First Citizens Wealth®

Making Sense

Market Update | August 2026

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Recorded on August 26, 2026

First Citizens Wealth

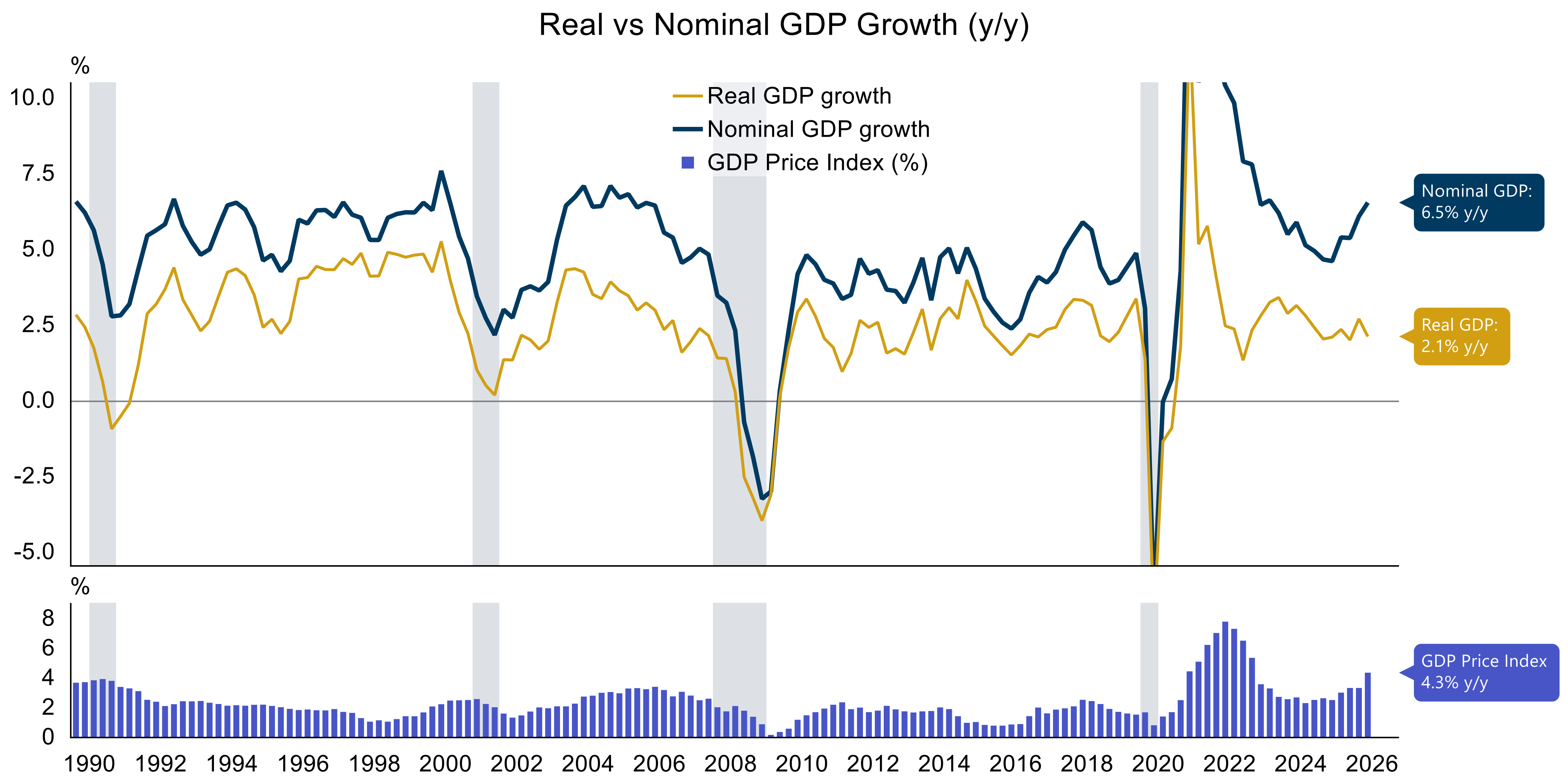
What are we going to cover?

1. **Economic update:**
   Economic growth | Inflation | Employment | Central banks | AI

2. **Market update:**
   Equities | Corporate earnings | Interest rates | Long-term investing

Economic update

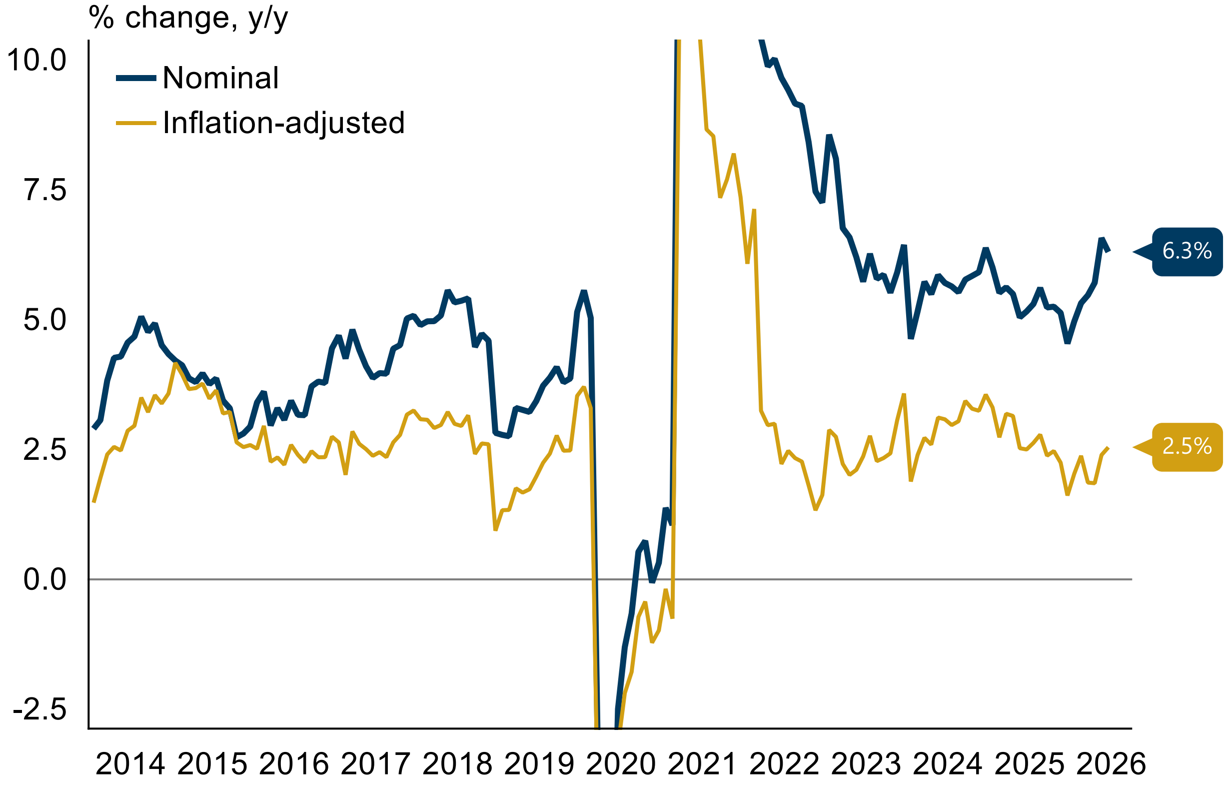
GDP growth is growing at a fast pace…before adjusting for inflation



