

Month-End Summary – July 2026

Market Update – July 2026

July 2026 Market Review:

- **U.S. equities finished July mixed as leadership rotated:** Profit-taking in mega-cap technology offset relative strength in blue-chip value and other economically sensitive areas, leaving broader participation constructive but uneven
- **Market leadership continued to broaden across sectors:** Energy and financials strengthened as several growth-oriented and rate-sensitive areas weakened, increasing the market's emphasis on valuation and near-term cash flows
- **Economic fundamentals remained resilient but moderated:** Consumer spending, private investment, and corporate earnings continued to support growth, while the outlook remained sensitive to higher rates and inflation
- **Volatility increased as yields and energy prices moved higher:** Inflation concerns and renewed Middle East supply risks pressured valuations and raised the potential for softer consumer demand and corporate margins

Key Drivers During July:

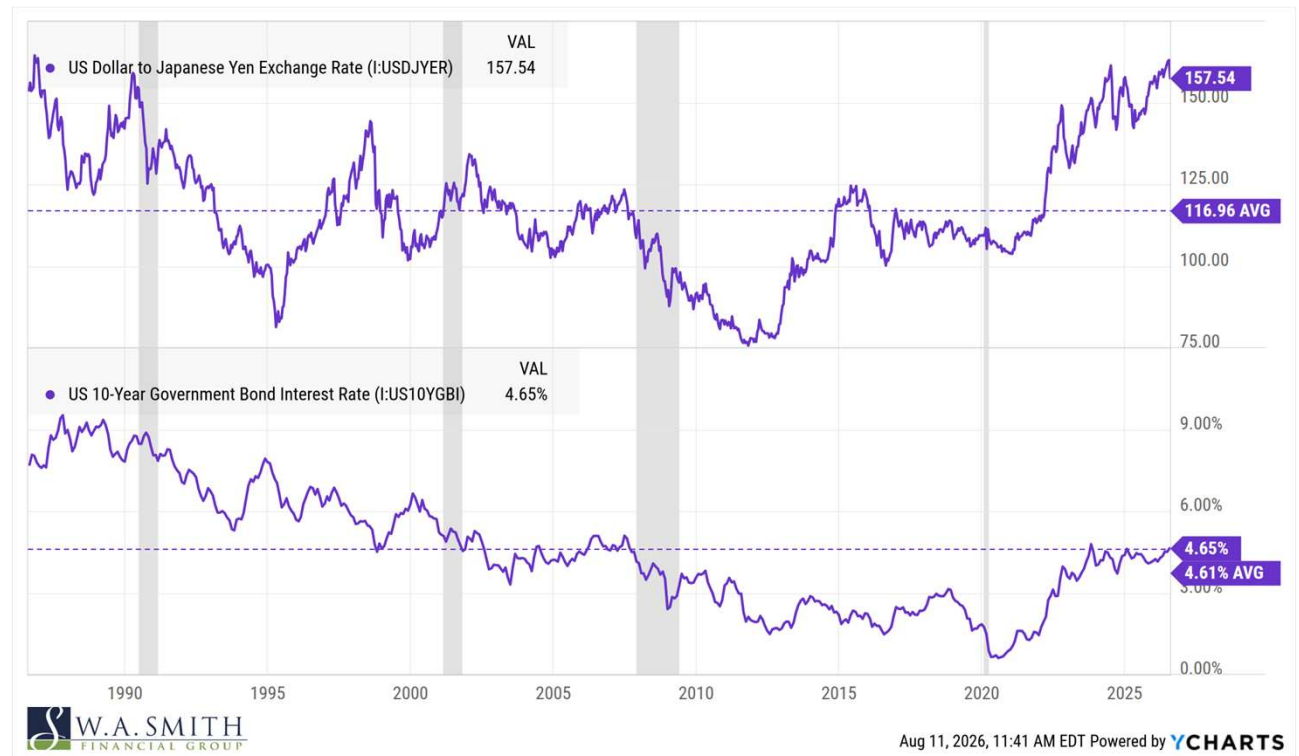
- **Artificial Intelligence remained a dominant secular growth theme:** Strong earnings supported continued AI infrastructure and productivity investment, though scrutiny of spending and valuations increased
- **Federal Reserve remained patient and data-dependent:** The FOMC held policy steady as inflation showed signs of easing but remained above target, suggesting restrictive conditions may persist for longer
- **Geopolitical events increased energy-market uncertainty:** Renewed Middle East tensions pushed crude oil higher and reinforced the need to monitor potential effects on inflation, consumer spending, and profit margins
- **Corporate fundamentals continued to support long-term optimism:** Companies with durable earnings growth, strong balance sheets, and healthy free cash flow remained best positioned as market leadership broadened

Investment Committee Update – Month-End Review

- **The Investment Committee continues to monitor the evolving environment through July:** Mixed equity leadership, higher long-term yields, and renewed energy-market volatility have increased dispersion without materially weakening underlying corporate fundamentals
- **Potential strategy additions and removals remain under active review:** Every proposed change continues to be evaluated through our rigorous 5-step due diligence process, with emphasis on quality, valuation, cash-flow durability, and downside risk
- **July reinforced the importance of maintaining a disciplined investment process:** Markets rewarded durable earnings and healthy balance sheets while repricing concentrated, highly valued areas. Broader leadership supports selectivity rather than a change in philosophy
- **Primary themes shaping our investment outlook through the second half of 2026:**
- **Artificial Intelligence remains a long-term investment opportunity:** Strong earnings support continued AI infrastructure and productivity investment, while July's technology pullback reinforces the need for valuation and execution discipline
 - **Monetary policy remains data-dependent:** The Fed held policy steady, but inflation remained above target, and the policy debate became more divided. Higher energy prices could complicate further progress and keep conditions restrictive
 - **Geopolitical risks warrant close monitoring:** Renewed Middle East tensions quickly affected energy prices and sentiment, reinforcing the value of diversification and balance-sheet resilience
- **Our long-term investment philosophy remains unchanged:** Volatility and rotation are normal components of investing. We remain focused on high-quality businesses with durable competitive advantages, consistent cash flow, and attractive long-term growth opportunities that meet our due diligence standards

