PLAINSCAPITAL BANK

MARKET HIGHLIGHTS

Market Commentary
July 2026

By Andrew Cunningham, CFA, CMT, ChFC

Executive Summary

- Global equities advanced, supported by resilient growth and strong earnings.
- Technology and semiconductor sectors have suffered a meaningful pullback in the month.
- Corporate earnings growth exceeded expectations across most market sectors.
- Financials, energy, and technology contributed significantly to earnings strength.
- AI infrastructure spending continues supporting revenue, profits, and investment.
- Investors increasingly demand measurable returns from AI capital spending.
- Inflation risks persist due to energy costs and elevated rates.
- Economic indicators continue signaling low recession risk and stable growth.
- Outlook remains constructive, though valuations and rates warrant monitoring.
- Fixed-income markets remain driven by inflation, policy, and geopolitics.
- Federal Reserve policy continues to be the primary market driver.
- Chair Warsh prioritizes inflation risks over labor market weakness.
- Markets assign meaningful odds to an additional rate hike.
- Treasury yields remain elevated amid persistent inflation uncertainty.
- Long-term yields reflect inflation, commodity, and fiscal concerns.
- Credit spreads remain historically tight despite emerging issuer differentiation.
- Corporate bond markets continue signaling confidence in fundamentals.
- Technology borrowing remains significant due to artificial intelligence investment.
- High-quality bonds offer attractive income despite higher-for-longer rate risks.

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Markets at a Glance:

Equity - TR (%)	1M	3M	YTD	1Y
RUSSELL 2000 INDEX	-1.1	6.3	19.3	30.5
MSCI AC ASIA PACIFIC	-1.9	5.9	19.7	30.7
DOW JONES INDUS. AVG	0.1	5.3	8.5	16.8
S&P500 EQUAL WEIGHTED IX	1.5	5.2	11.7	15.1
MSCI EM	-3.1	4.6	20.6	34.9
S&P 500 INDEX	0.6	4.5	8.9	17.9
MSCI WORLD	0.9	3.7	9.0	17.9
MSCI EAFE	1.0	3.6	9.6	17.9
NASDAQ COMPOSITE	-1.7	3.0	8.5	20.3
Magnificent 7	2.2	-2.0	0.7	15.1
MSCI EM LATIN AMERICA	3.8	-5.4	14.6	40.8
Sectors - TR (%)	**1M**	**3M**	**YTD**	**1Y**
Healthcare	6.1	10.9	5.2	20.6
Information Technology	-0.1	10.7	16.8	29.5
Financials	3.7	8.2	2.8	6.8
Energy	9.8	5.3	34.6	41.8
Industrials	2.2	4.8	18.0	19.9
Real Estate	0.7	3.1	14.2	10.1
Utilities	2.5	0.8	9.7	12.6
Consumer Staples	-1.5	-1.9	7.9	6.0
Materials	-1.2	-3.0	10.5	10.7
Consumer Discretionary	-4.0	-8.0	-7.8	-2.3
Communications	-4.1	-8.4	-4.2	14.7
Alternatives - TR (%)	**1M**	**3M**	**YTD**	**1Y**
ALERIAN MLP INDEX	7.4	8.5	26.5	30.1
FTSE NAREIT All Eq REITS	1.8	5.5	18.1	15.4
LS Managed Futures Index	-0.1	0.7	1.9	2.6
S&P LISTED PRIV EQUITY	2.4	-4.5	-13.3	-19.2
BBG Galaxy Bitcoin Index	4.6	-16.2	-25.5	-45.0

US Style Returns (%) - Russell Indices

1M

	Value	Core	Growth
Large	2.2	0.6	-0.9
Mid	1.6	1.3	-1.0
Small	1.5	-1.1	-3.5

YTD

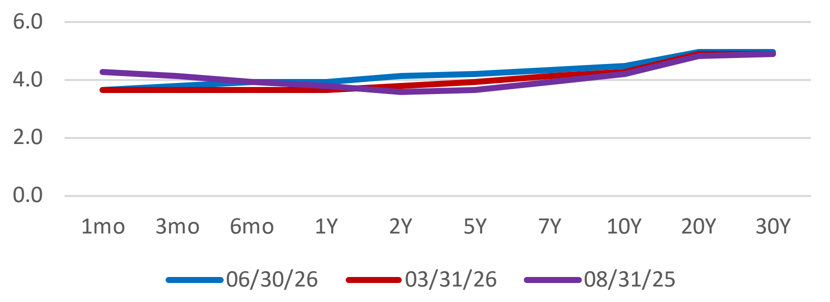
	Value	Core	Growth
Large	17.9	8.7	0.6
Mid	17.8	14.2	1.4
Small	22.9	19.3	16.1

