Market Commentary | July 2026

Benchmark Review & Monthly Recap

Stocks Under Pressure From AI Trade and Rising Rates

Equity Markets

Large-cap growth stocks have been under pressure in recent months as the market has been scrutinizing the massive spending on the AI buildout. The on-again, off-again nature of the Iran conflict has also created elevated volatility as oil prices have swung wildly based on the day's headlines. Interest rates rising to multi-year highs added to the pressure on stocks. With all that said, stocks have been very resilient. The S&P 500 Index stands just a few percent below all-time highs, and the S&P 500 Equal Weight Index hit all-time highs the last week of July. Broadening continues as small caps and value stocks have taken a leading role so far this year. See **Table 1** for July, Q2, and YTD returns.

Table 1 | Equity Markets

Index	July 2026	Q2 2026	YTD
S&P 500	-0.06%	15.20%	10.14%
S&P 500 Equal Weight	1.01%	11.39%	13.26%
DJIA	0.38%	13.38%	10.17%
Russell 3000	-0.47%	15.44%	10.35%
NASDAQ Comp.	-3.19%	21.60%	9.53%
Russell 2000	-3.03%	21.49%	18.85%
MSCI ACWI ex U.S.	0.34%	14.49%	14.08%
MSCI Emerging Mkts Net	-3.07%	24.05%	20.04%

Source: Morningstar. For illustrative purposes only. Indexes are unmanaged and have been provided for comparison purposes only. No fees or expenses are reflected. You cannot invest directly in an index. Past performance is not indicative of future results.

The Nasdaq Composite is the only major index in Table 1 with year-to-date gains below 10%, proving it has been a strong year so far for stocks. Small caps have led U.S. indices year to date but were among the weakest pockets in July. The equal-weighted S&P 500 Index had the best gains during the month, which reflects broadening away from the largest growth areas and into parts of the market like value. The conflict with Iran deteriorated midway through the month and oil prices spiked, but another late-month pause in hostilities sent oil prices tumbling and helped stocks stage a month-end rally.

Highlights

- **Stocks:** The second half of the year started on a mixed note for stocks. Large-cap growth was under pressure, which generally sent stocks lower for the month. However, value stocks stood out as a pocket of strength in July.
- **Bonds:** Rates rose in July as inflation concerns mounted. The 10-year U.S. Treasury yield closed at 4.75% by month's end, a level matched only a few times since the end of the credit crisis.
- **U.S. Economy:** Inflation data declined in June, but July saw oil prices move higher once again as the conflict with Iran intensified. Initial estimates show that GDP growth slowed to a 1.5% annualized growth rate in Q2.
- **Federal Reserve:** Kevin Warsh chaired his second meeting of the FOMC in late July. After a consensus vote for no change to rates in June, three dissenting votes occurred in July, but policy rates remained unchanged at that meeting.

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One consistent narrative supporting the stock market has been very strong earnings growth this year. Expectations are calling for earnings to grow north of 20% in 2026 and in the mid-teens in 2027. While subject to revision, we are at a point in the market cycle where earnings have been accelerating and supporting gains in the stock market. The S&P 500 has become cheaper as we have moved through the year as stock price gains have not kept up with earnings growth expectations, which are advancing at a stronger pace. We are mindful of potential volatility developing as we move toward midterm elections and continue to get used to the new leadership at the Fed – two scenarios that historically have tended to heighten volatility in the market. With that said, the fundamental backdrop of strong earnings growth continues to keep us constructive on the stock market moving through the balance of 2026.

On the international front, emerging markets struggled in July but continued to be one of the best performing areas in the stock market this year. Some countries with heavy tech weights (like Taiwan and South Korea) were hit as the broader AI trade came under heightened scrutiny last month. Overall, stocks, both U.S. and international, have turned in impressive results so far in 2026.

Fixed Income

The 10-year U.S. Treasury closed July at 4.75%, a level seen only a few times since the end of the credit crisis. The 30-year closed over 5.25%, a level not seen in almost 20 years. This rise in rates put clear pressure on the bond market in July and bond sectors struggled across the board. See **Table 2** for July, Q2, and YTD bond returns.

