PLAINSCAPITAL BANK

MARKET HIGHLIGHTS

Market Commentary
August 2026

By Andrew Cunningham, CFA, CMT, ChFC

Executive Summary

- U.S. and global equity markets advanced in August and remain strong year-to-date.
- Second-quarter earnings beat expectations broadly, driving wide participation in earnings growth.
- Technology, semiconductors, and energy sectors led market performance during the period.
- Corporate profit margins remain strong, supported by demand, fiscal incentives, and AI spending.
- Revenue growth was broad-based, though earnings gains were concentrated in a few companies.
- AI infrastructure investment continues to accelerate, with future spending commitments rising rapidly.
- The outlook is constructive, but future gains depend on sustained profit growth, not valuation expansion.
- Fixed-income markets in August focused on inflation, Fed policy, and Treasury yields.
- Inflation remains above the Fed's 2% target, holding at 3.4% year-over-year.
- Investors remain divided on whether further Federal Reserve tightening will be required.
- The 30-year Treasury yield hit 5.31%, its highest level since 2007.
- Treasury expanded long-end buybacks, producing a sharp bull-flattening in the curve.
- Investment-grade and high-yield spreads remain near historically tight levels across credit.
- The Bloomberg US High Yield Index currently shows zero defaulted securities outstanding.
- AI and data-center investment continue to support corporate borrowing and credit conditions.
- The outlook is constructive, but inflation, fiscal deficits, and policy uncertainty remain key risks.

Dedicated Investment Team

Andrew Cunningham, CFA®, CMT®, ChFC®
Chief Investment Officer
512.457.7534 | andrew.cunningham@plainscapital.com
Central Texas

Stephen Schaller, CFA®, CFP®
Market Manager, Portfolio Manager
713.749.8113 | stephen.schaller@plainscapital.com
Houston/ Coastal Bend

Jerrod Dawson, CFA®
Manager of Investment Strategies and Portfolio Management
214.252.4150 | jerrod.dawson@plainscapital.com
Dallas

Victor Tanguma, AIF®
Senior Portfolio Manager
956.661.5466 | victor.tanguma@plainscapital.com
McAllen/ Rio Grande Valley

Larry Smith
Senior Portfolio Manager
806.791.7256 | larry.smith@plainscapital.com
West Texas

Irene Silva, AWMA ®
Portfolio Manager
817.258.3818 | irene.silva@plainscapital.com
Fort Worth

Kendall Parker
Manager of Investment Services
214.252.4165 | Kendall.parker@plainscapital.com
Dallas

Triana Ramon
Analyst
214.252.4166 | triana.ramon@plainscapital.com
Dallas

Morgan Cook
Analyst
817.258.3705 | morgan.cook@plainscapital.com
Fort Worth

Markets at a Glance:

Equity - TR (%)	1M	3M	YTD	1Y
S&P500 EQUAL WEIGHTED IX	2.9	7.2	16.7	19.4
DOW JONES INDUS. AVG	2.7	6.2	12.6	19.5
MSCI EAFE	4.2	5.0	14.4	22.1
RUSSELL 2000 INDEX	2.4	3.5	22.5	28.7
MSCI WORLD	4.2	3.4	14.0	20.8
S&P 500 INDEX	4.4	3.1	13.8	20.7
MSCI AC ASIA PACIFIC	4.2	1.3	23.4	33.7
MSCI EM LATIN AMERICA	1.1	1.1	15.6	35.3
MSCI EM	9.1	0.7	24.6	39.6
NASDAQ COMPOSITE	6.5	-0.4	14.6	23.7
Magnificent 7	7.9	-0.5	9.4	19.5
Sectors - TR (%)	**1M**	**3M**	**YTD**	**1Y**
Healthcare	5.0	15.9	11.9	27.6
Financials	1.8	13.0	6.6	9.3
Energy	6.2	10.0	40.4	43.7
Materials	5.1	5.3	18.0	16.9
Information Technology	8.2	3.5	24.1	33.7
Industrials	-2.4	2.9	16.0	18.2
Real Estate	-2.3	1.3	13.6	11.2
Consumer Staples	-1.3	-0.8	9.3	7.8
Utilities	-5.5	-3.7	2.5	4.1
Consumer Discretionary	6.4	-5.4	-1.0	2.1
Communications	2.7	-9.8	0.2	14.2
Alternatives - TR (%)	**1M**	**3M**	**YTD**	**1Y**
ALERIAN MLP INDEX	5.1	7.9	30.6	32.2
S&P LISTED PRIV EQUITY	6.3	7.7	-4.3	-8.6
BBG Galaxy Bitcoin Index	23.9	7.4	-8.0	-28.2
FTSE NAREIT All Eq REITS	-3.3	1.2	16.0	14.4
LS Managed Futures Index	0.9	0.7	2.7	3.7

