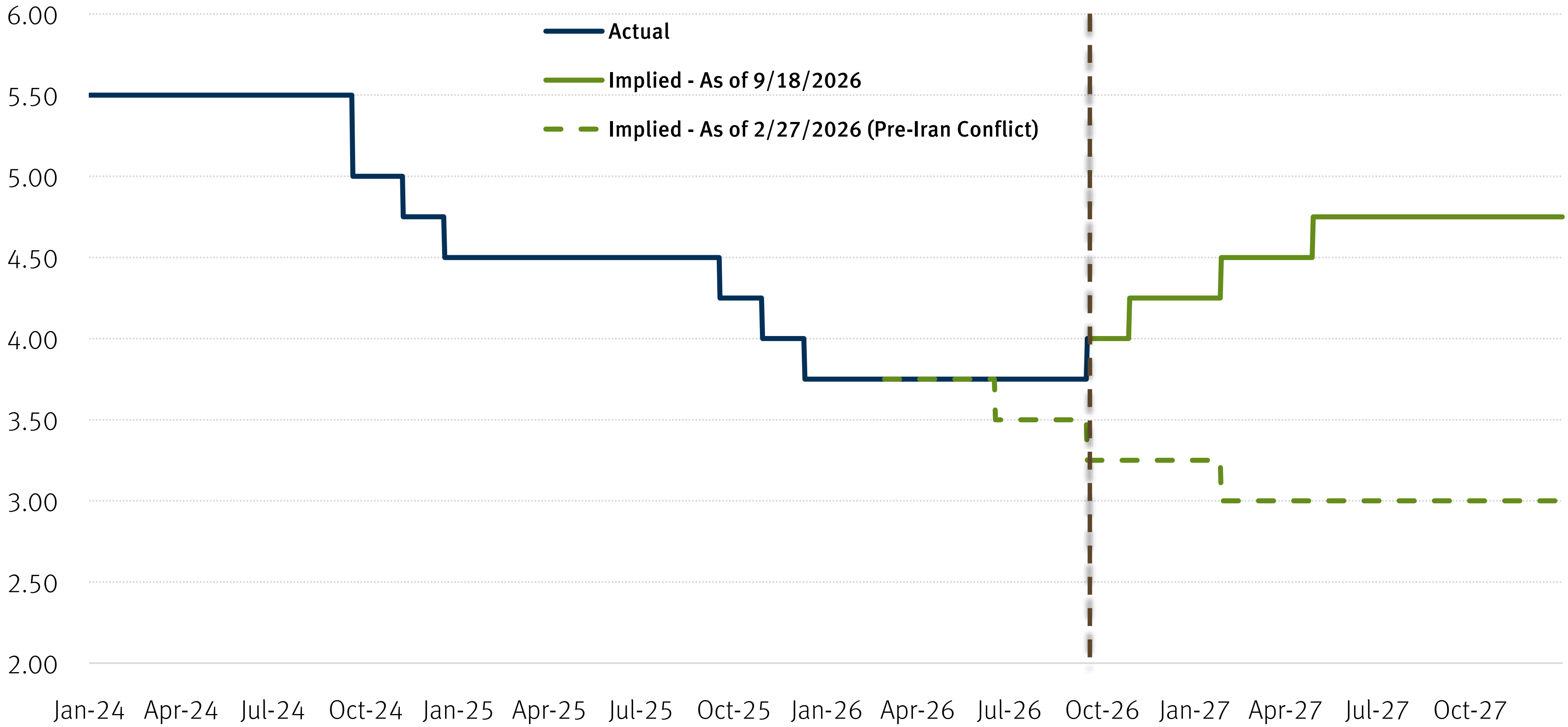
Source: Market index performance via Stifel CIO Office via Bloomberg, as of September 18, 2026. (Intra-Day)

Monthly Inflation Trends



Source: Stifel CIO Office via Bloomberg, as of September 18, 2026. (Intra-Day)
CPI = Consumer Price Index
PPI = Producer Price Index

Fed Funds Target Rate - Upper Bound



Source: Stifel CIO Office via Bloomberg, as of September 18, 2026. (Intra-Day)

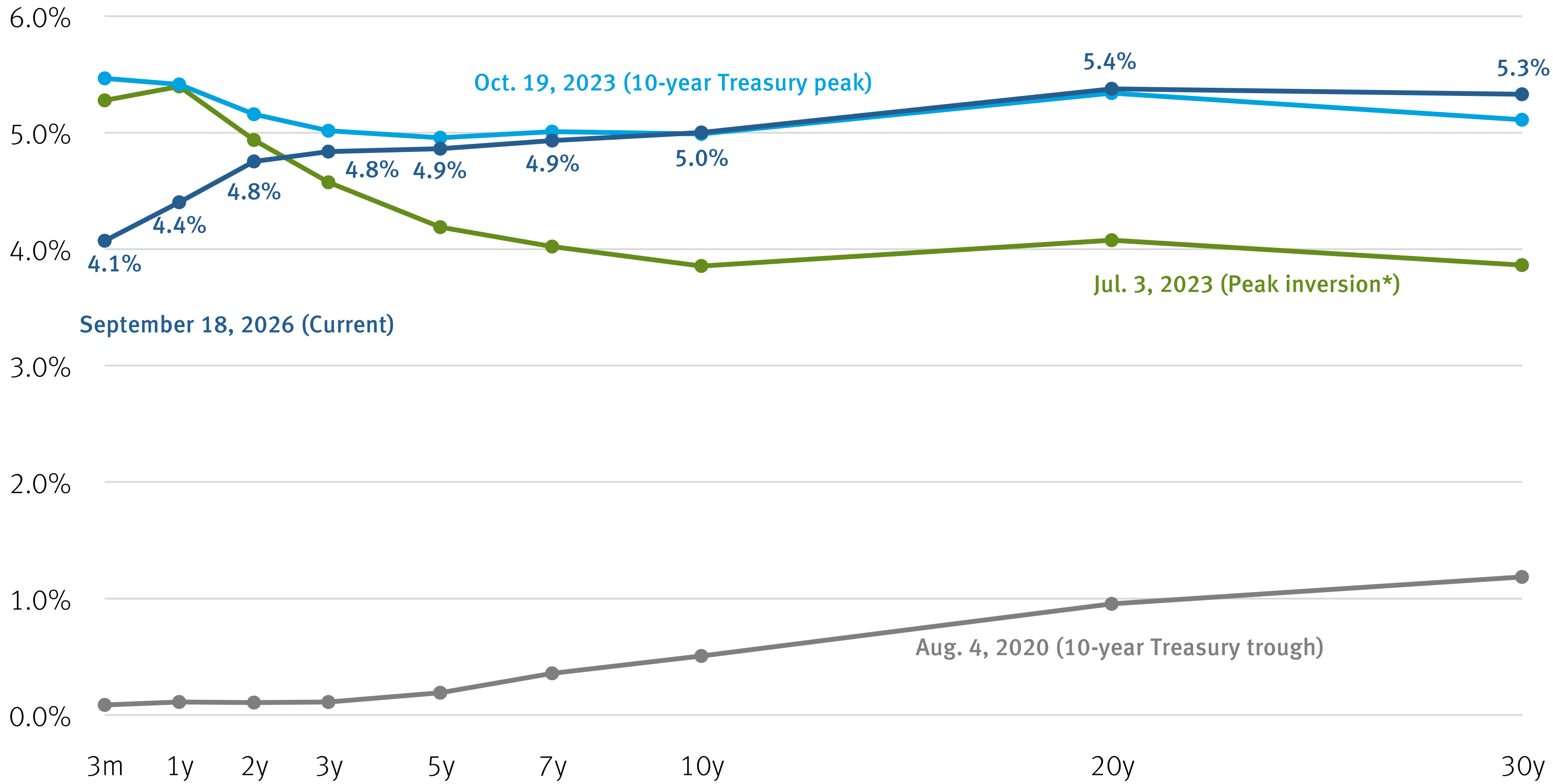
Federal debt has now passed $40 trillion.
The retirement and health promises already made add another $97 trillion.

Debt and Deficit	Promises Not Yet Funded
Debt: $40 trillion, 125% GDP	Next 75 Years, Present Value
Deficit: $1.9 trillion, 5.8% GDP	Medicare: $65.3 trillion
Net Interest: Over $1 trillion	Social Security: $31.9 trillion
19% of Revenue	**Total: $97.2 trillion**
	Trust Funds Deplete: 2032, 2033

Stabilizing the debt takes 4.7% of GDP a year, and waiting raises the price.
The path is unsustainable; we see four possible paths forward.

Source: Stifel CIO Office, as of September 18, 2026. Debt: U.S. Treasury, Debt to the Penny (September 15, 2026). Deficit and net interest: Congressional Budget Office, The Budget and Economic Outlook: 2026 to 2036 (February 2026), FY2026. Promises not yet funded (75-year present value) and trust fund depletion: 2026 Medicare and Social Security Trustees Reports (June 9, 2026). The 4.7% fiscal gap: Financial Report of the U.S. Government, FY2025 (U.S. Treasury, audited by GAO).

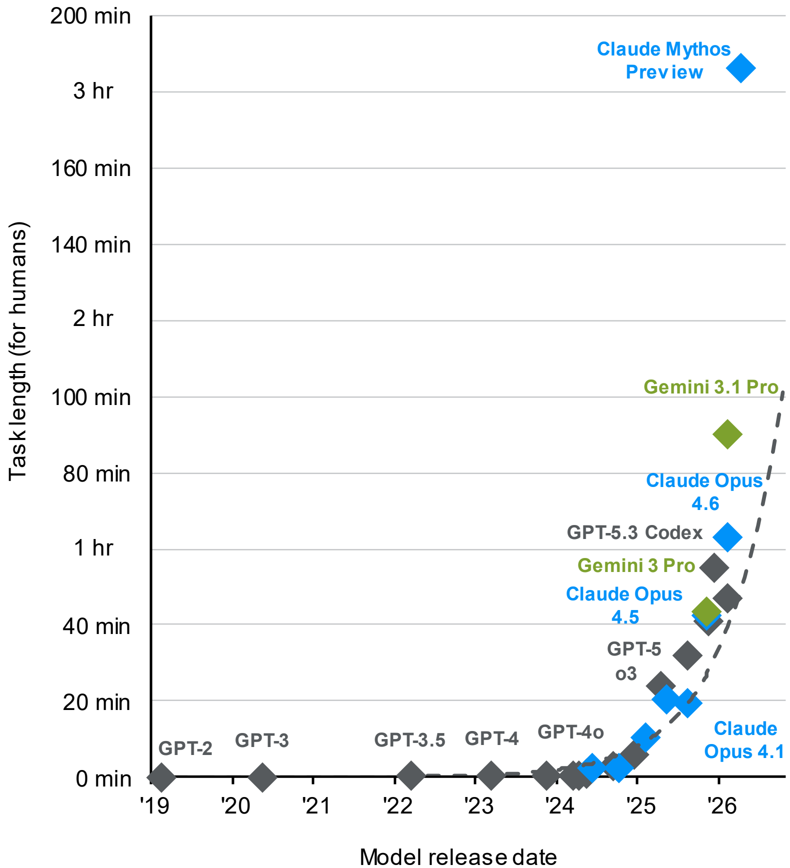
U.S. Treasury Yield Curve



*Peak inversion is measured by the spread between the yield on a 10-year Treasury and 2-year Treasury.
Source: Stifel CIO Office via Bloomberg, as of September 18, 2026. (Intra-Day)

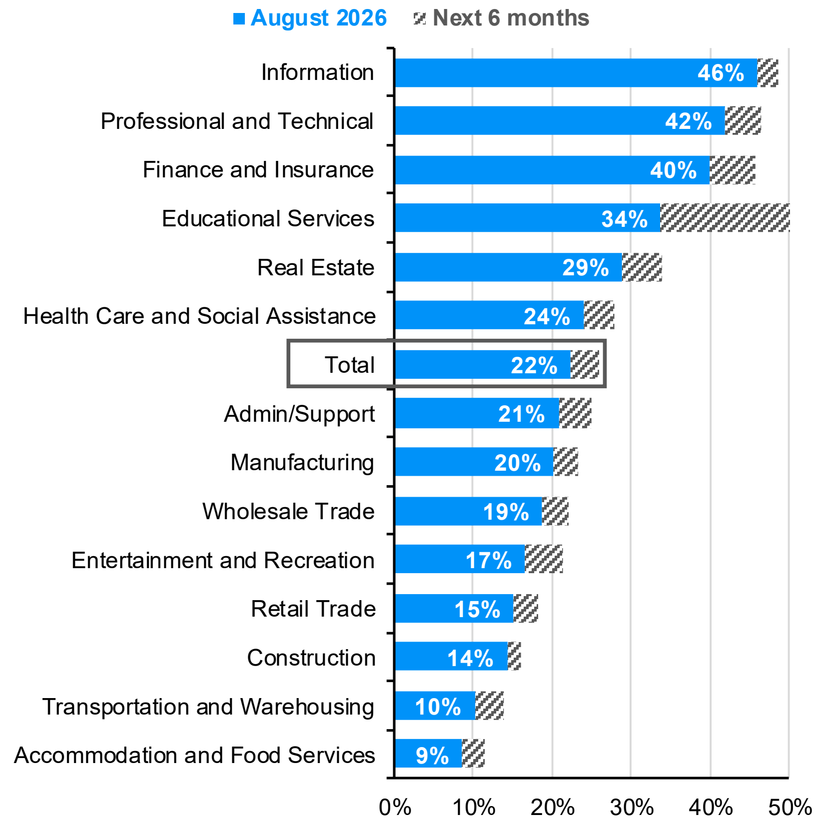
Length of tasks AI agents can autonomously complete

