Money Wise UK®

Growing together, with integrity and respect

Quarterly Market Update – Adviser Briefing Q1 2026

Sources:
J.P. Morgan Asset Management – *Guide to the Markets (UK)*
Franklin Templeton / ClearBridge – *Anatomy of a Recession*

Audience: Financial advisers/professional investors
Purpose: Support adviser thinking, portfolio discussions, and client communication
Not personal advice or a market forecast

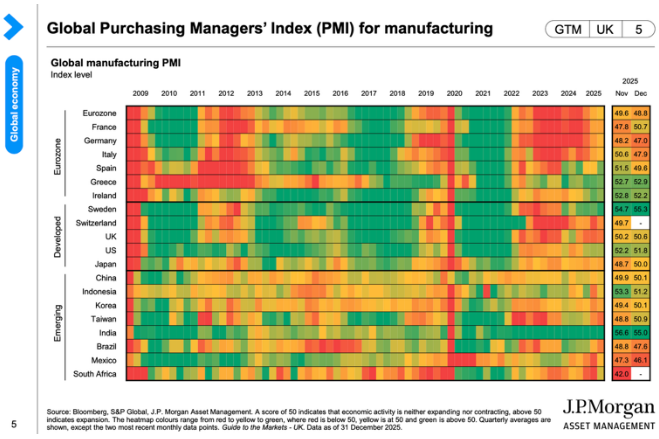
Executive summary

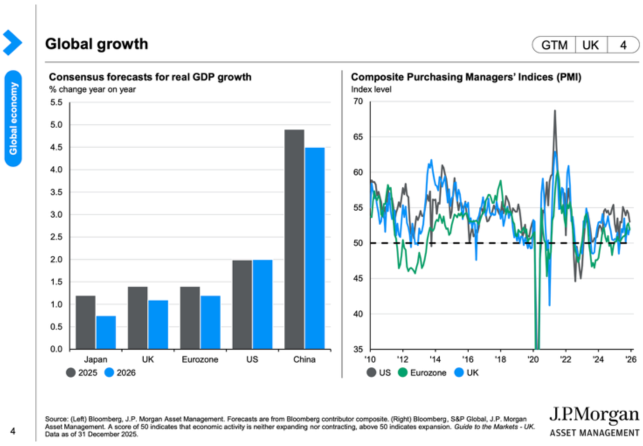
- Economic data continues to point to expansion rather than recession, though growth remains uneven by region.
- Recession risk indicators tracked by Franklin Templeton are not flashing red, challenging persistent bearish narratives.
- Inflation has moderated, but the path of rates matters more than the first cut.
- Equity returns have been supported by earnings delivery, not just valuation expansion.
- Higher bond yields have restored fixed income as a meaningful portfolio component.
- Concentration risk and inflation re-acceleration remain the key watchpoints.

Money Wise UK View:
This is a backdrop that favours diversification, discipline, and planning-led conversations rather than tactical market calls.

1. Economic backdrop: expansion with divergence

J.P. Morgan's macro data shows continued positive growth expectations into 2026 across major regions, albeit at different speeds. Manufacturing and survey data remain mixed, reinforcing a late-cycle environment rather than a contractionary one.



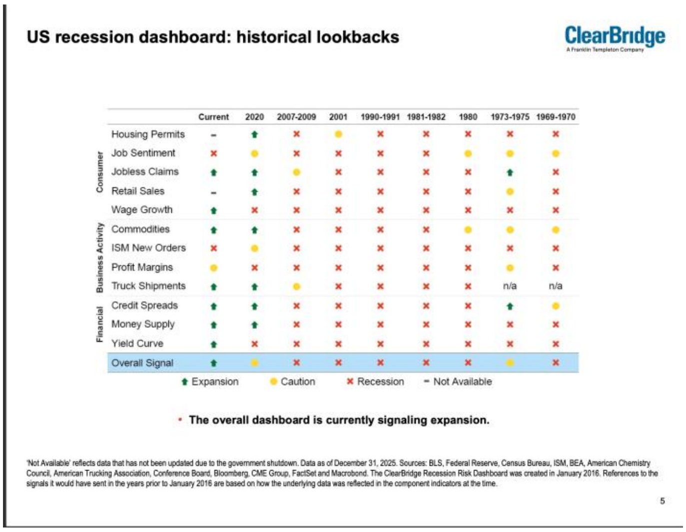


Franklin Templeton's framework similarly points to continued expansion, with no broad-based deterioration in leading indicators.