US Style Returns (%) - Russell Indices

1M

	Value	Core	Growth
Large	3.2	4.4	5.9
Mid	2.6	3.0	4.3
Small	1.1	2.4	3.6

YTD

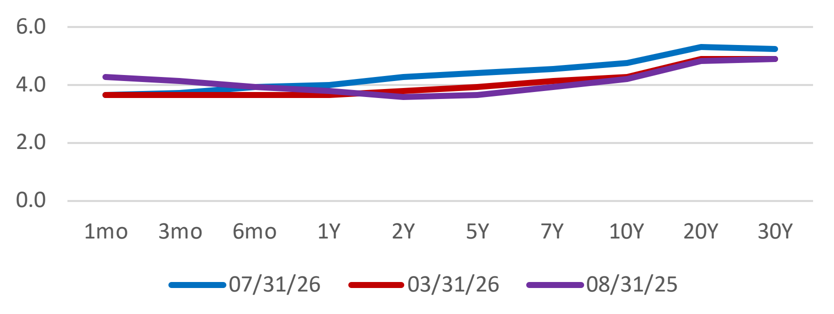
	Value	Core	Growth
Large	23.5	13.7	5.1
Mid	22.8	18.3	5.0
Small	25.1	22.5	20.0

US Factor Returns (%)	1M	3M	YTD	1Y
MSCI Size	3.2	6.1	15.2	17.5
MSCI High Dividend Yield	1.5	5.9	17.3	20.3
MSCI Quality	4.1	4.7	13.8	22.3
MSCI Value	3.2	3.4	49.2	72.3
S&P 500 High Beta	6.0	2.5	28.6	43.0
MSCI Growth	4.6	0.7	9.9	18.5
MSCI Momentum	0.7	-3.0	23.3	27.8

Commodities TR (%)	1M	3M	YTD	1Y
Sugar	14.4	22.1	24.2	11.2
Wheat	12.3	16.0	34.7	28.1
BBG Commodities Index	6.3	3.9	27.7	38.0
Gold	14.3	2.5	6.7	34.8
Copper	3.7	1.8	13.2	41.8
WTI Oil	8.4	1.0	46.8	33.7
Silver	20.5	-9.3	-3.8	68.9
Natural Gas	5.5	-12.5	-23.0	-26.3

Index Characteristics	FWD ERP	P/E TTM	P/S TTM	Div Yield
S&P 500	2.8%	26.2	3.6	1.1
MSCI EAFE	4.0%	18.3	1.9	2.9
MSCI EM	8.2%	16.1	2.0	2.5

