DIAMOND CAPITAL MANAGEMENT
A Division of The National Bank of Indianapolis

Market Commentary

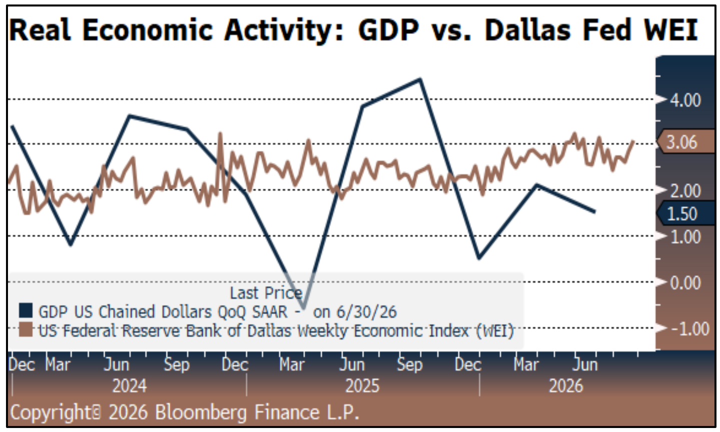
September 2026

THE NATIONAL BANK of INDIANAPOLIS

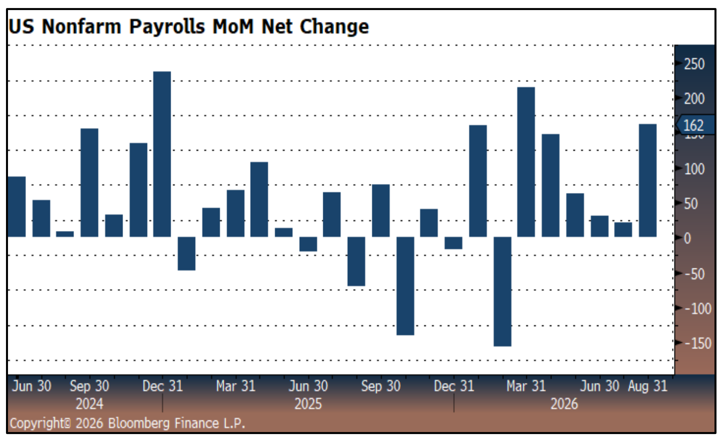
Executive Summary:

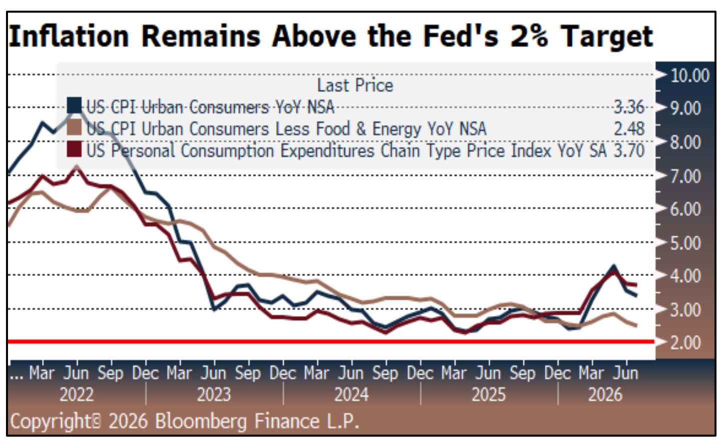
- Economic growth has slowed, but timely indicators point to continued resilience.
- Inflation remains above target, while oil prices, Treasury yields, and labor softness complicate Fed policy.
- Equities advanced in August, supported by strong earnings and contained volatility.
- International equities continue to provide valuable diversification.
- The outlook remains constructive, with inflation, energy costs, labor, and interest rates as key risks.

Economic growth has moderated, but timely indicators suggest the economy remains resilient despite persistent inflation and elevated interest rates. The latest quarterly real GDP reading showed annualized growth of 1.5%, down from 2.1% in the prior quarter, while the Dallas Fed's Weekly Economic Index registered 3.06% for the week ending August 29, with its 100-day moving average at 2.45%. Continued expansion across manufacturing and services further supports the view that underlying economic momentum remains intact.



Risks, however, remain. Manufacturing activity continues to hold in expansion territory, though results have been below expectations, and consumer discretionary spending remains subdued. The August employment report showed stronger-than-expected job growth of 162,000, while the unemployment rate held steady at 4.1%, suggesting the labor market has more momentum than previously anticipated. While encouraging from an economic standpoint, the strength in hiring may complicate the Federal Reserve's policy path by reinforcing the case for maintaining, or potentially raising, interest rates. Inflation has improved, with core CPI at 2.5%, but headline inflation remains above 3% and PCE inflation remains elevated at 3.7%. Higher oil prices and elevated long-term Treasury yields continue to present meaningful headwinds.





