

FSA INSIGHTS

THE LONG RUN

WHEN TIME BECOMES THE FINAL WORD



In 1979, after a long stretch out of the studio, the Eagles released an album whose title track asked a question their music had been circling for years: who, in the end, lasts? "The Long Run" was less about endurance for its own sake than about the simple truth that every effort, every relationship, every conviction is tested over time, not in any single moment of triumph or doubt. Markets, we are reminded again this spring, work the same way.

Last month we wrote about trusting the cycle when the season feels difficult. The first quarter tested investor resolve, with the VIX elevated, oil dislocated by the Iran conflict, and the Federal Reserve navigating two pressures it cannot resolve with a single tool. The start of the second quarter has not delivered the clean resolution any of us would prefer. Some pieces have improved at the edges, others have not, and the variables that mattered most a month ago, namely policy, geopolitics, the labor market, and the path of inflation, continue to work themselves out. This is not a moment for declarations, but a moment for discipline.

THE MACRO BACKDROP: STILL TWO HANDS, STILL ONE LEVER

The Federal Reserve continues to operate in the posture we described last month as deliberate rather than panicked. With its target range steady at 3.5% to 3.75%, the Fed is balancing a tariff-driven reacceleration in goods inflation against a labor market that has clearly cooled but not collapsed. February's net job losses, which Chair Powell attributed more to reduced labor demand and immigration flows than to broad-based layoffs, were followed by a stronger-than-expected March print of 178,000 jobs and a modest decline in the unemployment rate to 4.3%.

The bounce was real, but the composition warrants caution: healthcare did most of the heavy lifting, the unemployment rate decline was driven largely by a shrinking labor force, and average hourly earnings growth slowed to its lowest annual pace in nearly five years. The broader pattern remains one of low hiring and low firing, with the JOLTS hiring rate at levels last seen during prior recessions, and that pattern, more than any single month's print, is what we are watching.

What the Fed has not done is panic. Long-run inflation expectations remain anchored within historical norms, and that is the variable we watch most closely. So long as that holds, the Fed has the room to be patient even when patience is uncomfortable. One rate cut is still penciled in for later this year, with timing markets continue to peg around early fall, and we would not be surprised if that timing shifts in either direction. The institutional layer is worth flagging as well, as Chair Powell's term expires in May and Kevin Warsh is the heir apparent. A leadership transition at the Fed introduces near-term communication risk that markets will need to absorb, and we are watching tone as much as policy. With Chairman Powell going against industry norms and remaining on the Federal Reserve Board tells you that he's worried about not only interest rate policy but Fed independence against this backdrop.

READING THE DATA: WHAT IS HOLDING, WHAT IS BENDING

A balanced reading of the current environment continues to break into three categories.



What is holding: Corporate earnings have been the clearest source of support, with early Q1 reads coming in better than feared and a meaningful share of companies maintaining or modestly raising forward guidance despite tariff pressure. The fiscal incentives embedded in the One Big Beautiful Bill, including bonus depreciation, immediate R&D expensing, and factory investment deductions, continue to pull capital spending forward. Credit quality at the investment-grade level remains sound, and corporate bankruptcy filings, which we track on a weekly basis, are not flashing the kind of upward trajectory that would signal systemic stress.

What is bending: The labor market remains the most closely watched variable in our framework. March's headline rebound was a welcome data point, but it has not changed the underlying story of an economy that is hiring less and firing less, with net job creation concentrated in a narrow set of sectors. Consumer sentiment reflects what households are actually experiencing, including higher prices on goods exposed to tariffs, persistent uncertainty about energy costs, and a news cycle that continues to demand attention even when investors would rather look away. Soft sentiment data does not always foreshadow hard data turning points, but it cannot be dismissed when it persists this long.

What is unclear: The Iran situation remains the largest unresolved variable in our framework. Diplomatic signals improved lately, but signals are not settlements, and oil markets continue to serve as the transmission mechanism for any reversal. The path of tariff policy is also genuinely fluid, with the post-IEEPA Section 301 investigations announced in March still working through the system. Add the Fed leadership transition in May, and the list of items that could move meaningfully over the next ninety days is longer than usual.

