

Condor Capital

Quarterly Newsletter

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Resilience Meets Higher Rates: Markets Advance as Higher Rates Create New Challenges

Financial markets continued to move higher during the third quarter, although the gains were more modest and less widespread than during the spring. The S&P 500 rose about 2.0% during the quarter, bringing its return through September 30th to 11.8%. Technology and artificial intelligence-related companies remained among important drivers of performance, while several interest-rate-sensitive areas of the market struggled as bond yields moved higher.

Economic growth remained resilient across much of the developed world, but higher global interest rates, elevated energy prices, and geopolitical uncertainty created a more challenging environment. However, corporate profitability remains very strong and continues to be one of the most encouraging parts of the economic picture. Analysts entered the third quarter expecting a whopping 28.5% earnings growth, and estimates rose as the quarter progressed, which is unusual because forecasts typically decline as companies approach earnings season. More companies issued positive earnings guidance than the historical average.

That said, market leadership became narrower during the quarter. Energy performed well as oil prices rose, while technology and communication services benefited from continued investment in artificial intelligence, data centers, and digital infrastructure. Other areas, including real estate and other economically sensitive sectors, faced pressure from rising borrowing costs.

The bond market experienced a more difficult quarter. The 10-year Treasury yield increased from approximately 4.4% at the end of June to about 5.3% at the end of September. The increase created short-term pressure on many fixed-income investments. Higher oil prices, persistent inflation, strong economic activity, and increased bond issuance all contributed to the move in rates.

While rising rates can create near-term volatility, they also allow investors to earn more income. Current yields are among the most attractive available in more than a decade. Credit quality has also remained healthy, with few signs of broad financial stress. For diversified investors, bonds continue to provide income.

The Federal Reserve raised its target interest rate range to 3.75% to 4.00% in September, reversing expectations earlier in the year that the next move would likely

Stocks continued to advance during the third quarter, although gains were more modest and market leadership narrowed. The S&P 500 rose approximately 2.0% during the quarter, bringing its year-to-date return through September 30 to 11.8%.

International market performance was mixed. Developed international stocks, as measured by the MSCI EAFE Index, gained 0.88% during the quarter and are up 10.81% year to date. Emerging market stocks, represented by the MSCI Emerging Markets Index, declined 0.24% during the quarter but have gained 23.73% so far this year.

Bond markets were also volatile. The 10-year U.S. Treasury yield rose from approximately 4.4% at the end of June to 5.3% at the end of September, pressuring fixed-income prices while creating more attractive income opportunities for investors.

be a reduction. Continued economic growth and higher energy prices have given policymakers less reason to reduce rates quickly.



Condor Capital's Outlook

As we enter the final quarter of 2026, investors will continue to focus on inflation, interest rates, corporate earnings, and geopolitical developments. The economy remains on solid footing, but several factors could keep interest rates elevated, including persistent inflation, resilient economic growth, increased government borrowing, and ongoing investment in artificial intelligence and data center infrastructure. Markets may remain sensitive to each new economic data report as investors assess whether additional rate increases will be necessary.

Analysts expect earnings growth to continue, and companies have generally entered the reporting season with stronger than normal guidance. Expectations are high, particularly for businesses connected to artificial intelligence and data center investment. Companies will need to demonstrate that their spending is translating into sustainable revenue, productivity improvements, and profits.

Higher oil prices and long-term interest rates represent meaningful risks. Rising energy costs can affect household budgets and corporate margins, while higher borrowing costs can place additional pressure on housing, real estate, and other rate-sensitive parts of the economy. However, strong business investment, low unemployment, and healthy corporate profits provide the economy with important sources of resilience.

The first three quarters of 2026 have demonstrated how quickly market conditions can change. Investors who stayed focused on their financial plans participated in the recovery rather than reacting to each shift in the headlines.

We remain constructive about the longer-term outlook while recognizing that higher interest rates, inflation, and geopolitical uncertainty may continue to produce periods of volatility. We believe a well-diversified portfolio, built around high-quality investments that align with your goals, remains the best way to manage these risks while participating in the opportunities ahead.

Caring for Aging Parents

Thanks to healthier lifestyles and advances in modern medicine, the worldwide population over age 65 is growing. In the past decade, the population of Americans aged 65 and older has grown 38%. As our nation ages, many Americans are turning their attention to caring for aging parents.¹

For many people, one of the most difficult conversations to have involves talking with an aging parent about extended medical care. The shifting of roles can be challenging, and emotions often prevent important information from being exchanged and critical decisions from being made.

When talking to a parent about future care, it's best to have a strategy for structuring the conversation. Here are some key concepts to consider.

