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SUMMARY

- The Fed regains credibility with fed funds rate hike.
- The US trend remains positive, helping short-term odds of a positive return.
- Weekly and Daily Poll combination gives neutral rating.

09.29.2026

Flashing Yellow Light Remains

'Three Tactical Rules' Suggest Road Under Construction

RED LIGHT	FLASHING RED	YELLOW LIGHT	FLASHING YELLOW	FLASHING GREEN	GREEN LIGHT

Since our last 'Three Tactical Rules' update on July 28th, the S&P 500 is up over 4 percent. Most of the move up occurred in the first week of August; since then, the market has been relatively rangebound. The stagnation in stocks has been largely due to a prolonged Iran War, in our view. The headwinds created by ongoing conflict have not caused a change in the Three Rules collectively, but underneath the surface the rules are moving around. The jury is still out whether the Fed is still on the investor's side as inflation fears rise. Having raised the fed funds rate at its recent September 16th meeting, markets have to answer whether this the beginning of a rate hiking series... or just a couple hikes to regain credibility, we believe the latter. Over the last nine weeks since our last update, the trend and the crowd ratings have been unchanged. **Collectively, the Three Rules continue to favor a cautious optimism toward stocks in balanced portfolios.**

'Don't Fight the Fed': Hawkish Fed Gains Credibility

YELLOW LIGHT

After the Jackson Hole Symposium, markets expected a rate hike, and the FOMC delivered. It raised the fed funds target range twenty-five basis points to 3.75%–4.00%. At first glance, this looks like a hawkish hike that opens the door to more, which investors usually see as unwelcome news. A closer look at what the Fed is trying to accomplish suggests otherwise, in our view. The hike gave Chairman Warsh credibility as an inflation fighter and reassured investors that the Fed remains independent. Somewhat paradoxically, we believe this hike is the best outcome for investors, because it eases concerns that political pressure would keep the Fed on the sidelines if inflation got out of control. If the Fed's intention with the recent rate hike was to regain credibility with financial markets, we believe it was 'mission accomplished.'

We believe it is the intention behind the Fed's actions, not the actions themselves, that best defines our tactical rule of "Don't Fight the Fed." The current Fed appears to take its cues from markets, rather than leading them. Chairman Warsh himself has said that "financial market prices are probably the most important source of information to guide central bankers." So far, this Fed has given less forward guidance and waited for markets to signal where rates should be. For instance, the two-year Treasury yield, which is the most sensitive to changes in the fed funds rate, rose 1.48% from the end of February through September 16th without a single change in Fed policy. In effect, the market raised short-term rates first, and the Fed followed. Hence, we do not view the latest FOMC decision as being against the investor, as it is just catching up to where the market already is.

The FOMC's rate hike is a step towards slowing inflation, which we believe should help with affordability of goods and services. The US economy is a consumption-driven economy with nearly 70% of GDP dependent on consumer spending. If the Fed can calibrate its rate hikes appropriately by putting a lid on inflation without throwing the economy into recession, the consumer will continue to spend and corporate earnings will remain robust, in our view. We are placing higher than 50% probability that the economy stays out of recession in the next twelve months. Currently, we believe Chairman Warsh does not view financial conditions as restrictive as the economy continues to grow despite higher inflation. Taking this perspective into consideration, the Fed can hike rates two more times before they undo last year's 75bps of rate cuts. Additionally, the Fed's rate hike appears to have put a ceiling on the longer maturity Treasury yields… which should give investors more fortitude to invest in equities.

