



GRIN AND BARRETT

Quarterly Newsletter

Fall 2026

Midterms—Here We Go Again!

Overview

Earlier this year, the outlook called for market volatility with a positive bias, persistent inflation pressures, as artificial intelligence takes a more prominent role in the economy and financial markets. Political and policy uncertainty has added another layer of complexity, leaving many investors uncertain about the direction of the economy.

Political and Policy Environment

Both sides of the political debate continue to face challenges in forming a unified policy agenda. As the midterm elections approach, shifting priorities and evolving proposals may contribute to economic uncertainty and market volatility. Investors should remain focused on long-term objectives rather than reacting to short-term political developments.

Market Implications

Despite this backdrop, financial markets have remained resilient as investors evaluate several important developments:

- ✓ **Artificial Intelligence:** AI investment and adoption continue to expand, but the pace of development, valuations, and the ability of companies to translate spending into sustainable earnings warrant careful evaluation.
- ✓ **Earnings Growth:** Corporate earnings remain an important source of market support, with investors increasingly focused on profitability, cash flow, and the sustainability of future growth.
- ✓ **S&P 500 Concentration:** A relatively small group of large companies represents a significant share of the S&P 500, increasing the potential concentration risk for investors who rely heavily on the index.
- ✓ **Investor Behavior:** Strong market performance can encourage increased discretionary spending and risk-taking, reinforcing the importance of maintaining adequate liquidity and a disciplined investment plan.

Conclusions

1. Maintain a long-term investment strategy through periods of market volatility.
2. Consider AI-related opportunities within the context of a diversified portfolio and each investor's objectives and risk tolerance.
3. Expect interest-rate policy to remain dependent on inflation, employment, and other incoming economic data.
4. Monitor persistent inflation risks without assuming a specific timetable for returning to the Federal Reserve's long-term 2% objective.
5. Maintain a well-balanced portfolio that includes appropriate exposure to both growth and value investments.

Our Approach

In this environment, the team remains focused on disciplined portfolio construction, emphasizing diversification, quality investments, and a long-term perspective. Although short-term uncertainty may persist, a strategic approach can help investors navigate volatility and remain positioned for opportunities as they arise.

Economic, market, and policy developments will continue to be monitored closely, with portfolio positioning adjusted when appropriate. As always, the team appreciates your trust and partnership.

Please do not hesitate to reach out with any questions.

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