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# BRIAN D. LOWDER, INC.

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## FINANCIAL MARKET OVERVIEW

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The U.S. stock market performance was average during first two months of 2026 and actually flirting near an all-time high in early March – then the conflict with Iran began. Overall, the broad stock market was down 4.45% during the month of March and down about 4% for the first quarter of 2026. The three most popular broad U.S. stock market indexes posted negative average quarterly returns ranging between a negative 3.5% and negative 4.37%.

Large-company *growth* stocks - dominated by 20 AI and Tech companies, finished the first quarter *down* 9.83%! This is the second consecutive quarter of poor performance compared to other stock sectors and categories. As suggested in our two previous newsletters, the large-company *value* stocks (large, mature well-known and dividend-paying stocks) which have been perceived as “boring” compared to growth and tech stocks, are performing well and posting positive returns. Large *value* stocks were up 2% during the first quarter and have been a much better choice for consistent performance and fair valuations compared to *growth* stock categories.

Mid-size *growth*-company stocks also earned a negative return – down 6.4% during the first quarter, however mid-cap *value* stocks were up a 3.65%. The same results regarding *value* stocks outperforming *growth* also applied to the small-company stock sector as well. Small-company *value* stocks were up 4.91%

while small-company *growth* stocks were down 2.82% during the first quarter. In summary, U.S. *value* stocks had superior positive performance compared to all U.S. *growth* stock categories.

Last year’s best sector performance category – International and Emerging Markets, continued posting positive returns during the first quarter. The EAFE (Europe Australasia & Far East) Index was up 1.16% during the first quarter while EEM (Emerging Markets-small international companies) was up 3.8% - both of these categories were up over 30% in 2025.

Gold prices started the year posting the highest return – up 23% during the first 29 days of 2026. And then the big reversal started. Gold prices dropped 12% from late January to March 31<sup>st</sup> – ending the first quarter up 8.57%. The same reversal occurred with the price of Silver. Silver was up an astonishing 145% for the entire 2025 calendar year, but posted a negative 0.62% during the first quarter, 2026. Not only was it just a matter of time when tech stocks and metal prices would no longer be able support an overly optimistic valuation, but then the Iran conflict also began. I think most people would have expected gold and silver prices to jump even higher after the conflict began, but just the reverse actually happened.

Bitcoin continues to display extreme volatility – this time on the downside. Bitcoin was down 23.65% during the fourth quarter 2025 and down another 22.62% during the first quarter of 2026.

Real Estate Investment Trusts (REITS) posted a modest but positive 1.31% during the first quarter. Mortgage rates have increased over the past few weeks from approximately 6% to about 6.4%. The current mortgage rate appears high only because the rate was below 3% during the COVID years. Historically, mortgage rates average around 6% - 8% over a multi-decade time period – so a year-to-date modest return in real estate is rationale even though real estate prices have been flat to slightly lower since mortgage rates increased from 3% a few years ago to 6.4% today.

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Fixed income investments had flat returns during the first quarter – up about 0.3% for short-term maturities during the first quarter. Intermediate-term fixed income category finished the quarter down 0.14% as the interest paid on 10 to 30-year maturity Treasuries were down slightly – until the war started on the last day of February. Since then, interest rates are back up about 0.4%. Currently 1-year Treasuries pay 3.8% - little change from the 4<sup>th</sup> quarter, 10-year Treasuries pay 4.3% and 30-year maturity Treasuries pay 4.9%. Essentially, the yield curve is still relatively flat – normally investors are paid much higher interest for longer maturity dates.

The following chart displays sample returns of various asset categories during the first quarter of 2026:

<u>Yr-To-Date</u> <u>2026</u>	<u>1st Qtr.</u> <u>2026</u>	<u>Index Return</u> <u>(includes dividends reinvested)</u>
- 3.58%	- 3.58%	<b>Dow Jones Industrial Average (^DJI)</b>
- 4.37%	- 4.37%	<b>Standard &amp; Poor's 500 Index (^GSPC)</b>
- 4.01%	- 4.01%	<b>DJ U.S. Total Stock Market (VTI)</b>
- 9.83%	- 9.83%	<b>Large-company stock-Growth (IWF)</b>
+ 1.97%	+ 1.97%	<b>Large-company stock-Value (IWD)</b>
- 6.40%	- 6.40%	<b>Mid-Size Stocks – Growth (IWP)</b>
+ 3.65%	+ 3.65%	<b>Mid-Size Stocks – Value (IWS)</b>
- 2.82%	- 2.82%	<b>Small-company stock- Growth (IWO)</b>
+ 4.91%	+ 4.91%	<b>Small-company stock- Value (IWN)</b>
+ 1.15%	+ 1.15%	<b>International (EFA)</b>
+ 3.80%	+ 3.80%	<b>Emerging Markets (EEM)</b>
+ 1.31%	+ 1.31%	<b>Real Estate Investment Trusts (VNQ)</b>
		<u>Fixed Income (includes appreciation)</u>
+ 0.27%	+ 0.27%	<b>Short-term U.S. Treasury (SHY)</b>
- 0.14%	- 0.14%	<b>Intermediate U.S. Treasury (IEF)</b>
		<u>Alternative Investment Category</u>
+ 8.57%	+ 8.57%	<b>Gold (GLD)</b>
- 0.62%	- 0.62%	<b>Silver (SLV)</b>
- 22.62%	- 22.62%	<b>Bitcoin</b>

\*All returns calculated using adjusted historical quotes from [finance.yahoo.com](http://finance.yahoo.com)

## FINANCIAL MARKET OUTLOOK

During the 4<sup>th</sup> quarter 2025, it appears the “Momentum Investing” strategy is beginning to rotate away from Tech/AI stocks and gold/silver and into value stocks, international stocks and of course oil stocks. It is inevitable for momentum strategies to change and rotate to other asset

classes or sectors – it’s just a matter of when and what causes the rotation.

As usual, the primary factor that causes momentum investing to change is unpredictable. Recently, *value stocks* and oil stocks are now leading the market with better performance over the past 3-6 months as these stocks are now perceived to be a much better long-term purchase choice than inflated tech and metal prices. In addition, the sudden military strikes against Iran have changed perceptions. The conflict with Iran sent stock prices down significantly during March and the rate of return on stocks would have been worse if not for the 3% stock price rally on the last day of March (as suddenly an agreement with Iran is more than a possibility).

The broad U.S. stock market was down about 4% during the first quarter and the safe category – short-term fixed income such as U.S. Treasuries – was flat because the recent increase in interest rate income translates into a small decline in the value of Treasuries. The benchmark 10-year yield on Treasury Notes jumped from 3.95% before the war with Iran to 4.4%. The positive return (increase) in interest income paid on short-term U.S. Treasuries was offset by the small decline in the value of U.S. Treasuries due to the recent increase in interest rates. The net effect was a zero percent return during the first quarter. There was nowhere to hide during the first quarter except for “value” stocks, oil, and international stocks.

The recent rise in interest rates and the likely pending increase in inflation due to the jump in oil/gasoline prices may lower economic growth (Gross Domestic Product) by a quarter of one percent. GDP is likely to decline to around 2% rather than 2.5%-3% pace we were on before the Iran conflict. The Federal Reserve is in a pickle – they are very unlikely to lower interest rates as the recent spike in oil/gas prices could boost inflation and yet higher prices could also dampen economic growth.

The good news is positive stock price increases are continuing to occur in sectors other than tech and AI stocks. Again, we refer to these sectors as “value” stocks – such as industrials, financial and healthcare companies. These stocks (companies) are stable, typically pay dividends and continue to earn positive returns since the fourth quarter of 2025. Small-company stocks and “value” stocks of all sizes are continuing to advance. Over the past six months,

international and emerging market stocks are also advancing faster than the U.S. stock market.

In summary, the overall economic outlook is about average – the primary uncertainty is the turmoil: the length of time for resolution and consequences of a prolonged conflict with Iran. This includes whether the Strait of Hormuz will remain open to oil tankers to distribute the world’s primary source of energy (oil) to countries worldwide. Unfortunately, no one is able to predict the timing or outcome of this conflict at this time.

Clearly any one or combination of the above topics could have a material impact on our economy, precious metal prices and the stock market in either direction. In summary, the direction of our future economic and financial market conditions is not clear.