Source: U.S. Bureau of Economic Analysis (BEA), First Citizens Bank
Data as of July 30, 2026

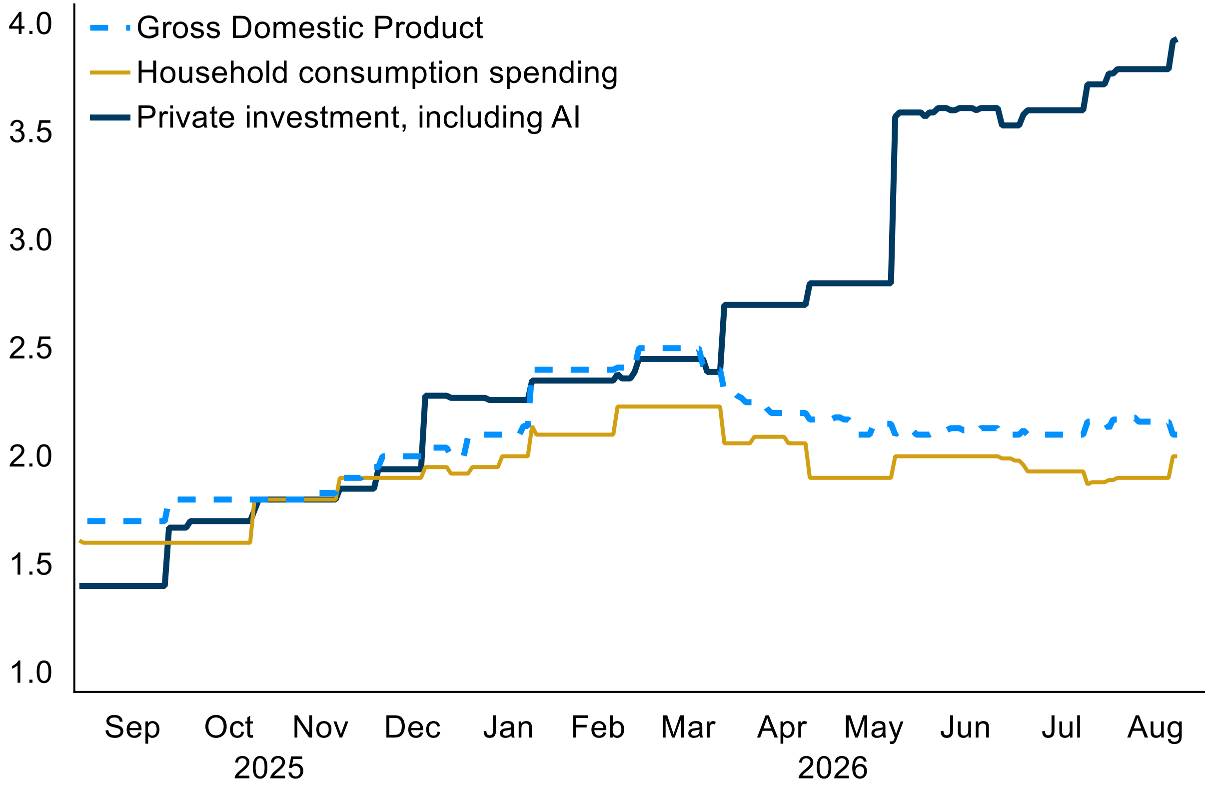
Private investment – including AI – is powering growth higher

Consumer Spending Growth



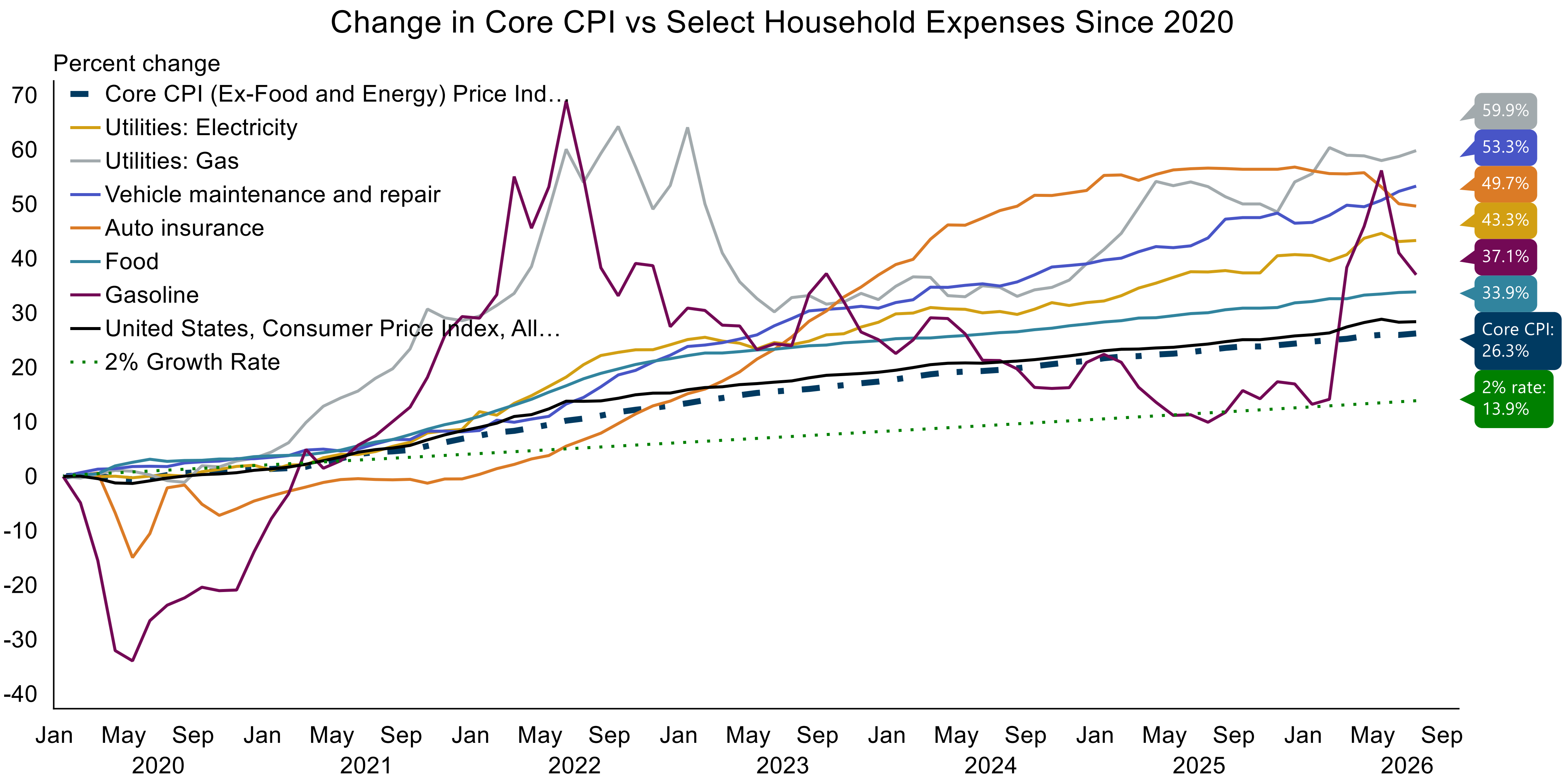
Source: U.S. Bureau of Economic Analysis (BEA), First Citizens Bank
Data through June 2026

