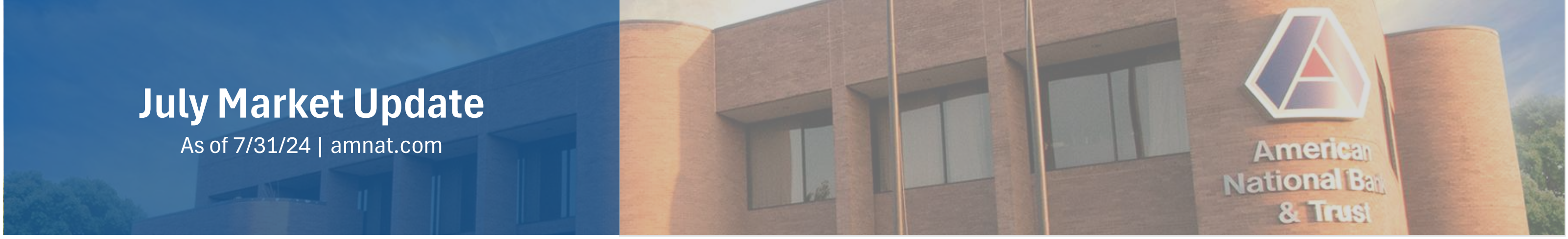


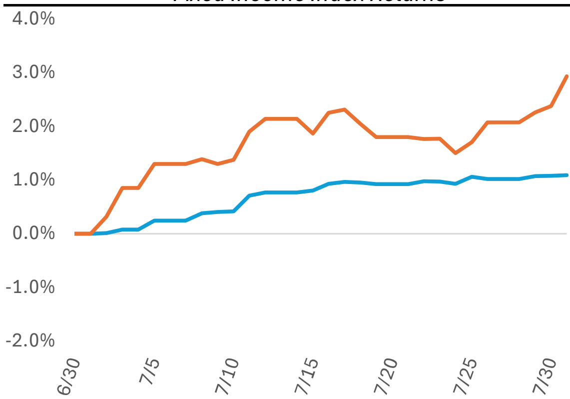
# July Market Update

As of 7/31/24 | amnat.com

## Macro & Market View: Mid-Year Assessments

Interest rate policy uncertainty, domestic and international growth, the U.S. consumer, and inflation have contributed to recent positive returns in broad fixed income benchmarks as well as positive returns in broad equity benchmarks shown below. For this month, we have seen equity markets increase for the three broad US indices, while correlations have been 10% and -19% for the aggregate and municipal bond markets, respectively. Historically, July has generated a positive equity market return of 1.26% on average; however, the market had a below average return of 0.94% for the month. Equity returns this year are positive at 17.35% for the S&P 500 index, while the US Aggregate bond index returned 2.13%.

