Monthly Market Update

July Observations

Markets Catch a Summer Downdraft
Markets faced pressure in July after a recent run of strength, with a sharp divergence across asset classes driven by resurging energy prices, a fractured Fed, and AI-related sentiment swings. In equities, US large caps finished nearly flat, given the stark return difference in growth and value styles. Mega-cap technology names experienced significant disparity in returns as markets assessed earnings reports and expected capex forecasts. US small caps declined, bearing the brunt of renewed rate-hike speculation. Non-US developed equities were the standout, aided by a weakening US dollar, while emerging markets lagged, pressured by surging oil import costs, geopolitical risk, and a Korean tech selloff amid a positioning unwind. In fixed income, rising rates drove US Treasuries lower, but high yield was a relative outperformer, supported by its carry cushion and resilient corporate fundamentals. Real assets provided diversification upside with REITs providing the lion-share of returns, up over 2%. Oil was the standout performer in July, logging a +20% gain, driven entirely by the escalating US-Iran war.

FOMC Holds Steady
A key storyline of July was the late month FOMC meeting, which produced a 9-3 vote to hold rates steady at 3.50%–3.75%, though the three dissents pushed for a rate hike. Fed Chair Kevin Warsh emphasized the hold was not a sign of inertia, reiterating the Fed's commitment to tackling inflation. Markets shifted their expectations for the next rate hike to December, though September remained possible.

Earnings Continue to Impress
Second quarter earnings reports released in July were immensely strong, tracking well ahead of expectations. Headline earnings have been double that of initial estimates, with communications and discretionary services the primary drivers. Forecasted earnings continue to receive upward revisions, unusual for what is usually a downward pattern over the course of a calendar year.

Asset Manager Commentary

US Small Cap Value Manager
There have been green shoots recently with the ISM Manufacturing Index, which has a high correlation to small value stocks; expansion readings in the index is a positive sign for small cap value. Additionally, earnings growth is projected to increase from 2.3% in 2025 to 14.0% in 2026.

International Equity Manager
If AI leads to revenue growth in companies, then the continued AI-driven growth narrative is OK - but this doesn't appear to be happening. To this point, AI has not been a cost saver; while token costs may come down in the next 12 months, the trade off between lost employee experience and tangible revenue gains has not turned positive.

Multi-Sector Fixed Income Manager
Alphabet, Amazon, Meta, Oracle, and Nvidia have already issued around $220 billion in bonds this year through 6/30, vs $108 billion last year. There appears to be no sign of issuance slowing down, and this is what is making some investors cautious. Thus far, issuance has been absorbed fairly well by the market.

Market Returns - 7.31.2026

		1-Mo	QTD	YTD	2025	2024	2023
Equity	S&P 500	-0.1%	-0.1%	10.1%	17.9%	25.0%	26.3%
	Nasdaq Composite	-3.2%	-3.2%	0.10	21.1%	29.6%	44.6%
	Russell 1000 Growth	-4.8%	-4.8%	0.3%	18.6%	33.4%	42.7%
	Russell 1000 Value	3.8%	3.8%	20.7%	15.9%	14.4%	11.5%
	Russell 2000	-3.0%	-3.0%	18.9%	12.8%	11.5%	16.9%
	MSCI EAFE	2.0%	2.0%	11.6%	31.2%	3.8%	18.2%
	MSCI Emerging Markets	-3.1%	-3.1%	20.0%	33.6%	7.5%	9.8%
Fixed Income	Treasury	-1.1%	-1.1%	-0.8%	6.3%	0.6%	4.1%
	Municipal	-1.9%	-1.9%	0.4%	4.2%	1.1%	6.4%
	Aggregate	-1.3%	-1.3%	-0.7%	7.3%	1.3%	5.5%
	Investment Grade Corporate	-1.7%	-1.7%	-0.8%	7.8%	2.1%	8.5%
	High Yield Corporate	-0.2%	-0.2%	1.7%	8.6%	8.2%	13.4%
FX	US Dollar Index	-1.3%	-1.3%	1.6%	-9.4%	7.1%	-2.1%
Real Assets	Real Estate	2.1%	2.1%	16.9%	1.7%	4.3%	11.5%
	Infrastructure	0.1%	0.1%	9.6%	21.5%	14.0%	5.8%
	Oil	23.6%	23.6%	48.1%	-17.6%	-4.2%	-10.3%
	Gold	0.6%	0.6%	-6.8%	62.5%	26.6%	12.8%

