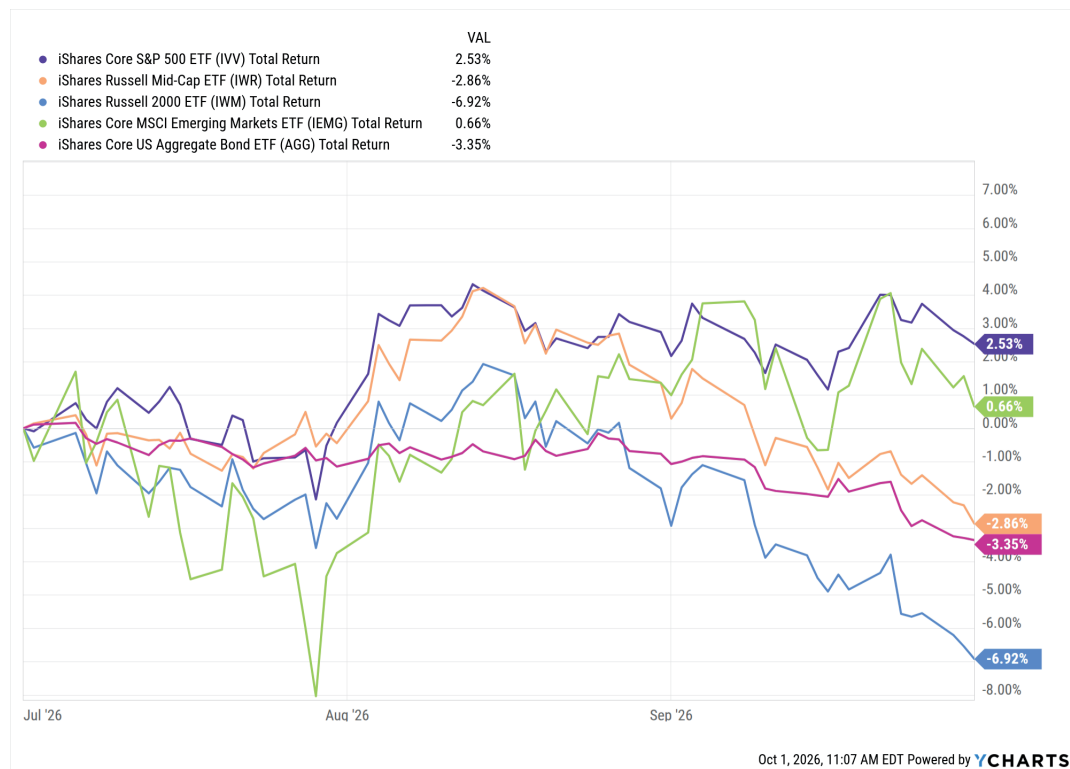




Resilient Economy, Resilient Stock Market

What felt like a volatile quarter ended with the S&P 500 returning 2.5%, led by the largest technology stocks, but with weakness beneath the surface. Mid- and small-cap US stocks fell about 3% and 7%, respectively, and emerging markets stocks cooled significantly, returning less than 1%. Despite index-level gains, the average S&P 500 stock was down -2% for the quarter. The early fall is historically a seasonally weak period, so it's no surprise to see less-than-stellar performance in some areas. Overall though, we are encouraged by how resilient markets have been in the face of rapidly rising interest rates. As we often write about, rising rates are a headwind for both stock and bond performance.



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SPECIAL POINTS OF INTEREST

- If you would like to schedule a meeting for planning or portfolio questions, don't hesitate to contact us!
- We will start contacting clients regarding RMDs next week.
- Q4 Market & Office Closures:
 - Thanksgiving - Thursday, 11/26/26 & Friday 11/27/26
 - Christmas - Thursday 12/24/26 & Friday 12/25/26
 - New Years - Thursday 12/31/26 & Friday 1/1/27

The Economy

The economy has proven to be remarkably resilient over the past several years, and the first three quarters of 2026 have been no different. Annualized GDP growth averaged a solid 2.4% in the first two quarters of the year, and the Atlanta Fed's GDPNow model is estimating Q3 inflation-adjusted economic growth at 3.7%. The unemployment rate has fallen significantly since the end of 2025, and job openings are up slightly. Inflation remains the top economic concern. As employment numbers improve and the economy grows, both the Fed and the bond market are adapting to these price pressures.

