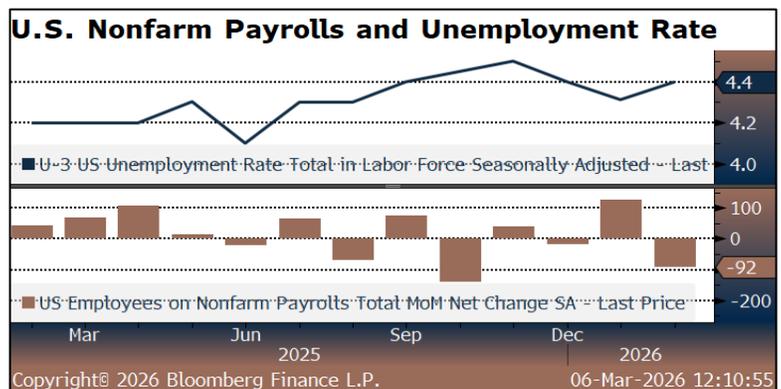
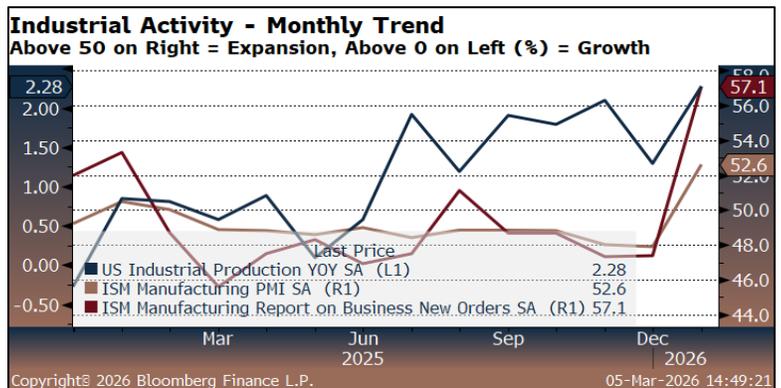
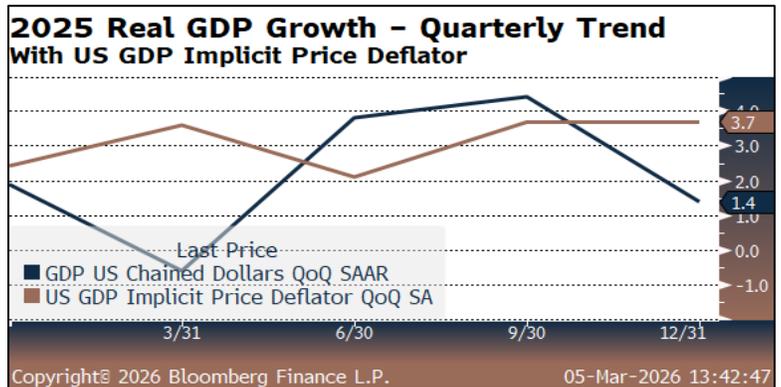


Executive Summary:

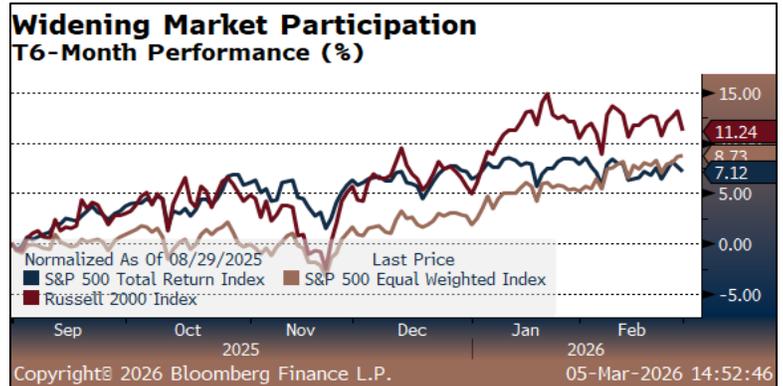
- Q4 GDP slowed to 1.4% due to government shutdown, full-year 2025 growth at 2.2%.
- 2026 perseverance: Expansionary ISM PMIs and improving manufacturing signals point to near-term economic lift. +126K January jobs beat but February's -92K job miss adds caution.
- Markets broadening, equal-weighted S&P 500 and Russell 2000 outperforming, with hope Iran operation stays contained, preserving Fed labor focus.

Following two consecutive quarters of robust real GDP growth at 3.8% (Q2) and 4.4% (Q3), the U.S. economy decelerated sharply in the fourth quarter of 2025, with real GDP expanding at just a 1.4% annualized rate, well below consensus expectations of around 2.8%. Although the trade balance improved for a third straight quarter and consumer expenditures continued to support expansion, the prolonged government shutdown caused federal outlays to plummet, subtracting roughly 0.9% from headline growth, and pushed the GDP implicit price deflator to 3.7%. This unusual inflation dynamic in the government sector contributed to full-year 2025 real GDP growth of just 2.2%, falling short of expectations of 2.5-2.7% under more typical Q4 conditions.