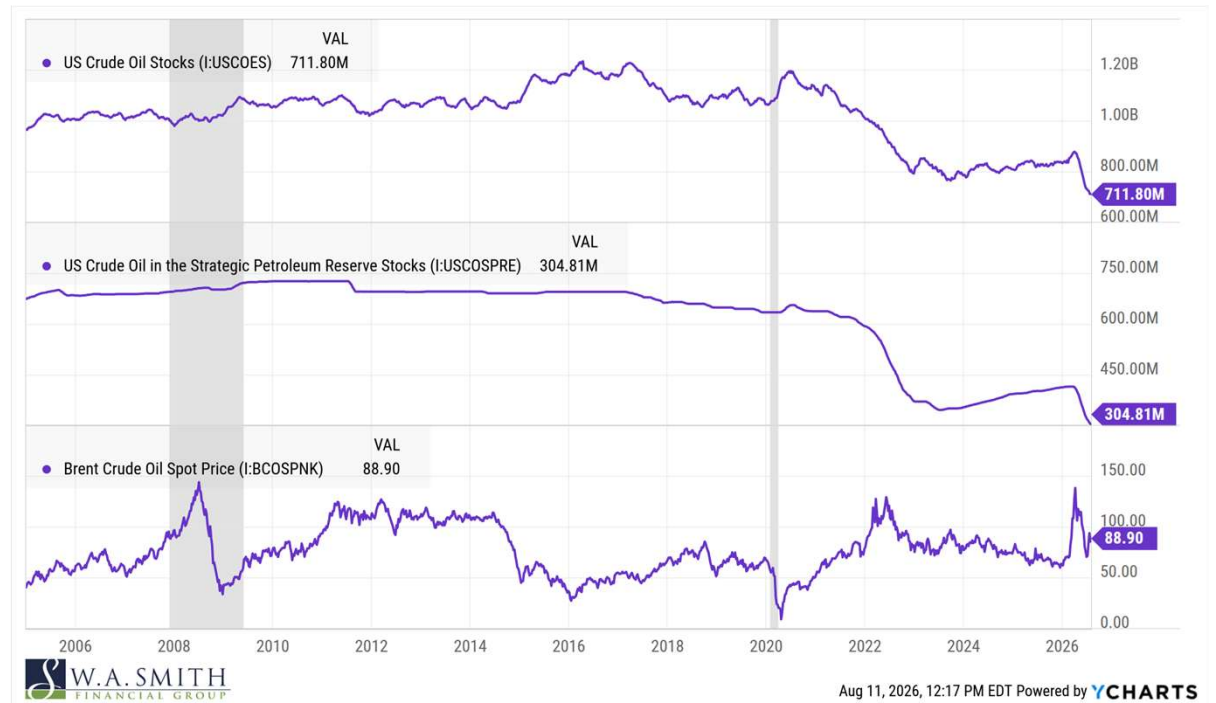
Japan's Yen Defense Could Add Pressure to US Borrowing Costs

- Japan is actively supporting the yen. Its Ministry of Finance conducted approximately ¥11.7 trillion of intervention from late April through late May, while Japan's reported Treasury holdings declined by nearly \$67 billion. The similar magnitudes suggest Treasury assets helped provide intervention liquidity, although the TIC data alone cannot establish a dollar-for-dollar connection
- US support has progressed from consultation to coordinated action. The two governments previously agreed that intervention may be appropriate to address disorderly currency movements, and Japan subsequently reported purchasing yen in coordination with the US Treasury on July 31. This represents targeted exchange-rate stabilization, not an open-ended US commitment to defend a particular yen level
- Continued Japanese selling could reduce demand for Treasuries and place incremental upward pressure on US yields
- Higher Treasury yields could raise mortgage, corporate, government, and other long-term borrowing costs, although inflation, Fed policy, and Treasury issuance remain larger drivers



Reduced Oil Reserves May Increase Exposure to Supply Disruptions

- US oil reserves have fallen sharply: the SPR remains well below pre-2022 levels, while commercial inventories offer a limited additional cushion
- The Iran conflict further depleted reserves as disruptions around the Strait of Hormuz prompted a record coordinated release of emergency oil stocks. The US authorized an exchange of up to 172 million SPR barrels
- Brent remains below earlier crisis peaks despite thinner inventories, suggesting demand conditions, OPEC+ policy, and expectations for restored supply continue to moderate prices
- Reduced reserve capacity leaves the US more exposed to renewed shipping disruptions, production outages, or geopolitical escalation, raising potential risks to fuel prices, inflation, and consumer spending. EIA expects inventories to remain under pressure while Hormuz flows are constrained