MARKET CONTEXT: BREADTH IS DOING ITS WORK

Through the end of the first quarter, U.S. large caps had given back a meaningful portion of 2025's gains, with the S&P 500 down roughly 4.0% year-to-date and the Dow having briefly traded below its 200-day moving average. April has rewritten that picture sharply, with the S&P 500 closing at fresh record highs above 7,170 in late April and turning positive on the year, up roughly 4.5% year-to-date through April 24, supported by resilient earnings, sustained AI enthusiasm, and hopes of a diplomatic resolution to the Iran conflict. The speed of the rebound, roughly 11% from the late-March lows, is itself instructive: markets can reprice quickly when sentiment shifts, and that pattern has been one of the most durable arguments for staying invested through difficult periods rather than attempting to time them. We are reading the rebound with appropriate caution, recognizing that part of it rests on outcomes that are not yet fully resolved.

International equities are doing exactly what diversified portfolios are designed to do. Developed international markets and emerging markets continue to outpace U.S. large caps year-to-date, extending a pattern that took root in 2025 and has since shown real durability. The valuation differential between U.S. and international equities, while modestly compressed from its peak, remains historically wide, and we continue to view this as a structural argument for global balance rather than a tactical call. That said, we are mindful that energy-importing economies in Europe and Japan carry incremental exposure to any renewed disruption from the Middle East.

In fixed income, long-duration government bonds have not provided the ballast investors have come to expect when geopolitical risk rises and inflation runs hot at the same time. Intermediate-duration high-quality bonds remain our preference, as today's yields are meaningfully higher than the near-zero environment of a few years ago, which has restored the long-term return math of fixed income in a way that benefits diversified portfolios. Investment-grade credit spreads have remained disciplined, and high-yield is showing the modest widening we would expect at this point in the cycle without signaling broader stress.



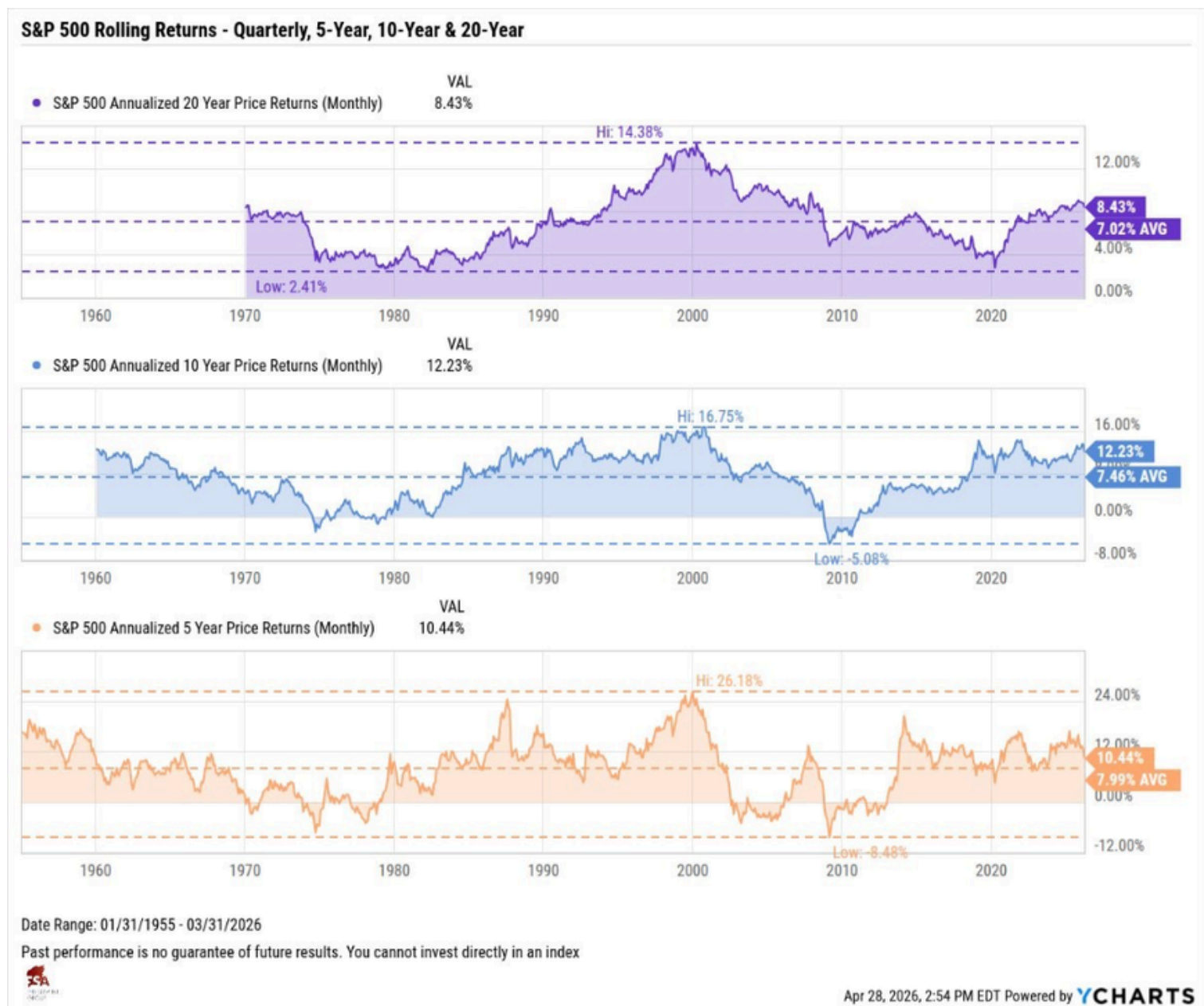
PORTFOLIO POSITIONING: STAYING WITH THE PLAN