US Factor Returns (%)	1M	3M	YTD	1Y
MSCI Value	-0.8	23.2	44.8	72.0
MSCI Momentum	-4.9	15.6	27.4	33.6
S&P 500 High Beta	-4.7	8.3	23.2	40.1
MSCI High Dividend Yield	2.5	5.6	13.8	18.5
MSCI Quality	1.3	4.6	8.5	18.5
MSCI Size	1.2	4.4	10.0	12.9
MSCI Growth	-0.4	4.1	5.7	17.0

Commodities TR (%)	1M	3M	YTD	1Y
WTI Oil	31.7	11.4	61.6	45.9
Wheat	16.6	9.9	27.6	14.2
Sugar	5.9	8.2	8.9	-1.6
Copper	5.4	3.1	8.5	6.5
BBG Commodities Index	9.6	-0.1	24.2	30.8
Natural Gas	-11.0	-5.4	-22.4	-28.3
Gold	1.2	-14.0	-6.3	20.2
Silver	-1.0	-25.3	-19.9	41.2

Index Characteristics	FWD ERP	P/E TTM	P/S TTM	Div Yield
S&P 500	3.2%	27.2	3.5	1.2
MSCI EAFE	4.4%	18.6	1.8	2.9
MSCI EM	8.3%	18.1	2.0	2.5

US Treasury Yield Curve



Fixed Income - TR (%)	1M	3M	YTD	1Y
U.S. Corporate High Yield	-0.2	0.3	1.5	5.0
1-3 Yr	0.1	0.1	0.7	3.1
US Agg 1-7 Yrs.	-0.3	-0.4	0.0	2.9
Municipal Bond Index	-1.6	-1.0	0.3	5.5
Corporate	-1.4	-1.2	-0.8	2.9
10 - 20 Yrs	-1.6	-1.7	-1.1	4.6

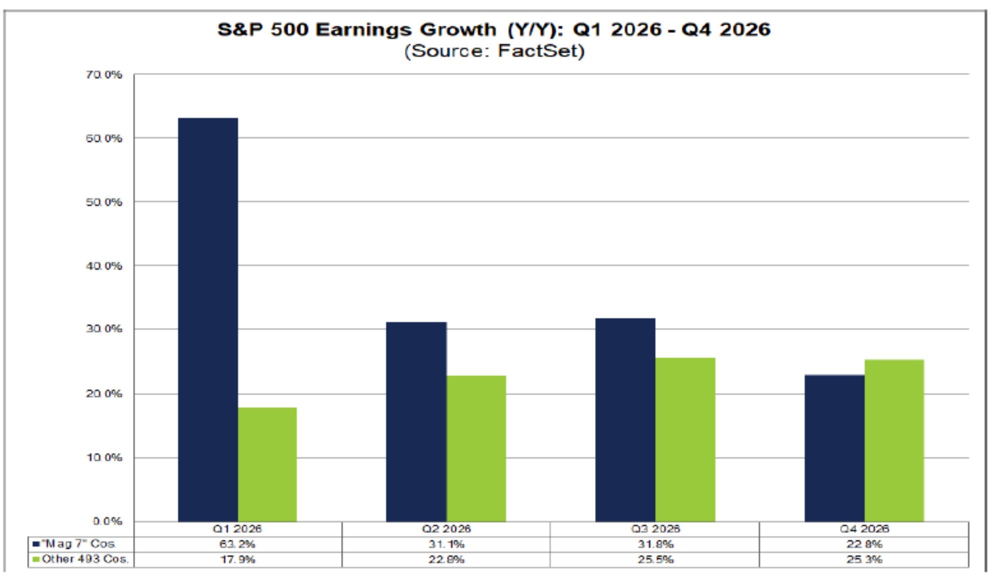
Interest Rates (%)	06/30/26	06/30/26	03/31/26	08/31/25
US Fed Funds Effective Rate	3.63	3.63	3.64	4.33
US Generic Govt 1 Mth	3.66	3.66	3.69	4.31
US Generic Govt 3 Mth	3.81	3.81	3.67	4.14
US Generic Govt 12 Mth	3.97	3.97	3.65	3.83
US Generic Govt 5 Yr	4.23	4.23	3.94	3.70
US Generic Govt 10 Yr	4.47	4.47	4.32	4.23
BBG Tax Muni AGG YW	5.31	5.31	5.21	5.21
BBG UA Corporate YW	5.20	5.20	5.14	4.91
BBG U.S. Corp HY YW	7.16	7.16	7.40	6.75

