BD8 CAPITAL PARTNERS

2nd Quarter | 26 REPORT

More New Stock Market Highs to Come?

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Key Takeaways

- The S&P 500 gained 9.4% during the first half of 2026, reaching 24 new all-time highs, reflecting resilient economic growth and strong corporate fundamentals.[1]
- The rally was driven primarily by earnings growth rather than valuation expansion, providing a healthier and more sustainable foundation for the bull market.[2]
- Market leadership broadened beyond semiconductors in June, with financials, healthcare, and industrials beginning to participate.[3]
- The long-term artificial intelligence investment cycle continues to support technology and industrial companies.[4]

Inflation remains above the Federal Reserve's target, although easing oil prices as tensions surrounding the Iran conflict have moderated suggest inflationary pressures may have peaked.[5]

Though some investors worry that markets become overextended after repeated new highs, history suggests otherwise. Since 1928, the median one-year return following an S&P 500 all-time high has been approximately 9.6%. Record highs have historically reflected improving economic and corporate fundamentals rather than signaling that a market peak is imminent.[1]

Perhaps the most encouraging aspect of the first-half rally is how it occurred. Unlike many market advances that rely on investors simply paying higher prices for the same earnings, this year's gains were driven primarily by stronger corporate profits, not valuation and multiple expansion. First-quarter earnings grew nearly 30%, more than double analysts' initial expectations, and forward earnings estimates continued to improve, now estimated at 24-25% for the year. Historically, bull markets supported by earnings growth have proven to be more durable than those driven primarily by multiple expansion.[2]

Leadership remained concentrated in semiconductor companies during much of the first half as businesses continued investing aggressively in artificial intelligence infrastructure. Demand for advanced computing, networking equipment, memory, and data-center capacity remains exceptionally strong, reinforcing our belief that the AI investment cycle is still in its early stages.[4]

Encouragingly, market leadership broadened during June. Financials, healthcare, and select industrial companies began participating alongside technology, an important sign that investor confidence is spreading beyond a handful of mega-cap technology stocks.

Looking ahead, we continue to believe technology and industrial companies are well positioned for the second half of the year. Corporate spending on artificial intelligence infrastructure, automation, electrical equipment, networking, and power generation continues to accelerate. These investments represent long-term strategic commitments rather than short-term spending cycles and should continue supporting earnings growth for many companies.[4]

Inflation, however, remains above the Federal Reserve's long-term target. Higher energy prices following the conflict involving Iran temporarily added to inflationary pressures and raised concerns that Federal Reserve rate cuts could be delayed. More recently, oil prices have moderated as geopolitical tensions have eased. Combined with continued productivity improvements driven by artificial intelligence and automation, we believe inflationary pressures are likely to continue easing over time, reducing the probability of additional interest-rate hikes.[5]

Overall, we remain constructive on the outlook for the second half of 2026. Economic growth continues at a moderate pace, corporate balance sheets remain healthy, earnings expectations are improving, and market leadership is becoming increasingly broad-based. While valuations require selectivity in certain sectors, the fundamental backdrop continues to support remaining invested.

As always, our investment philosophy remains unchanged. We seek to own exceptional businesses with durable competitive advantages, strong earnings growth, and long-term secular tailwinds. While short-term volatility is inevitable, history has consistently demonstrated that patient investors who remain focused on long-term fundamentals are rewarded over time. That is our goal for every client of **BD8 Capital Partners**—to manage your investments with discipline and perspective while helping you achieve your current and future financial goals.

As the Chief Investment Officer of **BD8 Capital Partners**, I regularly appear on CNBC to discuss stocks and the markets, as well as on Bloomberg, Yahoo Finance, and other financial news outlets. We also share timely market commentary on X, LinkedIn, and the BD8 Capital Partners Facebook page. I invite you to follow us and visit our website at **www.bd8cap.com** for additional market insights and firm updates.

Thank you for your continued confidence and support. We look forward to navigating the remainder of the year with the same disciplined, informed, and long-term approach that has guided us for more than four decades.

Warmest regards,

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Endnotes

1. Bloomberg; S&P Dow Jones Indices; Carson Investment Research; Bespoke Investment Group. S&P 500 performance through June 30, 2026, number of new all-time highs during the first half of 2026, and historical one-year returns following all-time highs.
2. FactSet Earnings Insight; Bloomberg Intelligence; Standard & Poor's. First-quarter 2026 earnings results, earnings surprises relative to analyst expectations, forward earnings estimates, and analysis of earnings growth versus valuation expansion.
3. Bloomberg; Goldman Sachs Global Investment Research; S&P Dow Jones Indices. Sector performance, market breadth, and broadening market leadership during June 2026.
4. Goldman Sachs Research; Bloomberg Intelligence; McKinsey Global Institute; NVIDIA Investor Materials. Artificial intelligence infrastructure investment, semiconductor demand, data-center spending, industrial capital expenditures, and long-term AI adoption trends.
5. U.S. Bureau of Labor Statistics; Federal Reserve; U.S. Energy Information Administration; Bloomberg. Inflation trends, Federal Reserve policy, oil prices, geopolitical developments, and productivity trends.