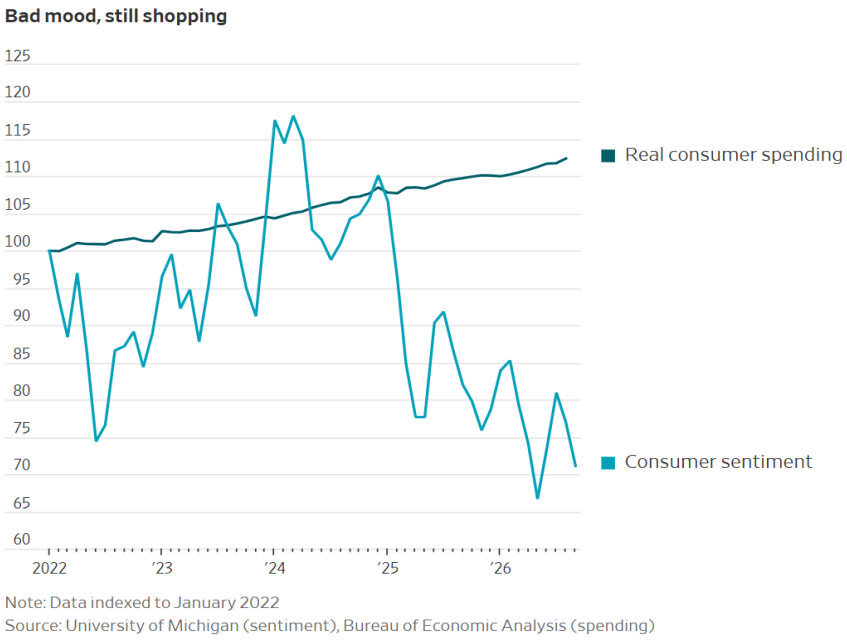
Wall of Worry

Wall Street is famous for countless quotes and proverbs meant to describe market action, volatility, and explanations for the many different directions stocks take. One of the more popular sayings with origins in the 1950's is, "Bull Markets Climb a Wall of Worry", meaning stock prices tend to go up even in the face of investor anxiety sparked by negative news headlines. Between the dysfunction in Washington, as well as a myriad of geopolitical issues, there are plenty of reasons for our clients to be anxious, which we have heard loud and clear during our scheduled portfolio reviews. As concerning as our current landscape seems to be, it is important to point out that corporations are making an incredible amount of profit attributable to stressed consumers who continue to spend money even while inflation continues to rise.

Stated more eloquently, Sir John Templeton is credited with coining the phrase, "Bull markets are born on pessimism, grow on skepticism, mature on optimism, and die on euphoria." Anyone watching today's news and markets would hardly characterize general sentiment as optimistic, let alone euphoric. Quite the contrary. The University of Michigan Consumer Sentiment gauge which measures consumer attitudes and confidence regarding their personal finances remains near a ten-year low. Nevertheless, feeling lousy about politics, gasoline prices, or soaring airline ticket costs has not stopped the general public from spending money. In the past, sentiment gauges were tightly correlated with spending habits. More recently, the trend seems to have disconnected with consumer sentiment remaining low, yet consumer spending increasing by 6.1% in the last 12 months ending August. In fact, dating back to year 2022, consumer spending has remained robust, even as the public felt worse about their future, as can be seen below in a graph provided by the Wall Street Journal.



