

Condor Capital

Quarterly Newsletter

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A Quarter of Recovery: Markets Rebound as Investors Look Beyond Uncertainty

After a challenging start to the year, financial markets bounced back strongly during the second quarter. The S&P 500 was up 15.2% in the period, making it the strongest quarter since 2020. While geopolitical tensions and inflation concerns remained in the headlines, investors became more confident that the economy continues to move forward and that businesses remain in good shape. Year to date through June 30th, the S&P 500 is up 10.19%.

International markets also performed well. Earlier concerns about disruptions to global energy supplies eased during the quarter, helping improve investor confidence around the world. As uncertainty faded, attention shifted back toward economic growth, business investment, and continued advances in technology.

Despite ongoing headlines, the U.S. economy has remained surprisingly resilient. Consumers continue to spend, businesses continue to invest, and unemployment has remained relatively low, with the unemployment rate at 4.2% vs estimates of 4.4%. Corporate earnings have also been stronger than many expected. The average 2025 earnings growth was 12-14%, while 2026 earnings growth is above 20%. For the full year, analysts are expecting 24.1%, according to FactSet. While challenges remain, the overall backdrop has been more positive than many investors feared earlier in the year.

Market leadership shifted considerably during the second quarter. As concerns surrounding energy prices eased and investor confidence improved, growth-oriented sectors regained momentum. Information Technology and Communication Services led the market higher, fueled by continued investment in artificial intelligence and strong corporate earnings. In contrast, Energy stocks gave back a portion of their first-quarter gains as oil prices retreated from their highs. Growth stocks broadly outperformed value stocks during the quarter, marking a reversal from the defensive positioning that we saw at the beginning of the year.

For investors who own bonds, higher interest rates continue to provide attractive income opportunities while also helping diversify portfolios. The 10-year Treasury yield started 2026 at approximately 4.17%, reached 4.46% in late March, and ended June at approximately 4.5%. Federal Funds interest rates remained elevated in the 3.5-3.75% range, which can create challenges for borrowers but also means

Stocks delivered strong gains during the second quarter, helping investors recover from a challenging start to the year. The S&P 500 rose 15.2% during the quarter, bringing its year-to-date return to 10.19%.

International markets also performed well. Developed international stocks, as measured by the MSCI EAFE Index, gained 24.14% in the quarter and are up 24.0% year to date. Emerging market stocks, represented by the MSCI Emerging Markets Index, rose 11.8% and have gained 9.9% so far this year.

Interest rates remained unchanged during the quarter. The 10-year U.S. Treasury yield moved higher, reaching 4.5% compared with 4.17% at the start of the year. Despite some volatility in bond markets, fixed-income investments generally produced positive results during the quarter.



investors can earn attractive income from many fixed-income investments. Bonds continue to play an important role in providing income and helping diversify investment portfolios.

The Federal Reserve left short-term interest rates unchanged during the quarter as the central bank continues to monitor inflation and economic activity. While inflation had been trending lower during much of 2025, progress stalled during the first half of 2026. Core inflation, which excludes volatile food and energy prices, rose from roughly 3.0% at the start of the year to 3.4% by the end of the second quarter, remaining above the Federal Reserve's 2% target.

Economic growth has remained positive, with GDP at +2.1% in the first quarter and the labor market continuing to hold up well. While economists monitor for signs of slowing activity, most forecasts still call for growth through the remainder of the year rather than a recession.

Perhaps most importantly, businesses continue to generate healthy profits. Strong corporate earnings have helped support stock prices and provided reassurance that many companies are successfully navigating a more challenging economic environment.

Condor Capital's Outlook

As we enter the second half of 2026, investors will continue to watch inflation, interest rates, and corporate earnings closely. While uncertainty has not disappeared, many of the risks that weighed on markets earlier in the year have become less severe. Lower energy prices and a stable economy would provide further support for both consumers and businesses.

The Federal Reserve remains focused on bringing inflation closer to its long-term goal, and future decisions on interest rates will depend largely on economic data. While opinions differ on exactly when rates may begin to move lower, investors appear increasingly comfortable with the idea that rates could remain elevated for some time.

Overall, the foundation of the economy remains healthy. Businesses continue to invest, consumers remain active, and technological innovation continues to create opportunities for growth. Although short-term volatility is always possible, the longer-term outlook remains constructive.

As always, our approach remains centered on diversification, discipline, and long-term thinking. While market headlines can change quickly, successful investing is rarely about reacting to short-term events. Instead, it is about staying focused on your financial goals and maintaining a portfolio designed to weather a variety of market environments.

