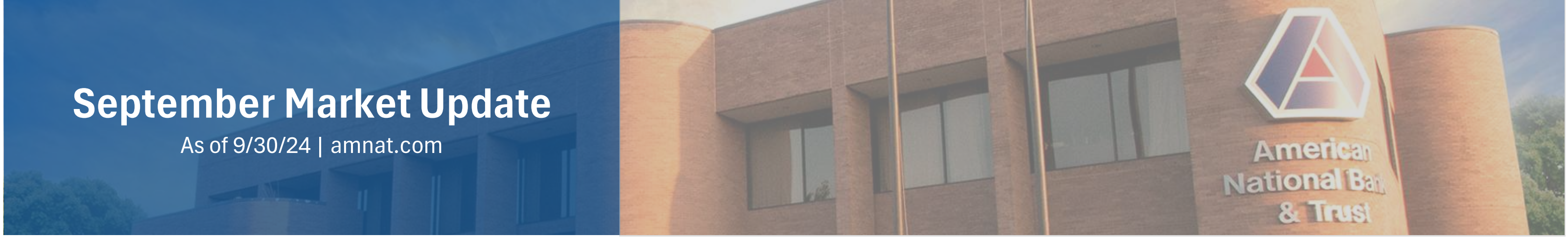
September Market Update

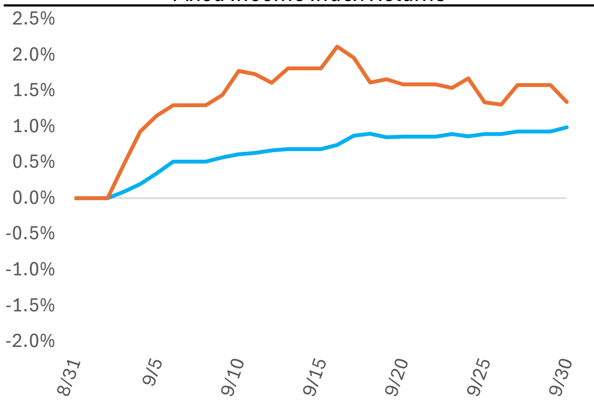
As of 9/30/24 | amnat.com



Macro & Market View: Historically Weak

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 the month, equity markets have increased for the broad US stock indices, while stock and bond market correlations have been 27% and 78% for the aggregate and municipal bond markets, respectively. Historically, September has generated a negative equity market return as measured by the S&P 500 of -0.66% on average; however, the market had an above average return of 4.33% for the month. Equity returns so far this year are positive at 22.77% for the S&P 500 index, while the US Aggregate bond index returned 4.98%.

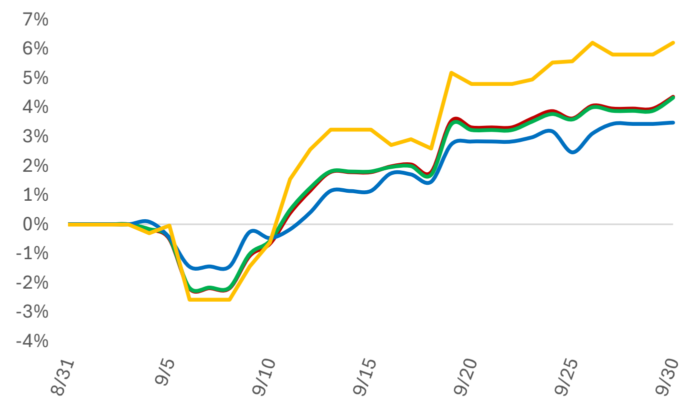
Fixed Income Index Returns



September Returns

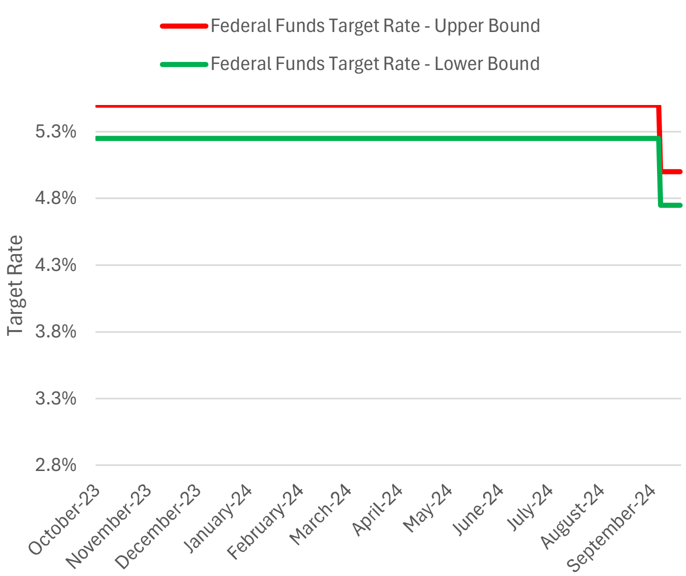
US Aggregate	1.34%
US Municipal	0.99%
Russell 1000	4.37%
S&P 500	4.33%
Dow Jones	3.48%
Nasdaq	6.22%