Money Wise UK View:
Markets can feel fragile even when economies are not contracting. Volatility does not equal recession.

2. Recession risk: what the indicators are actually saying

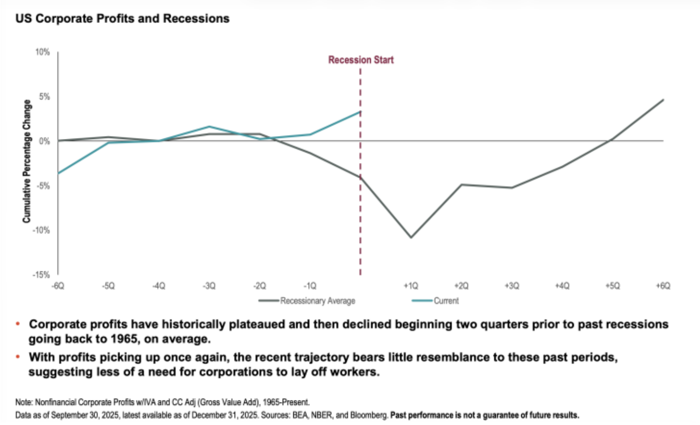
Franklin Templeton's *Anatomy of a Recession* uses a 12-indicator dashboard covering labour markets, profits, financial conditions, and policy.



The current signal remains firmly in "expansion" territory.

Notable observations:

- Wage growth is decelerating rather than accelerating.
- Corporate profits do not show the classic rollover pattern seen ahead of recessions.



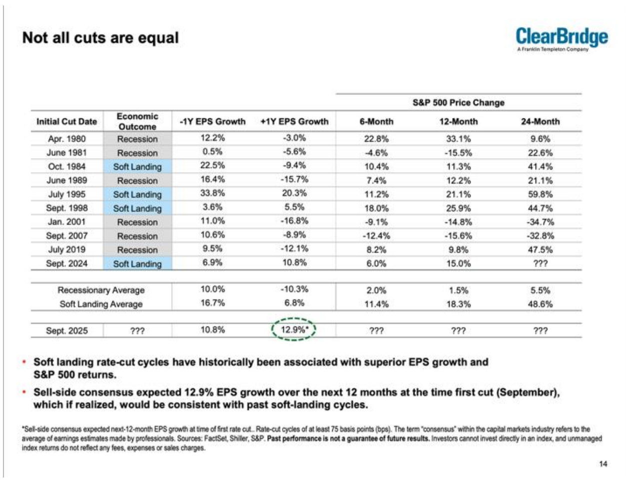
- Fiscal policy is expected to provide a modest tailwind in 2026 before fading.

Money Wise UK:
This framework argues against portfolio positioning based solely on recession headlines.

3. Inflation and interest rates: context matters

Inflation has moderated across most developed markets, though progress varies by region. Market expectations for policy rates continue to shift as data evolves.

History shows that rate cuts associated with soft landings tend to produce very different market outcomes compared with cuts driven by recession.



Not all cuts are equal

ClearBridge
A Franklin Templeton Company

Initial Cut Date	Economic Outcome	-1Y EPS Growth	+1Y EPS Growth	S&P 500 Price Change: 6-Month	12-Month	24-Month
Apr. 1980	Recession	12.2%	-3.0%	22.8%	33.1%	9.6%
June 1981	Recession	0.5%	-5.6%	-4.6%	-15.5%	22.6%
Oct. 1984	Soft Landing	22.5%	-9.4%	10.4%	11.3%	41.4%
June 1989	Recession	16.4%	-15.7%	7.4%	12.2%	21.1%
July 1995	Soft Landing	33.8%	20.3%	11.2%	21.1%	59.8%
Sept. 1998	Soft Landing	3.6%	5.5%	18.0%	25.9%	44.7%
Jan. 2001	Recession	11.0%	-16.8%	-9.1%	-14.8%	-34.7%
Sept. 2007	Recession	10.6%	-8.9%	-12.4%	-15.6%	-32.8%
July 2019	Recession	9.5%	-12.1%	8.2%	9.8%	47.5%
Sept. 2024	Soft Landing	6.9%	10.8%	6.0%	15.0%	???
Recessionary Average		10.0%	-10.3%	2.0%	1.5%	5.5%
Soft Landing Average		16.7%	6.8%	11.4%	18.3%	48.6%
Sept. 2025	???	10.8%	12.9%*	???	???	???