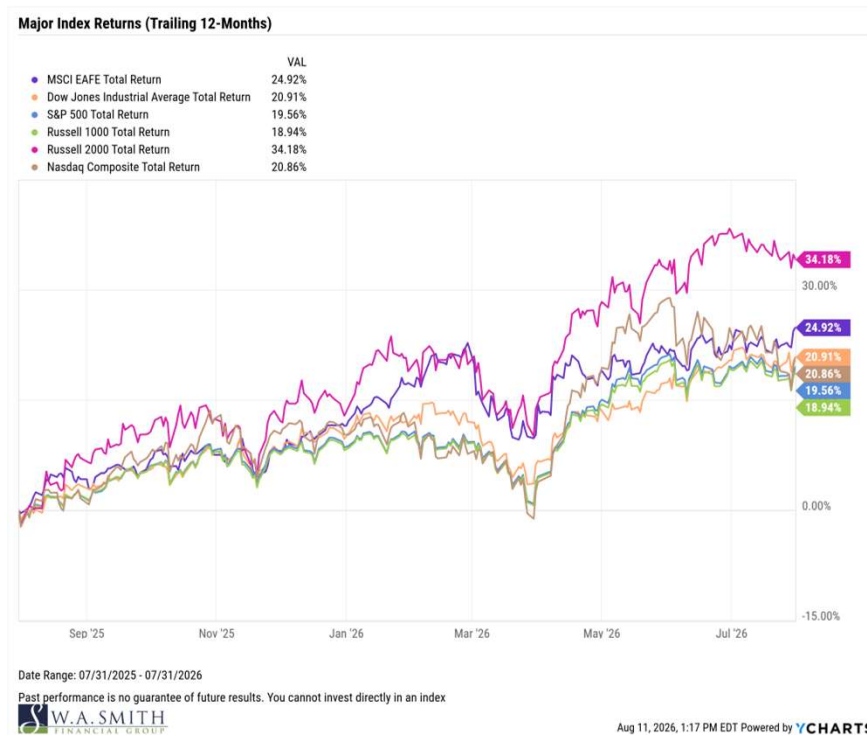
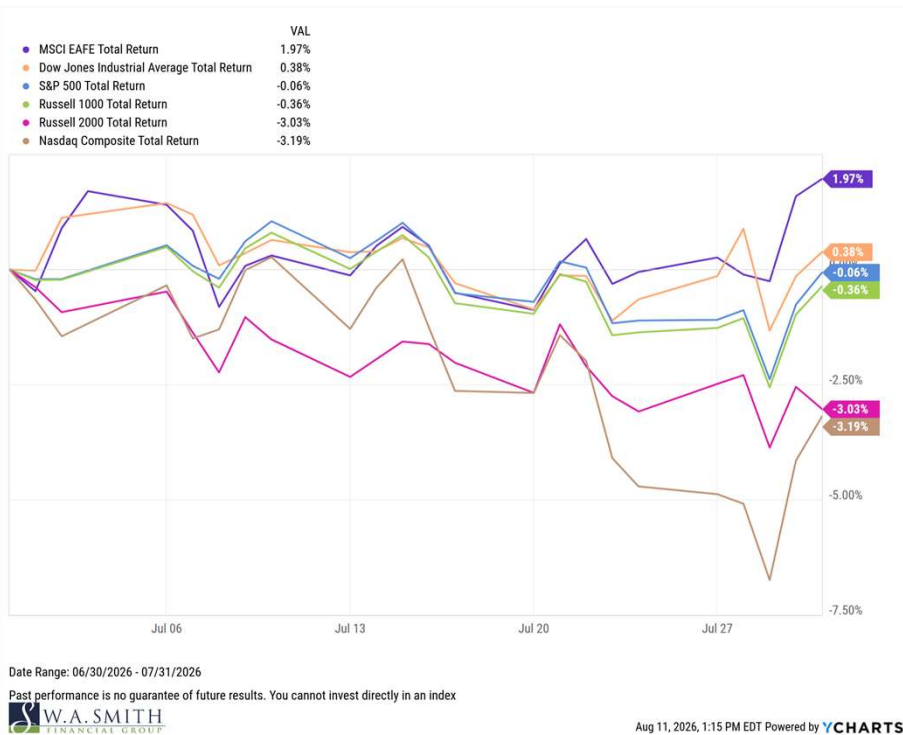
Brent Premium Reflects Heightened Maritime Supply Risk

- Brent and WTI moved sharply higher amid supply concerns, but Brent currently trades near \$89 versus roughly \$82 for WTI
- WTI is priced at inland Cushing, Oklahoma, making it more sensitive to U.S. inventories, pipelines, and transportation capacity; Brent is waterborne and more directly reflects global trade and maritime disruptions
- The Brent premium has widened to nearly \$7 per barrel—more than twice its long-term average, suggesting greater stress in international oil markets than in the domestic US market
- A rapidly widening spread can signal a geopolitical or supply crisis, particularly when shipping routes are threatened. However, inventories, refinery demand, crude quality, and transportation constraints can also affect the spread
 - *Note: during times of international turmoil (i.e., Iran War), this spread can be used as a loose indicator of how the conflict is progressing. If the spread widens, it may show that there is greater uncertainty around the conflict outcome*



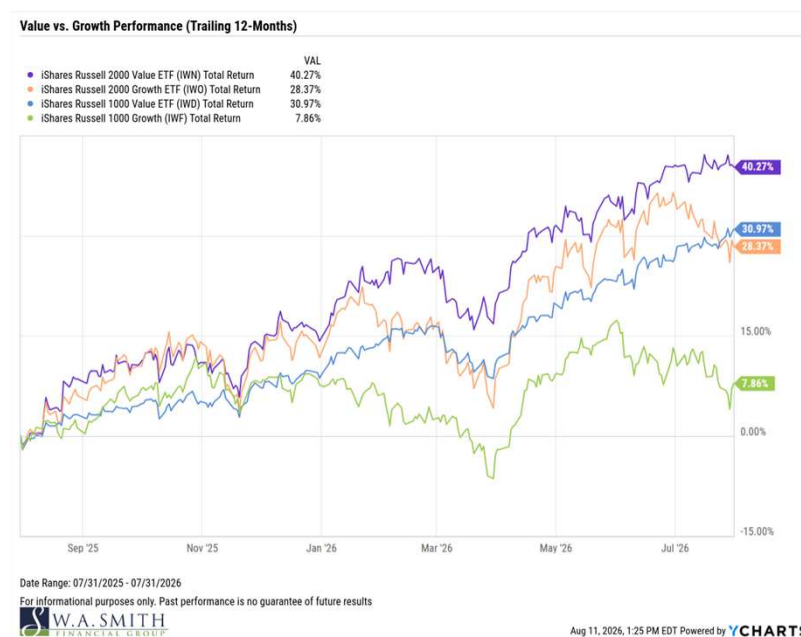
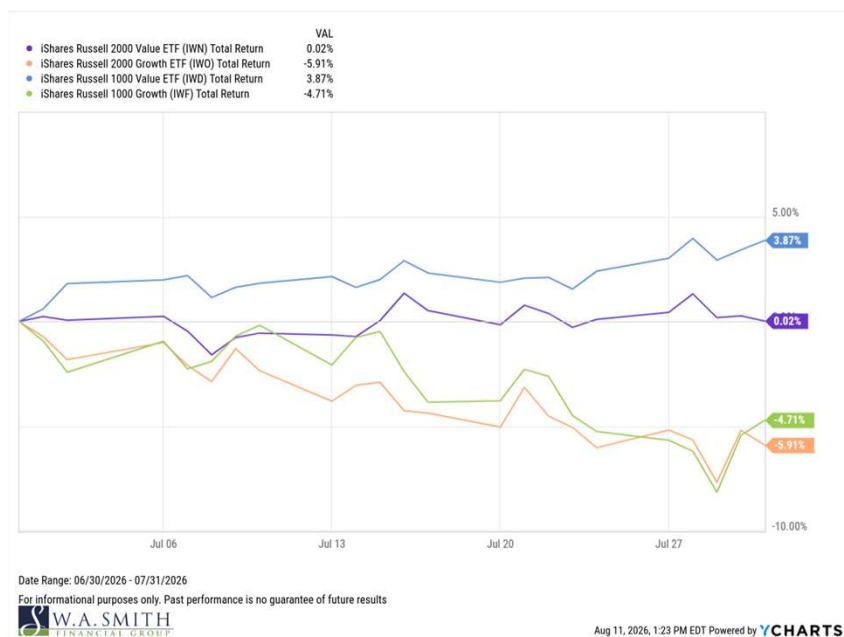
July Performance Diverged, but the Long-Term Trend Remained Positive

