



QUARTERLY MARKET REVIEW • RETROSPECTIVE

# Second Quarter 2026

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Stocks posted their strongest quarter since 2020 as a preliminary U.S.-Iran agreement eased fears and oil prices fell sharply from their highs.

Data as of June 30, 2026 | Retrospective review prepared October 2026  
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## THE QUARTER AT A GLANCE

## The best quarter in six years

# +14.9%

**S&P 500**

Price return for the quarter, its best since 2020

# +21.4%

**NASDAQ COMPOSITE**

Price return for the quarter, its best since 2020

# 3.50%–3.75%

**FED FUNDS TARGET**

Unchanged; Kevin Warsh's first meeting as chair was in June

# 4.2%

**INFLATION (CPI)**

May, year over year, the highest since April 2023

## 01

### Oil came back down.

Brent crude fell 38% for the quarter, its biggest quarterly drop since 2020, as a preliminary U.S.-Iran agreement eased supply fears.

## 02

### Earnings carried stocks.

Strong first-quarter company profits, with all 11 sectors reporting growth, powered a broad rally.

## 03

### Inflation jumped.

The earlier spike in energy prices pushed inflation to 4.2% in May, though falling oil prices pointed to relief ahead.

U.S. STOCKS

# Stocks posted their best quarter since 2020

The S&P; 500 gained 14.9% in the second quarter and the Nasdaq rose 21.4%, the best quarter for both since 2020. The Dow Jones Industrial Average rose nearly 13% and set new record highs.

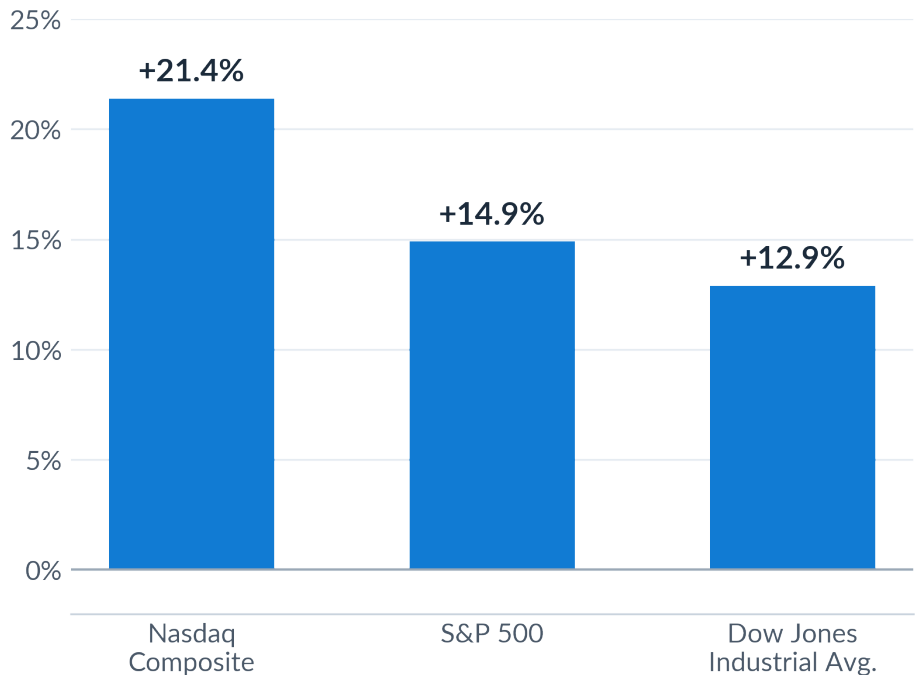
The rally was broad. Nine of the eleven sectors in the S&P; 500 rose, with industrial, energy, and financial stocks joining technology at the front. Software companies bounced back from their first-quarter losses.

Strong company earnings did much of the work. First-quarter profits grew at a double-digit pace for the sixth straight quarter, giving investors confidence even as the conflict continued.

## WHY IT MATTERS

Just three months earlier, stocks were falling and oil was soaring. Investors who stayed invested through the first quarter's decline took part in one of the strongest rebounds in years.

Second-quarter price returns, major U.S. indexes



Source: S&P Dow Jones Indices; Nasdaq. Price returns, March 31 to June 30, 2026. Indexes are unmanaged and cannot be invested in directly. Past performance is not a guarantee of future results. Dow return calculated from quarter-end index levels.