Data source: Bloomberg

US Equity Highlights

Global equity markets advanced during the month and remained firmly positive year-to-date, supported by resilient economic growth, solid corporate earnings, and continued investment in artificial intelligence infrastructure. While broad equity participation improved, July brought a notable rotation in leadership: technology and semiconductor-related industries, which had driven much of the year's gains, pulled back meaningfully during the month. The S&P 500 Equal Weight Index is up approximately 10.9% year to date, reflecting genuine breadth in the market's overall advance. Energy, Financials, and selected cyclical industries led July performance, highlighting a gradual broadening of market leadership beyond the largest AI beneficiaries.

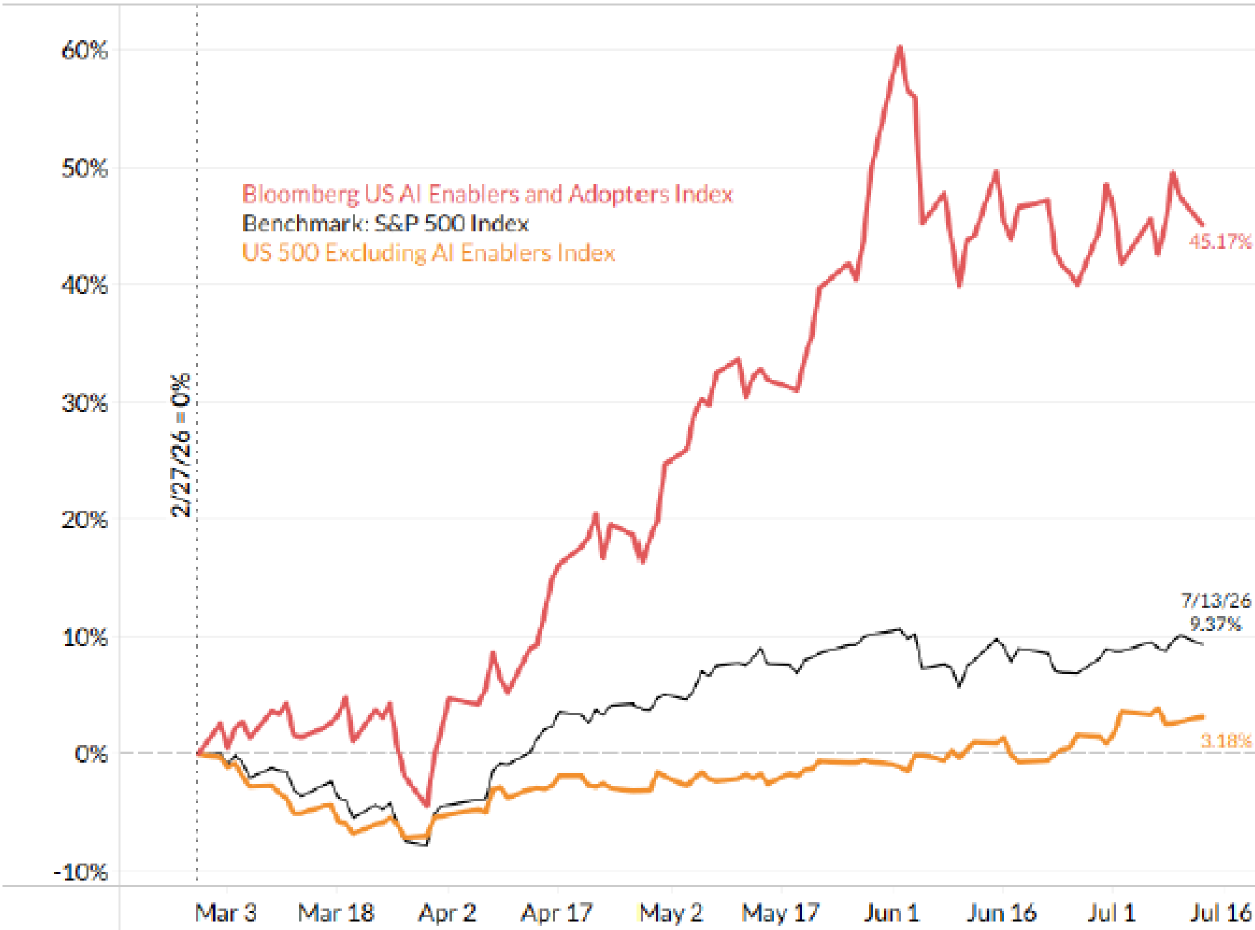
Second-quarter earnings season reinforced a favorable fundamental backdrop, though results were more measured than some headline figures suggest. With reporting still in early stages, median EPS growth for S&P 500 constituents stands at approximately 13.9% year over year, and median revenue growth at approximately 7.3% — solid figures that reflect healthy demand conditions and improving operating efficiency. Financials contributed meaningfully to earnings results, with banks and asset managers reporting strong results. Energy also delivered notable profit growth. Analysts continue to project robust profit expansion through the remainder of 2026, though expectations have moderated from the more elevated projections circulating earlier in the year.



