

October Market Update

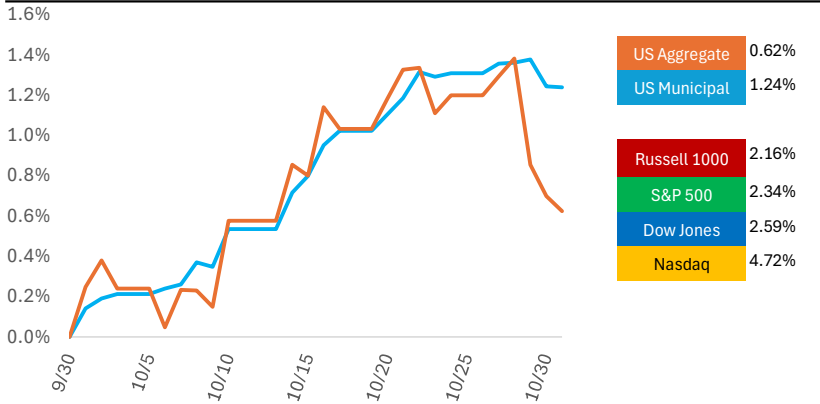
As of 10/31/2025 | amnat.com



Macro & Market View: Trick Or Treat? Unmasking Market Surprises

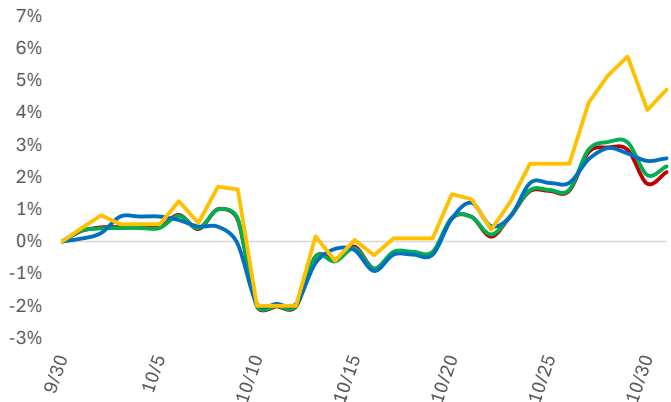
We remain focused on assessing how policy decisions will affect the economic outlook for the rest of the year. Investor sentiment remained steady, yet watchful, reflecting underlying uncertainty about interest rates and economic growth. Over the past month, equity markets have risen for the broad US stock indices, while stock and bond market correlations have been 23% and 49% for the aggregate corporate and municipal bond markets, respectively. Historically, the month of October has generated a positive equity market return as measured by the S&P 500 index of 0.87% on average; however, the market outperformed with a return of 2.34% for the month. Equity returns this year are positive at 17.50% for the S&P 500 index, while the US Aggregate bond index returned 6.80%.

