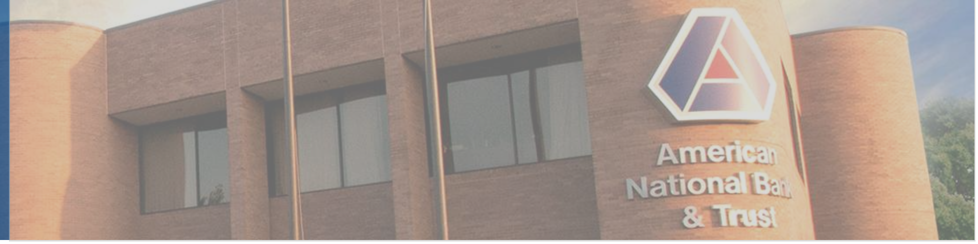
April Market Update

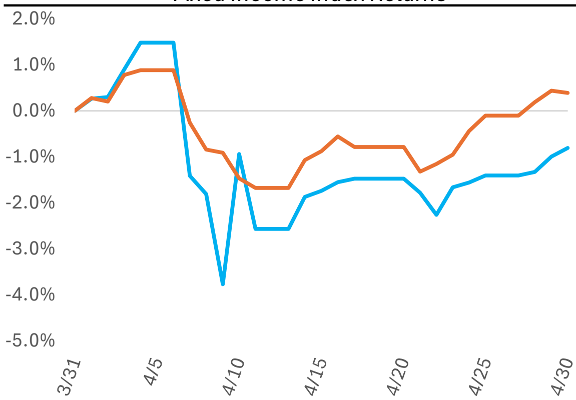
As of 4/30/2025 | amnat.com



Macro & Market View: Pre-Earnings Caution

Interest rate policy uncertainty, domestic and international growth, the U.S. consumer, inflation, investor sentiment and presidential policy changes have all contributed in one way or another to recent negative returns in broad fixed income benchmarks as well as in broad equity benchmarks, shown below. Over the past month, equity markets have declined for the broad US stock indices, while stock and bond market correlations have been 35% and 15% for the aggregate corporate and municipal bond markets, respectively. Historically, April has generated a positive equity market return as measured by the S&P 500 index of 1.68% on average; however, the market underperformed with a return of -0.68% for the month. Equity returns this year are negative at -4.93% for the S&P 500 index, while the US Aggregate bond index returned 3.18%.

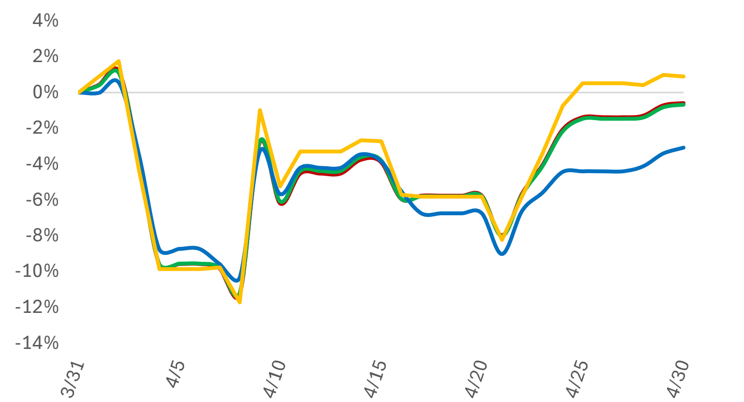
Fixed Income Index Returns



April Returns

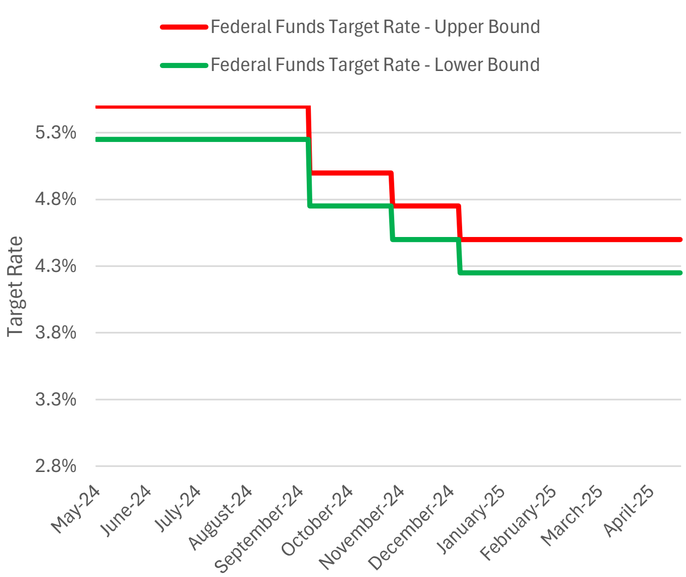
US Aggregate	0.39%
US Municipal	-0.81%
Russell 1000	-0.60%
S&P 500	-0.68%
Dow Jones	-3.08%
Nasdaq	0.88%

