DIAMOND CAPITAL MANAGEMENT
A Division of The National Bank of Indianapolis

# Market Commentary

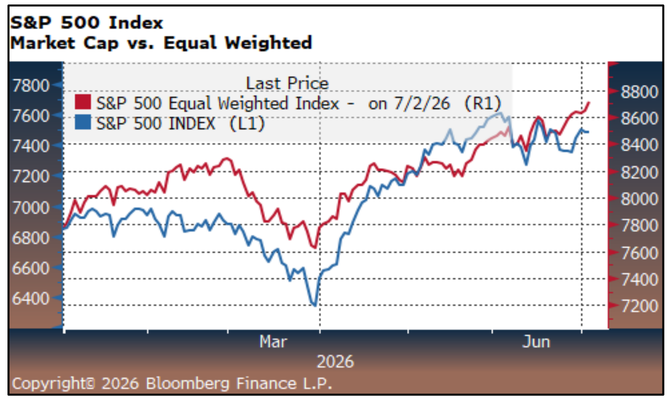
July 2026

THE NATIONAL BANK of INDIANAPOLIS

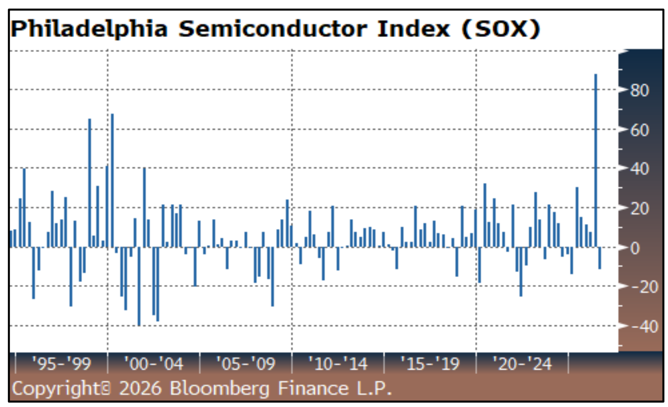
## Executive Summary:

- With no recession in sight, the bull market should remain intact. We would continue to view pullbacks in stocks as likely buying opportunities.
- Equity valuations are modestly elevated but reasonable given the current backdrop of earnings growth, steady economic conditions, and continued investor demand for growth-oriented sectors.
- Lower inflationary pressures and the weaker jobs report in June will likely keep the Federal Reserve on the sidelines for the foreseeable future.

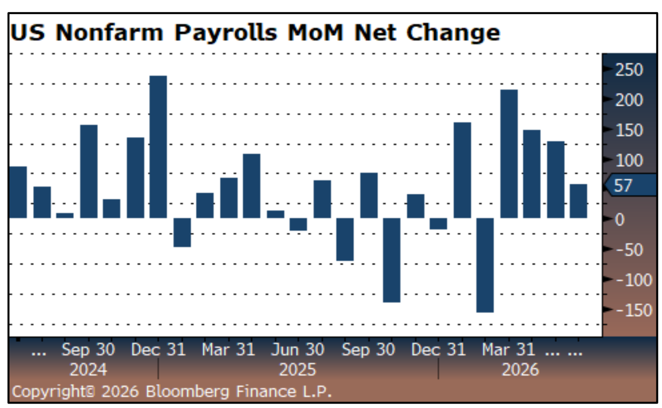
Equity markets ended the first half of 2026 on a strong footing, supported by improving earnings expectations and renewed investor enthusiasm surrounding artificial intelligence. Most major equity indices delivered solid gains, with several posting double-digit returns. Year to date, the S&P 500 Index has outperformed on an equal-weighted basis relative to its market-cap-weighted counterpart, suggesting broader participation beyond the largest constituents. Within the "Magnificent Seven," Alphabet was the strongest performer, while Meta Platforms, Inc. was the most notable laggard. Inflows into AI- and technology-focused equity funds reached a record pace, and although chip stocks have pulled back thus far in July, semiconductors just completed their strongest quarter on record.




U.S. large-cap equity valuations remain modestly elevated. As of July 2, 2026, the S&P 500 Index traded at a forward price-to-earnings ratio of 20.9x, above its 10-year and 15-year averages of 19.8x and 17.6x, respectively. This premium reflects the post-pandemic re-rating of equities, driven largely by mega-cap technology and AI-related companies. While higher interest rates or discount rates could make these valuations more difficult to sustain, we believe continued growth in corporate earnings should provide meaningful support.

