Market Perspective

THE WATT GROUP of Oppenheimer & Co. Inc.

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Market Overview

Q1 2026

By James Watt

When attending a symphonic concert, you may be listening to Mozart's Symphony No. 40 in G minor when a phone nearby suddenly dings. Your concentration may momentarily break, but the orchestra does not stop playing.

Financial markets in 2026 will generate many such distracting noises. Headlines will flash, opinions will clash, and short-term volatility will intrude. Yet the underlying orchestra of earnings, economic growth, and interest rates continues to play.

Our overall outlook for 2026 remains positive. Thus far, we have heard the market orchestra tuning its instruments, and the opening prelude is now underway.

So here is what our orchestra is playing: As of February 2026, analysts project strong S&P 500 earnings growth of approximately 14% to 15.5% for the full year 2026, with consensus earnings per share (EPS) estimates around $304 to $313. Oppenheimer's John Stoltzfus has the S&P projected to 8,000 which is also a 15% plus return for the year.

What concerns investors most are so-called "black swan" events, unforeseen and potentially catastrophic disruptions. It is neither productive nor possible to predict the unknowable. Instead, the prudent approach is preparation: building portfolios designed to withstand shocks and continue forward when disruptions occur.

Our focus is on durability. We think carefully about how resilient your portfolio is to hazards and how securely it can advance over time, regardless of the noise along the way.

Financial Planning Corner

Retirement Account Contribution Changes

By Jonathan Robinson, CFP®

The start of a new year often brings a number of planning conversations with our clients. One topic that consistently comes up is retirement plan contribution limits. Until April 15, you may still make IRA contributions for 2025. Beyond that, there are several important updates to be aware of for the year ahead.

For 2026, retirement contribution limits have increased, creating a valuable opportunity to accelerate savings during peak earning and pre-retirement years. The maximum 401(k) contribution is now $24,500. Individuals age 50 and older may make an additional catch-up contribution of $8,000. For those ages 60–63, an enhanced temporary catch-up contribution is available, allowing for an additional $3,250 and bringing the total possible contribution to $35,750 for that age group. These higher limits allow more income to be directed into tax-advantaged accounts at a time when retirement planning often becomes more urgent and time-sensitive.

One notable change this year affects how catch-up contributions are taxed for higher earners. If you earned more than $150,000 last year, any 401(k) catch-up contributions must now be made as Roth (after-tax) contributions rather than traditional pre-tax contributions. While this means those dollars will no longer reduce current taxable income, the tradeoff can be meaningful. Roth contributions and their future growth may be withdrawn tax-free in retirement if the applicable rules are met, offering increased tax diversification and potentially reducing future required minimum distributions.

As always, it is a good time to review your withholding elections and overall contribution strategy across your retirement accounts. We are happy to serve as a resource and incorporate any changes into your broader financial plan.

Case Study of the Quarter

Breaking Even with Income to Expenses

By Peter Watt

From groceries to utility bills to new cars, everything is much pricier than just a few years ago. Many clients have told us they cannot put away funds for retirement because they are breaking even between income and expenses at this time. Breaking even is not failure. It can feel like running on a treadmill that never slows down, but it means you are covering your obligations and avoiding new debt. That alone puts you ahead of most families. The objective now is to move from stability to progress.

Whether you are breaking even or have positive/negative cash flow, it is our role to help you create financial breathing room and guide you to adding to your investments.

Here is a brief breakdown of the four parts to our process:

1) Identify the "Why": Pull the last three months of bank and card statements.
*We will help you categorize into fixed, variable and lifestyle expenses.

2) Attack expenses that give you the worst value per dollar
*I.E. subscriptions, insurance premiums, utility bills, etc.

3) Pay yourself first and consider alternative tax saving strategies
*This is different for each family as we discuss this part of the process.

4) Build a financial plan that meets your long-term goals
*We have a detailed process to put a financial plan in place so you feel confident going forward.

If you are breaking even or feel like there is not much room to save, please remember, this phase is transitional, not permanent. Breaking even is a snapshot, not a verdict. With intentional adjustments and a clear plan, it becomes a launch point. We are here to make your financial picture clearer.

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.