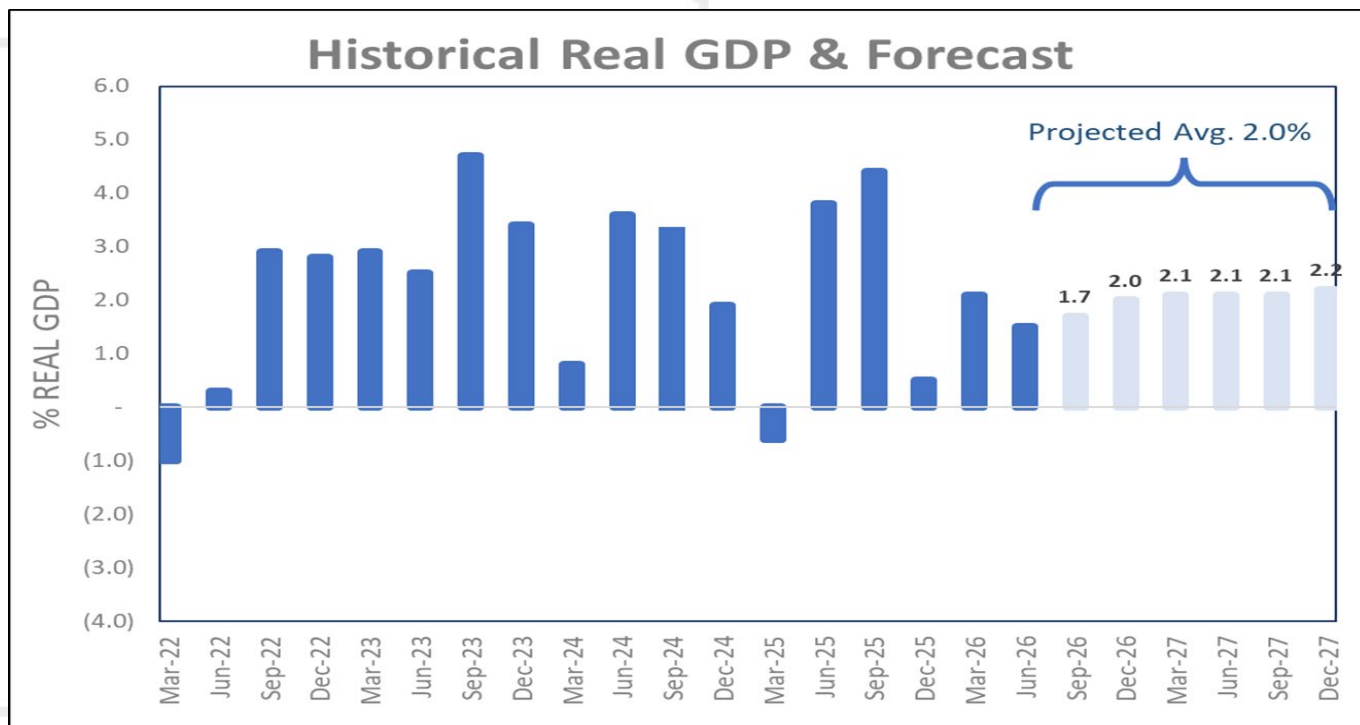




Five in Five
August 2026



Second Quarter Economic Growth Slows

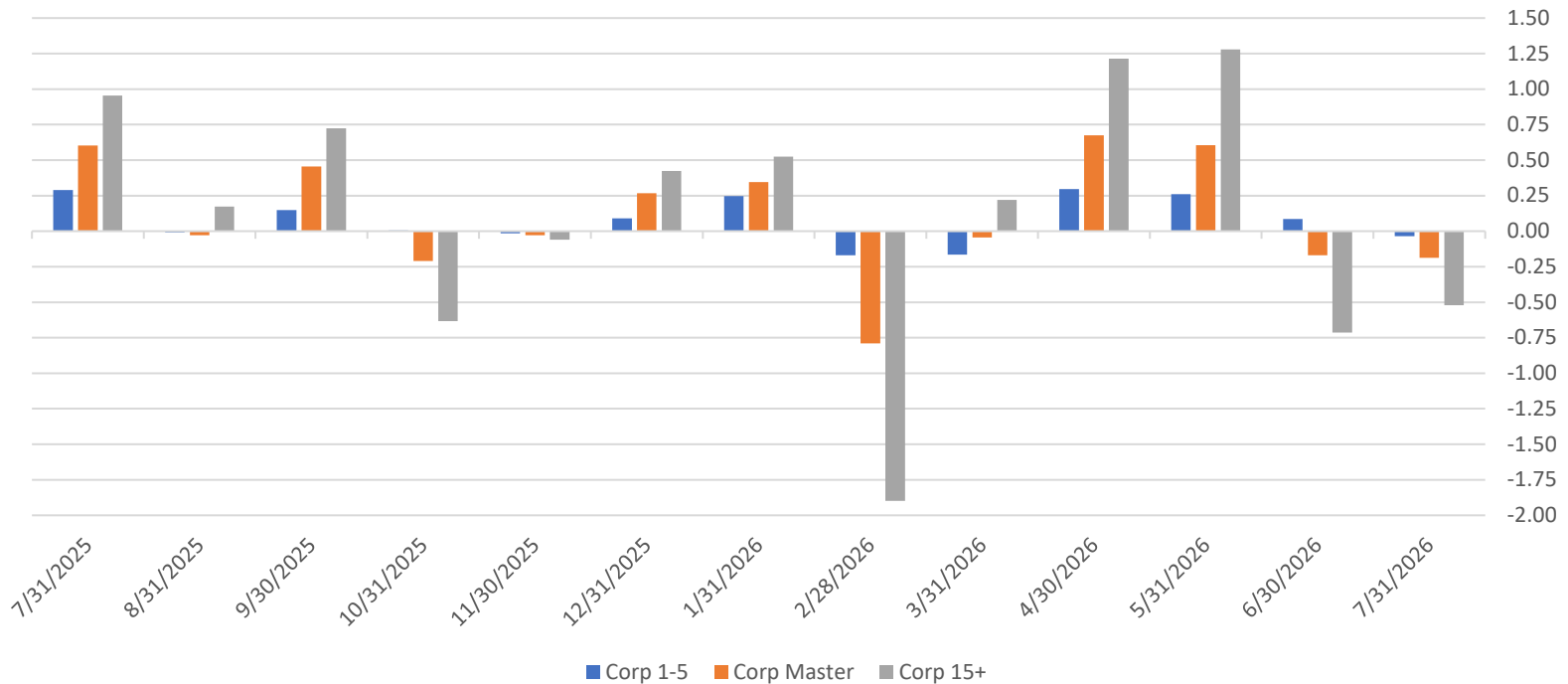


Sources: Bureau of Economic Analysis, Bloomberg Economist Survey

- Real GDP measures the total value of all final goods and services produced in the U.S. adjusted for inflation. Adjusting for inflation provides a better picture of the actual underlying growth rate..
- Real GDP increased 1.5% in the second quarter.
- Growth in consumer spending, which makes up two-thirds of economic activity, grew 3.2%. Driven by the rapid AI buildout Business Investment also grew.
- GDP growth was held back by net exports subtracting -1.0%, along with -0.4% decline of inventories.
- Forecast shows 2.0% growth rate for the second half of 2026, with a modest pick up in 2027.

