

# August Market Update

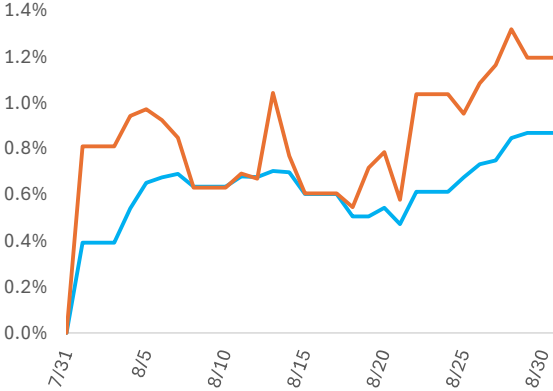
As of 8/31/2025 | amnat.com



## Macro & Market View: Vacation Lull

We remain focused and assess how policy decisions affect the outlook for economic growth for the rest of the year. Steady investor sentiment and a watchful stance reflected interest rate and growth uncertainty. Over the past month, equity markets have risen for the broad US stock indices, while stock and bond market correlations have been 39% and 54% for the aggregate corporate and municipal bond markets, respectively. Historically, the month of August has generated a positive equity market return as measured by the S&P 500 index of 0.48% on average; however, the market outperformed with a return of 2.03% for the month. Equity returns this year are positive at 10.78% for the S&P 500 index, while the US Aggregate bond index returned 4.99%.

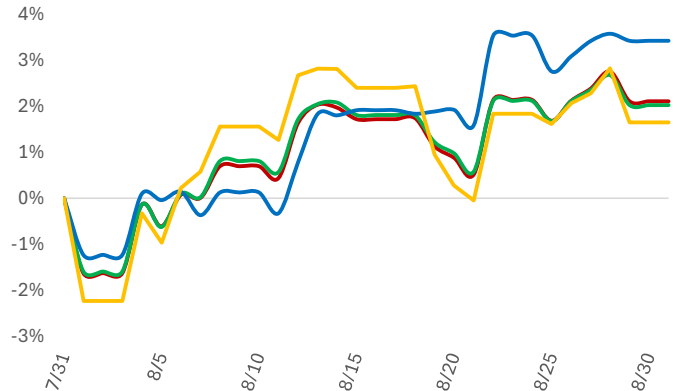
### Fixed Income Index Returns



### August Returns

US Aggregate	1.20%
US Municipal	0.87%
Russell 1000	2.10%
S&P 500	2.03%
Dow Jones	3.42%
Nasdaq	1.65%

