Monthly Investment Report

November 2026

Simmons Bank® WEALTH MANAGEMENT

Financial markets were mixed in October as investors reassessed technology valuations, inflation risks, and the implications of the approaching midterm elections. The S&P 500 advanced +0.40%, and the Dow Jones Industrial Average gained +2.90%, while the Nasdaq Composite declined −1.70%. Smaller companies outperformed, with the S&P MidCap 400 Index rising +1.40% and the S&P SmallCap 600 Index gaining +2.20%. International markets weakened, with developed markets excluding the U.S. declining −0.70% and emerging markets falling 8.30%. Bond markets recovered following September's sharp increase in yields. The Bloomberg U.S. Aggregate Index gained +2.00%, while the 10-year Treasury yield declined from 5.28% to 4.98%. The decline was driven largely by lower real yields rather than falling inflation expectations. The 10-year inflation-adjusted Treasury yield declined from 2.91% to 2.63%, while the 10-year breakeven inflation rate remained relatively stable at 2.35%. Shorter-dated breakevens moved higher, however, with the two-year rising from 2.50% to 2.57%. A decline in real yields can support asset valuations, but it does not resolve inflation concerns. The Federal Reserve held the federal funds rate at 3.75%–4.00% in October, following a quarter-point increase in September, with two policymakers dissenting in favor of a further hike. Crude oil rose +10.70% to $100.05 per barrel, while gasoline declined −8.40%. The Bloomberg Commodities Index gained +0.50%, and the U.S. dollar strengthened +0.40%.

Capital Markets

Equity leadership shifted toward energy and defensive sectors. Energy advanced +13.40%, consumer staples gained +9.70%, utilities rose +7.90%, and health care added +6.50%, while information technology declined −3.70% and communication services fell −8.50%. The rotation away from technology suggests growing concerns about earnings sustainability and returns on artificial intelligence investment. Capital spending continues to benefit semiconductors, electrical equipment, and power infrastructure, but the ultimate profitability of that investment remains uncertain. Slower adoption could leave companies with significant depreciation and financing costs.

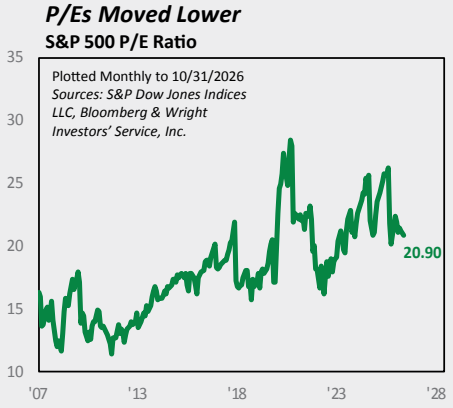
Credit markets benefited from lower Treasury yields, with Bloomberg U.S. Credit gaining +1.80%, compared with only +0.10% for high yield bonds and a −0.60% decline in bank loans. Corporate and mortgage-backed securities spreads are tight relative to Treasurys by historical standards. The limited additional compensation for credit risk argues for discipline in security selection, particularly as higher borrowing costs and changes in software business models could expose vulnerabilities in private credit portfolios.

U.S. Economy

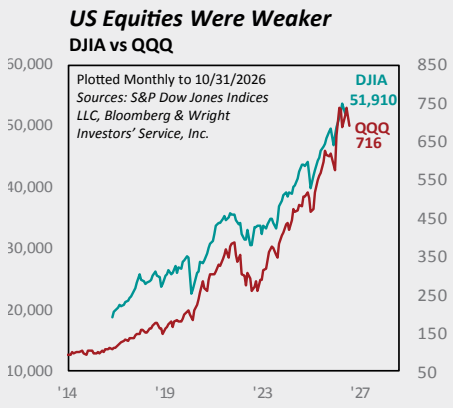
Economic activity is holding up well, although employment data suggest some moderation. Third-quarter GDP expanded at a 3.4% annualized rate, supported by consumer spending growth of 3.8%. September payroll growth slowed to 29,000, prior months were revised lower by 60,000, and unemployment increased to 4.20%. Retail sales rose +0.80%, but the control group increased only +0.10%, suggesting underlying consumption was less robust than headline spending indicated. Higher food, energy, and borrowing costs continue to weigh on discretionary income, particularly among lower-income households, with real hourly earnings declining −0.70% year-over-year.

Inflation has reaccelerated, with headline CPI rising to 3.7% year-over-year in September from 3.4% in August and core PCE increasing to 3.1%. Producer and import prices rose 6.3% and 8.1%, respectively, over the past year. Energy costs are still elevated given higher crude prices, and further tariff pass-through depends on demand and producers' ability to absorb costs.

Corporate fundamentals continue to favor equities. With 301 of 500 S&P 500 companies reporting, 83% have exceeded earnings estimates, blended revenue growth stands at +13.64%, and earnings growth at +29.37%. Technology accounts for a substantial portion of this strength, with sector earnings growth of +95.53%, although energy, industrials, and materials are also contributing. Elevated profit margins leave less room for further expansion. Should economic growth moderate before productivity gains from artificial intelligence become measurable, maintaining current earnings growth rates could prove challenging.