## INTEREST RATES AND THE FED

# Rates rose as inflation jumped and the Fed held steady

The Federal Reserve kept its benchmark rate at 3.50% to 3.75%. Kevin Warsh became Fed chair in late May, and his first meeting in June ended with no change. Even so, investors increasingly expected the Fed's next move to be an increase rather than a cut.

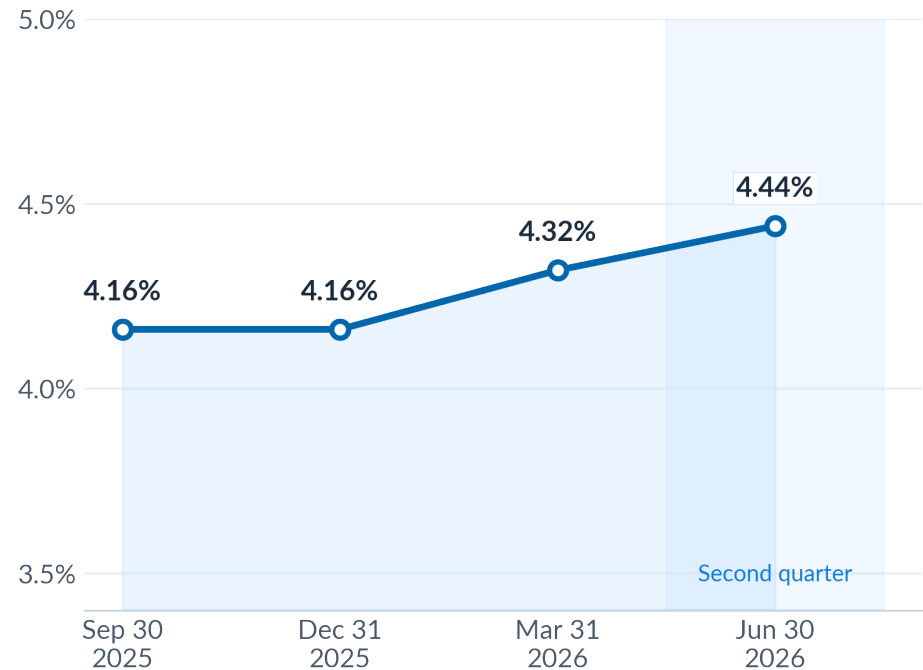
The 10-year Treasury yield reached about 4.67% in mid-May, then eased to 4.44% by the end of June, still up from 4.32% at the end of March.

Mortgage rates, which had fallen close to 6% early in the year, climbed back above 6.5% by June.

### WHY IT MATTERS

When markets begin expecting rate increases, short-term yields rise first. That can mean better rates on savings, CDs, and short-term bonds, even as borrowing becomes more expensive.

10-year U.S. Treasury yield, quarter-end closes



Source: Board of Governors of the Federal Reserve System, H.15 Selected Interest Rates; U.S. Department of the Treasury. Constant-maturity yields at each quarter-end.