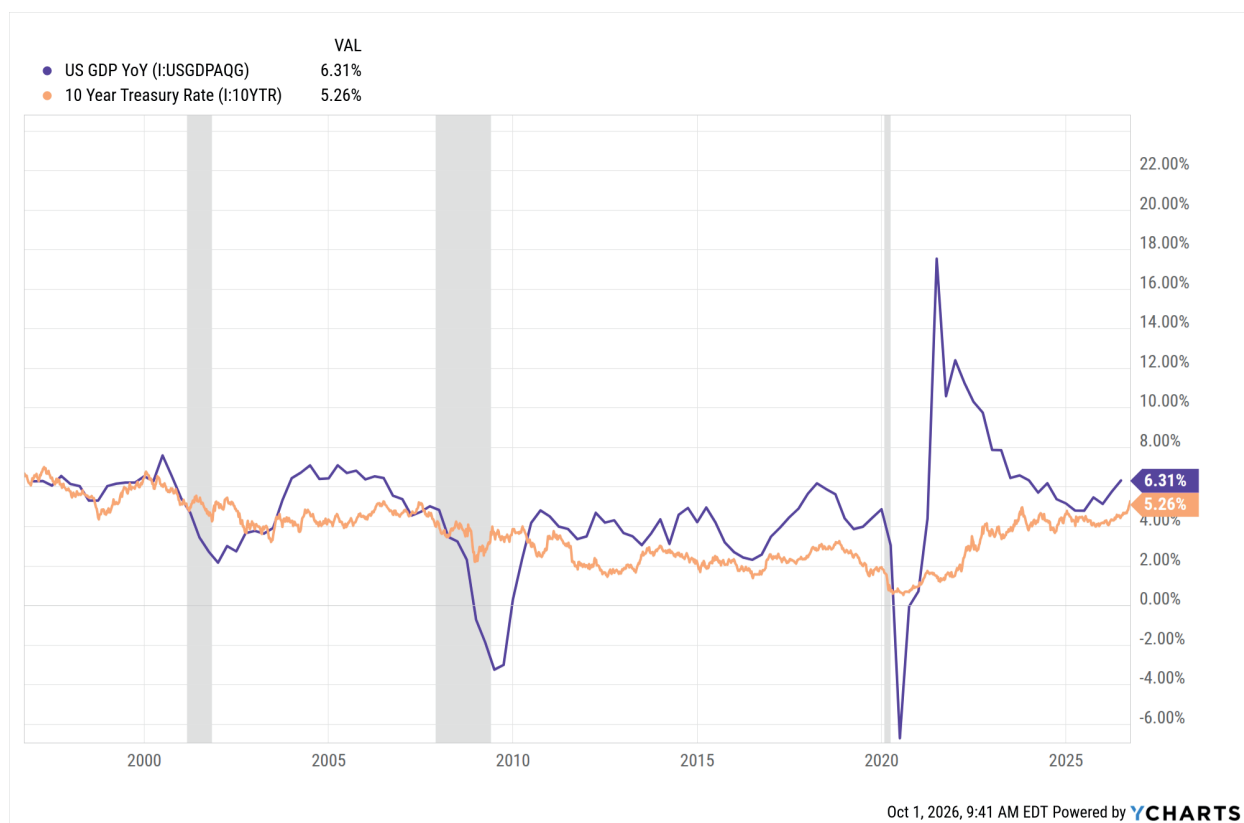
Resilient Economy, Resilient Stock Market

Inflation and Interest Rates

Interest rates continued their march higher in Q3. Treasury yields are now the highest they've been in about 20 years, and the Fed just raised short-term rates for the first time in nearly 3 years. This upward move in rates resulted in a total return of -3.4% in Q3 for investment-grade bonds (bond prices move inversely to their yields). Interest rates are moving higher for several reasons:

- Inflation has been above the Fed's target for over 5.5 years, and it appears to have recently inflected higher.
- The federal government continues to run large budget deficits despite a healthy economy. This is likely applying significant upward pressure on inflation and creating more debt that needs to be financed in the treasury market. Investors are rightfully demanding higher yields as they lend to the government.
- The AI data center buildout is adding to inflation as hyperscalers compete for everything necessary for construction, such as labor, steel, concrete, copper, optical fiber, electricity, memory, and GPUs. Furthermore, these companies have transitioned from holding vast amounts of cash and therefore being buyers of treasuries, to selling their treasuries to finance projects, to debt financing (issuing bonds of their own that compete with the Treasury market). US corporate debt issuance is up 30% year-over-year.

While rates have certainly risen quickly, they remain well within the normal range compared to economic growth and inflation. The chart below shows the benchmark 10-year Treasury yield and nominal (not inflation-adjusted) GDP growth over the past 30 years. As you can see, they typically track each other closely.



Resilient Economy, Resilient Stock Market

Nominal GDP growth can be thought of as the economy’s economic growth plus inflation, meaning both factors can contribute to higher bond yields. On average, the 10-year yields about 1.1 percentage points less than the rate of nominal GDP growth, with the larger dislocations tending to occur around recessions (shaded). With the 10-year currently 1.05 percentage points lower than nominal GDP, interest rates are almost exactly in line with the historical average.

Looking Ahead

Conventional wisdom says the Fed shouldn’t raise rates to quell inflation when the cause is a temporary supply shock. The thinking is that it’s self-defeating to slow the economy to address a problem that is likely to resolve itself. However, the most recent communications from Fed officials indicate they believe we are in an era of continual shocks- from COVID, to the Ukraine War, to tariffs, to the War in Iran, to AI. With supply having been repeatedly constrained and demand elevated by government deficit spending around the developed world, the Fed appears to be choosing the only option they have to control inflation- raising rates to control demand. The market is now reflecting a 61% chance that the Fed hikes rates at least twice by the January 2027 meeting.

