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MARKET MUSINGS

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CHARTING THE COURSE 2026

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SUMMARY

- Every August, we “Chart the Course” with a series of charts highlighting key current and historic trends in the economy and markets. We hope you find them both insightful and useful. Our regular commentary will resume in September.
- Our **microcast™** signal remains at a neutral allocation. Taken together, our tactical risk models continue to indicate a constructive backdrop for equities.

Charts and graph depicted in this presentation are for educational purposes only. Investors cannot invest in a market index directly, and the performance of an index does not represent any actual transactions. The performance of an index does not include the deduction of various fees and expenses which would lower returns.

See content within for additional information on the summary items discussed above

CHARTING THE COURSE: ARTIFICIAL INTELLIGENCE

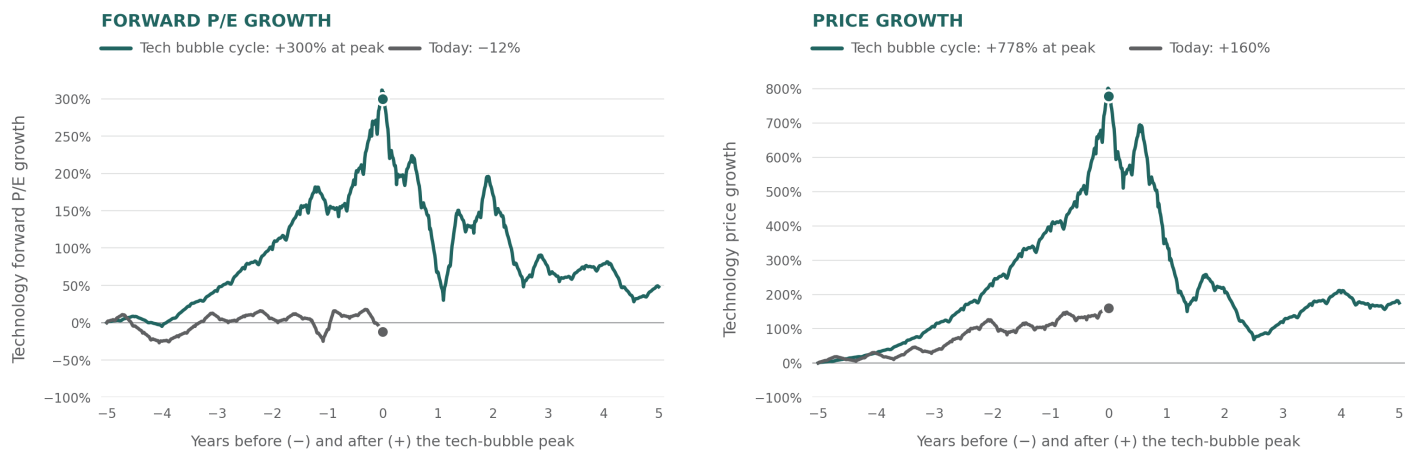
Whatever the risks around AI, today's stock market is not a replay of 2000: technology stocks have risen far less, while forward valuations have contracted rather than tripled.

That does not mean the market cannot decline or the AI theme cannot falter, but it argues strongly against treating the current setup as a repeat of the dot-com bubble (chart from The Compound Media):

Today Looks Nothing Like 2000

Forward P/E and price growth of technology stocks

Five years before and after the tech-bubble peak, with today overlaid through year zero