US Treasury Yield Curve



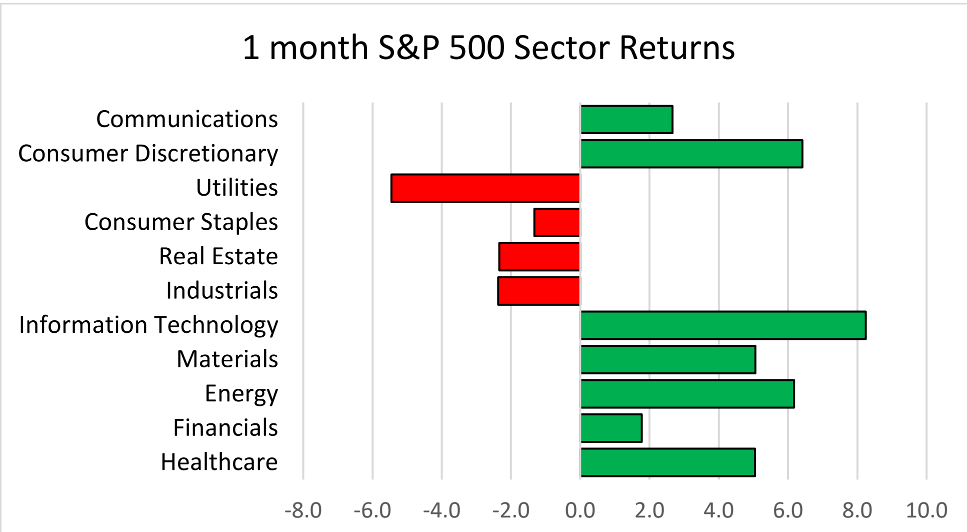
Fixed Income - TR (%)	1M	3M	YTD	1Y
U.S. Corporate High Yield	1.2	1.3	2.8	5.1
1-3 Yr	0.6	0.8	1.4	3.0
US Agg 1-7 Yrs.	0.5	0.5	0.8	2.5
10 - 20 Yrs	0.4	0.0	-0.3	3.3
Corporate	0.6	-0.3	0.0	2.3
Municipal Bond Index	0.0	-0.4	0.6	4.6

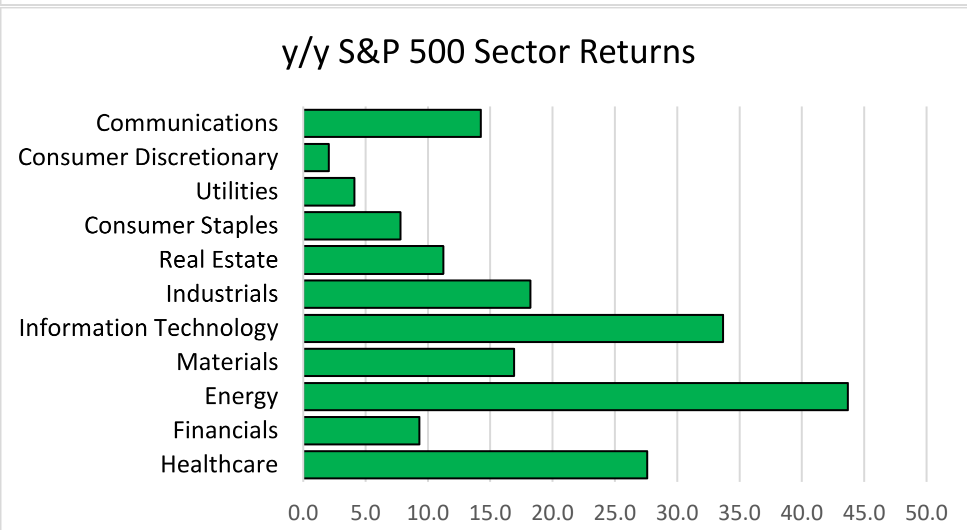
Interest Rates (%)	07/31/26	06/30/26	03/31/26	08/31/25
US Fed Funds Effective Rate	3.63	3.63	3.64	4.33
US Generic Govt 1 Mth	3.67	3.66	3.69	4.31
US Generic Govt 3 Mth	3.75	3.81	3.67	4.14
US Generic Govt 12 Mth	4.03	3.97	3.65	3.83
US Generic Govt 5 Yr	4.45	4.23	3.94	3.70
US Generic Govt 10 Yr	4.73	4.47	4.32	4.23
BBG Tax Muni AGG YW	5.58	5.31	5.21	5.21
BBG UA Corporate YW	5.46	5.20	5.14	4.91
BBG U.S. Corp HY YW	7.41	7.16	7.40	6.75

Data source: Bloomberg

US Equity Highlights

U.S. and global equity markets advanced during the month and remained strong year-to-date, supported by solid corporate earnings, resilient economic growth, and continued investment in artificial intelligence infrastructure. Second-quarter earnings season beat expectations across most sectors, driving broad participation in earnings growth. Market leadership remained concentrated in technology, semiconductors, and energy, though industrials and financials also benefited from improving economic conditions.