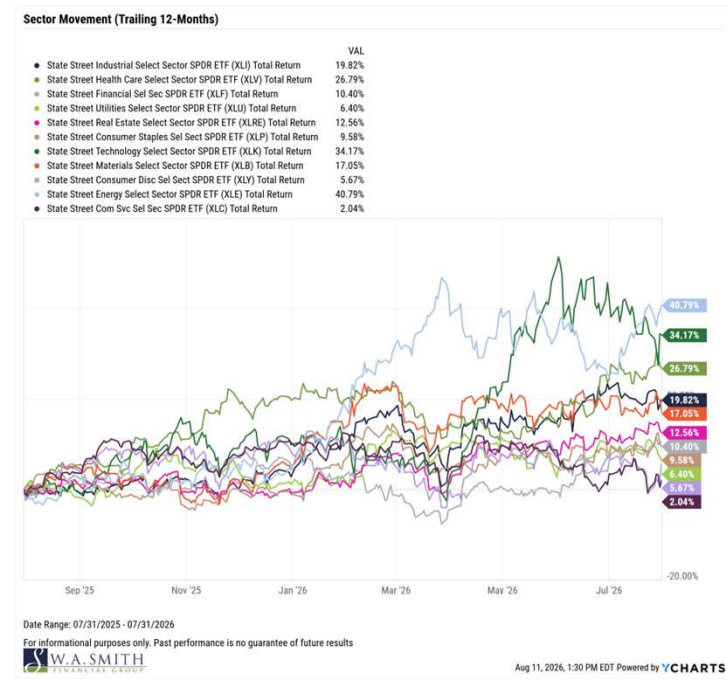
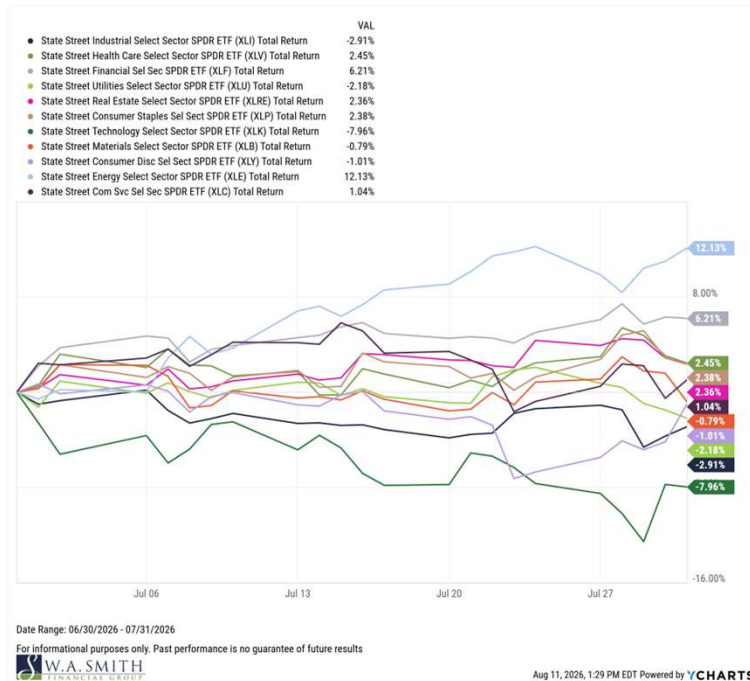
- **Market leadership shifted during July.** International equities led the major indexes, while the Dow posted a modest gain. The Nasdaq and Russell 2000 experienced the largest pullbacks, reflecting profit-taking and increased selectivity across technology and smaller companies
- **The longer-term trend remains constructive.** Every major index generated a strong positive trailing 12-month return, led by the Russell 2000 (+34.2%), MSCI EAFE (+24.9%), and Dow (+20.9%). The Nasdaq, S&P 500, and Russell 1000 also remained firmly positive
- **How to Interpret:** July's results demonstrate the value of global and style diversification. Although US growth and small-cap equities weakened during the month, broad 12-month gains suggest rotation and consolidation rather than a deterioration in the overall market trend



