G SQUARED
PRIVATE WEALTH

Representing Your Interests

Galveston Economic Development Partnership 2027 Outlook

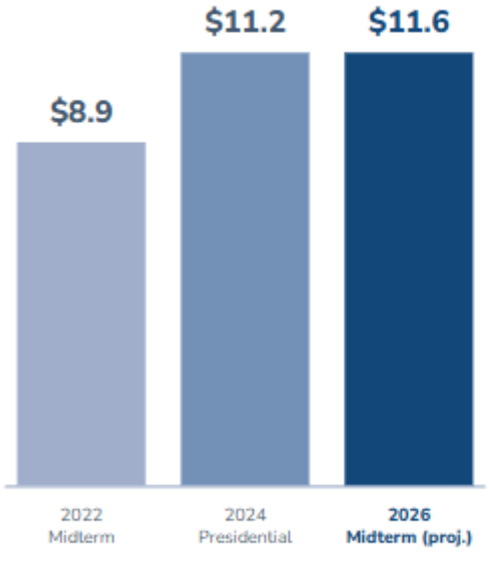
10/29/2026

Disclaimer:
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The Election Dominates Current Headlines- Feels Terrible

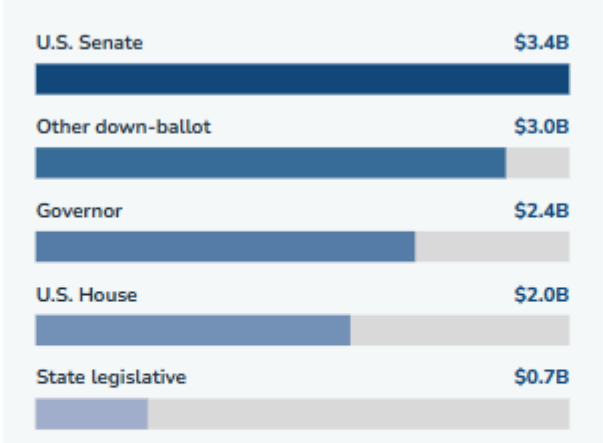
The Most Expensive Midterm on Record

TOTAL AD SPEND BY CYCLE ($B)



Aired + reserved spend crossed **$10B** in mid-October, already above 2022 and on pace to top the 2024 presidential cycle.

WHERE THE $11.6B IS GOING



Senate control is the single largest line item; roughly $1.6B of the projection was still unbooked heading into the final three weeks.

TEXAS: GROUND ZERO

$500M+

Ad spend in the Paxton (R) vs. Talarico (D) U.S. Senate race, aired + reserved, primary through general

CANDIDATE + ALLIED GROUPS (AS OF OCT 5)



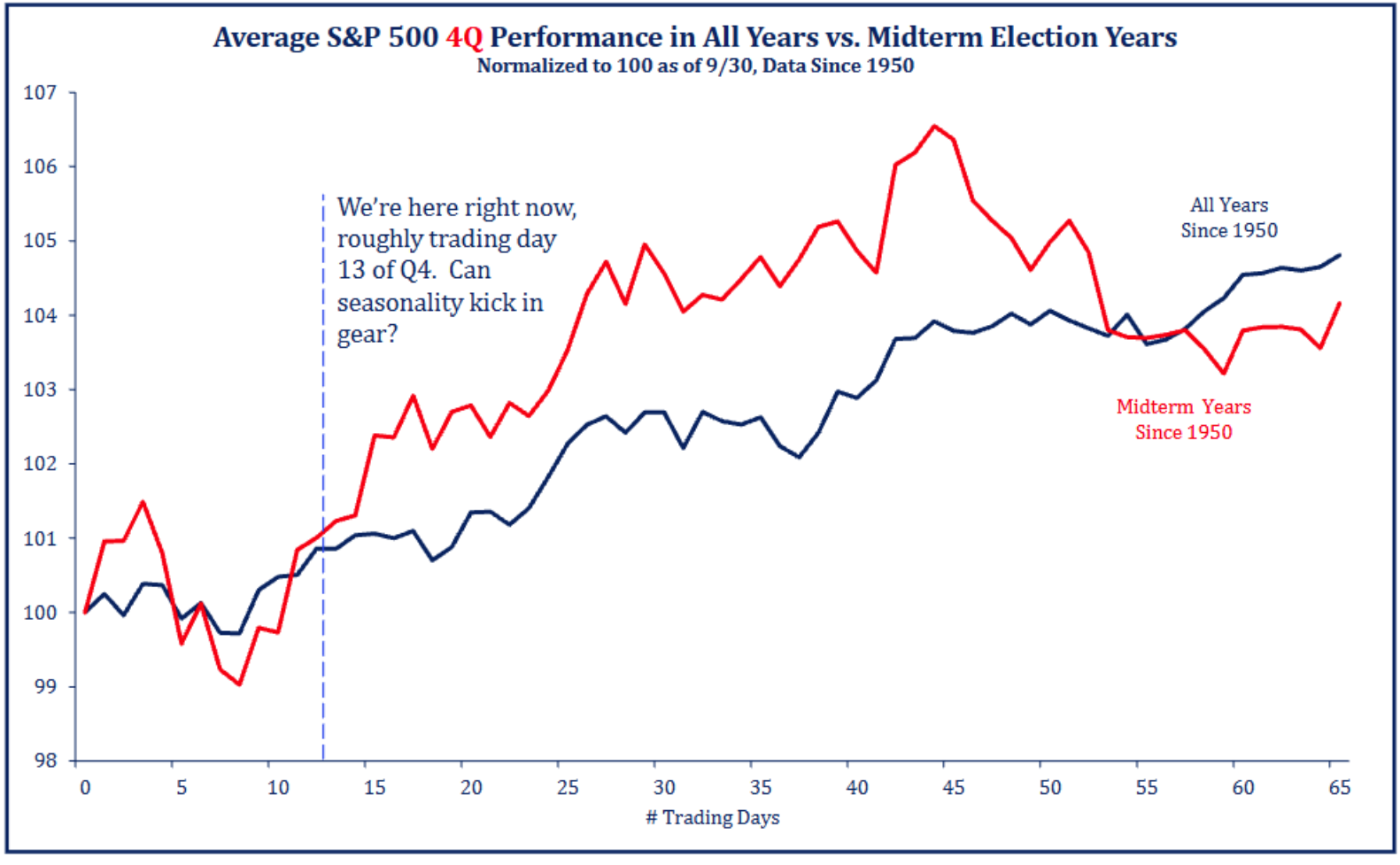
$131M
Texas PAC outlay in its first 17 days (~$7.7M/day)

~$67M
Talarico campaign general-election ads vs. ~$20M for Paxton campaign

- Estimated the average American receives 13 political texts per week (per NumberBarn)
- TX voters report an average of 2-4 messages per day
- Campaigns get around “robo texts” rules by having someone technically press “send” on all texts
- 60% report even after saying “stop” you receive new messages from new numbers

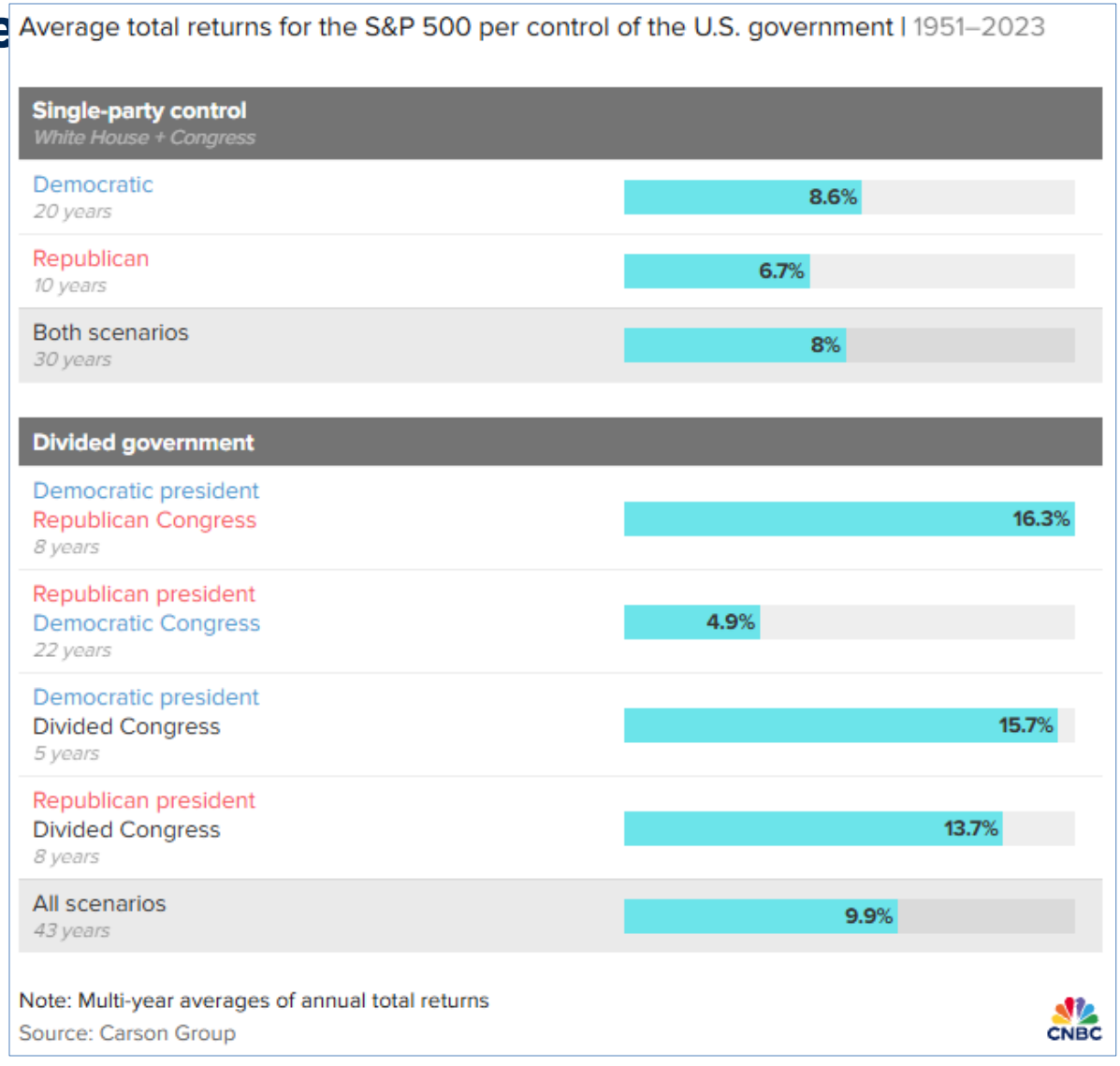
Data as of 10/20/2026. Data obtained from Bloomberg LP