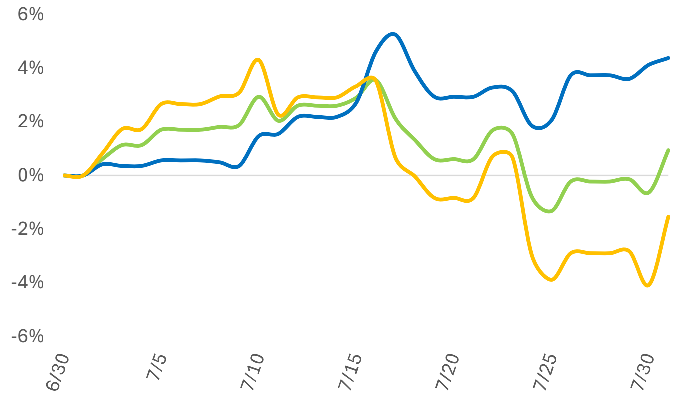
*Fixed Income Index Returns*




*July Returns*

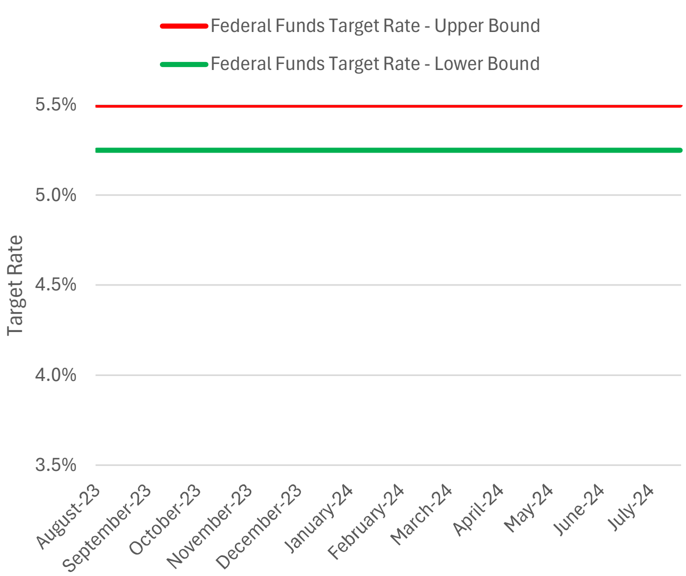
| | |
|---|---|
| US Aggregate | 2.93% |
| US Municipal | 1.09% |
| S&P 500 | 0.94% |
| Dow Jones 30 | 4.38% |
| Nasdaq Comp | -1.54% |

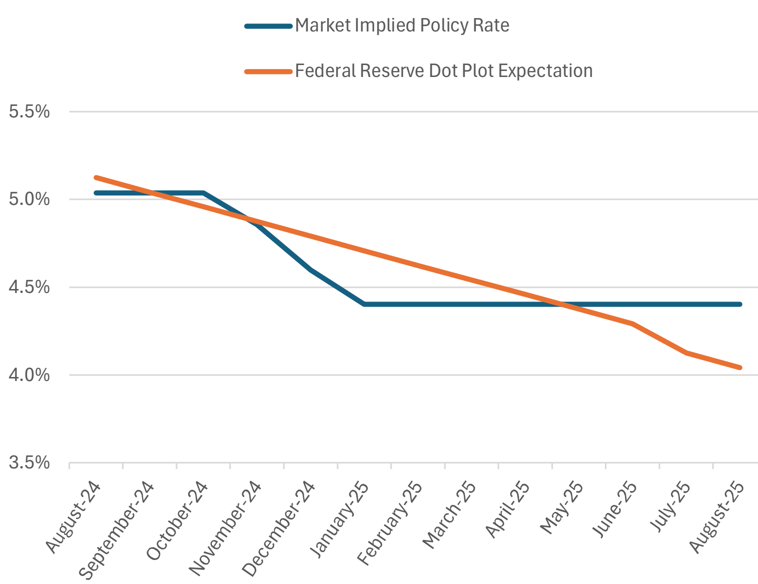
*Equity Index Returns*



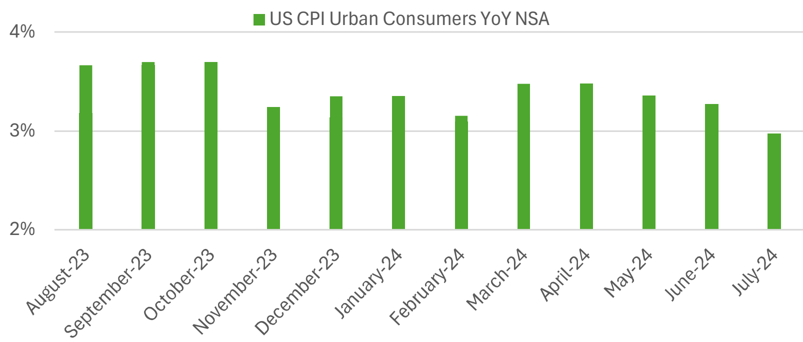

Source: Bloomberg LP

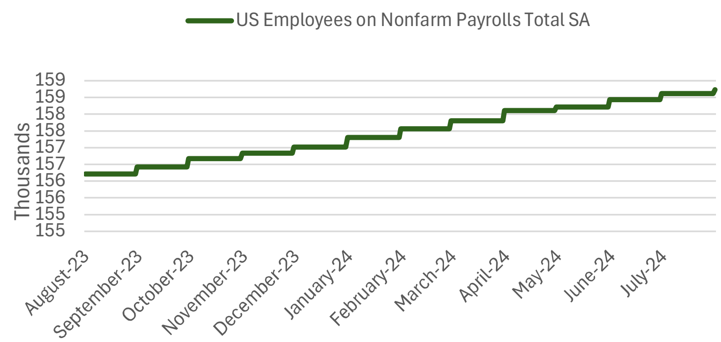
Market participants are forecasting the Fed policy rate that sets interest rates for the economy to be lowered over the next twelve months. An important note is that market participants expect rates to be higher than the Fed's expectation for this year. The next Federal Reserve meeting to discuss monetary policy is scheduled for September. The overall expectation is for the policy rate to be lowered by around 64 basis points (actual estimate of -0.6%) to 4.4% in the next twelve months. The change in market participants' view of what the Federal Reserve should do can be explained by the inflation data measured by CPI (Consumer Price Index).




