AUGUST

MARKET UPDATE

Was The Market On Vacation Or Hard At Work?

As of August 31st, 2026



AUGUST AT A GLANCE

S&P 500

+2.72%

Broad U.S. equities posted a strong August gain.

NASDAQ

+3.99%

Technology-oriented stocks led major indexes higher.

10-YR UST

4.75%

Treasury yields remained elevated during the month.

CPI INFLATION

3.36%

Inflation moderated but remains above target.

THREE CLIENT TAKEAWAYS

Equities Advanced

Broad U.S. equity markets moved higher in August, supported by resilient corporate earnings and continued enthusiasm surrounding artificial intelligence investment.

Inflation Moderated

CPI declined to 3.36% year over year, extending the recent downward trend, although inflation remains above the Federal Reserve's longer-term objective.

Earnings Held Up

Approximately 78% of reporting Russell 1000 companies exceeded earnings expectations in August, providing continued fundamental support for equity markets.

THE MONTH IN ONE SENTENCE

August delivered strong equity returns as resilient corporate earnings and continued AI investment outweighed persistent inflation, elevated interest rates, and an increasingly complex policy backdrop.

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THE BIG PICTURE

WHAT THE ECONOMIC DATA IS TELLING US

Policy Expectations Continue to Point Toward Higher Rates

Market participants maintained a relatively restrictive view of Federal Reserve policy during August. By month end, market pricing suggested that the policy rate could rise approximately 43 basis points over the coming year, reaching roughly 4.22% by October 2027.

Importantly, investors continue to expect interest rates to remain elevated for an extended period. A future rate increase remains far from certain, but persistent inflation and continued economic resilience have reduced expectations for meaningful near-term easing.

The next Federal Reserve meeting is scheduled for September 16. Investors will be watching closely for additional guidance regarding inflation, employment conditions, economic growth, and the future path of monetary policy.

Inflation Continues to Moderate, but Remains Above Target

August inflation data provided further evidence that price pressures may be gradually easing. The Consumer Price Index, or CPI, ended the month at 3.36% year over year, extending the decline from June levels but remaining above the Federal Reserve's longer-term objective.

Personal Consumption Expenditures, or PCE, measures also remain elevated relative to policy targets. Recent readings suggest inflation has moderated from earlier highs, although progress remains uneven.

The improvement has been welcomed by markets, but continued economic resilience and persistent underlying price pressures could keep inflation above target longer than policymakers would prefer.

Employment Remains Stable, but Momentum Is Moderating

Nonfarm payrolls continued to trend higher during August, although the pace of employment growth remained relatively subdued. The unemployment rate stands at 4.10%, compared with 4.30% one year ago.

The data suggests that the labor market remains stable but is no longer accelerating at the pace seen earlier in the economic cycle. Moderating employment growth could point toward softer economic momentum, while persistent inflation limits policymakers' ability to provide additional monetary support.

Investors Expect Rates to Remain Elevated

Following the August economic data, market pricing continued to suggest that short-term interest rates may remain elevated and could potentially move modestly higher over the next twelve months.

The outlook remains dependent on whether inflation continues its recent downward trend and whether labor-market conditions weaken more meaningfully. Until inflation control demonstrates sustained progress, the Federal Reserve is likely to maintain a cautious and data-dependent approach.

Effective Policy Rate:	Unemployment Rate:	PCE:
3.63%	4.10%	3.36%

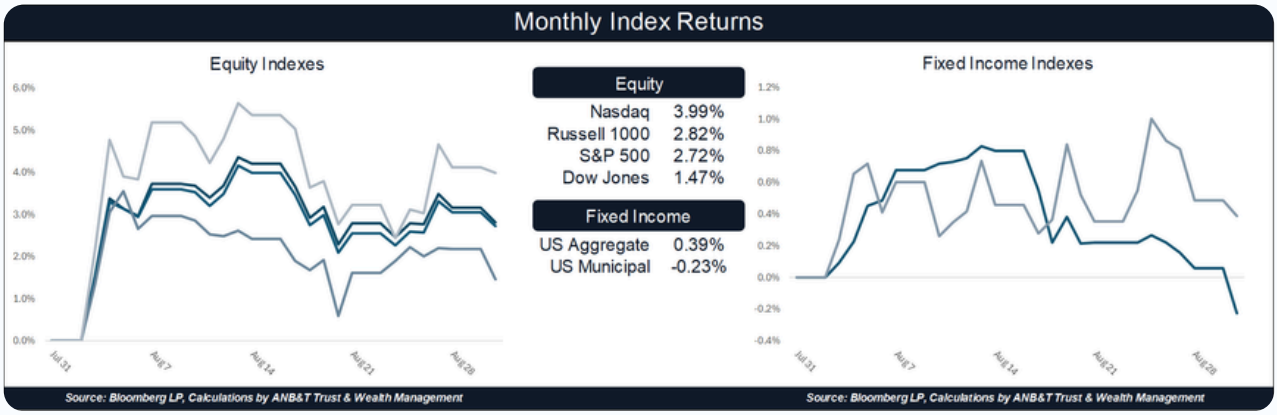
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MARKET PERFORMANCE



