The Smithfield
Forecast

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A quarterly publication by Smithfield Trust Company on the latest wealth management trends. Our goal is to empower our valued friends and customers with essential information that directly impacts their financial well-being and enduring legacy.

A Message From Our President & CEO

When we started 2026, I don't think anyone expected that we would approach April with gas prices at $4 a gallon and threats by the United States to destroy Iran's energy and water infrastructure after five weeks into a military campaign to dismantle their military, and in so doing, their nuclear program. It makes the special operation in Venezuela to exfiltrate President Manduro and his wife in January seem like a non-event taking place ages ago. In between these international affairs, domestic news was filled with shootings, violence and protests associated with ICE and Boarder Control while the longest partial government shutdown in US history takes place. What a first quarter it has been!

As Federal Reserve Bank of New York President John Williams recently said, "this is an unusual set of circumstances." It is obviously too early to know or experience the effect of these activities on the global and United States economy in the short or long term. Events such as these remind us to focus on what we can control and to maintain a disciplined approach to investing and money management, especially during volatile times. While these news stories can be unsettling for many reasons, they reinforce Smithfield's unbiased investment philosophy to take advantage of opportunities when presented with market fluctuations. I encourage you to speak with your Smithfield representative who will undoubtably be able to share some charts that reflect how history has proven that this unsettling time too shall pass and investors will come out on the other side, often for the better. —***Betsy Poggi***

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Economic Insights

By Michael Drury

It is always difficult to write an economic outlook during periods of great volatility—and never more than now, as oil prices have spiked roughly 50% from a month ago following the closing of the Straits of Hormuz. By the time this letter is distributed, energy may be much more expensive, or retreated significantly from the recent spike, or there may be no change at all. Each scenario has its own unique consequences—but in all, we believe one universal truth is that the US economy is affected less than the rest of the world.

Heading into the Iran crisis, the US economy was continuing a three-and-a half year post-Covid expansion, with another quarter of above potential growth. Yes, we know the recent revisions cut reported fourth quarter real GDP growth to 0.7%, but that was largely due to the government shutdown—and how that data was treated. The shutdown did cool fourth quarter growth in actual government spending to a 1.3% annual rate but inflation spiked to 7.8%, because wages were measured over fewer hours worked. Thus, the government sector's real GDP was estimated to have shrunk at a -5.9% annual rate, pulling overall growth down by 1.2%. This would normally unwind in the first quarter of 2026, boosting total growth by the same 1.2%, but a smaller government shutdown is underway, so the rebound will likely spread over the first half.

Meanwhile, the US private sector saw real GDP grow at 2.0%, well above our estimate of 1.4% potential GDP now that immigration controls have reduced labor force growth in the US to near zero. True, that came with higher than desirable 3.1% inflation—but the 5.2% nominal growth rate in private revenues exceeded the 4.7% growth rate in compensation. That suggests that profit margins—the key lead indicator in a capitalist economy—were still near record highs.

Bottom line, investment of earlier strong profits in a massive capital spending binge on AI development is underpinning a productivity boom in the US that makes it difficult to think about recession—or even a significant slowing in growth—despite the threat of higher energy prices. Note, the current outperformance in productivity reflects the higher output per hour from just the capital spending on AI—with additional increases from its implementation still to come. As in the late 1990s through 2005, we see above trend productivity from technology investment as a boon to our innovation driven economy—the suburbs of the world.

Since 2019, due to fracking and increased natural gas production, the US has been a net energy exporter—and actually benefits from higher energy prices. That might be a hard sell to consumers facing soaring prices at the pump, but it also means higher tax collection (especially state) and more investment in a growing US industry. Consumers traditionally seek cheaper prices via imports, but tariffs now reduce that desire (and increase taxes as well). We expect more moderation in demand, and inflation, for domestic services—and especially fewer rent hikes—as the most likely ways for the US economy to deal with this oil shock.