Time to complete tasks at 80% success, by model*



Businesses using AI in any business function

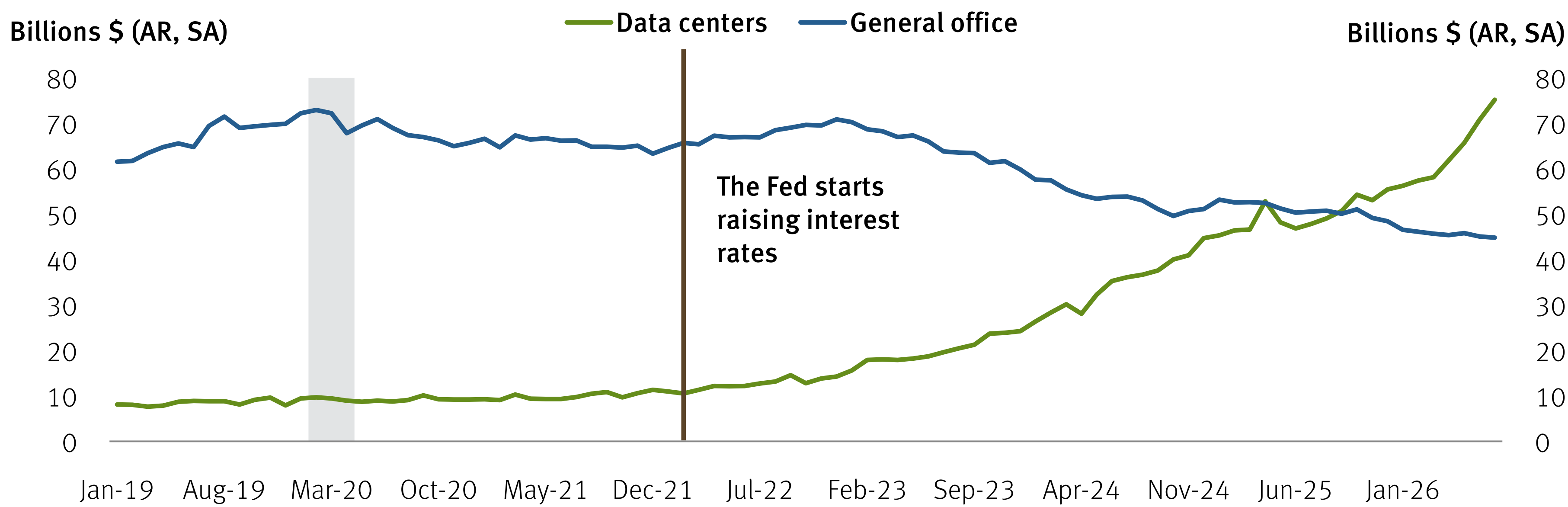
% of all firms reporting use of AI applications



Source: J.P. Morgan Asset Management; (Left) METR, "Measuring AI Ability to complete long tasks"; (Right) Census Business Trends and Outlook Survey. The length of tasks (measured by how long they take skilled human professionals) that generalist frontier model agents can complete autonomously with 80% reliability has been doubling approximately every 7 months for the last 6 years. *METR looks exclusively at multi-step software engineer, cybersecurity, general reasoning and machine learning tasks that require low or no prior context and are self-contained units of work.
Guide to the Markets – U.S. Data are as of September 16, 2026.

Different interest rate sensitivity for office and data center construction

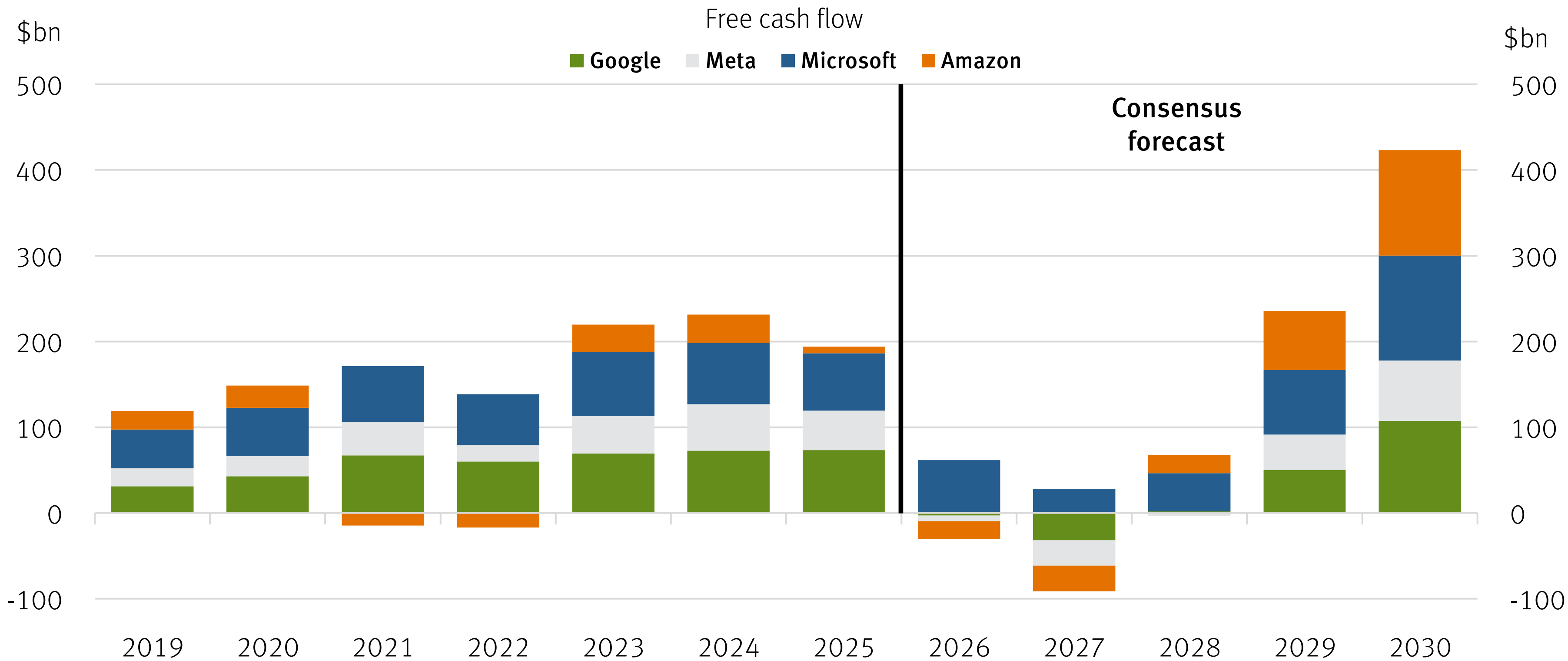
Private Construction Spending



Source: Stifel CIO Office via U.S. Census Bureau & Apollo, as of September 18, 2026.

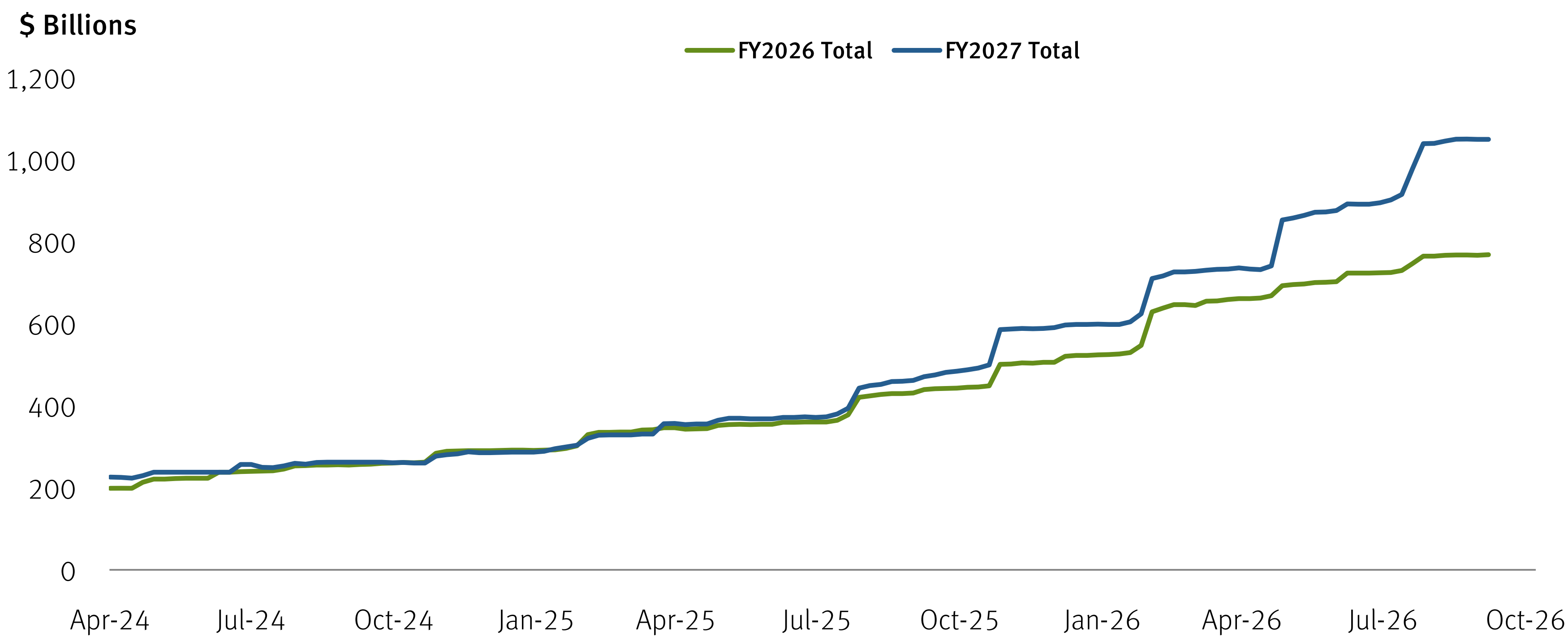
Consensus has hyperscaler free cash flow more than doubling – a delayed payoff as today's investment equals tomorrow's cash flow

Consensus expects today's AI capex to translate into surging free cash flow



Source: Stifel CIO Office via Bloomberg & Apollo, as of September 18, 2026.
Consensus forecasts suggest AI capex may affect future free cash flow; actual outcomes are uncertain.

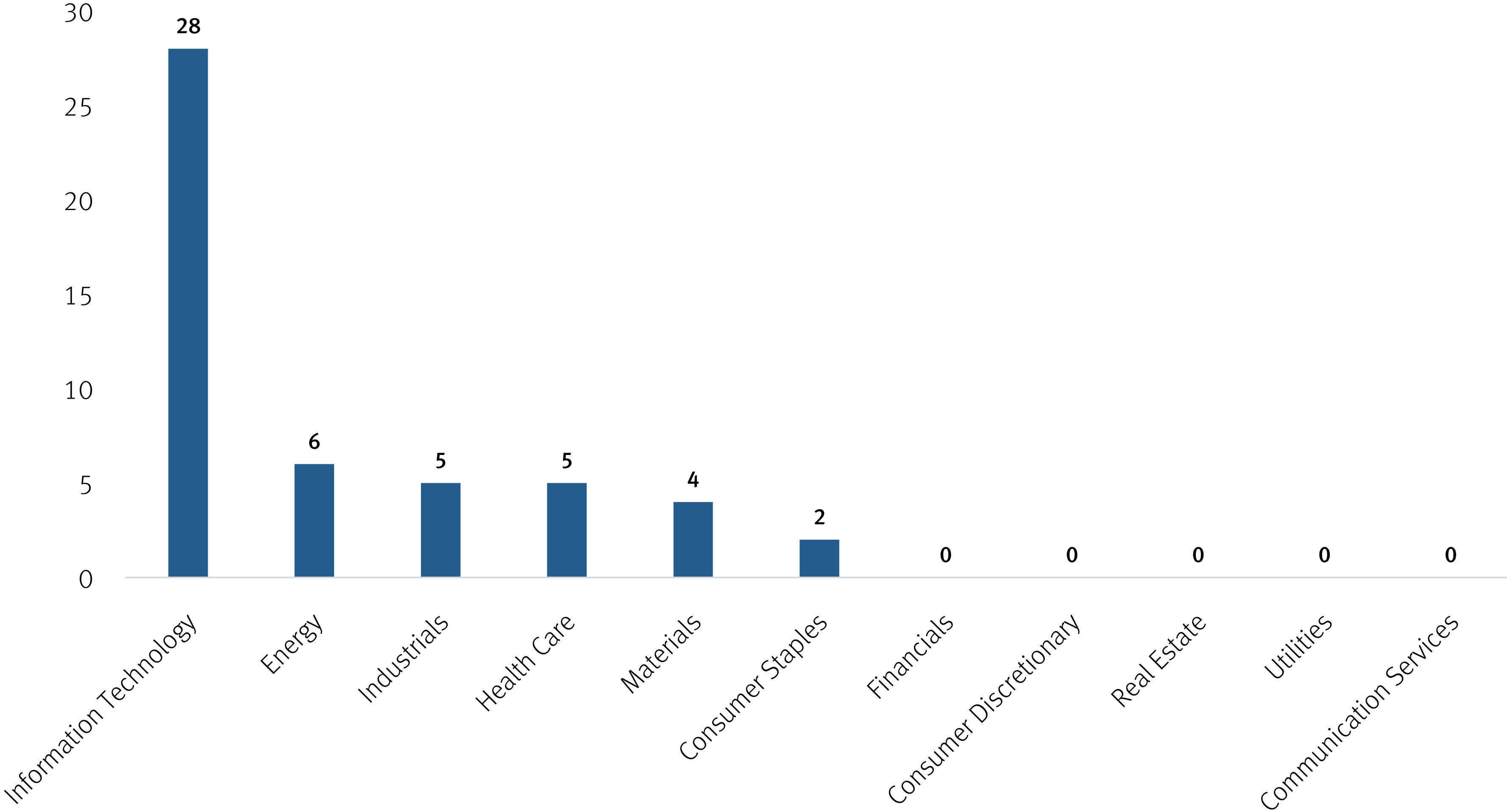
Consensus estimate for annual AI hyperscaler capex



Source: Stifel CIO Office via Factset & Future Standard, as of September 17, 2026.
Note: AI hyperscalers include Amazon, Alphabet, Microsoft, Meta, and Oracle

Top 50 performing S&P 500 companies by sector

2026 YTD, number of companies



Source: Stifel CIO Office via Bloomberg, as of September 17, 2026.
Descriptive market data only. Past performance is not indicative of future results