Midterm Election Years Tend To Have A Strong Q4 Rally



https://www.bairdstrategas.com/Document/Index?strResearchProductID=a%2fyPPVa%2fJsw9hSrJC9n6Mw%3d%3d

How Have Markets Performed With A Divided Governme



https://www.cnbc.com/make-it/2024/11/07/chart-divided-us-government-historically-better-for-stocks.html

But We Remain Bullish For The Rest of 2026

- **Historical Precedent**
  - When we enter Q4 with a rally >10%, over the last 76 years the S&P 500 has seen gains 90% of the time
  - M2 continues to grow- the Fed is not Hawkish due to QE and M2 growth

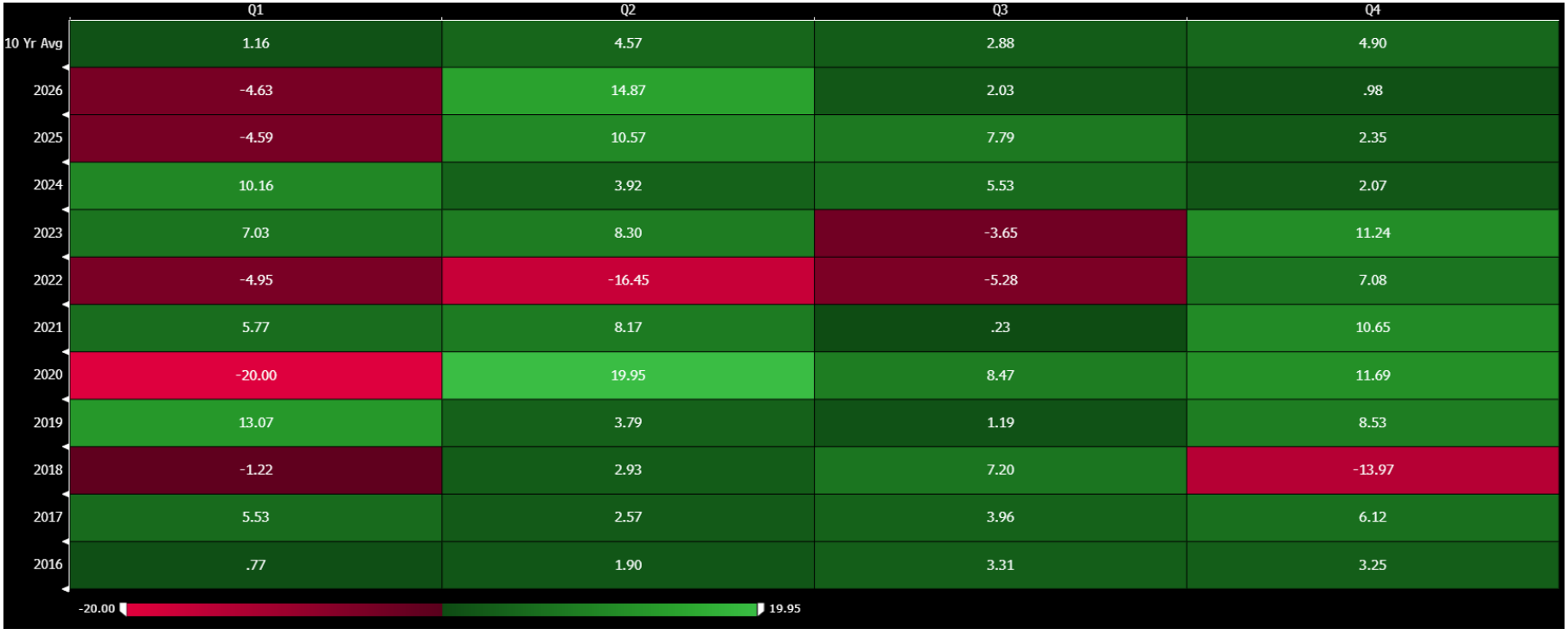
- **Strong Seasonality**
  - Q4 is historically the strongest quarter in the year
  - In the last 3 years- the S&P 500 has averaged 5.01% in Q4
  - October is typically the slowest month of the quarter

- **Fundamental Earnings Growth**
  - Big week this week & next (AAPL, AMZN, MSFT, GOOGL)
  - So far earnings have been strong, growing, and resilient
  - The world feels terrible- company margins & profits are not

- **Bullish Long-Term Technical Indicators**
  - All your major patterns and charts indicate the rally can continue
  - AI driven spending and capex continues to drive economic growth

Data as of 10/20/2026. Data obtained from Bloomberg LP

Last 10 Years, Quarterly Performance, S&P 500



	Q1	Q2	Q3	Q4
10 Yr Avg	1.16	4.57	2.88	4.90
2026	-4.63	14.87	2.03	.98
2025	-4.59	10.57	7.79	2.35
2024	10.16	3.92	5.53	2.07
2023	7.03	8.30	-3.65	11.24
2022	-4.95	-16.45	-5.28	7.08
2021	5.77	8.17	.23	10.65
2020	-20.00	19.95	8.47	11.69
2019	13.07	3.79	1.19	8.53
2018	-1.22	2.93	7.20	-13.97
2017	5.53	2.57	3.96	6.12
2016	.77	1.90	3.31	3.25

-20.00 19.95

Q4 2026 QTD through 10/19/26

Data as of 10/20/2027. Data obtained from Bloomberg LP

How Have Markets Performed With A Divided Government?

S&P 500 Performance Midterm & Following Year					
Midterm Year	YTD End Q3 %	Q4 %	Full YR %	Following Year %	Q4-Q2 %
1962	–21.36	12.14	–11.81	18.89	23.28
1966	–17.17	4.92	–13.09	20.09	18.39
1970	–8.53	9.43	0.10	10.79	18.39
1974	–34.86	7.90	–29.72	31.55	49.81
1982	–1.74	16.79	14.76	17.27	39.60
1990	–13.40	7.90	–6.56	26.31	21.27
1994	–0.81	–0.74	–1.54	34.11	17.74
2002	–28.99	7.92	–23.37	26.38	19.53
2022	–24.77	7.08	–19.44	24.23	24.12
1950	16.05	4.94	21.78	16.46	7.76
1954	30.23	11.36	45.02	26.40	26.99
1958	25.18	10.29	38.06	8.48	16.80
1978	7.82	–6.27	1.06	12.31	0.36
1986	9.49	4.69	14.62	2.03	31.42
1998	4.80	20.87	26.67	19.53	34.98
2006	7.01	6.17	13.62	3.53	12.54
2010	2.34	10.20	12.78	–0.003	15.72
2014	6.70	4.39	11.39	–0.73	4.60
2018	8.99	–13.97	–6.24	28.88	0.95
2026	11.77	—	—	—	—
ALL Midterm Years Through Q3					
Mean %:	–1.74	6.63	4.64	17.18	20.22
Median %:	2.34	7.90	1.06	18.89	18.39
# Up:	10	16	11	17	19
# Down:	9	3	8	2	0
% Higher:	52.6	84.2	57.9	89.5	100.0
Best:	30.23	20.87	45.02	34.11	49.81
Worst:	–34.86	–13.97	–29.72	–0.73	0.36
POSITIVE Midterm Years Through Q3					
Mean %:	11.86	5.27	17.88	11.69	15.21
Median %:	8.41	5.55	14.12	10.39	14.13
# Up:	10	8	9	8	10
# Down:	0	2	1	2	0
% Higher:	NA	80.0	90.0	80.0	100.0
Best:	30.23	20.87	45.02	28.88	34.98
Worst:	2.34	–13.97	–6.24	–0.73	0.36
NEGATIVE Midterm Years Through Q3					
Mean %:	–16.85	8.15	–10.07	23.29	25.79
Median %:	–17.17	7.90	–11.81	24.23	21.27
# Up:	0	8	2	9	9
# Down:	9	1	7	0	0
% Higher:	NA	88.9	22.2	100.0	100.0
Best:	–0.81	16.79	14.76	34.11	49.81
Worst:	–34.86	–0.74	–29.72	10.79	17.74