Style Leadership Shifted Decisively Toward Value

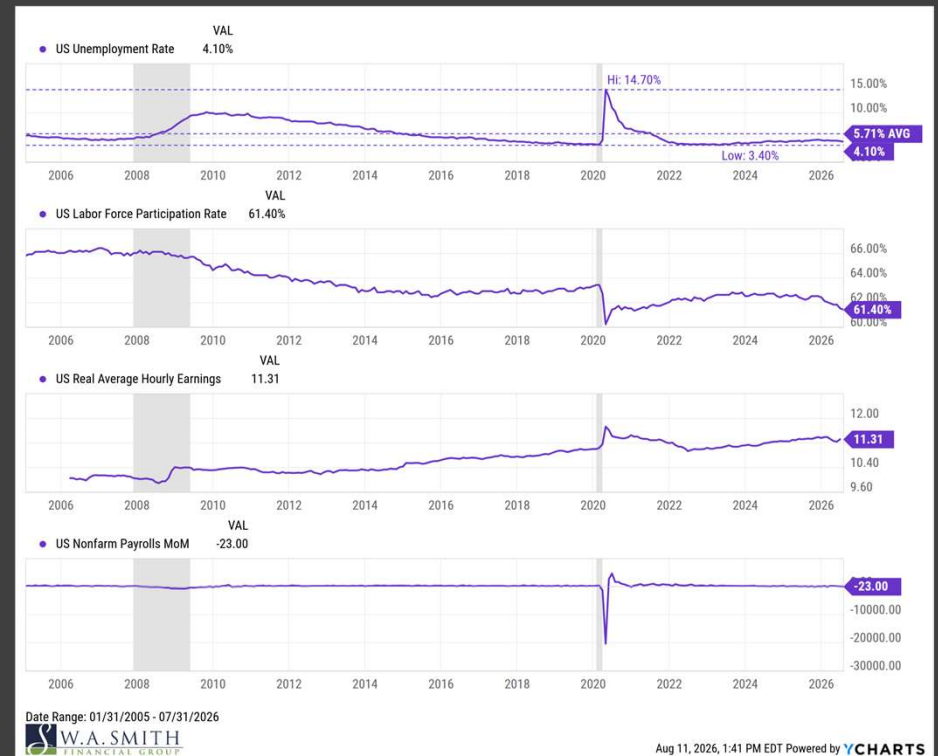
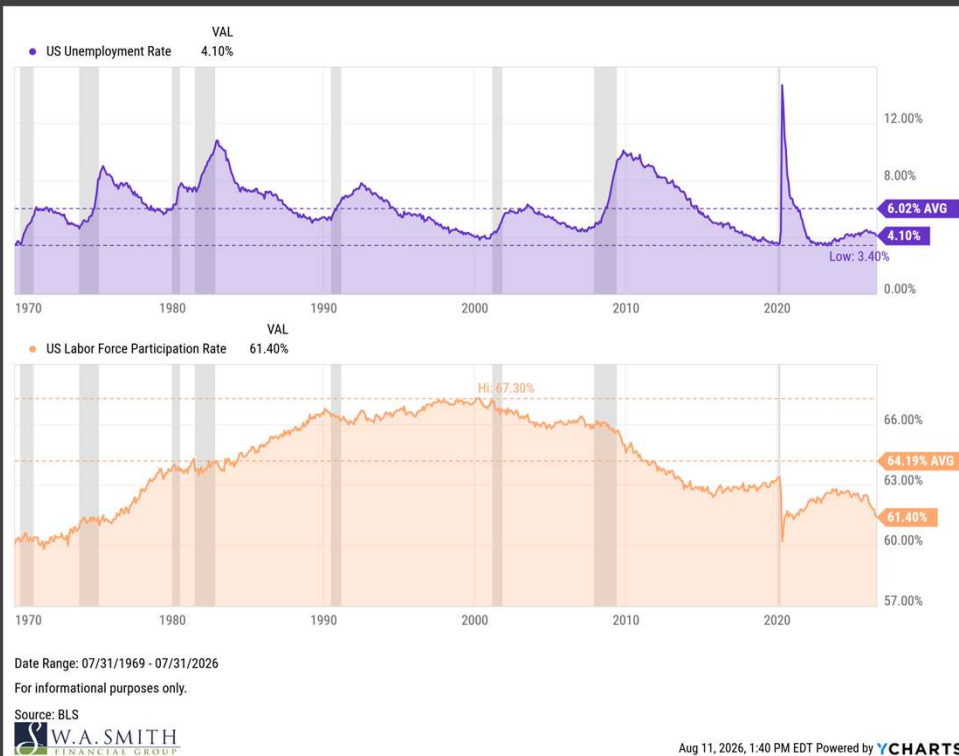
- **Value significantly outperformed growth during July.** Large-cap value advanced during the month, while small-cap value finished approximately flat. Both large- and small-cap growth declined, reflecting profit-taking and increased valuation sensitivity following an extended period of growth-led performance
- **The trailing 12-month trend strongly favors value-oriented investments.** Small-cap value (+40.3%) led the four style categories, followed by large-cap value (+31.0%) and small-cap growth (+28.4%). Large-cap growth materially lagged at +7.9%
- **How to Interpret:** July's divergence reinforces the importance of maintaining exposure across investment styles. While long-term growth themes remain attractive, value-oriented companies may provide an important source of diversification as markets place greater emphasis on valuation, current earnings, and cash-flow durability





July Performance Highlighted the Value of Sector Diversification

- **July produced a pronounced shift in sector leadership.** Energy led by a wide margin, followed by Financials, Health Care, Consumer Staples, and Real Estate. Technology experienced the sharpest pullback as investors rotated away from prior market leaders
- **Trailing 12-month results demonstrate broad—but uneven—participation.** Energy (+40.8%) and Technology (+34.2%) remained the strongest sectors, followed by Health Care (+26.8%) and Industrials (+19.8%). Every major sector generated a positive return over the period
- **How to Interpret:** July's rotation reinforces the value of sector diversification. While Technology and AI remain important long-term themes, exposure to Energy, Health Care, Financials, and other sectors can provide additional return sources and reduce dependence on a narrow group of market leaders