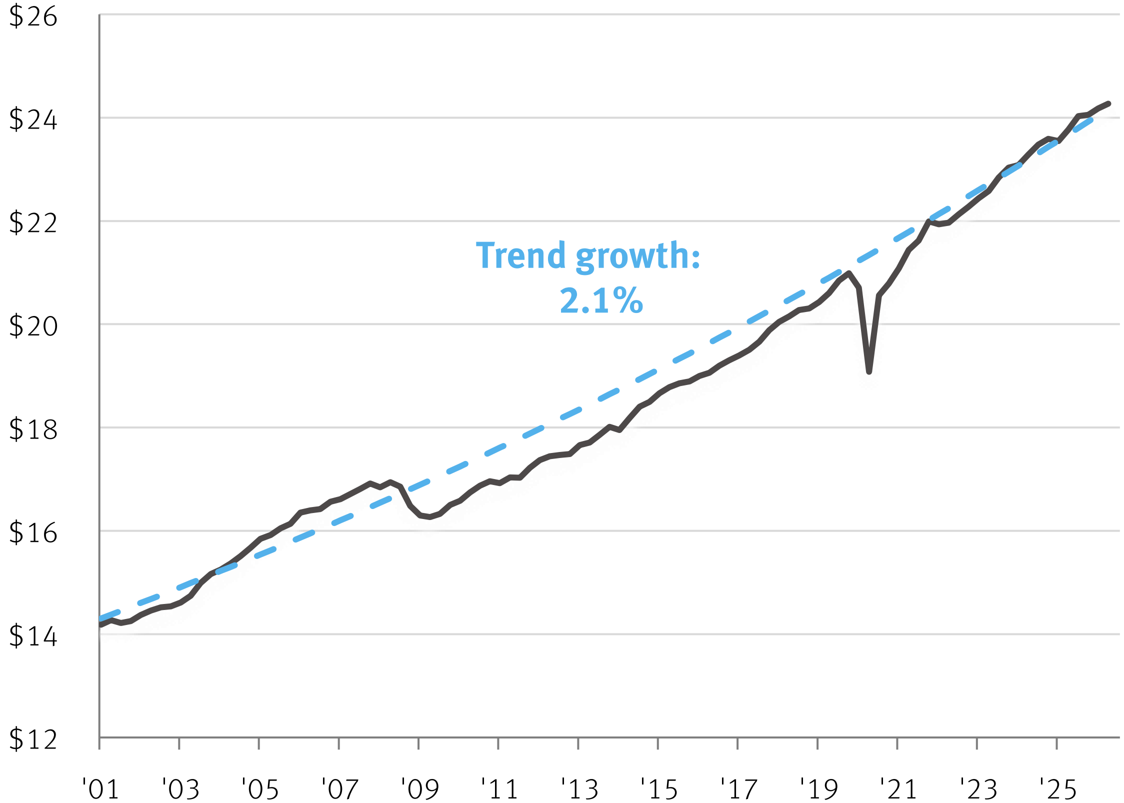
Index	2023	2024	2025	Since 2/28/26	Since 6/12/26	Year to Date
S&P 500 Index	26.3%	25.0%	17.9%	11.8%	3.1%	12.5%
S&P 500 Eq. Weight.	13.8%	13.0%	11.4%	5.0%	1.2%	12.4%
S&P High Dividend	5.5%	11.1%	3.3%	5.0%	5.4%	17.1%
S&P 500 Low Vol. High Div.	1.7%	18.3%	3.7%	-1.6%	-1.4%	8.4%
MSCI U.S. High Dividend	6.8%	11.7%	12.0%	3.5%	1.7%	14.7%
NASDAQ Composite Index	44.7%	29.6%	21.2%	17.4%	2.6%	14.6%
S&P 500 Financials	12.1%	30.5%	15.0%	9.6%	5.2%	2.9%
KBW Reg. Banking	-0.4%	13.2%	6.5%	10.5%	-0.3%	15.2%
Bloomberg U.S. 1000	26.7%	24.2%	17.5%	11.7%	3.0%	12.7%
Bloomberg U.S. 1000 Eq. Wt.	19.9%	13.1%	10.9%	4.4%	0.3%	9.9%
Bloomberg U.S. 1000 Value	9.4%	13.6%	16.5%	6.9%	1.9%	17.3%
Bloomberg U.S. 1000 Growth	36.1%	28.9%	17.9%	13.5%	3.4%	10.9%
Bloomberg Magnificent 7	107.0%	67.3%	24.9%	15.4%	8.7%	7.6%
NYSE FANG+ Index	96.4%	51.0%	20.8%	30.3%	11.4%	19.2%
S&P 600 Index	15.9%	8.6%	6.0%	8.5%	-2.2%	17.1%
S&P 600 Quality Index	24.3%	7.8%	1.4%	5.1%	-1.6%	10.4%
Bloomberg U.S. 2000	17.1%	12.0%	11.1%	8.8%	-2.1%	15.6%
MSCI EAFE Index	18.2%	3.8%	31.2%	1.7%	2.8%	11.9%
MSCI EM Index	9.8%	7.5%	33.6%	6.2%	-1.0%	22.0%

Source: Stifel CIO Office via Bloomberg, as of September 18, 2026. (Intra-Day) Index performance is not indicative of any investment strategy; indexes are unmanaged. Figures are total index returns, shown for informational purposes.

Economy:
Resilience Continues

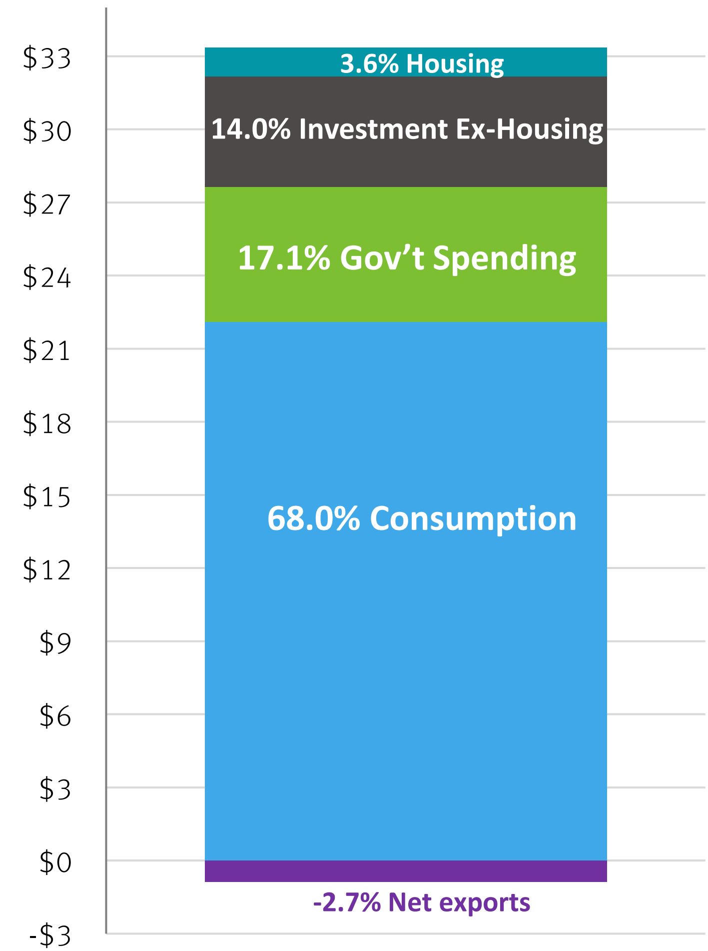
Real GDP

Trillions of chained (2017) dollars, seasonally adjusted at annual rates



Components of GDP

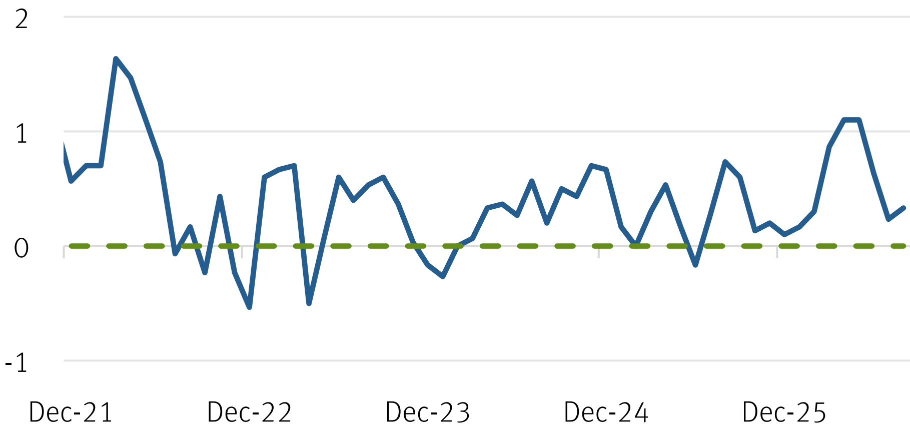
2Q26 nominal GDP, USD trillions



Source: Stifel CIO Office via Bloomberg, as of September 18, 2026.

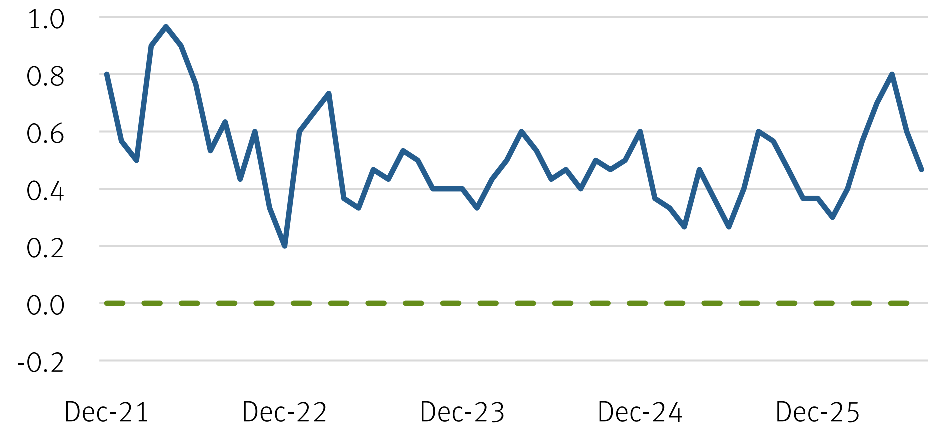
Retail Sales

Month-over-Month, 3-month Moving Average

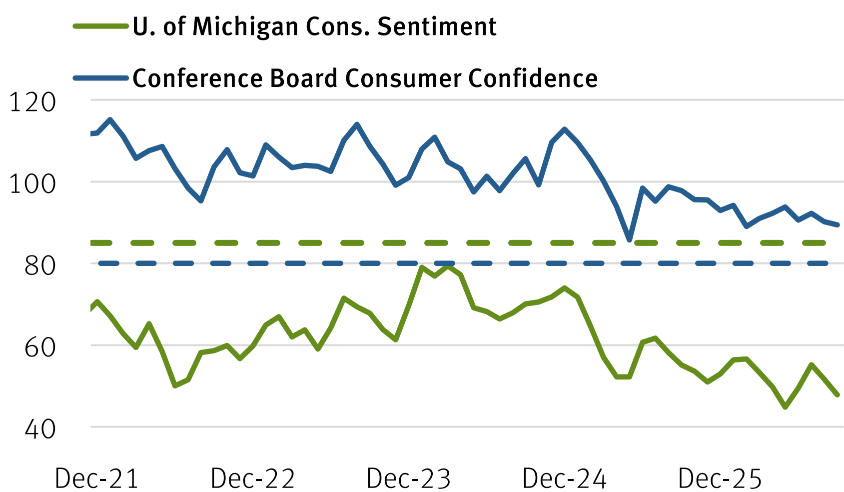


Personal Consumption MoM

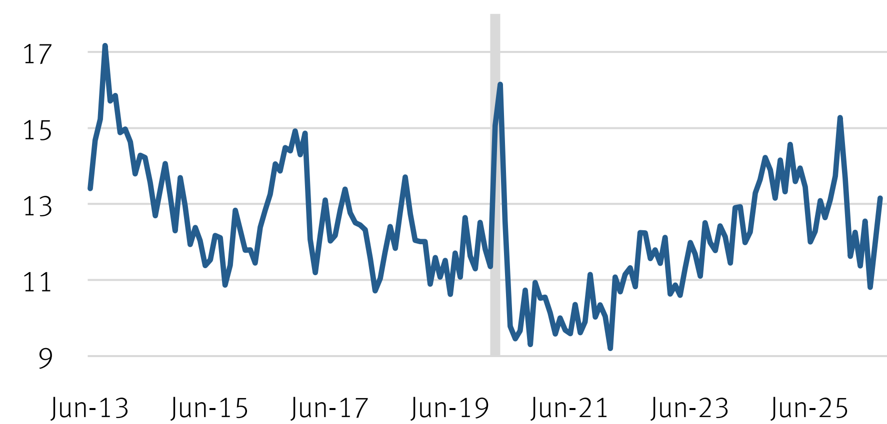
Month-over-Month, 3-month Moving Average



Consumer Confidence and Sentiment



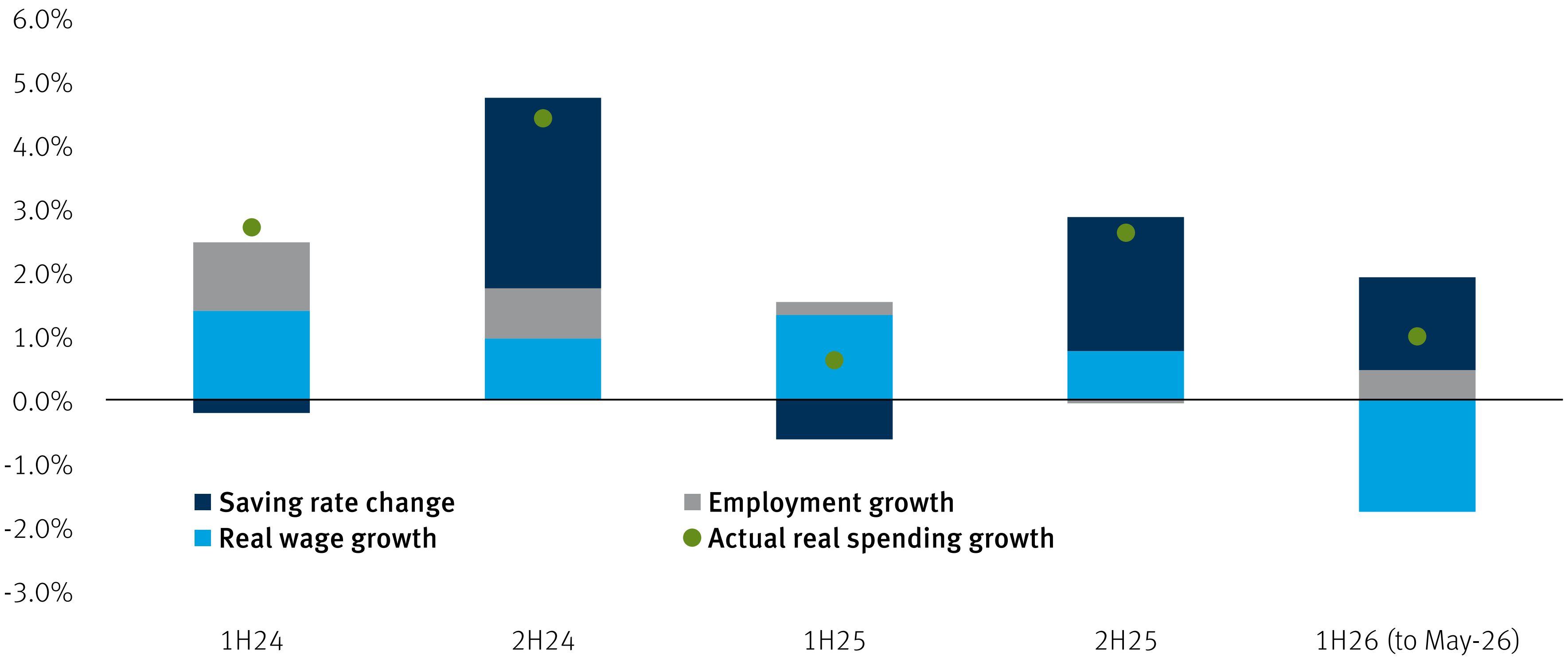
Mean probability of missing minimum debt payment over the next 3 months (%)



Source: Stifel CIO Office via Bloomberg, Apollo and Strategas Research Partners, as of September 18, 2026.

