

SEPTEMBER

MARKET UPDATE

Autumn Arrives With a Change in the Market Weather

As of September 30th, 2026

SEPTEMBER AT A GLANCE

S&P 500

-0.35%

Broad U.S. equities pulled back modestly during September.

NASDAQ

+1.93%

Tech oriented stocks remained resilient despite broader weakness.

10-YR UST

5.29%

Treasury yields moved sharply higher

PCE INFLATION

3.0%

Inflation moderated but remains above target.

THREE CLIENT TAKEAWAYS

Rates Moved Higher

Treasury yields rose sharply in September as investors adjusted expectations for the Federal Reserve and the future path of monetary policy.

Markets Diverged

Most major U.S. equity indexes declined, while the technology-oriented Nasdaq remained positive. Fixed income markets also faced meaningful pressure as yields moved higher.

Earnings Held Up

Among reporting Russell 1000 companies, 78% exceeded earnings expectations and 69% exceeded sales expectations.

THE MONTH IN ONE SENTENCE

September brought renewed volatility as higher interest rates pressured stocks and bonds, while resilient corporate earnings and continued strength in technology provided an important counterbalance.

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THE BIG PICTURE

WHAT THE ECONOMIC DATA IS TELLING US

Policy Expectations Shift Toward Higher Rates

Market expectations for Federal Reserve policy shifted meaningfully during September. By month end, market pricing suggested that the policy rate could rise approximately 81 basis points, reaching roughly 4.69% by November 2027. A future rate increase remains far from certain, but investors increasingly expect interest rates to remain elevated as inflation continues to run above target.

The next Federal Reserve meeting is scheduled for October 28. Investors will be watching incoming inflation, employment, and growth data closely for additional guidance regarding the future path of monetary policy.

Inflation Continues to Moderate, but Remains Above Target

September inflation data continued to show price pressures above the Federal Reserve's longer-term objectives. CPI ended the period at approximately 3.40% year over year, while Core PCE remained near 3.0%.

Although inflation has moderated from earlier highs, the pace of improvement remains important. Persistent inflation could keep monetary policy restrictive for longer, particularly if economic growth and consumer demand remain resilient.

Employment Remains Stable, but Momentum Is Moderating

Nonfarm payrolls continued to show a moderating trend, with the latest reading showing approximately 159,000 jobs added in August. The unemployment rate remained at 4.10%.

The combination of slower employment growth and persistent inflation highlights the challenge facing policymakers. The Federal Reserve must balance its goal of restoring price stability against the possibility that restrictive monetary policy could eventually weigh more heavily on economic growth.

Investors Expect Rates to Remain Elevated

September reinforced the market's evolving view that interest rates may remain higher for longer. Persistent inflation, resilient economic activity, and shifting expectations for Federal Reserve policy contributed to a sharp move higher in Treasury yields.

The outlook remains highly dependent on incoming data. Sustained progress on inflation could reduce the need for additional policy restraint, while renewed inflation pressure could keep rates elevated or potentially lead markets to price additional tightening.

Effective Policy Rate:	PCE:	Unemployment Rate:
3.88%	3.0%	4.10%

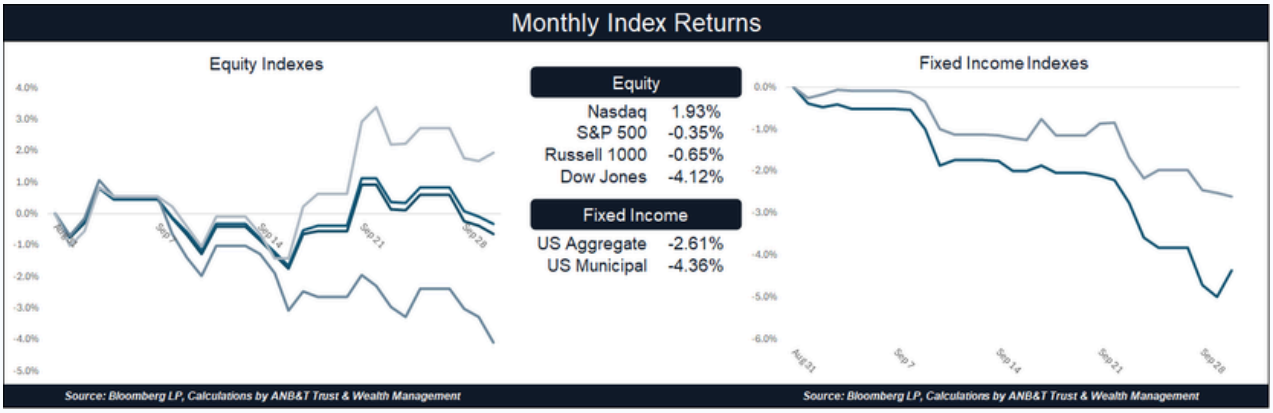
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MARKET PERFORMANCE