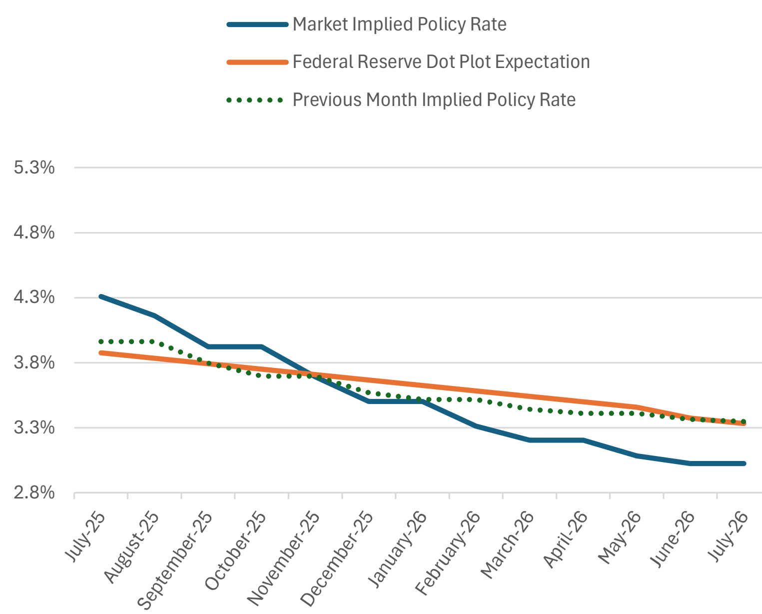
Equity Index Returns



Source: Bloomberg LP, Calculations by ANB&T - Trust & Wealth Management

Market participants are forecasting the Fed policy rate to be lowered over the next twelve months, although that is far from a certainty. An important note is that market participants expect rates to be lower than the Fed's reported expectation for this year. The next Federal Reserve meeting to discuss monetary policy is scheduled for May 7th. The overall expectation is for the policy rate to be lowered by 128 basis points (actual estimate of -1.3%) to 3.03% by June 2026. The change in market participants' view of what the Federal Reserve should do can be understood in the context of the inflation data measured by Consumer Price Index ('CPI'), the Personal Consumption Expenditures ('PCE'), and expected unemployment.





Source: Bloomberg LP, Calculations by ANB&T - Trust & Wealth Management

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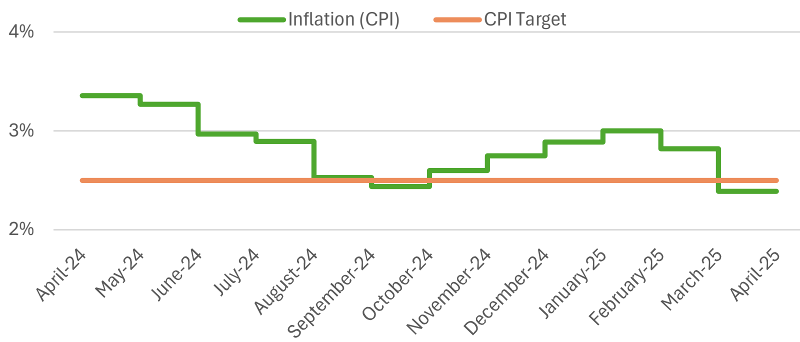