Corporate Bonds

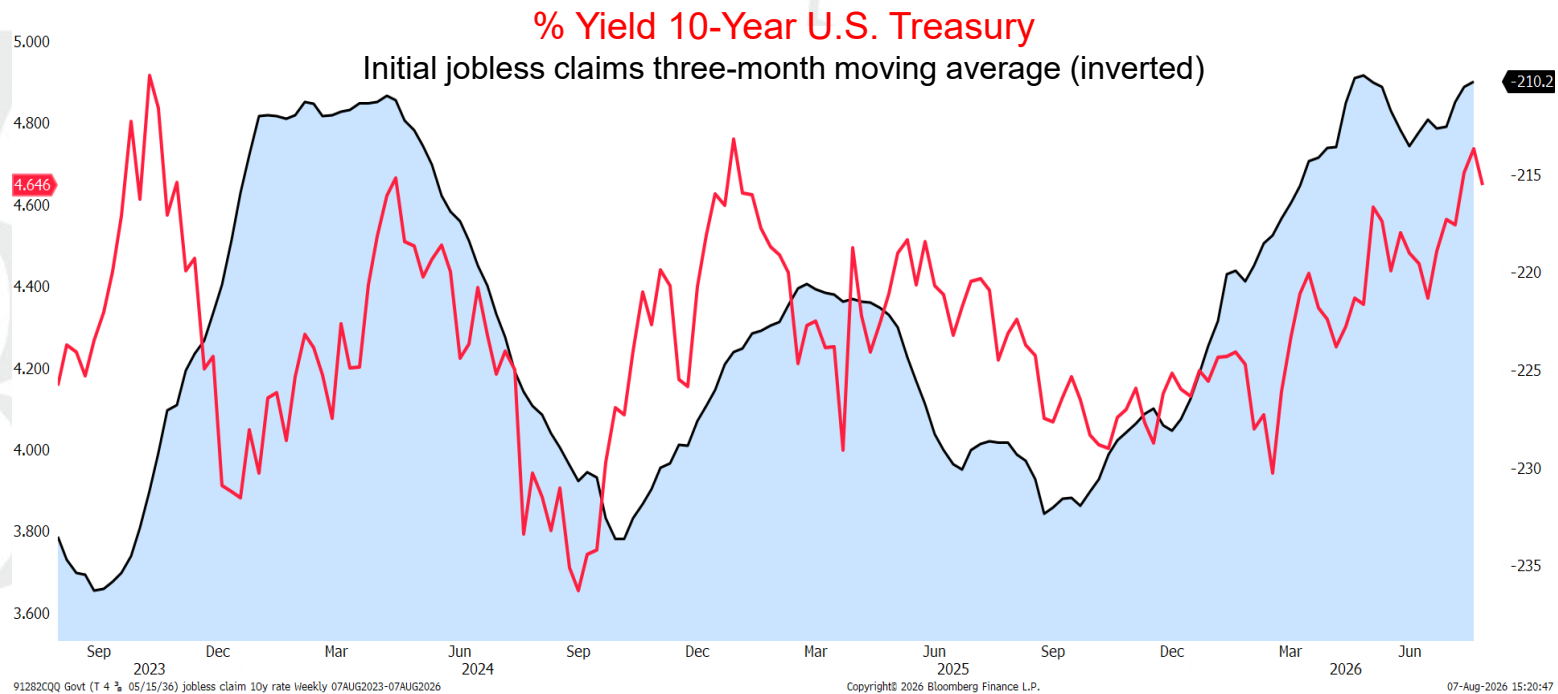
Corporate Bond Excess Returns



Source: Bloomberg

- Corporate bonds (orange) have underperformed, albeit modestly, for two consecutive months.
- Longer dated corporate bonds (grey) carry all torque with sizeable deviations versus short bonds (blue).
- Spreads continue to be near their lowest on record.
- Technology continues its worst performance on record due to rapid expansion of AI capex borrowing plans.
- Technology is the only sector trading wider than the five-year average and is our preferred sector.