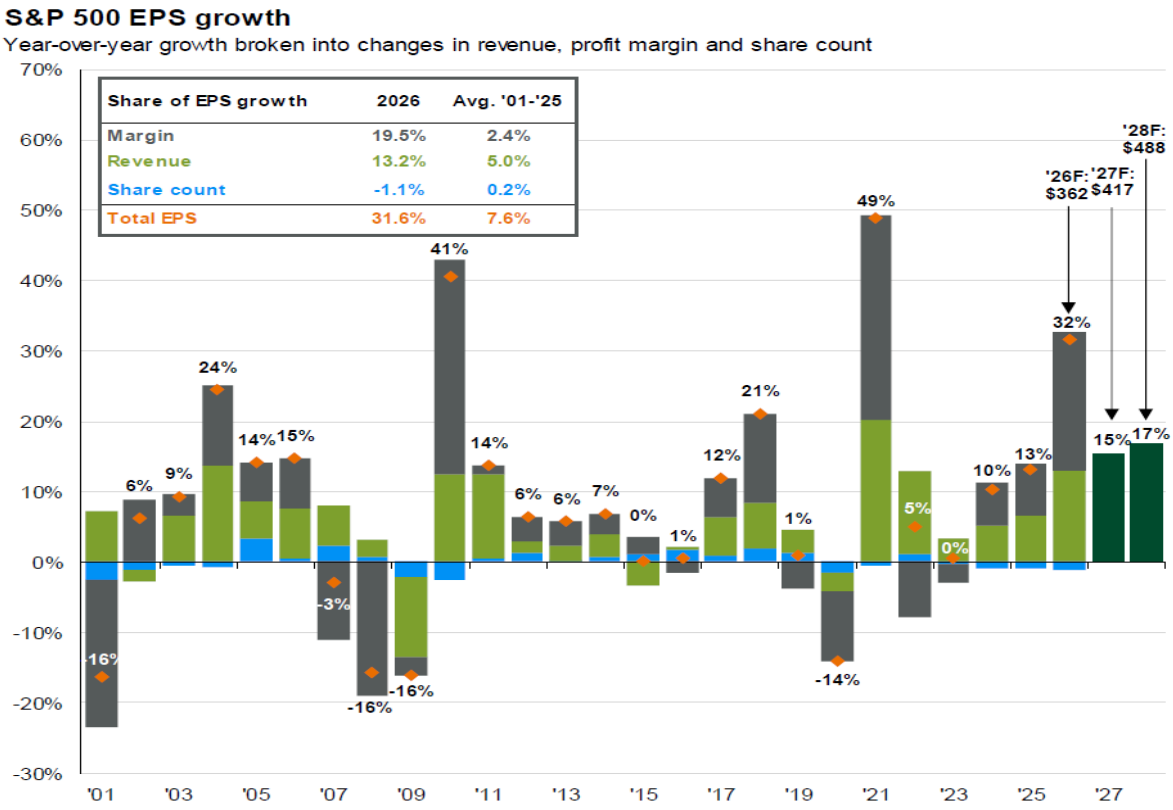
As much as the news focuses on the buildout of Artificial Intelligence and corresponding worries over power generation needed to feed it, the reality is consumer spending is responsible for almost 70% of our Nation's Gross Domestic Product (GDP). Loud complaints about increased prices for everything from vacations to concert tickets to restaurant menus have not stopped the US consumer from continuing to spend. For how long, no one knows, but one would think it cannot go on forever. Increases in spending have outstripped that of wage growth which gained only 3% for the 12 months ending in September, as compared to the 6.1% increase in spending. Additionally, America's dwindling savings rate of 4.1% is nearly half the historical average of 8.3%. And yet, predictions of the American consumer finally running out of money and collapsing have not materialized in the last 15 years. Our ability to perpetually buy stuff is legendary, keeping not just our economy, but any trade partner incredibly prosperous.

3rd Quarter 2026 Market Results

• S&P 500 Index	Q2	2.30%	YTD	12.75%
• International Developed Markets Index	Q2	0.81%	YTD	10.33%
• International Emerging Markets Index	Q2	-0.37%	YTD	23.38%
• Barclays Aggregated Bond Index	Q2	-2.91%	YTD	-3.51%
• Dow Jones Real Estate Index	Q2	-6.27%	YTD	3.04%

One of the more baffling things about our stock market for many clients is its ability to keep setting new records on its march upward. While we agree no bull market lasts forever, the

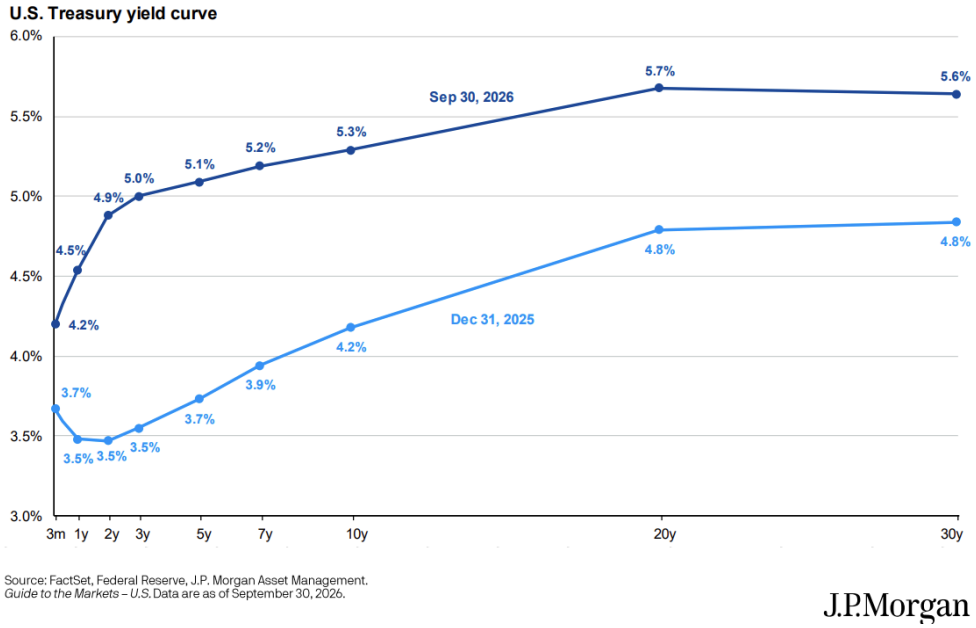
market's ability to surprise on both the upside as well as the downside knows no end. Having been in this business for quite some time, we have learned not to be shocked by any surprises, either up or down. The main engine behind our market's recent incredible performance has been growth in corporate earnings. Put plainly, large US corporations are making a remarkable amount of money these days. At the beginning of 2026, estimates for corporate earnings growth hovered around a 15% increase in profits. As of September 30th, that estimate is now 32% for the year! As can be seen below in a chart from JP Morgan, one can recognize how out of the ordinary this year's earnings growth has been. Only two out of the last 25 years have exceeded 2026, and those were years when our economy was coming out of a recession.



