



**BlackDiamond  
Financial**

# INVESTMENT INSIGHTS

FIRST QUARTER 2026





U.S. stocks came under pressure in the first quarter. The central driver was the war in the Middle East, which pushed oil prices higher and complicated the outlook for inflation and interest rates. As inflation expectations rose, the likelihood of a Federal Reserve rate cut has fallen sharply. Higher rates make future earnings worth less and increase costs for businesses, putting pressure on stock prices.

The S&P 500 fell 4.3% in the first quarter. Beneath the surface, large-cap value stocks gained 2.2%, while large-cap growth stocks declined 10.9%. Smaller companies posted modest gains, international markets were little changed, and real estate provided support, rising 1.5%.

A key factor in market performance has been a decline in valuations rather than a decline in fundamentals. Earnings remain strong, as analysts expect S&P 500 earnings to post a sixth consecutive quarter of double-digit growth in the first quarter, according to FactSet. Yet the market's price-to-earnings multiple has fallen from roughly 22x in January to closer to 20x today, near its five-year average. In simple terms, the market is not falling because companies are earning less, but because investors are placing a lower value on those future earnings.

Market weakness has been concentrated in technology stocks, where higher discount rates and elevated valuations have pressured many of the recent tech leaders. Investors remain optimistic on artificial intelligence over the long term but are reassessing how quickly its benefits will materialize relative to the cost required to achieve that growth.

The broader economic backdrop is mixed. Economic growth and earnings remain resilient, but higher energy prices and geopolitical uncertainty have complicated the outlook for inflation and interest rates. Bonds have been relatively stable, offering modest protection as equities declined.

While geopolitical events can create short-term volatility, markets have historically recovered quickly and have delivered positive returns over the following 12 months after similar shocks. The path of the market will depend in part on how long the conflict persists. As markets adjust to new information, we remain focused on maintaining a disciplined approach grounded in thoughtful asset allocation, broad diversification, and long-term compounding.

### Comparative Returns

	Annualized Performance				
	Q1 2026	1 Year	3 Years	5 Years	10 Years
Large Cap U.S. Stocks <sup>1</sup>	(4.3%)	17.8%	18.3%	12.1%	14.2%
Small Cap U.S. Stocks <sup>2</sup>	0.9%	25.7%	13.0%	3.8%	9.9%
International Stocks <sup>3</sup>	(0.6)%	25.6%	15.1%	7.6%	8.9%
Real Estate <sup>4</sup>	1.5%	1.8%	6.9%	3.7%	5.4%
U.S. Bonds <sup>5</sup>	0.0%	4.3%	3.6%	0.3%	1.7%

(1) S&P 500 index (2) Russell 2000 index (3) MSCI ACWI ex-U.S. index (4) Dow Jones US Real Estate Total Return index (5) Bloomberg Barclays US Aggregate Bond index

# Winners Don't Stay Winners

The Market is Changing Faster Than It Used To

Technological change is accelerating. Competition is moving just as quickly. As a result, it is becoming harder for even the strongest companies to stay on top for long.

We saw this during the rise of the Internet. Companies that once appeared dominant were eventually displaced by new business models and ways of reaching customers. What looked durable in one era often proved far less durable in the next.

Artificial intelligence may accelerate that pattern. As innovation accelerates, so does disruption, and leadership positions become more difficult to defend over time. The result is a market where change is constant and durability is harder to find.

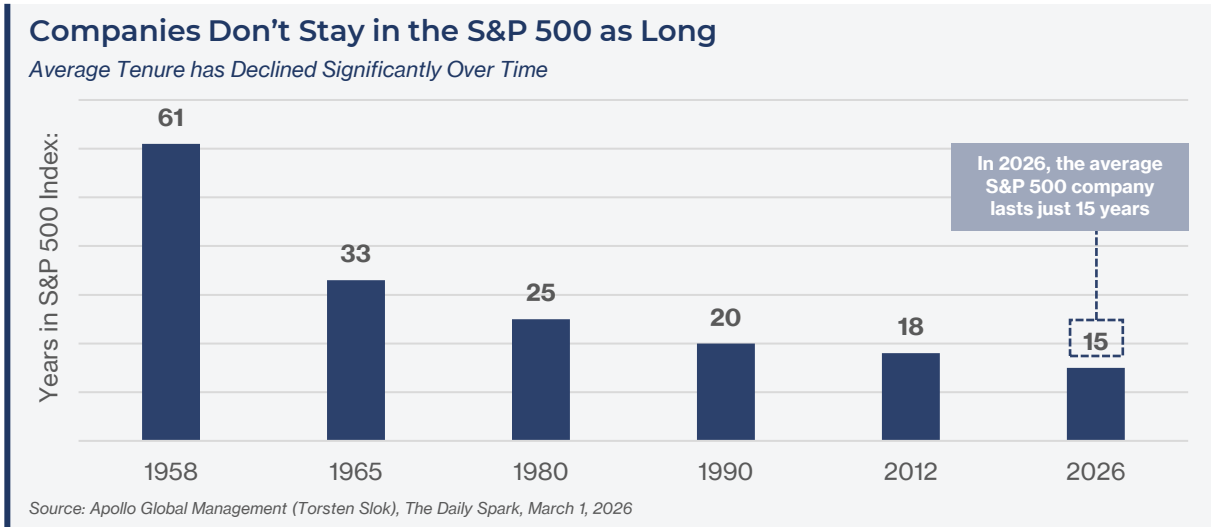
The data reflects this shift. As shown below, companies are spending significantly less time in the S&P 500 than they did in prior decades. The average tenure has declined meaningfully, suggesting that turnover among market leaders is increasing.

This has important implications for investors. The challenge is not identifying today's winners but determining which companies can remain winners through the next wave of change. In a market evolving this quickly, that is an increasingly difficult task.

This is one reason index investing remains compelling. Rather than trying to predict which companies will stay on top, index investors own the broader market and participate as leadership evolves. As new companies rise and others fall, the index adjusts automatically.

Index investing can also be more tax-efficient. Changes in leadership are reflected within the index itself, without requiring investors to trade individual positions. By contrast, actively trading in and out of companies to keep up with changing winners can trigger capital gains and transaction costs.

In a market like this, broad exposure is more reliable than trying to pick the winners.





## ABOUT US

Black Diamond Financial, LLC is a fee-only registered investment adviser with a unique and holistic focus on preserving and enhancing wealth. Our mission is to help you achieve your financial goals through the use of low cost, tax-efficient investment strategies. We create individualized investment portfolios for each client that are risk-appropriate, return optimized, and tax-efficient. Where appropriate, we incorporate institutional quality private investments to capture illiquidity premiums or yield opportunities. Furthermore, we believe cost is a critical factor in any successful investment strategy and therefore offer fully transparent pricing that is below industry standard. As an employee-owned firm focused on our fiduciary duty, we make our clients' interests our highest priority.

## CONTACT US

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