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## INVESTMENT OUTLOOK AND RECOMMENDATIONS

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The conflict with Iran and amount of time necessary to reach a resolution (if possible) is unknown and unpredictable. We believe the best course of action at this time is to maintain our clients’ current portfolio allocations without making drastic changes at this time. Our advice is to not make optimistic nor pessimistic significant changes in any direction. New deposits or additions to your Schwab accounts should be invested periodically over a period of 6-8 months rather than making 100% purchases on one particular date. Fearful selling should also be avoided or deferred.

We will continue to add *value stocks, dividend-paying stocks*, and especially *emerging markets/international stocks* to client portfolios during the next six months and we continue to prefer *short-term fixed income securities (CD’s and Treasuries)* until the inflation, interest rate and tariff picture becomes clearer. *Emerging markets (mid-to-small international stocks)* look very promising.

Again, we have identified several stock investments that we intend to add to client portfolios outlined on your blue recommendation sheets, but the timing of when to make additional stock purchases is still uncertain. If a blue recommendation sheet is not included in any of your quarterly reports, then your current account holdings are adequate “as is”.

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## TRUMP ACCOUNTS

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As part of the One Big Beautiful Bill Act passed in July 2025, a **one-time** deposit of \$1,000 from the U.S. government is available to American children (citizens) born between January 1, 2025 and December 31, 2028. In addition to the “free” \$1,000 deposit from the government, annual contributions of up to \$5,000 can be made by parents, family members or (up to \$2,500 annually) from a parent’s or kid’s employer.

For children who were born **before** 2025, are under age 18 and who have a *valid* Social Security number, parents, family members and employers can contribute up to a combined maximum of \$5,000 per year starting in 2026 - but those children born before 2025 are not eligible for the free \$1,000 government contribution.

**Account setup.** These accounts are expected to be available to open on July 4, 2026 either by filing an IRS Form 4547 or online via a *future online portal*.

These accounts are meant for long-term saving. The growth (investment return) in the account value is tax-deferred – meaning no tax due while accumulating.

**Withdrawals** are not permitted before the child reaches age 18.

**Investment choice:** Contributions must be 100% invested in funds (mutual funds, exchange-traded funds, etc.) that track a qualified U.S. stock index such as the S&P 500 Index, total stock market index, etc. If you don’t want a 100% stock portfolio, then don’t use a Trump account.

Since a tax deduction is NOT allowed for contributions made by *parents or family members*, the sum total of all **contributions** made are not subject to federal taxes when withdrawn. Only the earnings or the growth in value is subject to income tax when withdrawn at age 18 or older and the account becomes subject to the same withdrawal rules governing traditional IRAs.

**Trump accounts must be converted to a traditional IRA at age 18.** That means a portion of any withdrawals from the IRA (before age 59 ½) will be taxed as ordinary income. *Example:* A parent contributes a total of \$10,000 to a Trump account over a period of several years. The

account has grown to \$20,000 at the time the child has reached age 18 and the account must then be converted to an IRA. That means \$10,000 of \$20,000 (50% of IRA account value) value is original contributions and the other \$10,000 (50%) is investment growth. Therefore, 50% of any **withdrawal** will be a “return of original investment” and not taxed, but the other 50% will be taxed AND subject to a 10% penalty if withdrawn before age 59 ½.

As discussed above, early-withdrawal penalties apply for distributions taken before age 59 ½ **unless used for “qualified expenses”** (just like an IRA withdrawal) such as medical and disability expenses, higher *education costs* (college degree), public, private or religious school *tuition*, or *career credentials* such as skilled trades certifications (commercial driver’s license, plumbing, welding, cosmetology school etc.) or up to \$10,000 for a first-time home purchase.

Bottom line: Signing up for the free one-time \$1,000 contribution by the Federal government is a no-brainer. However, should you contribute up to an additional \$5,000 per year into a Trump account? Maybe, but you should be aware of and seek advice on whether to contribute to a Trump account, 529 College Savings account or a UTMA (Uniform Transfer To Minors) account. The income tax implications on annual earnings, withdrawals, annual contribution limits and who controls the account are different for each choice.

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## ANNUAL GIFT TAX EXCLUSION

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The annual gift tax exclusion for **2026** has increased to \$19,000 per individual and per donee. This means you can give up to \$19,000 to each person this year without having to pay potential gift tax, using part of your lifetime estate and gift tax exemption or filing a federal gift tax return. Further, the recipient (adult children, grandchildren, etc.) of your gift will not owe federal income tax of gift tax on the receipt of your gift.

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**Best Regards,**



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