A recurring theme across markets remains the rapid expansion of AI-related capital investment. Spending on semiconductors, data centers, cloud infrastructure, and supporting technologies continues to drive revenue and earnings growth for select companies and bolster broader market performance. Corporate spending on AI has not weakened, but investor enthusiasm has become more discriminating. Companies tied directly to semiconductor manufacturing, infrastructure equipment, and cloud services continue to attract capital, while some traditional technology businesses face mounting competitive pressures and waning investor enthusiasm.

Critical points for the equity markets:

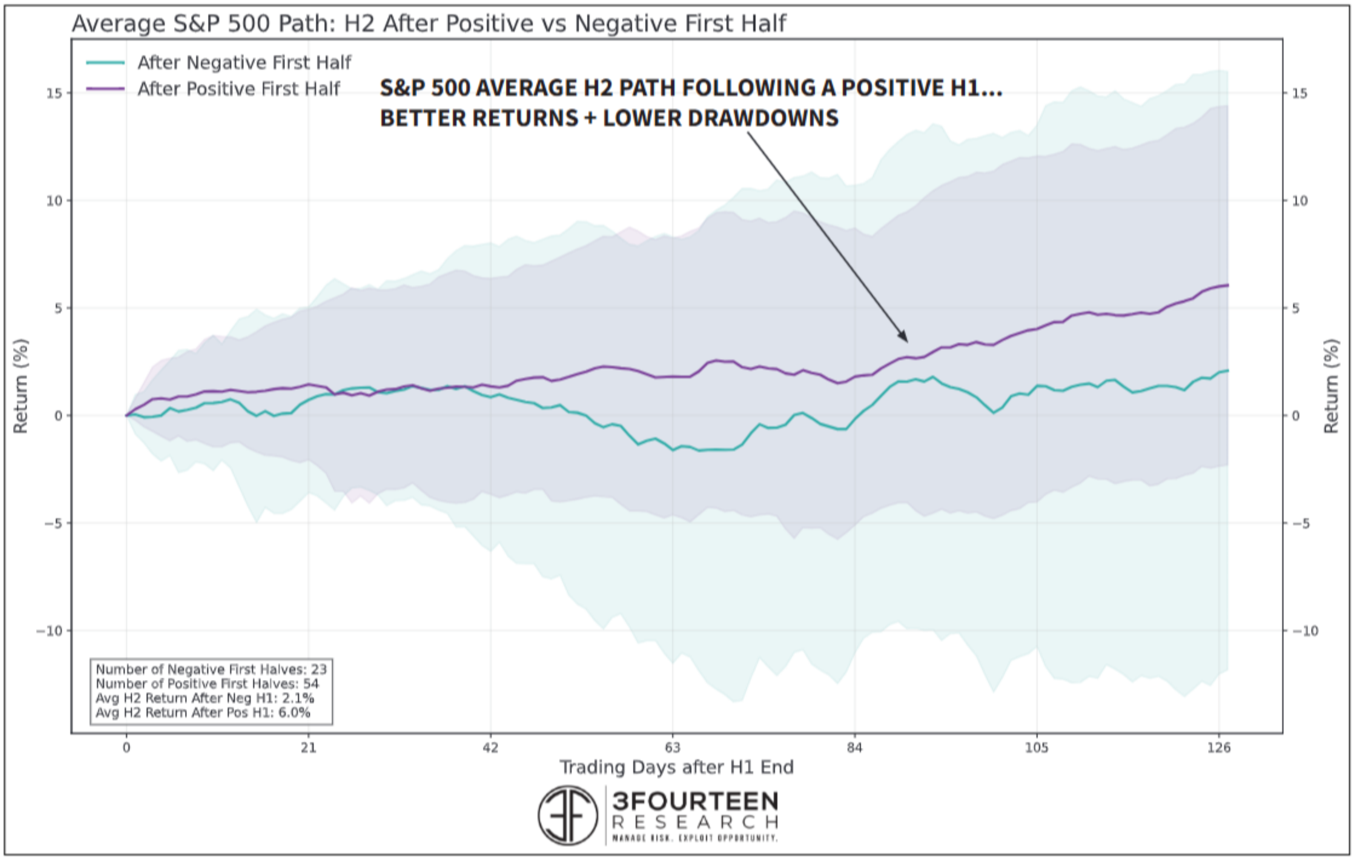
- Global equities advanced, supported by resilient growth and strong earnings.
- Technology and semiconductor sectors have suffered a meaningful pull back in the month.
- Corporate earnings growth exceeded expectations across most market sectors.
- Financials, energy, and technology contributed significantly to earnings strength.
- AI infrastructure spending continues supporting revenue, profits, and investment.
- Investors increasingly demand measurable returns from AI capital spending.
- Inflation risks persist due to energy costs and elevated rates.
- Economic indicators continue signaling low recession risk and stable growth.
- Outlook remains constructive, though valuations and rates warrant monitoring.



