

# Market Perspective

THE WATT GROUP  
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## Market Overview

Q2 2026

By James Watt

As we approach the midpoint of the year, markets appear poised for more moderate returns. Valuations have grown stretched, the probability of a near-term rate cut has diminished in the wake of Iran (oil prices etc.), and the approaching midterm election cycle introduces its own layer of uncertainty — a combination that warrants measured expectations.

The broader economic backdrop, however, remains constructive. Global growth is holding up with U.S. GDP tracking in the mid-2% range and labor markets are providing a stable foundation. The problem is inflation. While it has moderated in the data, it remains stubborn in practice — energy shocks and geopolitical pressures continue to push expectations higher and complicate the Federal Reserve's path forward.

The result is a "higher-for-longer" interest rate environment that is likely to persist well beyond what markets had originally anticipated. Fewer rate cuts, delayed cuts, or even the prospect of renewed tightening if inflation re-accelerates — all of this introduces volatility across both equities and fixed income.

Within equities, the extraordinary capital flowing into artificial intelligence has lifted a narrow set of sectors — semiconductors and data centers chief among them. But these are no longer the early-stage beneficiaries they once were. Much of the anticipated spending has already been priced in; the low-hanging fruit has been picked.

The central tension for investors in the second half of 2026 comes down to this: durable growth versus persistent inflation. If corporate earnings hold firm, equities can continue to grind higher — just with more modest returns and less room for error. If inflation reaccelerates, valuation pressure and tighter policy could disrupt that trajectory.

The bottom line: 2026 rewards disciplined optimism. The opportunity is real, but the margin for error has narrowed considerably.

## Financial Planning Corner

Tax Diversification Plan

By Jonathan Robinson, CFP®

Most people think about diversification in terms of their investments. But when we work with clients, we take it a step further—we focus on tax diversification.

One of the most common questions we hear, especially from those in their peak earning years or getting closer to retirement, is: Should I be contributing to Roth or traditional retirement accounts?

The reality is, it's not just about your tax rate today versus your tax rate in retirement anymore. It's about building flexibility for a retirement that could last 30–40 years.

Why does that matter? Because people are living longer, healthier lives—and that means more years of income planning, more



opportunities, and more potential tax changes along the way.

Each type of account plays a different role:

- **Traditional accounts** can give you a tax break today but create taxable income later—and they come with required withdrawals starting at age 73.
- **Roth accounts** flip that: no tax break now, but tax-free income later and no required distributions.
- **Taxable accounts** add flexibility, liquidity, and favorable long-term capital gains treatment.
- In some cases, tools like life insurance can also complement the overall strategy.

When we bring it all together, the goal is simple: give you options.

In many cases, we'll guide clients to draw from different accounts at different times—often starting with taxable assets, then traditional accounts, and saving Roth assets for later. This helps manage taxes, smooth income, and allow tax-free dollars to grow as long as possible.

At the end of the day, it's not about choosing the “right” account—it's about having the right mix.

Because the more flexibility you have, the more confident and in control you can feel, no matter what the future brings.

## Case Study of the Quarter

### Cybersecurity Matters More Than Ever

*By Peter Watt*

Global cyberattacks have recently increased by 18% year-over-year, and 90% of security managers reported higher attack frequency, with AI-driven attacks increasing by over 40%. They are happening daily and everywhere.

In just the past couple of weeks, our financial team has encountered fraudulent activity at well known banks and custodians, primarily through identity theft and unauthorized withdrawals from checking and savings accounts.

While banks and investment firms continue to invest heavily in security, no system is risk free. This makes vigilance, from both financial professionals and clients, essential.

#### Oppenheimer's Commitment to Protecting Your Assets

Safeguarding your money is our highest priority. Our team follows strict internal processes designed to protect client assets and personal information at every step, including:

- Multi layered authentication and verification procedures
- Rigorous oversight of money movement and account changes
- Continuous monitoring for suspicious activity
- Secure communication practices when handling sensitive information

#### How You Can Strengthen Your Security

Cybersecurity is most effective when it is a shared effort. Here are a few steps you can take to help protect your bank and investment accounts:

- **Use strong, unique passwords** for financial accounts and update them regularly
- **Enable two factor authentication** whenever available



- **Be cautious with emails or texts** asking for personal or financial information—even if they appear legitimate
- **Review account activity frequently** and report anything unusual immediately
- **Notify our team promptly** of any changes to contact information or concerns about account security

If you ever have questions about account security, notice suspicious activity, or want guidance on best practices, please contact us. We are here to help you navigate an increasingly complex financial landscape, securely and confidently.

The Standard & Poor's (S&P) 500 Index tracks the performance of 500 widely held, large-capitalization U.S. stocks. NASDAQ Composite Index (NASDAQ) is a market-value weighted index that measures all NASDAQ domestic and non-U.S. based common stocks listed on the NASDAQ stock market. The performance of an index is not indicative of the performance of any particular investment; however, they are considered representative of their respective market segments. Please note that indexes are unmanaged and their returns do not take into account any of the costs associated with buying and selling individual securities. Individuals cannot invest directly in an index.

Dollar cost averaging does not guarantee a profit and does not protect against loss in declining markets. Investors should consider their ability to continue making purchases through periods of fluctuating prices.