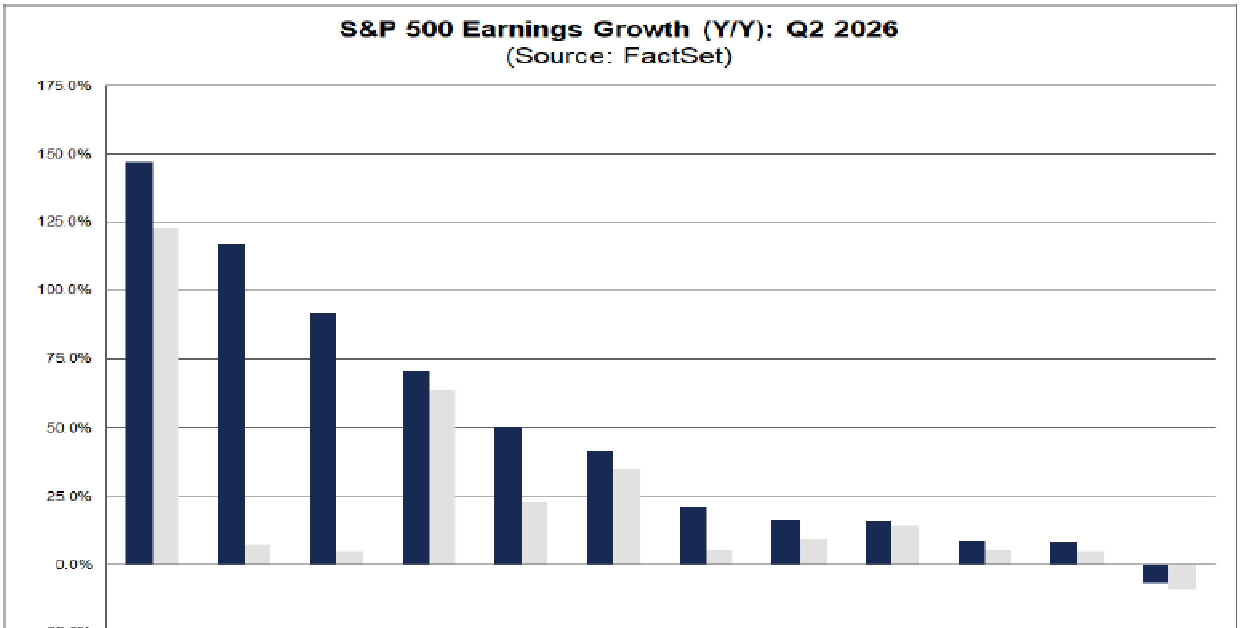


Corporate profitability remains a key pillar of the equity market backdrop. Companies reported strong earnings growth and profit margins, supported by robust demand, favorable fiscal incentives, and continued AI-related capital spending. Revenue growth was broad-based across most major sectors, while energy, communications, consumer discretionary, and financials led earnings growth. Some of the strongest reported results reflect unusually large gains at a handful of companies, creating a distinction between headline figures and the still-solid underlying trend. Forward guidance has generally improved, suggesting

Critical points for the equity markets:

- U.S. and global equity markets advanced in August and remain strong year-to-date.
- Second-quarter earnings beat expectations broadly, driving wide participation in earnings growth.
- Technology, semiconductors, and energy sectors led market performance during the period.
- Industrials and financials also gained, reflecting broadening participation across cyclical sectors.
- Corporate profit margins remain strong, supported by demand, fiscal incentives, and AI spending.
- Revenue growth was broad-based, though earnings gains were concentrated in a few companies.
- AI infrastructure investment continues to accelerate, with future spending commitments rising rapidly.
- Investors are focused on whether AI capital returns will justify the scale of investment.
- Inflation remains above the Fed's 2% target, and interest rates remain elevated.
- The outlook is constructive, but future gains depend on sustained profit growth, not valuation expansion.

businesses remain constructive on demand and profitability despite a more challenging macroeconomic environment.



	Energy	Comm. Services	Consumer Disc	Info. Technology	S&P 500	Materials	Financials	Industrials	Utilities	Real Estate	Consumer Staples	Health Care
Today	147.0%	117.0%	91.6%	70.4%	50.4%	41.7%	21.0%	16.5%	15.9%	8.7%	8.0%	-6.7%
30-Jun	122.8%	7.2%	5.0%	63.3%	23.1%	35.1%	5.4%	9.3%	14.4%	5.4%	4.8%	-9.0%

Artificial intelligence continues to shape market leadership and economic activity. Technology spending, cloud demand, semiconductor investment, and data-center construction support corporate revenues, capital expenditures, and employment. Demand for next-generation computing infrastructure remains strong, and large-scale AI investment programs are moving forward. However, elevated expectations leave less room for disappointment. Investors are increasingly focused on monetization trends, infrastructure utilization, and measurable returns on capital. An emerging tension is that while AI spending supports earnings growth, future infrastructure commitments are reportedly growing faster than disclosed capital expenditure figures suggest — a dynamic that markets are beginning to price more carefully.