Fixed Income Index Returns



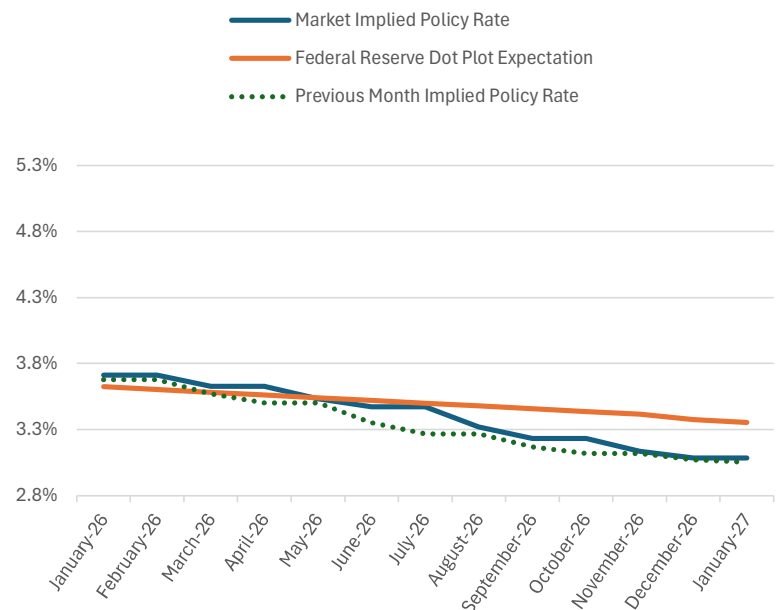
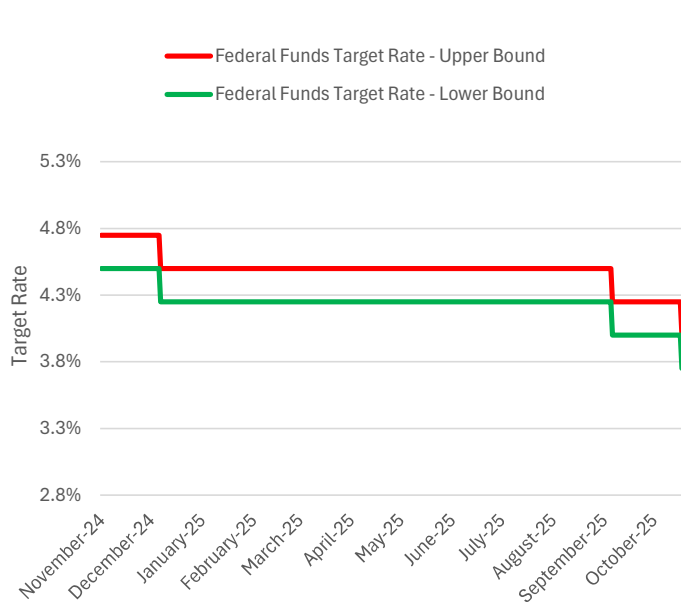
October Returns