Higher energy prices—and indeed access to that energy at any price—is a bigger problem for the rest of the world. Europe receives only a fraction of its energy directly from the Gulf, but, as a major energy importer, still dealing with the repercussions of the Russian gas crisis, it is very price sensitive. Most Gulf oil goes to major manufacturing exporters in Asia—China, India, Japan, South Korea and Taiwan. China is the biggest importer, but likely least affected—as it is still getting shipments from Iran, and the vast majority of its power comes from coal, renewables and domestically produced natural gas. Similarly, India has greater access to Russian oil, now with the US approving purchases of oil at sea (which can easily be switched from Iranian to Russia via the dark fleet). Japan, Korea and Taiwan all depend heavily on imports, and mostly from the Gulf. We expect they will pay dearly—but as they are wealthy, they will maintain access. It is the less developed world that will experience the gas lines of our 1970s. Interestingly, in a post-Covid world, work from home has become a significant solution to transportation fuel shortages.

The electric and electronic exports of Asia are particularly energy intensive, so this oil shock may reduce the natural deflation that has long occurred from rapid technological advance. That is likely one of the major paths for higher energy to affect the US. In turn, sustained higher inflation may keep the Federal Reserve from lowering rates—which will make future advances in equity prices more difficult. Bottom line, in the suburbs of the world, where wealth provides insurance against shocks, a moderation or decline in asset prices is more likely than a recession, or even significant economic slowdown. We expect the press will (correctly) be full of stories about how the bottom of the K-shaped economy is hurt by prices at the pump and higher inflation in general. However, with moderating service inflation, especially rents, and sustained spending by the top of the K, we expect the US economic growth will continue to exceed potential.

Two sources of stimulus that will help mute the energy shock at home are the reduction in tariffs, from 20% to 10%, and larger than normal refunds for those benefitting from the One Big Beautiful Bill. When the Supreme Court struck down IEEPA tariffs Trump quickly replaced them with temporary 10% tariffs—but, so far, has not raised them to 15% as previously announced. Meanwhile, average refunds to the 43% of filers using the new schedule 1-A (no tax on tips or overtime, auto interest deduction, and enhanced senior deduction) are running at $775, more than enough to offset a $50 a month shock at the pumps this summer.

It is not the best of worlds, but not the worst of worlds. Rather it displays the great flexibility of the US economy to adapt to new shocks without the traditional response of layoffs and a downward spending spiral. Unfortunately, the rest of the world may not be so lucky. Bottom line, we expect for the US this episode will play out more in changing prices for goods, services, and assets than in negative repercussions to economic growth.

Investment Commentary

Inflation, Geopolitics, and Staying Disciplined

The first quarter of 2026 confronted investors with a broad set of risks, with many intensified by self-reinforcing market dynamics. Escalating tensions between the United States and Iran introduced a sudden shock to the global oil supply, driving energy prices higher and quickly reigniting concerns around near-term inflation.

As inflation expectations moved higher, interest rates followed suit. Following a higher-than-expected inflation print in February, not including the current spike in oil costs, financial markets steadily declined under the possibility of not just a pause in the Federal Reserve's policy, but rather, renewed rate hikes later this year. Despite these headwinds, equity markets have remained resilient, experiencing only a modest pullback to date.

From a historical perspective, this is not unusual. Over the past several decades, declines of 5% have been commonplace, while 10% corrections and periodic bear markets are part of the normal rhythm of long-term investing. What makes these periods challenging is not the occurrence of drawdowns, but the uncertainty surrounding them.

In real time, it is impossible to distinguish between a routine pull-back and the first stages of a more meaningful downturn. Fundamentals alone rarely provide clarity, as market outcomes in the short term are most often driven by shifting investor sentiment.

Encouragingly, history has consistently proven that periods of weakness have tended to reward disciplined investors. Over the past 75 years, buying equities following monthly declines of 10% or more has, on average, resulted in strong forward returns over one, three, and five-year periods. That said, while the long-term trajectory of financial markets has been favorable, the depth and duration of near-term losses is truly unknowable.