Consumers are strained but resilient

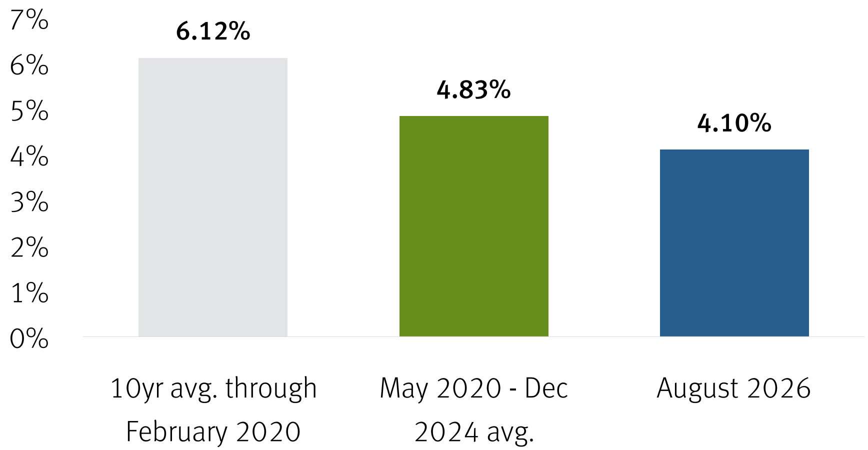
Sources of annualized real spending growth, by half year



Source: Stifel CIO Office via U.S. BEA, U.S. BLS, & Future Standard as of September 18, 2026.

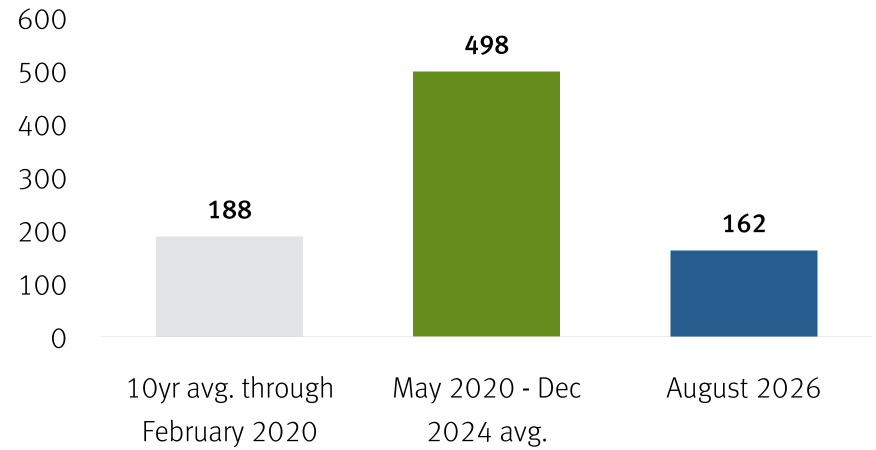
Unemployment Rate

Monthly



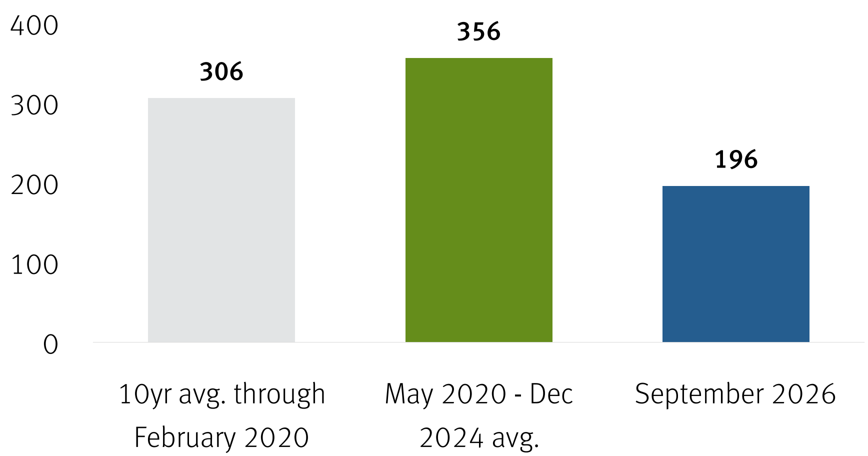
Nonfarm Payrolls

Monthly, thousands



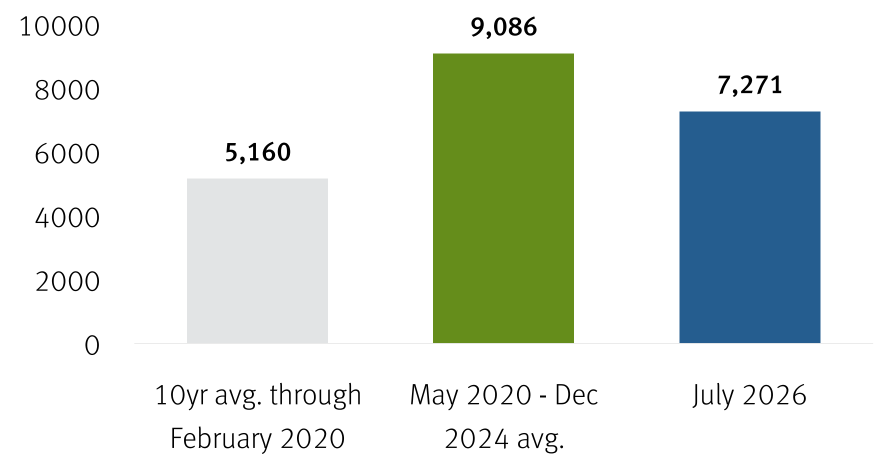
Jobless Claims

Weekly, thousands



JOLTS - Job Openings

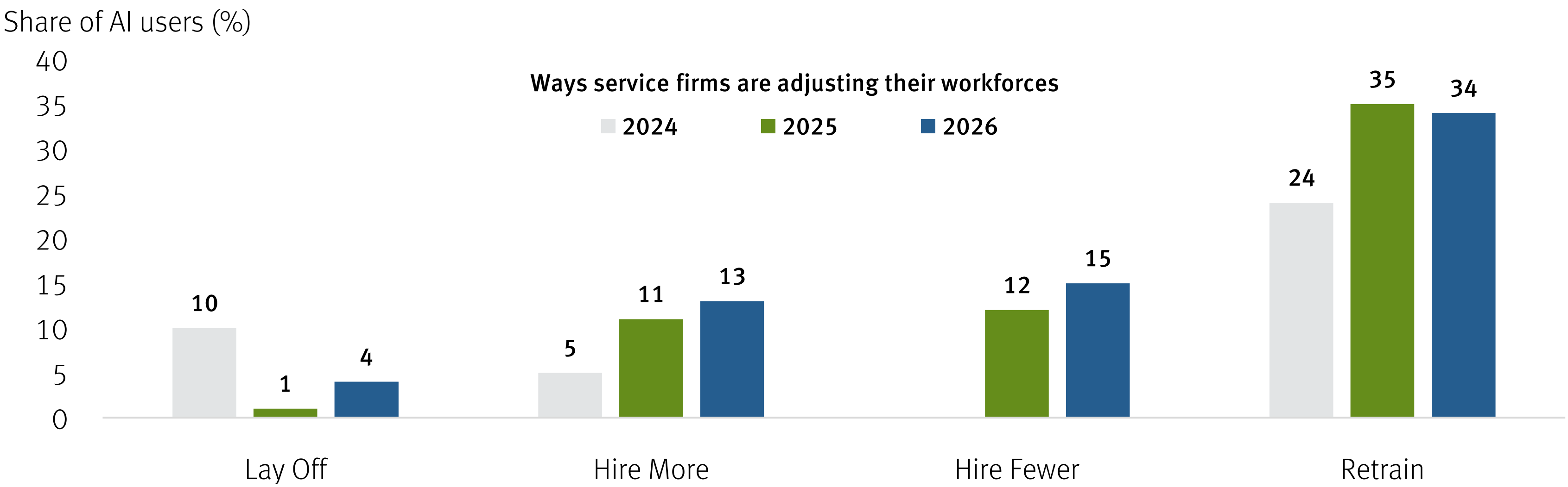
Thousands



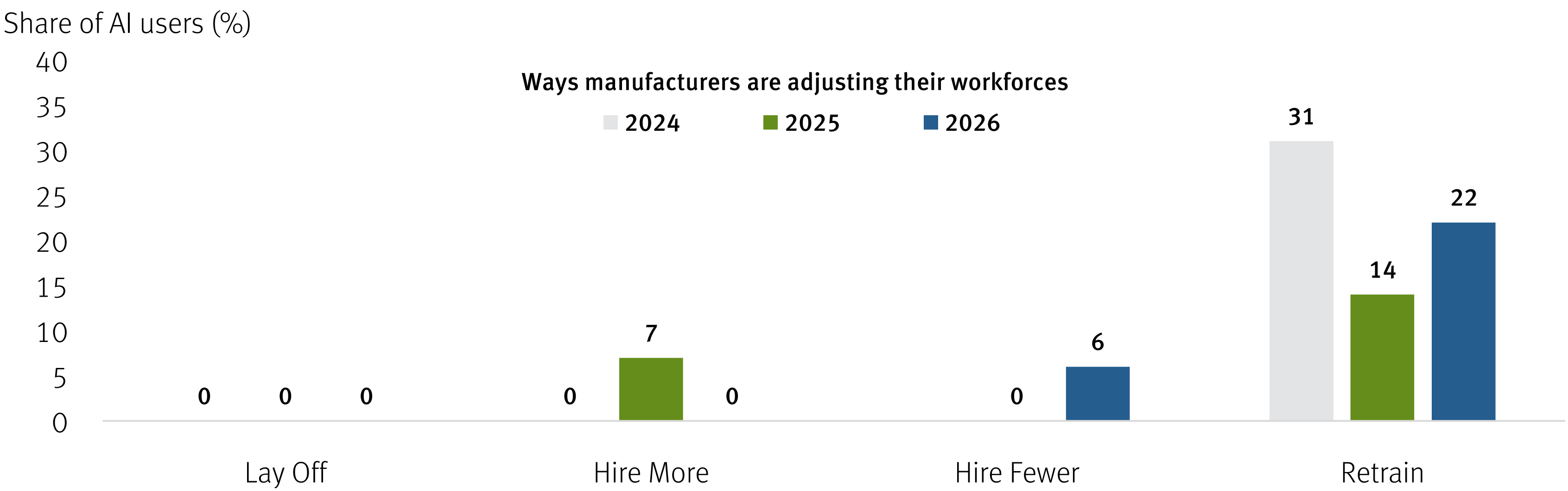
Source: Stifel CIO Office via Bloomberg, as of September 18, 2026.

WORKERS ARE BEING RETRAINED TO USE AI

AI: Service firms are retraining, not firing

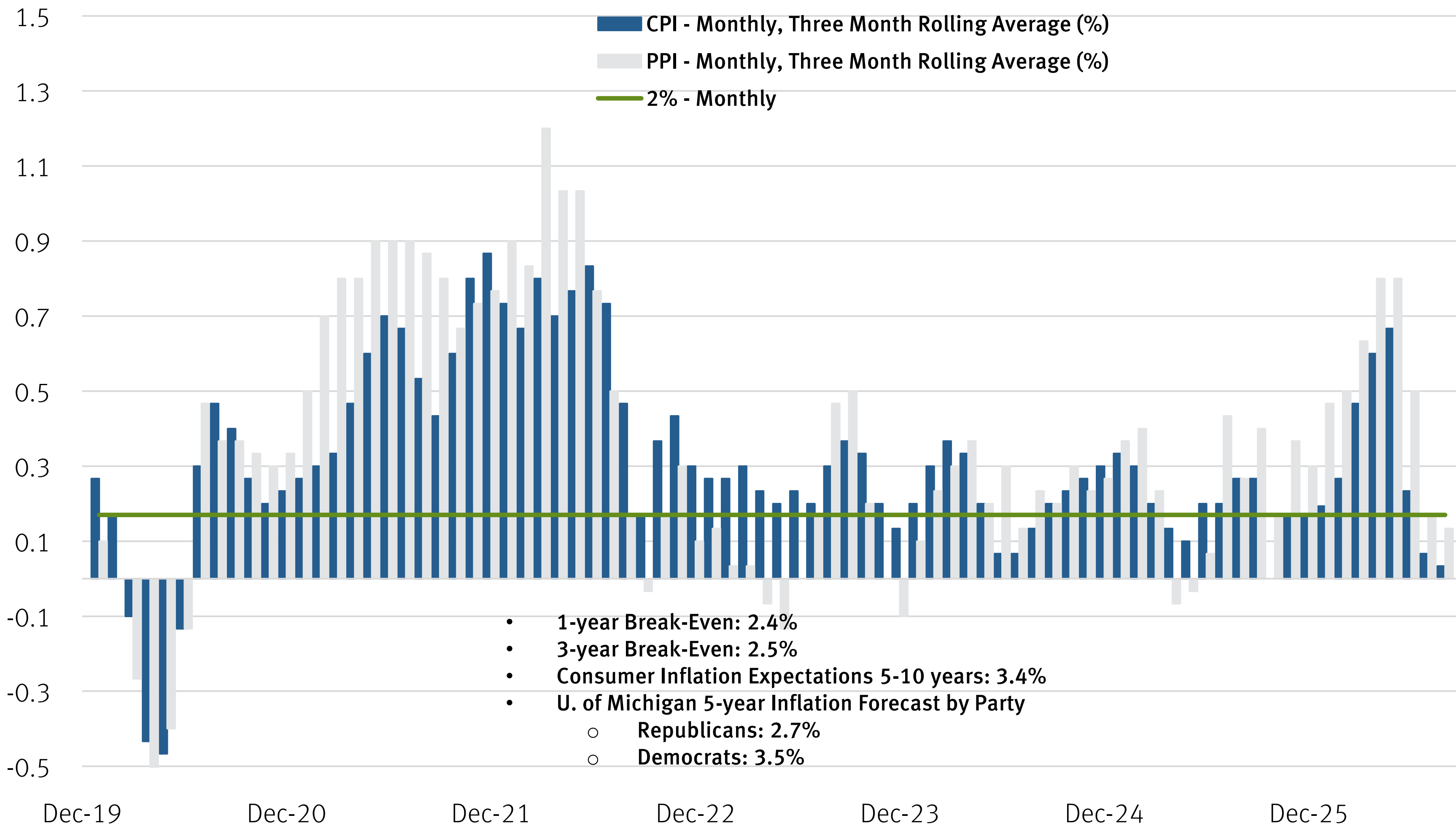


AI: Manufacturing firms are retraining, not firing



Source: Stifel CIO Office via Federal Reserve Bank of New York, Regional Business Surveys (August 2024, 2025, 2026), Apollo, as of September 18, 2026.
Note: Firms were not asked whether they hired fewer workers in 2024.