Evolution of 2026 Growth Forecasts



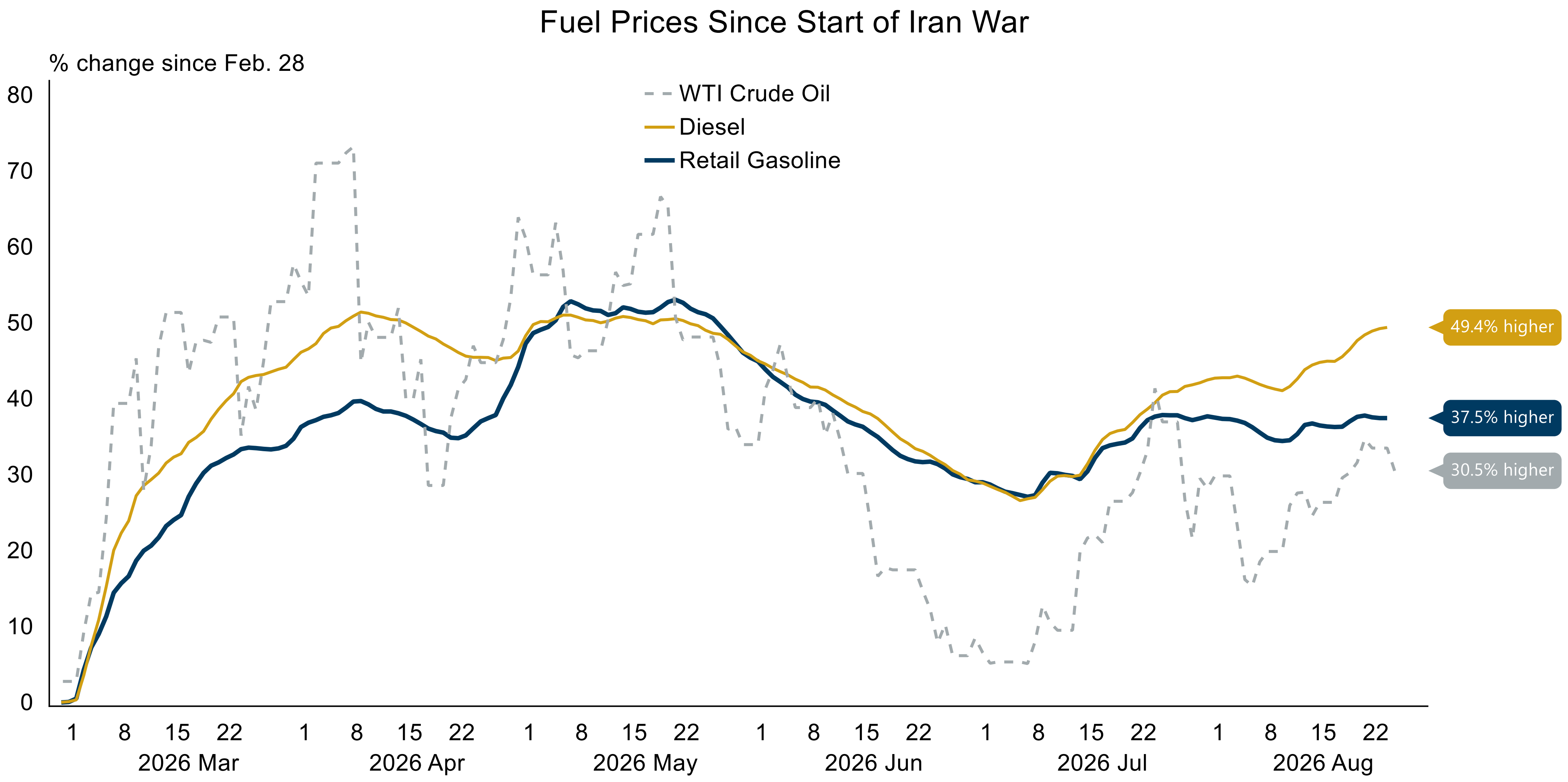
Source: Bloomberg
Data as of: 8/24/2026

Prices for necessities rose 2-4 times faster than normal since 2021



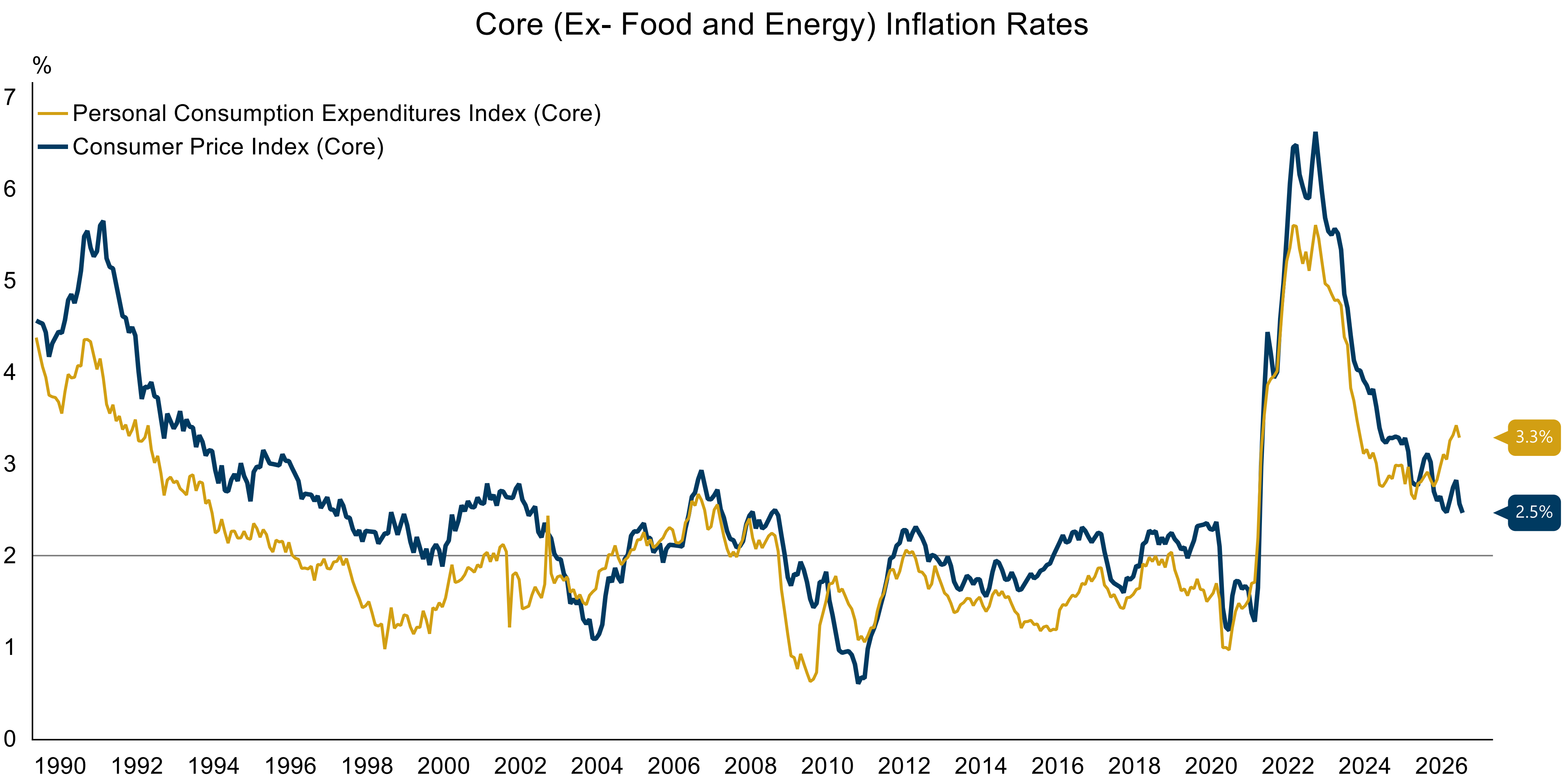
Source: U.S. Bureau of Labor Statistics (BLS), First Citizens Bank
Data as of August 12, 2026