The principal risks facing equities have shifted from earnings execution to macroeconomic developments. Inflation remains above the Fed's 2% target, and energy prices continue to reflect geopolitical tensions and supply concerns. Interest rates remain elevated despite moderating inflation data, reflecting uncertainty about monetary policy, fiscal deficits, and Treasury financing needs while also pointing toward strong economic nominal growth. Perspectives differ: some analyses argue markets underestimate the risk of further policy tightening and higher yields. In contrast, others suggest softer economic data have reduced the probability of near-term rate increases. Similarly, rising long-term rates are viewed by some as evidence of stronger nominal growth, and by others as a warning about government debt levels and rising interest costs. Regardless of which view proves correct, interest-rate volatility is likely to exert greater influence on equity prices in the months ahead. The ensuing interest rate volatility from this push pull dynamic could upend markets in the short term, however high productivity and an ongoing jobless recovery actually increase the probability for a strong end of year finish in equity markets due to tailwinds from both monetary, fiscal and corporate profitability cycles.

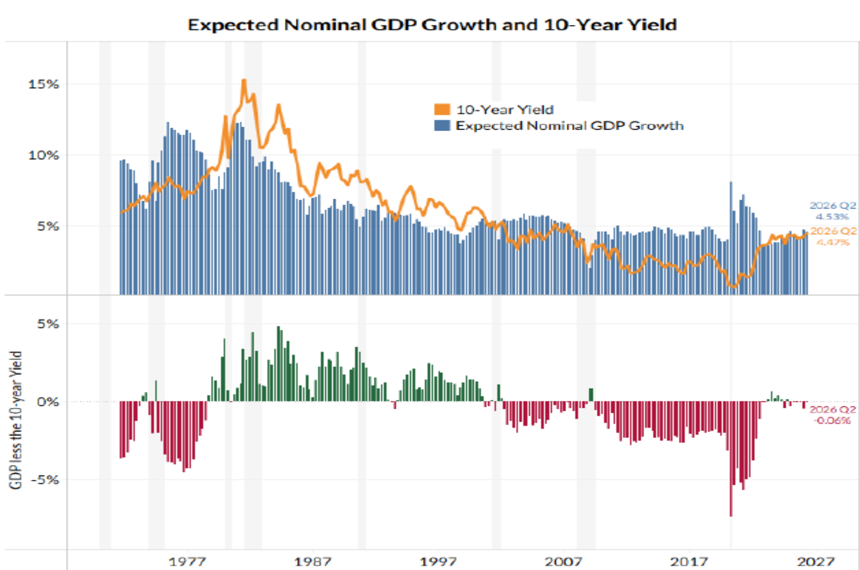
The outlook is positive but reliant on macroeconomic factors. Strong earnings, balance sheets, and AI adoption drive equity gains. However, high valuations, geopolitical risks, and monetary policy uncertainties mean that future growth will depend more on profits than on valuation expansion.

US Fixed Income Highlights

In August, fixed-income markets remained focused on inflation, Federal Reserve policy, and Treasury market developments. Investors navigated an environment of elevated yields, resilient corporate fundamentals, and ongoing debate over whether current interest rates accurately reflect inflation risks and long-term growth prospects. The artificial intelligence investment cycle continued to influence corporate borrowing activity and economic expectations.

Federal Reserve policy remained the primary driver of market sentiment. Inflation has stayed above the Fed's 2% target for an extended period, and investors remain divided on whether further tightening will be required. Recent readings show that price pressures have eased from prior peaks, but commodity markets, fiscal deficits, and strong nominal growth continue to cloud the outlook. Markets have repeatedly revised expectations for future policy actions as economic data and inflation releases have challenged the assumption that rates will move lower in the near term. As a result, interest-rate volatility remains elevated.