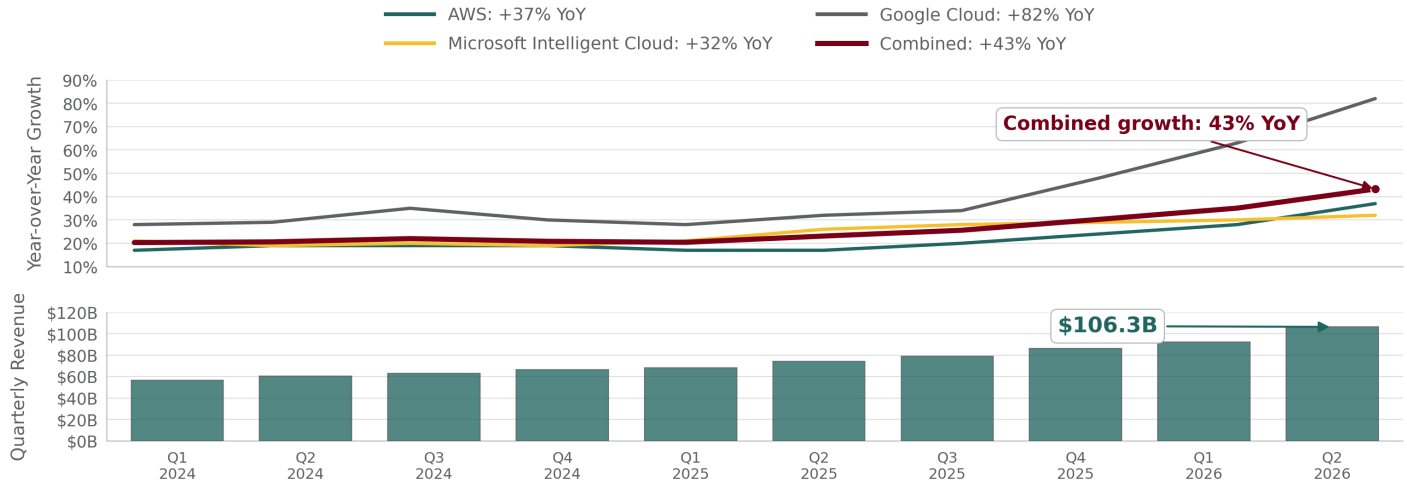
Disclosure: Visual reconstruction from the supplied reference image. The four labeled values (+300%, -12%, +778%, and +160%) match the original; unlabeled historical paths are approximate. For informational purposes only; not investment advice.

The case for the AI buildout is getting stronger: big-three cloud revenue growth has accelerated to 43% year over year, providing increasingly tangible evidence that demand is catching up with AI capex. As long as these companies continue to see a payoff on their investments, they are likely to keep spending money (chart on next page from 3Fourteen):

Cloud Growth and Revenue Scale

Big three hyperscaler cloud businesses

Quarterly reported revenue | Q1 2024–Q2 2026 | USD



Source: Reported company segment results. Historical values were validated against actual segment data in our system; the latest releases were verified from official company disclosures. Microsoft figures reflect the reported Intelligent Cloud segment. Combined growth is calculated from reported segment revenues and year-over-year rates. For informational purposes only; not investment advice. Past performance is not indicative of future results.