Gasoline and diesel prices didn't experience the same drop as oil prices



Source: Bloomberg
Data as of: 8/24/2026

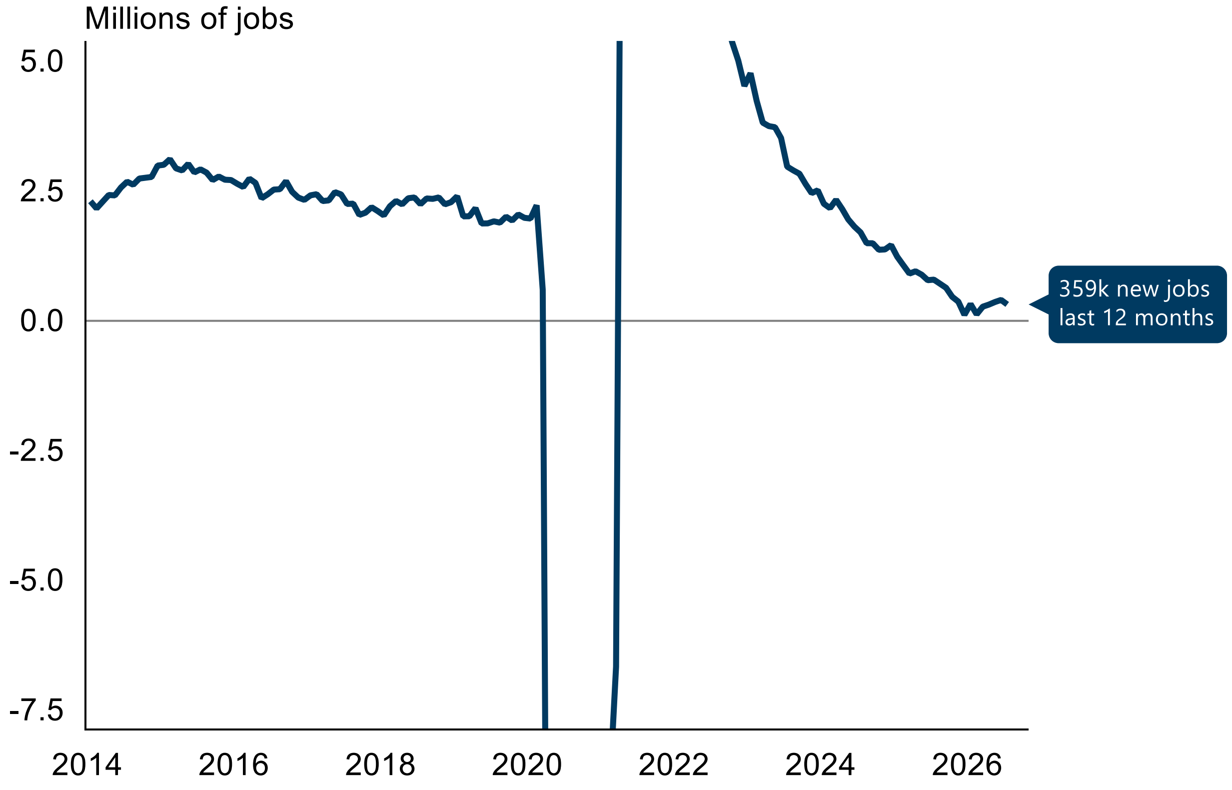
Core inflation is still too high…but how high depends on the measure



Source: U.S. Bureau of Labor Statistics (BLS), U.S. Bureau of Economic Analysis (BEA), First Citizens Bank
Data as of August 12, 2026

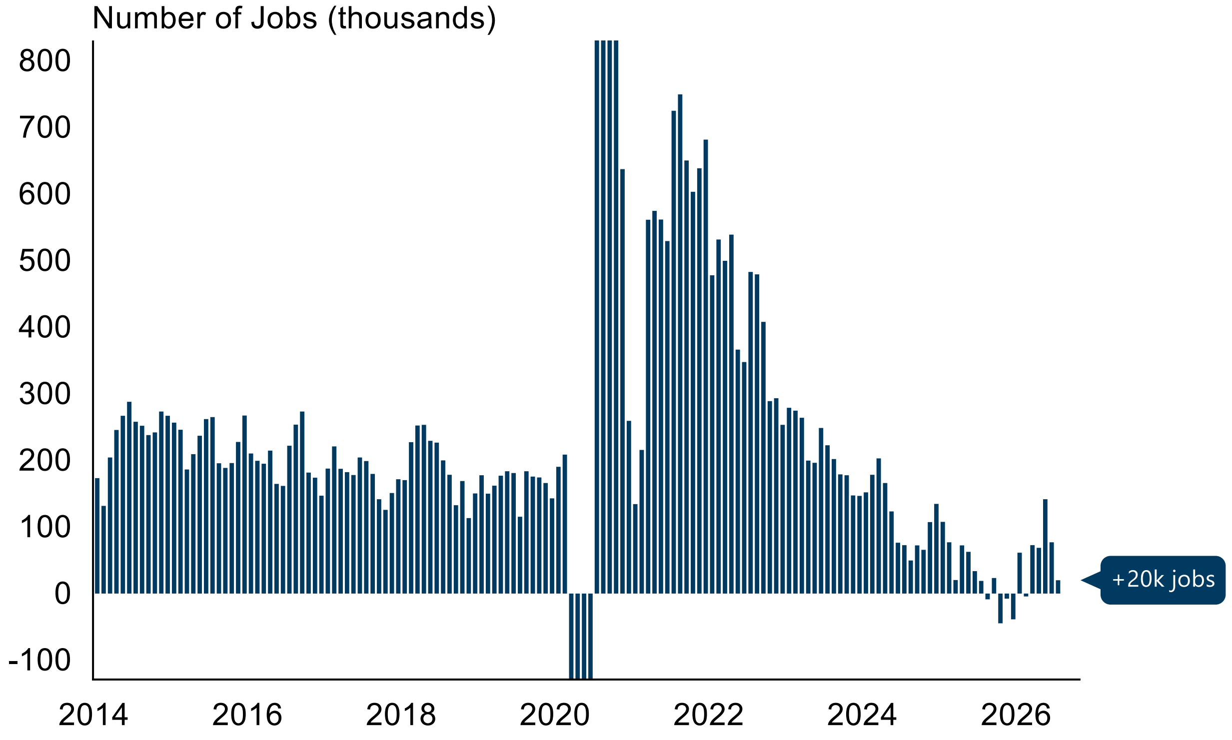
The economy is creating very few jobs recently…