Geopolitical events, while often unsettling, further reinforce this dynamic. During World War II, U.S. equities ultimately generated positive returns despite significant global uncertainty. A similar pattern was seen during the Vietnam War and Operation Iraqi Freedom. Across these significant periods in U.S. history, investors are reminded that markets are forward-looking and tend to begin their ascent far before the uncertainty has settled.

Volatility is an inherent characteristic of market behavior, not a deficiency, and as investors, we must be willing to accept the discomfort of short-term uncertainty in exchange for the potential of long-term returns.

Tax & Estate Planning Insights

Q & A Regarding Trump Accounts

Trump Accounts, which were created under the One Big Beautiful Bill Act in 2025, are slated to become available on July 4, 2026.

What exactly is a Trump Account?

A Trump Account is a custodial traditional IRA for U.S. children under age 18.

Who is eligible for a Trump account?

Children under age 18 with a Social Security Number are eligible.

How do you open a Trump account?

An account may be opened by filing IRS Form 4547 or through an upcoming online tool at ***trumpaccounts.gov.***

Who is eligible for the $1,000 seed contribution I have heard about?

U.S. Citizen children born between January 1, 2025 and December 31, 2028 are eligible for this contribution.

How much can be contributed to a Trump Account?

A maximum of $5,000 per year can be contributed. This does not include the $1,000 Government contribution or qualified contributions from charitable organizations.

Who can contribute?

Individuals, employers, and charitable organizations can contribute.

How would employer contributions and employee deferrals work?

Employers that offer this feature may contribute up to $2,500 per year per employee and employees may contribute on a pre-tax basis.

What are the investment options?

In general, investment options will be limited to index-based, low-cost ETFs or mutual funds having 90% or more of the fund's assets invested in U.S companies.

When can funds be withdrawn from Trump accounts?

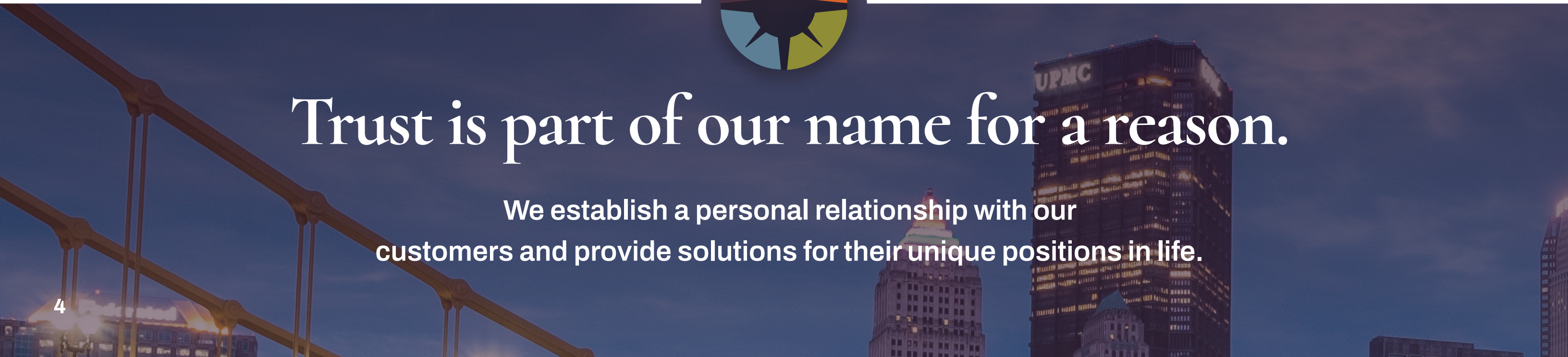
Funds generally cannot be withdrawn until the year in which the individual owner turns 18. This is known as the growth period of the account.

What happens when the individual owner turns 18?

The account will function as a traditional IRA, can be rolled over to another traditional IRA, or can be converted to a Roth IRA.

How will distributions be taxed after the owner turns 18?

Withdrawals of contributions made by individuals are treated as basis and are not taxed, but earnings and contributions from non-individuals are subject to ordinary income tax rates. Distributions before age 59 1/2 are generally subject to a 10% excise tax penalty, with exceptions.