The portfolio changes we implemented beginning in October continue to be supported by the current environment. These included a shift to equal-weighted U.S. equity exposure, expanded international allocations, a broader real assets and infrastructure footprint, and the introduction of private real estate for eligible clients. We are not making wholesale changes in response to recent volatility, and that restraint is intentional. The instinct to act in difficult markets is one of the most consistent, and most expensive, behavioral patterns we observe, and the data on missing the market's best days is unambiguous: those days tend to cluster around the periods that feel worst at the time, and investors who step away during volatility do not typically return at favorable prices but rather after the recovery, having paid for the round trip.

THE BIG PICTURE: TIME, NOT TIMING

Our focus is not on whether the next three months are easier or harder than the last three. What matters is whether long-run inflation expectations stay anchored, credit quality holds, corporate earnings continue to support equity valuations, and the policy environment evolves in ways that support rather than undermine global growth. So far, none of those guardrails have given way. Volatility is not a malfunction and diversification is not a tactic; both are baseline conditions of long-term investing, and both are doing their work.

History offers a useful frame. Looking across rolling holding periods of five, ten, and twenty years, the dispersion of returns narrows as the holding period lengthens, and at twenty years, every observation in the modern era falls in positive territory.



Rolling annualized S&P 500 price returns across three holding periods, 1955 to March 31, 2026. Source: YCharts. Past performance is no guarantee of future results. Investors cannot invest directly in an index.

IN CLOSING: WHAT THE LONG RUN REWARDS

The Eagles took the better part of three years between albums in the late 1970s, and some at the time read that gap as evidence the band had run its course. The album that eventually arrived made a quieter argument: that the work that lasts is rarely the work that announces itself loudly in the moment, and the same is true of portfolios. A difficult quarter does not invalidate a sound plan, and a patient Fed, a softening labor market, a still-unresolved geopolitical conflict, and an institutional transition at the central bank do not, in combination or in isolation, change the fundamental architecture of a globally diversified, disciplined long-term portfolio. They simply test it.

Markets will deliver their verdict on this period in their own time, and not on the schedule we would prefer. What we can do, and what we will continue to do, is hold the structure that has historically rewarded those willing to wait for it.

The harvest comes in its season. The verdict comes in the long run.

Stay diversified. Stay disciplined. Stay the long run.

With appreciation for your continued trust,



Andy Webb
Chief Investment Officer



Brett Akers
Director of Investments

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