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 December 10th. The consensus expectation is for the policy rate to be lowered by 63 basis points, reaching 3.09% by December 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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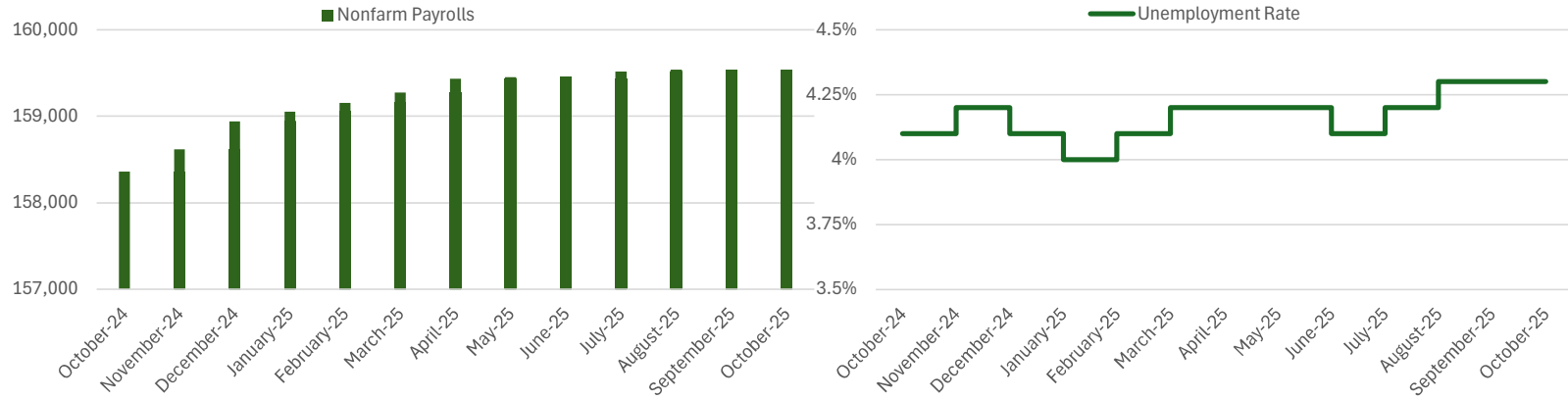
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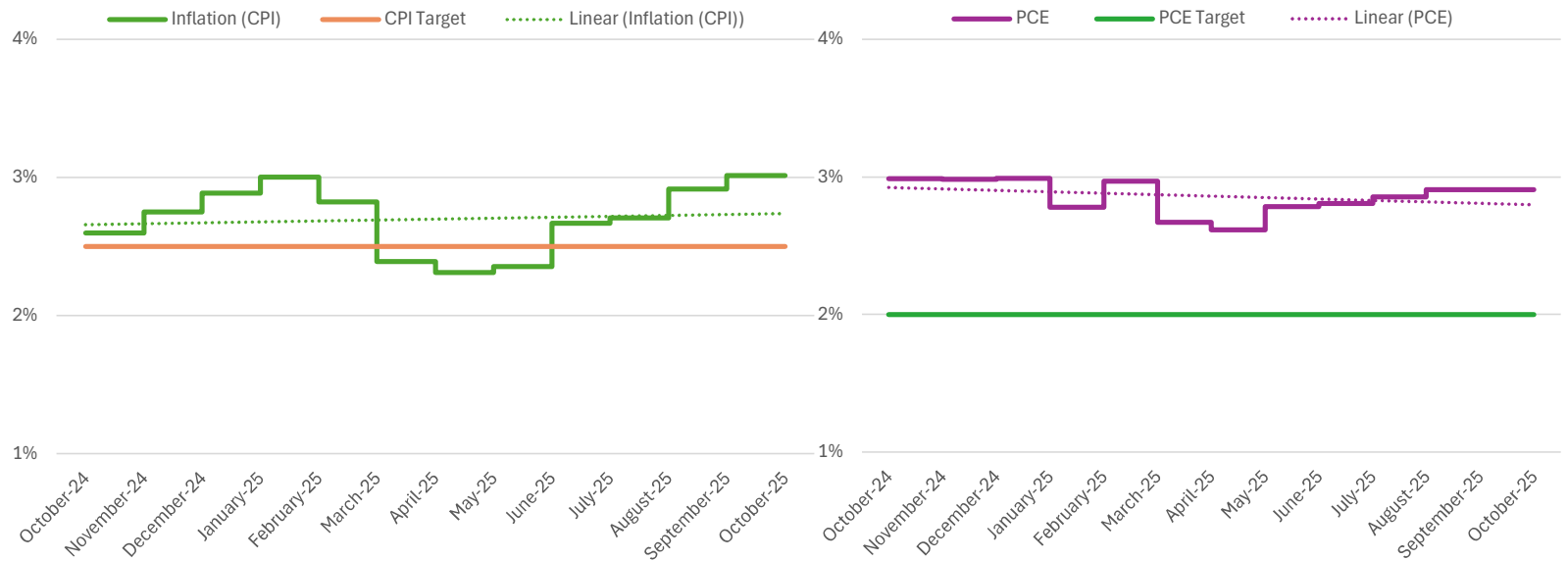
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Nonfarm payrolls continue to trend upward, which influences, in part, whether the Federal Reserve will continue lowering interest rates. In isolation, an upward trend in payrolls tends to influence the Federal Reserve to raise interest rates to manage growth. The chart below on the right shows the unemployment rate sitting at 4.30%, which is an increase from 4.10% one year ago. The data suggests that while economic growth has been strong, market sentiment is signaling potential macroeconomic weakness ahead. 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