Asset Class Valuations - 7.31.2026

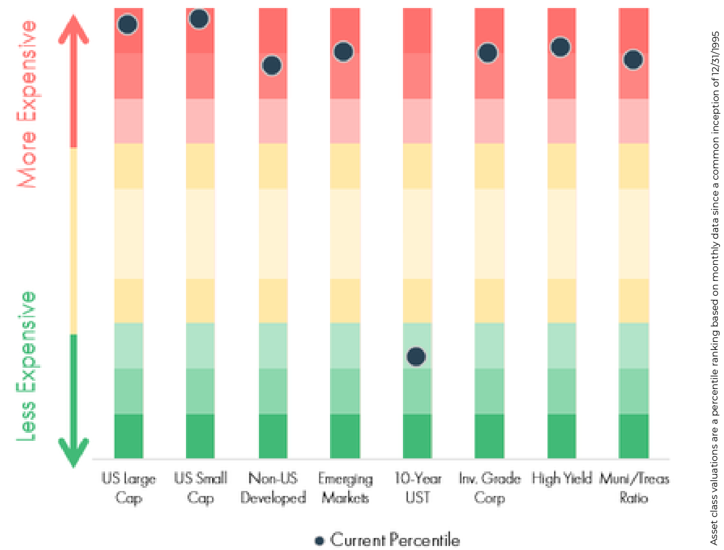
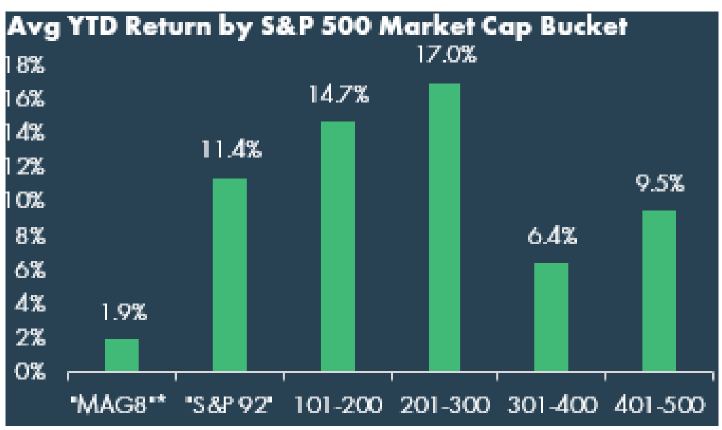


Chart of the Month



Source: Baird Strategas as of 7/312026; See important information in the disclosures. * Mag7 plus AVGO.

AI and hyperscalers dominate headlines and market consternation at times, but underneath the hood, meaningful participation by non-Mag8 stocks is clearly showing itself year-to-date.

Disclosures

Sources

Morningstar Direct, Baird Strategas, Bloomberg as of 7/31/2026
Manager comments come from discussions with various asset managers and are broad commentary on sectors and not be considered recommendations by any asset manager. These comments do not necessarily reflect strategy allocations or the view or opinion of MGIA or Moneta Group .

Definitions

The S&P 500 Index is a free-float capitalization-weighted index of the prices of approximately 500 large-cap common stocks actively traded in the United States.

The NASDAQ Composite Index is a market capitalization weighted index with more than 3000 common equities listed on the NASDAQ Stock Market.

The NASDAQ 100 Index is a modified capitalization-weighted index of the 100 largest and most active non-financial domestic and international issues listed on the NASDAQ..

The Russell 1000® Index is an index of 1000 issues representative of the U.S. large capitalization securities market.

The Russell 1000® Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

The Russell 1000® Value Index measures the performance of those Russell 1000 Index securities with lower price-to-book ratios and lower forecasted growth values, representative of U.S. Securities exhibiting value characteristics.

