JUNE MARKET UPDATE

SUMMER PAUSE
SECOND HALF FOCUS

As of
June 30th, 2026



Summer Pause, Second-Half Focus

After a strong start to the year, U.S. equity markets took a measured step back in June. The S&P 500 declined 1.22%, the Russell 1000 fell 0.77%, and the Nasdaq retreated 3.16%. The Dow Jones Industrial Average moved against the broader trend, gaining 2.56%, as investors rotated toward more defensive and value-oriented areas of the market.

Fixed income provided stability during the month. The U.S. Aggregate Bond Index gained 0.31%, while U.S. municipal bonds returned 0.92%. Despite modestly higher Treasury yields, attractive income and demand for high-quality bonds supported positive total returns across taxable and tax-free markets.

Investor sentiment remained steady, yet watchful. Markets entered the second half of the year balancing persistent inflation pressure, a gradually moderating labor market, and the possibility that Federal Reserve policy may remain restrictive longer than previously expected. The result was a month that rewarded diversification, disciplined risk management, and an emphasis on durable portfolio fundamentals.

The Big Picture

Policy Expectations Shift from Easing Toward Possible Tightening

Market participants moved toward a more restrictive view of Federal Reserve policy during June. By month end, market pricing suggested that the policy rate could rise approximately 31 basis points over the next year, reaching roughly 4.02% by August 2027.

Importantly, market expectations remained above the Federal Reserve's reported projections. This divergence reflects persistent inflation pressure and uncertainty about whether current policy is sufficiently restrictive to return inflation to target.

The next Federal Reserve meeting is scheduled for July 29. Investors will be watching closely for additional guidance regarding inflation, employment conditions, and the possibility of future policy tightening.

What the Economic Data is Telling Us

Inflation Continued to Reaccelerate in June

June inflation data reinforced concerns that progress toward price stability has become increasingly uneven. The Consumer Price Index, or CPI, ended the month at 4.25% year over year, continuing the upward trend that began during the spring and remaining well above the Federal Reserve's target.

Personal Consumption Expenditures, or PCE, readings also remained elevated, with the latest measure near 3.43%. Although inflation remains below the highs experienced earlier in the cycle,

the recent direction suggests that price pressures may be proving more persistent than policymakers anticipated.

These readings help explain why markets have moved away from expectations for near-term rate cuts and toward the possibility that interest rates remain unchanged or move modestly higher. ***(See Chart Book)***

Employment Remains Resilient, but Momentum Is Moderating
Nonfarm payrolls continued to trend higher during June, but the pace of employment growth moderated. Employers added approximately 57,000 jobs, while the unemployment rate stood at 4.20%, compared with 4.10% one year ago. ***(See Chart Book)***

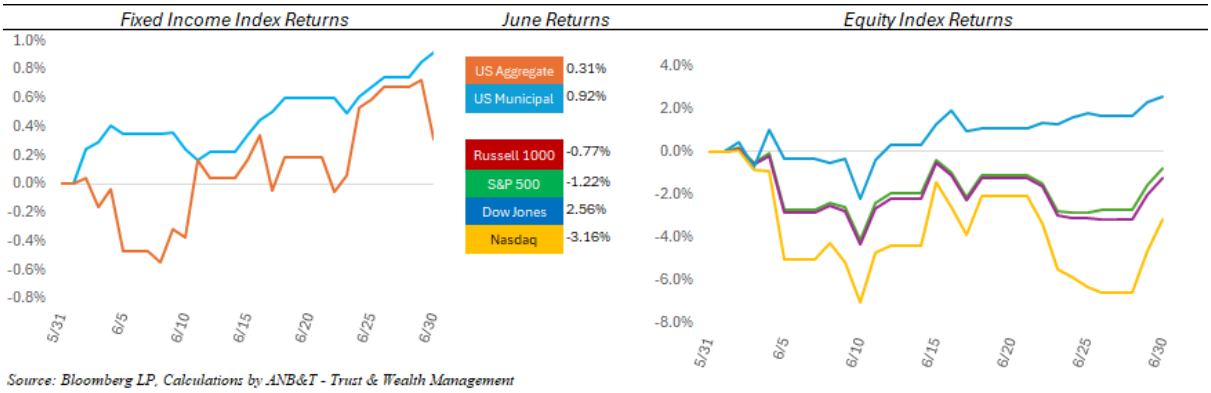
The data suggests that the labor market remains stable, but is no longer accelerating at the pace seen earlier in the economic cycle. This creates a complicated environment for the Federal Reserve. Slower job growth may point toward softer economic momentum, while persistent inflation limits the Fed's ability to provide additional monetary support.