Current risks remain centered on inflation, interest rates, valuation, and market concentration. Inflation pressures have moderated recently, but several indicators suggest price risks persist. Energy markets remain closely monitored; while Energy equities were among July's strongest performers, sustained pressure on energy-related costs could complicate the path to lower inflation. Longer-term interest rates remain elevated globally, reflecting rising government borrowing needs, heavy private-sector capital demands, and persistent inflation concerns. These conditions have increased scrutiny of highly valued growth companies and raised the hurdle for future investment returns.

An important dynamic in July was the widening divide between winners and losers in the AI investment cycle. Several semiconductor and technology companies reported favorable earnings and raised guidance yet saw their share prices decline. This pattern — strong results met with selling — suggests investors are increasingly focused on returns from AI investments rather than simply the pace of spending. The result is a more selective market environment in which capital continues to flow toward perceived leaders while companies outside priority spending categories face greater challenges.

The outlook remains constructive, supported by solid earnings momentum, resilient economic activity, and continued AI-driven investment. Economic indicators continue to point to a low probability of recession, and corporate profit expectations remain positive. Market participation has broadened beyond a narrow group of large-cap technology leaders, an encouraging sign for overall market health. However, elevated valuations, persistent inflation concerns, and rising financing costs suggest that future gains may increasingly depend on earnings delivery rather than valuation expansion. Investors are likely to remain focused on the durability of profit growth, the evolution of interest rates, corporate returns on AI-related capital expenditures, and whether the July rotation in sector leadership proves durable.

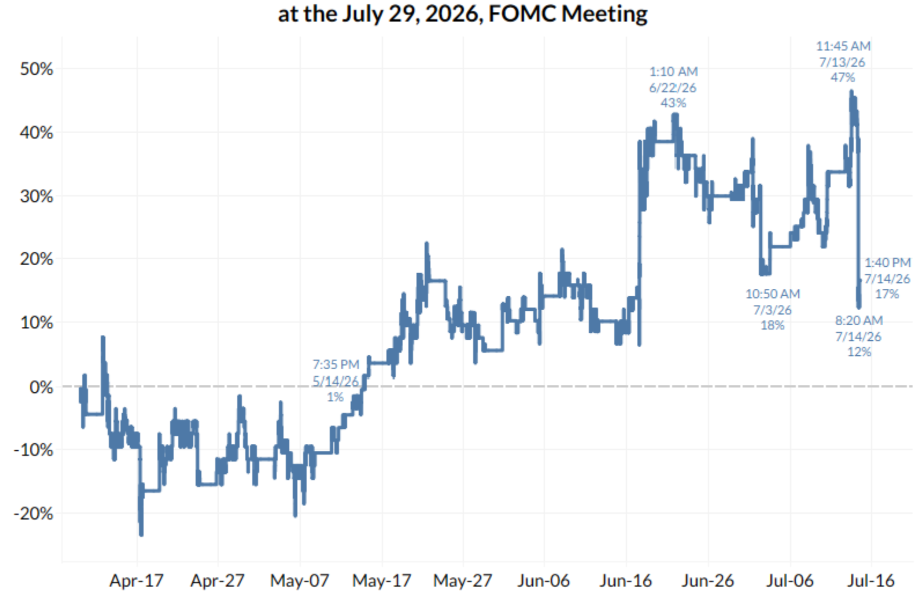


US Fixed Income Highlights

Fixed-income markets remained focused on inflation, monetary policy, and geopolitical developments throughout July, while investors also paid closer attention to technology-sector borrowing in the corporate bond market. Elevated inflation, ongoing energy-related uncertainty, and shifting Federal Reserve expectations continued to influence Treasury yields, credit spreads, and investor risk appetite. Across markets, a common theme has been balancing resilient economic conditions against the risk that inflation remains higher for longer than previously anticipated.