Number of New Jobs Created in the Last Year



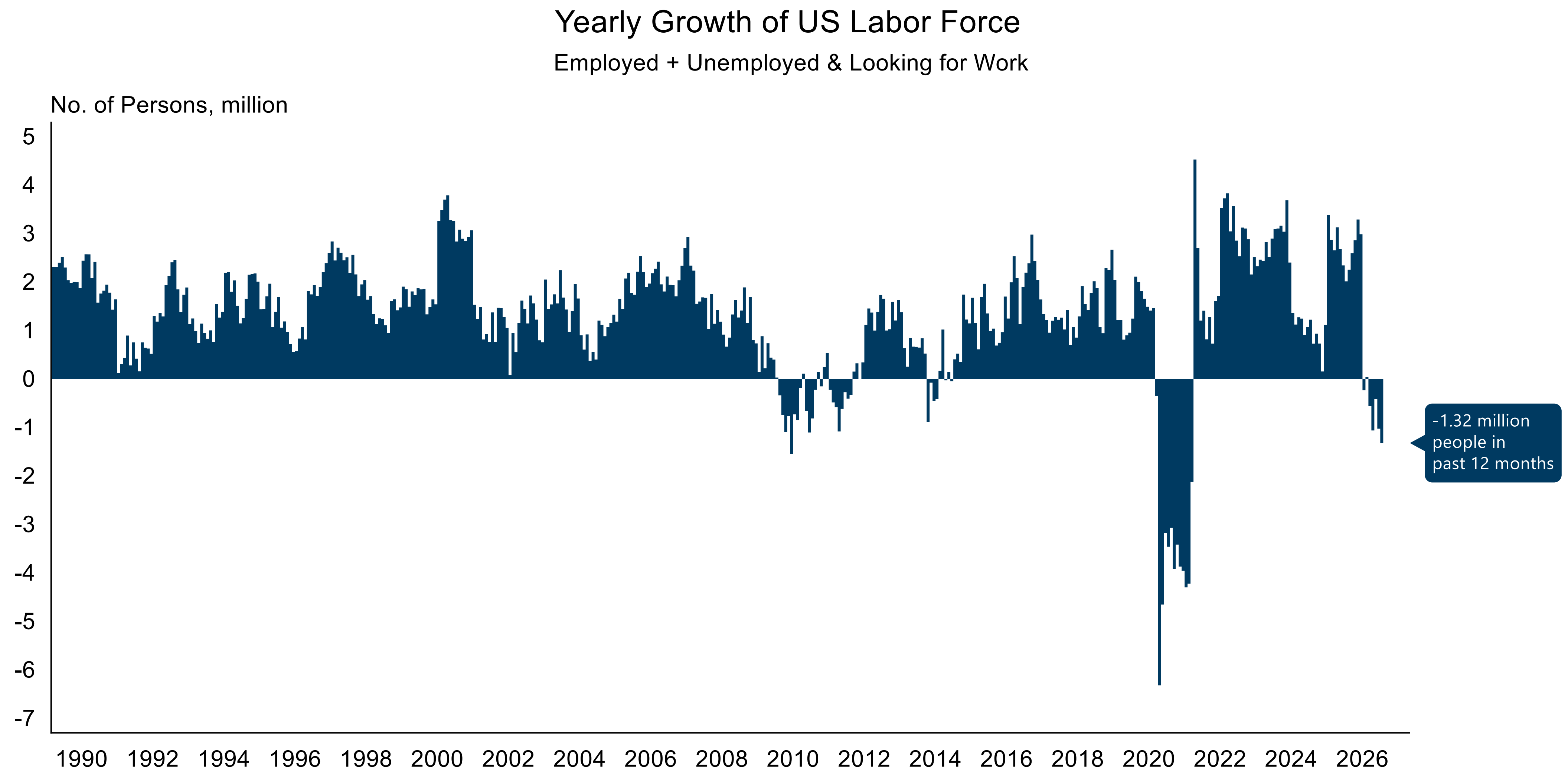
Source: U.S. Bureau of Labor Statistics (BLS), First Citizens Bank
Data as of July 2026.

Monthly Change in US Payroll Employment (3-month average)



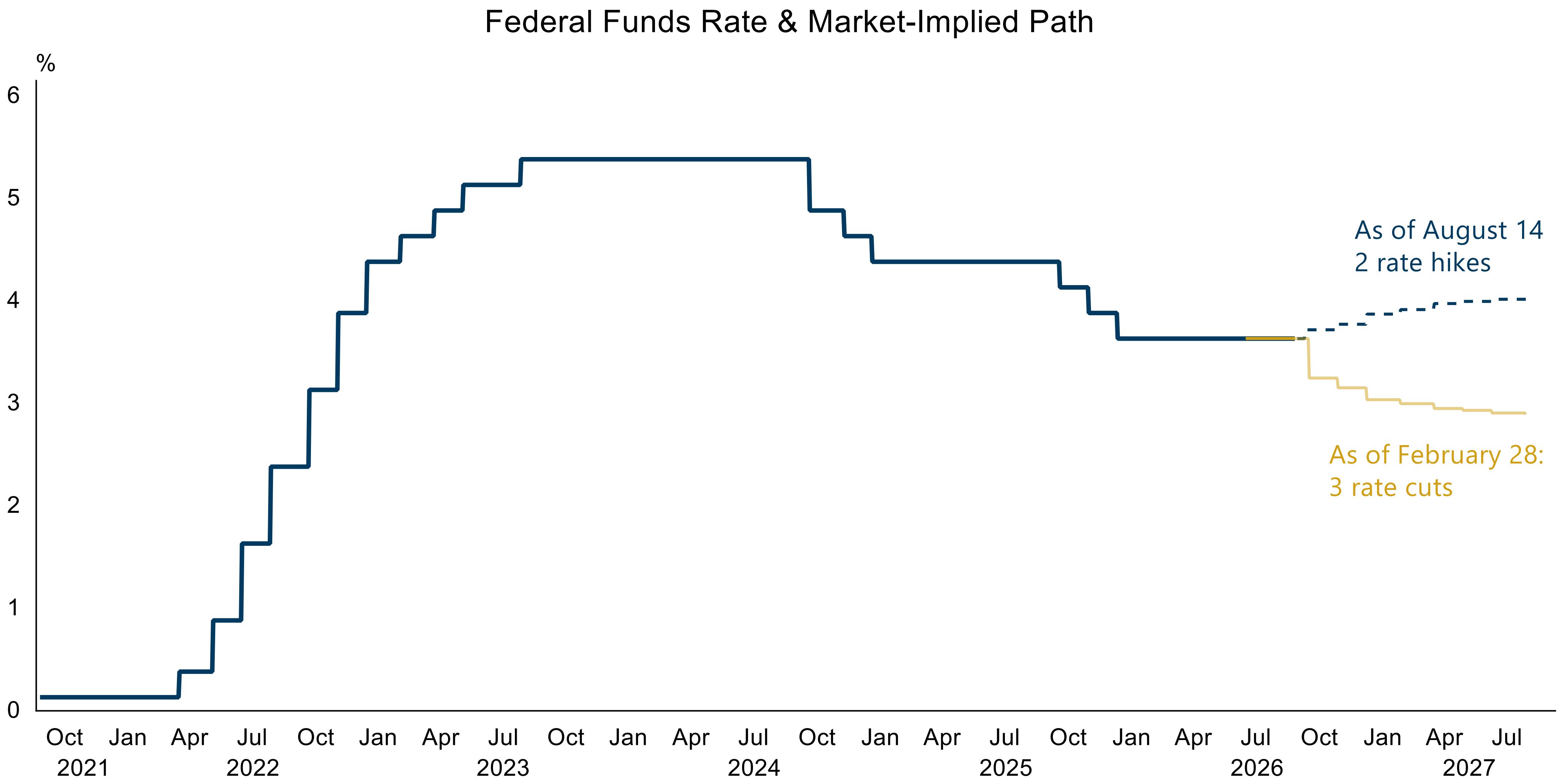
Source: U.S. Bureau of Labor Statistics (BLS), First Citizens Bank
Data as of July 2026