A gradual normalization of labor conditions would be constructive. However, investors remain alert to the possibility that employment weakness could become more pronounced during the second half of the year.

Investors Expect Rates to Remain Elevated
Following the June data, market pricing suggested that short-term interest rates may remain elevated and could potentially move higher over the next twelve months.

The market's outlook remains dependent on whether inflation resumes a downward trend and whether labor-market conditions weaken more meaningfully. Until inflation shows sustained improvement, the Federal Reserve is likely to maintain a cautious, data-dependent approach. ***(See Chart Book)***

Market Performance in June



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

What Drove Markets in June

Stock market indexes were influenced by:

- A measured pullback following strong equity performance during the first half of the year.
- Rotation away from some technology-oriented and growth-sensitive areas of the market.
- Persistent inflation readings and expectations that interest rates may remain elevated.
- Continued resilience in corporate earnings and sales results.
- Greater investor emphasis on valuation, quality, dependable cash flow, and earnings durability.

June earnings provided another constructive fundamental signal. Of the 492 companies reporting within the Russell 1000, 333 companies, or 68%, posted positive sales surprises and 390 companies, or 79%, exceeded earnings expectations.

Overall sales and earnings surprises came in at 1.84% and 20.02%, respectively. Utilities 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 of approximately 3 basis points, ending the month near 4.47%.
- A larger increase in shorter-term Treasury yields, with the 2-year yield rising approximately 17 basis points.
- Continued demand for high-quality taxable and tax-free bonds.
- Attractive income levels relative to much of the previous decade.
- Strong municipal performance as longer-term municipal yields declined more than shorter-term yields.

Fixed income markets generated positive returns despite higher Treasury yields. Taxable bonds gained 0.31%, while municipal bonds returned 0.92%.

Periods of interest-rate volatility can create opportunities to capture attractive yields and improve portfolio income. Municipal bonds remain particularly compelling for appropriate investors when evaluated on a tax-equivalent basis.

What We Are Watching and How We Are Positioning

Key Themes Guiding Market Behavior:

- Whether CPI and PCE inflation begin moving sustainably toward Federal Reserve targets.
- Labor-market strength alongside moderating payroll growth and a slightly higher unemployment rate.
- The possibility that markets continue to price a more restrictive policy path than the Federal Reserve's projections.
- Earnings durability as equity returns become increasingly dependent on company fundamentals.
- Relative-value opportunities created by bond yields, equity volatility, and sector dispersion.

- The relationship between artificial intelligence investment, electricity demand, infrastructure development, and profitability.
- The transition from broad first-half momentum toward a more selective and fundamentally driven market environment.

How We Continue to Allocate Across Portfolios

Our investment process continues to blend dynamic long-only equity strategies with active fixed income management. Within equities, the Legacy portfolio balances growth and value on a discretionary basis, while the Dividend portfolio emphasizes lower volatility and higher current income.

We also maintain factor-aware exposure through Momentum and Quality strategies. The Momentum portfolio seeks participation in favorable market trends while maintaining broad diversification. The Quality strategy combines lower volatility, positive momentum, and exposure to financially durable, income-generating companies.