The CPI year-over-year chart below shows that October continued the recent inflationary trend. Since August, inflation has remained an upward trend above the target ending at 3.01%. With inflation remaining above the Fed's 2.5% target, market participants are anticipating the same level of rates or potential rate hikes. We also include the year-over-year change in the PCE and note the increases in January 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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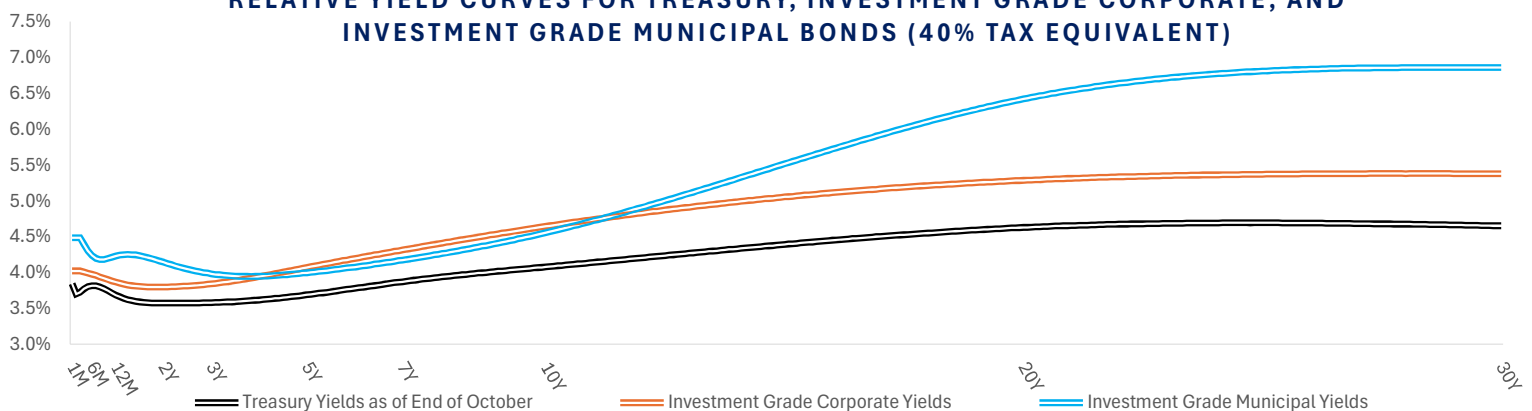
October's reported sales and earnings were broadly a positive surprise, with the Consumer Discretionary and Communication Services sectors being in-line. Of the 547 companies that reported in the Russell 1000 index for October, 366 (67%) had positive sales surprise and 433 (79%) had positive earnings 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 2.37% and 4.04%, 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 strategy blends low volatility with momentum to build a portfolio of high-quality, income-generating equities that also exhibit positive market 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 another month of positive total returns in October, with taxable bonds gaining 0.62% and tax-free bonds gaining 0.45%. U.S. Treasury yields moved lower, as the 10-year Treasury declined 7 bps to 4.08%. The Treasury curve flattened slightly, with the 2-year yield down 3 bps and longer maturities modestly lower. In the municipal market, the curve also flattened, with long-term rates falling more sharply than short-term yields. Volatility remained slightly elevated during the month, with the 10-year Treasury trading in a range of 3.95%–4.15%, while the 10-year AAA municipal yield ranged between 2.69%–2.90%. These moves supported higher market values across both taxable and tax-free sectors as rates drifted lower through October.

Looking ahead, periods of volatility can create opportunities to capture attractive yields, which remain compelling relative to recent history. While an inverted Treasury curve has historically signaled recession risk, strong consumer spending continues to support economic resilience. We continue to monitor traditional indicators but believe today's environment warrants a more nuanced interpretation. Our focus remains on positioning portfolios to enhance return potential while maintaining disciplined risk management.

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

With October, investors had been worried about the prolonged shutdown's impact on consumer spending and travel, but the resolution is likely to support the economy as the year concludes and reduce downside risks. In terms of sector performance, Information Technology led the charge with a weighted return of 2.73%, driven by strong performances from companies like Apple and Alphabet, which were among the top positive contributors to the index. Meanwhile, the Health Care sector also performed well, with a weighted return of 1.24%, supported by gains in companies like Eli Lilly. Conversely, the Consumer Staples sector faced challenges, posting a negative weighted return of -0.25%. This was partly due to broader market concerns about consumer spending amid economic uncertainties. Additionally, Meta Platforms experienced a significant decline, contributing negatively to the index, as it grappled with a substantial tax charge impacting its earnings. There is concern over the energy sustainability of the AI boom, in our view. We evaluate the investment landscape based on how these factors influence policy and investor sentiment, and we adjust our strategy as market expectations change. In fixed-income markets, the Fed's policy shift, combined with the availability of meaningful yields, helps reduce volatility in a diversified portfolio and add both current income and potential price appreciation. We expect innovation in digital assets to continue transforming the investment landscape. 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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