…but the labor force is now losing over 1 million workers per year



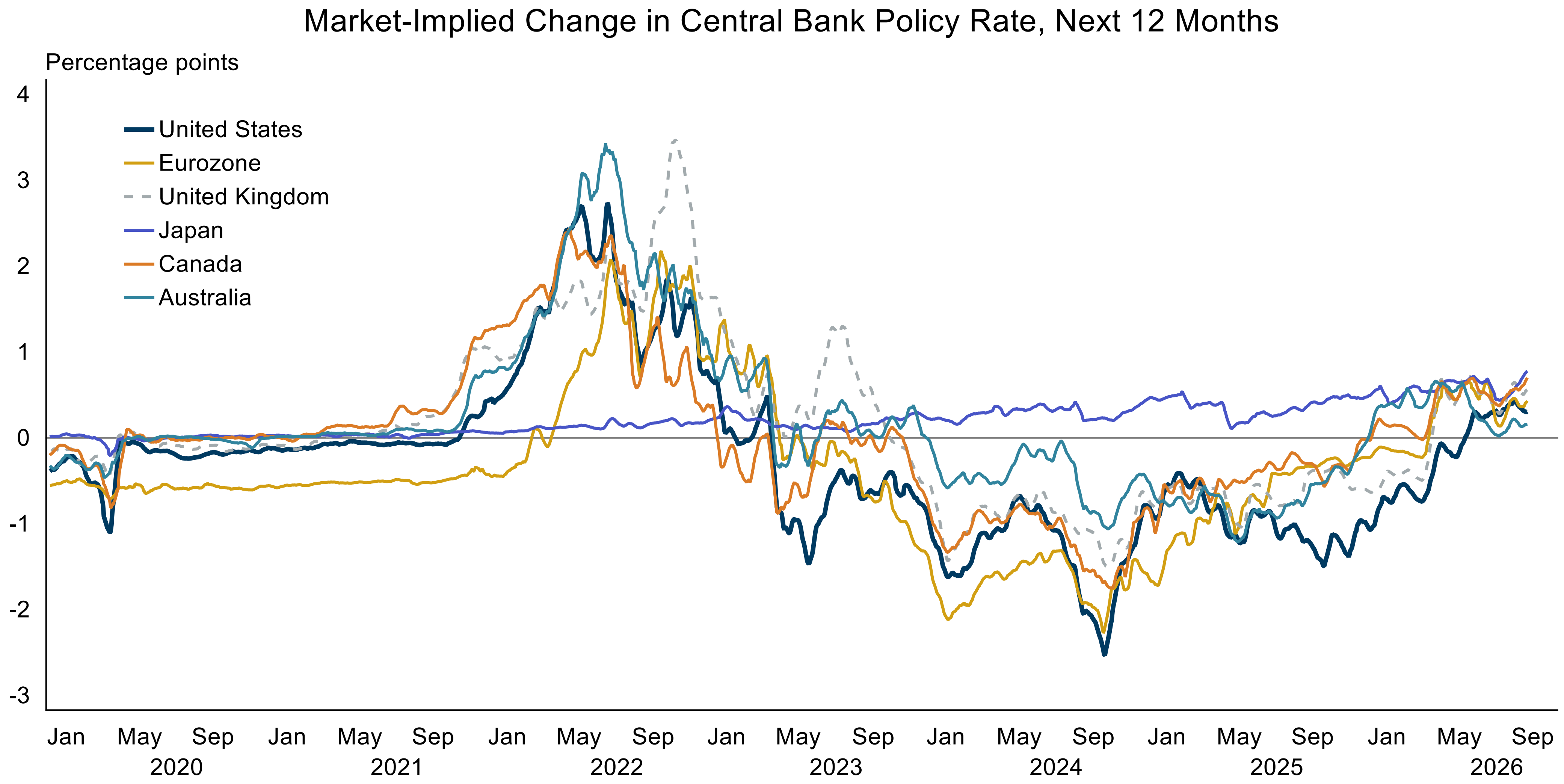
Source: U.S. Bureau of Labor Statistics (BLS), First Citizens Bank
Data as of August 7, 2026

Markets now see the Fed raising interest rates to achieve price stability



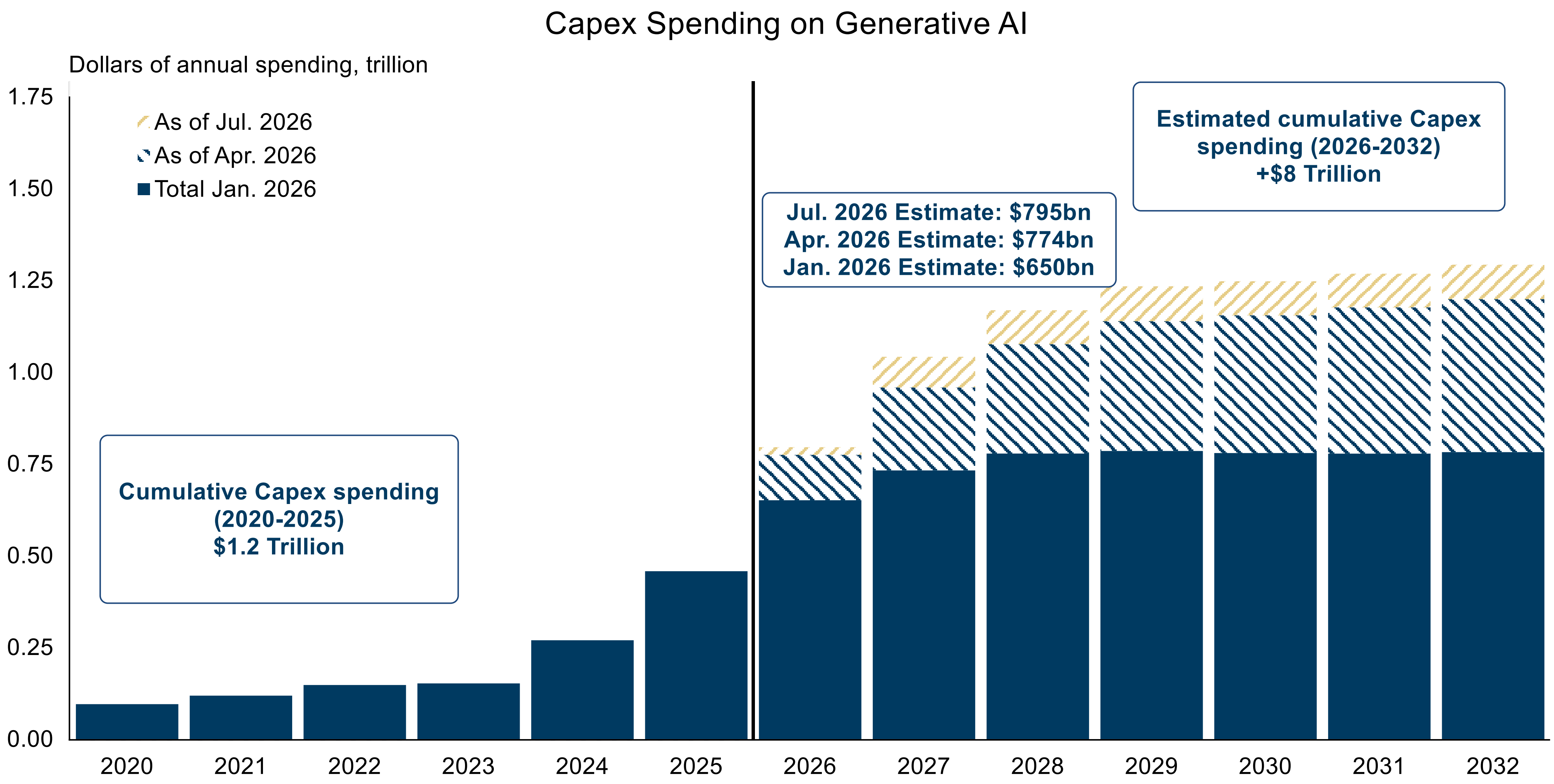
Source: Bloomberg, First Citizens Bank
Data as of: 8/25/2026