Monthly Inflation Trends



Source: Stifel CIO Office via Bloomberg, as of September 18, 2026. (Intra-Day)
CPI = Consumer Price Index
PPI = Producer Price Index

Fed September 2026 FOMC Recap – A Unanimous Hike, 12-0

The Decision – First Hike Since 2023

- **Hiked 25 bp to 3.75%-4.00%** on a **12-0 vote** – the first increase since July 2023.
- **No dissents** – a full reversal from July's 9-3 split. Warsh cited strong activity, elevated inflation and Middle East tension.
- **Shorter statement:** "Inflation remains elevated"; the hike supports a "timelier return" to the 2% goal.

How Markets Read It

- **Dots moved up:** 2026 median to 4.1% from 3.8% in June – 16 of 18 participants see at least one more hike this year.
- **October repriced:** roughly a coin flip for the Oct. 28 meeting; a further hike by December is largely priced.
- **Risk assets:** the 10-year topped 5% and the S&P 500 closed 34 points lower.

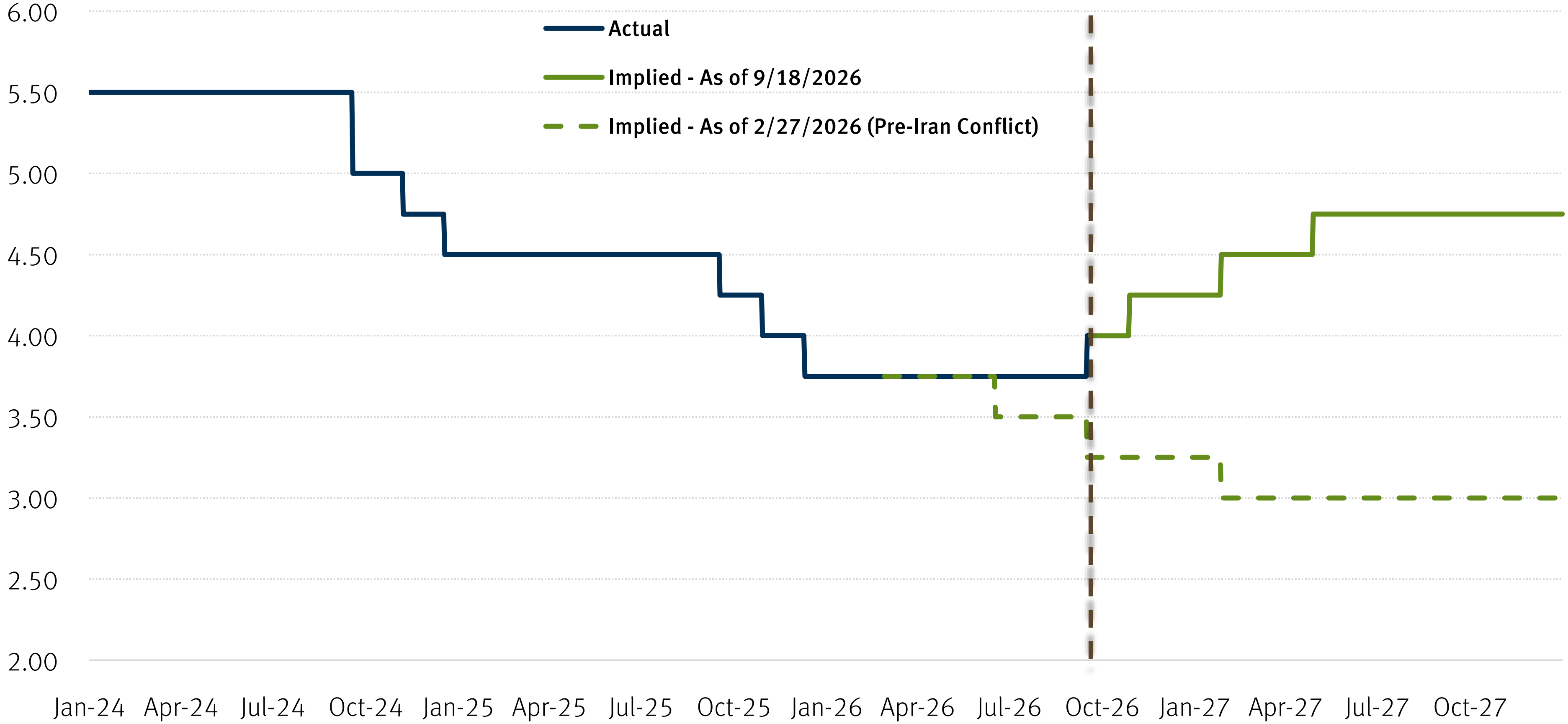
Macro Backdrop

- **Inflation above target:** CPI at 3.4%, and PCE at 3.7% (vs. 2% target).
- **Labor market resilient:** Unemployment rate at 4.1%.
- **Oil-price volatility increased:** WTI at $99 per barrel.

Bottom line: The hiking cycle has begun – Warsh says inflation is "too high … for too long."

FOMC = Federal Open Market Committee; SEP = Summary of Economic Projections.
Source: Stifel CIO Office via Bloomberg, as of September 18, 2026. (Intra-Day)

Fed Funds Target Rate - Upper Bound



Source: Stifel CIO Office via Bloomberg, as of September 18, 2026. (Intra-Day)

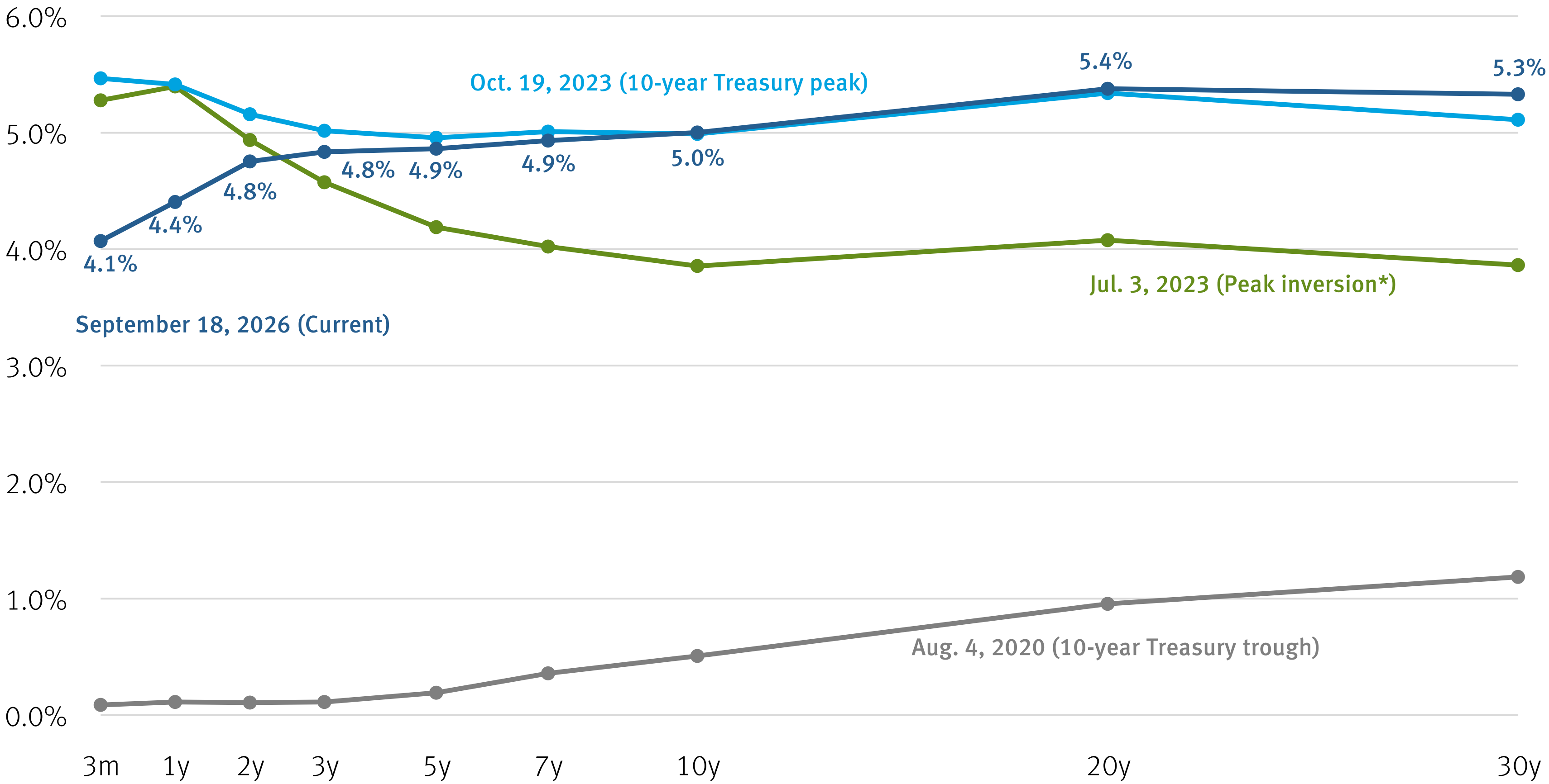
	Date of Estimate	2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026	Q3 2026	Q4 2026	Q1 2027	Q2 2027	Q3 2027	Q4 2027	2026	2027
Actual		2.1	3.8	4.4	0.5	2.1	1.5								
January Consensus		*2.0*	*2.0*	*2.0*	*1.0*	*2.1*	*2.0*	*2.0*	*2.0*	*2.0*	*2.0*			*2.0*	*2.0*
Consensus	**9/18/2026**							**2.5**	**2.0**	**2.1**	**2.2**	**2.2**	**2.2**	**2.1**	**2.1**
Stifel	7/30/2026	2.3	0.6	3.2	4.1	2.2	1.8	2.2	2.5	3.2	2.8	n/a	n/a	2.1	3.0
Goldman Sachs	9/18/2026	2.2	2.7	3.5	1.6	3.5	2.6	3.2	1.9	2.1	2.1	2.2	2.3	2.2	2.2
Capital Economics	9/18/2026	2.3	2.5	4.3	3.4	2.5	1.8	3.9	2.3	2.3	2.5	n/a	n/a	2.3	2.5
Strategas	9/14/2026	2.2	2.5	2.5	2.5	1.5	1.8	3.5	2.3	1.0	2.0	2.0	1.7	2.3	2.0
UBS	9/18/2026	2.2	2.5	2.7	2.4	2.2	1.7	2.6	2.1	1.6	1.9	2.2	1.8	2.2	2.0
Wells Fargo	8/21/2026	2.2	1.8	3.7	2.1	2.9	1.8	4.0	2.0	2.2	2.6	2.5	2.5	2.3	2.5
Bloomberg Economics	8/21/2026	2.3	2.6	3.2	2.5	1.9	2.0	2.1	2.7	2.3	2.6	2.5	2.3	2.1	2.4
Barclays	9/11/2026	2.2	1.5	2.5	2.0	2.5	2.5	2.0	2.0	1.5	1.5	1.5	1.5	2.0	1.7
JPMorgan Chase	9/11/2026	2.3	2.5	3.0	3.0	2.5	2.0	2.8	1.8	2.3	2.3	n/a	n/a	2.1	2.1
Morgan Stanley	9/14/2026	2.2	2.1	2.0	2.0	1.9	2.3	2.7	2.5	2.4	2.6	2.6	2.6	2.2	2.6
Federal Reserve**	9/16/2026	1.7												2.3	2.4

Annualized percent change from prior quarter and year-over-year change are shown for quarterly and yearly periods, respectively. Stifel estimates based on Stifel sell-side Economics department estimates. **Percent change from fourth quarter to fourth quarter one year ago. “Consensus Estimates” for time periods that have passed represent actual results and consensus estimates in grey shaded boxes represent first estimate of year.

Source: Stifel CIO Office via Bloomberg, as of September 18, 2026. Federal Reserve estimates are as of September 16, 2026.