Table 2 | Fixed Income Markets

Index	July 2026	Q2 2026	YTD
Bloomberg U.S. Agg	-1.30%	0.67%	-0.69%
Bloomberg U.S. Credit	-1.60%	1.33%	-0.76%
Bloomberg U.S. High Yld	-0.25%	2.47%	1.71%
Bloomberg Muni	-1.85%	2.50%	0.43%
Bloomberg 30-year U.S. TSY	-4.39%	0.88%	-3.68%
Bloomberg U.S. TSY	-1.11%	0.32%	-0.84%

Source: Morningstar. For illustrative purposes only. Indexes are unmanaged and have been provided for comparison purposes only. No fees or expenses are reflected. You cannot invest directly in an index. Past performance is not indicative of future results.

It was a tough month for bond returns as rates moved higher. Some modest movement in spreads occurred, but spreads remain tight, and bond weakness was more driven by the general move higher in rates. Credit seems solid and there is not much stress in the bond market. High yield was least affected by the move in rates, had the best relative results for the month, and is the clear leader year to date. Interest-rate sensitive U.S. Treasuries were harder hit during the month. Munis gave back a big piece of their year-to-date performance in July but still show gains for the year. Weakness in the bond market in July sent several of the bond indices into negative year-to-date territory.

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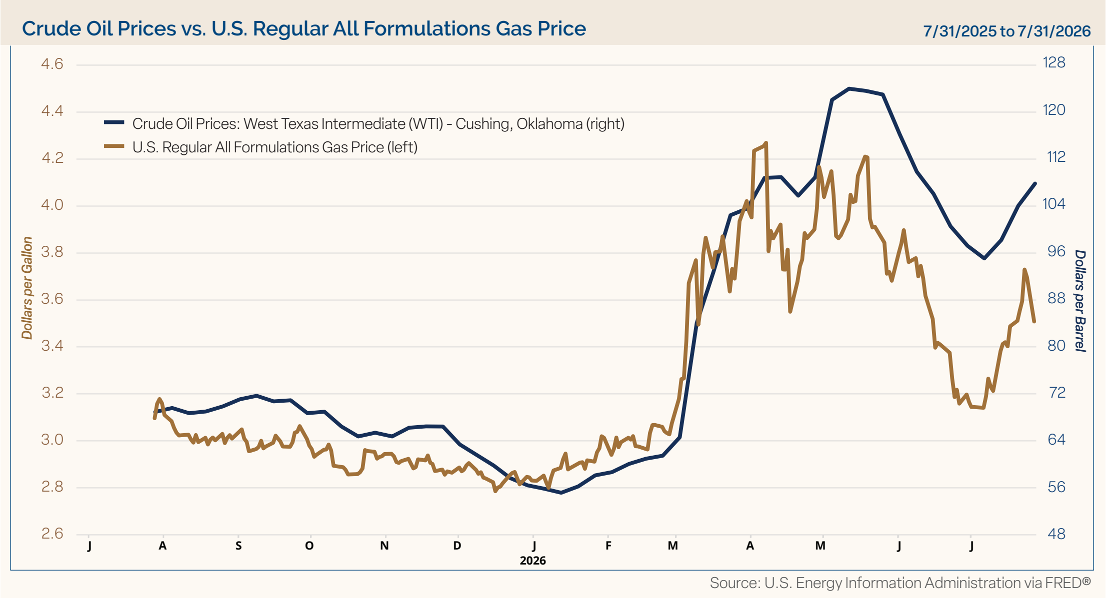
We maintain our longstanding position favoring credit versus pure rate exposure in this interest rate environment. We believe the role bonds play in a portfolio, to provide stable cash flow and to help offset the volatility of stocks in the long run, has not changed. With uncertainty ahead, we believe having an active bond management approach makes sense. Furthermore, the recent move higher in rates provides attractive opportunities for bond investors with rates at levels not seen in some time.

