Monthly Investment Report

September 2026

Simmons Bank
WEALTH MANAGEMENT

Financial markets advanced in August as technology recovered, earnings remained strong, and consumers continued to spend despite higher oil and gasoline prices. U.S. equities gained, with the S&P 500 rising +2.7%, the Nasdaq Composite up +4.0%, and the Dow Jones Industrial Average gaining +1.5%. Breadth was less convincing than headline indices suggested. The S&P MidCap 400 Index rose only +0.2% and the S&P SmallCap 600 Index declined −0.6%, showing investors remained selective. International markets improved, with developed markets ex U.S. up +2.2%, emerging markets gaining +3.4%, and China slipping −0.3%. Bond markets steadied after July's selloff, but the rate message remained restrictive. The Bloomberg U.S. Aggregate Bond Index gained +0.4%, while the 10-year Treasury yield edged higher to 4.75% and the 2-year Treasury rose to 4.34%. Since June, the 10-year Treasury has increased from 4.47% to 4.75%, while the 10-year TIPS yield has risen from 2.22% to 2.43%. Breakeven inflation rose only modestly to 2.32%. The jump in nominal yields therefore has more to do with higher real yields, fiscal pressure, and reduced confidence in early policy easing than with a sharp rise in long-term inflation expectations. The curve remains steeper than in June, suggesting investors want more compensation to own longer maturities. Commodity strength kept the inflation debate alive. The Bloomberg Commodities Index rose +7.4%, led by gold up +9.8%, wheat up +18.3%, corn up +16.8%, gasoline up +6.7%, and heating oil up +9.1%. Crude oil rose +1.3% and remains up +49.4%year-to-date. The Iran war continues to keep risk premium in energy markets and is feeding pressure into goods inflation through transportation, food, fertilizer, and inventory costs. Services inflation appears contained for now, but goods inflation is not moving in a favorable direction.

Capital Markets

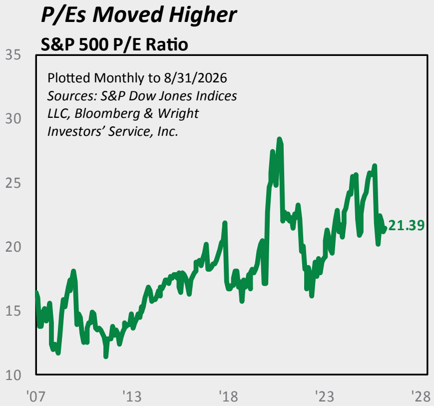
Equity leadership in August was concentrated in areas tied to technology, commodities, and balance sheet strength. Information technology rose +6.2%, energy gained +7.0%, materials advanced +6.0%, and health care rose +4.9%. Utilities declined −4.8%, industrials fell −2.6%, and real estate declined −2.0%, reflecting pressure on rate-sensitive and defensive sectors as real yields remained elevated. The market rewarded earnings visibility and secular capital spending, but it did not reward risk equally.

The recovery in the Nasdaq should be viewed in context. The prior correction did not end the artificial intelligence cycle, but it reminded investors that valuation and financing conditions matter. Hyperscaler capital expenditures remain substantial and continue to support semiconductors, data centers, electrical equipment, power generation, cooling systems, and grid capacity. The stronger risk-reward remains in the infrastructure layer rather than in businesses where revenue depends on rapid monetization assumptions.

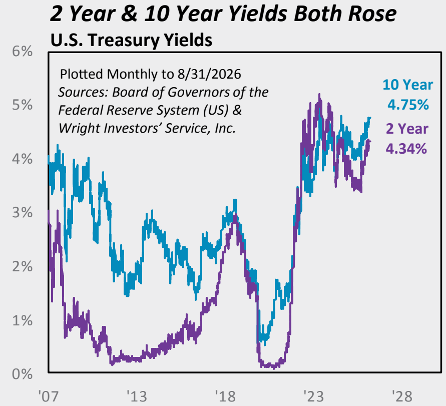
Artificial intelligence creates two very different long-rate outcomes. If it succeeds at scale and technology companies generate trillions of dollars in revenue, the productivity effect could be materially deflationary and eventually push rates lower. If it disappoints, the equity bubble could burst, with a severe stress case including a Nasdaq decline of −50% as investors rotate from equities into Treasurys, also pushing long rates lower. Either extreme argues for scenario analysis rather than extrapolation.

Credit markets were constructive, with Bloomberg U.S. Credit up +0.4%, high yield up +1.0%, and bank loans up +0.9%. Tight corporate and mortgage-backed securities spreads still leave little margin for error. Carry remains available, but investors are not being paid much for refinancing risk, covenant weakness, or liquidity stress.

