CENTERPOINT STRATEGIES

The Questions Behind the Headlines

Q3 2026 Client Letter

This quarter, three distinct questions came up repeatedly in conversations with clients. They sound very different from one another, but they are really variations on the same one. Given everything happening right now, what should I be doing? What follows is what we are hearing, what each question means, and why it matters as the year begins to wind down. One question we are hearing more often, and one worth addressing directly, is where to put excess cash right now for an appropriate balance of yield, liquidity and risk. It is a fair question given how significantly rates have moved across the yield curve in recent years. The honest answer is that clients have more good options today than they have had in many years. On the safest end of the spectrum, Treasury bills are yielding north of 4%, the US government backs them to their full faith and credit, and treasury bills are highly liquid. That is a meaningful return for money that needs to stay accessible and sleep well at night. For clients willing to accept slightly more complexity in exchange for a higher yield, structured notes have become one of the more compelling tools in the current environment. A well-constructed note could possibly offer yields often more than double what Treasury bills are paying, with partial principal protection built in on various stock indexes. The primary trade-off is liquidity: unlike a Treasury bill, a structured note is best held to maturity, and if you need to access those funds early, we sell the note to a bank or another party at the prevailing market price, which means principal protection is not guaranteed until maturity. The opportunity is meaningful yield without an outright sacrifice of flexibility, a combination that is harder to find than most people realize. We want to be thoughtful about the other alternatives in bonds and credit, because not every income option carries the same risk profile. Municipal bonds offer attractive tax-adjusted yields for clients in higher brackets, but they introduce liquidity risk and area-specific credit exposure that US Treasuries simply do not carry. Corporate bonds outside of the highest credit tiers, your AAA and AA rated issuers, bring default and credit risk into the picture, risks that a sovereign issuer does not have. Neither is off the table, but they require a more careful look at your overall plan, your tax situation, and your need for liquidity before we would recommend leaning into them. If the question of where your cash is working hardest is on your mind, it is a great conversation to have before year-end, when positioning decisions tend to matter most.

The second question is quieter, and more personal. Beneath it sits a tension nearly everyone carries into retirement: the fear of running out on one side, and the wish to actually enjoy the money on the other. Can I spend this without regretting it later? When we build your plan, you will often see a figure we call a probability of success, produced by testing the plan against thousands of possible market paths. It is easy to read that number as a warning light, but it is just as useful read the other way, as a measure of how much room you have to spend. A high probability of success can be read as permission to spend more, because your plan allows it. Permission to take the trip, to help the grandchildren, or to act on that plan you have been putting off. A financial plan that is too cautious carries a real cost of its own, in years of enjoyment quietly left on the table. The Monte Carlo number (probability of success) is only the start of a conversation, and it is worth remembering what it is and is not. It is only a probability, updated as markets and your life change, and never a guarantee. Used well, it turns the worry of whether you will be okay into a clearer sense of what you can comfortably do.

The third question is the timely one, and the one clients are most curious about. Where does the artificial intelligence story go from here, and is it already too late to pay attention? There is an old lesson from the Gold Rush - the most durable fortunes were made not by the miners, but by the merchants who sold the picks and shovels. Something similar is unfolding with AI, and it carries real implications both for the

market and, downstream, for the real economy. For the past couple of years the attention went to the software and the chips. This year the bottleneck trade has started to go mainstream, moving to the physical foundation underpinning everything: electricity, power grids, on-site generation, and the specialized cooling that keeps dense computing running. For long-term investors, the point is not a hot stock tip from CenterPoint. It is a theme with real staying power, one that reaches far across global markets, into energy, utilities, and industrial equipment as much as technology itself. We treat it the way we treat every theme: as a single thread within a diversified plan rather than a bet to concentrate around. These questions do not exist in a vacuum, so it is worth stepping back to what we are watching in the markets themselves. The S&P 500 has climbed to around 7,650 as of this writing, up roughly 11.5% (as of 10/1/2026) for the year, and yet the index has actually grown *cheaper* along the way based on earnings. The market's forward price-to-earnings ratio has fallen to about 19.1 times from 22.0 times at the start of the year, and now sits just below its five-year average. Company profits grew an estimated 28.9% in the third quarter, the third straight quarter of growth above 25%, outpacing the rise in prices. A market that becomes less expensive as it climbs rests on a healthier foundation than one lifted by enthusiasm alone.

The ten-year Treasury yield touched 5.30% and has since backed off, which is its highest in roughly two decades. In September the Federal Reserve raised its policy rate by a quarter point to a range of 3.75% to 4.00%, its first increase since 2023. Lower borrowing costs have been a priority for the Trump administration, and Treasury Secretary Scott Bessent has expanded Treasury buybacks of longer-term bonds in an effort to ease pressure on yields. So far, the effect has been fleeting, as yields near 5% reflect inflation and other economic pressures that these buybacks alone cannot overcome. We are facing firm inflation and supply shocks in oil, federal deficits near 6% of the economy (GDP), heavy new issuance on the short end of the yield curve, and the very demand for capital that the AI build-out represents. Oil adds to the pressure. A barrel of crude (WTI) currently sits near $92, as the Strait of Hormuz, the passage for roughly a fifth of the world's seaborne oil, remains largely closed amid the conflict with Iran. That is a supply-driven spike rather than a sign of a booming economy, and it keeps inflation stickier than it would otherwise be. Taken together, these are the reasons we are planning around rates and inflation staying higher, rather than counting on a quick return to the low-rate world of the past decade. It is worth watching developments in the Middle East closely, because the ramifications for portfolios can be significant.

That is the quarter from where we sit. Whether it is the best place to park cash, a fresh look at your plan, or simply a question the markets have raised, we are here. We would welcome the chance to put time on the calendar before the year gets away from us. Thank you, as always, for the trust you place in us.

Warmly,

Dan Grant Jordan

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Sources: U.S. Treasury bill and 10-year Treasury yield data via Schwab Advisor Center Fixed Income Trading, as of October 1, 2026. Federal Reserve policy rate: FOMC Statement, September 16, 2026. Estimates are subject to change. For informational purposes only.

CenterPoint Strategies, An EverSource Wealth Advisors team.

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