The Russell 2000® Index is an index of 2000 issues representative of the U.S. small capitalization securities market.

The MSCI EAFE Index is a free float-adjusted market capitalization index designed to measure the equity market performance of developed markets, excluding the U.S. and Canada.

The MSCI Emerging Markets Index is a float-adjusted market capitalization index that consists of indices in 21 emerging economies.

Bloomberg U.S. Treasury Bond Index includes public obligations of the US Treasury, i.e. US government bonds. Certain Treasury bills are excluded by a maturity constraint. In addition, certain special issues, such as state and local government series bonds (SLGs), as well as U.S. Treasury TIPS, are excluded.

The Bloomberg U.S. Municipal Index covers the USD-denominated long-term tax exempt bond market. It includes general obligation and revenue bonds, which both can be pre-refunded years later and get reclassified as such.

The Bloomberg U.S. Aggregate Bond Index is an index, with income reinvested, generally representative of intermediate-term government bonds, investment grade corporate debt securities and mortgage-backed securities.

The Bloomberg US Corporate Bond Index measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD-denominated securities publicly issued by US and non-US industrial, utility and financial issuers.

The Bloomberg US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate 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. Bonds from issuers with an emerging markets country of risk, based on the indices' EM country definition, are excluded.

The US Dollar Index measures the US dollar against six global currencies: the euro, Swiss franc, Japanese yen, Canadian dollar, British pound, and Swedish krona.

The FTSE Nareit All Equity REITs Index is a free-float adjusted, market capitalization-weighted index of U.S. equity REITs. Constituents of the index include all tax-qualified REITs with more than 50 percent of total assets in qualifying real estate assets other than mortgages secured by real property.

The S&P Global Listed Infrastructure Index measures the performance of global companies that are engaged in infrastructure and related operations. It provides liquid and tradable exposure to 75 companies from around the world that represent the listed infrastructure universe. To create diversified exposure, the index includes three distinct infrastructure clusters: utilities, transportation and energy.

Brent Crude is the most traded of all of the oil benchmarks, and is defined as crude mostly drilled from the North Sea oilfields: Brent, Forties, Oseberg and Ekofisk (collectively known as BFOE).

The Dow Jones Commodity Index Gold is designed to track the gold market through futures contracts.

The ICE BofA Option-Adjusted Spreads (OASs) are the calculated spreads between a computed OAS index of all bonds in a given rating category and a spot Treasury curve. An OAS index is constructed using each constituent bond's OAS, weighted by market capitalization. The Corporate Master OAS uses an index of bonds that are considered investment grade (those rated BBB or better). When the last calendar day of the month takes place on the weekend, weekend observations will occur as a result of month ending accrued interest adjustments.

The ICE BofA Option-Adjusted Spreads (OASs) are the calculated spreads between a computed OAS index of all bonds in a given rating category and a spot Treasury curve. An OAS index is constructed using each constituent bond's OAS, weighted by market capitalization. The ICE BofA High Yield Master II OAS uses an index of bonds that are below investment grade (those rated BB or below).

Asset class valuations are a percentile ranking based on monthly data going back to common inception of 12/31/1995. The US Large Cap percentile is the average percentile ranking of the trailing P/E, P/B, P/S, and P/C ratio of the S&P 500 Index. The US Small Cap percentile is the average percentile ranking of the trailing P/E, P/B, P/S, and P/C ratio of the Russell 2000 Index. The International Developed percentile is the average percentile ranking of the trailing P/E, P/B, P/S, and P/C ratio of the MSCI EAFE Index. The Emerging Market percentile is the average percentile ranking of the trailing P/E, P/B, P/S, and P/C ratio of the MSCI Emerging Markets Index. The 10-Year US Treasury percentile is the percentile ranking of the 10-Year US Treasury yield. The Investment Grade percentile is the percentile ranking of the ICE BofA US Corporate option adjusted spread. The High Yield Corporate percentile is the percentile ranking of the ICE BofA US High Yield corporate option adjusted spread. The Municipal/Treasury percentile is the percentile ranking of the Bloomberg Municipal Index yield divided by the 10-Year US Treasury Yield.