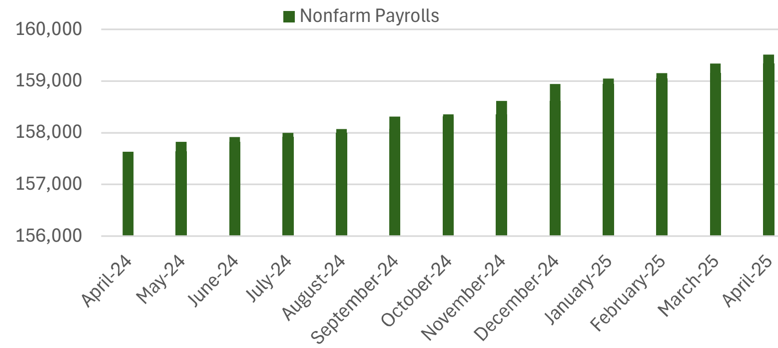

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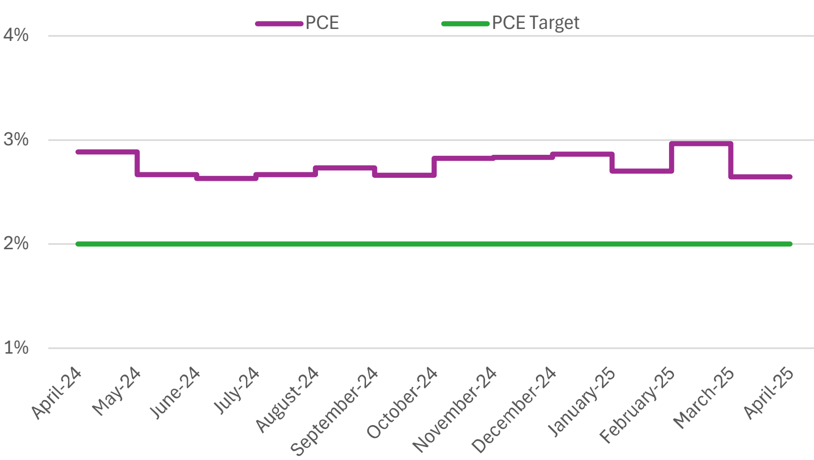
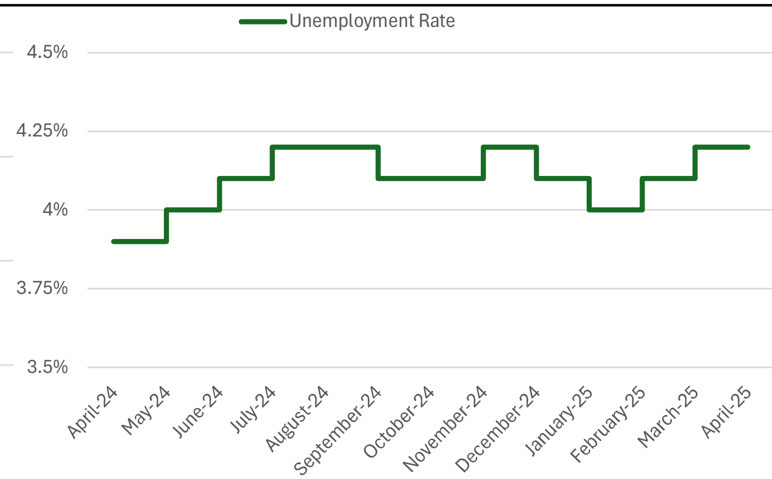
As shown in the US CPI Consumers year-over-year chart above, April saw the past year's downward trending inflation continue and, since February, in a downward trend above the target at an average 2.73%. Additionally, nonfarm payrolls continue to trend upward, which influences, in part, whether or not the Federal Reserve will continue lowering interest rates. However, as the data shows, the downward inflation improvements toward the Fed target of 2.5% gives market participants hope that the period of climbing interest rates will end in the next twelve months. Historically, the inversion, and more importantly, the reversion of the treasury yield curve signaled the economy was near a recession, but as discussed in previous updates, broad consumption has continued to bolster the economy. Historical indicators are useful for understanding past events but need validation in this economic cycle.

The chart below on the right shows the unemployment rate sitting at 4.2%, an increase from 3.9% one year ago. We also include the year-over-year change in the PCE and note the moves into positive territory last year before reaching the July 2024 lows as we have headed into 2025. The Federal Reserve closely monitors inflation measured by the PCE and the CPI as part of their dual mandate of maximum employment and price stability. The positive progress on inflation has been welcomed as it reflects moderation in price increases, but comparing PCE to the target suggests that the current downtrend in inflation may stay above the Fed's target level as economic data adjustments are released.