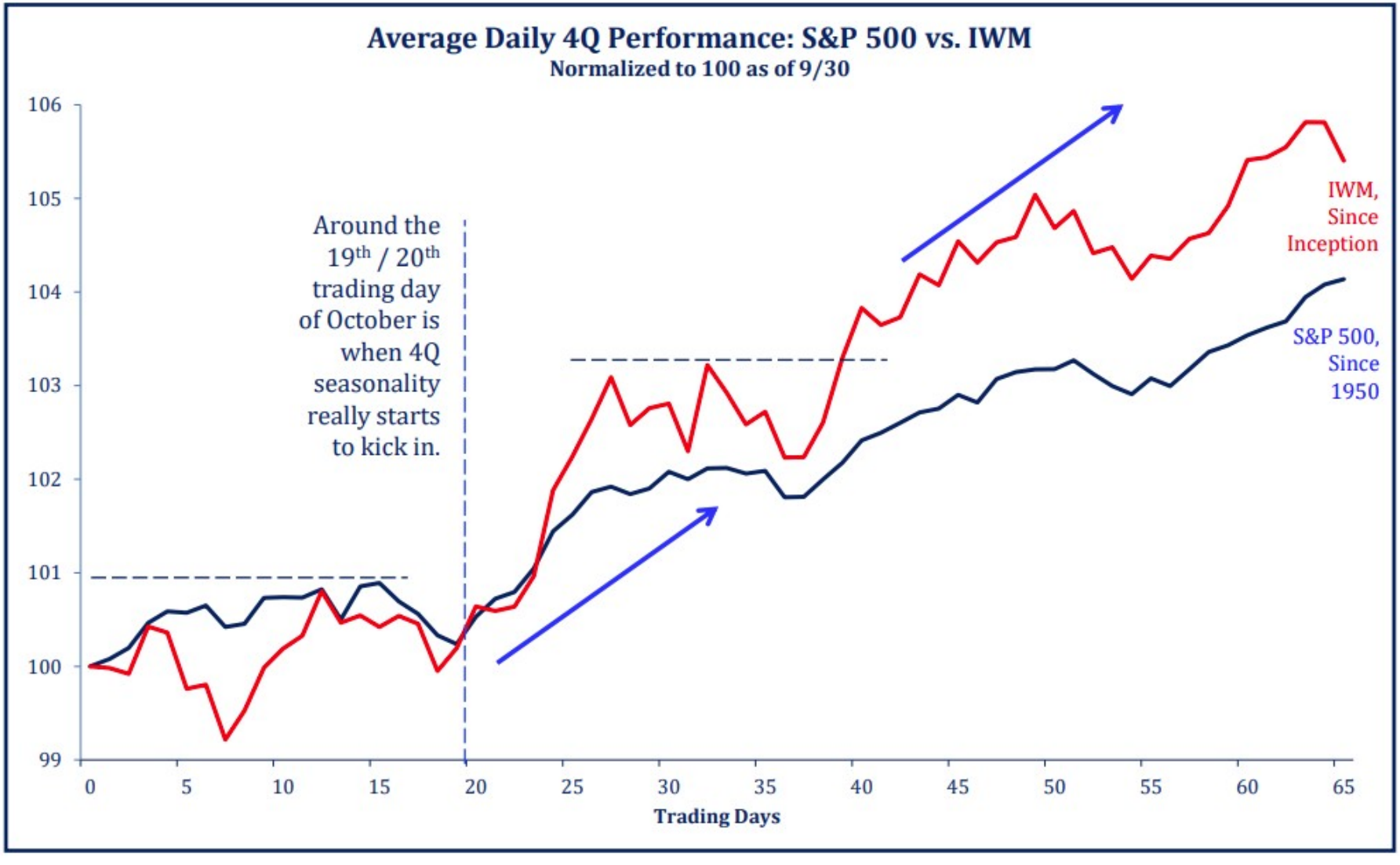
2026 Not included in statistics.

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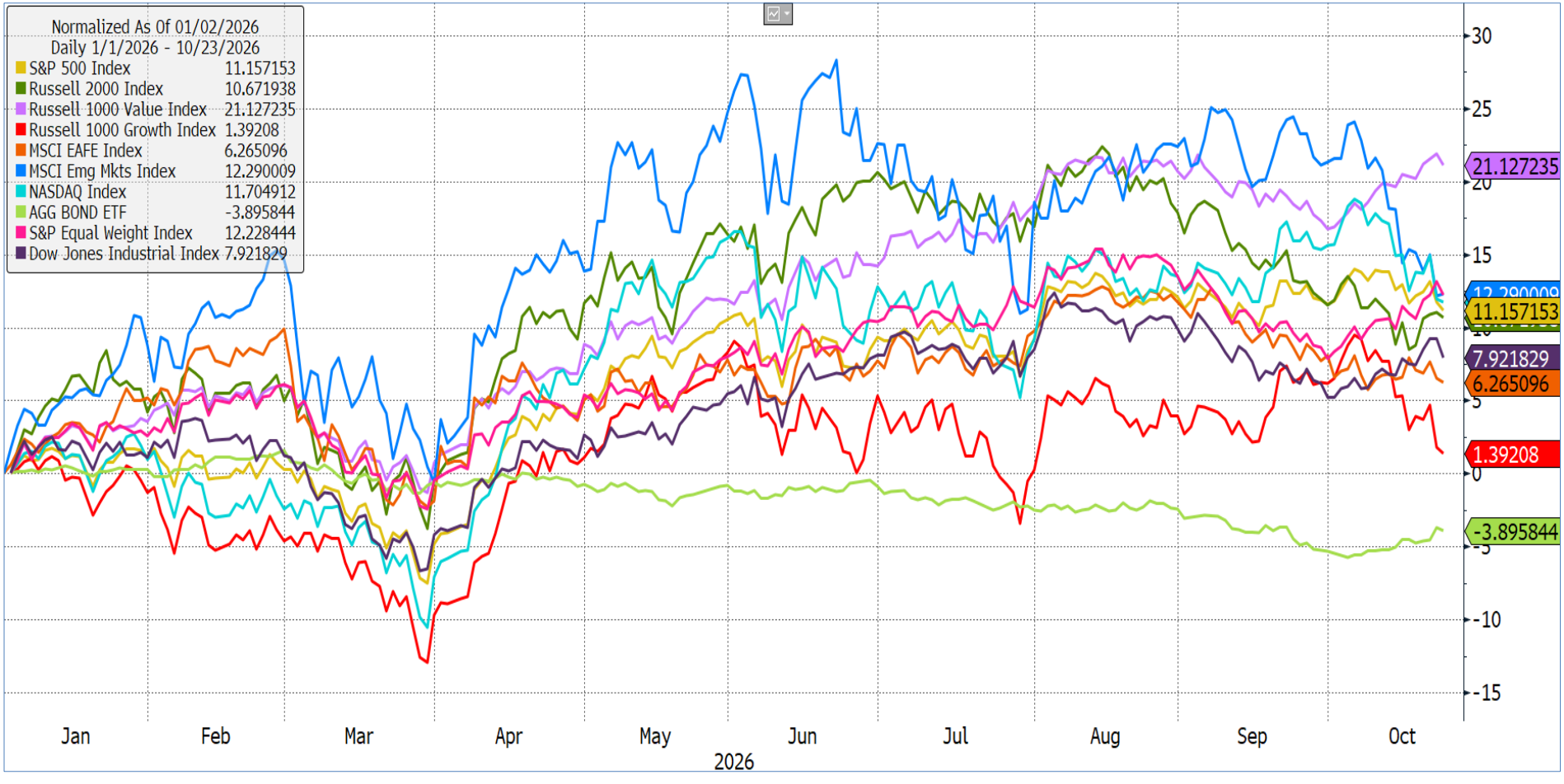
Source: Jeff Hirsch, Hirsch Holdings, Inc. www.stocktradersalmanac.com

About to Hit The Gas Pedal on Seasonality



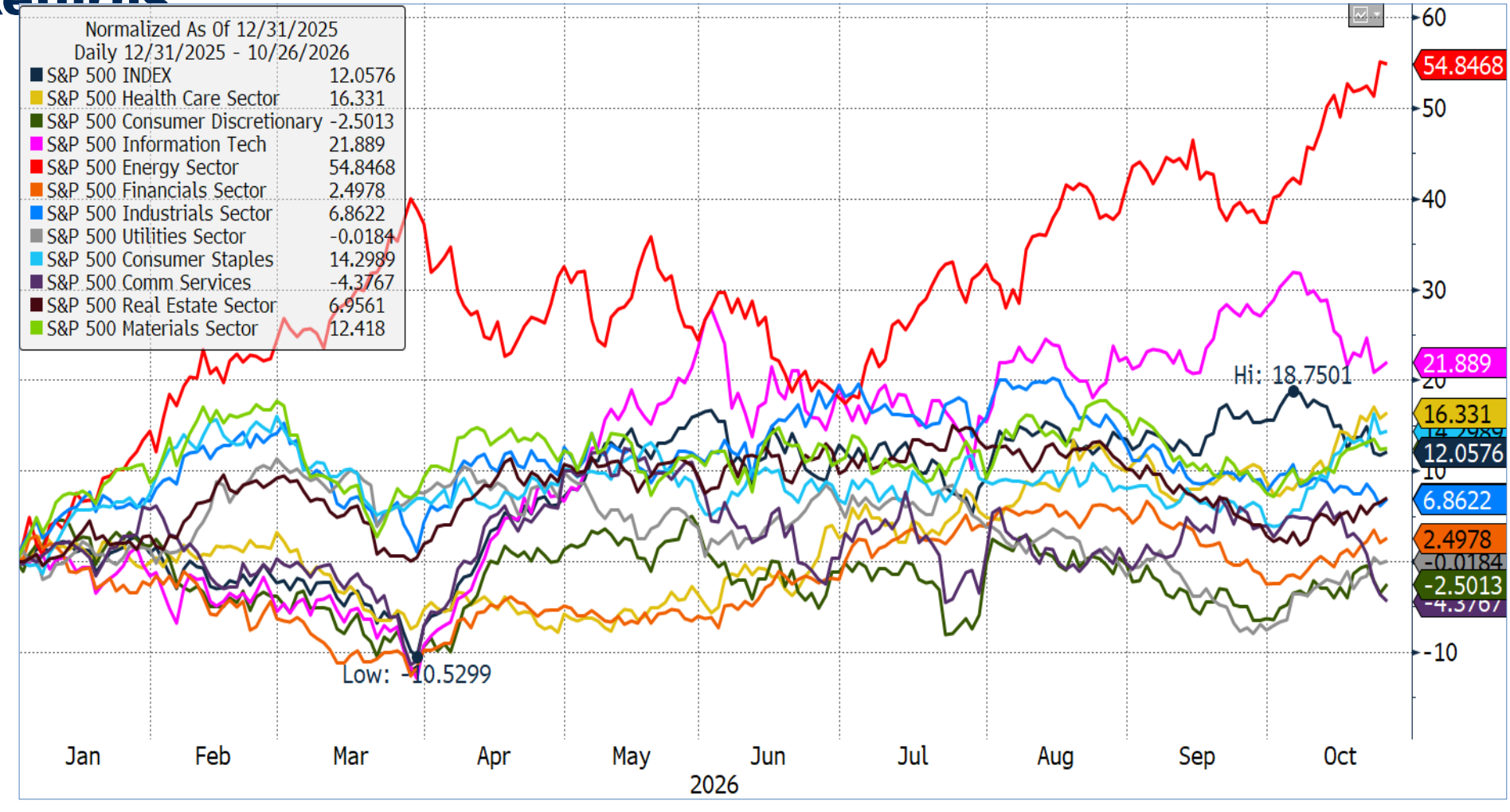
Data as of 10/27/2025. Data obtained from Strategas Technical & Macro Research

