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Cliff's Notes



3rd Quarter 2026 Newsletter | Volume 25 | Issue 3

CMR Financial Advisors
1003 Bishop Street, Suite 2620
Honolulu, HI 96813
808-537-2912
info@cmrfa.com
www.cmrfa.com

Q2 Market Recap



by Cliff Robello

Imagine you were given two pairs of special glasses that were designed to look backward in time rather than forward in space. The first pair can only see how the markets did; the second pair is designed to focus on the economy.

Each would give you a very different picture of how the second quarter went.

The first pair would show you that the markets had their best quarter since 2020. The Dow gained nearly 13%. The S&P 500 rose 14.9%. And the Nasdaq shot up an astonishing 21%![1]

The second pair, the one that sees the overall economy, has a less rosy view. In fact, it would show you a picture of an economy in some distress. An economy where the annual inflation rate rose to 4.2% in May, the highest in three years.[2] An economy where consumer confidence fell to historically low levels in April and May (although it did rebound slightly in June).[3] An economy that may have only grown slightly in Q2 compared to its historical average.[4]

Both glasses are functioning properly. Both have the same maker. So why such different views? How can the markets be flying when the economy is grounded, and vice versa?

It's not hard to understand why the economy had the quarter it did. Turmoil in the Middle East sent a shockwave through the oil and fertilizer markets, causing the goods and services that depend on those things to rise in price. (Think food, gas, electricity, transportation, and more.) By extension, a higher cost of living depresses consumer confidence. After all, it's hard to feel confident about the future when more and more of your paycheck gets eaten up by simple necessities every month. And when consumer confidence drops, consumer spending drops…leading to slower economic growth overall.

The markets can be a bit harder to parse, but a closer look at what types of stocks performed well can provide the answers. Remember how I said the Nasdaq rose 21%, compared to 14.9% and 13% by the S&P and Dow? Well, the Nasdaq is primarily composed of technology companies. It's those same companies that powered the S&P 500's growth. A good example is semiconductor stocks, which surged 87.8% for the quarter.[5]

Tech companies have been the stock market's main mover for years now due to the hope and hype around AI, and that story continued in Q2. What's interesting, however, is that while the story remains the same, the characters inside it have changed. You see, just as the tech sector has been the single biggest propellant of the market, the sector itself has been largely driven by a handful of companies like Alphabet (Google), Amazon, NVIDIA, META (Facebook), Microsoft, Apple, and Tesla. These "Magnificent Seven", as they are commonly known, have been at the forefront of the AI boom, and it's their growth that has lifted the overall markets.

But that wasn't the case in Q2. In fact, the Mag 7 actually fell during the quarter, and most have been essentially flat or even negative for the year overall.[6] Instead of AI companies, investors paid more attention to AI infrastructure. (Again, semiconductors are a great example, as without them, we would lack the raw computing power needed to run AI.) In other words, it's not the companies mining for gold, but the ones providing the picks and shovels that did well in Q2.

But none of this addresses the question I posed earlier. How can those two pairs of glasses show such diametrically different views?

The answer is a simple but critical truth: The markets and the economy are not the same.

The economy is how much our country produces and consumes. It's the sum total of everything we make, buy, trade, and use. It's the economy that drives our daily experiences.

The stock market, on the other hand, represents something far less tangible. It is the sum total of what we think, expect, and, yes, hope will happen in the future. It's the market that drives our dreams and goals.

Politicians and pundits often like to use these two terms interchangeably, depending on which one makes them look better. Most common is when the markets are used as a stand-in for the economy. That's because, while the markets are often hard to understand, they are easy to read: They go up or they go down.

As investors, though, it's important that we remember that each is different and affected by different things. That's because our feelings about the economy can sometimes color our opinions of the markets. This is largely due to something called status quo bias: The feeling that the current state of affairs will go on forever. When we feel frustrated or exuberant about the economy, it can impact how we invest, and not always in predictable ways.