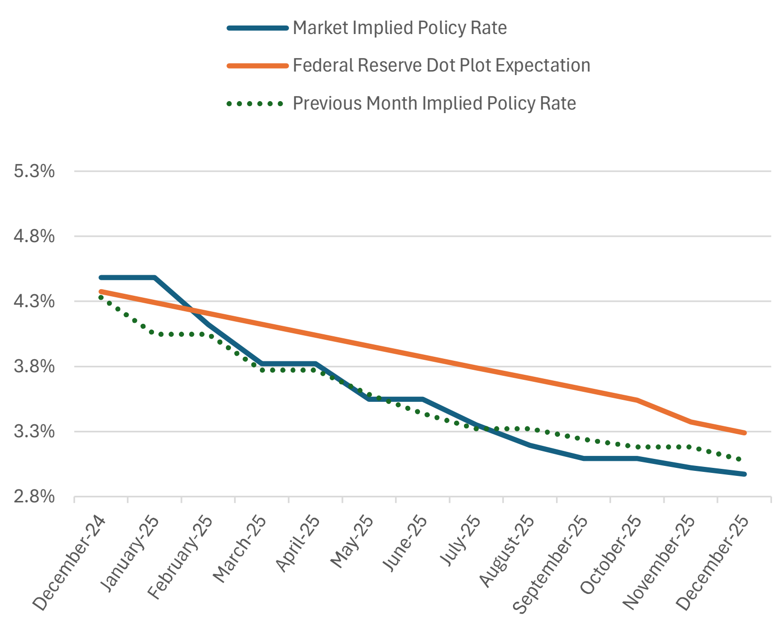
Equity Index Returns



Source: Bloomberg LP, Calculations by ANB&T - Trust & Wealth Management

Market participants are forecasting the Fed policy rate to be lowered over the next twelve months. An important note is that market participants expect rates to be lower than the Fed's expectation for this year. The next Federal Reserve meeting to discuss monetary policy is scheduled for November 7th. The overall expectation is for the policy rate to be lowered by around 151bps or basis points (actual estimate of -1.5%) to 2.97% 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), the PCE (Personal Consumption Expenditures), and expected unemployment.





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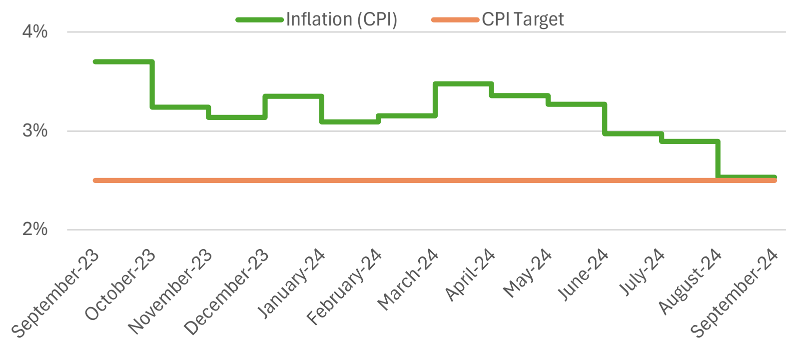