As bond yields have increased, we have allowed client portfolios to drift slightly below their typical bond allocation. We are also focused on keeping bond duration short to limit volatility on that side of the portfolio- this has worked quite well so far. We have also used the recent run-up in energy stocks to trim those positions as they have grown relative to the rest of client portfolios. Because we are still seeing longer-term strength in technology and emerging markets stocks, we are reinvesting any extra cash into these areas.

Most client portfolios held up well in a weak quarter for bonds and US mid- and small-cap stocks. We are starting to see a rotation away from the most volatile stocks in the market back into higher-quality names. Furthermore, corporate earnings growth remains strong, and stocks are one of the best inflation hedges, so we want to remain fully invested in stocks unless we see pronounced weakness in either earnings or economic growth.

Index	Q3 Total Return	YTD Total Return	1 Year Total Return
S&P 500	2.5%	12.8%	15.3%
DJIA	-2.3%	7.2%	11.4%
Nasdaq Comp	3.3%	16.1%	18.8%
MSCI EAFE	0.8%	10.1%	14.2%
Russell 2000	-6.9%	13.7%	15.9%
US Aggregate Bond	-3.4%	-2.8%	-2.1%



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Gifting to Younger Generations While You're Living

One idea we've been discussing more with clients recently is gifting to children or grandchildren now, rather than waiting until you pass away for them to inherit the money. This is not an option for everyone and is highly dependent on your individual financial situation, but if you have enough assets to gift without sacrificing your own retirement, it may be worth considering.

Gifts don't have to be large lump sums. You can do smaller gifts over time. Some retirees choose to contribute to their children's retirement accounts or grandchildren's 529s. Others may want to supply a down payment on a home for their kids. There are different options, but the most important thing is to make sure it fits into your retirement plan. We can include gifting goals in your plan and make sure you won't sacrifice your own retirement.

Why Consider Gifting Now

According to researchers at the University of Pennsylvania, people are most likely to receive an inheritance between the ages of 56 and 65. Because people are living longer, this age has been steadily increasing.

The problem is that inherited money simply has less impact on a person's life when they are already in their 60s and potentially retired. For example, gifting \$100,000 to your child in their 30s for a home down payment is deeply transformative. That same \$100,000 has a much smaller lifestyle impact if they receive it at 60, already wrapping up their career. These gifts do not need to be massive fortunes to relieve financial pressure. Contributing \$7,500 to a Roth IRA or a 529 plan can make a profound difference, while easing some of their anxiety around investing and saving.

Gifting now allows you to share in the experience. Instead of distributing your legacy after you pass away, you get the immense joy of watching your family enjoy the money today. Remember, these gifts don't even have to be cash—they can be shared experiences, like a family vacation or concert tickets for an artist you both love.

What About Gift Tax?

As with almost anything in personal finance, there are a few tax considerations to keep in mind. For 2026, the federal gift-tax annual exclusion is \$19,000 per recipient, meaning you can generally give up to \$19,000 to each person without using any of your lifetime gift and estate tax exemption. If you're married, each spouse generally has their own exclusion, allowing a married couple to give up to \$38,000 per recipient when the applicable gift-splitting rules are followed.

If you give more than the annual exclusion, you'll generally need to file IRS Form 709, even if no gift tax is due. The amount above the exclusion generally counts against your lifetime gift and estate tax exemption, which is \$15 million per individual in 2026. Because larger gifts can affect your exemption, estate plan, and the tax treatment of the assets involved, it's a good idea to discuss significant gifts with your CPA, financial advisor, and estate-planning attorney.

Making substantial gifts while you are living is not the right move for everyone. It depends on the family dynamic, needs of your children and your financial ability. If this is something you are interested in, talk to us to make sure it is incorporated into your plan and doesn't sacrifice your financial wellbeing.

Important Disclosure: Please remember that past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product made reference to directly or indirectly in this newsletter, will be profitable, equal any corresponding indicated historical performance levels, or be suitable for your portfolio. Due to various factors, including changing market conditions, the content may no longer be reflective of current opinions or positions. Moreover, you should not assume that any discussion or information contained in this newsletter serves as the receipt of or as a substitute for, personalized investment advice from Metis Wealth Management & Planning. To the extent that a reader has any questions regarding the applicability of any specific issue discussed above to his/her individual situation, he/she is encouraged to consult with the professional advisor of his/her choosing. A copy of our current written disclosure statement discussing our advisory services and fees is available for review upon request. Metis Wealth Management may discuss and display, charts, graphs, formulas which are not intended to be used by themselves to determine which securities to buy or sell, or when to buy or sell them. Such charts and graphs offer limited information and should not be used on their own to make investment decisions.