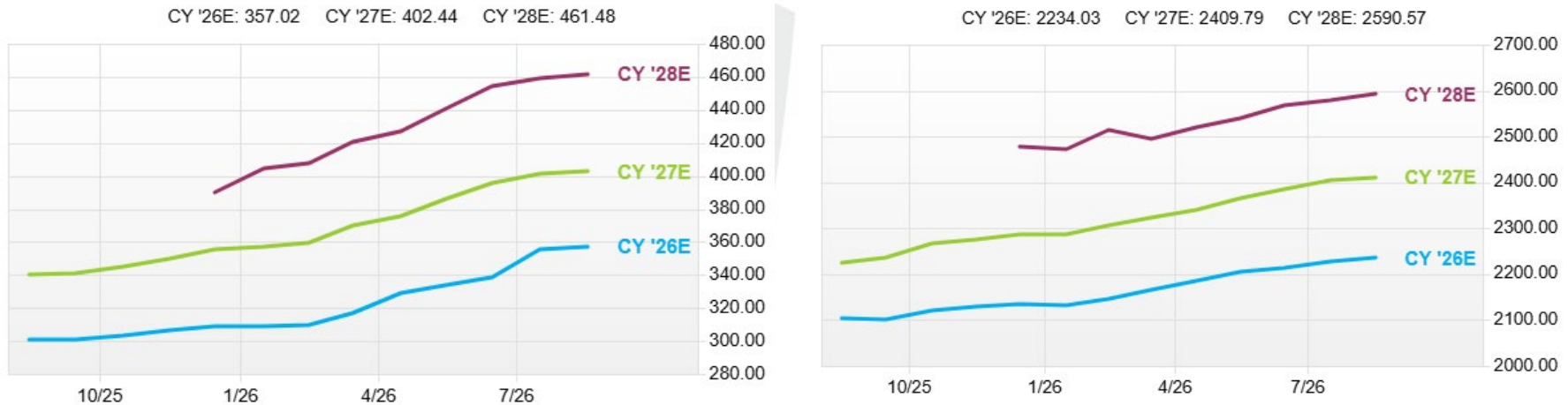
Low Fire, Low Hire Rate Impacts Bond Yields



Source: Bureau of Labor Statistics

- In recent years, the direction of interest rates has become tied to trends in employment data. In this display it shows the 10-Year U.S. Treasury yield tracks alongside the jobless claims number.
- Lower jobs claims (fewer becoming unemployed) -> reduced rate cut expectations -> higher yields transmission.
- During June and July, interest rates rose on stronger than expected employment signals.
- The number of initial jobless claims fell to the lowest level since 1969 to 187,000 in the week, ending July 18, according to the Labor Department.
- Lower hiring rates are reported as employees favor holding onto their current job and view the chances of finding a job to be declining.

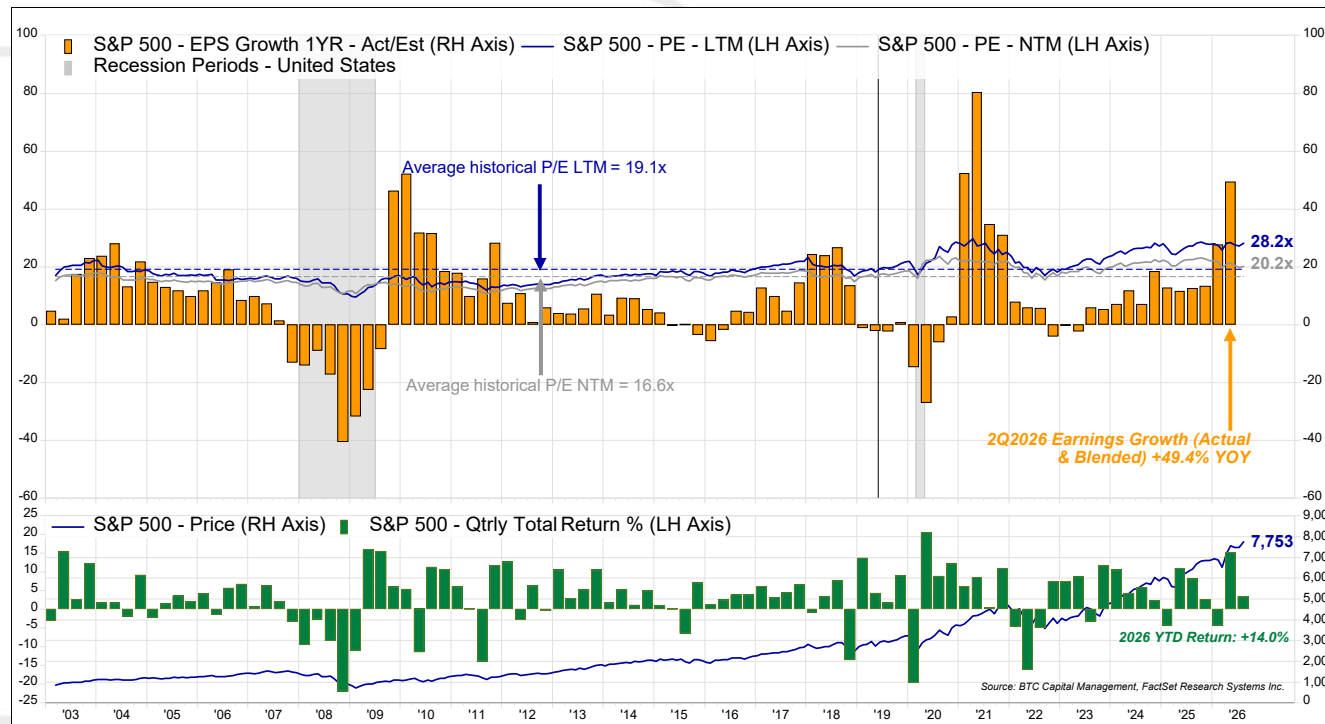
S&P 500 Index: Projected Earnings & Revenue Growth