- **Soft landing rate-cut cycles have historically been associated with superior EPS growth and S&P 500 returns.**
- **Sell-side consensus expected 12.9% EPS growth over the next 12 months at the time first cut (September), which if realized, would be consistent with past soft-landing cycles.**

*Sell-side consensus expected next-12-month EPS growth at time of first rate cut.. Rate-cut cycles of at least 75 basis points (bps). The term "consensus" within the capital markets industry refers to the average of earnings estimates made by professionals. Sources: FactSet, Shiller, S&P. **Past performance is not a guarantee of future results.** Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

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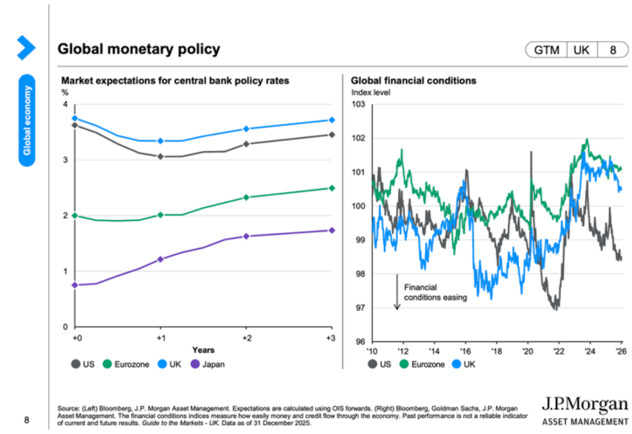
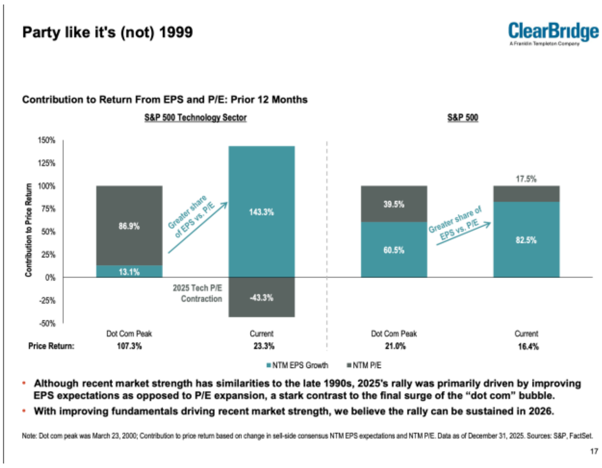


Key distinction for advisers:

- Rate cuts driven by falling inflation → supportive for risk assets
- Rate cuts driven by economic stress → defensive positioning required

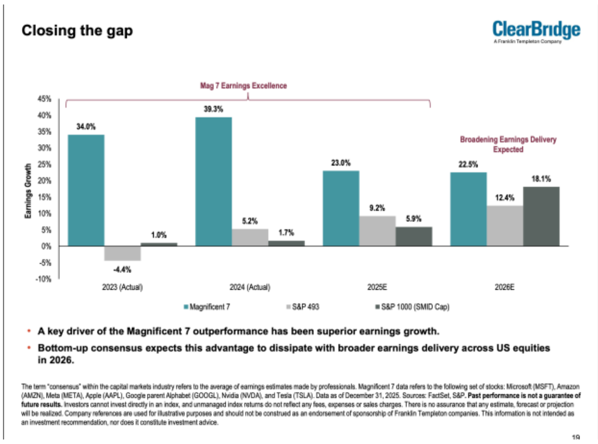
4. Equity markets: fundamentals over fear

Franklin Templeton highlights that recent equity performance has been underpinned by earnings growth, rather than pure multiple expansion.

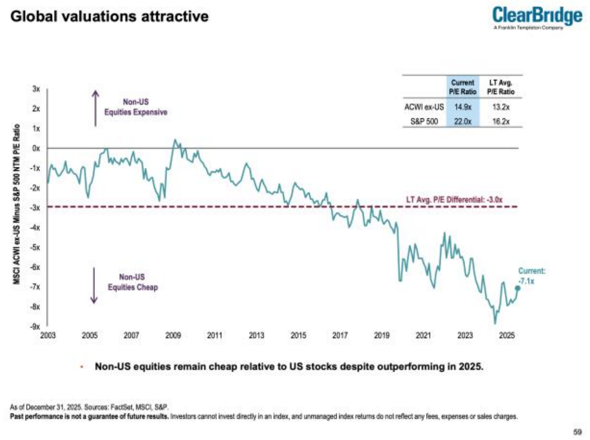


Additional observations:

- Early signs of broadening leadership beyond the most concentrated segments.



- Regional valuation dispersion remains wide.