With the relatively flat performance of the market for the third quarter, growth in corporate earnings caused the most cited valuation metric of stock market valuation to come down. The Price to Earnings (PE) multiple now sits at a more reasonable 19 times forward earnings with the historical average of 17.2 close within range. Compared to last year and the year before when an exceedingly high PE was likened to the Tech Bubble burst of the late 1990's, the 3rd quarter has provided some reassurance that we are not headed towards an imminent market collapse based on overvaluations.

However, headwinds in the bond market have caused some analysts to worry about what increased lending rates might mean for the economy. As previously noted, growth in consumer spending is not being matched by growth in wages. To compensate, many

consumers are relying on different forms of debt to finance their lifestyles. At the same time, both the Federal Reserve as well as the Treasury Market are increasing interest rates at both the short end and the long end, causing borrowing costs to become more expensive. As a reminder, short term interest rates such as the Fed's overnight rate influence revolving debt such as credit cards and lines of credit. The 10-Year Treasury rate influences longer term debts, such as fixed 15-year and 30-year home loans. Clearly seen in the chart below, interest rates across the board have increased dramatically in the past 9 months. Such large moves upward typically do not come down quickly. Only time will tell if higher borrowing rates slow the resiliency of the American Consumer.



Source: FactSet, Federal Reserve, J.P. Morgan Asset Management.
Guide to the Markets – U.S. Data are as of September 30, 2026.

J.P.Morgan

Why Personal Longevity Matters for Retirement Planning

One of the key assumptions WestHill makes when preparing a comprehensive financial plan is lifetime longevity. Yet research shows that many people significantly underestimate their own life expectancy. Having a realistic understanding of how long you may live can have important implications for both your financial and lifestyle decisions in retirement.

Some of the key decisions influenced by longevity include:

- When to retire
- The ideal age to claim Social Security retirement benefits
- How to allocate your investment portfolio in retirement
- The rate at which you withdraw assets from your retirement accounts
- Estate planning decisions
- Planning for potential long-term care expenses
- How you envision and enjoy your retirement years

So, how should you estimate your life expectancy? While the Social Security Administration provides life expectancy tables, we generally do not recommend relying on them because they consider only age and gender. They do not account for important individual factors such as health history, lifestyle habits, and family longevity.

Instead, we recommend using calculators that incorporate a broader range of variables. One excellent resource is the Northwestern Mutual LifeSpan Calculator, available here:

https://media.nmfn.com/tnetwork/lifespan/index.html#0

To illustrate the difference between these approaches, we can use a 65-year-old male as an example. According to Social Security life expectancy tables, remaining life expectancy is 17.9 years, meaning one can expect to live to approximately age 83.

Using the LifeSpan Calculator, additional details were asked about health and lifestyle, including factors such as diet, exercise, and driving habits. Based on different hypothetical inputs, the calculator estimated life expectancy to age 91, nearly 50% longer than the estimate provided by the Social Security tables.

When developing retirement plans for our clients, we generally assume life expectancy through age 90 or 95 as a conservative planning measure. It is also important to recognize that the joint life expectancy of a married couple is typically 6 to 9 years longer than the life expectancy of a single individual aged 65. For married couples, at least one spouse will live well into their 90s.

We encourage you to try an individualized longevity calculator such as the LifeSpan Calculator. You may find the results both surprising and informative. Just as importantly, these tools can highlight lifestyle habits that may influence not only how long you live, but how well you live.

Hopefully, the exercise will provide valuable reminders about areas where you could make healthier choices. After all, the goal is not simply extending life, but creating a longer, healthier, and more fulfilling life.