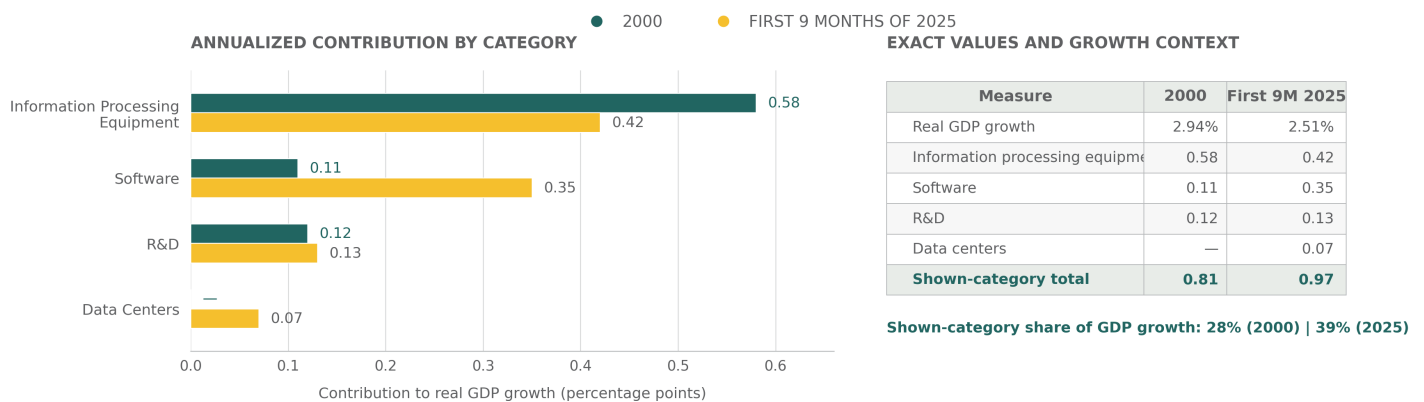


The AI buildout is already having a greater impact on the economy than the dot-com boom, with related investment accounting for nearly 40% of U.S. GDP growth in 2025 versus 28% in 2000. Part of that difference reflects slower real GDP growth today, but it also highlights the broader scope of the AI buildout, which extends beyond technology spending to data-center land, power, water, and other infrastructure (data from St. Louis Fed):

Dot-Com vs. AI Investment Contributions

The investment mix shifted from equipment toward software and data centers

2000 vs. first nine months of 2025 | Annualized percentage-point contributions



Source: Supplied reference image, citing the Bureau of Economic Analysis, Census Bureau and authors' calculations. Values are a visual reconstruction. Contributions are annualized. The latest data-center figure was August; September was imputed using the July–August average. For informational purposes only; not investment advice.