Economic Data Highlights and Outlook

The memorandum of understanding between the U.S. and Iran was signed in mid-June and it sent oil prices tumbling to near pre-conflict levels. However, in July, hostilities increased between the two countries once again, and oil prices reversed course, which added to inflationary pressures. Importantly, gasoline prices, which tend to directly impact consumer confidence, had been trending lower but bounced higher. Monitoring how oil prices react to ongoing events between the U.S. and Iran (both positive and negative) will be an important factor in the direction of inflation and consumer confidence moving forward. **Chart 1** shows the strong relationship between oil prices and gas prices.

Chart 1



For illustrative purposes only. Past performance is not indicative of future results.

The drop in oil prices in June led to an improvement in inflation data for that month. The Producer Price Index (PPI) for June declined by -0.3% leading to an annual increase of 5.5% compared to the prior month's level of 6.0% and expectations of 6.2%. The core PPI (which excludes food and energy costs) rose by 0.2%, better than the expected 0.3% increase. However, after the May level was revised lower, the annual increase of 4.7% for June was still modestly higher than the 4.6% mark in May.

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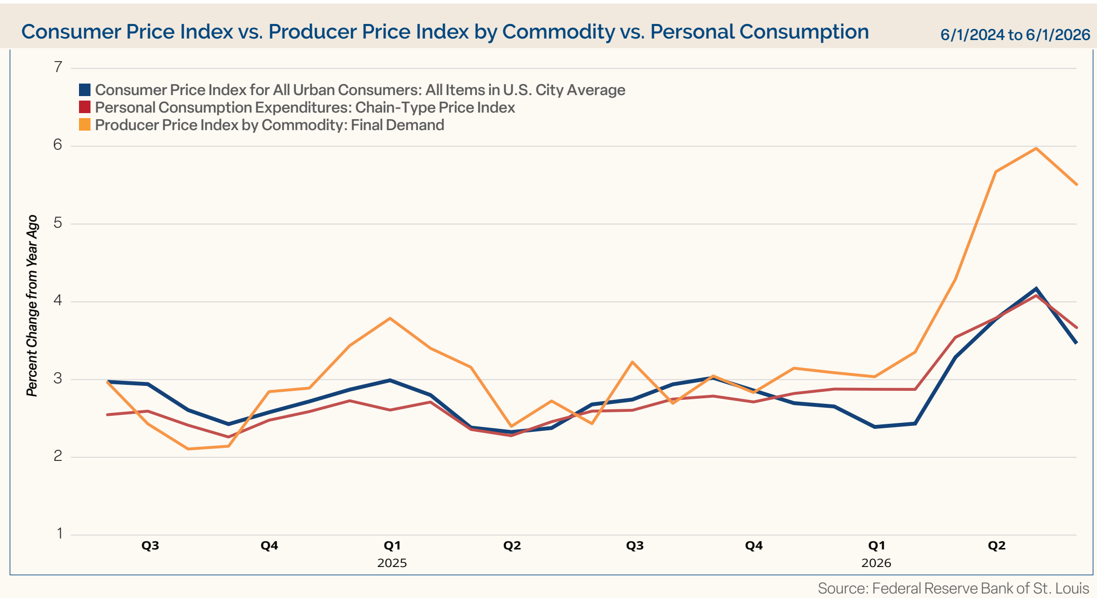
The Consumer Price Index (CPI) had one of its largest monthly declines since April 2020 during COVID, falling by -0.4% in June with the annual increase falling to 3.5%. Core CPI was flat for the month, which led to a drop in the annual increase to 2.6%. All categories of the CPI were better (lower) than expected in June. The headline Personal Consumption Expenditures (PCE) price index fell by -0.1%, while the core reading rose by 0.1%. Both the annual headline PCE reading (3.7%) and the core reading (3.3%) matched expectations for June, and both improved from May levels.

We will watch inflation readings closely to see the impact from volatile oil prices. (This is one reason Fed officials focus on core inflation readings when making policy decisions due to the volatile nature of oil prices.) Clearly, inflation has been heading in the wrong direction in recent months, but this trend improved for a time in June as hostilities paused. Unfortunately, oil prices reversed course once again and increased when fighting resumed. **Chart 2** below shows the rise in headline inflation readings since the conflict with Iran began as well as the subsequent decline after the memorandum of understanding was signed in June. Pressure could be on prices to move higher once again in July as the conflict resumed.