Treasury yields rose to multi-year highs earlier in the month before partially retracing. The 30-year yield reached 5.31% on August 17 — its highest level since 2007 — before pulling back to 5.20% by month-end. Treasury Secretary Bessent responded by expanding the long-end buyback program, at least doubling the maximum operation size to $4 billion effective September 9. The buybacks were reportedly funded through the Treasury General Account rather than by increased bill issuance, and produced a sharp bull flattening of the curve. However, some market participants have questioned whether the program can durably alter the direction of yields given persistent growth, inflation, and borrowing pressures.



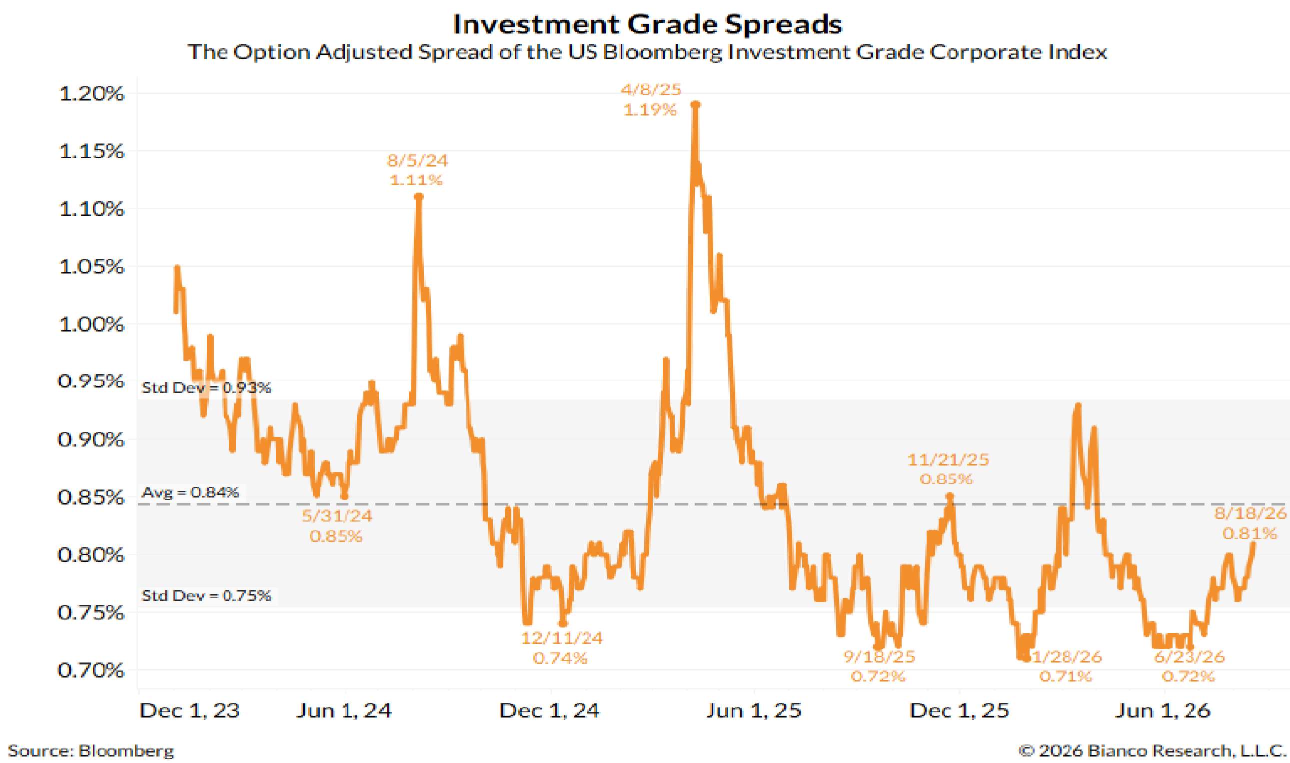
Expected Nominal GDP Growth is from a survey of professional forecasters conducted by the Philadelphia Federal Reserve.