WHAT DROVE MARKETS

Stock Market Indexes Were Influenced By:

- Continued resilience in corporate earnings and sales results
- Relative strength in technology-oriented areas of the market, with the Nasdaq outperforming other major indexes
- Persistent inflation and a meaningful repricing of interest-rate expectations
- Higher Treasury yields and renewed uncertainty surrounding the future path of Federal Reserve policy
- Ongoing investor debate surrounding equity valuations after an extended period of strong market performance

September's earnings results remained constructive. 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, with Energy and Real Estate producing some of the strongest results.

Bond Market Indexes Were Influenced By:

- A sharp increase in Treasury yields during September as markets repriced Fed expectations
- The 10-year Treasury yield rising approximately 54 basis points to 5.29%
- The 2-year Treasury yield rising approximately 55 basis points to 4.89%
- A repricing of Federal Reserve expectations toward a potentially more restrictive policy path

Fixed income markets experienced meaningful pressure during September. The U.S. Aggregate Bond Index declined 2.61%, while municipal bonds declined 4.36% as yields moved higher.

While higher yields can create short-term price volatility, they also improve prospective income and reinvestment opportunities. We continue to evaluate relative value across Treasury, corporate, and municipal markets while maintaining an emphasis on quality and disciplined risk management.

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

WHAT WE ARE WATCHING AND HOW WE ARE POSITIONING

Markets enter the fourth quarter navigating a challenging combination of persistent inflation, higher interest rates, resilient corporate profitability, and continued investment surrounding artificial intelligence. September's simultaneous weakness across many equity and fixed income indexes illustrates why diversification and disciplined portfolio construction remain important.

KEY THEMES GUIDING MARKET BEHAVIOR

1. Whether CPI and PCE inflation resume a sustainable path toward Federal Reserve objectives.
2. Whether moderating payroll growth eventually translates into broader weakness in employment conditions.
3. Whether persistent inflation and economic resilience lead markets to continue pricing a more restrictive policy path.
4. Whether corporate profits remain resilient enough to support equity valuations as financing costs remain elevated.
5. Relative-value opportunities created by the significant rise in bond yields across Treasury, corporate, and municipal markets.
6. Artificial intelligence investment, infrastructure development, electricity demand, and the ability to translate spending into durable profitability.
7. Whether continued earnings growth can support current market multiples in an environment of higher risk-free interest rates.
8. The durability of consumer spending and economic growth as households and businesses continue to navigate elevated borrowing costs.

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

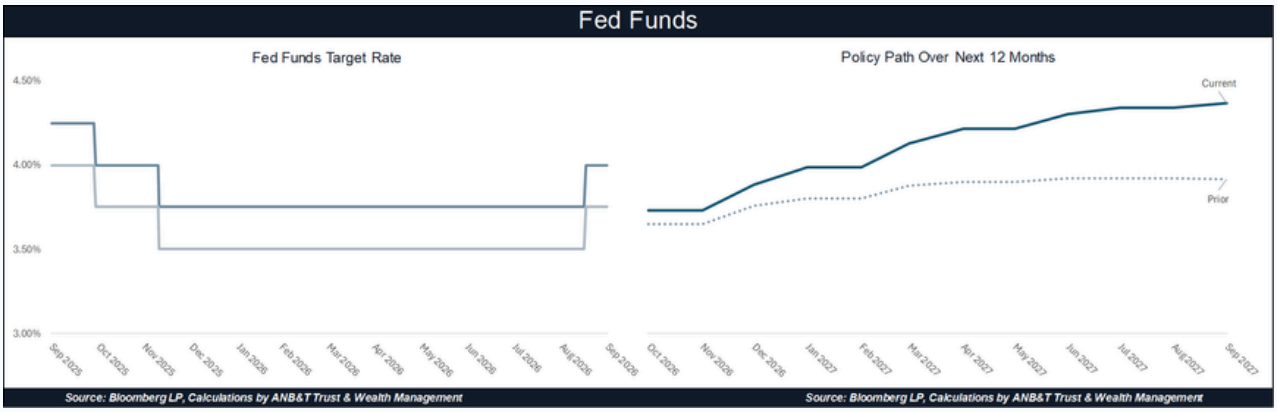
Including gold and ongoing digital asset research as a part of a responsive portfolio toolkit.

