Monthly Investment Report

August 2026

Simmons Bank WEALTH MANAGEMENT

Financial markets were mixed in July as strong earnings and continued capital spending on artificial intelligence were offset by higher energy prices, rising real yields, and a sharp reversal in crowded technology trades. U.S. equities were narrowly lower, with the S&P 500 declining -0.1% and the Nasdaq Composite falling -3.2%, while the Dow Jones Industrial Average gained +0.4%. Participation weakened after strong second-quarter gains, with the S&P MidCap 400 Index down -2.4% and the S&P SmallCap 600 Index down -1.9%. International markets were mixed, with MSCI Developed markets ex U.S. rising +2.1%, China advancing +9.0%, and emerging markets declining -3.1%. Bond markets weakened as yields rose and the curve steepened during July. The Bloomberg U.S. Aggregate Bond Index declined -1.3%, while the 10-year Treasury yield rose to 4.73% from 4.47% and the 30-year Treasury increased to 5.27% from 4.95%. The 2-year to 10-year spread widened to +0.44% from +0.29%, showing that investors demanded more compensation for longer-term inflation, fiscal, and policy uncertainty. Nominal yields rose primarily because real yields moved higher, not because long-term inflation expectations surged. The 10-year TIPS yield increased to 2.45% from 2.22%, while 10-year breakeven inflation rose only modestly to 2.28% from 2.23%. The bond market appears to be questioning whether the Federal Reserve is underestimating inflation persistence. Commodity markets again shaped the macro narrative. The Bloomberg Commodities Index rose +7.5%, led by crude oil up +21.8%, heating oil up +24.3%, gasoline up +6.9%, wheat up +10.1%, and corn up +6.8%. The Iran war continues to disrupt energy expectations and is feeding more directly into goods inflation through transportation, food, fertilizer, and inventory costs. Services inflation remains contained for now, but goods inflation is moving in the wrong direction.

Capital Markets

Equity performance reflected a rotation away from high multiple growth and toward sectors benefiting from higher nominal activity and energy prices. Energy rose +12.6% and financials advanced +6.2%, while health care, real estate, and consumer staples were positive. Information technology declined -3.4%, industrials fell -3.0%, and utilities declined -2.2%. The Nasdaq entered technical correction territory during the month before recovering part of the decline, a reminder that crowded growth and artificial intelligence related trades can reprice quickly when real yields rise.

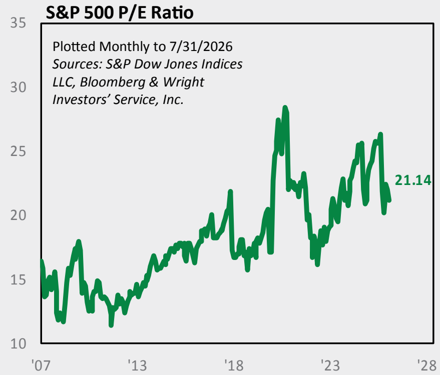
The market is not abandoning artificial intelligence as a long-term theme. It is becoming more selective about valuation, funding requirements, and the timing of returns. Hyperscaler capital expenditures remain substantial and should continue to support semiconductors, power infrastructure, electrical equipment, data centers, and grid capacity. The stronger opportunity may still be in the infrastructure layer. Software and application companies face a more difficult test where pricing power is weaker, customer budgets are more constrained, and the productivity payoff is less immediate.

Credit markets require discipline. Bloomberg U.S. Credit declined -1.6% and high yield slipped -0.2%, while bank loans returned +0.8%. Corporate and mortgage-backed securities spreads remain tight versus Treasurys, leaving little cushion if rates rise further or liquidity deteriorates. Private credit remains an area to watch, particularly where borrowers depend on aggressive add-backs, refinancing access, or software cash flows that could be disrupted by artificial intelligence competition. The risk is not yet systemic, but selective stress can appear quickly when real yields rise and exits slow.

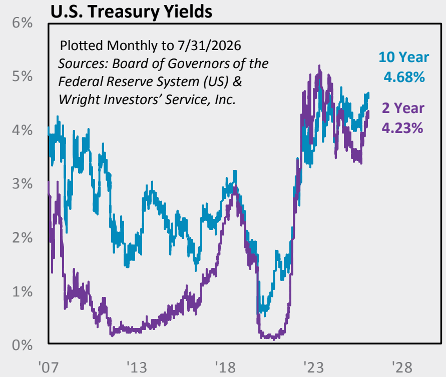
U.S. Economy

Economic conditions remain resilient, but the consumer is showing signs of pullback. Real wage growth has turned slightly positive but remains under pressure, as the inflation spike from energy and goods prices has absorbed much of the benefit from nominal wage gains. Consumption can remain positive in aggregate while the mix shifts from discretionary wants toward necessities. That is a less favorable backdrop for companies dependent on lower-income discretionary spending.