Cover the Basics

Knowing ahead of time what information you need to find out may help keep the conversation on track. Here is a checklist that can be a good starting point:

- Primary physician
- Specialists
- Medications and supplements
- Allergies to medication

It is also important to know the location of medical and estate management paperwork, including:²

- Medicare card
- Insurance information
- Durable power of attorney for health-care
- Will, living will, trusts, and other documents

Be Thorough

Remember that if you can collect all the critical information, you may be able to save

your family time and avoid future emotional discussions. While checklists and scripts may help prepare you, remember that this conversation could signal a major change in your parent's life. The transition from provider to dependent can be difficult for any parent and has the potential to unearth old issues. Be prepared for emotions and the unexpected. Be kind, but do your best to get all the information you need.

Keep the Lines of Communication Open

This conversation is probably not the only one you will have with your parent about their future healthcare needs. It may be the beginning of an ongoing dialogue. Consider involving other siblings in the discussions. Often one sibling takes a lead role when caring for parents, but all family members should be honest about their feelings, situations, and needs.

Don't Procrastinate

The earlier you begin to communicate about important issues, the more likely you will be to have all the information you need when a crisis arises. How will you know when a parent needs your help? Look for indicators like fluctuations in weight, failure to take medication, new health concerns, and diminished social interaction. These can all be warning signs that additional care may soon become necessary. Don't avoid the topic of care just because you are uncomfortable. Chances are that waiting will only make you more so.

Remember, whatever your relationship with your parent has been, this new phase of life will present challenges for both parties. By treating your parent with love and respect—and taking the necessary steps toward open communication—you will be able to provide the help needed during this new phase of life.

1. Census.gov, 2025

2. Note: Power of attorney laws can vary from state to state. An estate strategy that includes trusts may involve a complex web of tax rules and regulations. Consider working with a knowledgeable estate management professional before implementing such strategies.

Understanding Qualified Charitable Distributions

As you build your legacy, considering how to leverage your charitable contributions can be a fulfilling endeavor. Qualified Charitable Distributions (QCDs) can offer an opportunity to support your favorite causes and manage your retirement income. Here are some factors to consider with QCDs and how they've changed based on recent legislation, such as the SECURE Act.

What Is a Qualified Charitable Distribution (QCD)?

A Qualified Charitable Distribution allows individuals aged 70½ or older to donate directly from specific retirement accounts to qualified charities without recognizing the distribution as taxable income. Such distributions can help you manage your required minimum distributions (RMDs), which are required for most people starting at age 73 (or 75 for those born in 1960 or later).

Remember, this article is for informational purposes only and is not a replacement for real-life advice. We encourage you to consult with your tax, legal, and accounting professionals before modifying your retirement income strategy.¹

Age and Account Requirements

You must be at least 70½ years old to qualify for a QCD. The distribution can be made from an IRA. You can use SEP IRAs or SIMPLE IRAs so long as they are inactive, meaning that you've made no contributions to the account in the year the QCD is taken. However, keep in mind that 401(k)s and other non-IRA retirement vehicles do not qualify for QCDs.

Limits and Adjustments

The maximum annual limit for QCDs is currently set at \$111,000 for 2026, an amount that adjusts for inflation yearly. Therefore, staying updated on the annual cap is important, as it can influence your donation strategy.¹

Financial Advantages

In addition to helping you support a charity, a QCD may also offer to help you manage your tax situation. IRA withdrawals are generally taxable, but QCDs are excluded from taxable income, meaning they don't increase your adjusted gross income (AGI). For some, this may be an opportunity to consider when balancing supporting a charitable organization and managing taxes.

Additionally, QCDs enable you to satisfy your RMD requirements. You also benefit from the fact that you don't need to itemize deductions to take advantage of a QCD, allowing you to use the standard deduction.¹

Again, this article is for informational purposes only. Speak with your tax, legal, and accounting professionals if you have specific questions about your deductions.

Charity and RMD Considerations

QCDs are versatile in that there is no restriction on the number of charities you can support, provided they qualify under IRS guidelines. However, the donation must go directly from your IRA to the charity to be a QCD. Gifts made as QCDs can fulfill all or part of your annual RMD requirement. It's worth noting that if you donate over your

RMD amount, the excess cannot be rolled over to the next year's RMD.

Final Key Details

It's prudent to confirm the status of your chosen charity through the IRS Online Search Tool or by consulting with a professional who can speak to the tax status of the organization. If you withdraw and then donate the funds, it does not count as a QCD and becomes taxable.

As with most financial strategies, your state may have specific rules impacting how QCDs are treated. It's vital to check with a tax professional about state-specific regulations.

1. FDIC.gov, 2026

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