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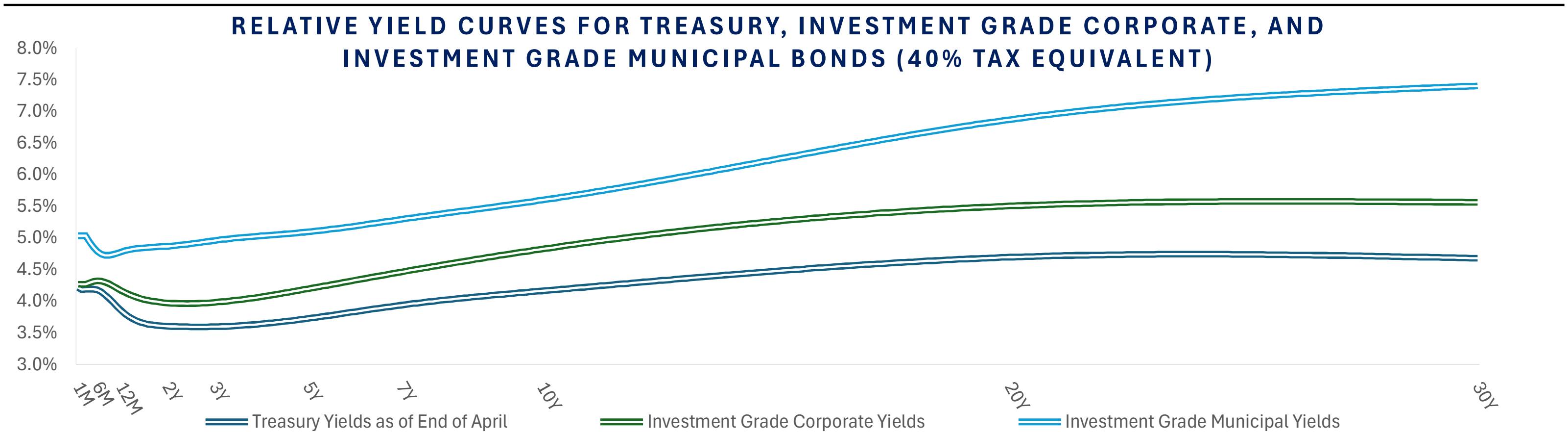
April's reported sales and earnings were broadly a positive surprise, with the Health Care and Communication Services sectors being negatives. Of the 363 companies that reported in the Russell 1000 index for April, 111 had positive sales surprise and 137 had positive earnings surprise; we consider this positive surprise to be a tailwind for equity valuations for the next quarter. For the month, the overall sales and earnings surprise is positive at 0.83% and 1.98%, respectively, with companies being more resilient than consensus analyst estimates.

Our investment process blends active fixed income with dynamic long-only equity strategies. Our Legacy portfolio blends long-term growth and value on a discretionary basis, while our Dividend portfolio seeks lower volatility and higher current income. We also have Momentum and Quality strategies that are data-driven, factor tilt portfolios. The Momentum portfolio benefits from positive momentum while remaining well-diversified. The Quality portfolio blends low volatility with momentum to produce a portfolio of high quality equity income and positive momentum. For investment themes with more international exposure, our Benjamin Builder solutions complement the other equity strategies and offer an efficient method to invest broadly across geography, style, and sector using an institutional, active process.

Total returns in the fixed income markets were mixed for April. Interest rates in the taxable market once again moved lower, while those in the tax-free market moved higher. The 10-year US Treasury yield decreased by 4 basis points month-over-month, ending at 4.17%. The Federal Open Market Committee (FOMC) last met on March 19th and left short-term interest rates unchanged, with the effective rate at 4.33%. Month-over-month, the US Treasury curve steepened as the 2-year US Treasury yield decreased by 28 basis points, and the 20-year US Treasury yield increased by 9 basis points. The tax-free municipal curve flattened, with short-term rates rising by 20 to 25 basis points and longer-term rates only rising by about 15 basis points. April brought volatility that we have not seen since 2020, with the 10-year US Treasury yield trading in a range from 3.99% to 4.49% during the month. Volatility was even higher in tax-free municipals, with the 10-year AAA base yield trading in the range from 2.94% to 3.80%, before finally ending the month at 3.34% - only 16 basis points higher than where the month began. When volatility increases, so does opportunity, and we took advantage of higher yields during the month of April to unlock the potential for higher returns moving forward.



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The equity market, measured by the S&P 500 Index has experienced robust returns in recent years, driven by technology innovation. In April, our long-term approach allowed us to take advantage of reasonable valuations as market sentiment changed based on expected trade negotiations through U.S. tariffs. We expect market volatility to continue this year for equity markets and use the opportunity to add strong companies at good valuations. For fixed income markets, we expect the data-informed Federal Reserve to adjust their outlook on the economy as new data is available. The U.S. economy faced a contraction in GDP at an annual rate of 0.3% in the first quarter, primarily due to increased imports and tariffs. While the U.S. economy is projected to grow at a healthy pace, concerns linger about the potential impact of the new administration's policies on trade and employment. We evaluate the investment landscape based on the shape of that policy and adjust our expectations as markets and their expectations change. As the perception is that interest rates will continue to decline in the second half of this year, corporate and municipal bonds can provide a real rate of total return that includes current income and price appreciation. While technology innovation continues to strengthen for businesses, we expect productivity enhancements to be long-term due to enterprise education and adoption of tailored AI services. These factors lead us to blend value and growth investments across equities and seek relative value fixed income that complement your financial goals and risk appetite. Thank you for your continued trust in allowing us to manage your financial assets.

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