Chart 2



For illustrative purposes only. Past performance is not indicative of future results.

Broader economic data has remained solid. Although job market data was mixed in June, labor market momentum has increased the last few months. Nonfarm payrolls increased by 57,000, well below estimates of 113,000, but the unemployment rate fell unexpectedly to 4.2% from 4.3%. Job openings have been robust and sit near a two-year high. Job data has been stronger in recent months and could be supportive of ongoing consumer spending activity.

The Institute for Supply Management (ISM) Manufacturing Index remained positive in June for the sixth consecutive month. The ISM Manufacturing Index showed expansion with a reading of 53.3 compared to estimates of 53.9. For July, the reading came in at 55.6, the strongest reading in years, easily surpassing estimates of 53.9. The ISM Non-Manufacturing Index, which covers the much larger service industries in the U.S. economy, continued to reflect expansion. This reading matched expectations of 54.0 in June, but that was a modest drop from the 54.5 reading in May. As a reminder, ISM readings above 50 represent expansion and below 50 reflect contraction.

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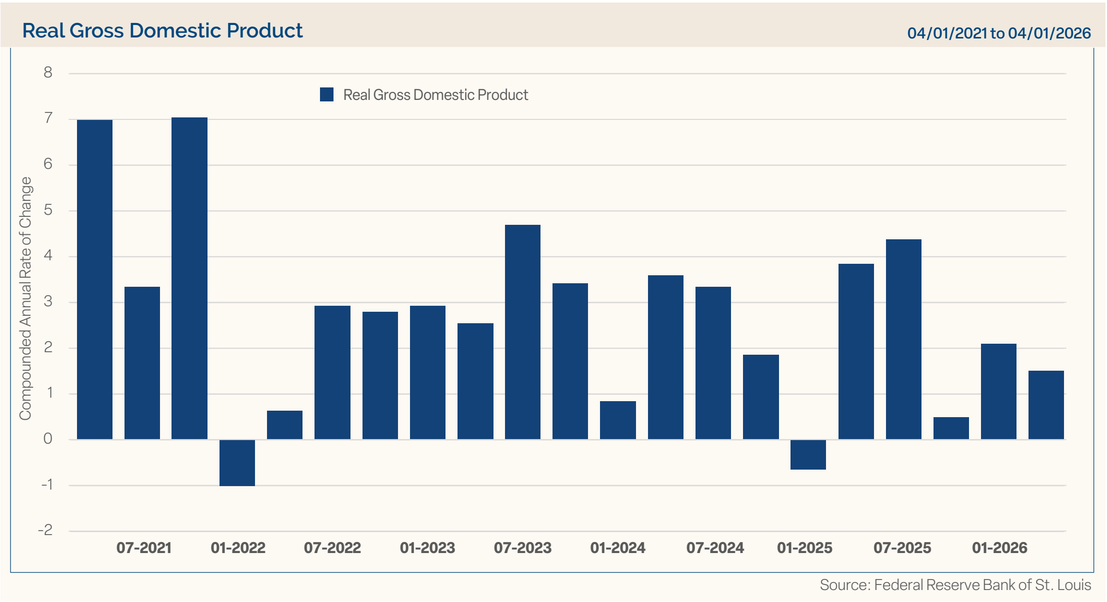
Consumer spending held up in June, as well. Retail sales (ex. auto and gas) increased by 0.4%, as expected. This reading was revised higher for May to a 0.8% increase from the prior estimate of 0.5%, reflecting stronger consumer spending than initially reported. Consumer sentiment readings have been weak for some time, but the preliminary University of Michigan Consumer Sentiment reading improved in July to 54.4 from 49.5. Since the May reading, which was the worst in this survey's history back to 1952, sentiment has been improving as progress was made in the Iran conflict from mid-June through much of July – but we know hostilities have increased once again. Lower gasoline prices also tend to help consumers' mood, and as previously discussed, we will watch how gas prices react in the weeks ahead. Despite broadly weak confidence readings, consumers have continued to spend, and this "hard" data has lined up better with consumer actions versus the "soft" data of sentiment surveys.