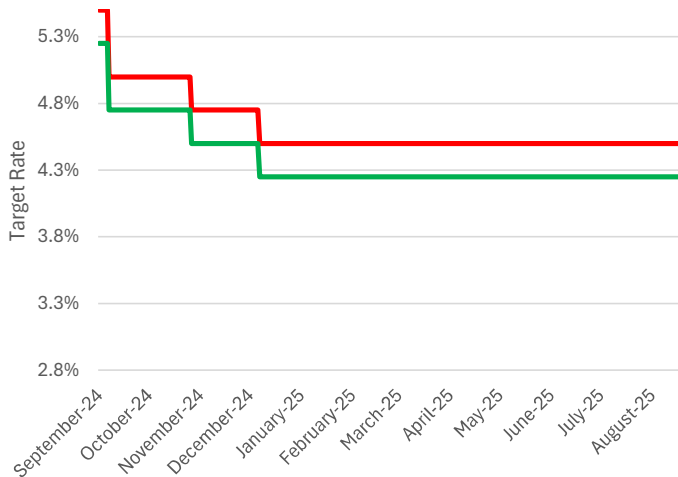
### Equity Index Returns



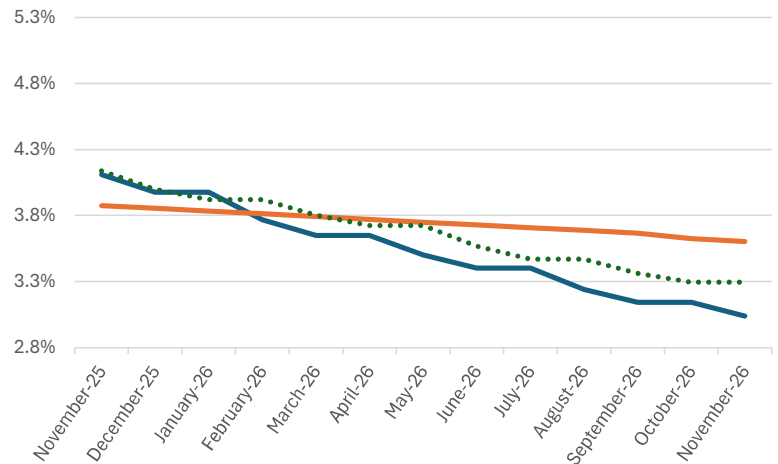
Source: Bloomberg LP, Calculations by ANB&T - Trust & Wealth Management

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 the next twelve months. The next Federal Reserve meeting to discuss monetary policy is scheduled for September 17th. The overall expectation is for the policy rate to be lowered by 107 basis points (actual estimate of -1.1%) to 3.04% by October 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.

Federal Funds Target Rate - Upper Bound  
Federal Funds Target Rate - Lower Bound



Market Implied Policy Rate  
Federal Reserve Dot Plot Expectation  
Previous Month Implied Policy Rate