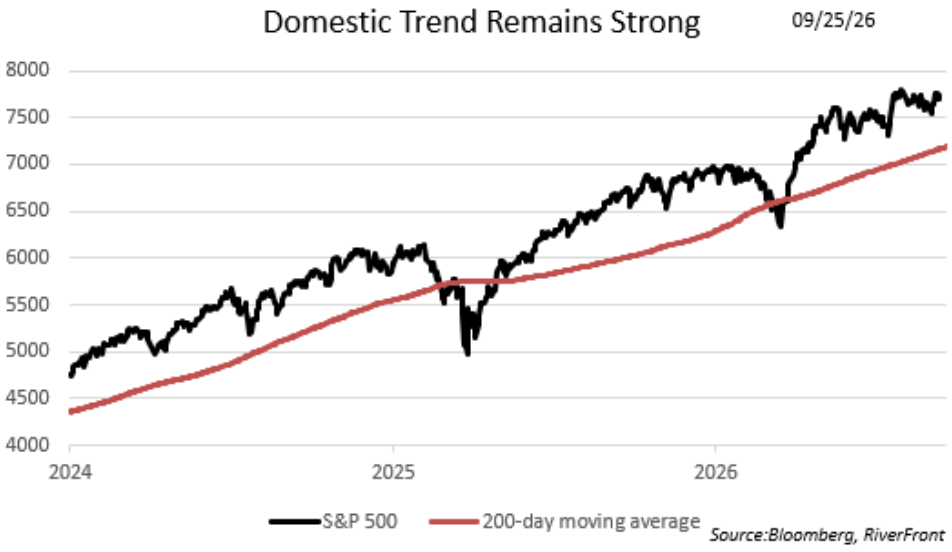
Given our view that the Fed is currently neutral for the investor, we are watching several indicators to determine when this dynamic can change. If we see two-year Treasury yields continue to go higher and break above 5%, currently at 4.85%, and leverage increases these will be signals that Fed will have to make more aggressive rate hikes. This would cause us to downgrade our rating to either 'flashing red or red' depending on the severity of Fed action. On the other side, we will upgrade our rating if inflation cools, and the Fed does not have to undo all of last year's rate cuts. **For the moment, we have downgraded our Fed rating from a 'flashing yellow light' in our last update to a 'yellow light,' pending further review.** In our view, this rating balances the positives of increased Fed credibility with the possibility that we may be in a rate hike cycle for some time, which could challenge equity valuations in the near-term (see last week's commentary for more on our view on the interplay between interest rates and stock performance).

Internationally, the Bank of England (BOE) is the one central bank that has not raised interest rates this year. However, the central bank acknowledges that the increase in energy prices could have upside risk for inflation, but a softening labor market has kept the BOE from raising rates, in our view. The European Central Bank (ECB) for its part joined the Bank of Japan (BOJ) in hiking rates to fight inflationary pressures and their economies' energy dependence for the second consecutive meeting. The Overnight Index Swap (OIS) markets are now pricing at least one hike for each of three central banks through year-end. Further delays in ending the Iran war will likely cause the major international central banks to raise rates in the coming months. Globally, we now view central banks as neutral rather than on the investor's side…however, we do not see a prolonged hiking cycle ahead.

'Don't Fight the Trend': Positive Domestic Trend Helps Short- Term Odds

GREEN LIGHT

The S&P 500's primary trend, defined as the 200-day moving average, is rising at an 18% annualized rate…up slightly from 17% in our last update. The trend's acceleration has slowed over the last nine weeks due to the growing concern over inflation, driven by the Iran War intensifying, Treasury yields rising, and the US debt level crossing $40 trillion dollars. These headwinds have helped to curtail the initial momentum the index experienced the week after our last update. Between July 28th to August 4th the index returned 4.2%. However, since that time the index has stalled, returning 0.28%. Despite the index not appreciating as quickly, the trend will remain positive if the index simply remains at its current level for the next 9 months.



Source: Bloomberg, RiverFront. Data daily as of September 25, 2026. Chart shown for illustrative purposes. Not indicative of RiverFront portfolio performance. Index definitions are available in the disclosures.

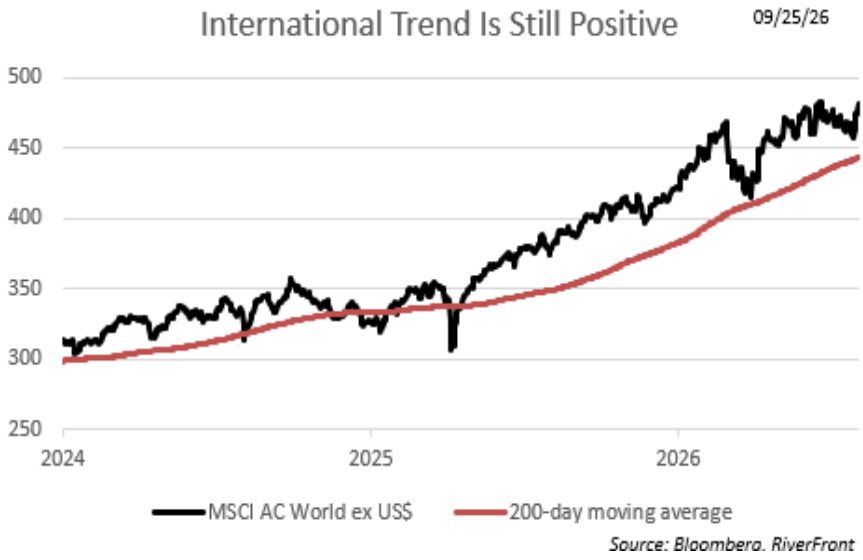
Historically, the S&P 500 has risen over any given three-month period about two-thirds of the time. Given the trend's positive slope despite experiencing a slowdown in short-term momentum, the historical odds of having a positive return over the next 3 to 6 months remain higher than average, in our view. In this way, we believe the trend remains the investor's friend. Hence, we continue to modestly prefer stocks over bonds in our balanced portfolios. **We continue to maintain the Trend's rating as a 'green light.'**