Cybersecurity Awareness

Tax Season or Scam Season?

Every year around tax season, the same thing happens. People are expecting a refund. Or they're stressed about what they might owe. And right on cue, scammers show up to take advantage of both.

IRS Impersonation Is Still the #1 Scam

You get a call, email, or even a text saying it's the IRS. They'll claim:

- You owe money immediately
- You're about to face legal action; or
- You need to "verify" your information

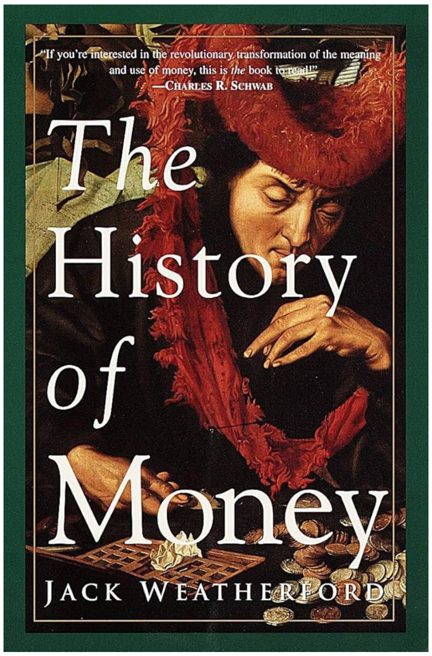
Here's the truth, the IRS does not:

- Reach out via email or social media to ask for personal info
- Demand immediate payment
- Ask for payment via gift cards or cryptocurrency
- Leave threatening or urgent voicemails

The emails look real. The calls sound convincing and stories believable. But the underlying tactics haven't changed: urgency, fear, and pressure. If it feels aggressive or rushed, it's a scam.

Social Media "Tax Hacks" Can Get You Burned

There's a ton of tax advice floating around on TikTok, Instagram, and YouTube right now. Some of it is flat-out wrong or intentionally misleading. If it sounds like a loophole that "everyone is using," take a step back and verify it with a real professional.



The History of Money,
by Jack Weatherford

★★★☆☆

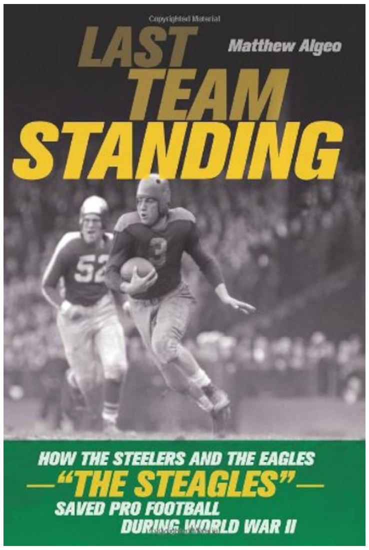
Review by: Samuel K. Adams

A topical history of money, the book begins by describing the commodities first used as money. Aztecs used cacao beans, with enterprising Aztecs counterfeiting the husks by replacing the beans with mud. Next is Lydia, a city-state in Anatolia, where metallic coins were first used around 560 BC. Coins then spread to Greece and later Rome. Following the Dark Ages, money reappeared through the Knights Templar and the Italian banking families, with the author crediting the birth of the Renaissance to the success of the Florentine bankers. Fibonacci introducing Arabic numerals to Europe, which the Arabs borrowed from India, accelerated the use of money. This simplified system replaced Roman numerals, which were difficult to multiply and divide. Next is the discovery of gold and silver in the New World, with the Spanish and Portuguese shipping enormous amounts home, much of which was imprudently spent and ended up in manufacturing centers located outside of such countries. The author then pivots to a Bohemian silver mine where the produced coins were called talers, which when translated into English became dollars. The Scots adopted the term to distinguish their currency from their southern neighbors and brought such parlance to the United States. London's role as the world's financial center is the next topic, followed by the gold standard and its adoption by the United States. The constraints of the gold standard resulted in a children's book written in 1900 and titled The Wonderful Wizard of Oz, which was an allegory on the Populist push for a bimetallic-backed dollar in the 1890s. Modern developments are then relayed, including the closing of the gold window, credit usage and the rise of credit card companies. Finally, the author, writing in 1997, predicts the rise of alternative currencies outside the realm of state-backed money.