Source: Bloomberg LP



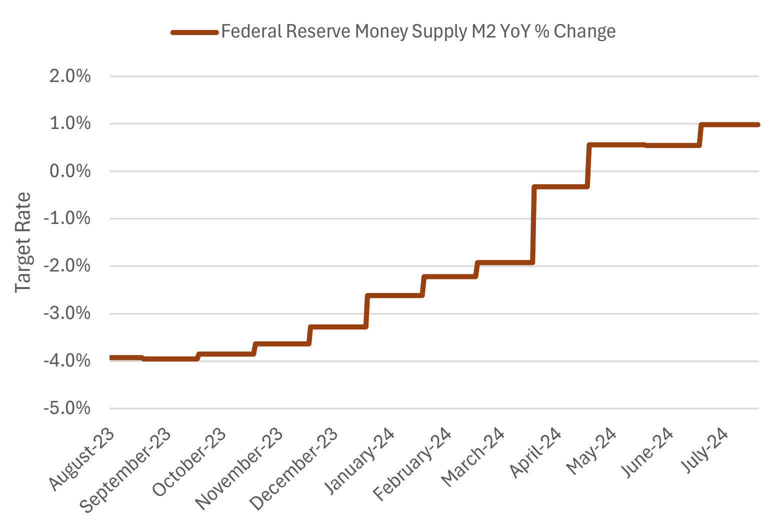




Source: Bloomberg LP

As shown in the US CPI Consumers year-over-year chart above, July experienced downward trending inflation over the last year and, since May, in a downward trend above the target at 3.19%. Additionally, nonfarm payrolls continue to trend upward, which influences, in part, whether or not the Federal Reserve will continue to hold the current level of interest rates. However, as the data shows, the downward inflation improvements to the Fed target of 2.5% gives market participants hope that the period of climbing interest rates are in the next twelve months. Historically, the inverted treasury yield curve signalled the economy was near a recession, but as noted in previous updates this year, broad consumption has continued to strengthen and has bolstered the economy. There are signs of slowing economic growth.

The chart below on the left shows the unemployment rate sitting at 4.3%, an increase from 3.5% one year ago. We also include the year-over-year change in the money supply in positive territory over the last year, but bottoming from the low in September 2023. Money supply leads inflation, loosely following the general trend in past economic cycles. This relationship suggests that the current downtrend in inflation may stay above the Fed's target level until we see an adjustment in economic data.