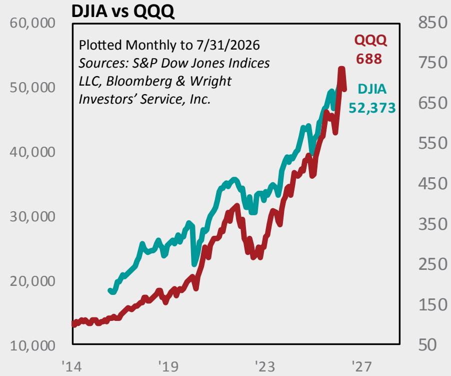
P/Es Rolled Over



2 Year & 10 Year Yields Both Rose



US Equities Weakened



Total Investment Returns—7.31.2026

	July	Last 12 Mos.
Dow Jones Industrial Average	0.4%	20.9%
Nasdaq Composite	-3.2%	20.9%
S&P 500	-0.1%	19.6%
S&P MidCap 400	-2.4%	20.9%
S&P SmallCap 600	-1.9%	33.6%
MSCI World ($)	0.5%	20.4%
MSCI World ex U.S. ($)	2.1%	25.0%
Bloomberg U.S. Aggregate	-1.3%	2.7%
90-Day Treasury Bills (Yield)	3.8%	4.3%
CPI ex-Food & Energy SA* (Jun 2026)	0.0%	2.6%

*SA: Seasonally Adjusted
Sources: Bloomberg LP & Wright Investors' Service, Inc.

Inflation remains the central risk. Goods inflation is being pressured by higher oil, shipping, agricultural, and tariff-related costs, while services inflation remains contained for now. If services inflation stays contained, the Federal Reserve can remain on hold. If goods inflation spills into wages or expectations, the market will increasingly question whether holding rates steady is enough. The July FOMC decision to remain on hold was understandable given mixed growth signals, but the bond market's reaction suggests investors are less convinced that inflation will recede without tighter financial conditions.

Corporate fundamentals remain strong, but the quality and durability of earnings growth deserve scrutiny. With 305 of 498 companies reported, blended S&P 500 sales growth is near +14.81% and earnings growth near +57.00%. The headline earnings figure is being meaningfully influenced by select large-company results, including Amazon's strong revenue and earnings report, which was also aided by approximately $600 million in tariff-related refunds received from the government. Profit margins remain elevated, with S&P 500 trailing 12-month margins near +14.5%, suggesting limited room for further margin expansion. The question is whether earnings growth can remain this strong if GDP growth slows and the expected productivity boost from artificial intelligence is delayed. In that environment, revenue durability, pricing power, and cost discipline become more important than extrapolating current margin strength.

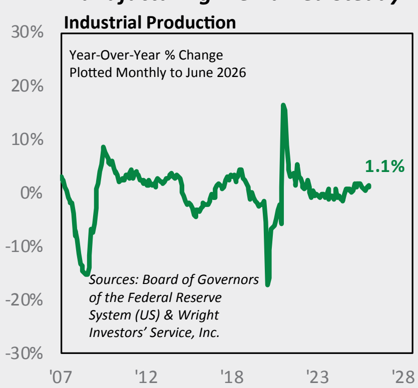
Investment Outlook

Equities remain attractive relative to fixed income, but the margin for error has narrowed. Preferred exposure remains quality companies with durable free cash flow, strong balance sheets, pricing power, and participation in longer-term capital spending themes. Artificial intelligence, capital expenditures, power generation, grid investment, and automation should remain durable trends. Still, valuation discipline is essential after the recent reminder that crowded trades can unwind quickly.

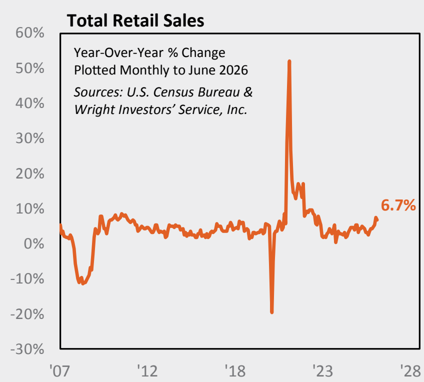
Fixed income retains an important role as ballast, but the steepening yield curve and rise in real yields argue against excessive duration or lower-quality spread exposure. High-quality duration can help if growth weakens, but corporate and mortgage-backed spreads are tight, reducing the margin of safety. Credit exposure should favor higher quality, shorter spread duration, and stronger covenants.

The main portfolio risk is that earnings expectations may be too optimistic if GDP growth slows before artificial intelligence productivity gains become visible. Elevated profit margins leave less room for error, making revenue durability, pricing power, and balance sheet quality more important. The Federal Reserve is likely to remain on hold for now, but the risk distribution has shifted toward higher rates rather than cuts. Overall, equity markets should remain healthy on earnings strength and continued capital spending, but consumer pressure, credit stress, and geopolitical inflation risk warrant disciplined positioning across public and private markets.

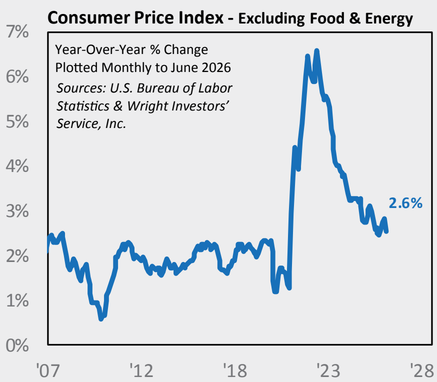
Manufacturing: Remained Steady



Consumer Spending: Increased



Core Inflation: Fell But Remains High



Source: Bloomberg Index Services Limited. "Bloomberg®", "Bloomberg Commodity Index" and the Bloomberg Bond Indices are service marks of Bloomberg Finance L.P. and its affiliates, including Bloomberg Index Services Limited ("BISL"), the administrator of the index (collectively, "Bloomberg") and have been licensed for use for certain purposes by Wright Investors' Service, Inc. Bloomberg is not affiliated with Wright Investors' Service, Inc. and Bloomberg does not approve, endorse, review, or recommend Wright Products. Bloomberg does not guarantee the timeliness, accurateness, or completeness of any data or information relating to Wright Products.