The first reading of Q2 GDP showed an annualized growth rate of 1.5% compared to expectations of 2.0% and the Q1 pace of 2.1%. The personal consumption component was stronger than expected and improved from Q1, so it reflected ongoing strength in consumer spending. Additionally, the biggest drag on GDP was a rise in imports, which subtracts from GDP growth and can reflect healthy domestic demand for foreign products. While very early on and certainly subject to revision, the GDPNow forecast from the Atlanta Fed for Q3 2026 GDP shows expected growth at a 6.2% annualized rate (as of Aug. 3, 2026). **Chart 3** shows quarterly annualized GDP growth over the last five years.

Chart 3



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The second Federal Open Market Committee (FOMC) meeting under Kevin Warsh in July had a bit more drama than the first. The FOMC voted unanimously for no change in policy rates at his first meeting in June, but his second meeting in July had three dissenting votes from members who wanted an increase to rates. The market sold off dramatically the day of the FOMC announcement as Warsh continued to resist providing forward guidance on how the Fed is thinking about future actions. The market seemed to want more information from Chair Warsh, which he did not give, and it reacted negatively. (The market did rebound in the days following that meeting.) It is not a surprise that there will be an adjustment period for the market as it gets used to the leadership approach Chair Warsh is implementing at the Fed.

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This could result in some elevated volatility and is one reason we historically tend to see stock market volatility in the months following a leadership change at the Fed. The market is still pricing in a rate hike at the September FOMC meeting (a 67% probability) with an additional hike likely either late this year or early in 2027 (per the CME FedWatch tool as of July 31, 2026).

July turned out to be a challenging month for the stock market. Concerns developed around the AI trade and particularly the amount of capex spending by some of the largest companies in the AI space; the conflict with Iran heated up again and oil prices subsequently rose; and interest rates moved higher as well. It is noteworthy that the 10-year U.S. Treasury closed July at 4.75%, a level not seen consistently since before the credit crisis. It is yet to be seen whether this increase is sustainable or if rates will move back down, but higher rates could become a headwind for economic activity. However, outstanding earnings growth by S&P 500 companies continue to be an ongoing tailwind for the market. This creates a strong fundamental backdrop for the stock market. Furthermore, consumers continue to look strong based on spending activity and the job market even as they say they are not overly optimistic about their situation. The U.S. economy continues to be resilient. Inflation is elevated, but if the conflict with Iran improves and oil prices retreat, inflation pressures could subside. With midterm elections looming, elevated market volatility would not be surprising, but that is not impacting stellar earnings coming out of corporate America. As always, we believe it is imperative for investors to stay focused on their long-term goals and not let short-term swings in the market, which could materialize at any time, derail them from their long-term objectives

Economic Data

Event	Period	Estimate	Actual	Prior	Revised
ISM Manufacturing	June	53.9	53.3	54.0	—
ISM Services Index	June	54.0	54.0	54.5	—
Change in Nonfarm Payrolls	June	113k	57k	172k	129k
Unemployment Rate	June	4.3%	4.2%	4.3%	—
Average Hourly Earnings YoY	June	3.5%	3.5%	3.4%	—
JOLTS Job Openings	May	7296k	7594k	7618k	7585k
PPI Final Demand MoM	June	0.0%	-0.3%	1.1%	0.6%
PPI Final Demand YoY	June	6.2%	5.5%	6.5%	6.0%
PPI Ex Food and Energy MoM	June	0.3%	0.2%	0.4%	0.1%
PPI Ex Food and Energy YoY	June	5.1%	4.7%	4.9%	4.6%
CPI MoM	June	-0.1%	-0.4%	0.5%	—
CPI YoY	June	3.8%	3.5%	4.2%	—
CPI Ex Food and Energy MoM	June	0.2%	0.0%	0.2%	—
CPI Ex Food and Energy YoY	June	2.8%	2.6%	2.9%	—
Retail Sales Ex Auto and Gas	June	0.4%	0.4%	0.5%	0.8%
Industrial Production MoM	June	0.2%	0.1%	0.1%	--
Building Permits	June P	1403k	1367k	1410k	--
Housing Starts	June	1310k	1427k	1177k	1199k
New Home Sales	June	607k	628k	580k	618k
Existing Home Sales	June	4.20m	4.09m	4.17m	4.19m
Leading Index	June	-0.1%	-0.2%	0.1%	--
Durable Goods Orders	June P	1.8%	0.3%	-4.5%	-4.0%
GDP Annualized QoQ	2Q A	46.0	48.9	44.8	—
U. of Mich. Sentiment	July P	51.0	54.4	49.5	—
Personal Income	June	0.3%	0.2%	0.7%	—
Personal Spending	June	0.4%	0.3%	0.7%	0.9%
S&P Cotality CS 20-City YoY NSA	May	1.30%	1.63%	1.14%	1.18%