Indexes 2026 YTD Normalized Price Returns



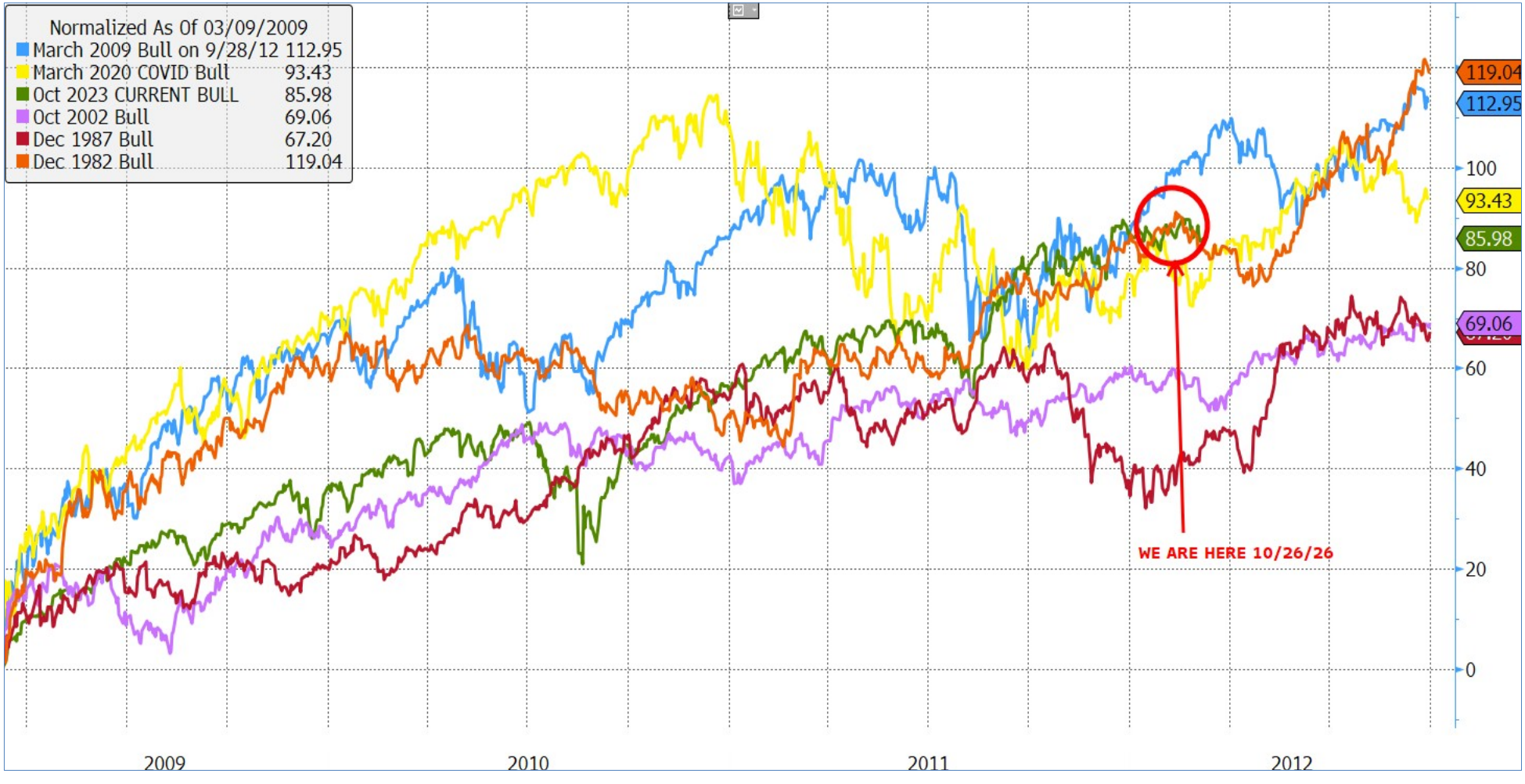
Data as of 10/27/2026. Data obtained from Bloomberg LP

S&P 500 Sector Returns, YTD Normalized Price Returns



Data as of 10/27/2026. Data obtained from Bloomberg LP

2023-2025 Bull Market vs. Historical Bull Markets - In Line



Data as of 10/27/2026. Data obtained from Bloomberg LP

A Normal Bull Market Can Persist Longer Than You Think

5.4 yrs
Average length of the 10 completed bulls since 1957 (1,964 days); median 4.6 yrs

5 of 10
Completed bulls that reached their fifth anniversary (50%)

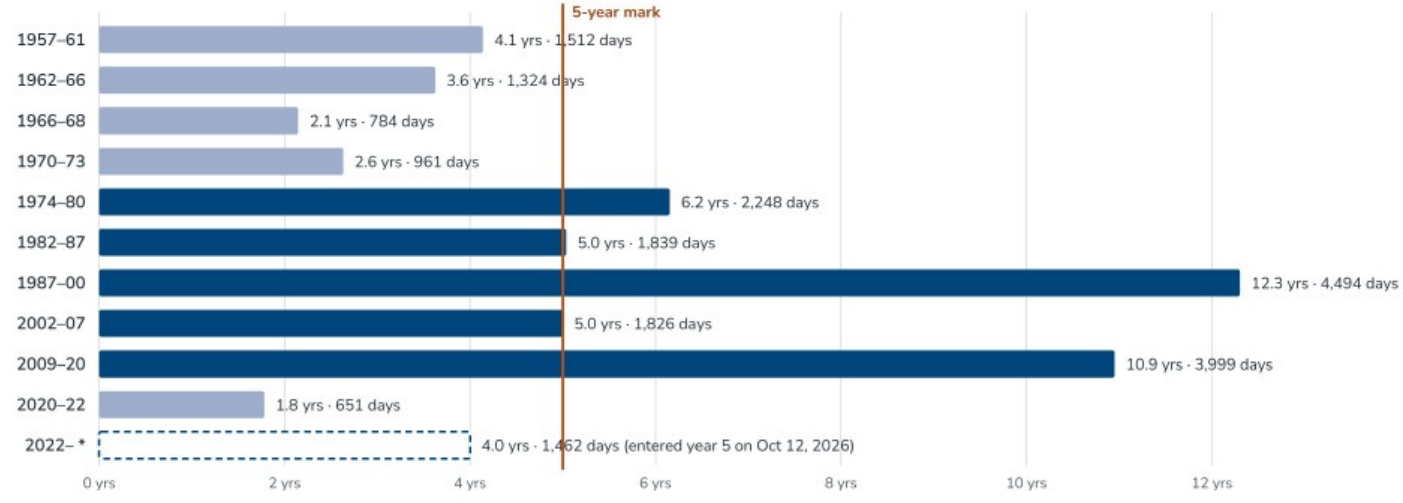
+18.7%
Average year-5 return when the bull held; median +15.9%, 5 of 5 positive

7.9 yrs
Average length of the five bulls that reached year 5

+134%
Average 5-year cumulative return for the survivors, 18.1% CAGR

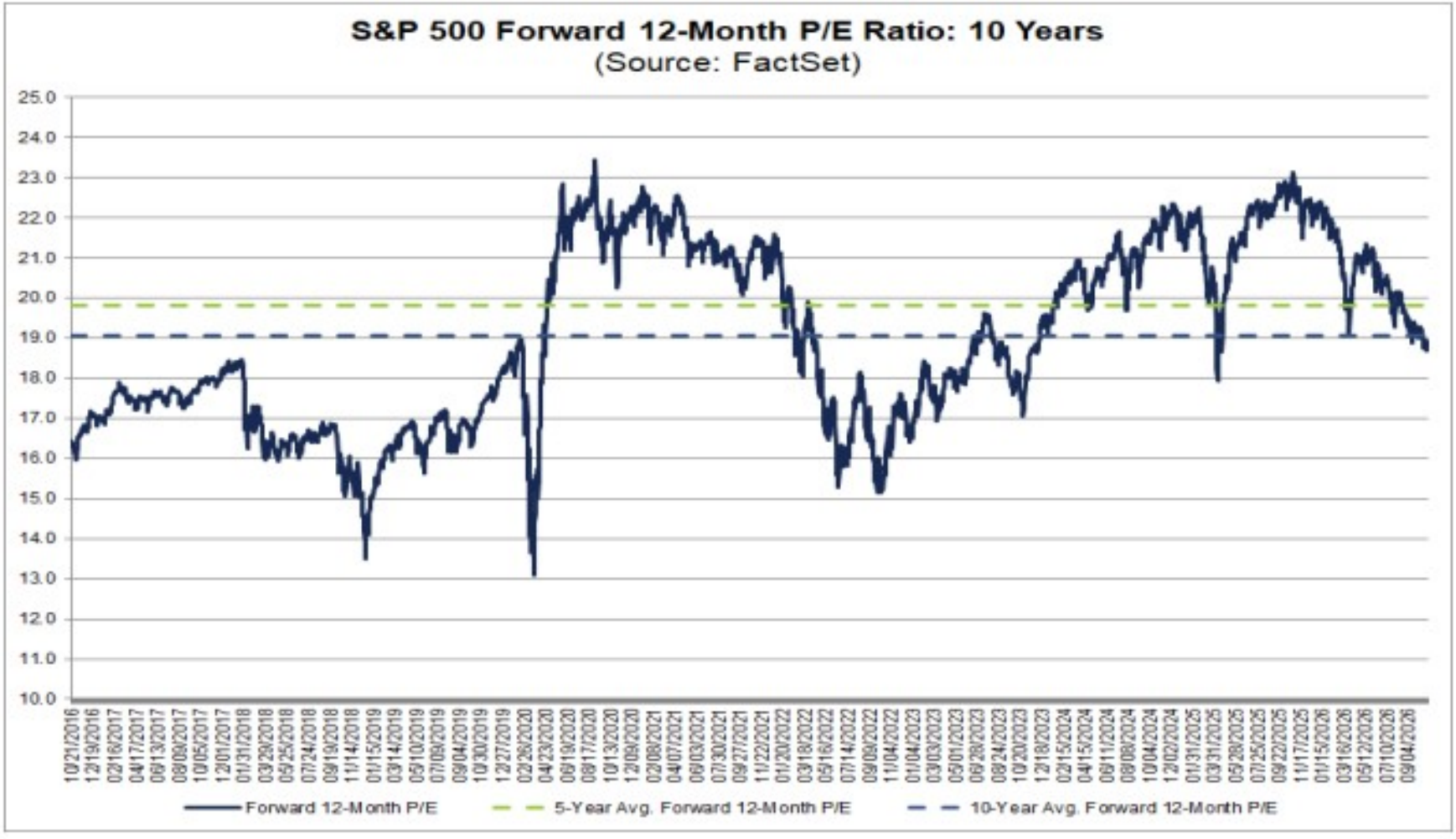
Duration of every bull market since 1957