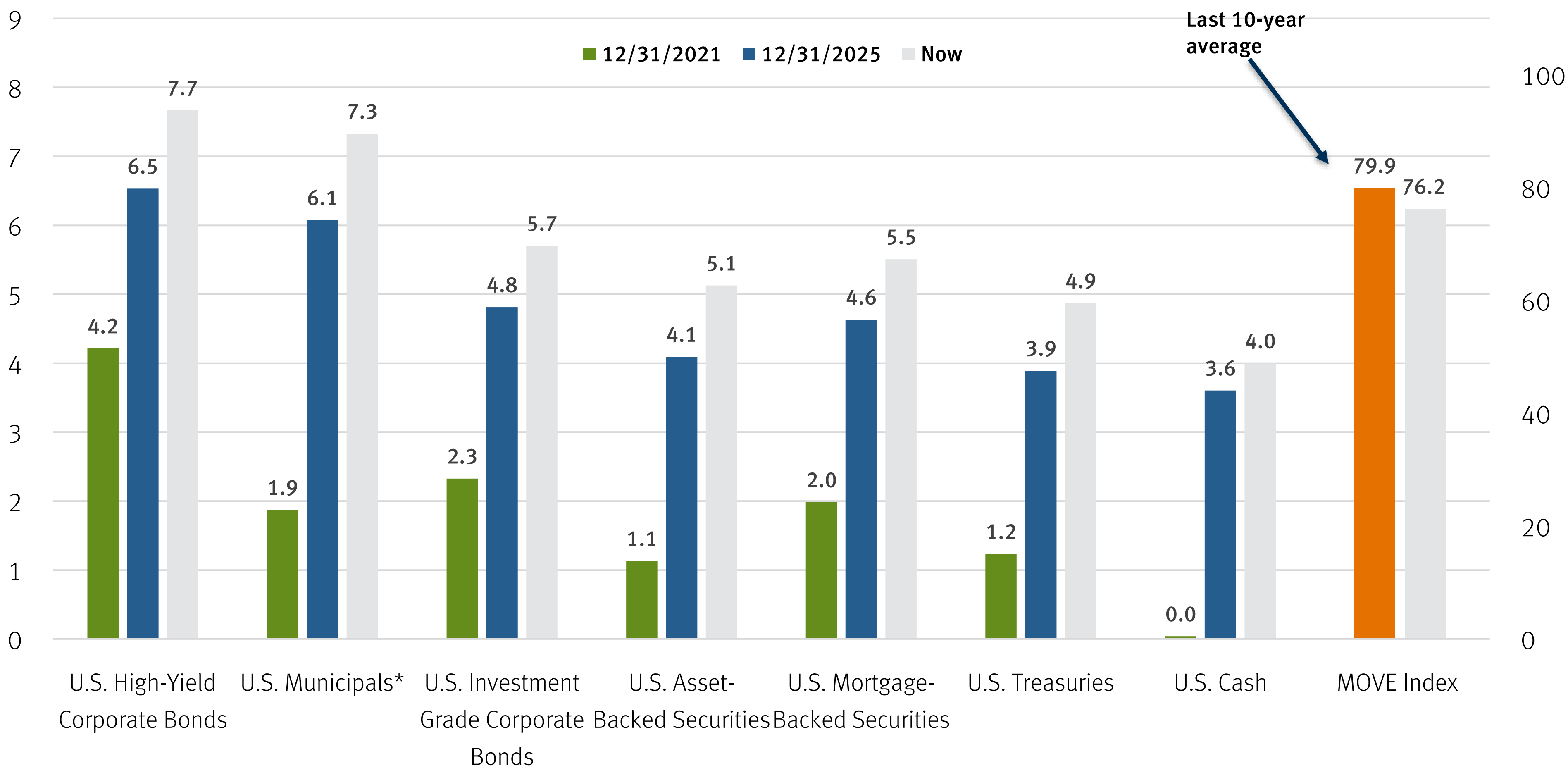
Fixed Income & Rates:
Still Higher for Longer

U.S. Treasury Yield Curve



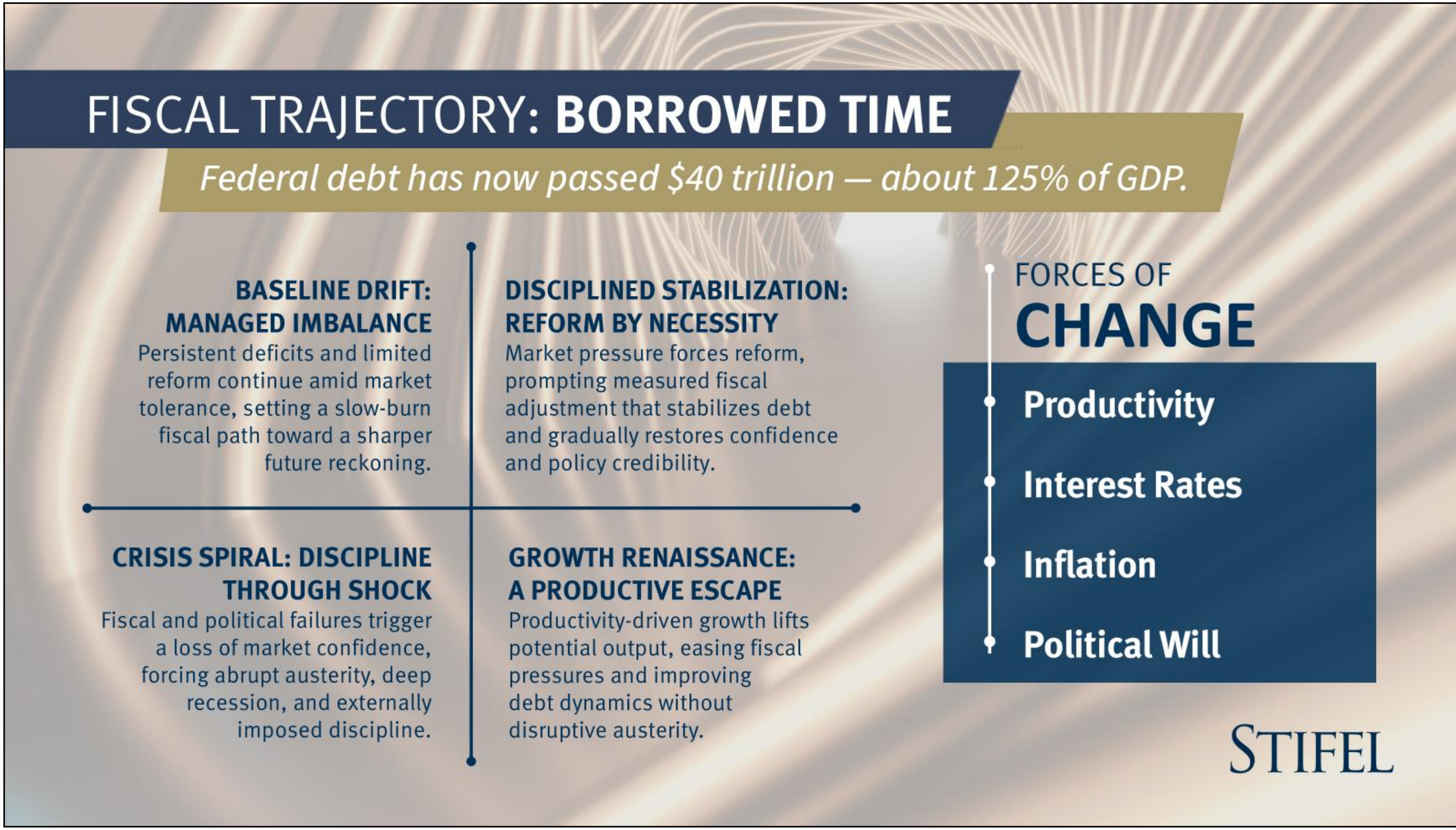
*Peak inversion is measured by the spread between the yield on a 10-year Treasury and 2-year Treasury.
Source: Stifel CIO Office via Bloomberg, as of September 18, 2026. (Intra-Day)

Fixed Income Yield (Percentage)



Based on taxable equivalent yield. Taxable equivalent yield assumes a 37% federal tax and 3.8% net investment income tax. Move Index is shown on right-hand scale.

Source: Stifel CIO Office via Bloomberg, as of September 17, 2026.



[Fiscal Trajectory: Borrowed Time]

This concern is not partisan and not confined to Washington.

Policymakers & Institutions

"The level of the debt is not unsustainable, but the path is not sustainable. It will not end well if we don't do something fairly soon."
– Jerome Powell, then-Chair, Federal Reserve (March 2026)

"Extreme positions can build up and persist for years. And when they do, economies become more vulnerable to shocks."
– Lorie Logan, President, Federal Reserve Bank of Dallas (May 2026)

"We must work to get our fiscal house in order and adjust federal domestic discretionary spending…"
– Scott Bessent, Secretary of the Treasury (January 2025)

"The window for orderly fiscal adjustment is narrowing. Advanced economies with large debt loads need concrete, well-sequenced consolidation measures…"
– International Monetary Fund, Fiscal Monitor (April 2026)

Business & Market Leaders

"The right way would be to deal with it now before it becomes a problem; the wrong way would be to let it become a crisis, which… is probably the likely outcome."
– Jamie Dimon, Chairman & CEO, JPMorganChase (April 2026)

"If we continue on the current course, and we don't take the growth level up… there will be a reckoning."
– David Solomon, Chairman & CEO, Goldman Sachs (November 2025)

"I strongly endorse reducing the budget deficit to 3% of GDP… essential for preventing the United States from 'going broke.'"
– Ray Dalio, Founder, Bridgewater Associates (March 2026)

"You can see the budget deficit blowing up… you can see the bond market getting smoked."
– Paul Tudor Jones, Founder, Tudor Investment Corp. (April 2026)

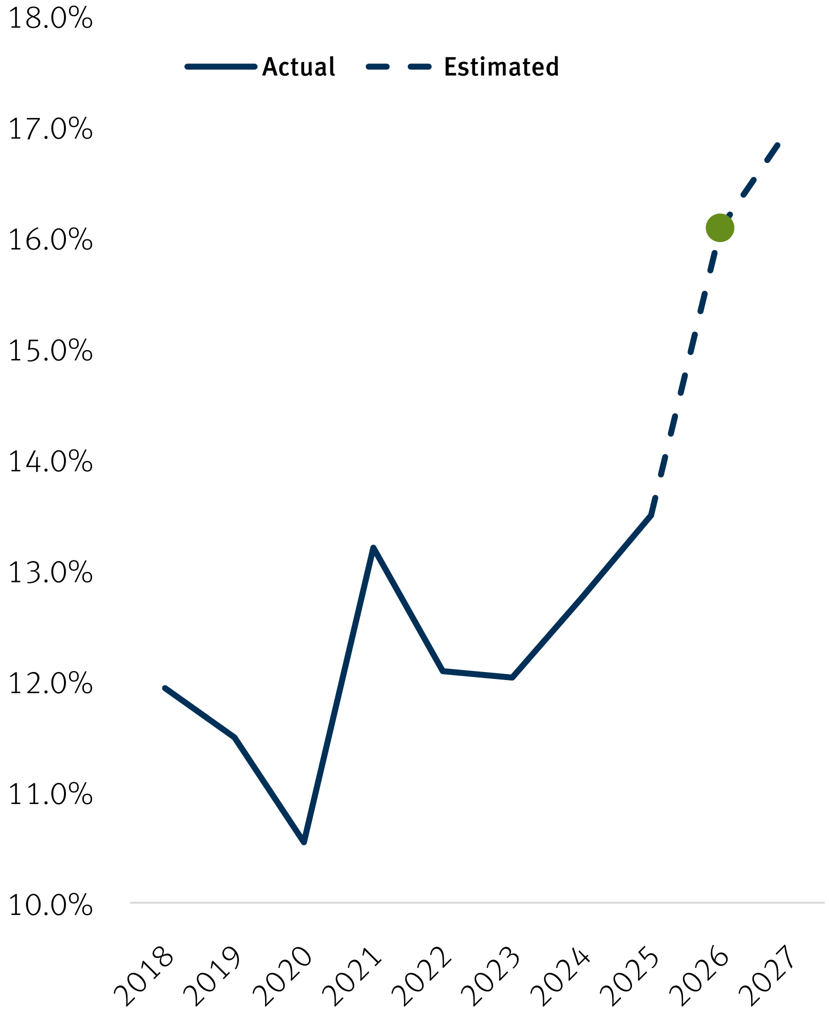
Source: Stifel CIO Office. Quotations as delivered; dates and venues reflect the occasion of each remark.

Index	2023	2024	2025	Since 2/28/26	Since 6/12/26	Year to Date
Bloomberg U.S. Agg	5.5%	1.3%	7.3%	-2.8%	-1.4%	-1.1%
Bloomberg U.S. HY Corp	13.4%	8.2%	8.6%	1.2%	0.2%	1.9%
Bloomberg U.S. IG Corp	8.5%	2.1%	7.8%	-2.5%	-1.6%	-1.0%
Bloomberg U.S. Securitized	5.1%	1.5%	8.5%	-2.8%	-1.5%	-0.8%
Bloomberg U.S. Treasury	4.1%	0.6%	6.3%	-3.0%	-1.2%	-1.3%
Bloomberg U.S. Lev. Loan	12.8%	8.8%	5.5%	4.5%	2.3%	3.5%
Morningstar LSTA U.S. Lev. Loan	13.3%	9.0%	5.9%	4.6%	2.3%	3.5%

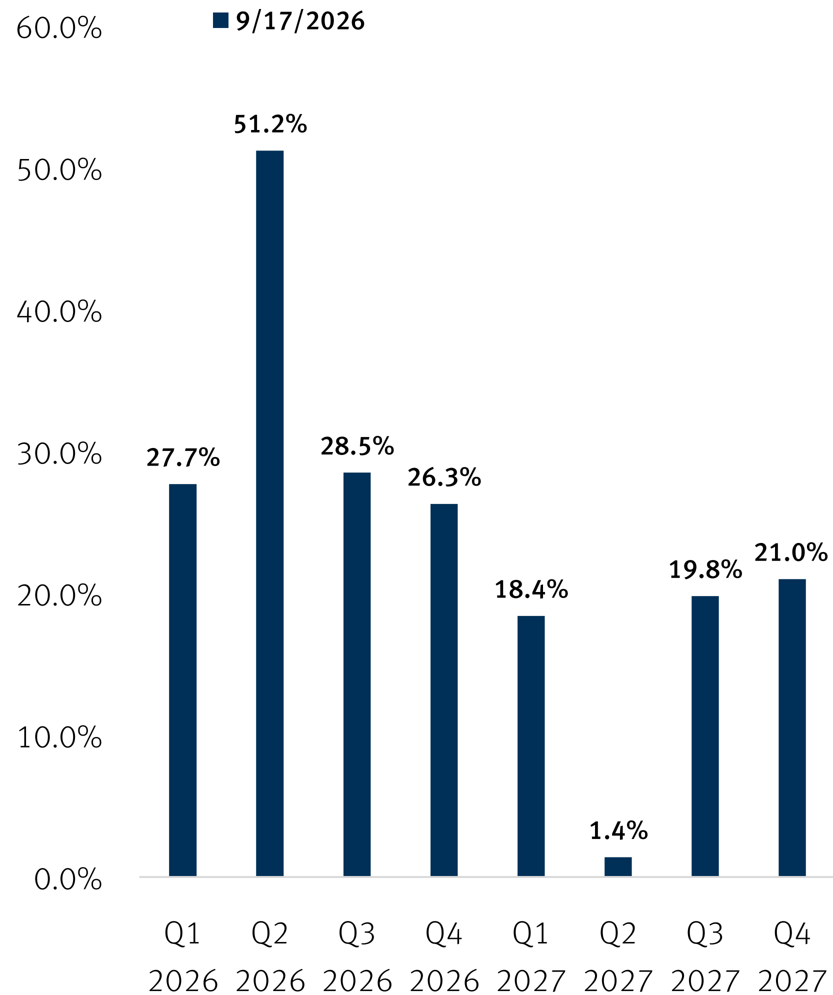
Source: Stifel CIO Office via Bloomberg, as of September 18, 2026. (Intra-Day)
Index performance is not indicative of any investment strategy; indexes are unmanaged. Figures are total index returns, shown for informational purposes.

Equities:
Valuation and Earnings Remain in Focus

S&P 500 Profit Margin



S&P 500 EPS YoY %



YoY = year over year

Source: Stifel CIO Office via FactSet, as of September 17, 2026.