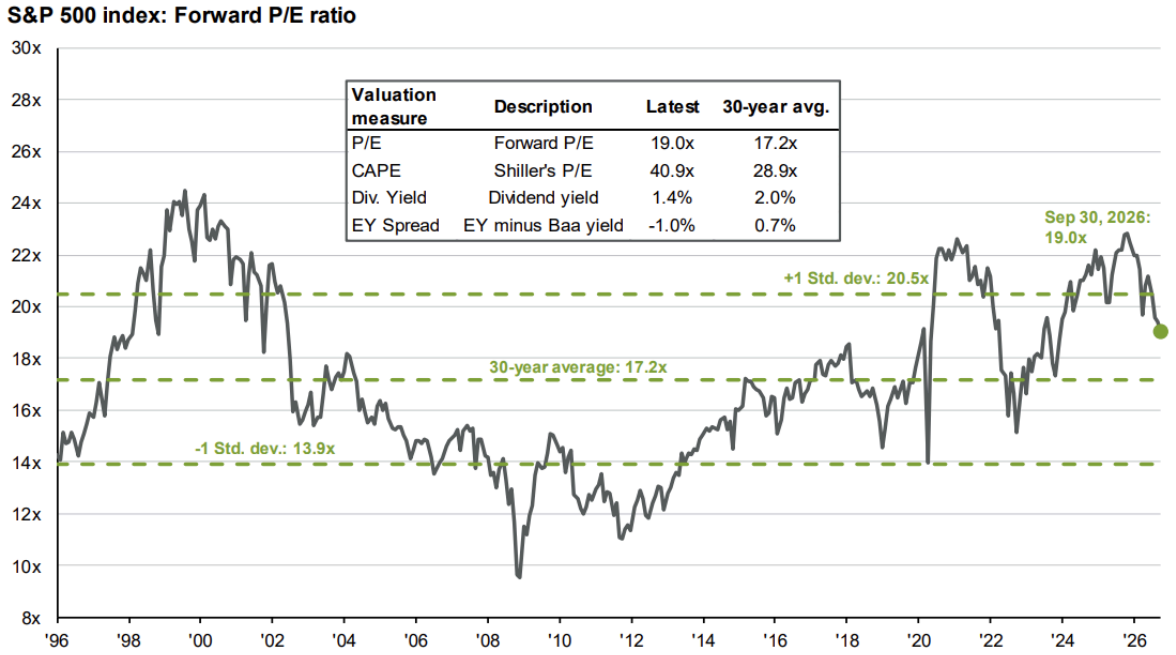
Our Perspective

Our Nation and Economy face a myriad of issues, including political unrest, geopolitical challenges, inflation, strains with international trade relationships, as well as an unrelenting increase in our National Debt. At times it can seem as if we are spinning out of control. Undoubtedly, we need cooler minds to step up and compromise with our fellow Americans across the aisle. At WestHill, we have faith that no matter what our country is facing down, we will prevail as we always have. There are many examples of challenging time periods our

country has come through. Some of our older clients will remember the tough times of the 1960's and 1970's. Civil unrest, oil embargos, stubbornly high inflation, incredibly high lending rates, not to mention major international crises such as the Cuban Missile Crisis, the Iran Hostage Situation, and a 10-year war in Vietnam which was arguably our country's worst foreign policy gaff in its entire history.

After weathering those two decades, the United States began one of the most powerful wealth creating cycles the world has ever seen. Not only did our country prosper, but our international trade partners saw their economies and their fortunes rise as well. Where we stand now is very different compared to where we stood then, but the 60's and 70's bear certain similarities when we think about challenging times our Nation has endured.

Surprisingly, our stock market is starting to look more attractive than it did just a year ago. The previously mentioned Forward PE ratio is coming back down to historical average, as can be seen below in another graph provided by JP Morgan.



If we can somehow get out of the international conflict and strife we are stuck in, and our interest rate environment and our inflationary pressure subside, it is not hard to imagine the stock market taking another leg up. Still, those issues seem like a lot to overcome. Inflation and interest rates tend to be stubborn, and any efforts to correct them typically cause issues with the broader economy. With so many variables at play, making any prediction about the future is folly. As always, we recommend sticking with your plan and not deviating from your strategy. Investing is a marathon, not a sprint, and your portfolio is meant to support you through your lifetime which may end up being longer than what you personally predicted.

If you are feeling uneasy about the situation, please call us, we are here for you, available to speak, and able to assist with any issue or need. Contact us anytime to set up a portfolio review or a planning session. We are happy to help.

Sincerely,

The Westhill Investment Committee

Lead Editor, Nico Safrit

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Contributing Editor, John Ott