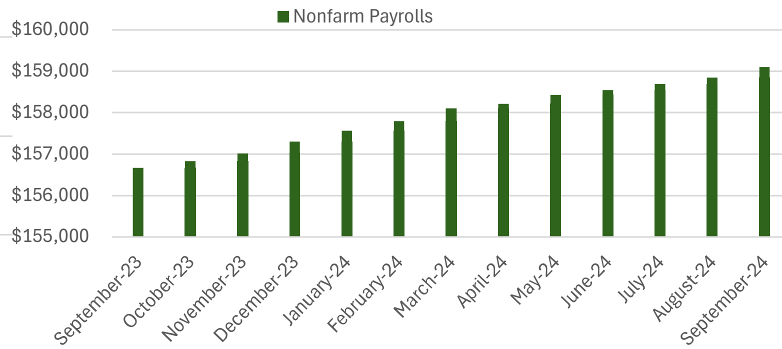

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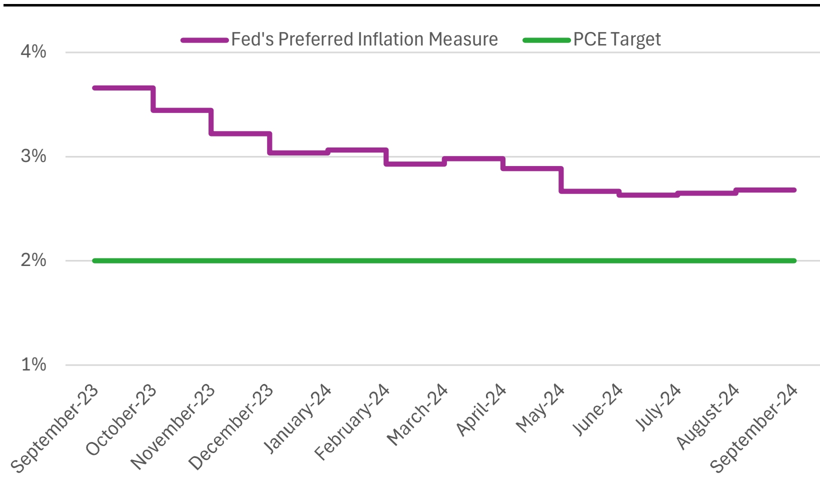
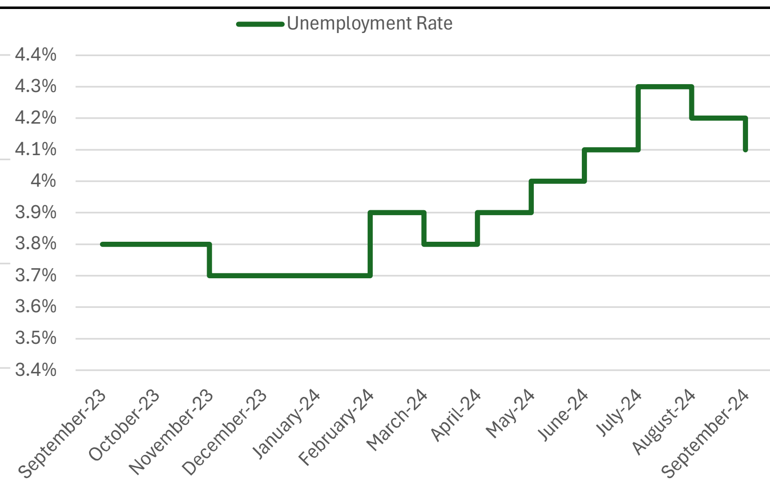
As shown in the US CPI Consumers year-over-year chart above, September experienced downward trending inflation over the last year and, since July, in a downward trend above the target at 2.79%. Additionally, nonfarm payrolls continue to trend upward, which influences, in part, whether or not the Federal Reserve will continue lowering interest rates in regard to overall employment. However, as the data shows, the downward inflation improvements toward the Fed target of 2.5% gives market participants hope that the period of climbing interest rates are ending in the next twelve months. Historically, the inversion and more importantly, the reversion of treasury yield curve signalled the economy was near a recession, but as noted in previous updates this year, broad consumption has continued to bolster the economy. Historical indicators have seemingly lost their predictive character in this economic cycle.

The chart below on the right shows the unemployment rate sitting at 4.1%, an increase from 3.8% one year ago. We also include the year-over-year change in the PCE (Personal Consumption Expenditure) in positive territory over the last year, but bottoming from the low in July 2024. The Federal Reserve closely monitors inflation measured by the PCE and the CPI as part of their dual mandate of maximum employment and price stability. The positive progress on inflation has been welcomed as it reflects moderation in price increases, but comparing the levels to their target suggests that the current downtrend in inflation may stay above the Fed's target level as economic data adjustments are released.