Q2 Market Recap (cont'd)



by Cliff Robello

For example, it's easy to picture someone who, feeling negative about the economy, lacks confidence in the future and decides not to invest. But economic angst can also cause people to take more risk in the markets. In fact, there is some indication that is happening now. A recent survey found that 80% of Gen Z respondents — people born in the late 90s and early 2000s — often make "high-risk or speculative" investments because they feel financially left behind.[7] And the Federal Reserve reported last year that American households now hold an all-time high of 45% of their total financial assets directly in stocks.[8]

That surpasses the previous record set during the dot-com bubble.

More stock market participation is generally a good thing, and it's probably another reason why the markets performed well in Q2. But it can be a red flag when more and more people are taking on more and more risk due to their feelings about the economy.

On the other hand, market exuberance can sometimes make us forget the realities of the economy…realities that may eventually impact the stock market. Higher inflation can lead to higher interest rates. When both become "sticky," it can prompt fears of a recession, which in turn can drag down the markets. (We experienced this in 2022.) Failing to remember this can also cause investors to start chasing ever higher returns, forgetting all about risk in the process.

The point, is to emphasize that there are two mistakes investors can make when it comes to the relationship between the markets and the economy. The first is to confuse one for the other, or to use one to drive our decisions regarding the other.

The second is to ignore one and focus solely on the other, forgetting that, while they are different, they do have a relationship…and there are times when both can converge.

Remembering this is all the more important after a great quarter in the markets. We cannot predict the future, of course, so it's quite possible the economy will improve in Q3, and that the markets will continue progressing upward. But when the economy and the markets diverge this sharply, it's worth asking ourselves whether what we're seeing in stocks is driven more by hype and speculation than by real, solid fundamentals.

It's also worth preparing ourselves for that possibility.

So, a great quarter for the markets; a not-so great quarter for the economy. While we here at CMR Financial Advisor, Inc certainly cheer the former, we will continue watching the latter carefully. After all, that's what you rely on us for: To keep our glasses on, and our eyes open.

In the meantime, have a great month, and a great third quarter!



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Plain English: Translating the Language of Trusts



by Cliff Robello

As financial advisors, one of our "unofficial duties" is acting as a sort of translator: Taking financial terms, jargon, or legalese that may be important but are hard to understand and explaining them in plain English. We really enjoy this part of our job, because it helps provide clarity…and the more clarity people have, the more confident they feel.

One related group of financial terms that we are often asked about involve trusts.

Since trusts are widely used for a variety of estate planning purposes, I have prepared a simple primer of trust terms that should help with the translation.

First, a trust is simply a legal document that acts as a container to hold or own property, cash, securities, or other items of value.

There are three parties to a trust. The first is the maker of the trust, called the trustor or grantor, who establishes the trust. The second is the trustee who manages and carries out the terms of the trust. Finally, there is the beneficiary who receives the benefits of the trust, either in the form of income or outright distribution of assets.

Now, here is where many people sometimes get a little confused if they are setting up or dealing with a trust for the first time. You see, there are actually two forms of trusts: revocable and irrevocable. What's the difference? A revocable trust can be changed by the grantor. For example, if the grantor ever wants to change which assets are inside a trust, or who the beneficiary is, a revocable trust enables them to do that.

An irrevocable trust, on the other hand, cannot be changed. Once established, it is fixed, with most details set in stone except under very specific circumstances. For this reason, most people only choose an irrevocable trust if they are trying to avoid triggering the estate tax or to protect assets from creditors, although there may be other reasons.

Two more types of trusts include a living trust and a testamentary trust. A living trust (also known as an inter vivos trust) is considered a revocable trust since it can be changed by the grantor. A trust created by a person's will, known as a testamentary trust, is generally irrevocable. A living grantor may also establish an irrevocable trust by making an irrevocable decision to change title to property into the name of the trust. A typical example of such a trust would be an education trust fund set up by grandparents for a grandchild or a life insurance trust.

In a revocable trust, the grantor, the trustee, and the beneficiary may all be the same person. In most irrevocable trusts, each will be a different person.

When a grantor establishes a trust, it is funded by changing property titles to the name of the trust, which makes the property subject to the terms and control of the trust. For example, when a person establishes a living trust and changes the title of a home into the name of the trust, they have funded the trust with the retitled home. This asset now becomes part of the principal, or corpus, of the trust.