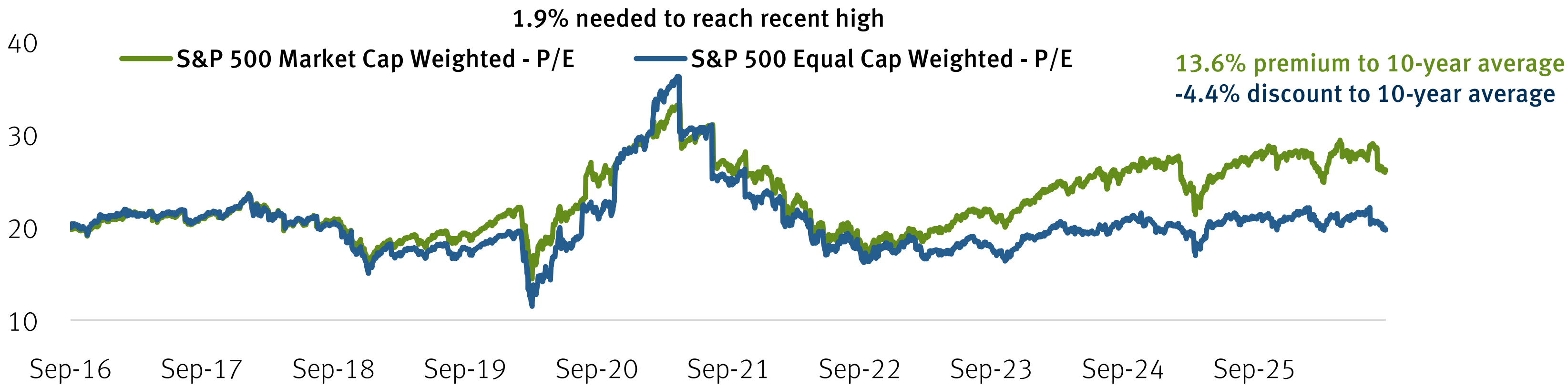
NEAR-TERM RISKS AND OPPORTUNITIES

EPS	S&P 500 P/E							
	21x	22x	23x	24x	25x	26x	27x	28x
$360	7,651	7,927	8,288	8,648	9,008	9,369	9,729	10,210
$345	7,325	7,590	7,935	8,280	8,625	8,970	9,315	9,776
$330	7,007	7,260	7,590	7,920	8,250	8,580	8,910	9,351
$315	6,688	6,930	7,245	7,560	7,875	8,190	8,505	8,926
$300	6,370	6,600	6,900	7,200	7,500	7,800	8,100	8,501
$285	6,051	6,270	6,555	6,840	7,125	7,410	7,695	8,076
$270	5,733	5,940	6,210	6,480	6,750	7,020	7,290	7,651

Consensus 2026 EPS ($360)

Consensus 2025 EPS ($270)

Current S&P 500 Index Level



Earnings

- For 2026, the forecast has been revised upward to 33.5%, compared to 15.2% at the beginning of the year.
- For 2027, the forecast has been revised downward to 14.8%, compared to 15.1% at the beginning of the year.

EPS = Earnings Per Share

*Source: Stifel CIO Office, FactSet, and Bloomberg, as of September 18, 2026.

Base Case: A Divided Government: Democrats retake the House, while Republicans retain the Senate.

- **House favors Democrats:** Democrats need just three net seats to gain control. Historical midterm trends, President Trump's approval ratings, and recent election results point to a Democratic gain of approximately 10 – 20 seats – below the historical average. We assign a roughly **90% probability** that Democrats win the House.

- **Senate favors Republicans:** Democrats face a more difficult map, requiring multiple pickups while defending competitive seats in Georgia and Michigan. North Carolina appears to be their strongest pickup opportunity, while Maine remains competitive. We assign a roughly **60% probability** that Republicans retain the Senate.

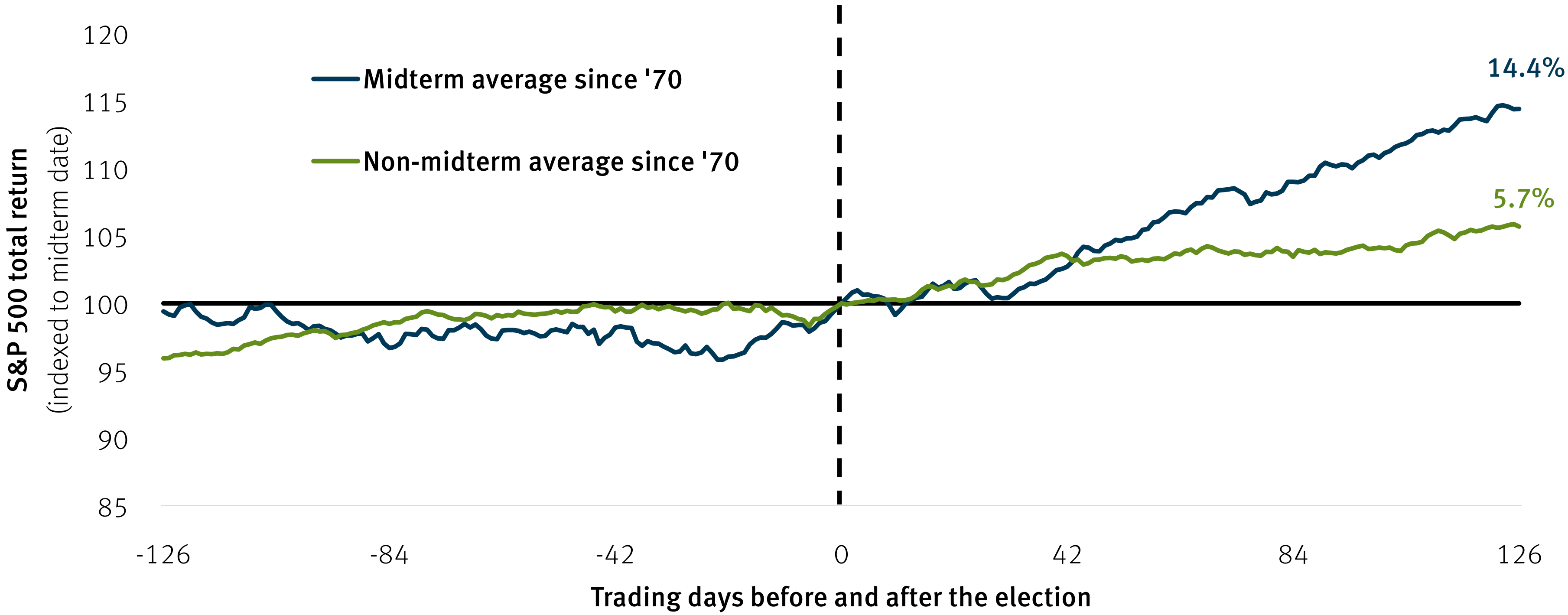
- **Major policy changes remain unlikely:** Even if Democrats win one or both chambers, President Trump would retain veto power. A Democratic Congress could slow the administration's agenda through investigations and oversight but would be unlikely to stop it.

- **Political and sector risks could rise:** Democratic-led committees may increase scrutiny of technology, healthcare, energy, defense, cryptocurrencies, and financial services. Divided government could also raise the risk of prolonged budget disputes and government shutdowns.

- **Investment implication:** We believe the midterms are more likely to generate political uncertainty, congressional investigations, and sector-level volatility than a major change in the country's legislative or regulatory direction.

Potomac Perspective: Updated Midterm Election Outlook

Historically, markets have tended to rally after midterms as event risk passes



Source: Stifel CIO Office via Bloomberg & Blackrock, as of September 17, 2026.
Outcomes vary by period; past market behavior does not guarantee future results.

Index	2023	2024	2025	Since 2/28/26	Since 6/12/26	Year to Date
S&P 500 Index	26.3%	25.0%	17.9%	11.8%	3.1%	12.5%
S&P 500 Eq. Weight.	13.8%	13.0%	11.4%	5.0%	1.2%	12.4%
S&P High Dividend	5.5%	11.1%	3.3%	5.0%	5.4%	17.1%
S&P 500 Low Vol. High Div.	1.7%	18.3%	3.7%	-1.6%	-1.4%	8.4%
MSCI U.S. High Dividend	6.8%	11.7%	12.0%	3.5%	1.7%	14.7%
NASDAQ Composite Index	44.7%	29.6%	21.2%	17.4%	2.6%	14.6%
S&P 500 Financials	12.1%	30.5%	15.0%	9.6%	5.2%	2.9%
KBW Reg. Banking	-0.4%	13.2%	6.5%	10.5%	-0.3%	15.2%
Bloomberg U.S. 1000	26.7%	24.2%	17.5%	11.7%	3.0%	12.7%
Bloomberg U.S. 1000 Eq. Wt.	19.9%	13.1%	10.9%	4.4%	0.3%	9.9%
Bloomberg U.S. 1000 Value	9.4%	13.6%	16.5%	6.9%	1.9%	17.3%
Bloomberg U.S. 1000 Growth	36.1%	28.9%	17.9%	13.5%	3.4%	10.9%
Bloomberg Magnificent 7	107.0%	67.3%	24.9%	15.4%	8.7%	7.6%
NYSE FANG+ Index	96.4%	51.0%	20.8%	30.3%	11.4%	19.2%
S&P 600 Index	15.9%	8.6%	6.0%	8.5%	-2.2%	17.1%
S&P 600 Quality Index	24.3%	7.8%	1.4%	5.1%	-1.6%	10.4%
Bloomberg U.S. 2000	17.1%	12.0%	11.1%	8.8%	-2.1%	15.6%
MSCI EAFE Index	18.2%	3.8%	31.2%	1.7%	2.8%	11.9%
MSCI EM Index	9.8%	7.5%	33.6%	6.2%	-1.0%	22.0%

Source: Stifel CIO Office via Bloomberg, as of September 18, 2026. (Intra-Day) Index performance is not indicative of any investment strategy; indexes are unmanaged. Figures are total index returns, shown for informational purposes.

Long-Term Themes: Defining the Future

ARTIFICIAL INTELLIGENCE: **RUNWAY FOR GROWTH**

Artificial intelligence is reshaping how people work, create, and invest, unlocking a super-cycle of productivity with multitrillion-dollar effects on global GDP. AI's impact will expand to touch every major sector, transforming how industries operate, compete, and create value.

HEALTHCARE
- Drug Discovery
- Personalized Medicine
- Robotic Surgery

FINANCIALS
- Credit Scoring
- Fraud Detection
- Portfolio Optimization

REAL ESTATE
- Listing Descriptions
- Tenant Screening
- Virtual Staging

CONSUMER DISCRETIONARY
- Forecasting
- Hyper-Personalized Commerce
- Customer Service

INDUSTRIALS
- Quality Control
- Robot-Assisted Assembly
- Predictive Maintenance

INFORMATION TECHNOLOGY
- AI Agents
- Software Development
- Cybersecurity

STIFEL

THE FIVE THEMES

FOURTH INDUSTRIAL REVOLUTION

Technological innovation has broken down the boundaries between the physical, digital, and biological worlds.

Data as an Asset | *Enhanced Computing* | *Smart World* | *Workforce Optimization*

SECURING STRATEGIC RESOURCES

Companies and governments are prioritizing the development and protection of critical industries, resources, and services.

Food and Water Security | *Modern Energy Systems* | *New Materials* | *Continental Shift*

SHIFTING DEMOGRAPHICS

Changes in global population dynamics will bring about challenges and opportunities.

Millennials | *Global Middle Class* | *Longevity Leap* | *Future of Health*

THE NEW CONSUMER

Consumer preferences, expectations, and behavior are altering business models and corporate strategies.

Reimagined Convenience | *Digitalization of Human Connectivity* | *Future of Finance* | *Future of Leisure*

PRODUCTIVE COMPETITION

Rivalry ultimately drives innovation, improves quality of life, and creates value for consumers and the economy.

Geopolitical Tensions | *Defense Modernization* | *Space Race* | *Transforming Business Models*

WHERE TO FIND
STIFEL GUIDANCE

The Stifel CIO Office develops economic and market analysis, and corresponding investment guidance, for the benefit of Stifel clients. You can find all of our Stifel Guidance at:

stifelinsights.com

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STIFEL | Insights

Home

INVESTMENT STRATEGY BRIEF

A Mid-Summer Update: The Middle East, AI, Fed Policy, Earnings & Market Dynamics

We share a mid-summer update across five fronts: the path forward after the U.S.-Iran peace agreement, an economy resilient despite risks, a "higher for longer" rate backdrop, equity valuations and earnings in focus, and the long-term themes – led by artificial intelligence – defining the future.

WATCH

A New Chapter at the Fed: What Two Meetings Have Shown

Market Sight | Lines

Two meetings into Kevin Warsh's tenure as Federal Reserve Chair, a new communication framework is beginning to take shape. In this week's Sight|Lines, we discuss what the Fed's reduced forward guidance, more visible internal debate, and evolving approach to policy communication could mean for investors.

READ

Coercive Diplomacy: The Managed Off-Ramp Is Proving Bumpy

Market Sight | Lines

Recent developments in the Middle East suggest the path to peace may be more complicated than it appears. In this Sight|Lines, we discuss why escalation and negotiation can be part of the same strategy, what coercive diplomacy means in practice, and why a Managed Off-Ramp remains the most likely outcome despite rising risks and uncertainty.

READ

Second-Quarter Earnings: A High Bar Cleared – Mostly

Market Sight | Lines

We recently highlighted the lofty expectations for second quarter's earnings. With reporting season now largely complete, companies did more than meet that elevated bar. In this week's Sight|Lines, we revisit the expectations we outlined in July, assess where results stand today, and discuss what stronger-than-expected earnings, accelerating revenue growth, and continued artificial intelligence-driven spending could mean for investors.