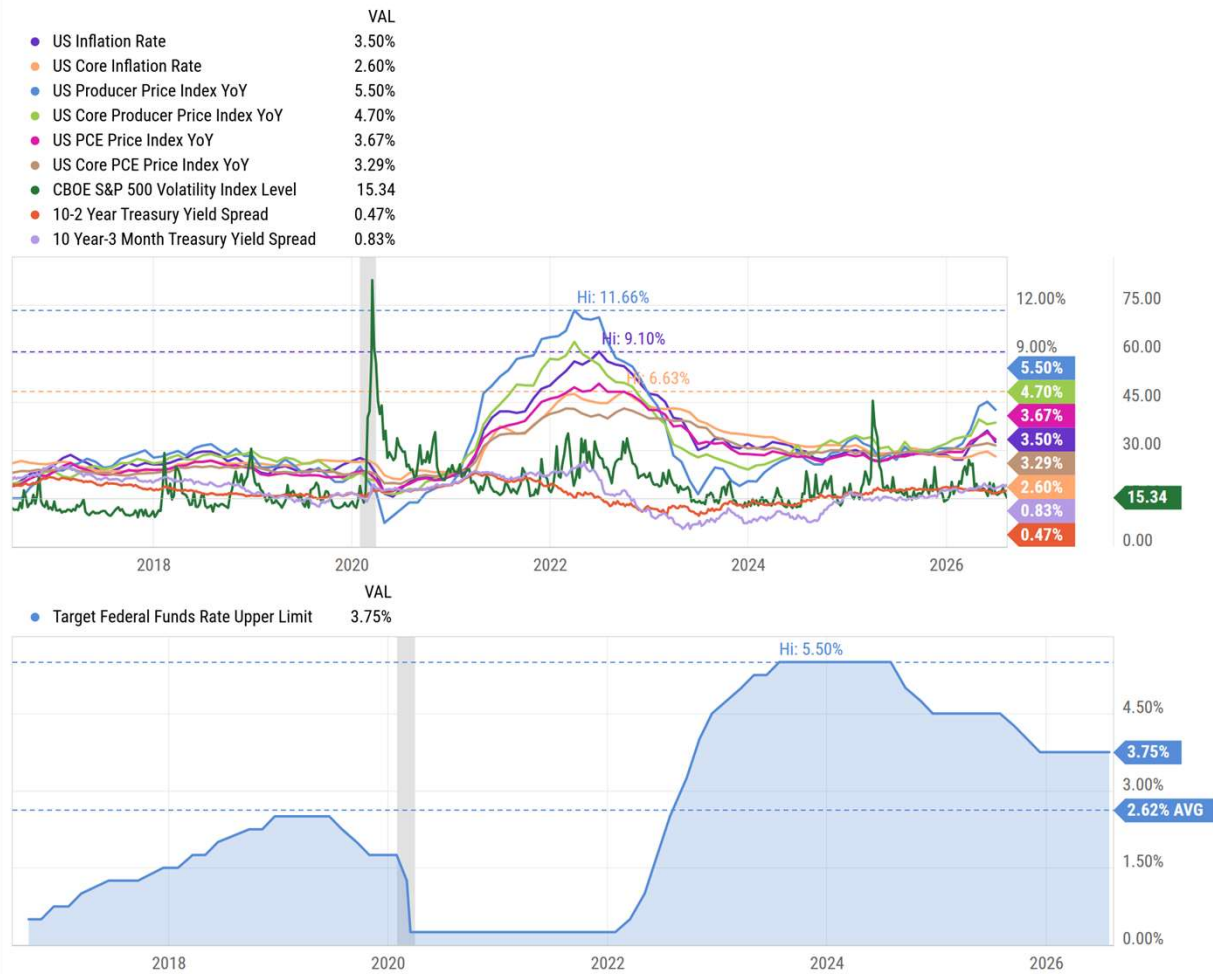


Stable Unemployment Masks Weaker Hiring Momentum

- **The labor market weakened during July.** Nonfarm payrolls declined by 23,000, marking a notable deterioration from June's modest gain. However, the unemployment rate remained relatively low at 4.1%, suggesting softer hiring has not yet translated into broad-based job losses
- **Underlying labor-market indicators remain mixed.** Labor-force participation slipped to 61.4%, extending its decline and remaining well below its longer-term average. Real average hourly earnings remained elevated, providing continued support for workers who remain employed
- **How to Interpret:** July's payroll contraction warrants closer monitoring and suggests the economy may be more vulnerable to a slowdown. Stable unemployment and positive real earnings remain supportive, but continued weakness in hiring or participation would increase the risk of declining consumer confidence and spending

The Fed Balances Persistent Inflation Against Slower Growth

- **Inflation remains elevated, with progress varying across measures.** Headline CPI stands at 3.5%, and core CPI has moderated to 2.6%, while headline and core PCE remain above the Federal Reserve's target. Producer-price inflation is notably higher, indicating continued cost pressure within supply chains
- **The Federal Reserve remains patient as policy stays restrictive.** The upper federal-funds target remains at 3.75%, while both the 10-year/2-year and 10-year/3-month Treasury spreads are positive. Policymakers must balance persistent inflation against softer hiring and moderating economic growth
- **How to Interpret:** Improving core consumer inflation is encouraging, but elevated PCE and producer prices argue against assuming inflation has been fully contained. A balanced portfolio emphasizing quality, pricing power, diversification, and durable cash flows remains appropriate while the direction of monetary policy is uncertain



Date Range: 07/29/2016 - 08/11/2026

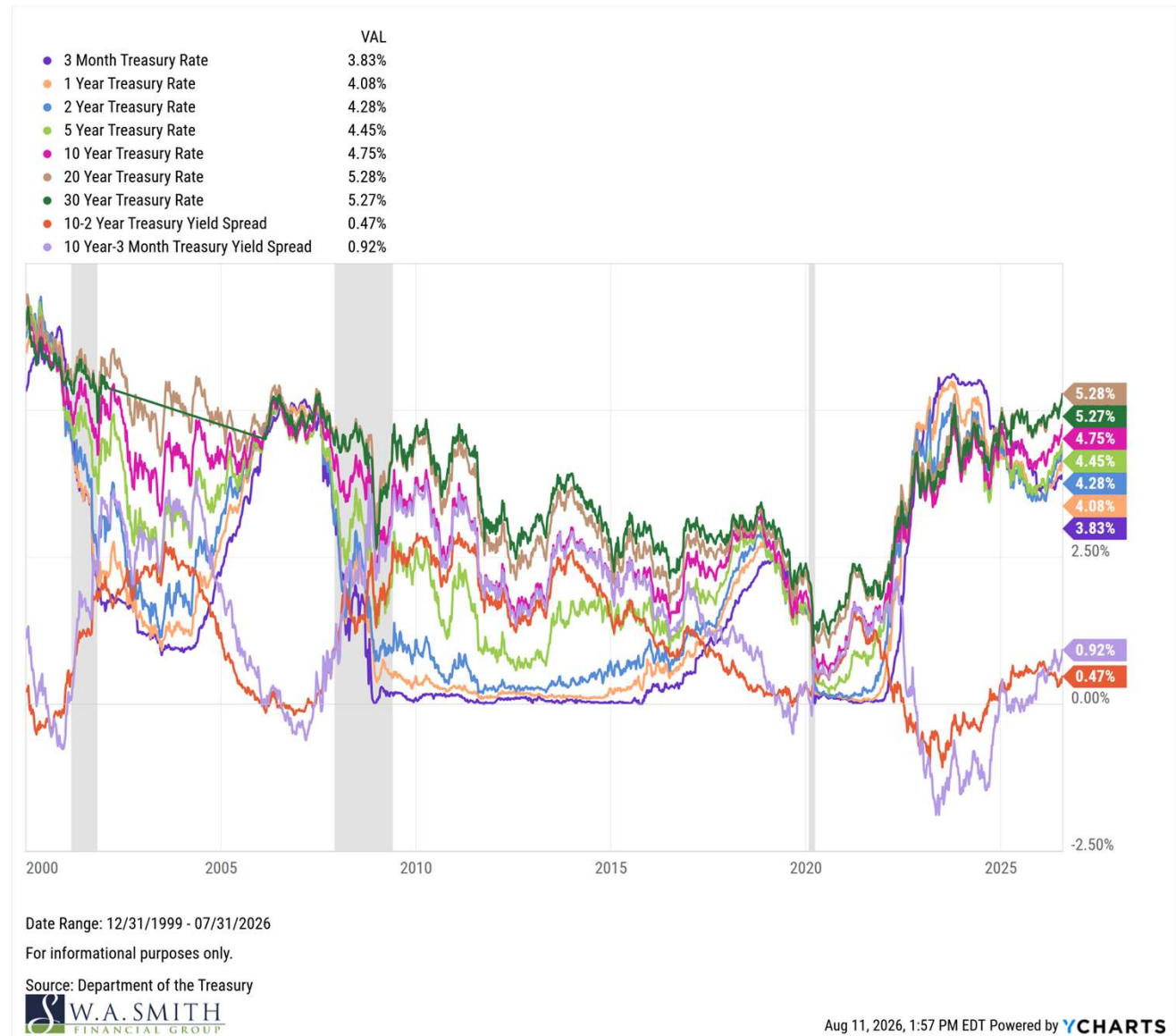
For informational purposes only.