Trough to peak, closing prices. Navy = reached 5 years · Steel = ended before year 5 · Outline = current cycle, through Oct 13, 2026



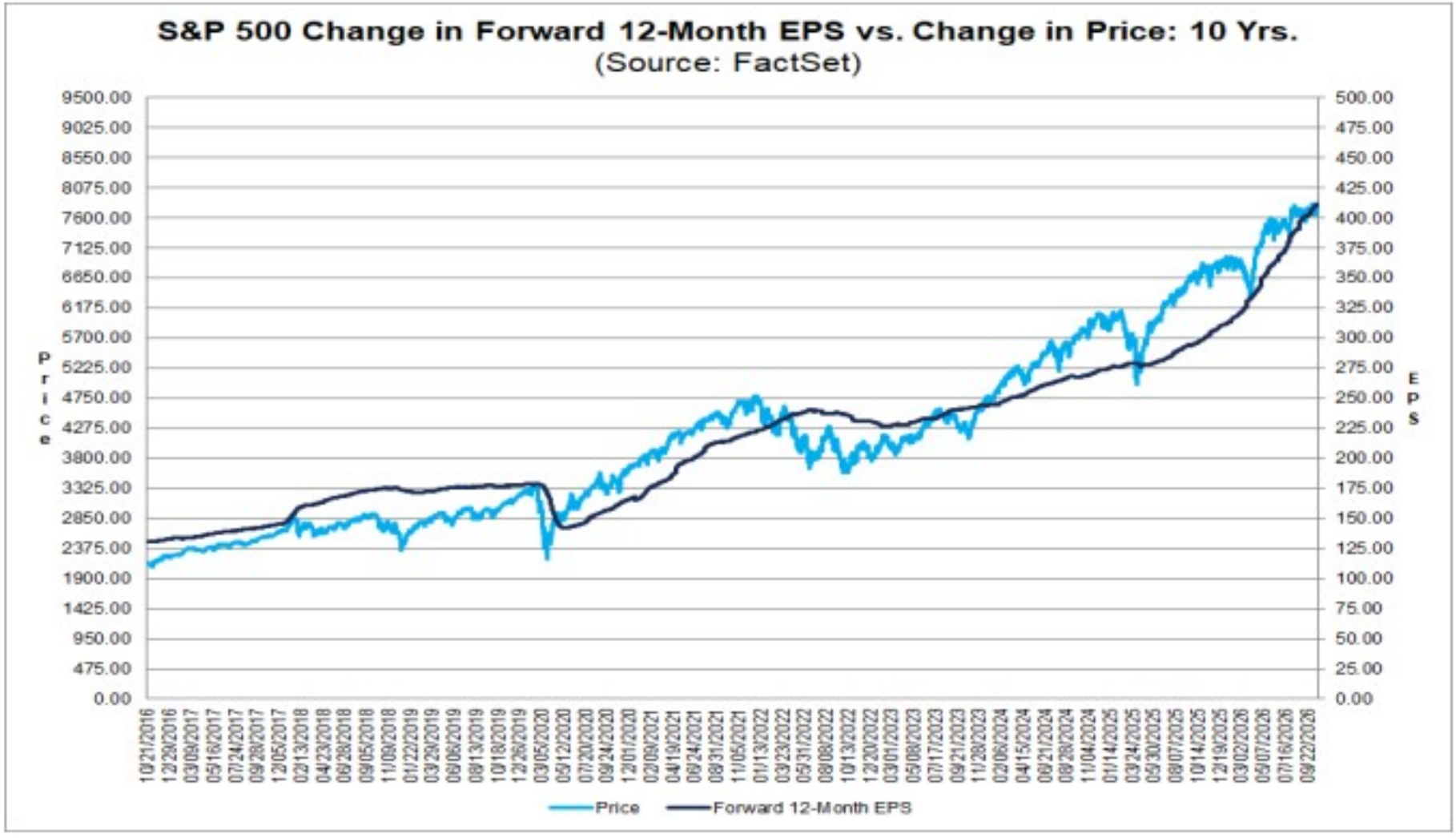
BULL MARKET	TROUGH	LENGTH (YRS)	YR 1	YR 2	YR 3	YR 4	YR 5	5-YR CUM.	5-YR CAGR
1974–1980	Oct 3, 1974	6.2	+38.0%	+21.0%	-7.0%	+6.1%	**+6.8%**	**+76.0%**	+12.0%
1982–1987	Aug 12, 1982	5.0	+58.3%	+2.0%	+13.4%	+29.7%	**+36.6%**	**+224.4%**	+26.5%
1987–2000	Dec 4, 1987	12.3	+22.8%	+27.8%	-7.1%	+16.5%	**+13.7%**	**+93.1%**	+14.1%
2002–2007	Oct 9, 2002	5.0	+33.7%	+8.2%	+5.6%	+13.8%	**+15.9%**	**+101.5%**	+15.0%
2009–2020	Mar 9, 2009	10.9	+68.6%	+15.7%	+3.9%	+13.5%	**+20.6%**	**+177.4%**	+22.6%
Average	5 bulls	7.9	+44.3%	+14.9%	+1.8%	+15.9%	**+18.7%**	**+134.5%**	+18.1%
2022–present	Oct 12, 2022	4.0	+21.6%	+34.7%	+13.6%	+17.2%	Oct 2026 – Oct 2027	**+118.1%** 4-yr	—

Earnings Have Been Strong- P/E Ratios Dropping



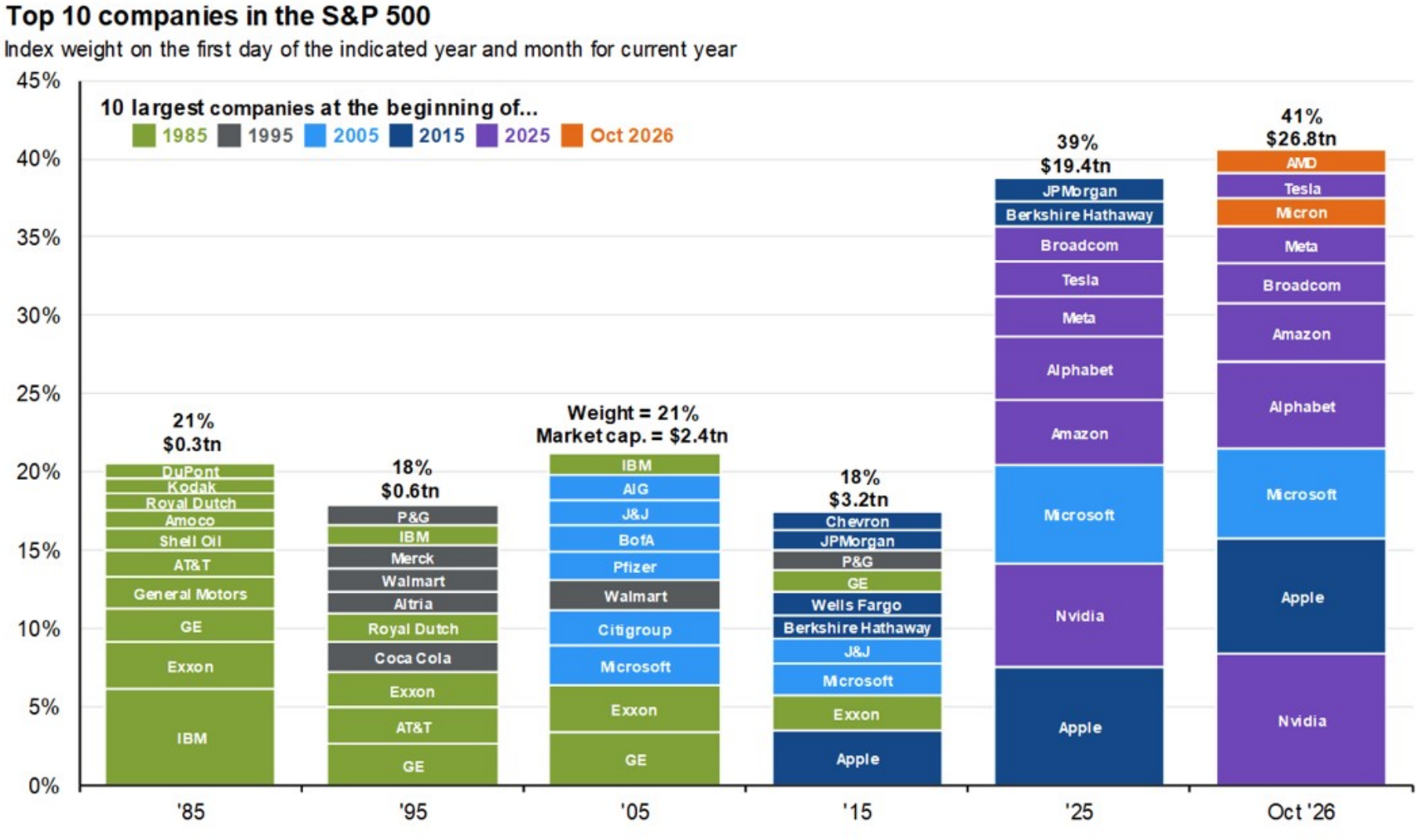
Data as of 10/27/2026. Data obtained from FactSet Earnings Insight 10/24/25
https://www.factset.com/earningsinsight