Sources: BTC Capital Management, FactSet Research Systems Inc.

- The charts above exhibit analyst earnings estimates for calendar years (CY) 2026, 2027 and 2028 and employ the S&P 500 Index. The chart on the left presents consensus estimates by analysts of growth in earnings per share (EPS). The chart on the right presents consensus estimates of growth in sales per share (SPS).
- Regarding analysts estimates of growth in EPS:
 - Since the fourth quarter of 2025, analysts have been raising their EPS estimates for CY 2026, 2027 and 2028.
 - According to FactSet, since 12/31/2025 analysts have increased their estimates for CY 2026 by +15.8%, CY 2027 +13.5%, and CY 2028 +18.3%.
 - Analysts currently estimate EPS growth (YOY) for CY 2026 +48.4%, CY 2027 +12.7%, CY 2028 +14.8%.
- The trend for estimated growth in SPS is similar, albeit projecting a lower relative rate of growth supporting estimates of EPS growth:
 - Since the fourth quarter of 2025, analysts have been raising their SPS estimates for CY 2026, 2027 and 2028, which are a key support of estimated EPS growth.
 - According to FactSet, since 12/31/2025 analysts have increased their estimates for CY 2026 by +4.7%, CY 2027 +5.4%, and CY 2028 +4.6%.
 - Analysts currently estimate SPS growth YOY for CY '26 +10.1%, CY '27 +7.8%, CY '28 +7.5%.

S&P 500 Index: Earnings Growth, Valuation, and Performance



Sources: BTC Capital Management, FactSet Research Systems Inc.

- The YOY growth in EPS for the S&P 500 has surprised to the upside.
- Note in the top chart, earnings have grown +49.4% YOY.
- Valuations, as expressed by the Price-to-Earnings ratio (P/E), have been a concern. The trailing P/E (P/E LTM = last twelve months) of 28.2x is materially above its historical average of 19.1x. When considering this ratio on a forward basis (P/E NTM = next twelve months), the current valuation of 20.2x, while above its historical average of 16.6x, remains somewhat opportunistic given projected earnings growth.
- So far, through end-of-day August 10, 2026, the S&P 500 has returned +14.0% year-to-date driven primarily by the continuation of growth in earnings.

Disclosures

- *Sources: BTC Capital Management, FactSet Research Systems Inc., Bureau of Labor Statistics, Bureau of Economic Analysis, Bloomberg Economist Survey*
- *The information provided has been obtained from sources deemed reliable, but BTC Capital Management and its affiliates cannot guarantee accuracy. Past performance is not a guarantee of future returns. Performance over periods exceeding 12 months has been annualized.*
- *This document is intended for informational purposes only and is not an offer or solicitation with respect to the purchase or sale of any security. Statements in this report are based on the views of BTC Capital Management and on information available at the time this report was prepared. Rates are subject to change based on market and/or other conditions without notice. This commentary contains no investment recommendations, and you should not interpret any statement in this report as investment, tax, legal, and/or financial planning advice. All investments involve risk, including the possible loss of principal. Investments are not FDIC insured and may lose value.*