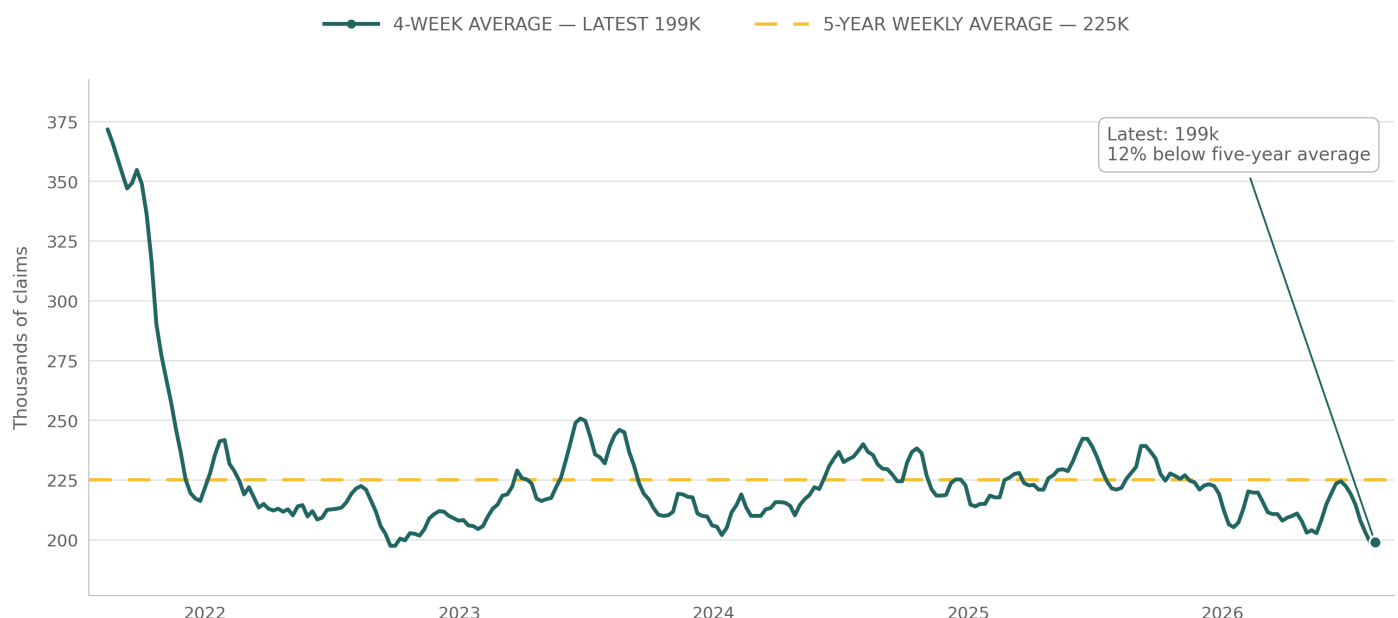
CHARTING THE COURSE: THE ECONOMY

The persistence of sub-200k jobless claims argues strongly against a meaningful deterioration in labor demand, even as hiring has slowed. Claims remain roughly 10% below their five-year average and continue to hover near multi-decade lows (data from 3Fourteen):

Initial Jobless Claims

Four-week moving average versus the five-year weekly mean

Seasonally adjusted | Weekly | August 14, 2021–August 08, 2026



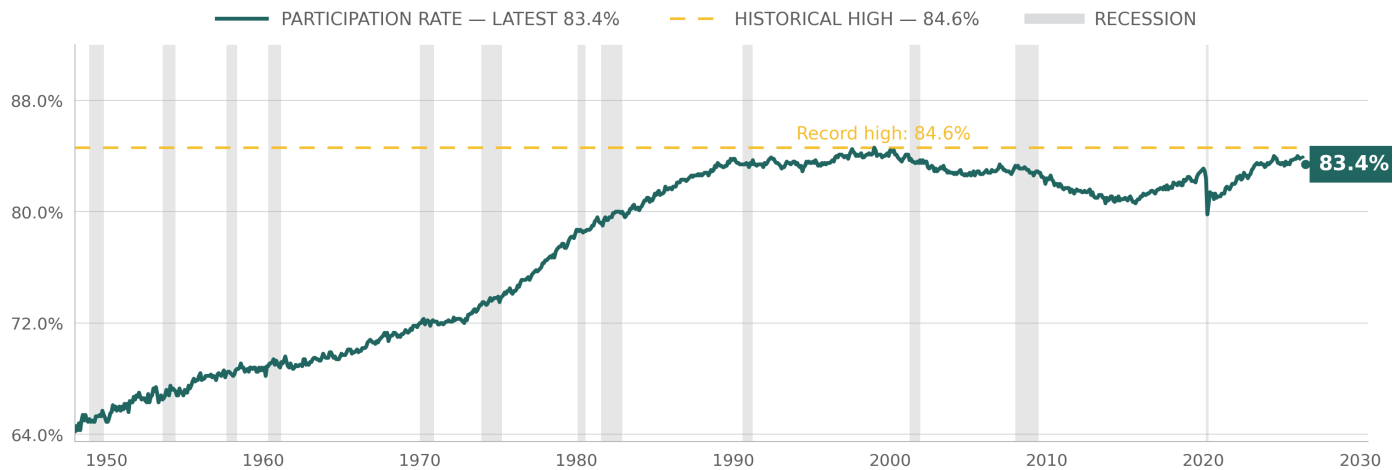
Source: Actual weekly initial claims data from our data system. Disclosure: For informational purposes only; not investment advice.

Last week's negative jobs print and drop in overall labor-force participation overstated the weakness. Prime-age participation remains near a record high, suggesting the labor market is cooling through weaker hiring and not workers leaving the labor force (chart on next page from Ben Carlson):

U.S. Prime-Age Labor Force Participation

Seasonally adjusted monthly rate for ages 25–54

January 1948–July 2026 | Recession periods shaded



Source: Actual monthly U.S. labor-market and recession data from our data system.
Disclosure: For informational purposes only; not investment advice.