Source: Bloomberg; P=Preliminary, T=Third Reading

For illustrative purposes only. Past performance is not indicative of future results. Neither past actual, projections, nor other forward looking statements regarding future financial performance of markets are only projections and actual events or results may differ materially.

Disclosures

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The manager utilizes a proprietary investment model to assist with the construction of the strategy and to assist the manager with making investment decisions. Investments selected using this process may perform differently than expected as a result of the factors used in the model, the weight placed on each factor, and changes from the factors' historical trends. There is no guarantee that Clark Capital's use of a model will result in effective investment decisions.

Fixed income securities are subject to certain risks including, but not limited to: interest rate (changes in interest rates may cause a decline in market value or an investment), credit, prepayment, call (some bonds allow the issuer to call a bond for redemption before it matures), and extension (principal repayments may not occur as quickly as anticipated, causing the expected maturity of a security to increase).

Non-investment-grade debt securities (high-yield/junk bonds) may be subject to greater market fluctuations, risk of default or loss of income and principal than higher-rated securities.

The value of investments, and the income from them, can go down as well as up and you may get back less than the amount invested.

Equity securities are subject to price fluctuation and possible loss of principal. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. Certain investment strategies tend to increase the total risk of an investment (relative to the broader market). Strategies that concentrate their investments in limited sectors are more vulnerable to adverse market, economic, regulatory, political, or other developments affecting those sectors.

JOLTS is a monthly report by the Bureau of Labor Statistics (BLS) of the U.S. Department of Labor counting job vacancies and separations, including the number of workers voluntarily quitting employment.

The Core Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.

The Core Producer Price Index (PPI) program measures the average change over time in the selling prices received by domestic producers for their output. The prices included in the PPI are from the first commercial transaction for many products and some services.

The PCE price index, released each month in the Personal Income and Outlays report, reflects changes in the prices of goods and services purchased by consumers in the United States.

References to market or composite indices, benchmarks or other measures of relative market performance over a specified period of time (each, an "index") are provided for your information only. Reference to an index does not imply that the portfolio will achieve returns, volatility or other results similar to that index. The composition of the index may not reflect the manner in which a portfolio is constructed in relation to expected or achieved returns, portfolio guidelines, restrictions, sectors, correlations, concentrations, volatility or tracking error targets, all of which are subject to change. Investors cannot invest directly in an index.

The Dow Jones Industrial Average® (The Dow®), is a price-weighted measure of 30 U.S. blue-chip companies. The index covers all industries except transportation and utilities.

The Bloomberg Barclays U.S. Municipal Index covers the USD-denominated long-term tax exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and prerefunded bonds.

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The Bloomberg US Treasury Index measures US dollar-denominated, fixed-rate, nominal debt issued by the US Treasury. Treasury bills are excluded by the maturity constraint, but are part of a separate Short Treasury Index.

The NASDAQ Composite is a stock market index of the common stocks and similar securities listed on the NASDAQ stock market.

The S&P 500 measures the performance of the 500 leading companies in leading industries of the U.S. economy, capturing 80% of U.S. equities.

The S&P 500® Equal Weight Index (EWI) is the equal-weight version of the widely-used S&P 500. The index includes the same constituents as the capitalization weighted S&P 500, but each company in the S&P 500 EWI is allocated a fixed weight or 0.2% of the index total at each quarterly rebalance.