High Stock Prices Are Being Supported by Growing Profits



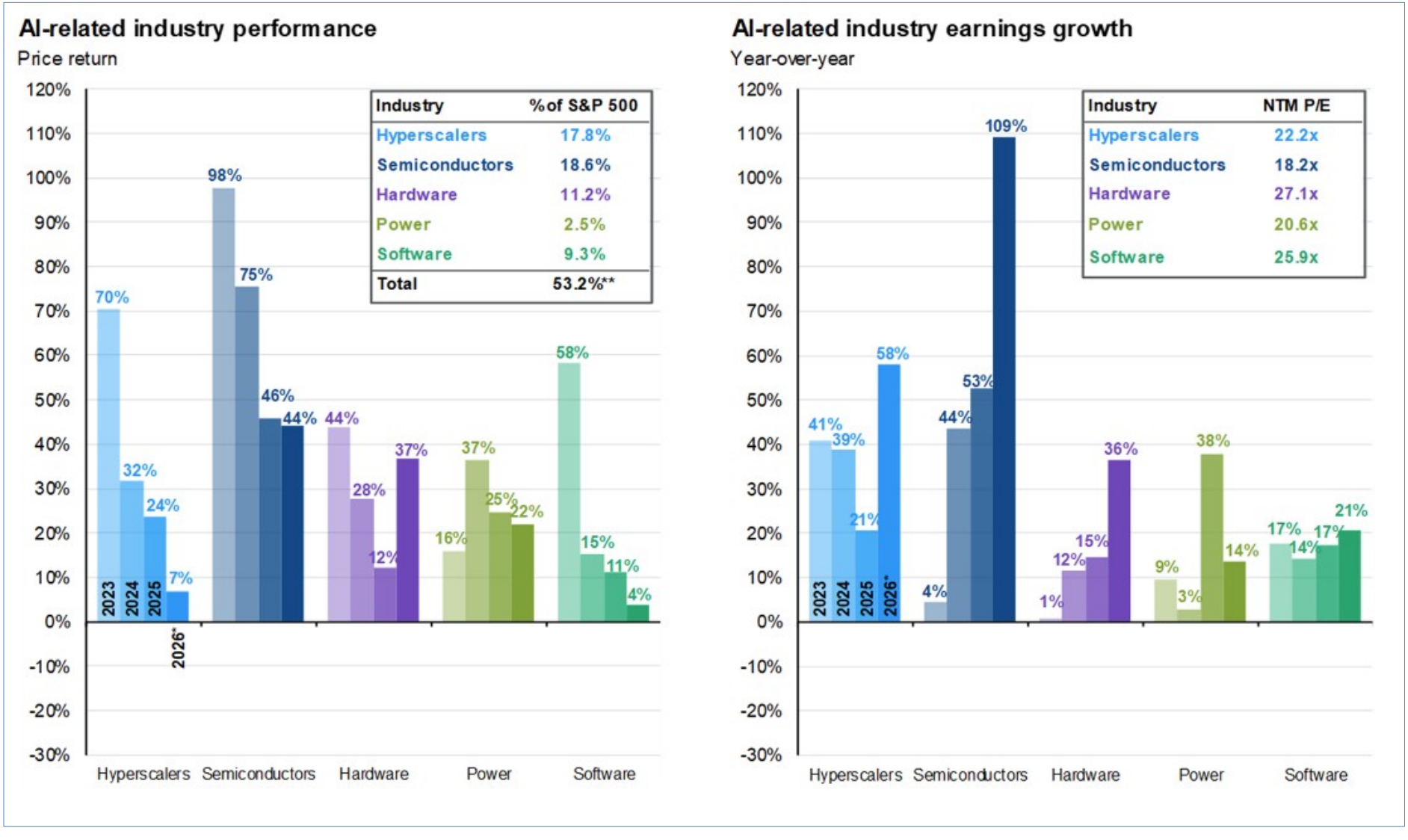
Data as of 10/26/2025. Data obtained from FactSet Earnings Insight 10/24/26
https://www.factset.com/earningsinsight

No One Company Rules Them All Forever



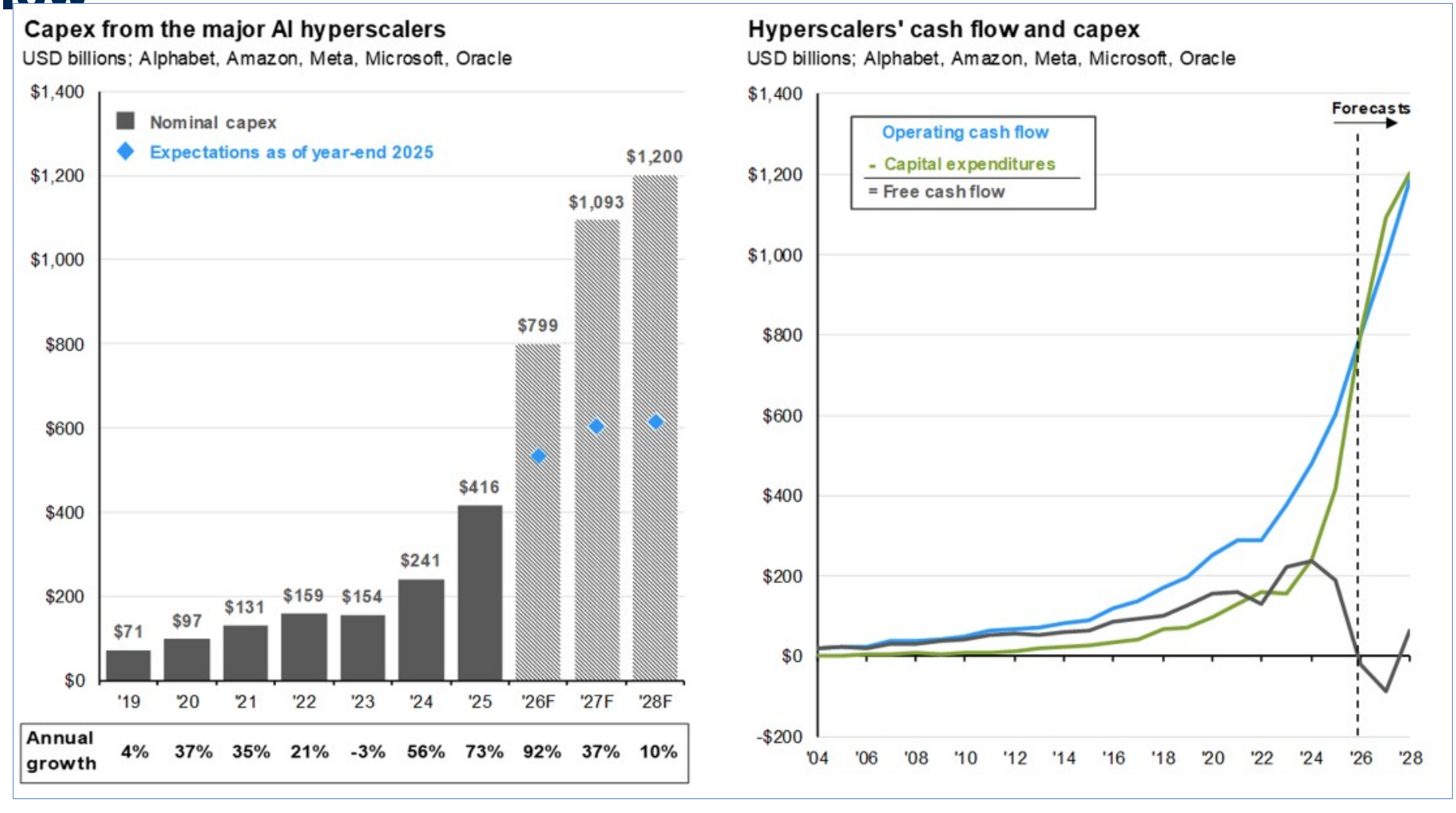
Data obtained from pg. 9, JP Morgan Guide to the Markets Q4 2026, Published 10/2/2026 by Dr. David Kelly Et All.