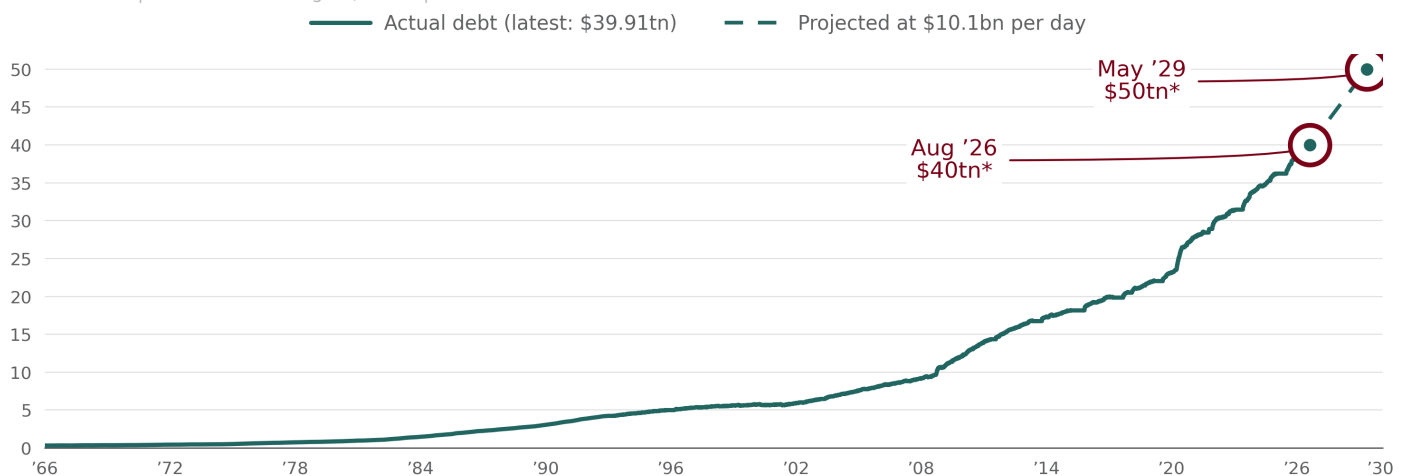


The federal government continues to borrow at a rapid pace. Public debt is about to cross \$40 trillion and is projected to reach \$50 trillion before mid-2029. The rapid rise in federal debt is not an immediate crisis, but it raises interest costs, increases sensitivity to higher bond yields, and leaves policymakers with less fiscal room to respond to the next downturn (chart from Bank of America):

U.S. National Debt Approaches \$40 Trillion

Total public debt outstanding and trailing 100-day projection (\$tn)

1966–2029 | Latest actual: Aug 12, 2026 | Nominal dollars



Disclosure: *Milestones extrapolate the average daily increase over the 100 calendar days ending August 12, 2026. Actual outcomes will vary with fiscal policy, cash management and debt-limit dynamics.
Sources: Official daily public debt data and historical macro data from our data system. Illustrative analysis; not investment advice.