Markets expect rate hikes from central banks across the globe



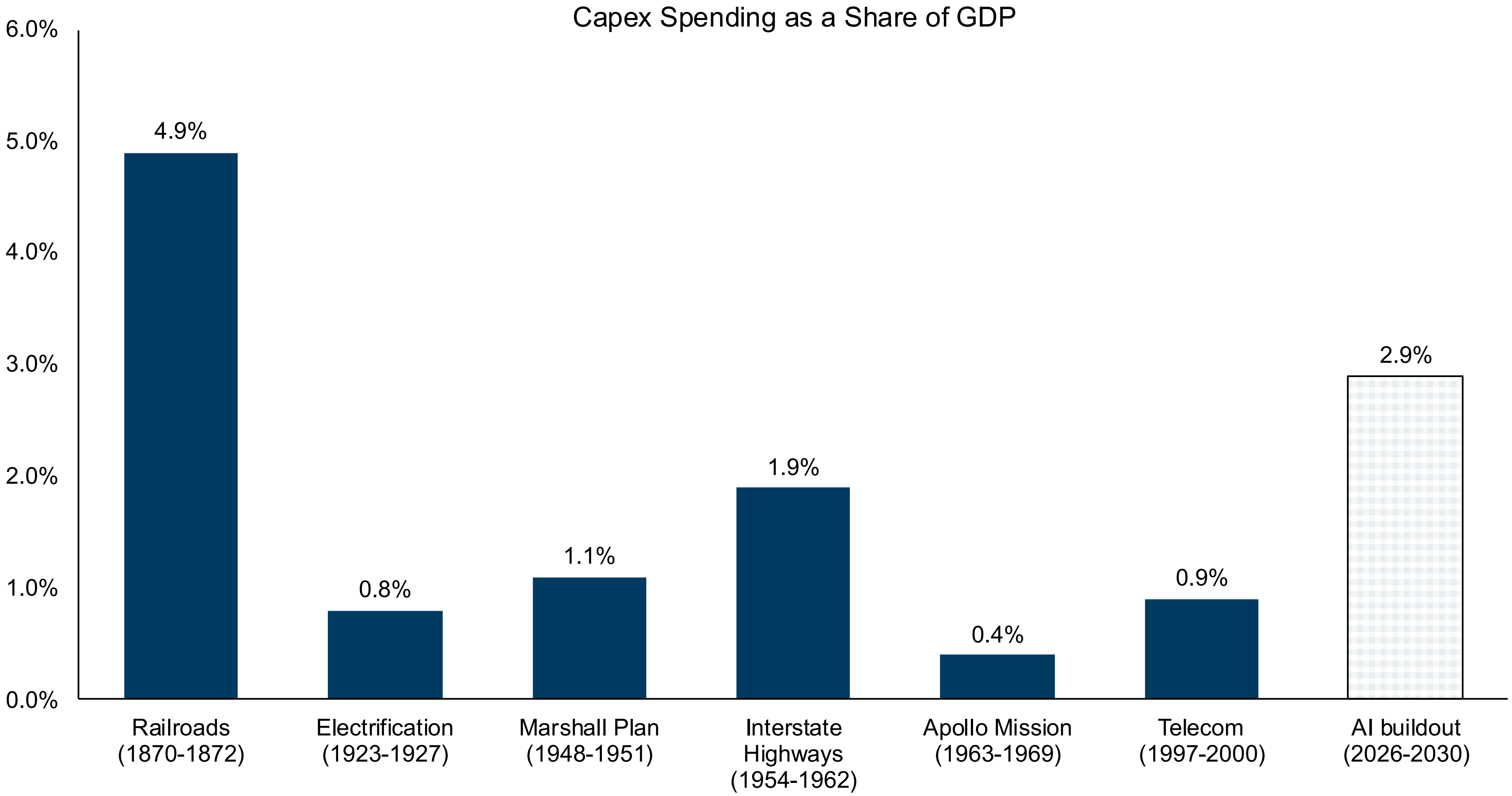
Source: Bloomberg, Federal Reserve, Bank of England, ECB (European Central Bank), Reserve Bank of Australia, Bank of Japan (BOJ), Bank of Canada, First Citizens Bank
Data as of August 24, 2026