- Concentration risk remains elevated in certain indices.

Money Wise UK View:
This supports diversified equity exposure rather than narrow thematic positioning.

5. Fixed income: a structurally different role

Higher starting yields materially change the role of fixed income compared to the post-GFC era.

Key points:

- Bonds once again offer income as well as diversification.
- Interest-rate sensitivity varies significantly across segments.
- Short duration and selective credit can behave differently across rate paths.

Money Wise UK View:
Fixed income is no longer just a risk offset — it can be a return contributor within suitable portfolios.

6. Key risks to monitor

Rather than a long list, both houses highlight a small number of meaningful risks:

1. **Market concentration and AI expectations**
   Narrow leadership increases downside sensitivity to sentiment shifts.
2. **Inflation re-acceleration**
   Would challenge current rate expectations and asset pricing.
3. **Policy and fiscal uncertainty**
   Particularly where markets assume ongoing support.

7. Practical implications for advisers

This quarter's combined message reinforces consistent advice principles:

- Maintain diversification across asset classes, regions, and styles.
- Avoid binary positioning based on recession narratives.
- Keep planning, cashflow modelling, and rebalancing central to client outcomes.

Adviser language:

"Our role is not to predict markets, but to help clients stay invested appropriately through different environments."

Disclaimer:

This document:

- Is for professional advisers and investors only
- Uses third-party research from recognised asset managers
- Contains no investment recommendations or forecasts
- Is intended to support discussion, not replace suitability assessments

Appendix – Example Client Update

Quarterly Market Update

A calmer look beyond the headlines

Over recent months, financial markets have continued to generate plenty of headlines, from interest rates and inflation to new technologies and recession concerns. While these stories can feel unsettling, they don't change the importance of stepping back and viewing markets in the context of a longer-term plan.

Short-term news tends to move quickly. Financial planning is designed to move more slowly and deliberately.

A steady economic backdrop

Most major economies continue to grow, although the pace of growth varies by country and sector. This kind of uneven progress is typical following periods of higher inflation and rising interest rates.

Importantly, many of the indicators that have historically pointed to an economic downturn are not currently signalling one. While risks always exist, the broader picture remains one of ongoing, if unspectacular, progress.

For long-term investors, this underlines the value of having a plan that doesn't depend on perfect conditions to work.

Inflation and interest rates in context

Inflation has eased from recent highs, which has helped bring greater stability to markets. Interest rates remain higher than in the past decade, but expectations are gradually shifting as inflation shows signs of moderating.

Rather than reacting to each change in expectations, financial planning allows decisions to be framed around income needs, time horizons, and resilience to change, not just the direction of interest rates.

Equity markets: focusing on fundamentals

Equity markets have experienced periods of volatility, but company profits continue to play a central role in long-term returns. Recent market progress has been supported by businesses continuing to generate earnings, rather than by short-term speculation alone.

There are also early signs that market performance is becoming less concentrated in a small number of companies. For investors with diversified portfolios, this can be a healthy development.

Diversification remains one of the most effective ways to reduce reliance on any single theme or trend.

Bonds and balance within portfolios

After many years of very low interest rates, bonds are once again providing more meaningful levels of income. This has improved their role within portfolios, particularly for those seeking balance between growth and stability.

Portfolio construction today looks different from a decade ago, and financial planning helps ensure that this balance remains appropriate as markets and personal circumstances evolve.

Keeping risk in perspective

Uncertainty is a normal part of investing. Current areas to watch include inflation trends, interest-rate expectations, and how markets respond to new developments.

Rather than trying to predict outcomes, a well-structured plan focuses on managing risk through diversification, appropriate time horizons, and regular review. This helps reduce the temptation to make reactive decisions during periods of uncertainty.

Staying focused on what matters

Successful investing is rarely about making bold moves in response to headlines. It is more often about consistency, discipline, and making adjustments when life changes, not when markets make noise.

Financial planning provides a framework that connects investments to real-world goals, whether that is retirement income, financial security, or future flexibility. Markets will always move, but a good plan is designed to adapt without losing direction.

A final thought

Market updates help provide context, but they are only one part of the wider picture. The real focus remains on whether your financial plan continues to reflect your priorities, your circumstances, and your long-term goals.

By keeping decisions grounded in planning rather than prediction, it becomes easier to stay on course, even when markets feel uncertain.

This update is for information only and does not constitute personal financial advice or a recommendation. The value of investments can fall as well as rise, and you may get back less than you invest. Past performance is not a reliable guide to future results.