Federal Reserve policy remained the primary driver of fixed-income markets. Fed Chair Kevin Warsh has emphasized price stability as the central bank's most important objective and has signaled a greater willingness to prioritize inflation risks over labor market weakness. Markets are currently pricing in about a one-in-three chance of a 25-basis-point hike at the July 29 FOMC meeting, with the effective fed funds rate at 3.63%. Significant debate persists over whether further tightening will ultimately be necessary. Recent inflation readings have moderated, but inflation expectations remain above pre-pandemic norms, and policymakers appear determined to avoid repeating past mistakes that allowed inflation pressures to become entrenched. Some market participants believe the economy is slowing sufficiently to reduce the need for additional tightening, creating a meaningful divergence between market pricing and several leading fixed-income outlooks.

The Probability of a Fed Rate Move at the July 29, 2026, FOMC Meeting



Treasury markets reflected this uncertainty through elevated yields and ongoing debate over the shape of the yield curve. The 10-year Treasury yield rose about 21 basis points in July to 4.695%, as investors reassessed the pace and timing of

Critical points for the fixed-income markets:

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- Federal Reserve policy continues to be the primary market driver.
- Chair Warsh prioritizes inflation risks over labor market weakness.
- Markets assign meaningful odds to an additional rate hike.
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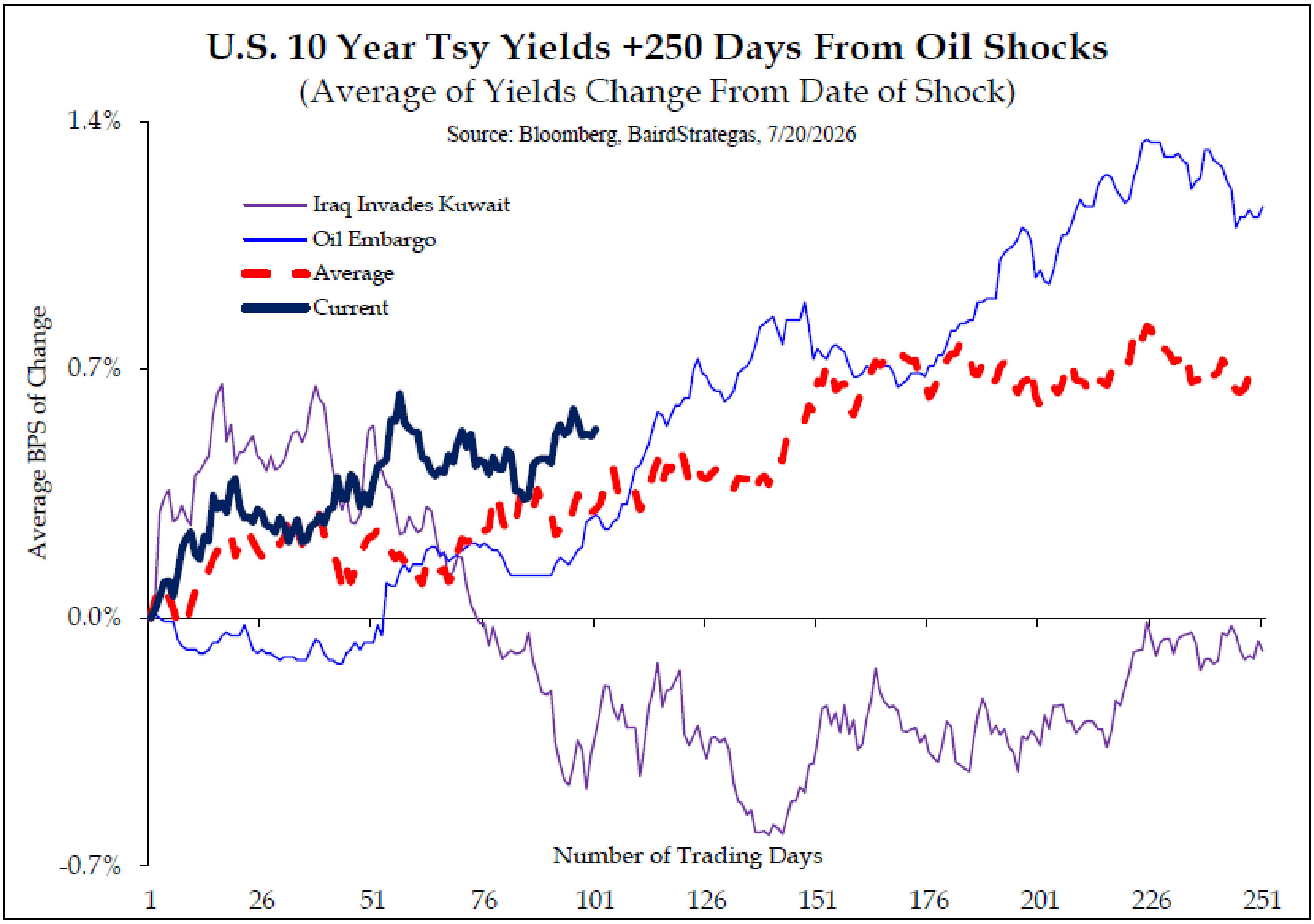
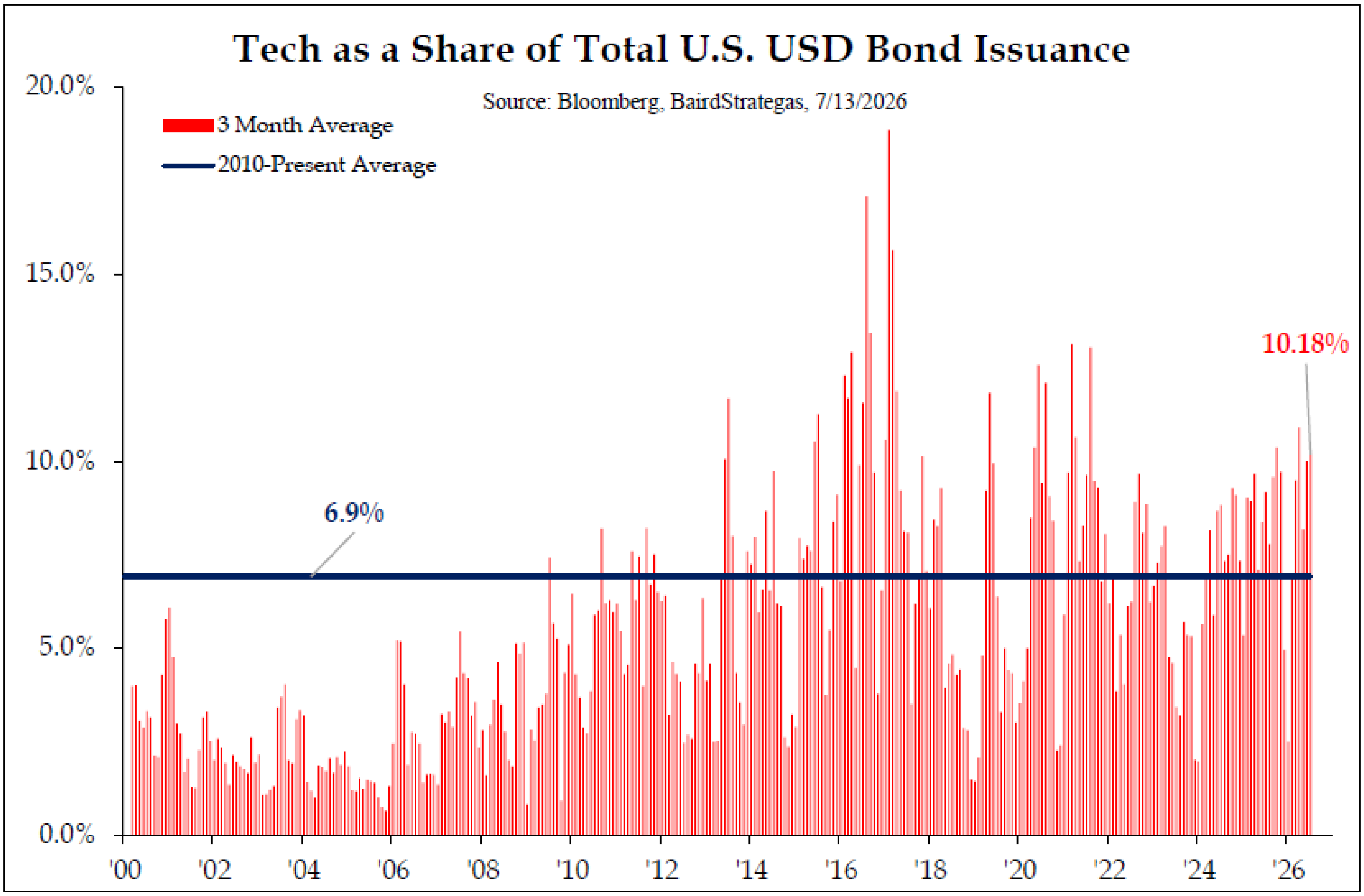
potential policy easing. Expectations for future Fed policy remain concentrated in short- and intermediate-term maturities, while longer-term yields continue to respond to inflation expectations, commodity prices, and concerns about fiscal conditions. Although some observers expect yields to decline as growth moderates gradually, others note that bond markets continue to behave more like those in historical periods marked by prolonged energy shocks than by temporary disruptions.