The University of Michigan Consumer Sentiment Index rates the relative level of current and future economic conditions. There are two versions of this data released two weeks apart, preliminary and revised. The preliminary data tends to have a greater impact. The reading is compiled from a survey of around 500 consumers.

The Russell 1000 Index is a stock market index that tracks the highest-ranking 1,000 stocks in the Russell 3000 Index, which represent about 93% of the total market capitalization of that index.

The Russell 2000 Index is a small-cap stock market index that represents the bottom 2,000 stocks in the Russell 3000.

The Russell 3000 Index measures the performance of the 3,000 largest U.S. companies based on total market capitalization, which represents approximately 98% of the investable U.S. equity market.

Russell 1000 Growth Index tracks companies with higher price-to-book ratios, higher sales per share growth, and higher I/B/E/S forecast growth.

Russell 1000 Value Index tracks companies with lower price-to-book ratios and lower expected and historical growth rates. Russell's value indexes focus more on dividend yield.

Nonfarm payrolls (NFPs) are the measure of the number of workers in the United States excluding farm workers and workers in a handful of other job classifications.

A municipal bond, commonly known as a muni, is a bond issued by state or local governments, or entities they create such as authorities and special districts.

The CBOE Volatility Index (VIX) is a real-time index that measures the expected volatility of the S&P 500 over the next 30 days.

The U.S. Treasury index is based on the recent auctions of U.S. Treasury bills. Occasionally it is based on the U.S. Treasury's daily yield curve.

The 30 Year Treasury Rate is the yield received for investing in a US government issued treasury security that has a maturity of 30 years.

The Bloomberg Barclays U.S. Corporate High-Yield Index covers the U.S. dollar-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high-yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below.

The Bloomberg Barclays U.S. Credit Index measures the investment grade, U.S. dollar denominated, fixed-rate taxable corporate and government related bond markets.

The Bloomberg Aggregate Bond Index or "the Agg" is a broad-based fixed-income index used by bond traders and the managers of mutual funds and exchange-traded funds (ETFs) as a benchmark to measure their relative performance.

The Bloomberg US Trsy Bellwether 30Y is a U.S. Treasury debt obligation that has a maturity of 30 years.

The ISM Non-Manufacturing Index is an index based on surveys of more than 400 non-manufacturing firms' purchasing and supply executives, within 60 sectors across the nation, by the Institute of Supply Management (ISM). The ISM Non-Manufacturing Index tracks economic data, like the ISM Non-Manufacturing Business Activity Index. A composite diffusion index is created based on the data from these surveys, that monitors economic conditions of the nation.

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ISM Manufacturing Index measures manufacturing activity based on a monthly survey, conducted by Institute for Supply Management (ISM), of purchasing managers at more than 300 manufacturing firms.

The MSCI Emerging Markets Index captures large and mid cap representation across 27 Emerging Markets (EM) countries.

The MSCI ACWI ex USA Index captures large and mid cap representation across 22 of 23 Developed Markets (DM) countries (excluding the US) and 27 Emerging Markets (EM) countries*. With 2,359 constituents, the index covers approximately 85% of the global equity opportunity set outside the US.

The S&P CoreLogic Case-Shiller 20-City Composite Home Price NSA Index seeks to measures the value of residential real estate in 20 major U.S. metropolitan areas. The U.S. Treasury index is based on the recent auctions of U.S. Treasury bills. Occasionally it is based on the U.S. Treasury's daily yield curve.

The Leading Economic Index provides an early indication of significant turning points in the business cycle and where the economy is heading in the near term.

In the United States, the Core Personal Consumption Expenditure Price (CPE) Index provides a measure of the prices paid by people for domestic purchases of goods and services, excluding the prices of food and energy.

The Conference Board's Leading Indexes are the key elements in an analytic system designed to signal peaks and troughs in the business cycle. The leading, coincident, and lagging economic indexes are essentially composite averages of several individual leading, coincident, or lagging indicators. They are constructed to summarize and reveal common turning point patterns in economic data in a clearer and more convincing manner than any individual component – primarily because they smooth out some of the volatility of individual components.

Gross domestic product (GDP) is the standard measure of the value added created through the production of goods and services in a country during a certain period.