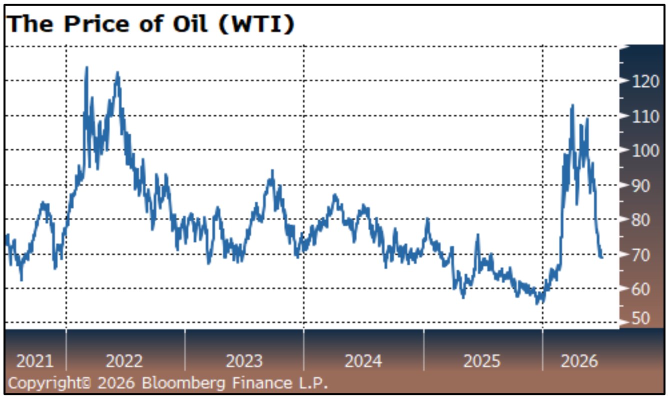


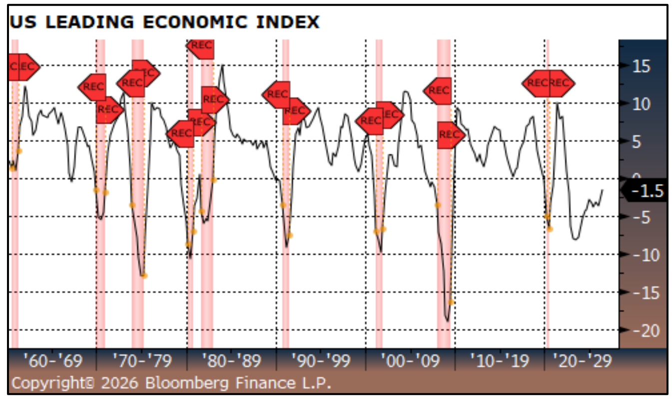

We remain constructive on the financial markets and continue to favor equities. With no recession presently in sight, we believe that pullbacks in stocks are likely to present attractive long-term buying opportunities. Inflation risks have also moderated in recent weeks, helped by lower oil prices, while the latest jobs report supports the case that the



Federal Reserve is unlikely to raise rates in the near term. At the same time, investor concern about missing further upside in the ongoing rally could provide additional support for equity prices.

Happy 250th Birthday America!




| SECTORS | 2025 | YTD | EQUITY INDICES | TICKER | 2025 | YTD | COMM. & CURRENCIES | LAST CLOSE | YTD |
|---|---|---|---|---|---|---|---|---|---|
| S&P 500 COMM SVC | 33.56% | 2.60% | S&P 500 INDEX | SPX | 17.86% | 9.95% | WTI CRUDE FUTURE Aug26 | 68.69 | 19.92% |
| S&P 500 CONS DISCRET IDX | 6.04% | -0.77% | DOW JONES INDUS. AVG | INDU | 14.92% | 10.98% | BRENT CRUDE FUTR Sep26 | 71.80 | 18.90% |
| S&P 500 CONS STAPLES IDX | 3.90% | 10.27% | NASDAQ COMPOSITE | CCMP | 21.17% | 11.50% | NATURAL GAS FUTR Aug26 | 3.20 | -14.19% |
| S&P 500 ENERGY INDEX | 8.68% | 20.01% | S&P 400 MIDCAP INDEX | MID | 7.48% | 15.82% | LME COPPER 3MO ($) | 13,326.00 | 7.27% |
| S&P 500 FINANCIALS INDEX | 14.97% | 2.38% | RUSSELL 1000 GROWTH INDX | RLG | 18.55% | 2.81% | Gold Spot $/Oz | 4,066.40 | -3.91% |
| S&P 500 HEALTH CARE IDX | 14.60% | 6.82% | RUSSELL 1000 VALUE INDEX | RLV | 15.88% | 18.33% | Silver Spot $/Oz | 59.82 | -14.81% |
| S&P 500 INDUSTRIALS IDX | 19.27% | 19.26% | RUSSELL MIDCAP RT INDEX | RMC | 10.59% | 15.30% | Euro Spot | 1.14 | -2.70% |
| S&P 500 INFO TECH INDEX | 24.04% | 15.85% | RUSSELL 2000 INDEX | RTY | 12.79% | 21.54% | British Pound Spot | 1.33 | -0.75% |
| S&P 500 MATERIALS INDEX | 10.54% | 14.72% | MSCI ACWI ex US | NDUEACWZ | 32.39% | 13.48% | Japanese Yen Spot | 161.36 | -2.94% |
| S&P 500 REAL ESTATE IDX | 3.15% | 13.18% | MSCI EAFE | MXEA | 32.03% | 10.89% | DOLLAR INDEX SPOT | 100.86 | 2.70% |
| S&P 500 UTILITIES INDEX | 16.04% | 8.69% | MSCI EM | MXEF | 34.33% | 21.35% | | | |

Source: Bloomberg As of: 7/2/2026

| Bloomberg Barclays Bond Indices | Total Return 2024 | 2025 | YTD | Effective Duration | Avg. Maturity | Yield-to-Worst | Key Rates | |
|---|---|---|---|---|---|---|---|---|
| U.S. Aggregate | 1.25% | 7.30% | 0.48% | 6.02 | 8.30 | 4.75% | Effective Fed Funds | 3.63% |
| Intermediate | 3.00% | 6.97% | 0.38% | 3.85 | 4.34 | 4.44% | 2-yr Treasury | 4.14% |
| Global Agg ex USD | -4.22% | 8.85% | -0.87% | 6.64 | 8.18 | 3.01% | 10-yr Treasury | 4.49% |
| Inv Grade Corporate | 2.13% | 7.77% | 0.69% | 6.94 | 10.51 | 5.22% | 10-yr German Bond | 2.90% |
| U.S. Corporate High Yield | 8.19% | 8.62% | 2.05% | 3.23 | 4.79 | 7.13% | Prime Rate | 6.75% |
| **Tax Exempt** | | | | | | | 30 Year Fixed Mortgage | 6.55% |
| Muni 1-10 Yr Blend (1-12) | 0.91% | 5.14% | 1.07% | 4.22 | 6.39 | 3.11% | | |

Source: Bloomberg As of: 7/2/2026