BRADYCO

Bradley F. Richardson

July 9, 2026

1H 2026 Results

The stock market—as represented by the S&P 500 index—gained 10.2% (including dividends) during the first half of 2026. This robust performance extends a strong 5- and 10-year track record, persisting despite a mixed external environment.

Geopolitical developments have dominated the headlines this year. From foreign policy actions in Venezuela and tensions over Greenland to the conflict in Iran, global events have driven daily market narratives. The resulting uncertainty created a first-quarter roller-coaster ride, pushing all major indexes into a temporary decline. However, a subsequent relief rally propelled both the S&P 500 and the Nasdaq not only to full recovery, but to new all-time highs.

Despite the headwinds of war and persistent inflation, corporate earnings remained remarkably resilient during the first half of the year. These strong fundamentals—combined with massive infrastructure investments in Artificial Intelligence (AI), such as data center construction and energy source acquisition—powered the market higher. This upward momentum successfully countered inflationary pressures, particularly rising energy costs stemming from instability in the Middle East.

The Tug-of-War: Inflation vs. Innovation

Several competing forces are currently shaping market performance. On one side are inflationary pressures, including tariffs, elevated oil prices and technology component shortages; on the other is a powerful economic boom driven by the explosion of AI.

The extreme strength of the explosion of AI echoes past market cycles. During the dot-com bubble, companies with little to no earnings often saw their stock prices skyrocket on pure speculation. More recently, businesses with even a tangential connection to AI have experienced significant valuation increases, regardless of whether they are currently generating substantial AI-related revenue.

Investment Implications & Market Speculation

Speculative activity has expanded significantly across American financial markets. Utilizing prediction platforms like Kalshi and Polymarket, investors are increasingly wagering on everything from broad stock market directions to individual corporate futures.

A stark example of this enthusiasm was the SpaceX IPO. SpaceX debuted at an estimated valuation of $1.75 trillion—equivalent to 60% of Microsoft’s market capitalization—despite its 2025 revenue representing just

Bradyco Financial
75 Cambridge PKWY, Unit E506, Cambridge, MA 02142-1238
TEL (617) 945-1991 ■ Brad@BradycoFinancial.com
www.BradycoFinancial.com

6% of Microsoft's. Commenting on this environment during his interview with Becky Quick at the 2026 Berkshire Hathaway annual meeting, Warren Buffett observed that we have "never had people in a more gambling mood than now."

Government policy is further reinforcing these speculative trends:

- **Alternative Assets in Retirement Plans:** The Department of Labor (DOL) has proposed a rule to allow alternative assets, such as cryptocurrency and private equity, into 401(k) plans. This framework essentially allows investment firms to offer these products with limited litigation risk.

- **Semi-Annual Reporting:** Simultaneously, the SEC has proposed allowing companies to transition from quarterly to semi-annual earnings reports, reducing the frequency of official corporate reporting.

A New Era at Berkshire Hathaway

January 1, 2026, marked a historic changing of the guard at Berkshire Hathaway, with Greg Abel officially succeeding Warren Buffett as CEO.

So far, Mr. Abel's adjustments range from operational tweaks to major strategic shifts. He has expanded the traditionally lean home office staff by hiring key personnel, including a new corporate counsel. More significantly, he initiated a major new equity position in Alphabet (Google), acquired homebuilder Taylor Morrison, and suggested that Berkshire's independent subsidiaries might begin collaborating more closely. (This marks a notable departure from Mr. Buffett's famously hands-off approach, which rarely encouraged inter-company collaboration).

Mr. Abel's operational strengths complement rather than replicate Mr. Buffett's unique skillset, closely mirroring the highly successful leadership transition from Steve Jobs to Tim Cook at Apple.

What's Next?

Following a strong first half of the year, historical precedents offer a reason for optimism. As Carson Group Chief Market Strategist Ryan Detrick recently noted, history shows that "when the S&P 500 is up between 5% and 10% YTD at the midpoint of the year, the rest of the year usually does quite well." More vital than short-term technical trends, however, is the reality that corporate earnings remain robust, and the U.S. economy remains the most dynamic in the world.

In summary, we continue to favor a disciplined, long-term investment approach centered on high-quality companies with compelling growth prospects. Concurrently, maintaining appropriate cash reserves for clients taking regular distributions remains a core component of our risk management. While short-term volatility is inevitable, strong corporate earnings and continuous innovation provide solid ground for optimism in the years ahead.

Thank you for your confidence.

Brad