WHAT DROVE MARKETS

Stock Market Indexes Were Influenced By:

- Continued resilience in corporate earnings and sales results.
- Strong performance from technology-oriented and growth-sensitive areas of the market.
- Continued investment surrounding artificial intelligence and related infrastructure.
- Persistent inflation and expectations that interest rates may remain elevated.
- Ongoing investor debate surrounding valuations after a strong period for equities.

August earnings provided another constructive fundamental signal. Of the 429 companies reporting within the Russell 1000, 294 companies, or 69%, posted positive sales surprises, while 336 companies, or 78%, exceeded earnings expectations. Overall sales and earnings surprises were 3.43% and 16.55%, respectively. Energy and Real Estate produced some of the strongest positive surprises, reinforcing the benefits of maintaining diversified exposure across sectors rather than relying exclusively on the market's largest growth companies.

Bond Market Indexes Were Influenced By:

- A modest increase in the 10-year Treasury yield, ending August near 4.75%.
- A roughly 5-basis-point increase in the 2-year Treasury yield.
- Continued pressure from persistent inflation and restrictive Federal Reserve expectations.
- A steepening of portions of the Treasury and municipal yield curves.
- Attractive income levels relative to much of the previous decade.

Fixed income markets produced mixed total returns during August. Taxable bonds gained 0.39%, while municipal bonds declined 0.23%.

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

WHAT WE ARE WATCHING AND HOW WE ARE POSITIONING

Markets enter the final months of 2026 navigating a landscape shaped by resilient corporate profitability, moderating but persistent inflation, elevated interest rates, and continued investment surrounding artificial intelligence. While uncertainty remains elevated, we continue to focus on the factors that can influence long-term outcomes and drive portfolio decisions.

KEY THEMES GUIDING MARKET BEHAVIOR

1. Whether CPI and PCE inflation continue moving sustainably toward Federal Reserve targets.
2. Labor-market stability alongside moderating payroll growth.
3. Whether markets continue to price a more restrictive Federal Reserve policy path.
4. Earnings durability as equity valuations become increasingly dependent on company fundamentals.
5. Relative-value opportunities created by elevated bond yields and changing yield curves.
6. Artificial intelligence investment, infrastructure development, electricity demand, and the ability to translate spending into durable profitability.
7. Elevated equity valuations and whether continued earnings growth can justify current market multiples.
8. The resilience of consumer spending and economic growth despite elevated borrowing costs and geopolitical uncertainty.

PORTFOLIO POSITIONING AT A GLANCE

Quality U.S. Equities
Focused on durable businesses, dependable cash flow, and reasonable valuations

Government & Investment-Grade Credit
Emphasized for stability, liquidity, and dependable income.

Strategic Global Allocations
Used to diversify macro and policy risk across regions and sectors.

Selective Alternatives
Including gold and ongoing digital asset research as a part of a responsive portfolio toolkit.

This environment argues for discipline rather than retreat. Strong corporate earnings, compelling bond income, and long-term structural investment themes continue to provide opportunities, but portfolio returns may become increasingly dependent on security selection, quality, and valuation.

Our approach continues to pair growth opportunities with defensive positioning so portfolios remain aligned with long-term objectives while remaining responsive to changing economic and market conditions.

Thank you for your continued trust in American National Bank & Trust for your financial needs.