For investment themes with greater international exposure, Benjamin Builder solutions complement our other equity strategies and provide an efficient method of investing broadly across geography, style, and sector through an institutional, active process.

Across portfolios, we remain focused on quality businesses, dependable cash flow, durable competitive advantages, and reasonable valuations rather than pursuing narrow areas of short-term market movement.

Within fixed income, we continue to emphasize government securities and investment-grade credit for stability and dependable income. We are also evaluating municipal bonds where tax-equivalent yields remain compelling for appropriate investors.

We Continue to Emphasize:

- **Quality U.S. equities** as the core of long-term appreciation, with a focus on AI infrastructure and power companies.
- **Government and investment-grade credit** for stability and dependable income.
- **Strategic global allocations** to diversify macro and policy risk.
- **Liquid alternatives**, including selective exposure to assets such as gold, to enhance portfolio responsiveness.
- **Digital asset research** as institutional adoption continues to develop within the broader global macro environment.

Final Thoughts

June marked a shift from the broad momentum of the first half toward a more selective and fundamentally driven market environment. Most major equity indexes declined modestly, while the Dow advanced and fixed income provided positive returns.

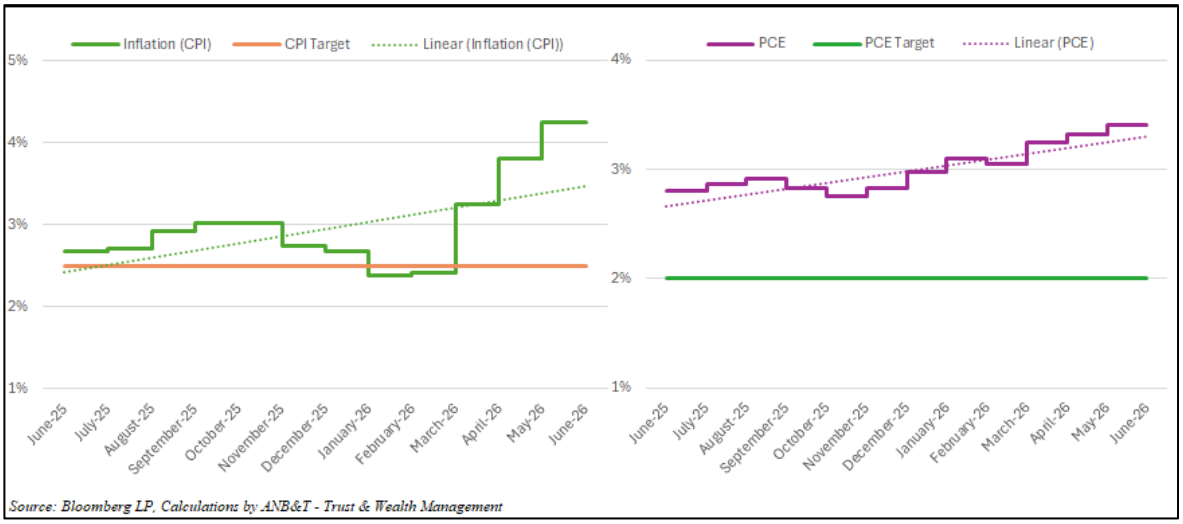
At the same time, inflation continued to move higher, employment growth moderated, and investors began pricing the possibility that Federal Reserve policy could remain restrictive or become modestly tighter.

