



**BlackDiamond  
Financial**

# INVESTMENT INSIGHTS

SECOND QUARTER 2026





The S&P 500 gained 15.2% in the second quarter, bringing its year-to-date return to 10.2%. Small-cap stocks did even better this quarter, rising 21.5%. Those gains marked a sharp reversal from the first quarter, when investors worried that war, inflation, and higher interest rates would overwhelm corporate earnings.

The world did not become less uncertain. The war in the Middle East continued. Inflation remained above the Federal Reserve's target. Interest rates stayed elevated. Despite those challenges, investors remained confident that businesses could continue their strong pace of earnings growth.

The numbers support that view. S&P 500 earnings grew 27.7% from a year earlier in the first quarter, marking the sixth consecutive quarter of double-digit earnings growth. Earnings growth was also broad. Ten of the eleven S&P 500 sectors reported higher earnings than a year earlier.

Not every part of the market participated equally. The Magnificent Seven, a group of large technology companies that includes Nvidia, Microsoft, Amazon, and Meta, collectively declined during the first half of the year. At the same time, AI-related chipmakers such as Intel and Micron continued to rise sharply. Investors remain optimistic about artificial intelligence. They are now asking a harder question: who will earn attractive returns on the enormous capital being invested?

The economy remains on solid footing, but inflation continues to be a concern. May inflation rose 4.2% from a year earlier, the highest reading in three years. Energy prices accounted for more than 60% of the monthly increase. The Federal Reserve held interest rates steady in June, reflecting its continued concern that inflation remains too high.

The quarter was a reminder that markets often recover before the headlines improve. War, inflation, and higher interest rates remained real concerns, yet businesses continued to grow earnings and the market responded. Over time, earnings drive stock prices far more than headlines. That is why we remain focused on broad diversification, controlling costs, and maintaining discipline to stay invested over decades.

### Comparative Returns

	Annualized Performance					
	Q2 2026	YTD	1 Year	3 Years	5 Years	10 Years
Large Cap U.S. Stocks <sup>1</sup>	15.2%	10.2%	22.3%	20.6%	13.4%	15.5%
Small Cap U.S. Stocks <sup>2</sup>	21.5%	22.6%	40.8%	18.6%	7.0%	11.6%
International Stocks <sup>3</sup>	14.7%	14.0%	28.3%	19.4%	9.3%	10.5%
Real Estate <sup>4</sup>	8.6%	10.2%	11.0%	9.0%	3.1%	5.6%
U.S. Bonds <sup>5</sup>	0.7%	0.6%	3.8%	4.2%	0.1%	1.5%

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



# THE LARGEST IPO IN HISTORY

## What SpaceX Tells Us About Modern Markets

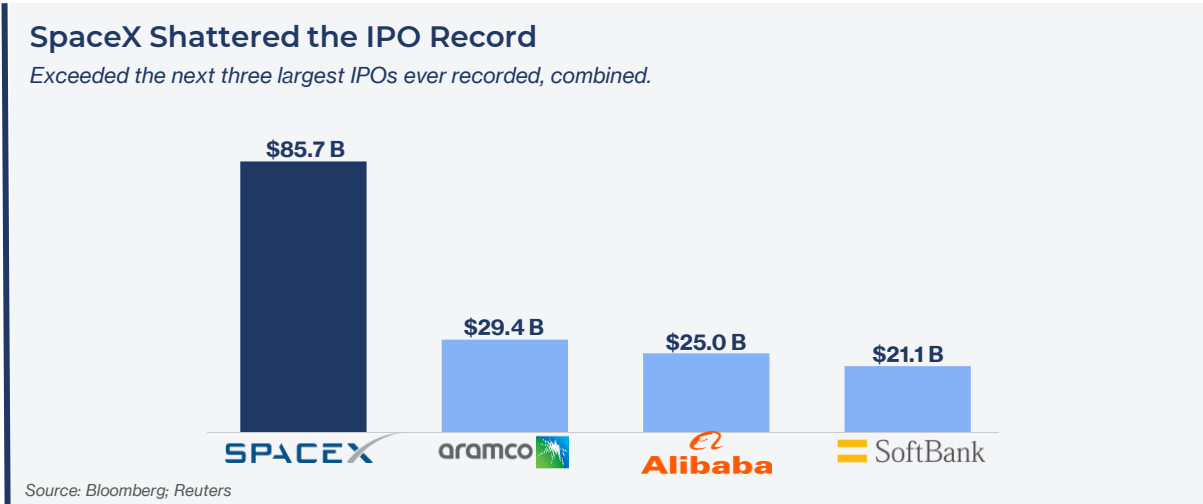
Photo: SpaceX

SpaceX became a public company in June through the largest IPO in history. The company raised approximately \$85.7 billion and debuted at a valuation of \$1.8 trillion.

The offering reflects a broader shift in how markets create and assign value. A generation ago, the largest public companies were often banks, energy producers, manufacturers, and consumer businesses. Today, investors place enormous value on companies built around software, data, networks, and intellectual property.

SpaceX sits at the intersection of several of these themes. Its businesses span reusable rockets, satellite communications, and space infrastructure. These are not traditional industries, and they are difficult to compare with the companies that dominated the market in prior decades.

The offering also highlights another important evolution in capital markets. SpaceX was already one of the world's most valuable companies before most investors could own it. Earlier generations of investors often gained access to great businesses earlier in their growth cycles. Today, many of the most successful companies remain private for much longer, concentrating much of their value creation before reaching public markets.



SpaceX serves as a reminder that market leadership constantly changes. Twenty years ago, few investors would have predicted that today's largest companies would dominate the global economy. The next generation of market leaders will likely surprise us as well.

For investors, the lesson is not that every transformational company will succeed. High expectations are already reflected in many company valuations. The enduring lesson is the value of diversification. The companies driving market returns in the future will be difficult to identify in advance. A broadly diversified, index-oriented portfolio allows investors to participate in that evolution without needing to predict the individual 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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