Sources: BLS, BEA, Department of the Treasury, Federal Reserve



Positive Yield Curve Reflects Higher Long-Term Risk Premiums

- **The Treasury yield curve remains positively sloped and steepened during July.** The 10-year/2-year spread widened to +0.47%, while the 10-year/3-month spread increased to +0.92%, extending the normalization that followed the prolonged inversion
- **Long-term yields moved materially higher.** The 10-year Treasury reached 4.75%, while the 20- and 30-year yields rose above 5.25%. Elevated inflation, increased Treasury supply, and higher term premiums appear to be placing greater pressure on longer maturities
- **Recent spread expansion reflects higher long-term yields—not simply expectations for easier Fed policy.** The steepening curve may indicate that investors require additional compensation for inflation, fiscal, and duration risks
- **How to Interpret:** A positive curve is more consistent with normalized market conditions than an inverted curve, but it does not eliminate recession risk. Higher long-term yields could constrain housing, business investment, and other rate-sensitive activity even if economic growth remains positive



New Timeseries Analysis

Data as of: Aug. 11, 2026

Date Range: 12/30/2022 to 07/31/2026

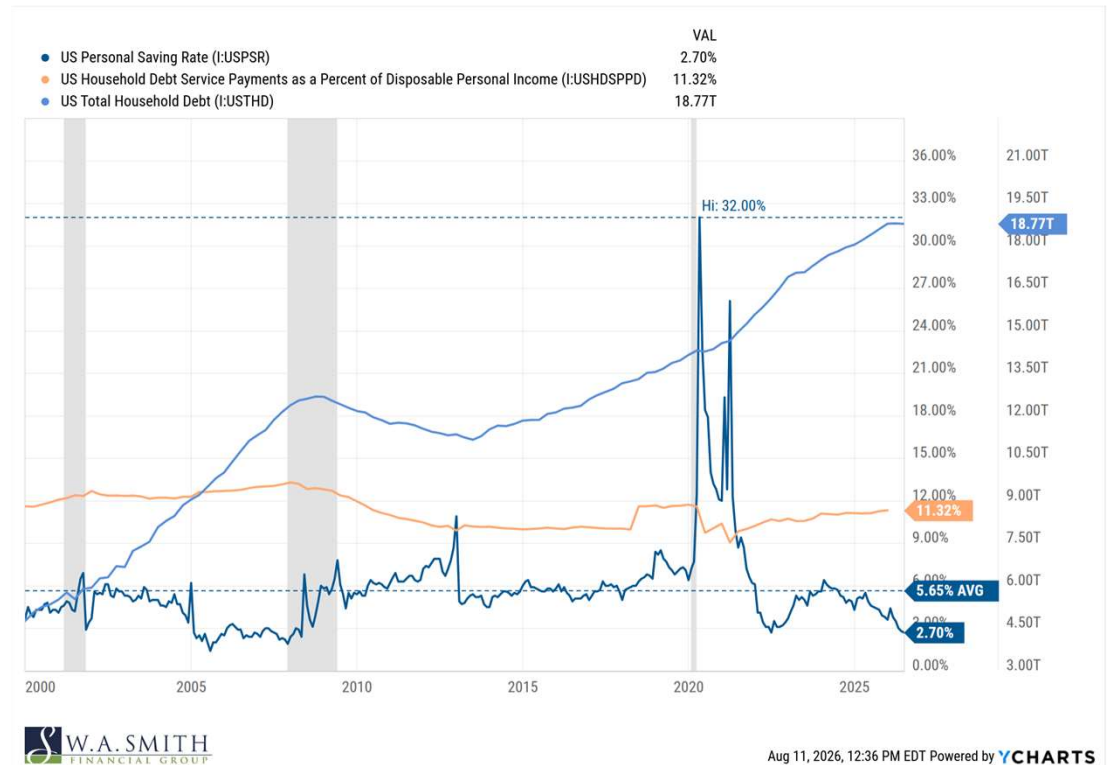
Symbol	Name	Metrics	Jul 31 '26	Jun 30 '26	May 31 '26	Apr 30 '26	Mar 31 '26	Feb 28 '26	Jan 31 '26	Dec 31 '25
I:10YTCMR	10 Year Treasury Rate		4.75%	4.44%	4.45%	4.40%	4.30%	3.97%	4.26%	4.18%
I:1MTCMR	1 Month Treasury Rat...		3.78%	3.70%	3.72%	3.72%	3.74%	3.74%	3.72%	3.74%
I:1YTCMR	1 Year Treasury Rate		4.08%	3.98%	3.79%	3.72%	3.68%	3.48%	3.48%	3.48%
I:20YTCMR	20 Year Treasury Rate		5.28%	4.93%	4.98%	4.97%	4.88%	4.57%	4.82%	4.79%
I:2YTCMR	2 Year Treasury Rate		4.28%	4.14%	3.98%	3.88%	3.79%	3.38%	3.52%	3.47%
I:30YTCMR	30 Year Treasury Rate		5.27%	4.91%	4.99%	4.98%	4.88%	4.64%	4.87%	4.84%
I:3MTCMR	3 Month Treasury Rat...		3.83%	3.87%	3.69%	3.68%	3.70%	3.67%	3.67%	3.67%
I:3YTCMR	3 Year Treasury Rate		4.34%	4.15%	4.06%	3.91%	3.81%	3.39%	3.60%	3.55%
I:5YTCMR	5 Year Treasury Rate		4.45%	4.19%	4.13%	4.02%	3.92%	3.51%	3.79%	3.73%
I:6MTCMR	6 Month Treasury Rat...		3.98%	4.01%	3.78%	3.71%	3.72%	3.60%	3.61%	3.59%