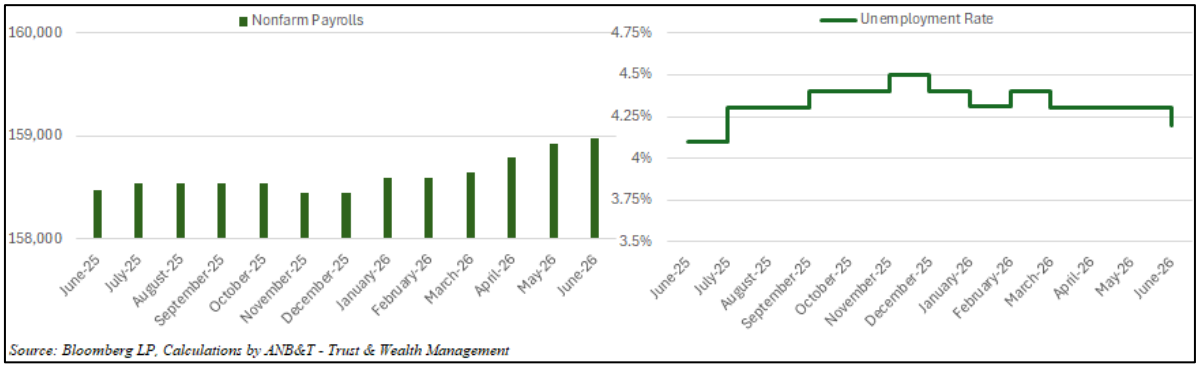
This environment argues for discipline rather than retreat. Strong corporate earnings, attractive bond yields, and long-term structural investment themes continue to provide opportunities, but portfolio returns may become more dependent on security selection, quality, and valuation during the second half of the year.

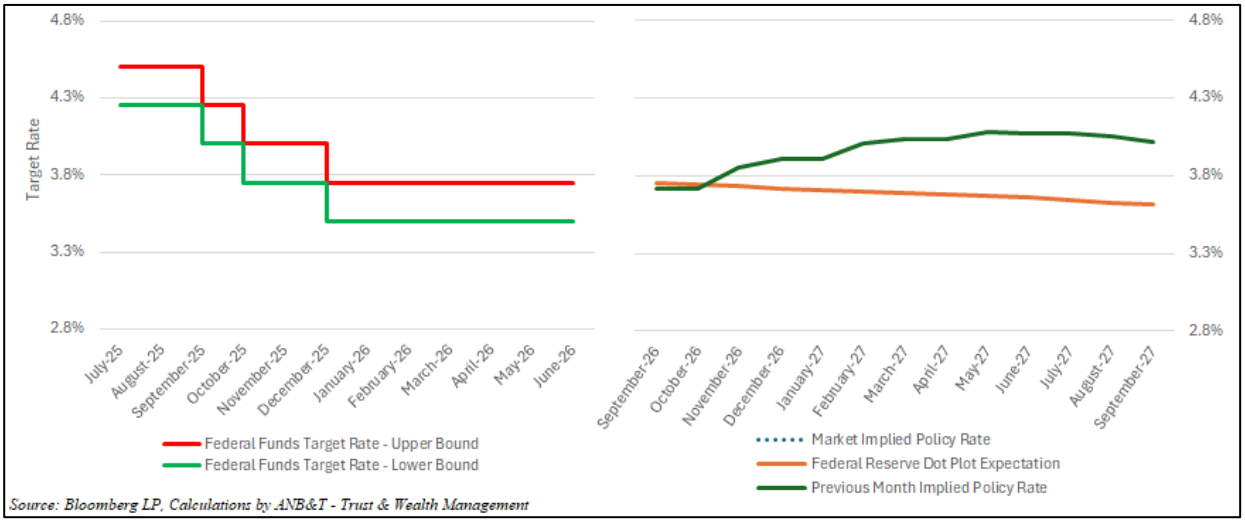
Our approach continues to pair growth opportunities with defensive positioning so portfolios remain aligned with long-term objectives while remaining responsive to changing economic and market conditions.

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

Chart Book


Inflation (CPI)
CPI Target
Linear (Inflation (CPI))
PCE
PCE Target
Linear (PCE)
Source: Bloomberg LP, Calculations by ANB&T - Trust & Wealth Management


Nonfarm Payrolls
Unemployment Rate
Source: Bloomberg LP, Calculations by ANB&T - Trust & Wealth Management


Target Rate
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