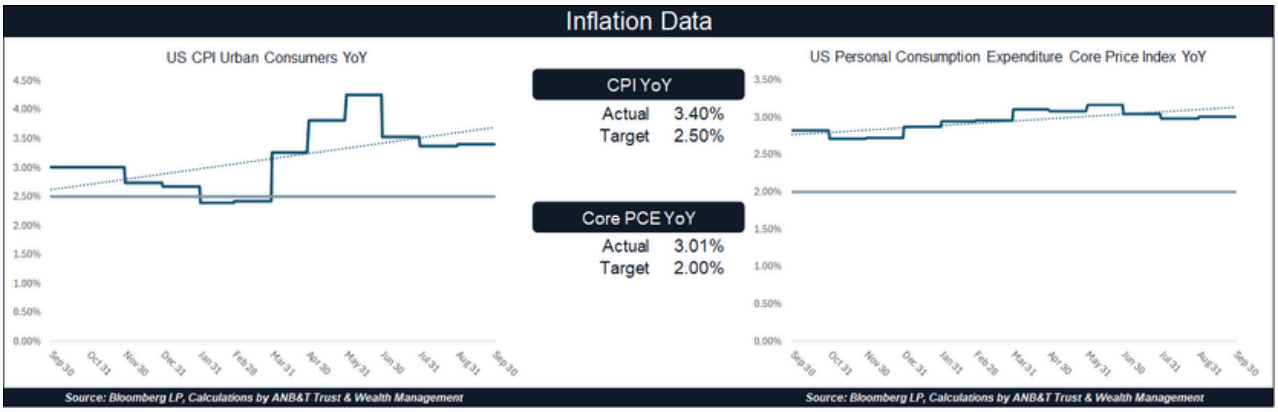
This environment continues to argue for discipline rather than retreat. We remain focused on quality companies with durable earnings power, attractive opportunities across taxable and tax-exempt fixed income, and diversified portfolio construction designed around long-term objectives.

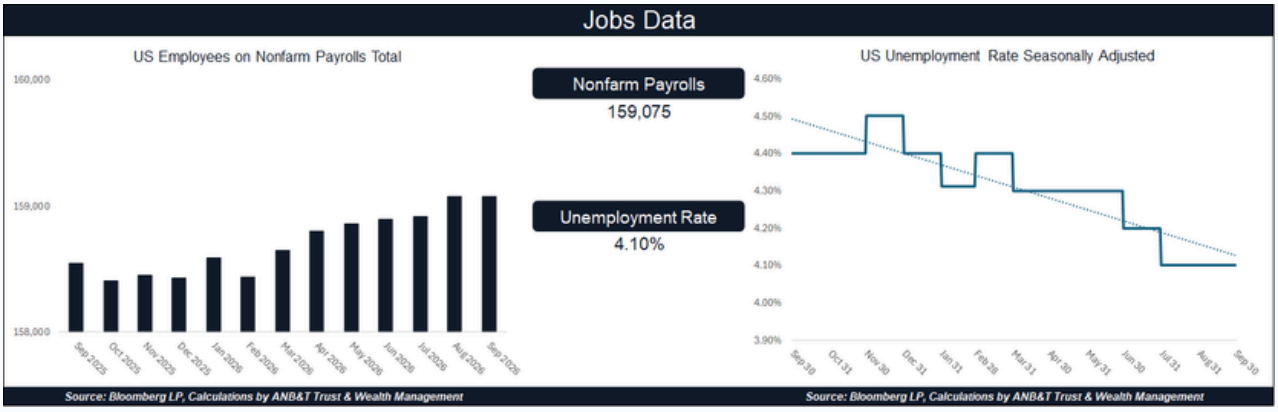
Our approach continues to pair growth opportunities with defensive positioning so portfolios remain aligned with long-term objectives while remaining responsive to changing economic and market conditions.

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CHART BOOK







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