Long-Term Borrowing Costs Climb Despite Stable Short Rates

- **Treasury yields rose across most maturities during July, led by the long end.** The 10-year yield increased to 4.75%, while the 20- and 30-year yields climbed above 5.25%. Short-term rates were comparatively stable, producing a steeper yield curve
- **Longer-duration bonds experienced the greatest repricing.** Persistent inflation, increased Treasury issuance, fiscal concerns, and higher term premiums appear to be keeping intermediate- and long-term yields elevated despite expectations that future Fed policy will remain data-dependent
- **How to Interpret:** Higher starting yields provide attractive income potential, but the July move highlights the price volatility associated with longer-duration bonds. High-quality intermediate maturities may offer a more balanced combination of income and potential appreciation if rates eventually moderate, without assuming the full sensitivity of long-term bonds

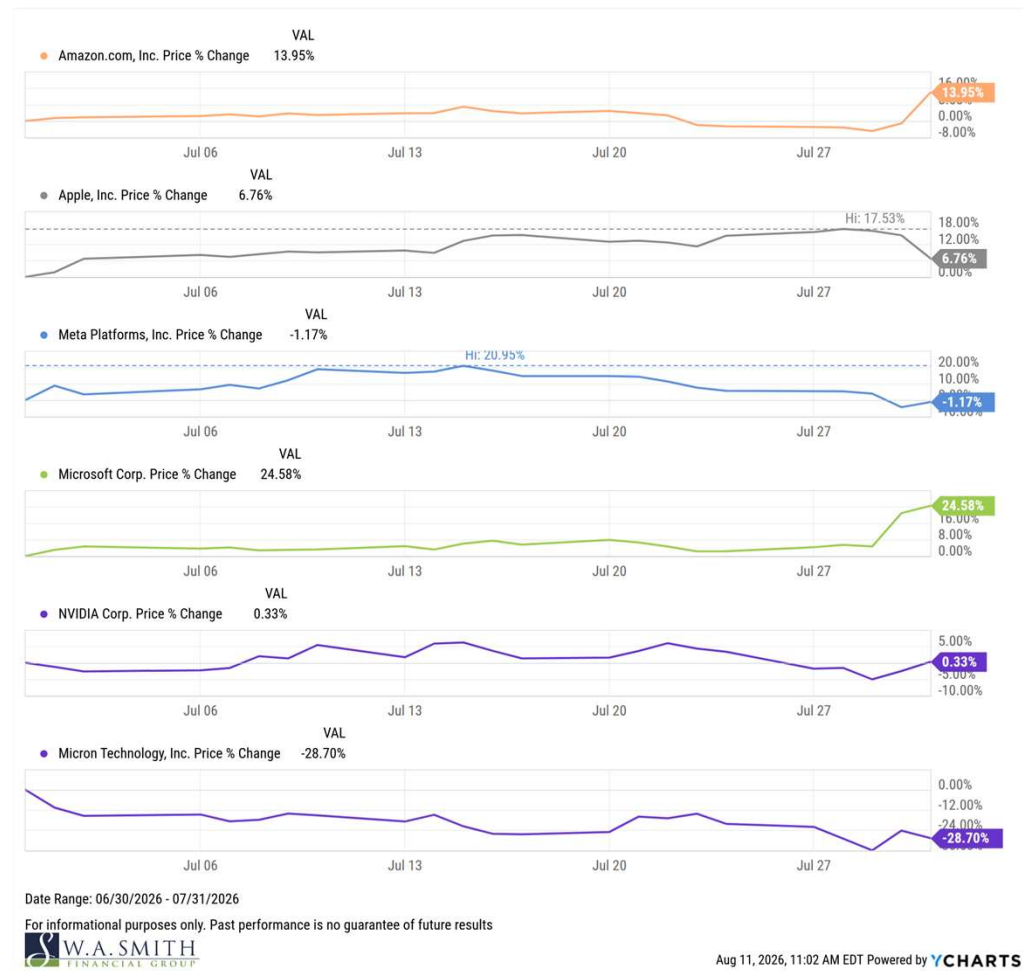
Household Debt Climbs as the Savings Buffer Weakens

- The personal saving rate has fallen to 2.7%, well below its historical average, leaving households with a limited buffer against unexpected expenses or economic weakness
- Total household debt has reached approximately \$18.8 trillion, continuing its long-term climb and increasing consumer exposure to elevated interest rates
- Debt-service payments have risen to 11.3% of disposable income. Although below pre-financial-crisis peaks, the upward trend indicates growing pressure on household cash flow
- Low savings combined with rising debt obligations could constrain discretionary spending and make consumer activity more sensitive to employment, inflation, and borrowing costs
- Job losses or slower wage growth could make debt payments harder to manage, increasing delinquencies and defaults, particularly among borrowers with credit-card, auto, or other variable-rate debt
 - *Note: we regularly monitor financial institutions' delinquent and non-performing loans to see if there are higher Q/Q variances, which is usually an early warning signal that consumers are encountering issues*



July Performance Diverged Sharply Across Technology Leaders

- July's technology and software sectors experienced heightened volatility and rapid leadership shifts as investors rotated between mega-cap platforms, AI infrastructure, semiconductors, and software companies amid earnings results, valuation concerns, and increased scrutiny of AI-related capital spending
- Performance varied substantially across the group, demonstrating that technology and AI-related companies did not trade as a unified theme during July
- Microsoft and Amazon were the strongest performers, with both benefiting from pronounced late-month advances; Apple also finished the month higher
- Meta and NVIDIA surrendered earlier gains and ended approximately flat, highlighting increased volatility and investor selectivity within mega-cap technology
- Micron declined sharply and materially underperformed the group, illustrating the elevated company-specific and semiconductor-cycle risks beneath the broader AI investment theme



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- **NASDAQ Composite Index** – a market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System.
- **Russell 1000** – The index measures the performance of the large-cap segment of the US equity securities. It is a subset of the Russell 3000 index and includes approximately 1000 of the largest securities based on a combination of their market cap and current index membership.
- **Dow Jones Industrial Average Price Return Index** – a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry.
- **Russell 2000 Index** – measures the performance of the small-cap segment of the US equity universe.
- **MSCI EAFE Index** – a stock market index that is designed to measure the equity market performance of developed markets outside of the US & Canada. It is maintained by MSCI, Inc., a provider of investment decision support tools; the EAFE acronym stands for Europe, Australasia and Far East.