

Your Money Monthly

May 2026



Wealth
Management

The intermediate term

The uneven nature of short-term financial market movements was on full display during the first four months of the year. While markets focused on concerns regarding the economic impact of artificial intelligence and the Iran war during the first quarter, the focus turned to earnings and optimism during the month of April. Overall, financial markets ended April mixed for the year, with most public equity markets higher, most bond markets lower, and most private markets experiencing an enhanced focus on risk.⁽¹⁾

The Crescent Group at RBC Wealth Management

thecrescentgroup@rbc.com

214-775-6458

Forbes Best-in-State Wealth Management Team 2024-2026

As of the end of April, the impact of the Iran War had unfolded in line with the historical impact of wars on U.S. financial markets. For example, the average short-term impact of war on the U.S. stock market has equaled a 6% decline since 1950. The Iran war caused a top to bottom decline of 7% so far, although the U.S. stock market has completely recovered from that as of the end of April.⁽¹⁾⁽²⁾

As experienced investors know, anything can happen to financial markets over short periods of time. Last year, the stock market fell 20% on tariff fears, then recovered and ended positive for the year. This year we've seen the 7% drop due to the Iran war, followed by a recovery. Over the long term of ten years or longer, we can expect a positive result from financial markets. Yet one thing we don't hear much about with investing is the intermediate term – a time frame of say five to ten years. Longer than the short term, but not quite long term.⁽¹⁾

When I take a deeper look at the intermediate term, things start to get interesting. For example, a recent report from Apollo Global Management showed the historical relationship between the U.S. stock market's multiple of earnings and the subsequent annualized return over the next ten years. In simple terms, the stock market's multiple of earnings shows how expensive the stock market is relative to corporate earnings. The higher the multiple, the more expensive the stock market. Apollo's analysis showed that at the U.S. stock market's earnings multiple in December of 2025, a negative annualized stock market return is implied over the next ten years. For context, they also showed that the U.S. stock market's earnings multiple in December 2025 was the highest in 26 years. Meaning that the last time the U.S. stock market sat at its current multiple of earnings was during the dot com bubble that peaked in March 2000.⁽³⁾

So, what do these reports tell us about what the U.S. stock market will do over the next five to ten years? The truth is, they don't predict the future. They are backward looking data sets that tell us what has happened in the past when the U.S. stock market reached different earnings multiples.

Investment and insurance products offered through RBC Wealth Management are not insured by the FDIC or any other federal government agency, are not deposits or other obligations of, or guaranteed by, a bank or any bank affiliate, and are subject to investment risks, including possible loss of the principal amount invested.

Every situation is different. And a math ratio like an earnings multiple doesn't capture all of the unique circumstances today versus the unique circumstances in the past.

Having said that, what do experience and common sense tell me? Experience and common sense tell me that almost every time in the past that the U.S. stock market reached the current earnings multiple, the annualized return over the next ten years was negative. In order to have a different outcome from the past decades, this time will have to "be different". The late billionaire investor John Templeton once said "this time it's different" are the four most dangerous words in investing.⁽³⁾⁽⁴⁾

What will it take for this time to be different? Corporate profits must increase rapidly from today's

levels. One possibility is for the increased productivity and profitability to come from the implementation of artificial intelligence. Another possibility is that some as-yet unknown factor boosts corporate profitability well beyond current levels.

Barring some factor that rapidly boosts corporate profits, there's a significant chance that this time is not different. And what could the intermediate term look like if this time isn't different? Well, that takes us back to the Apollo data, which implies a negative annualized return for the U.S. stock market over the next ten years.⁽³⁾

One thing that two decades on Wall Street gives me is the humility to know that I can't predict the future. And I have yet to meet or learn of anyone who can consistently and repeatably

predict the future. For this reason, experience tells me that if an investor wants to give themselves the best chance of success from where we are with today's market levels, they should diversify in a way that doesn't require a specific outcome or scenario for success.

That means diversifying your investments well beyond the assets that have generated the most excitement over the past several years, and which are at highest risk for overvaluation. I recommend that investors take action today – while times are good – to review their allocation. Waiting until a problem comes up could mean selling and locking in losses after asset prices have already fallen. If you believe your allocation is due for a fresh look, my team would be happy to assist you with a timely review.

Paul Hendershot, CFP® – May 2026

*Senior Vice President – Financial Advisor | Senior Portfolio Manager – Portfolio Focus
Forbes Best-in-State Wealth Management Team 2024, 2025, 2026*

Sources: (1) FactSet. (2) RBC. (3) Apollo Global Management. (4) Oaktree Capital Management.

The views presented herein are solely those of Paul Hendershot, and do not necessarily represent the views of RBC Wealth Management. Current status of issues discussed in this letter is subject to change based upon market conditions and industry fundamentals. Clients should work with their Financial Advisor to develop investment strategies tailored to their own financial circumstances. Past performance is no guarantee of future results. The 2025 Forbes Best-In-State Wealth Management Teams award was announced January 2025. Data as of 3/31/24. The award was developed by SHOOK Research and is based on in-person, virtual and telephone due diligence meetings and a ranking algorithm that includes: a measure of each team's best practices, client retention, industry experience, review of compliance records, firm nominations; and quantitative criteria, including: assets under management and revenue generated for their firms. Investment performance is not a criterion because client objectives and risk tolerances vary, and advisors rarely have audited performance reports. SHOOK's research and rankings provide opinions intended to help investors choose the right financial advisor and team, and are not indicative of future performance or representative of any one client's experience. Past performance is not an indication of future results. Neither Forbes nor SHOOK Research receive compensation in exchange for placement on the ranking. The financial advisor does not pay a fee to be considered for or to receive this award. This award does not evaluate the quality of services provided to clients. This is not indicative of this financial advisor's future performance. © 2025 RBC Wealth Management, a division of RBC Capital Markets, LLC, registered investment adviser and Member NYSE/FINRA/SIPC.