International Trend: Increases Momentum Relative to the US

GREEN LIGHT

Internationally, the MSCI All Country World ex-US index (ACWX) trend also slowed its acceleration over the past nine weeks; ACWX's primary trend is now rising at a 23% annualized rate, up from 22% at our last update. Over the last nine weeks, international equities have underperformed domestic equities by 0.5%, while their year-to-date margin of outperformance stands at approximately 1.3%.

The international trend strength, while impressive, could be derailed by global inflation down the road, but for now ACWX could remain at its current level for eight months before turning negative. This is an encouraging sign, as our tactical work suggests that a trend above zero increases the odds of a positive return over the next three to six months. **We are therefore maintaining its 'green light' rating.**



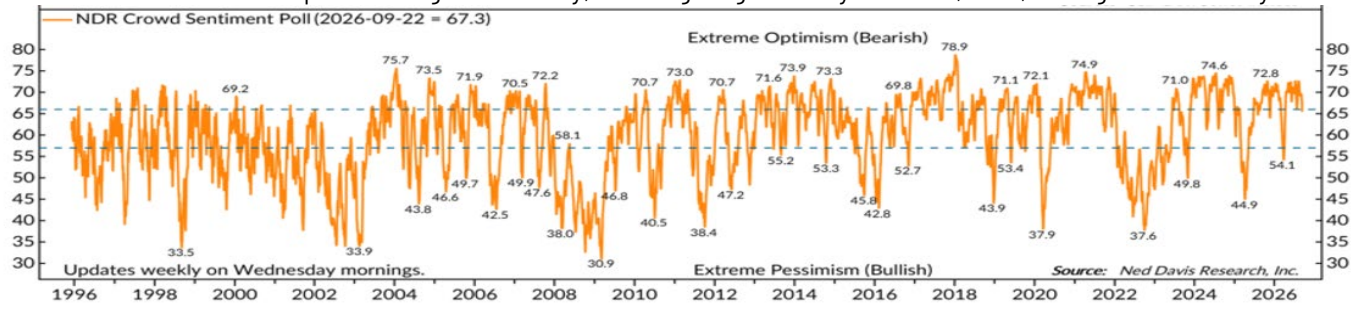
Source: Bloomberg, RiverFront. Data daily as of September 25, 2026. Chart right shown for illustrative purposes. Not indicative of RiverFront portfolio performance. Index definitions are available in the disclosures.

Beware of the Crowd at Extremes: Weekly and Daily Polls Combination Warrants Neutral Rating

YELLOW LIGHT

Crowd Sentiment serves as the 'contrary' indicator within the Three Tactical Rules. The chart below reflects investor sentiment as measured by Ned Davis Research (NDR), where elevated readings signal excessive optimism and depressed readings signal extreme pessimism. Historically, NDR research suggests extreme pessimism has created attractive entry points for tactical investors. While NDR is our preferred data source for measuring investor psychology, we apply our own analytical framework to draw conclusions.

Similar to our update nine weeks ago, the Daily and Weekly NDR Sentiment Polls are sending mixed signals. The Daily Sentiment Poll is sitting in the top of the extreme pessimism zone, while the Weekly Sentiment Poll remains in the extreme optimism zone. The divergence in the two polls is due to Weekly Sentiment being primarily survey-based, while the Daily Sentiment includes more market-based analytics such as: put/call ratios on both indices and equities, volatility, and investor surveys. Historically, we have weighted the Weekly more heavily in this publication, as it provides longer-term perspective, while the Daily better captures investors' real-time views. Given that we have entered the period before mid-term elections, which we believe has been prone to higher volatility, we are giving the Daily more 'air, heat, and light' in our analysis.