Credit markets have remained broadly resilient, with spreads at historically tight levels rather than deteriorating as some commentary suggested. The Bloomberg U.S. Corporate High Yield OAS stands at 276 basis points as of July 23, having traded in a narrow range of approximately 257 to 282 basis points over the past three months. These levels remain well below those associated with prior periods of significant financial stress. While some differentiation is emerging between higher- and lower-quality issuers, the overall picture reflects continued investor confidence in corporate fundamentals rather than broad credit deterioration. The trend warrants monitoring, but current spread levels do not signal elevated systemic risk.

Technology-sector debt has become a notable component of the corporate bond market. Technology companies accounted for approximately $119.9 billion of investment-grade issuance in 2026, representing roughly 4.6% of total IG supply of about $2.6 trillion. Investors are beginning to focus on a potential maturity concentration in technology-related debt later this decade, when a meaningful volume of AI-infrastructure-linked borrowing may need refinancing.

The sector's ability to demonstrate sufficient returns on substantial AI-related investments may become increasingly important as refinancing needs approach, particularly if borrowing costs remain elevated.



Looking ahead, the fixed-income outlook remains centered on inflation, Federal Reserve policy, and the persistence of economic growth. Opportunities remain in high-quality fixed-income sectors, where yields continue to offer attractive income relative to recent history. Risks include renewed inflation pressures, further increases in commodity prices, and policy actions that could keep rates elevated longer than expected. At the same time, stable growth, anchored long-term inflation expectations, and resilient corporate fundamentals — reflected in historically tight credit spreads — continue to support fixed-income investors. As the second half of the year unfolds, the interplay among inflation trends, credit conditions, technology-sector borrowing, and Federal Reserve decisions will remain critical determinants of fixed-income performance.

Sources: 3Fourteen Research, Strategas Research Partners, Bianco Research, Bloomberg, FRED, St. Louis Federal Reserve Bank

Asset Class Return Rank

Asset Class	2022	2023	2024	2025	2026	10Y Cumulative	10Y Annualized
Commodities	19.4	(6.2)	2.2	8.1	35.6	97.73	8.52
US Small Cap Stocks	(20.5)	16.9	11.4	12.7	19.1	103.17	9.34
Emerging Market Stocks	(20.6)	9.0	6.5	34.1	18.7	101.37	8.57
US REITs	(26.3)	11.8	4.8	3.3	13.7	71.14	5.63
US Mid Cap Stocks	(17.5)	17.1	15.2	10.4	13.7	117.84	10.86
US Large Cap Growth Stocks	(32.7)	55.0	25.6	20.8	12.9	229.56	20.12
Agriculture	2.5	7.7	33.5	(0.6)	10.7	58.09	5.11
Developed International Stocks	(14.4)	18.5	3.5	31.6	8.8	100.57	9.04
US Large Cap Stocks	(19.2)	26.5	24.3	17.2	8.7	152.49	14.12
Cash ($)	1.4	5.0	5.2	4.2	2.0	22.43	2.23
US Corporate High Yield Bonds	(11.0)	11.6	8.0	8.6	1.2	44.77	4.24
USD Emerging Market Bonds	(18.7)	10.6	5.5	13.9	0.8	35.67	3.07
US TIPS	(12.3)	3.8	1.7	6.8	0.4	26.78	2.49
Preferred Shares	(18.2)	9.2	7.2	4.9	(0.2)	37.43	3.32
US Agg Bond Market	(13.1)	5.7	1.4	7.1	(0.5)	18.66	1.67
US Corporate Investment Grade Bonds	(18.0)	9.4	0.9	7.9	(1.4)	28.67	2.41
20Y+ US Treasury	(31.3)	2.8	(8.1)	4.3	(2.4)	0.55	(0.91)
International Agg Bond Market	(22.1)	5.6	(6.5)	10.0	(3.1)	(1.99)	(0.75)
Gold	(0.8)	12.7	26.7	63.9	(6.3)	145.72	13.01
Bitcoin (Digital Assets)	(63.9)	153.7	122.5	(6.5)	(25.5)	1979.23	52.68