We remain optimistic about the opportunities ahead and committed to helping our clients stay focused on their long-term financial goals while navigating the risks and opportunities that come with investing.

Making a Charitable Contribution: Why Donating Appreciated Stock May Be Worth Considering

When making a charitable gift, many people automatically think of writing a check. However, if you own appreciated stocks or mutual fund shares in a taxable investment account, donating those securities directly to charity may be a more tax-efficient strategy.

By gifting appreciated securities instead of selling them first, you may be able to support a cause you care about while potentially reducing your tax liability.

The Potential Benefits of Donating Appreciated Securities

If you have owned appreciated stock for more than one year and donate it directly to a qualified charitable organization, you may be able to:

- Claim a charitable deduction for the fair market value of the shares on the date of the gift (subject to IRS limitations).
- Avoid recognizing capital gains tax on the appreciation.
- Allow the charity to receive the full value of the donated shares.¹

This can make donating appreciated securities more efficient than selling the stock and donating the cash proceeds.

An Example

Suppose you purchased shares years ago for \$5,000, and they are now worth \$15,000.

If you sell the shares first, you may owe capital gains tax on the \$10,000 gain before making your charitable gift. As a result, less money ultimately goes to the charity.

If instead you donate the shares directly to a qualified charity, you may be eligible for a deduction based on the shares' fair market value and generally avoid recognizing the capital gain altogether.¹

When Cash May Still Make Sense

Cash donations remain a valuable and straightforward way to support charitable organizations.

In fact, cash gifts to qualifying public charities are generally deductible up to 60% of

adjusted gross income (AGI), while donations of long-term appreciated securities are typically subject to a 30% AGI limit. Any unused deduction amount may generally be carried forward for up to five years, subject to IRS rules.¹

The right approach depends on your financial situation, tax circumstances, and philanthropic goals.

What About Investments That Have Lost Value?

If you own securities that have declined in value, donating them directly to charity may not be the most tax-efficient strategy.

In many cases, investors consider selling the depreciated investment first, potentially realizing the capital loss for tax purposes, and then donating the cash proceeds. Donating the shares directly generally allows a deduction only for the current market value of the asset.¹

Because individual situations vary, it's important to consult your tax advisor before making a decision.

Documentation Matters

The IRS has specific recordkeeping requirements for charitable contributions.

- For donations of \$250 or more, you must obtain a written acknowledgment from the charity describing the gift and indicating whether any goods or services were received in exchange.²
- If your total non-cash charitable contributions exceed \$500 for the year, you must generally file IRS Form 8283 with your tax return.²
- Additional reporting requirements may apply for larger non-cash gifts.²

Before claiming a deduction, confirm that the organization is eligible to receive tax-deductible charitable contributions and maintain appropriate records of your gift.¹

1. IRS Publication 526, Charitable Contributions, IRS.gov, 2026.

2. IRS Form 8283 and charitable substantiation requirements, IRS.gov, 2026.

When I Die, What Will Happen to My Retirement Plan Benefits?

In general, your retirement plan benefits pass to the beneficiaries you designate on the plan beneficiary designation form. It is generally recommended that you designate beneficiaries, the percentage of the total that each will receive, and any backup beneficiaries on the plan beneficiary form. However, if you are married or have been married, your spouse or former spouse may have certain rights in your retirement benefits.

If you have a large taxable estate (generally, over \$15,000,000 in 2026, \$13,990,000 in 2025), your retirement benefits could be subject to estate tax or generation-skipping transfer (GST) tax at your death. The GST tax may apply if you transfer your retirement benefits to someone who is two or more generations younger than you, such as your grandchild.

After your death, your beneficiaries will

generally be required to take minimum distributions from your retirement plan over their life expectancies or under a 10-year rule. (Of course, your beneficiaries can always withdraw more than the required minimum amounts.) The rules may be more favorable if your surviving spouse is the beneficiary of your retirement plan.

In general, for income tax purposes, your beneficiaries will include distributions from the retirement plan in income when received. Your beneficiaries can take an income tax deduction for estate tax (if any) attributable to the retirement plan benefits; the deduction is apportioned and taken into account as distributions are received and included in taxable income.

If you have made any nondeductible contributions, your beneficiaries can generally exclude a portion of the distributions from taxable income. However, if you have

not made any nondeductible contributions, the entire distribution will generally be included in the beneficiary's taxable income. On the other hand, distributions made after your death from a Roth 401(k) plan or a Roth IRA will generally be qualified distributions that are not taxable income to your beneficiaries (as long as certain five-year holding periods are met).

Your retirement benefits may also be subject to state estate, inheritance, GST, or income taxes.



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