READ

Popular insights from Stifel's CIO Office include:

WEEKLY | MONTHLY | QUARTERLY

VIDEO | PODCAST | NEWSLETTER

VIDEO | PODCAST | NEWSLETTER

ALLOCATION INSIGHTS

DYNAMIC ASSET ALLOCATION

VIEW LEGEND

U Underweight | N Neutral | O Overweight

	ASSET CLASS	CHANGE	VIEW (U)	VIEW (N)	VIEW (O)	COMMENTS
U.S. Equity	U.S. Large Cap Equity	=		N		Small caps can offer greater sensitivity to an improving growth backdrop, but higher absolute rates and greater financing sensitivity offset the case; large caps continue to offer stronger earnings durability, supporting a neutral stance.
U.S. Equity	U.S. Small Cap Equity	=		N		
U.S. Equity	U.S. Large Cap Growth Equity	=		N		We believe investors should remain diversified across both growth and value styles. Recent rotation has been swift, but we believe it supports broader leadership rather than a wholesale move away from growth.
U.S. Equity	U.S. Large Cap Value Equity	=		N		
Regional Equity Views	U.S. Equity	=		N		Strong earnings growth continues to support U.S. equities, although valuations remain above historical averages. With fundamentals doing more of the work, future returns are likely to depend increasingly on continued earnings delivery rather than further multiple expansion.
Regional Equity Views	Non-U.S. Equity	=		N		Attractive valuations, improving earnings trends, and renewed U.S. dollar weakness support international equities, while slower growth and geopolitical risks argue for maintaining a balanced stance.
Regional Equity Views	Europe	=	U			Fiscal support and an easier policy backdrop are helping, but growth remains modest and uneven, with continued sensitivity to energy and external shocks. We remain selective rather than broadly constructive.
Regional Equity Views	Japan	=			O	Japan remains supported by reflation, improving domestic growth, and ongoing corporate reform. Better capital spending, rising shareholder returns, and a constructive earnings outlook support our overweight stance.
Regional Equity Views	Emerging Markets	=			O	Strong earnings growth, attractive valuations, and a weaker U.S. dollar continue to support emerging markets. Exposure to AI supply chains, global capital spending, and reshoring trends further strengthens the case versus developed markets.
Regional Equity Views	China	=		N		Early signs of consumer improvement are emerging, but weak confidence, property softness, and uneven earnings visibility keep us selective. Risk/reward is becoming more balanced.

Allocation Insights: Q3 2026

ALLOCATION INSIGHTS

DYNAMIC ASSET ALLOCATION

	ASSET CLASS	CHANGE	VIEW			COMMENTS
Fixed Income	Treasuries	=	U			Treasuries remain an important source of liquidity and portfolio ballast, but persistent deficits, heavy issuance, above-target inflation, and rising demand for long-term capital are keeping pressure on the long end of the curve. We remain underweight and prefer earning income in higher-quality spread sectors.
Fixed Income	Investment-Grade Credit	=			O	A resilient economy and strong corporate fundamentals support investment-grade corporates as a high-quality income source.
Fixed Income	Mortgage-Backed Securities	=			O	Agency MBS offer attractive income and wider spreads over Treasuries while retaining high credit quality, supporting our overweight stance.
Fixed Income	High Yield	=		N		Credit fundamentals remain solid, but spreads are tight. High yield offers income but less margin for error if growth slows. Neutral positioning reflects a preference for selectivity over beta exposure.
Alternatives	Private Assets	=		N		For investors interested in alternative investments and able to handle illiquidity, exposure to some combination of alternatives can be considered as part of a diversified portfolio.
Alternatives	Hedge Funds	=		N		

VIEW LEGEND

U Underweight N Neutral O Overweight

Allocation Insights: Q3 2026

The information contained herein has been prepared from sources believed to be reliable but is not guaranteed by us and is not a complete summary or statement of all available data, nor is it considered an offer to buy or sell any securities referred to herein. Opinions expressed are subject to change without notice and do not take into account the particular investment objectives, financial situation, or needs of individual investors. There is no guarantee that the figures or opinions forecasted in this report will be realized or achieved. Employees of Stifel, Nicolaus & Company, Incorporated or its affiliates may, at times, release written or oral commentary, technical analysis, or trading strategies that differ from the opinions expressed within. Past performance is no guarantee of future results.

Index returns include the reinvestment of dividends but do not include adjustments for brokerage, custodian, and advisory fees.

Indices are unmanaged, do not reflect fees and expenses, and are not available for direct investment.

Investing involves risk, including the possible loss of principal. Asset allocation and diversification do not ensure a profit or protection against loss.

Neither Stifel nor its associates render legal or tax advice. Please consult with your legal and tax advisors regarding your particular circumstances.

Dollar-cost averaging does not assure a profit or protect against a loss. Investors should consider their ability to continue investing during periods of falling prices.

Rebalancing may have tax consequences, which you should discuss with your tax advisor.

Volatility is measured by calculating the standard deviation of the annualized returns over a given period of time.

Alternative Investments or Non-Traditional Assets – Alternative investments may include, but are not limited to: Real Estate Investment Trusts (REITs), Commodities, Futures, Hedge Funds, Venture Capital, Limited Partnerships, etc.

Real Estate – When investing in real estate companies, property values can fall due to environmental, economic, or other reasons, and changes in interest rates can negatively impact the performance.

Commodities and Futures – The risk of loss in trading commodities and futures can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. The high degree of leverage that is often obtainable in commodity trading can work against you as well as for you. The use of leverage can lead to large losses as well as gains.

Hedge Funds – *Investors should be aware that hedge funds often engage in leverage, short-selling, arbitrage, hedging, derivatives, and other speculative investment practices that may increase investment loss. Hedge funds can be highly illiquid, are not required to provide periodic pricing or valuation information to investors and often charge high fees that can erode performance. Additionally, they may involve complex tax structures and delays in distributing tax information. While hedge funds may appear similar to mutual funds, they are not necessarily subject to the same regulatory requirements as mutual funds.*

Venture Capital – Venture capital investments involve substantial risks. The risks associated with investing in companies in the start-up or expansion stages of development are greater than those of companies in later stages, because the companies' business concepts generally are unproven and the companies have little or no track record.

Limited Partnerships – Generally, limited partnership investments are suitable only for a narrow class of relatively sophisticated investors. Limited partnership investments may be speculative in nature and be subject to resale restrictions or illiquidity. An investment is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment.

Bonds – When investing in bonds, it is important to note that as interest rates rise, bond prices will fall. High-yield bonds have greater credit risk than higher quality bonds.

Duration – Duration is a measure of the sensitivity of the price -- the value of principal -- of a fixed-income investment to a change in interest rates. Duration is expressed as a number of years.

Standard Deviation – Standard deviation is a measure of the dispersion of a set of data from its mean. It is calculated as the square root of variance by determining the variation between each data point relative to the mean. If the data points are further from the mean, there is higher deviation within the data set.

International and Emerging Markets – There are special considerations associated with international investing, including the risk of currency fluctuations and political and economic events. Investing in emerging markets may involve greater risk and volatility than investing in more developed countries.

Private Equity – *Private equity funds are not appropriate for all investors. Investors should be aware that private equity funds may contain speculative investment practices that can lead to a loss of the entire investment. Private equity funds may invest in entities in which no secondary market exists and, as such, may be highly illiquid. The funds are not required to provide periodic pricing or valuation information to investors and often charge high fees that can erode performance. Additionally, they may involve complex tax structures and delays in distributing tax information.*

Short Positions – The investor should note that when a short position moves in an unfavorable way, the losses are theoretically unlimited. The broker will demand more collateral, and the manager might have to close out that short position at an inopportune time to limit any further losses.

Small Company Securities – Small company securities are typically more volatile and carry additional risks, since smaller companies generally are not as well established as larger companies.

Structured Investments – Structured investments can be an integral part of a well-diversified portfolio and an important complement to traditional investments. Recommendations of structured investments are subject to alignment of the client's investing needs with the specific features offered and the client's ability and willingness to bear the liquidity and issuer-default risks that may be associated with a particular investment.

Bloomberg U.S. Treasury Bills 1-3 Months Index includes all publicly issued zero-coupon U.S. Treasury Bills that have a remaining maturity of less than three months and more than one month, are rated investment grade, and have $250 million or more of outstanding face value.

Bloomberg U.S. Corporate IG Index is an unmanaged index considered representative of fixed-rate investment-grade taxable bond debt.

Bloomberg U.S. Aggregate Corporate Index is an unmanaged index considered representative of fixed-rate investment-grade taxable bond debt.

Bloomberg U.S. Corporate High Yield is an unmanaged index considered representative of fixed-rate, noninvestment-grade debt.

Bloomberg U.S. Government Bond Index is an unmanaged index considered representative of fixed-rate, investment-grade U.S. Government debt.

Bloomberg Global Aggregate This index provides a broad-based measure of the global investment-grade, fixed-rate debt market.

DXY Index is a measure of the value of the U.S. dollar relative to the value of a basket of currencies of the majority of the U.S.'s most significant trading partners.

S&P 500 Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The S&P 493 Index refers to the S&P 500 index excluding the seven dominant tech giants (Apple, Microsoft, Amazon, Alphabet, Meta, Tesla, and Nvidia), often called the "Magnificent 7."

S&P 500 Equal Weight Index is the equal-weight version of the widely regarded Standard & Poor's 500 Index, which is generally considered representative of the U.S. large capitalization market. The index has the same constituents as the capitalization-weighted S&P 500, but each company in the index is allocated a fixed weight of 0.20% at each quarterly rebalancing.

S&P 500 Financials Index comprises those companies included in the S&P 500 that are classified as members of the GICS® financials sector.

The S&P 600 Index is a capitalization-weighted index that represents the U.S. small capitalization market, including 600 domestic stocks chosen for market size, liquidity, and industry representation.

The S&P SmallCap 600 Quality Index is designed to measure the 120 highest-quality stocks in the S&P SmallCap 600 on the basis of their quality score, which is calculated using three fundamental measures: return on equity, accruals ratio, and financial leverage ratio.

Bloomberg U.S. 1000 Value Index provides exposure to companies with superior value factor scores based on their earnings yield, valuation, dividend yield, and growth.

Bloomberg U.S. 1000 Growth Index provides exposure to companies with superior growth factor scores based on their earnings yield, valuation, dividend yield, and growth.

Bloomberg U.S. 1000 Index is a float market-cap-weighted benchmark of the 1000 most highly capitalized U.S. companies.

Bloomberg U.S. 2000 Index is a float market-cap-weighted benchmark of the lower 2000 in capitalization of the Bloomberg U.S. 3000 Index.

The MSCI ACWI ex USA High Dividend Yield Index is based on MSCI ACWI ex USA, its parent index, and includes large and mid cap stocks across 22 Developed Markets (DM) and 25 Emerging Markets (EM) countries.

MSCI EAFE Index captures large and mid cap representation across Developed Markets countries around the world, excluding the U.S. and Canada. With 914 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

MSCI Emerging Markets (EM) Index captures large and mid cap representation across 23 Emerging Markets (EM) countries. With 837 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

The MSCI Japan Index is designed to measure the performance of the large and mid cap segments of the Japanese market.

Morgan Stanley Market implied pace of hikes index (MSPOKE) is the number of Fed rate hikes in the 12 months following the first rate hike implied by the Eurodollar interest rate futures market.

The MSCI World Index is a free float-adjusted market capitalization-weighted index that is designed to measure the equity market performance of developed markets.

The NASDAQ Composite Index is a capitalization-weighted index that is comprised of all stocks listed on the National Association of Securities Dealers Automated Quotation System stock market, which includes both domestic and foreign companies.

The Bloomberg Magnificent 7 Total Return Index is an equal-dollar weighted equity benchmark consisting of a fixed basket of 7 widely-traded companies classified in the United States and representing the Communications, Consumer Discretionary and Technology sectors as defined by Bloomberg Industry Classification System (BICS).

The Economic Policy Uncertainty Index quantifies the level of uncertainty surrounding economic policy decisions. It combines data from newspaper articles, federal tax code expirations, and forecasts from economic forecasters. A higher index value suggests greater economic risks due to policy ambiguity, potentially leading businesses and consumers to delay decisions.

Wilshire 5000 Index is a market-capitalization-weighted index of the market value of all stocks actively traded in the United States.

VIX Index shows the market's expectation of 30-day volatility. It is constructed using the implied volatilities of a wide range of S&P 500 index options.

EURO STOXX 50 is a stock index of Eurozone stocks designed by STOXX, an index provider owned by Deutsche Börse Group. According to STOXX, its goal is "to provide a blue-chip representation of Supersector leaders in the Eurozone.

Cash & Cash Equivalent is represented by the Bloomberg U.S. Treasury 3-6 months Bill Index, comprised of treasury bills issued by the U.S. government with less than one year to maturity.

U.S. Government Bonds is represented by the Bloomberg U.S. Government Bond Index, comprised of the U.S. Treasury and U.S. Agency indexes.

U.S. Corp IG Bonds is represented by the Bloomberg U.S. Corporate Bond Index, comprised of the investment grade, fixed-rate, taxable corporate bond market.

High-Yield Bonds is represented by the Bloomberg U.S. Corporate High Yield Bond Index, comprised of U.S. Dollar denominated, high-yield, fixed-rate corporate bond market securities.

U.S. LC (Large Cap) equities is represented by the Bloomberg U.S. 1000 Index, comprised of a float market-cap-weighted benchmark of the 1000 most highly capitalized U.S. companies.

U.S. SC (Small Cap) equities is represented by the Bloomberg U.S. 2000 Index, comprised of a float market-cap-weighted benchmark of the lower 2000 in capitalization of the Bloomberg U.S. 3000 Index.

S&P 500 Quality High Dividend Index is designed to measure the performance of S&P 500 members that exhibit both high quality and high dividend yield characteristics.

Moderate Bench stands for moderate benchmark portfolio return which is a blended portfolio of stocks (60% weight, represented by MSCI AC World Index) and bonds (40% weight, represented by Bloomberg U.S. Agg Gov/Credit).

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MSCI AC World Index is comprised of equity securities belonging to 23 developed markets and 24 emerging markets countries.

Bloomberg U.S. Government/Credit Bond Index is comprised investment grade, dollar-denominated, fixed-rate Treasuries, government-related and corporate securities.

KBW Nasdaq Regional Banking Index seeks to reflect the performance of U.S. companies that do business as regional banks of thrifts.

NYSE FANG+ Index is an equal-dollar weighted index designed to track the performance of highly-traded growth stocks of technology and tech-enabled companies in the technology, media & communications and consumer discretionary sectors such as Facebook, Apple, Amazon, Netflix, and Alphabet's Google.

NCREIF Property Index is a quarterly, unleveraged composite total return for private commercial real estate properties held for investment purposes only.

MOVE Index measures U.S. bond market volatility by tracking a basket of OTC options on U.S. interest rate swaps. The Index tracks implied normal yield volatility of a yield curve weighted basket of at-the-money one-month options on the 2-year, 5-year, 10-year, and 30-year constant maturity interest rate swaps.

National Federation of Independent Business Small Business Optimism Index measures the overall optimism and outlook of small business owners regarding the economic conditions, sales expectations, hiring plans, and capital expenditures. It provides valuable insights into the sentiment of small businesses, which are a vital component of the U.S. economy.

The Michigan Consumer Sentiment Index (MCSI) is a survey of consumer confidence conducted by the University of Michigan. The index is published monthly following a survey of fifty core questions conducted by phone interviews with at least 500 continental U.S. households.

Bloomberg HHI (Herfindahl-Hirschman Index) measures concentration and is calculated by summing the squared weights of each S&P 500 constituent.

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