AI Buildout Driving Growth- But Ecosystems Differ



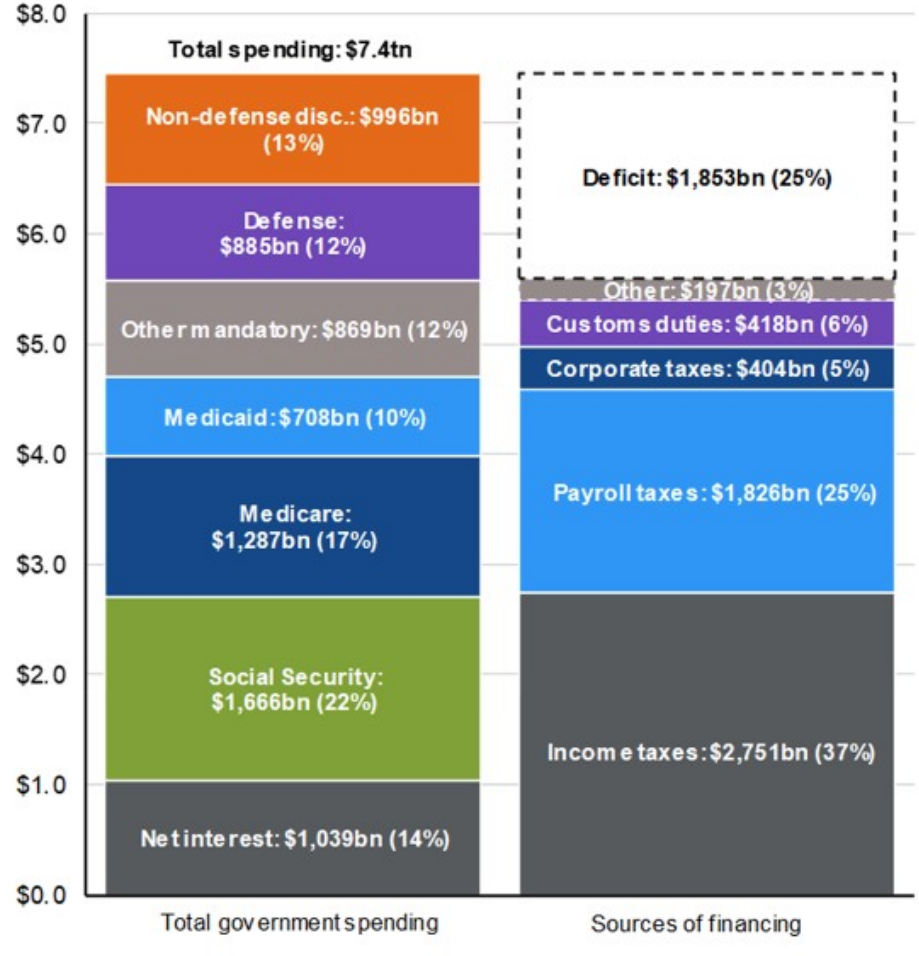
Data obtained from pg. 11, J P Morgan Guide to the Markets Q4 2026, Published 10/2/2026 by Dr. David Kelly Et All.

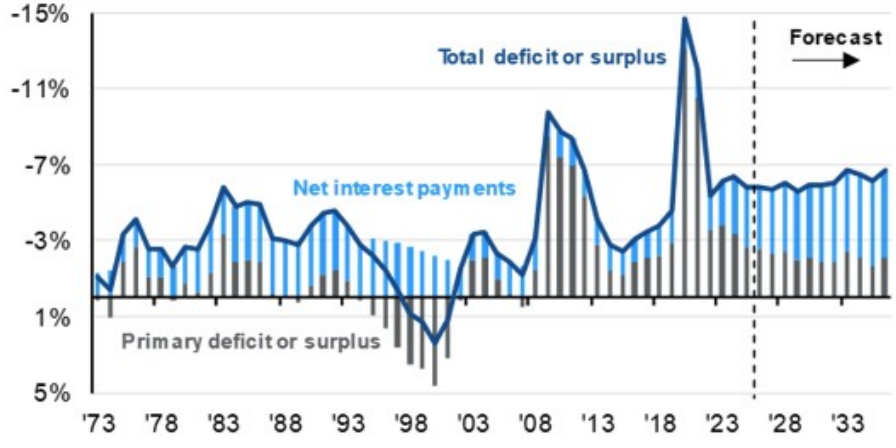
AI Buildout Driving Growth- Goodbye Free Cash Flow

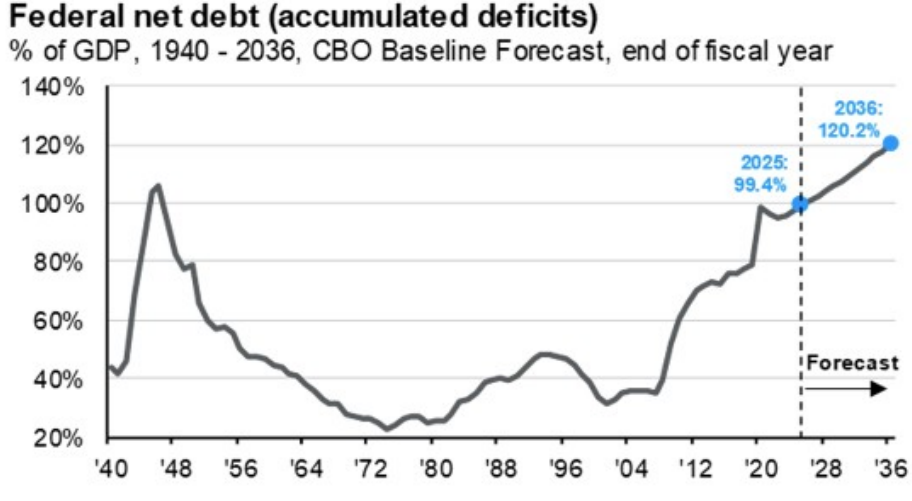


Data obtained from pg. 22, JP Morgan Guide to the Markets Q4 2026, Published 10/2/2026 by Dr. David Kelly Et All.

The USA Actually Might Be In A Pickle







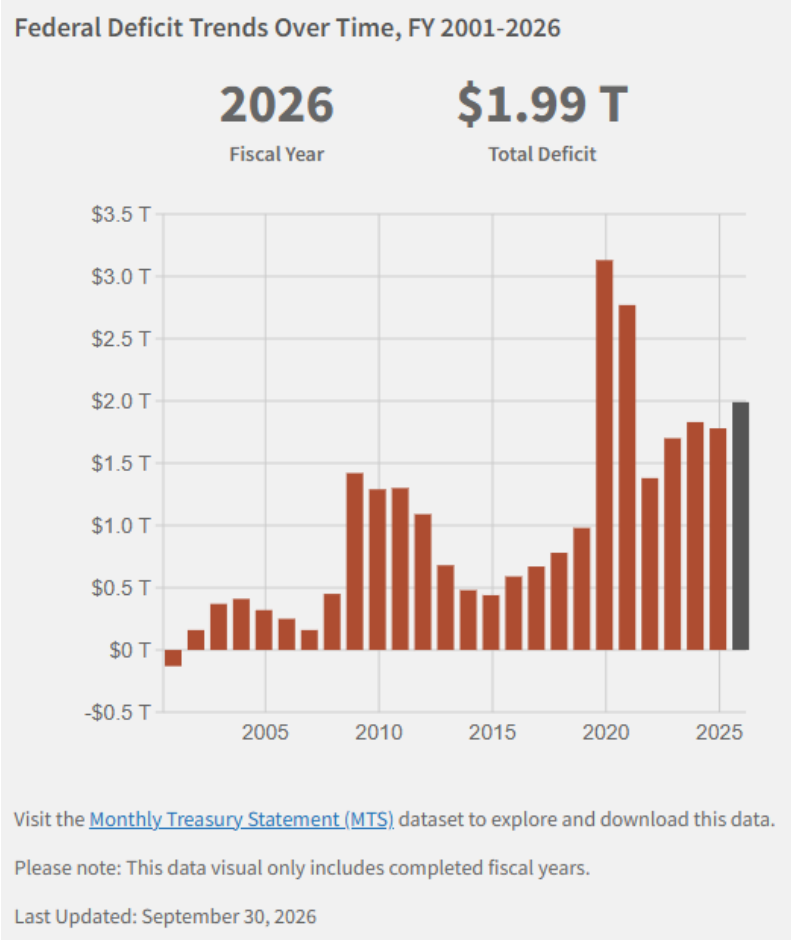
Data obtained from pg. 9, JP Morgan Guide to the Markets Q4 2026, Published 10/2/2026 by Dr. David Kelly Et All.