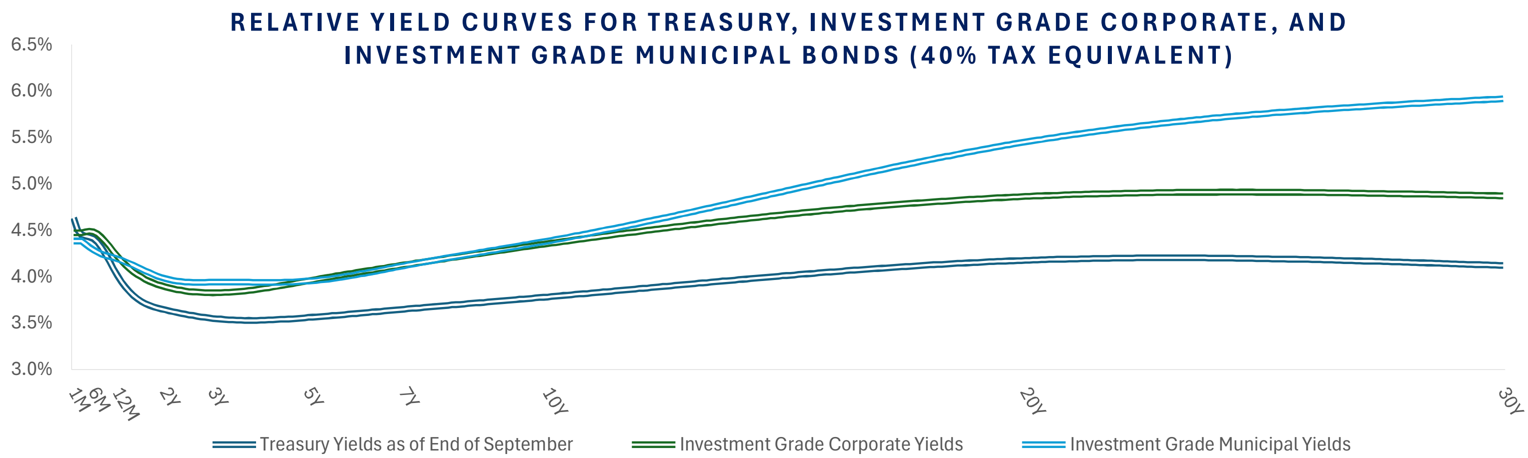


Source: Bloomberg LP, Calculations by ANB&T - Trust & Wealth Management

Across the sectors, company reporting has shown a positive surprise across the spectrum to sales and earnings for September with the exceptions of negative surprise in the Energy and Industrials sectors. Of the 140 companies that reported in the S&P 500 for September, 62 of the companies had positive sales surprise and 77 had positive earnings surprise; we consider this positive surprise to be a tailwind for equity valuations for the next quarter. For the 140 companies, the overall sales and earnings surprise is positive at 0.23% and 2.49%, respectively, with companies being more resilient than consensus analyst estimates.

Our portfolios blend active 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 data-driven, factor tilt portfolios. The Momentum portfolio benefits from positive momentum while remaining well-diversified. The Quality portfolio blends low volatility with momentum to produce a portfolio of high quality equity income and positive momentum. For investment themes with more international exposure, our Benjamin Builder solutions complement the other equity strategies and offer an efficient method to invest broadly across geography, style, and sector using an institutional, active process.

Total returns in the fixed income markets were positive during September as interest rates on the front end of the curve continued to lower and credit spreads tightened. Ahead of the September 18th FOMC meeting, the spread between the 2-year UST and the 10-year UST moved back to positive territory. The FOMC cut short-term interest rates by 50bps at their meeting, citing continued cooling of inflation and a weakening job market. Month over month, the entire treasury curve moved lower, with the front end of the curve decreasing the most. Tax-free municipal rates decreased by about 10bps across the curve. 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 exposure to lower-rated credits to mitigate spread volatility. The rate-cutting cycle is now in motion, and the current FOMC trajectory calls for another 50bps worth of cuts before year-end.



Source: Bloomberg LP, Calculations by ANB&T - Trust & Wealth Management

Market participants reviewed economic data and the futures market changed perspective on interest rates based on the Federal Reserve's Open Market Committee meeting as they cut interest rates by 50bps or one-half percent. The Federal Reserve has a dual mandate for maximum employment and price stability and has discussed shifting their focus from price stability to employment. With unprecedented news in an election year, market turbulence is expected to provide a long-term return opportunity in both asset classes, equity and fixed income. As we have stated, monetary policy will be dictated by inflation, the underlying economy, and the consumer (referred to as the group of all U.S. consumers). The consumer is core to economic strength and we have seen the consumer adjust their spending habits. Finally, when we compare historical monthly returns for stocks and bonds over the last 50 years, we can see the impact of diversification on portfolio volatility, income and total return. 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 due to enterprise adoption of tailored AI services. These factors lead us to blend value and growth investments across stocks and seek 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.