Total Investment Returns—10.31.2026

	October	Last 12 Mos.
Dow Jones Industrial Average	1.8%	10.6%
Nasdaq Composite	-5.3%	7.9%
S&P 500	-0.9%	12.1%
S&P MidCap 400	1.9%	14.3%
S&P SmallCap 600	3.2%	20.8%
MSCI World ($)	-0.8%	12.1%
MSCI World ex U.S. ($)	-0.2%	14.4%
Bloomberg U.S. Aggregate	2.4%	-0.1%
90-Day Treasury Bills (Yield)	4.1%	3.8%
CPI ex-Food & Energy SA* (Sep 2026)	0.3%	2.6%

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

Inflation and fiscal policy are closely connected. Persistent deficits require substantial Treasury issuance even in an economy operating near full employment. Over time, investors may demand higher inflation-adjusted returns to finance government borrowing, particularly as debt servicing costs increase. October's decline in real yields provided temporary relief, but does not eliminate the longer-term pressure from deficits, Treasury supply, and competition for capital from corporate investment.

Investment Outlook

The November midterm election outcome removes some uncertainty about the next two years. The Democrats outperformed expectations by most measures by taking the House and Senate by larger than expected margins. Affordability was a central election issue, with higher food and energy prices and elevated borrowing costs weighing on voter sentiment. The Democrat sweep constrains the administration's legislative agenda, but doesn't necessarily bring greater fiscal discipline.

Divided government will likely increase reliance on executive actions, particularly tariffs and foreign policy. Additional tariffs could add to goods inflation already evident in producer and import prices, while developments involving Iran remain important for energy prices. Congressional scrutiny of artificial intelligence, data center construction, and private credit could also increase. Restrictions on energy consumption, environmental approvals, or data center development could extend the artificial intelligence investment cycle without necessarily undermining its longer-term potential.

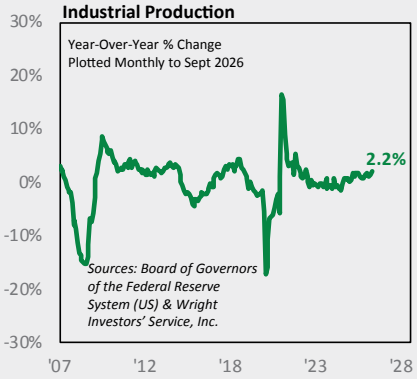
The most significant market implication may emerge in 2027. Unless Congress addresses the debt ceiling during the lame-duck session, another confrontation could develop in 2027. A newly elected Congress may be more willing to use debt ceiling negotiations to obtain policy concessions ahead of the 2028 elections. Even without a default, prolonged negotiations could disrupt Treasury markets and raise borrowing costs. The timing remains uncertain because Treasury cash balances, receipts, and extraordinary measures could extend available financing beyond the date the statutory limit is reached. Government shutdowns also remain a risk, particularly given the difficulty of securing bipartisan agreement on spending priorities.

From a portfolio perspective, equities still look attractive, supported by earnings growth and continued investment in artificial intelligence and power infrastructure. Nevertheless, high profit margins, elevated valuations, and the possibility of further Federal Reserve tightening argue for greater selectivity. We favor companies with durable cash flows, pricing power, strong balance sheets, and limited refinancing needs. With elections and borrowing negotiations approaching, investors should avoid confusing a temporary bond rally with a durable decline in the cost of capital.

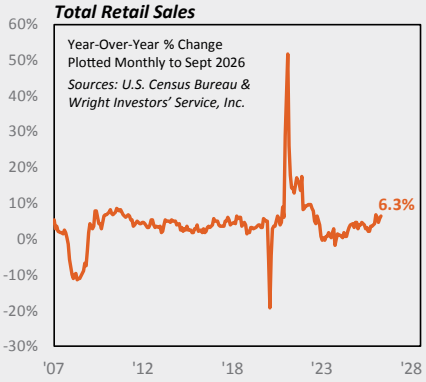
Fixed income remains important for diversification, but substantial deficits and elevated near-term inflation expectations argue against excessive duration exposure. Credit allocations should emphasize quality and liquidity, given limited additional yield compensation.

For now, earnings and revenue strength continue to support equities, but fiscal pressures, election uncertainty, and the sustainability of technology investment warrant caution. Portfolio construction should balance participation in structural growth opportunities with protection against higher rates and renewed market volatility.

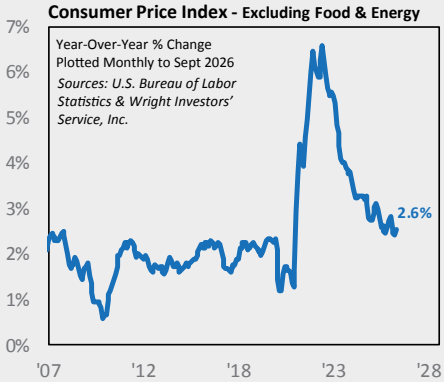
Manufacturing: Remained Steady



Consumer Spending: Remains Robust



Core Inflation: 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.

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