Data Source: Bloomberg

Critical points for the fixed-income markets:

- Fixed-income markets in August focused on inflation, Fed policy, and Treasury yields.
- Inflation remains above the Fed's 2% target, holding at 3.4% year-over-year.
- Investors remain divided on whether further Federal Reserve tightening will be required.
- The 30-year Treasury yield hit 5.31%, its highest level since 2007.
- Treasury expanded long-end buybacks, producing a sharp bull-flattening in the curve.
- The buyback program's ability to durably lower yields remains contested by markets.
- Investment-grade and high-yield spreads remain near historically tight levels across credit.
- The Bloomberg US High Yield Index currently shows zero defaulted securities outstanding.
- AI and data-center investment continue to support corporate borrowing and credit conditions.
- The outlook is constructive, but inflation, fiscal deficits, and policy uncertainty remain key risks.

Credit markets remained notably resilient despite higher rates. Investment-grade OAS stands near the 5th percentile of its 10-year range, and high-yield OAS sits below the 25th percentile — both near historically tight levels. This indicates that investors continue to view corporate balance sheets and economic conditions favorably. Defaults remain contained, with no defaulted securities currently in the Bloomberg US High Yield Index. The overall picture reflects healthy credit fundamentals rather than broad financial stress.



Artificial intelligence and data-center investment continued to support corporate borrowing activity. Spending on technology infrastructure, cloud computing, and AI-related development remains substantial. Investors appear increasingly willing to support these expenditures as evidence of revenue growth and commercial adoption continues to emerge. While some remain concerned about the scale of AI-related debt issuance, current credit conditions suggest markets continue to view these investments as economically supportable.

The fixed-income outlook remains centered on inflation, economic growth, and Fed policy. Yields at current levels offer attractive income relative to recent years, particularly in high-quality sectors. Key risks include persistent inflation, additional upward pressure on long-term Treasury yields, elevated fiscal deficits, and policy uncertainty. Resilient corporate fundamentals, stable credit conditions, and continued productivity investment support the broader backdrop. The interplay among inflation trends, Treasury market dynamics, and AI-related capital spending will remain a critical determinant of fixed-income performance in the months ahead.

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	38.0	100.19	8.72
Emerging Market Stocks	(20.6)	9.0	6.5	34.1	24.2	106.90	9.06
US Small Cap Stocks	(20.5)	16.9	11.4	12.7	22.3	106.32	9.63
US Mid Cap Stocks	(17.5)	17.1	15.2	10.4	18.3	122.50	11.31
US Large Cap Growth Stocks	(32.7)	55.0	25.6	20.8	17.7	234.31	20.61
Developed International Stocks	(14.4)	18.5	3.5	31.6	14.3	105.99	9.57
US Large Cap Stocks	(19.2)	26.5	24.3	17.2	13.6	157.44	14.63
Agriculture	2.5	7.7	33.5	(0.6)	12.9	60.36	5.32
US REITs	(26.3)	11.8	4.8	3.3	12.5	69.94	5.52
Gold	(0.8)	12.7	26.7	63.9	6.6	158.61	14.47
US Corporate High Yield Bonds	(11.0)	11.6	8.0	8.6	2.5	46.08	4.38
Cash ($)	1.4	5.0	5.2	4.2	2.3	22.80	2.26
Preferred Shares	(18.2)	9.2	7.2	4.9	1.9	39.56	3.54
USD Emerging Market Bonds	(18.7)	10.6	5.5	13.9	1.8	36.75	3.18
US TIPS	(12.3)	3.8	1.7	6.8	1.1	27.47	2.56
US Agg Bond Market	(13.1)	5.7	1.4	7.1	0.2	19.41	1.75
US Corporate Investment Grade Bonds	(18.0)	9.4	0.9	7.9	(0.5)	29.54	2.50
International Agg Bond Market	(22.1)	5.6	(6.5)	10.0	(0.6)	0.57	(0.49)
20Y+ US Treasury	(31.3)	2.8	(8.1)	4.3	(2.1)	0.89	(0.87)
Bitcoin (Digital Assets)	(63.9)	153.7	122.5	(6.5)	(8.0)	1996.75	55.94

Highest Return	19.4	153.7	122.5	63.9	38.0	1996.75	55.94
Lowest Return	(63.9)	(6.2)	(8.1)	(6.5)	(8.0)	0.57	(0.87)
% Asset Classes Positive	15%	95%	90%	90%	80%	100%	88%