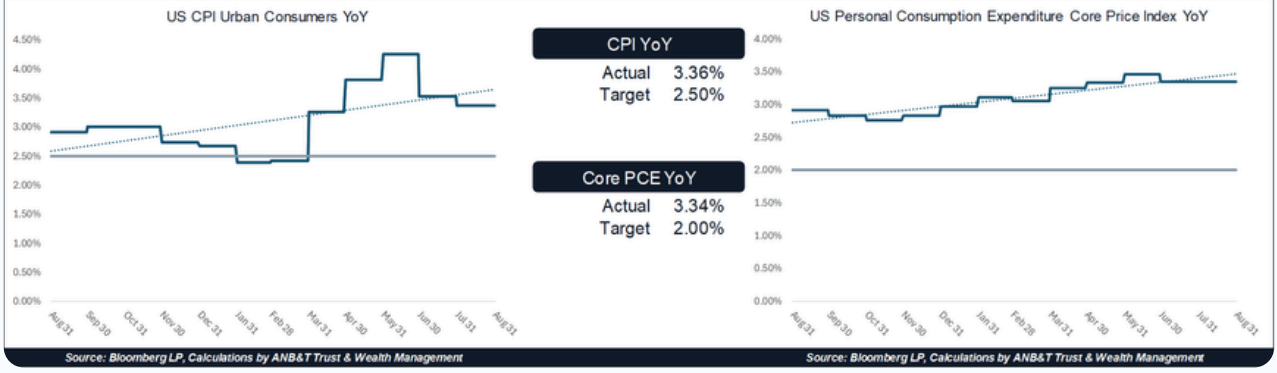
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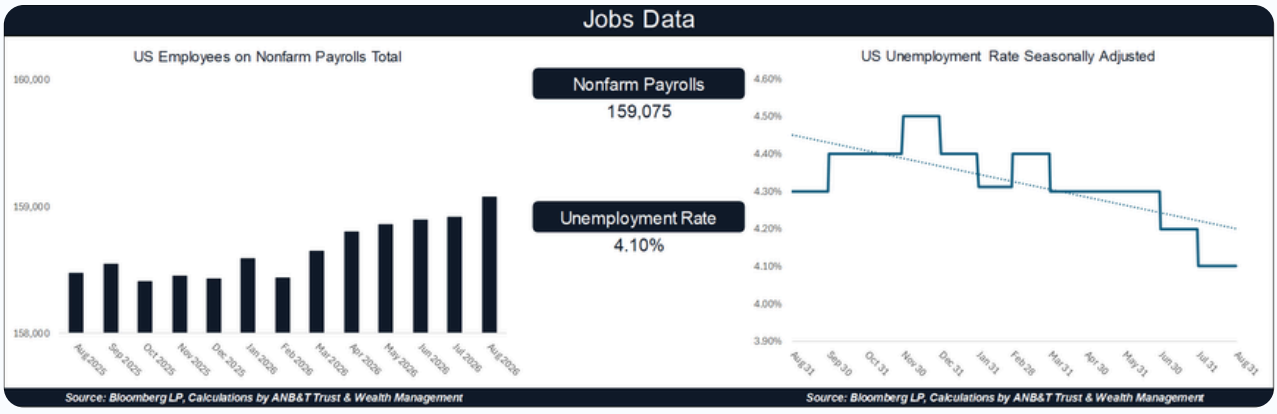
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CHART BOOK

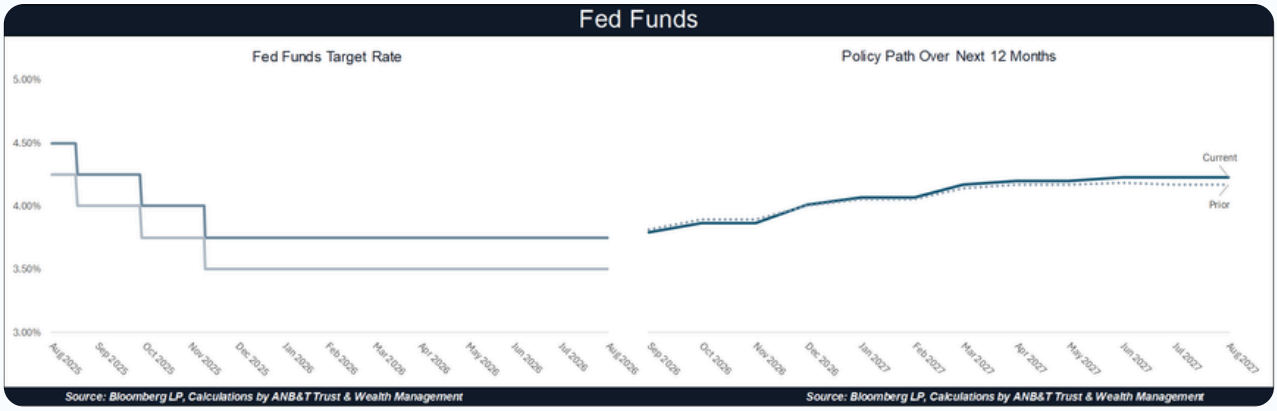
Inflation Data



Jobs Data



Fed Funds



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