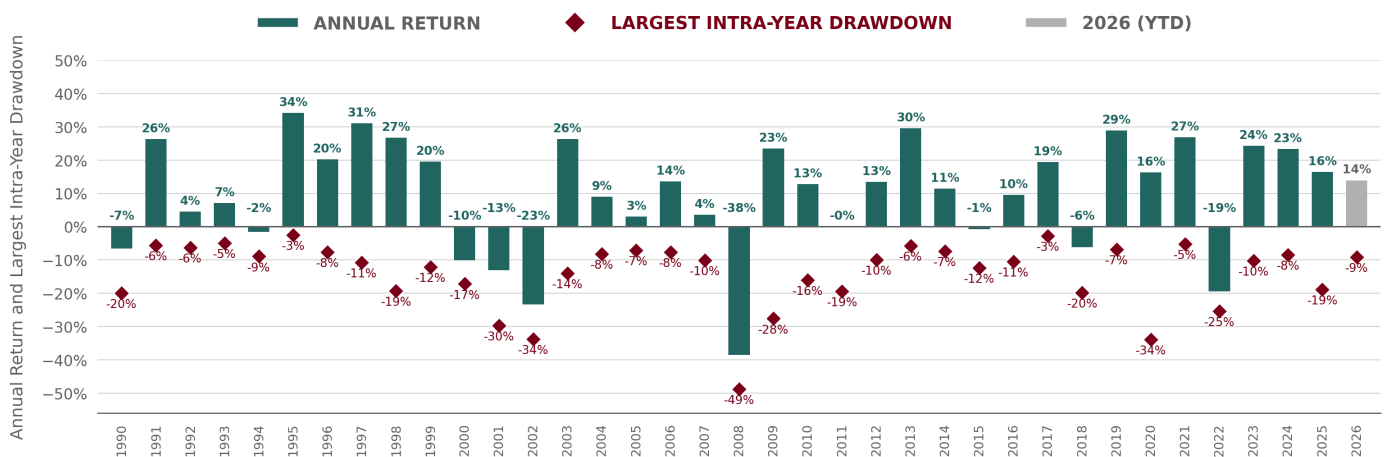
CHARTING THE COURSE: MARKET HISTORY

Large intra-year drawdowns are normal even in strong years, so volatility alone is a poor signal that the bull market is ending. Since 1990, the stock market has experienced a drawdown of at least 5% in every year except 1995 and 2017. Volatility is the norm, not the exception (data from S&P):

S&P 500 Annual Returns and Drawdowns

Calendar-year returns with largest intra-year declines

Since 1990 | 2026 is year-to-date through August 13

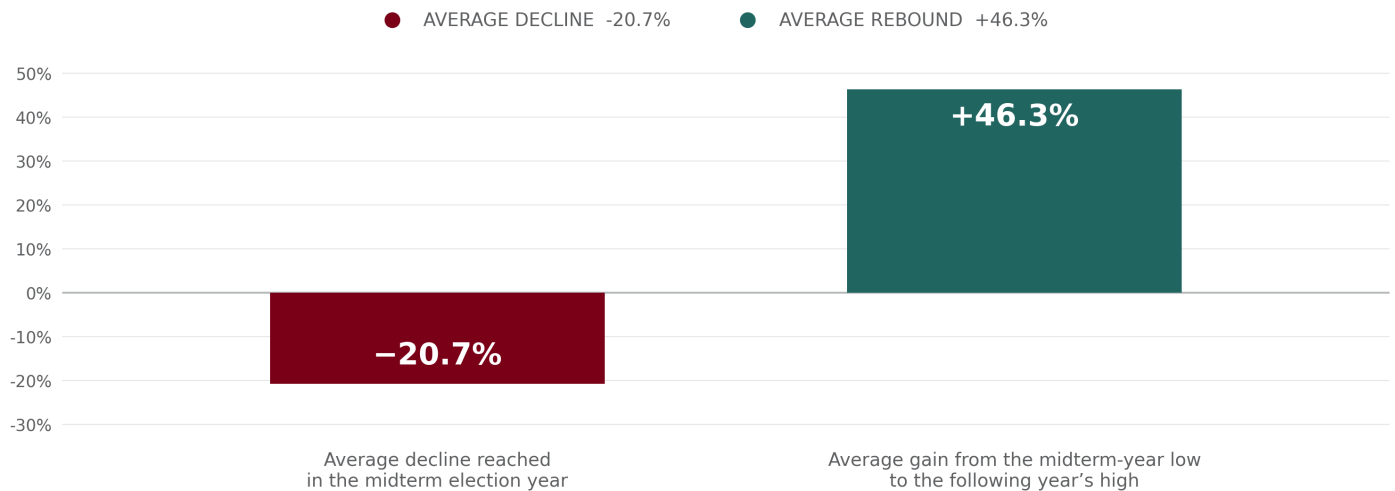


Source: Actual daily S&P 500 price-index data from our data system through August 13, 2026. Annual return is the calendar-year price return; 2026 is year-to-date. Largest intra-year drawdown is the greatest peak-to-trough decline within each calendar year. Returns exclude dividends. For informational purposes only; not investment advice. Past performance is not indicative of future results.