---


Source: Bloomberg LP

**Wichita Falls**
2732 Midwestern Pkwy
Wichita Falls, TX 76308
(940) 397-2420

**Fort Worth**
1500 W 7th
Fort Worth, TX 76102
(817) 505-1534

**Flower Mound**
1201 Cross Timbers Rd
Flower Mound, TX 75028
(469) 322-6202

**Houston**
1235 North Loop West, Suite 907
Houston, TX 77008
(713) 913-0972

**Denton**
120 S. Carroll Blvd
Denton, TX 76201
(469) 322-6202

**McKinney**
205 W. Louisiana St, Suite 103
McKinney, TX 75069
(214) 307-1664

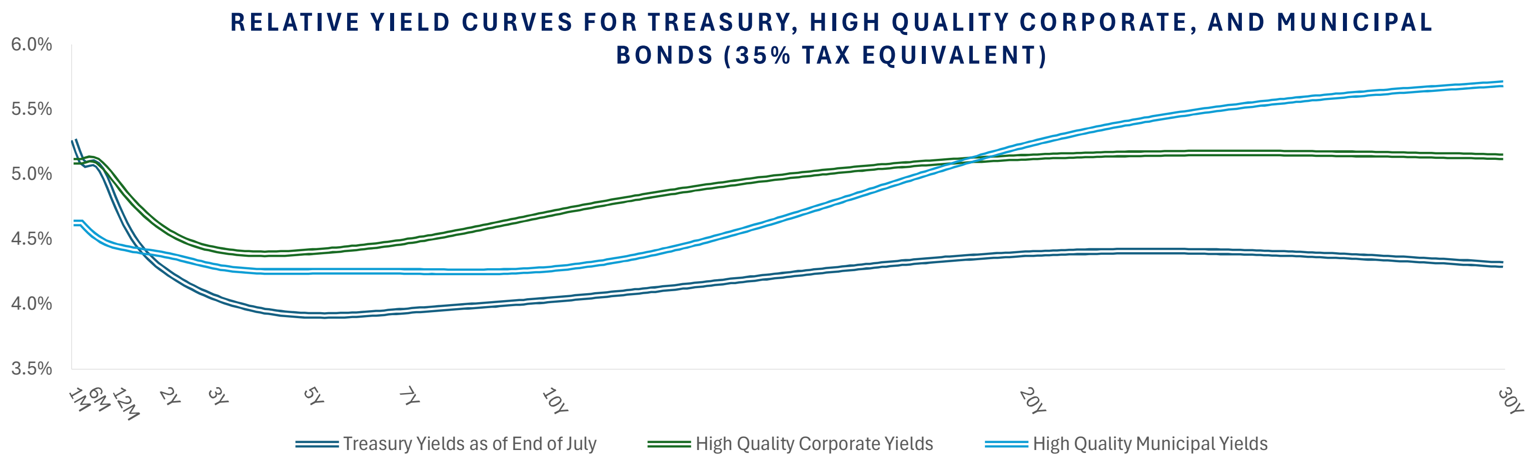
**Dallas**
10000 N. Central Expressway, Suite 800
Dallas, TX 75231
(214) 534-1766

Across the sectors, company reporting has shown a positive surprise across the spectrum to sales and earnings for July with the exception of negative surprise in the Materials and Utilities sectors. For July, of the 297 companies that reported in the S&P 500,  of the companies had positive sales surprise and 234 of them had positive earnings surprise; we consider this positive surprise to be a tailwind for equity valuations for the next quarter. For the 297 companies, the overall sales and earnings surprise is positive at 0.89% and 4.52%, respectively for July with companies being more resilient than consensus analyst estimates.

---

Our portfolios blend fixed income with dynamic long-only equity strategies. Our Legacy portfolio blends long-term growth and value on a discretionary basis, while our Dividend portfolio seeks lower volatility and higher current income. We also have Momentum and Quality strategies that are factor-driven, smart beta portfolios. The Momentum portfolio benefits from positive momentum while remaining diversified. The Quality portfolio blends low volatility with momentum to produce a portfolio of high quality equity income and positive momentum. Benjamin Builder solutions complement the other equity strategies and offer an efficient method to invest broadly across geography, style, and sector using a dynamic fund process.

Total returns in the fixed income markets were positive during July as interest rates continued to move lower as economic data showed a continued cooling of inflation and a weakening in the economy. Treasury rates moved lower by 25-50bps across the curve, while tax-free municipal rates decreased by 10-30bps. Credit spreads also widened during the month as the slowing economy becomes a focal point. Our strategy throughout the year has been to lock in higher interest rates when the market allows while also moving up the credit scale by reducing risk to lower rated credits to mitigate spread volatility. PPI, CPI, and PCE readings continue to show proof of cooling inflation, providing the Federal Reserve the data it needs to begin cutting short-term interest rates later this year.




Source: Bloomberg LP

---

Market participants reviewed economic data and the futures market changed perspective on interest rates based on data centered on the consumer. The Federal Reserve has discussed the possibility that inflation may stay above target, but the central bank has a dual mandate for maximum employment and price stability. With unprecedented political news in an election year, market turbulence was expected and delivered. As we have stated, monetary policy will be dictated by inflation, the underlying economy, and the consumer. The consumer is core to economic strength and we are seeing the consumer pull back in terms of where to spend their income. Finally, when we compare historical monthly returns for stocks and bonds over the last 5 decades, we can see the impact of diversification on portfolio volatility and income. As the perception is that interest rates will come down, corporate and municipal bonds provide a real rate of total return that includes current income and price appreciation. While technology innovation is strong and continues, most industries will see productivity enhancements across their business models. These factors lead us to blend value and growth investments across stocks and relative value bonds that complement your financial goals and risk appetite. Thank you for your continued trust in allowing us to manage your financial assets.