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The Crowd's current optimism is elevated by historical standards when viewed through the lens of the Weekly Sentiment Poll, but it has not reached the euphoric levels seen in periods like 2018 as shown in the chart below. The Crowd is optimistic due to the earnings potential of AI-related companies. Conversely, the Crowd viewed through the lens of the Daily Sentiment Poll is more pessimistic due to the inflation headwinds, and the uncertainty regarding how far the Fed will raise interest rates given that is the only real tool it has to fight inflation. Hence, when we blend the two polls, we view sentiment as neutral. This is in line with our last update. **Thus, we are maintaining our rating for the Crowd at a 'yellow light.'**

Conclusion: Maintain Positive View on Stocks as Long as Inflation Stays Contained

FLASHING YELLOW

Viewed through three distinct lenses — a Fed in transition, a trend remaining positive, and dampened crowd optimism - our Tactical Rules collectively signal a 'flashing yellow light.' **Given that our collective rating of the Three Rules has not changed since the last update, we continue to believe that the market will grind higher this year.** Given the fluidity of economic data, earnings guidance, investor mood, and geopolitical negotiations, the Three Rules will likely shift in the months ahead. Over the next three to six months, we believe market conditions will continue to favor domestic and international equities over bonds, as long as inflation does not accelerate from current levels.

Risk Discussion: All investments in securities, including the strategies discussed above, include a risk of loss of principal (invested amount) and any profits that have not been realized. Markets fluctuate substantially over time, and have experienced increased volatility in recent years due to global and domestic economic events. Performance of any investment is not guaranteed. In a rising interest rate environment, the value of fixed-income securities generally declines. Diversification does not guarantee a profit or protect against a loss. Investments in international and emerging markets securities include exposure to risks such as currency fluctuations, foreign taxes and regulations, and the potential for illiquid markets and political instability. Please see the end of this publication for more disclosures.

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The comments above refer generally to financial markets and not RiverFront portfolios or any related performance. Opinions expressed are current as of the date shown and are subject to change. Past performance is not indicative of future results and diversification does not ensure a profit or protect against loss. All investments carry some level of risk, including loss of principal. An investment cannot be made directly in an index.

Information or data shown or used in this material was received from sources believed to be reliable, but accuracy is not guaranteed.

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All charts shown for illustrative purposes only. Technical analysis is based on the study of historical price movements and past trend patterns. There are no assurances that movements or trends can or will be duplicated in the future.

Ned Davis Research (NDR) is a global provider of independent investment research, solutions and tools. Founded in 1980, NDR helps clients around the world make objective investment decisions.

Stocks represent partial ownership of a corporation. If the corporation does well, its value increases, and investors share in the appreciation. However, if it goes bankrupt, or performs poorly, investors can lose their entire initial investment (i.e., the stock price can go to zero). Bonds represent a loan made by an investor to a corporation or government. As such, the investor gets a guaranteed interest rate for a specific period of time and expects to get their original investment back at the end of that time period, along with the interest earned. Investment risk is repayment of the principal (amount invested). In the event of a bankruptcy or other corporate disruption, bonds are senior to stocks. Investors should be aware of these differences prior to investing.

In general, the bond market is volatile, and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa). This effect is usually more pronounced for longer-term securities). Fixed income securities also carry inflation risk, liquidity risk, call risk and credit and default risks for both issuers and counterparties. Lower-quality fixed income securities involve greater risk of default or price changes due to potential changes in the credit

quality of the issuer. Foreign investments involve greater risks than U.S. investments, and can decline significantly in response to adverse issuer, political, regulatory, market, and economic risks. Any fixed-income security sold or redeemed prior to maturity may be subject to loss.

Investing in foreign companies poses additional risks since political and economic events unique to a country or region may affect those markets and their issuers. In addition to such general international risks, the portfolio may also be exposed to currency fluctuation risks and emerging markets risks as described further below.

Changes in the value of foreign currencies compared to the U.S. dollar may affect (positively or negatively) the value of the portfolio's investments. Such currency movements may occur separately from, and/or in response to, events that do not otherwise affect the value of the security in the issuer's home country. Also, the value of the portfolio may be influenced by currency exchange control regulations. The currencies of emerging market countries may experience significant declines against the U.S. dollar, and devaluation may occur subsequent to investments in these currencies by the portfolio.

Foreign investments, especially investments in emerging markets, can be riskier and more volatile than investments in the U.S. and are considered speculative and subject to heightened risks in addition to the general risks of investing in non-U.S. securities. Also, inflation and rapid fluctuations in inflation rates have had, and may continue to have, negative effects on the economies and securities markets of certain emerging market countries.

Technology and Internet-related stocks, especially of smaller, less-seasoned companies, tend to be more volatile than the overall market.