Midterm-year selloffs have historically been buying opportunities rather than cycle-ending events. Dip buyers have typically been rewarded, with average gains of nearly 50% from midterm-election-year lows to the following year's highs. The current year's low occurred on March 30th, and the market has risen roughly 22% since then (data for chart on next page from RBC Wealth Management):

S&P 500 Returns Around Midterm Elections

23 MIDTERM CYCLES | 1934-2023 | DAILY PRICE INDEX CLOSES, EXCLUDING DIVIDENDS



Source: Actual daily S&P 500 price-index data from our data system. Methodology follows the supplied reference image; returns exclude dividends.

Measured from the highest close in the 12 months before each midterm-year low to that low, then from the low to the highest close in the following calendar year. 22 of 23 lows occurred before Election Day; the exception was 2018.

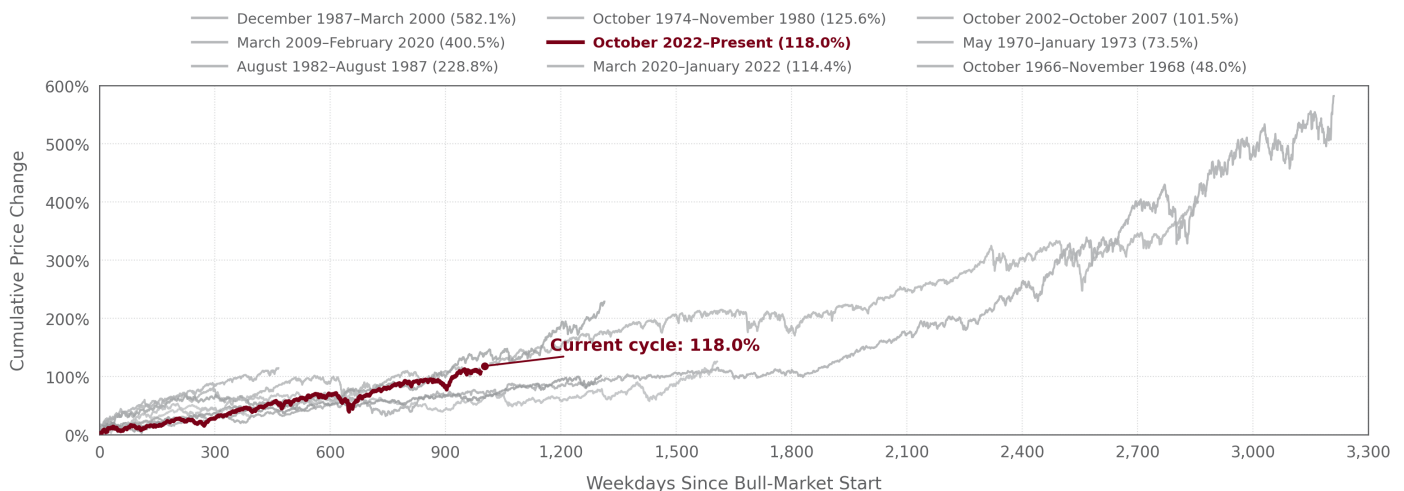


Gains alone don't make this bull market an outlier. At 118%, the current advance ranks middle-of-the pack when compared to past market cycles, trailing the great bull markets of the 1980s and 1990s, as well as the rallies that followed the Global Financial Crisis and the OPEC Crisis (data from Yardeni Research):

S&P 500 Bull Markets Since 1966

Daily cumulative price change from each cycle low

Current bull market through August 13, 2026



Source: Actual daily S&P 500 price-index data from our data system through August 13, 2026. Bull-market dates follow the supplied reference; each path is normalized to 0% at its starting close. Weekdays include market holidays using the prior close; weekends are excluded. Returns exclude dividends. For informational purposes only; not investment advice. Past performance is not indicative of future results.



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Use of Indicators

Corbett Road's quantitative models utilize a variety of factors to analyze trends in economic conditions and the stock market to determine asset and sector allocations that help us gauge market movements in the short- and intermediate term. There is no guarantee that these models or any of the factors used by these models will result in favorable performance returns.

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