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

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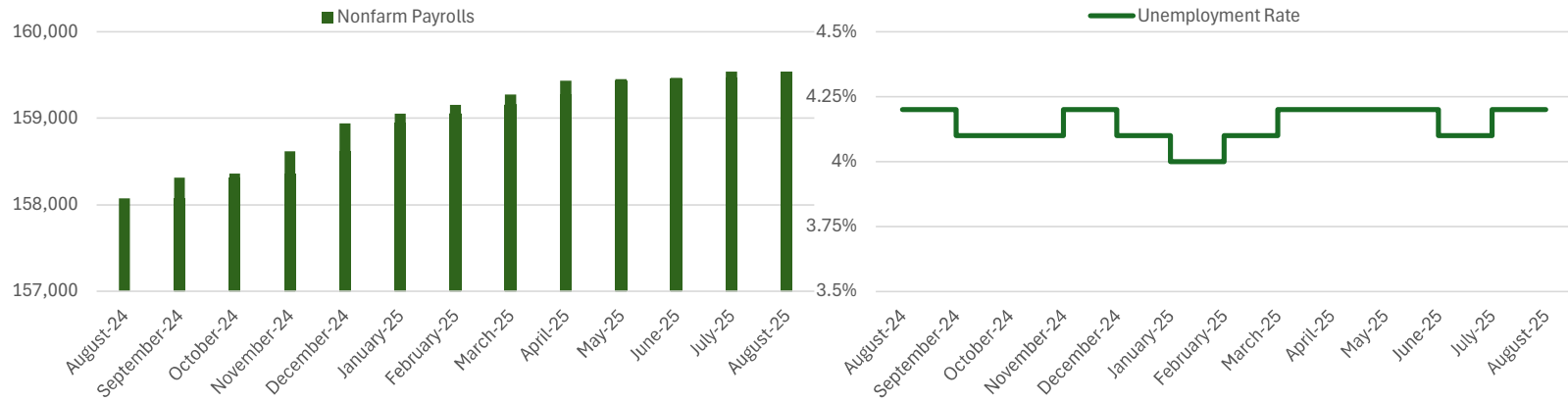
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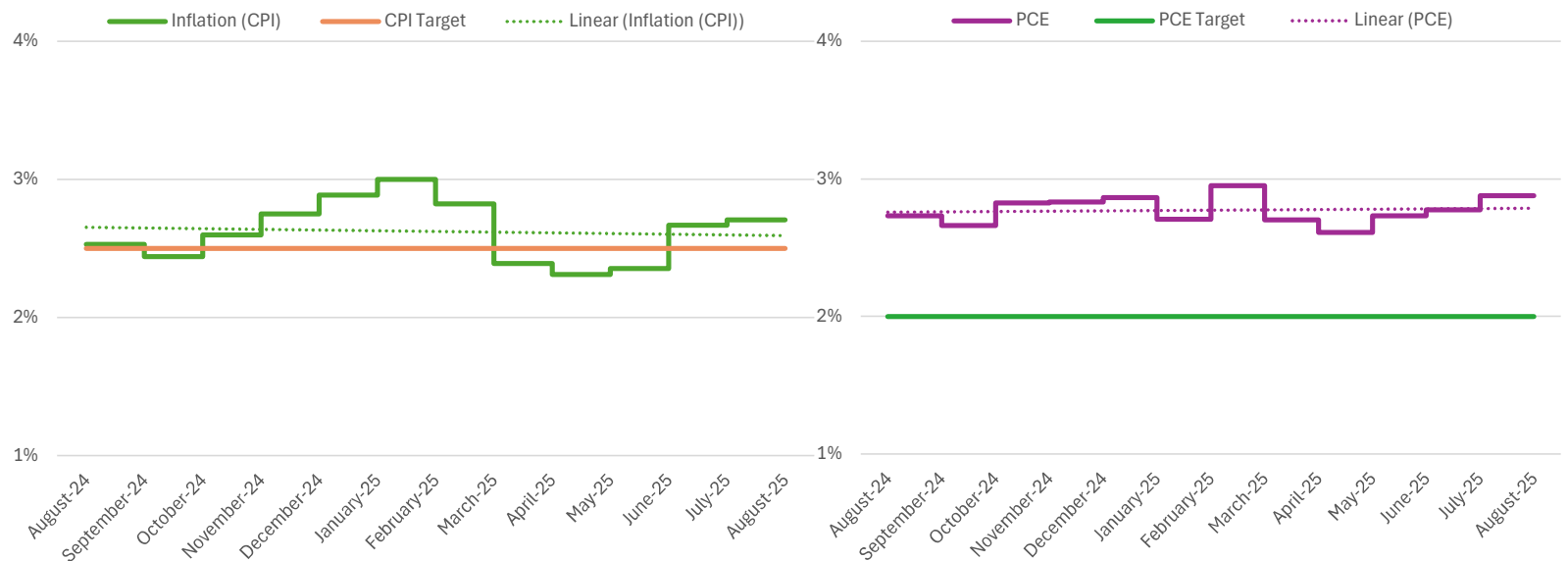
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Nonfarm payrolls continue to trend upward, which influences, in part, whether the Federal Reserve will continue lowering interest rates. In isolation, an upward trend in payrolls tends to influence the Federal Reserve to raise interest rates to manage growth. The chart below on the right shows the unemployment rate sitting at 4.20%, which is unchanged from 4.20% one year ago. The data informs the perspective that growth has been strong with market expectations and sentiment indicating some macroeconomic weakness. This situation highlights the Federal Reserve's complex 'dual mandate' of achieving maximum employment and price stability. The continued upward trend in nonfarm payrolls points towards robust employment. However, if this strength is perceived as potentially inflationary, or if the rise in unemployment (despite payroll gains) signals a turning point that could lead to a sharper slowdown later, the Fed faces a delicate balancing act.



