

Market Perspective

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The Market Is Still Climbing. But the Road Is Getting Bumpier.

Why I'm enjoying the ride, keeping an eye on the warning lights, and holding some cash for opportunities ahead.

It's been quite a year for investors. The stock market has continued to push higher, artificial intelligence is creating tremendous excitement, and many companies are reporting impressive earnings.

That's the good news. The other side of the story is a little more complicated. Interest rates have moved higher, the cost of borrowing is rising, and much of the stock market's success is coming from a relatively small group of companies.

Think of it like driving up a mountain road. The scenery is beautiful, the car is running well, and there's no reason to turn around. But as the road gets steeper and the curves get sharper, it makes sense to slow down a little and pay closer attention.

That's essentially how I'm approaching today's investment markets. I still see opportunities. I'm simply becoming more selective about where I take risks.

My Market Dashboard

Every week, I monitor economic and market indicators to assess the economy's health and identify risks building beneath the surface.

- **Overall outlook: Caution**
- Interest rates and borrowing costs - Elevated risk
- Corporate earnings and market breadth - Caution
- AI valuations and concentration - Elevated risk
- Global liquidity and credit conditions - Unconfirmed
- Yen carry trade and Japan liquidity risk - Unconfirmed

● Favorable ● Caution ● Elevated risk ● Unconfirmed

Colors reflect the qualitative commentary in this letter, not a live signal or forecast. Gray indicates areas monitored but not assessed in this edition.

Three Things Worth Talking About

1. Bonds are finally getting interesting again

For years, investors had to accept very little income from safe investments. That's changed dramatically. The 10-year Treasury yield has recently been above 5%, making government bonds worth another look.

Higher interest rates can create problems for stocks and borrowers, but they also create opportunities for investors who want dependable income. And there's another potential benefit: if interest rates eventually decline, existing bonds may increase in value.

I'm not rushing to buy everything at once. But I'm increasingly interested in gradually adding bonds where the income and potential appreciation make sense.

2. Artificial intelligence is exciting - but excitement can get expensive

Artificial intelligence is changing the way businesses operate, and I believe its long-term potential is enormous. But remember the internet boom of the late 1990s?

The internet absolutely changed the world. Unfortunately, that didn't mean every internet stock was a good investment. AI could follow a similar pattern. Some companies will become tremendous long-term winners. Others may struggle to justify the enormous amounts being spent today.

I want to participate in this transformation without becoming overly dependent on a handful of expensive stocks.

3. The next big opportunity may be in tangible assets

All those new AI data centers need something very old-fashioned: electricity. Lots of it. They also need copper, natural gas, cooling systems, transmission lines, and infrastructure.

This is one reason I'm spending more time looking at energy, utilities, industrial businesses, and selected commodity-related investments. Some of these businesses also pay attractive dividends, giving investors an opportunity to earn income while participating in longer-term growth.

I believe this is an area worth watching for years, not just months.

What Does This Mean for Your Portfolio?

The question I hear most often is a simple one: *Should I be getting out of the stock market?*

My answer is no - not simply because prices have risen or because there are risks on the horizon. Trying to perfectly time the market is extraordinarily difficult. Investors who sell too early can miss substantial gains, while those who ignore risk entirely may find themselves unprepared when conditions change.

I believe there's a sensible middle ground. I can continue owning good businesses, collect attractive income where available, maintain diversification, and keep some cash available to take advantage of better prices.

That last point is important. **Cash isn't always money sitting on the sidelines. Sometimes it's the freedom to act when everyone else is worried.**

A Final Thought

One of the lessons I've learned over the years is that successful investing isn't about predicting every turn in the market. It's about having a plan, understanding the risks, and making thoughtful decisions rather than emotional ones.

There are some very exciting things happening in the economy. I believe the years ahead will bring meaningful investment opportunities. There will undoubtedly be bumps along the way.

My job is to help you navigate both - the opportunities and the risks - while keeping your long-term financial goals at the center of every decision.

As always, thank you for the trust you place in me.

Clements Wealth Management Services

Sources and further reading

Federal Reserve - Treasury yields

Bureau of Labor Statistics - employment and inflation

Reuters - financial market coverage

MarketWatch - Treasury market update, October 12, 2026

This commentary is for informational purposes only and is not individualized investment advice. Investing involves risk, including possible loss of principal. Bond prices generally fall when interest rates rise. The dashboard is a qualitative illustration, not a forecast or guarantee of future results.