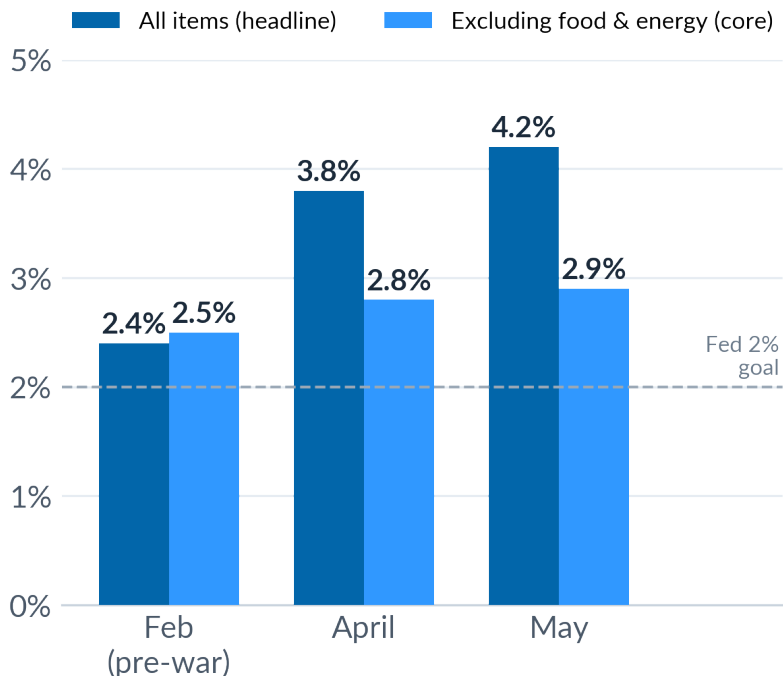
INFLATION AND OIL

# Oil fell sharply, but inflation had already jumped

Higher energy costs from the first quarter fed into consumer prices. Overall inflation rose from 2.4% in February to 3.8% in April and 4.2% in May, its highest level since April 2023. Core inflation, which leaves out food and energy, rose more modestly, to 2.9%.

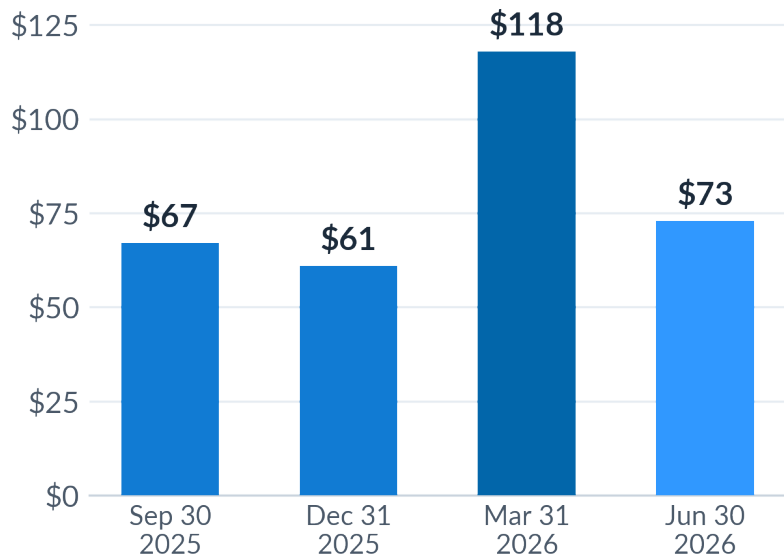
Oil prices reversed course. After a preliminary U.S.-Iran agreement on June 17 eased fears about supply disruptions, Brent crude fell to about \$73 a barrel by June 30, down roughly 38% for the quarter and close to pre-war levels.

Consumer price inflation, year over year, 2026



Source: U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers.

Brent crude oil futures, dollars per barrel



Source: ICE Futures Europe, Brent front-month settlement prices at each quarter-end. March 31, 2026 figure is approximate.

## LOOKING BACK

## What came next

### Oil rebounded

Renewed tension pushed Brent crude back above \$100 a barrel in September 2026.

### The Fed raised rates

On September 16, 2026, the Fed raised rates to 3.75%–4.00%, its first increase since 2023.

### Stocks still advanced

The S&P; 500 gained about 2% in the third quarter of 2026, reaching new record highs along the way.

### Long-term rates climbed

The 10-year Treasury yield rose to 5.29% by September 30, 2026, its highest level since 2007.

#### KEEPING PERSPECTIVE

The first half of 2026 included a war, an oil shock, and the best quarter for stocks in six years. Few forecasts at the start of the year anticipated either the decline or the rebound. Past performance is not a guarantee of future results.

## IMPORTANT INFORMATION

## Definitions, sources, and disclosures

**Definitions.** The S&P 500 tracks 500 large U.S. companies. The Nasdaq Composite includes more than 3,000 stocks listed on the Nasdaq exchange and is weighted toward technology. The Dow Jones Industrial Average tracks 30 large U.S. companies. The 10-year Treasury yield is the annual return on a 10-year U.S. government bond held to maturity. The Consumer Price Index (CPI) measures changes in prices paid by urban consumers; core CPI excludes food and energy. Brent crude is the main global benchmark for oil prices. The federal funds rate is the Federal Reserve's benchmark short-term interest rate.

**Sources.** S&P Dow Jones Indices; Nasdaq; Board of Governors of the Federal Reserve System (FOMC statements, H.15 Selected Interest Rates); U.S. Department of the Treasury; ICE Futures Europe; U.S. Energy Information Administration; U.S. Bureau of Labor Statistics; Freddie Mac. Data as of June 30, 2026, unless otherwise noted. The "Looking back" page reflects data through September 2026.

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