Beyond Stocks- Bonds Really Matter- A New Era After 40 Years

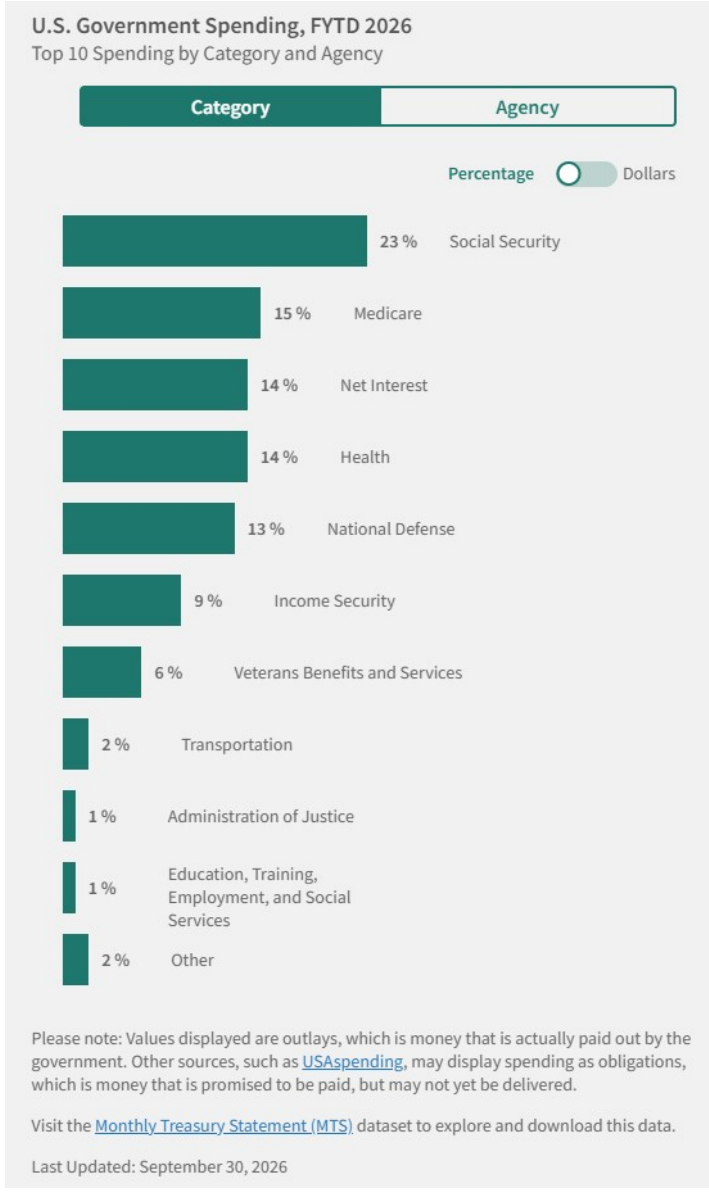


Data as of 10/27/2026. Data obtained from Bloomberg LP

Don’t Take My Word For It- From Treasury.Gov



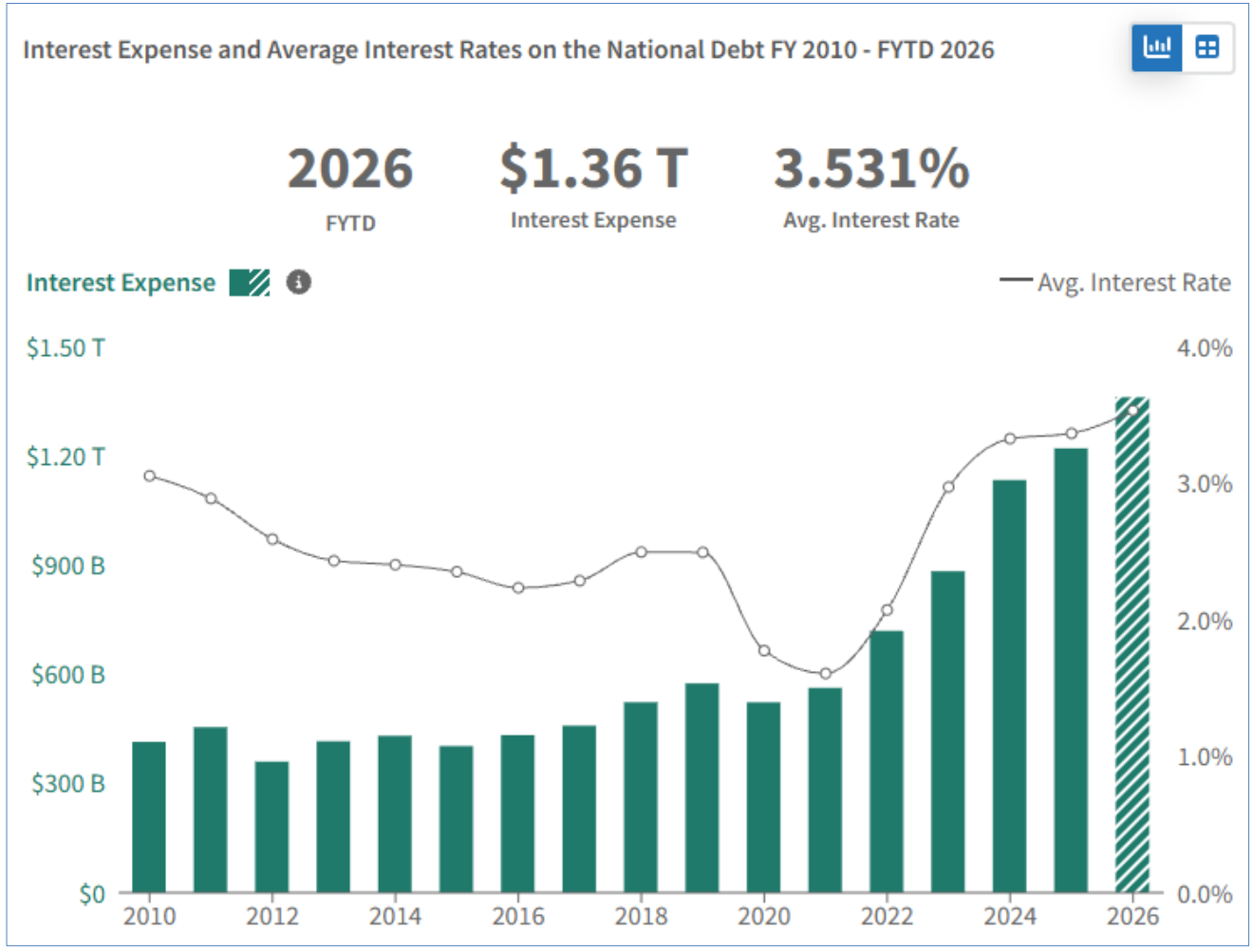
- Run a deficit for 25 straight years
- Last Surplus/balance was 2001 Clinton
- +$1T deficit every year since 2019- 7 STRAIGHT
- Interest Expense is the fastest growing category



https://fiscaldata.treasury.gov/americas-finance-guide/national-deficit/

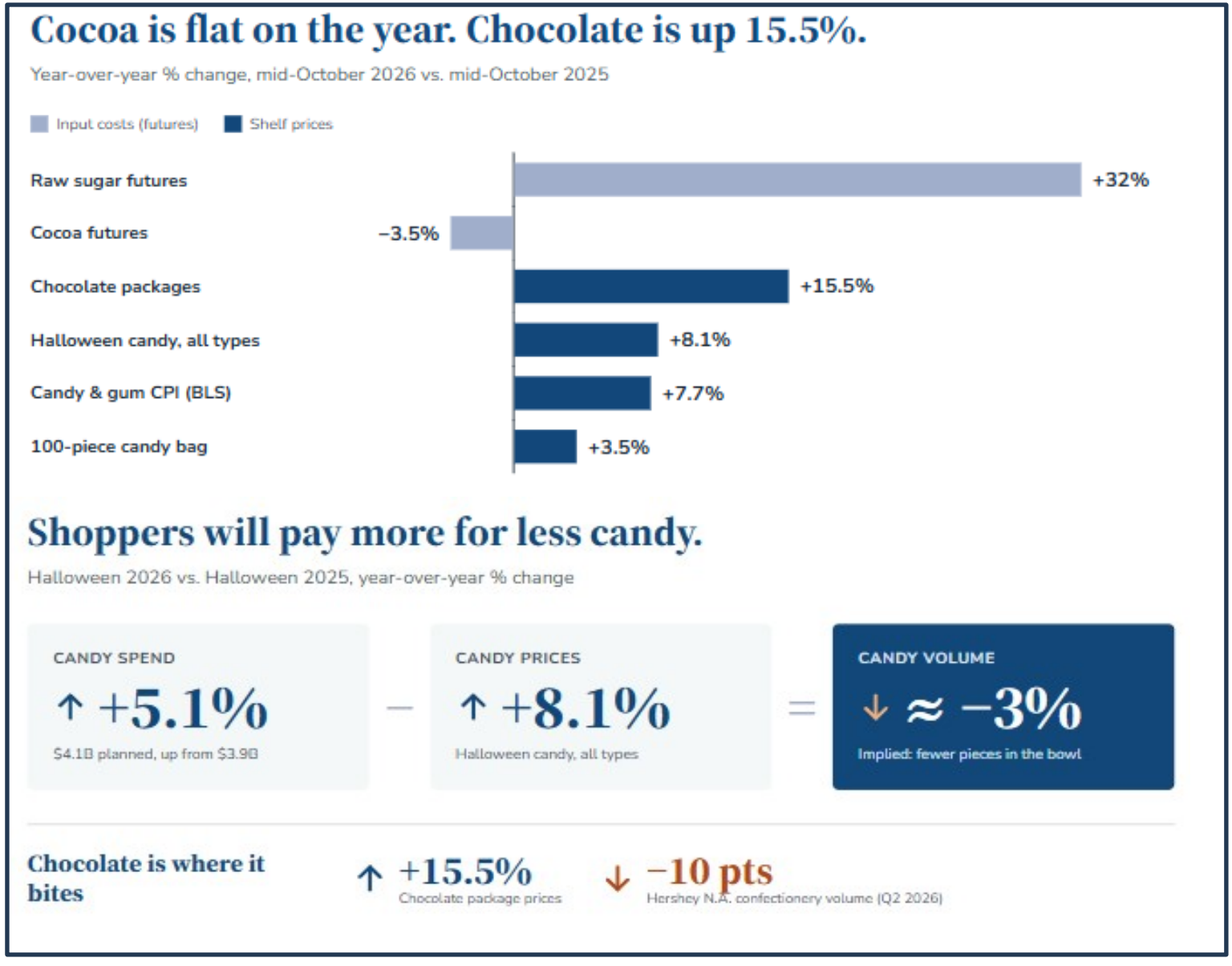
Interest Expense Becomes a Problem

- **2020: $523 Billion, 1.772% Average Interest rate**
- **2026: $1.36 Trillion, 3.531% Average interest rate**
  - >160% increase in interest cost
  - 200% increase on avg. interest rate
  - $40T and counting on outstanding debt
  - $2T FY2026 deficit.



https://fiscaldata.treasury.gov/interest-expense-avg-interest-rates/

Halloween Candy Looking Pricy Again This Year



Data as of 10/20/2026 Data obtained from Bloomberg LP

Q4 & Beyond

1. The rally will persist for Q4, led by technology and AI
2. The bad news will continue to flow and occasionally knee jerk the market
3. Iran & Ukraine both difficult to solve. We expect announced peace/breakthroughs but inability to hold. Anticipate higher fuel costs & inflation
4. Quality is your friend
5. Prefer US vs. ROW or EM
6. Base case thesis:
   - Earnings Growth remains strong
   - Yields remain an issue, but one markets are willing to overlook in Q4
   - Our government will be hopeless in 2027-2028. Massive gridlock
   - Treasury markets may march higher. US inability to govern or budget a problem
7. High valuations do not kill off bull markets, policy errors (Fiscal or Monetary) can
8. 2027 Looking A Lot Dicier
   - Yields, rates and inflation all could drag down stocks, bonds and the US Economy
   - Global Debt Binge bill seems to be coming due
   - Inflation + high rents + high insurance +job losses = break the economy
9. Fundamental company statistics are strong across the market- value's time to shine next year
10. No stock or sector will lead forever

Data as of 10/27/2026. Data obtained from Bloomberg LP

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Are Not Deposits	Are Not Insured by Any Federal Government Agency	Are Not a Condition to Any Banking Services or Activity

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