Recent economic data offers several encouraging signs amid the broader slowdown: both the ISM Manufacturing PMI and Services PMI remained in expansionary territory, exceeding expectations. Together, these leading indicators signal a sustained expansion in key sectors, and the positive momentum extends to coincident and lagging measures as well. The rate of change in industrial production, a coincident indicator, is improving, and capacity utilization, a lagging indicator, sits at cycle lows, offering substantial room for expansion. These developments collectively suggest a potential near-term economic boost as manufacturing contributes more positively to broader growth.



The labor market continues to be shaky amid softer trends in income and consumption growth. Nonfarm payrolls rose by 126,000 in January, beating consensus forecasts and providing some resilience, but February vastly underperformed with a contraction of 92,000 jobs, far below expectations, with unemployment increasing slightly to 4.4%. Credit spreads in the non-software corporate sector have stayed tight, reflecting continued investor confidence in credit quality despite the cautious backdrop.



Finally, equity markets reflect this healthy sector rotation away from IT and communication services. The equal-weighted S&P 500 and the Russell 2000 have each outperformed the market-cap-weighted S&P 500 over the past six months, underscoring stronger participation across a wider range of stocks beyond mega-cap tech. Investors and policymakers alike remain hopeful that the U.S. military operation in Iran does not evolve into a prolonged conflict and exerts only a contained impact on global energy prices and inflation, thereby enabling the Federal Reserve to maintain its focus on supporting labor market relief without undue disruption from external shocks.

SECTORS	2025	YTD	EQUITY INDICES	TICKER	2025	YTD	COMM. & CURRENCIES	LAST CLOSE	YTD
S&P 500 COMM SVC	33.56%	-1.36%	S&P 500 INDEX	SPX	17.86%	-0.70%	WTI CRUDE FUTURE Apr26	74.66	42.00%
S&P 500 CONS DISCRET IDX	6.04%	-3.97%	DOW JONES INDUS. AVG	INDU	14.92%	-0.61%	BRENT CRUDE FUTR May26	81.40	41.55%
S&P 500 CONS STAPLES IDX	3.90%	9.77%	NASDAQ COMPOSITE	CCMP	21.17%	-2.96%	NATURAL GAS FUTR Apr26	2.92	-3.87%
S&P 500 ENERGY INDEX	8.68%	26.10%	S&P 400 MIDCAP INDEX	MID	7.48%	5.44%	LME COPPER 3MO (\$)	13,057.50	5.11%
S&P 500 FINANCIALS INDEX	14.97%	-7.02%	RUSSELL 1000 GROWTH INDX	RLG	18.55%	-5.02%	Gold Spot \$/Oz	5,140.36	17.28%
S&P 500 HEALTH CARE IDX	14.60%	-1.13%	RUSSELL 1000 VALUE INDEX	RLV	15.88%	4.44%	Silver Spot \$/Oz	83.55	13.35%
S&P 500 INDUSTRIALS IDX	19.27%	10.35%	RUSSELL MIDCAP RT INDEX	RMC	10.59%	4.44%	Euro Spot	1.16	-1.44%
S&P 500 INFO TECH INDEX	24.04%	-5.15%	RUSSELL 2000 INDEX	RTY	12.79%	3.76%	British Pound Spot	1.34	-1.11%
S&P 500 MATERIALS INDEX	10.54%	10.97%	MSCI ACWI ex US	NDUEACWZ	32.39%	4.58%	Japanese Yen Spot	157.06	-0.69%
S&P 500 REAL ESTATE IDX	3.15%	7.48%	MSCI EAFE	MXEA	32.03%	4.27%	DOLLAR INDEX SPOT	98.77	0.94%
S&P 500 UTILITIES INDEX	16.04%	9.26%	MSCI EM	MXEF	34.33%	4.98%			

Source: Bloomberg As of: 3/5/2026

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%	1.12%	6.00	8.17	4.30%	Effective Fed Funds	3.64%	
Intermediate	3.00%	6.97%	0.74%	3.87	4.35	3.92%	2-yr Treasury	3.59%	
Global Agg ex USD	-4.22%	8.85%	0.80%	6.76	8.32	2.81%	10-yr Treasury	4.13%	
Inv Grade Corporate	2.13%	7.77%	1.04%	7.00	10.55	4.83%	10-yr German Bond	2.84%	
U.S. Corporate High Yield	8.19%	8.62%	0.74%	3.11	4.83	6.74%	Prime Rate	6.75%	
Tax Exempt							30 Year Fixed Mortgage	6.10%	
Muni 1-10 Yr Blend (1-12)	0.91%	5.14%	1.32%	4.08	6.39	2.76%			

Source: Bloomberg As of: 3/5/2026

The information and material contained herein is provided solely for general information purposes. This material is not intended to be investment advice nor is this information intended as an offer or solicitation for the purchase or sale of any security or other financial instrument. Any opinions expressed herein are given in good faith, are subject to change without notice, and are only current as of the stated date of their issue. Certain sections of this publication contain forward-looking statements that are based on the reasonable expectations, estimates, projections, and assumptions of the authors, but forward-looking statements are not guarantees of future performance and involve risks and uncertainties. Investment ideas and strategies presented may not be suitable for all investors. No responsibility or liability is assumed by The National Bank of Indianapolis, its parent company, its subsidiaries, or its affiliates for any loss that may directly or indirectly result from use of information, commentary, or opinions in this publication by you or any other person.