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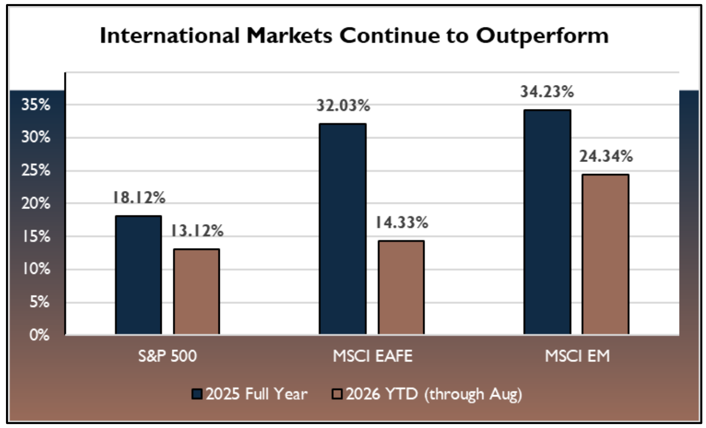
Equities advanced in August despite the mixed macroeconomic backdrop. The S&P 500 gained 2.72% for the month and is up 13.63% year to date, while volatility remained contained. All S&P 500 sectors are positive for the year except Consumer Discretionary, consistent with softer consumer trends. Strong corporate earnings have continued to support market gains, and international equities have provided important diversification benefits, with the MSCI EAFE Index up more than 14% and the MSCI Emerging Markets Index up more than 24% year to date.



SECTORS	2025	YTD	EQUITY INDICES	TICKER	2025	YTD	COMM. & CURRENCIES	LAST CLOSE	YTD
S&P 500 COMM SVC	33.56%	1.37%	S&P 500 INDEX	SPX	17.86%	13.63%	WTI CRUDE FUTURE Oct26	91.48	60.63%
S&P 500 CONS DISCRET IDX	6.04%	-1.34%	DOW JONES INDUS. AVG	INDU	14.92%	12.39%	BRENT CRUDE FUTR Nov26	96.28	59.96%
S&P 500 CONS STAPLES IDX	3.90%	9.04%	NASDAQ COMPOSITE	CCMP	21.17%	14.51%	NATURAL GAS FUTR Oct26	2.98	-20.90%
S&P 500 ENERGY INDEX	8.68%	44.45%	S&P 400 MIDCAP INDEX	MID	7.48%	15.49%	LME COPPER 3MO ($)	14,415.50	16.04%
S&P 500 FINANCIALS INDEX	14.97%	6.95%	RUSSELL 1000 GROWTH INDX	RLG	18.55%	4.68%	Gold Spot $/Oz	4,429.98	2.86%
S&P 500 HEALTH CARE IDX	14.60%	11.80%	RUSSELL 1000 VALUE INDEX	RLV	15.88%	23.46%	Silver Spot $/Oz	66.21	-7.92%
S&P 500 INDUSTRIALS IDX	19.27%	13.66%	RUSSELL MIDCAP RT INDEX	RMC	10.59%	16.86%	Euro Spot	1.16	-1.06%
S&P 500 INFO TECH INDEX	24.04%	23.86%	RUSSELL 2000 INDEX	RTY	12.79%	21.01%	British Pound Spot	1.35	0.60%
S&P 500 MATERIALS INDEX	10.54%	15.99%	MSCI ACWI ex US	NDUEACWZ	32.39%	17.44%	Japanese Yen Spot	156.26	0.26%
S&P 500 REAL ESTATE IDX	3.15%	11.68%	MSCI EAFE	MXEA	32.03%	14.64%	DOLLAR INDEX SPOT	99.18	0.87%
S&P 500 UTILITIES INDEX	16.04%	2.29%	MSCI EM	MXEF	34.33%	24.86%			

Source: Bloomberg As of: 9/5/2026

	Total Return							
Bloomberg Barclays Bond Indices	**2024**	**2025**	**YTD**	**Effective Duration**	**Avg. Maturity**	**Yield-to-Worst**	**Key Rates**	
U.S. Aggregate	1.25%	7.30%	-0.40%	5.96	8.28	5.04%	Effective Fed Funds	3.63%
Intermediate	3.00%	6.97%	0.07%	3.82	4.30	4.73%	2-yr Treasury	4.37%
Global Agg ex USD	-4.22%	8.85%	0.07%	6.55	8.09	3.29%	10-yr Treasury	4.78%
Inv Grade Corporate	2.13%	7.77%	-0.60%	6.76	10.31	5.54%	10-yr German Bond	3.34%
U.S. Corporate High Yield	8.19%	8.62%	2.57%	3.23	4.72	7.37%	Prime Rate	6.75%
Tax Exempt							30 Year Fixed Mortgage	6.76%
Muni 1-10 Yr Blend (1-12)	0.91%	5.14%	-0.03%	4.40	6.37	3.48%		

Source: Bloomberg As of: 9/5/2026

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