Enjoyable to read with many interesting etymological data points, the book presents the arc of money over history and is recommended for anyone interested in learning about the development of perhaps the most powerful force in mankind's history.

Submit a Review!

To submit a review to future publications, email your review to **forecast@smithfieldtrustco.com** by the 15th of each March, June, September, and December. Reviews should be between 200-275 words and include a rating out of 5 stars.

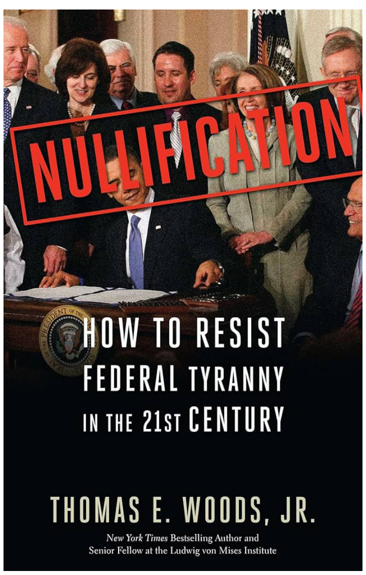


Last Team Standing
by Matthew Algeo

Review by: Henry Haller, III

As the 1943 NFL season was about to get started, teams found themselves with a serious problem. Due to the large number of players who had either been drafted or enlisted to fight in the war, there was an unprecedented shortage of players. The Pittsburgh Steelers had only 6 players under contract. Across the state, the Philadelphia Eagles had only 16. To solve this problem, the owners – Art Rooney and Bert Bell of the Steelers, and Lex Thompson of the Eagles – came up with a novel solution. The teams would merge for one year and the combined roster would be adequate for the season. This was applauded by the league as well because the Cleveland Rams had disbanded all together, leaving the league with an odd number of teams. Scheduling would be much easier with the merger reducing the number of teams once again to an even number. The merged team came to be known as "the Steagles," and this book is the story of that team.

In addition to the football season, there is a great deal of history in this book. It goes beyond the history of the NFL to describe what life was like on the home front during World War 2. Because of the shortage of manpower, players were encouraged to take a day job in a defense industry. Thus, players worked 40 or more hours through the week and then practiced football in the evenings and played their games on Sundays; it was a brutal schedule. This was just one of many war related issues that disrupted normal life for most people. I would highly recommend this book to anyone interested in history and in sports.



Nullification,
by Thomas E. Woods, Jr.

Review by: Henry Haller, III

In June of 1788, when New Hampshire became the ninth state to ratify the Constitution, it became the official framework for the United States government. It established boundaries for what the federal government was allowed to do. All powers not delegated to the federal government were to be retained by the states. If the Congress passed a law that exceeded these boundaries, it was up to the courts to declare it null and void.

In 1798 this happened when the Congress passed the Alien and Sedition Acts. The Sedition Act in particular clearly violated the First Amendment in that it criminalized speech that criticized the government. However, the courts refused to do their duty regarding these acts. What to do? Thomas Jefferson had the answer. He drafted resolutions that concluded "whensoever the general government assumes undelegated powers, its acts are unauthoritative, void, and of no force." This became the Kentucky Resolutions of 1798, and were followed in similar fashion by the Virginia Resolutions of 1798.

Thomas Woods recounts the history of these resolutions in this book, and considers whether something similar could happen now. For example, many states have legalized the use of marijuana, in effect nullifying the federal prohibition. Similarly, many cities have refused to cooperate with federal immigration agents. However, no formal statement of nullification is likely to be forthcoming. Perhaps a modern day resolution of nullification by a state would be appropriate, given that most members of Congress today do not even seem to consider whether their laws pass Constitutional muster.

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