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

As shown in the US CPI year-over-year chart on the left below, August saw the past year's downward trending inflation continue and, since June, an upward trend above the target ending at 2.70%. As the data shows, the downward inflation improvements toward the Fed target of 2.5% gives market participants hope that interest rates will continue to be reduced. We also include the year-over-year change in the PCE and note the increases in March before receding to the May lows. The Federal Reserve closely monitors inflation measured by the CPI and the PCE as part of their dual mandate of maximum employment and price stability. The 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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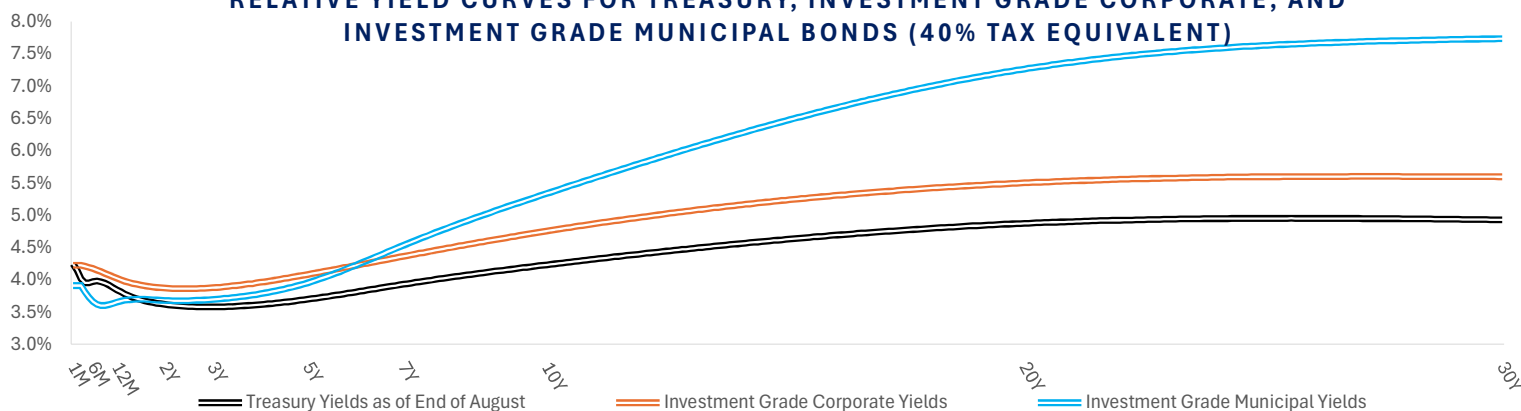
August's reported sales and earnings were broadly a positive surprise, with the Financials and Utilities sectors being the negative surprise. Of the 405 companies that reported in the Russell 1000 index for August, 272 had positive sales surprise and 294 had positive earnings surprise; we consider this 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 0.94% and 4.65%, 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.

Fixed income markets delivered positive total returns in August, with taxable bonds leading at just over 1% gains and municipals following at just under 1%. U.S. Treasury yields fell across the curve, with the 10-year down 14 bps to 4.23%, while the municipal market saw the sharpest moves on the short end. The Treasury curve steepened as the 2-year dropped 34 bps and longer maturities held steadier, and the municipal curve also steepened with short rates falling more than long rates. Volatility eased, with the 10-year trading in a narrow range of 4.19%–4.37%, and municipal volatility remained muted. These shifts supported stronger market values across both sectors.

Looking ahead, periods of volatility can create opportunities to capture higher yields, which remain attractive relative to recent history. While the inverted Treasury curve traditionally signals recession risk, consumer spending has kept growth resilient. We continue to monitor traditional indicators but believe today's environment requires reassessing their weight, and we remain focused on positioning portfolios to enhance return potential.

### RELATIVE YIELD CURVES FOR TREASURY, INVESTMENT GRADE CORPORATE, AND INVESTMENT GRADE MUNICIPAL BONDS (40% TAX EQUIVALENT)



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

August saw a significant divergence between improving domestic inflation data and heightened geopolitical risk, leading to weakness in equities and a flight to quality in other asset classes. We evaluate the investment landscape based on how these factors influence policy and investor sentiment, and we adjust our strategy as market expectations change. The Federal Reserve reiterated its cautious stance even as inflation increased slightly to 2.7%. We expect this market volatility to continue and are using the opportunity to add strong companies at reasonable valuations. This uncertainty has shifted investor focus. In fixed-income markets, corporate bond issuance surged at its fastest pace since 2020 as falling yields attracted strong demand. As the market anticipates an eventual policy shift from the Fed, we believe bonds can provide a real rate of total return that includes both current income and potential price appreciation. Similarly, safe-haven assets saw significant inflows, with gold surpassing \$3,420 per ounce. At the same time, innovation in digital assets continues to mature, transforming the investment landscape. These developments are fostering increased institutional interest and lead us to believe that the digital asset ecosystem like Coinbase are becoming a more integral part of diversified, long-term portfolios. These factors lead us to blend value and growth investments across equities and seek relative value in fixed income and liquid alternatives that complement your financial goals and risk appetite. Thank you for continuing to trust us to manage your financial assets.

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