Artificial intelligence, or AI, refers to the simulation of human intelligence by software-coded heuristics. Nowadays this code is prevalent in everything from cloudbased, enterprise applications to consumer apps and even embedded firmware.

Index Definitions:

Standard & Poor's (S&P) 500 Index measures the performance of 500 large cap stocks, which together represent about 80% of the total US equities market.

MSCI ACWI ex USA Index captures large and mid cap representation across approximately 22 of 23 developed markets (DM) countries (excluding the US) and approximately 25 emerging markets (EM) countries.

Definitions:

The 200-day moving average is a popular technical indicator which investors use to analyze price trends. It is simply a security's average closing price over the last 200 days.

Basis point (bps) = 1/100th of a percent.

Gross Domestic Product (GDP) is the monetary value of all finished goods and services made within a country during a specific period. GDP provides an economic snapshot of a country, used to estimate the size of an economy and growth rate.

Core CPI, or Core Consumer Price Index, is an economic indicator that reflects the average change over time in the prices paid by urban consumers for a basket of goods and services, excluding food and energy prices.

Federal Open Market Committee (FOMC) refers to the branch of the Federal Reserve System (FRS) that determines the direction of monetary policy in the United States by directing open market operations (OMOs). The committee is made up of 12 members, including seven members of the Board of Governors, the president of the Federal Reserve Bank of New York, and four of the remaining 11 Reserve Bank presidents on a rotating basis.

US Equities include stocks listed in the United States. Stocks represent partial ownership of a corporation. If the corporation does well, its value can increase, and investors can share in the appreciation. However, if it goes bankrupt, or performs poorly, investors can lose their entire initial investment (i.e., the stock price can go to zero). Small/mid-cap equities, MLPs, REITS and alternatives equities are types of US Equities and assume further risks described below.)

The European Central Bank (ECB) is the central bank responsible for monetary policy of the European Union (EU) member countries that have adopted the euro currency. This currency union is known as the eurozone and currently includes 19 countries. The ECB's primary objective is price stability in the euro area.

The Bank of England (BoE) is the central bank of the United Kingdom. The BoE oversees monetary policy and issues currency. It also regulates banks, financial firms, and payment systems. Like other central banks, the BoE may act as a lender of last resort in a financial crisis.

The Bank of Japan (BOJ) is the Japanese central bank, which is responsible for issuing and handling currency and treasury securities, implementing monetary policy, maintaining the stability of the Japanese financial system, and providing settling and clearing services.

Inflation is a gradual loss of purchasing power, reflected in a broad rise in prices for goods and services over time.

A recession is a significant, widespread, and prolonged downturn in economic activity. A common rule of thumb is that two consecutive quarters of negative gross domestic product (GDP) growth indicate a recession. However, more complex formulas are also used to determine recessions.

An index swap is a hedging contract in which one party exchanges a predetermined cash flow with a counterparty on a specified date. An overnight index swap applies an overnight rate index, such as the federal funds rate, to the contracts. Index swaps are specialized groups of conventional fixed-rate swaps, with terms that can be set from three months to more than a year.

Treasuries are government debt securities issued by the US Government. Treasury securities typically pay less interest than other securities in exchange for lower default or credit risk. With relatively low yields, income produced by Treasuries may be lower than the rate of inflation.

Interest rate sensitivity is a measure of how much the price of a fixed-income asset will fluctuate as a result of changes in the interest rate environment. Securities that are more sensitive have greater price fluctuations than those with less sensitivity. This type of sensitivity must be taken into account when selecting a bond or other fixed-income instrument the investor may sell in the secondary market. Interest rate sensitivity affects buying as well as selling.

Fed funds futures are financial futures contracts based on the federal funds rate and traded on the Chicago Mercantile Exchange (CME) operated by CME Group Inc. (CME). The federal funds rate is the rate banks charge each other for overnight loans of reserves on deposit with the Federal Reserve.

Don't Fight the Fed – 'Supportive' means the Fed's monetary policy regarding inflation and employment is in what we believe based on our analysis to be the investors' best interest; 'Against' means the Fed's monetary policy, in our view, is going against the investors' best interest; 'Neutral' means the Fed's monetary policy is neither supportive or against the investors' best interest in our view. Don't Fight the Trend – Terms correlate to the 200-day moving average as it relates to the equity indexes: 'Positive' means that the trend is rising, 'Flat' means the trend is flat, 'Negative' means the trend is falling. Beware the Crowd at Extremes – Terms correlate to the NDR Crowd Sentiment Poll and its measurement of Extreme Optimism (Bearish), Neutral, or Extreme Pessimism (Bullish).

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