Sector Alpha

Q2 | 2026 Commentary

The second quarter of 2026 saw a strong recovery in equity markets as investor confidence improved following the volatility experienced earlier in the year. Inflation continued to moderate, providing greater confidence that price pressures were gradually easing, although still above the Federal Reserve's long term objective. As a result, the Federal Reserve maintained a measured, data-dependent approach to monetary policy, while interest rates fluctuated as markets reassessed the timing of potential policy easing. The U.S. labor market showed resilience, with monthly non-farm payroll reports reflecting steady job creation and relatively low unemployment, reinforcing expectations for more economic expansion.

Geopolitical developments grabbed headlines throughout the quarter. Tensions in the Middle East periodically contributed to higher energy prices and episodes of market volatility. However, these concerns were largely outweighed by resilient corporate earnings, improving investor sentiment, and confidence that the U.S. economy remained on stable footing.

Sector Alpha employs a disciplined and objective economic model that is updated monthly and utilizes U.S. non-farm payroll trends to guide portfolio positioning. Throughout the second quarter, the model employed a slight expansionary outlook, reflecting strength in employment data and the absence of meaningful signs of economic deterioration. As a result, the strategy did not adjust its sector allocations throughout the quarter.

The portfolio is invested across a diversified mix of broad equity sectors that provide exposure to both defensive and growth-oriented areas of the market. Consumer-oriented sectors continued to benefit from resilient household spending and healthy labor market conditions, while communication services were supported by continued strength in digital platforms and technology driven innovation. Healthcare provided exposure to companies with durable earnings characteristics, consumer staples offered a measure of defensive stability, and real estate continued to provide diversification despite an environment of relatively elevated interest rates.

Looking ahead, we are constructive on the outlook for U.S. equities while recognizing that evolving Federal Reserve policy, inflation trends, and geopolitical developments may generate periods of market volatility. The strategy's disciplined, model-driven approach is focused on adapting to changing economic conditions through objective labor market data while maintaining diversified sector exposure designed to participate in long term economic growth and manage risk across varying market environments.

Should you wish to speak with one of our portfolio managers, please email investments@kingsview.com.