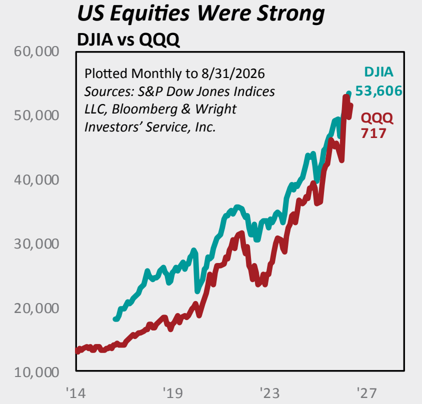
P/Es Moved Higher



2 Year & 10 Year Yields Both Rose



US Equities Were Strong



Total Investment Returns—8.31.2026

	August	Last 12 Mos.
Dow Jones Industrial Average	1.5%	18.6%
Nasdaq Composite	4.0%	23.6%
S&P 500	2.7%	20.4%
S&P MidCap 400	0.2%	17.1%
S&P SmallCap 600	-0.6%	24.1%
MSCI World ($)	2.6%	20.4%
MSCI World ex U.S. ($)	2.2%	22.3%
Bloomberg U.S. Aggregate	0.4%	1.9%
90-Day Treasury Bills (Yield)	3.8%	4.1%
CPI ex-Food & Energy SA* (Jul 2026)	0.2%	2.5%

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

U.S. Economy

The economy is slowing at the margin, but it is not showing distress. Consumers continue to spend despite higher oil and gasoline prices, and employment is not showing the deterioration normally associated with recession risk. Higher energy and food prices reduce disposable income, particularly for lower-income households, and can shift spending away from discretionary wants toward necessities. Aggregate consumption can remain positive while sales quality weakens for parts of the consumer sector.

Inflation remains the main policy risk. Goods inflation is being pressured by higher oil, shipping, agricultural, tariff-related, and inventory 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 question whether holding rates steady is enough. The bond market is already sending that warning through higher real yields and a steeper curve.

Corporate fundamentals remain strong, but profit quality deserves attention. Revenue growth and earnings growth remain supportive of equities, and margins remain high. That is positive, but it also means margins may be closer to peak levels. If GDP growth slows and the expected productivity boost from artificial intelligence is delayed, earnings growth will have to come more from revenue durability, pricing power, and cost discipline than from further margin expansion.

Investment Outlook

The Federal Reserve is increasingly concerned with inflation, with the tone from Kevin Warsh indicating that higher short term rates are the path forward as long as elevated energy prices and sticky core inflation persist. Inflation risk is still elevated, and employment is not showing clear distress. At the same time, the rise in real yields is already tightening financial conditions. The next policy debate is less about immediate cuts and more about whether real rates are high enough to cool inflation without creating a sharper slowdown.

Fiscal policy reinforces the higher-for-longer rate view. Persistent deficits, rising debt service, and heavy Treasury issuance make it harder for long rates to return to the pre-inflation regime. In effect, the bond market is imposing discipline by demanding higher real compensation to finance deficits, debt service, and issuance.

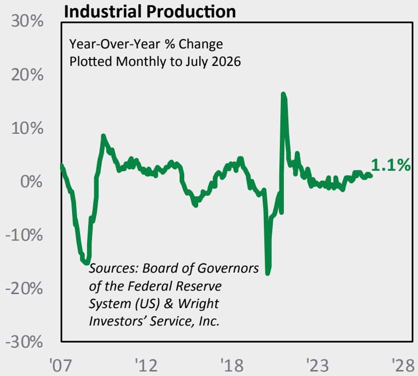
For now, equities remain attractive relative to fixed income, but the margin for error has narrowed. We would emphasize quality companies with durable cash flow, strong balance sheets, pricing power, and exposure to longer-term capital spending themes. Artificial intelligence infrastructure, power generation, grid investment, automation, and selected materials remain important areas of opportunity. Consumer exposure should be more selective, favoring companies less dependent on lower-income discretionary spending.

Fixed income should remain focused on quality and liquidity. High-quality duration can provide ballast if growth weakens or the artificial intelligence trade breaks, but tight credit and mortgage-backed securities spreads limit the appeal of reaching for yield. Credit exposure should favor stronger covenants, shorter spread duration, and better refinancing visibility.

Overall, equity markets should remain healthy on earnings strength and continued capital spending, but elevated margins, higher real yields, fiscal pressure, inflation risk, and crowded technology positioning argue for disciplined portfolio construction rather than broad risk-taking.

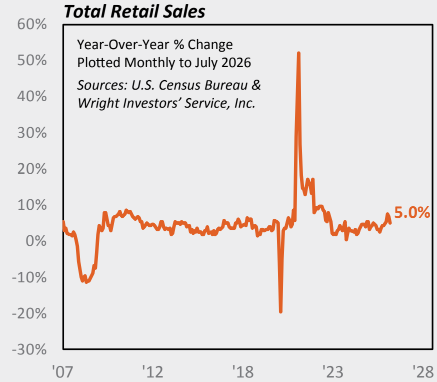
Manufacturing: Remained Steady

Industrial Production



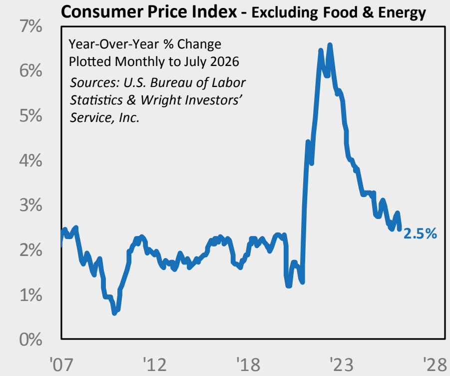
Consumer Spending: Remains Robust

Total Retail Sales



Core Inflation: Remains High

Consumer Price Index - Excluding Food & Energy



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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