A grantor of a trust may reserve for themselves the power to manage the trust as a trustee. Alternatively, they may give those powers to another person. Commonly, a corporate trustee is named as the primary trustee, especially if the trust is expected to last many years. Independent Trust Companies or Banks with trust departments are most often named as a corporate trustee, since it is assumed that they be in existence for the life of the trust.

Trusts are often defined by their purpose. For example, a charitable remainder or charitable lead trust is used, as the name suggests, in charitable planning. Life insurance trusts allow the proceeds of a large amount of life insurance to pass, tax free, to beneficiaries. A Qualified Principal Residence Trust (QPRT) can be used to pass on a family or vacation home while allowing the grantor to live in the home.

As you can see, there are many terms related to trusts, and trusts themselves rarely make for light summer reading. But hopefully this makes the language of trusts easier to decipher in case you ever need to speak it in the future! As always, please let me know if you have questions, or if I can ever help you with anything related to trusts, and estate planning.

What's Happening at CMR...

Cliff...

Just back from two weeks in Portugal. We had a great time and met some wonderful people. While in Porto, we unexpectedly ran into friends who were about to go on a river cruise. What are the odds of that?

The photo was taken at Majestic Café in Porto, where we had dinner. I would highly recommend it if you are ever in Porto.



Sheri and Zane...

We've had an incredibly busy and fun-filled summer.

Zeke has been keeping us busy as a member of two All-Star baseball teams. His hard work has earned him the opportunity to travel to California to compete in the 9U Cal Ripken All-Star Tournament, and we're excited to cheer him on.

Zaia and Zade are making the most of their summer break and will be starting swimming lessons soon. Meanwhile, Zigy continues to grow bigger every day and is the happiest little baby.

We're grateful for all the memories we've made so far this year and can't wait to see what the second half of 2026 has in store for our family.

Hans

Hans & Star – Praise the Lord! We celebrated our 20th Wedding Anniversary (5/6/2026). We rewarded ourselves with a trip to Sapporo, Hokkaido, Japan.

Nevaeh (19 yrs old) completed her Freshman year at the University of California, Irvine. She had a great academic year. She adjusted to "College Life" quite easily and made many wonderful friends.

Nathaniel (16 yrs old) completed his Sophomore year at Moanalua High School. He also had a great academic year. He was a member of the Moanalua HS Boys Air Riflery Team (2025-2026 State Champions). Moanalua HS Band also kept him busy playing his trumpet.





Margaret...

In May, we traveled to Las Vegas to watch our granddaughter, Haidyn, compete in her cheer competition. Her team did an amazing job and won 1st place with zero deductions!

While we were there, we also got to watch a Vegas Golden Knights playoff game. They made it all the way to the Stanley Cup Final but didn't take home the Cup this year. That's okay — there's always next season. Go Knights Go!



Please Welcome Jazmen "Jaz" Cuarisma to the CMR Team!



We're delighted to announce that Jazmen Cuarisma has joined CMR as our new Client Service Specialist. Jaz joined us in mid-June and has already hit the ground running, quickly settling into the CMR way of doing things.

Before coming to CMR, Jaz served as an Office Manager at Western Pacific Crane and Equipment, where she developed strong organizational and client-facing skills that make her a great fit for our team.

Outside of work, Jaz enjoys life with her husband, Makana, and their two daughters, Haidyn-Marie (8) and Jordyn-Rae (4).

Please join us in giving Jaz a warm welcome — we know you'll enjoy working with her!

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Honolulu, HI 96813

808-537-2912 | info@cmrfa.com

Trusted Team:

Cliff Robello
Margaret Howser
Hans Medina
Sheri Cabral
Zane Cabral
Jazmen Cuarisma

Mission: Transform People and Families

Vision: The Wealth with Simplicity Process will have a transformational impact on the people we touch.

Core Values:

Ola Kanaka - Client First – always put the client's interest first

Malama - Genuine Care - we sincerely care about our clients, team, and people we touch

Pono – do what is right and be ruthless about it!

Ho'omakakoho - Focus – "look eyes," do the things that have the biggest impact first

E Kamaha'o - Be Remarkable – make a memorable impression, small things done over the long term creates a huge impact

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