Expected spending on the AI buildout continues to rise



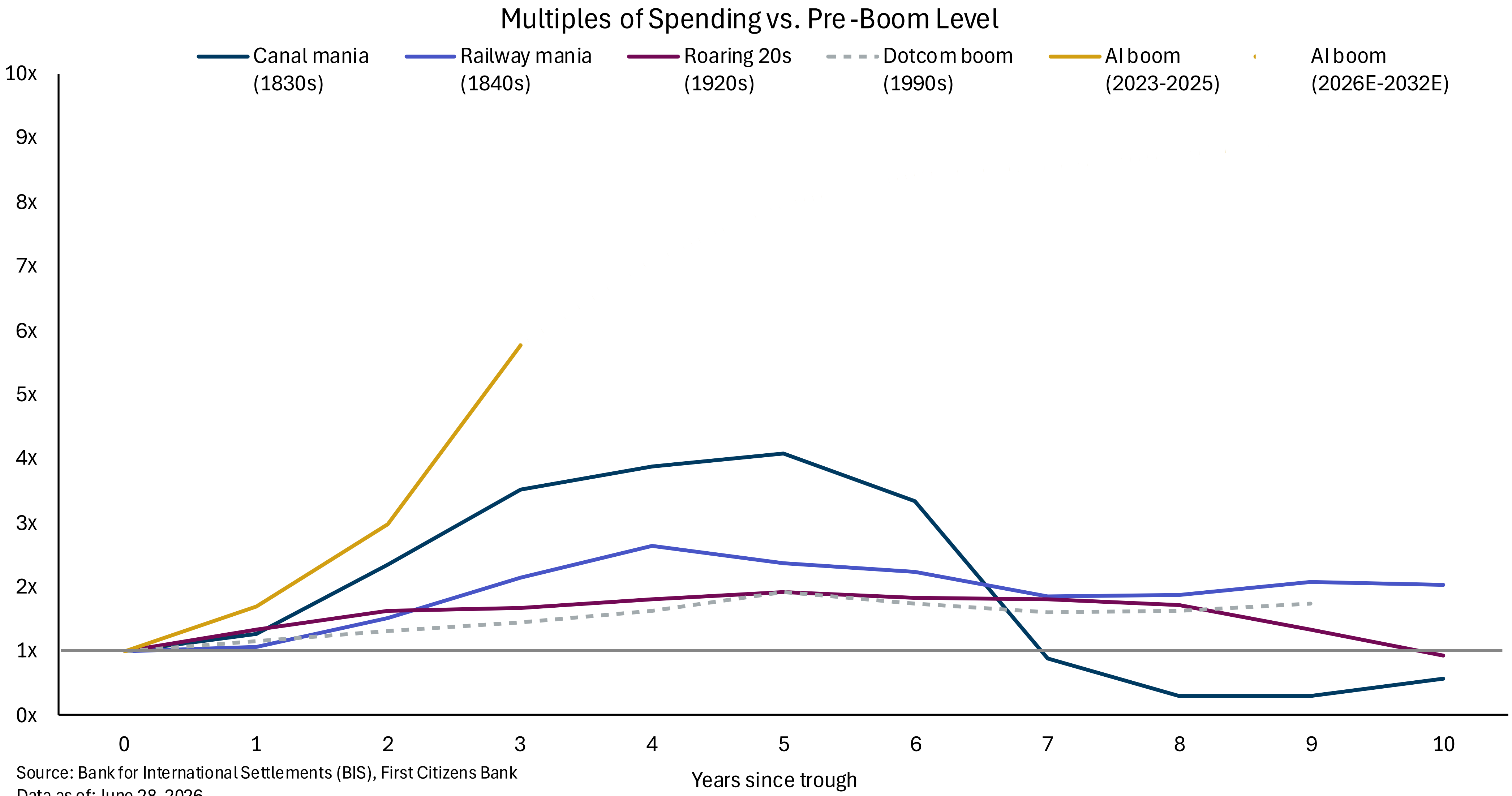
Source: Bloomberg
Data as of: 7/30/2026

The AI boom could be the largest capex project since the 19th century



Source: Ulmer (1960) "Capital in Transportation, Communications, and Public Utilities: Its Formation and Financing" (NBER); Eichengreen and De Long (1991) "The Marshall Plan: History's Most Successful Structural Adjustment Program" (NBER); Federal Highway Administration, "Highway Statistics Summary to 1995"; Dreier (2022) "An Improved Cost Analysis of the Apollo Program" (Space Policy); Doms (2004) "The Boom and Bust in Information Technology Investment" (Federal Reserve Bank of San Francisco); Bloomberg; Johnston and Williamson (2026) "What Was the U.S. GDP Then?" MeasuringWorth.

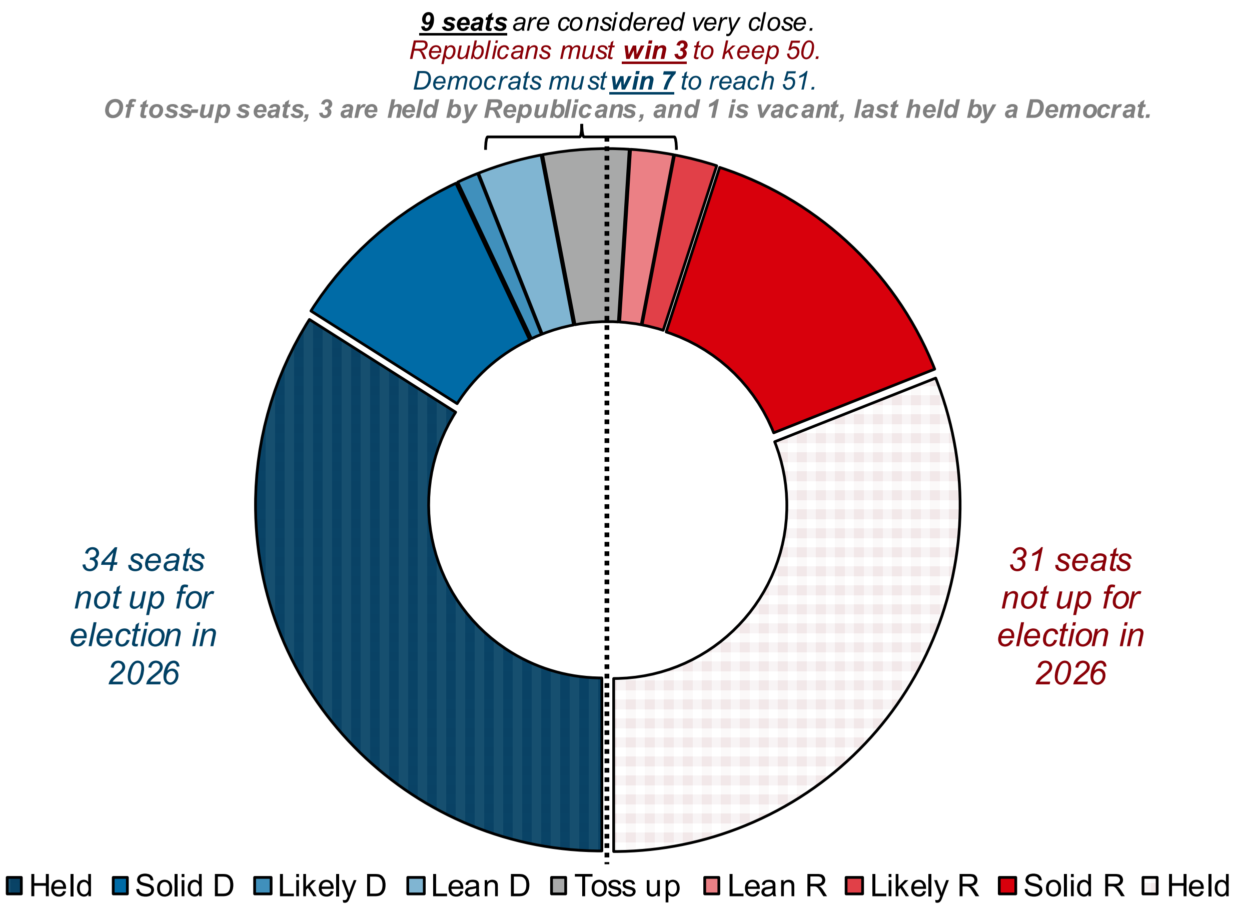
The AI boom is seeing the fastest spending ramp up in modern history

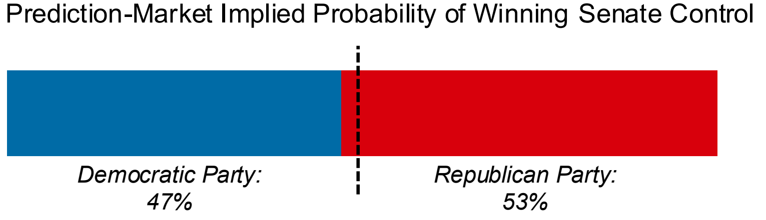


Source: Bank for International Settlements (BIS), First Citizens Bank
Data as of: June 28, 2026

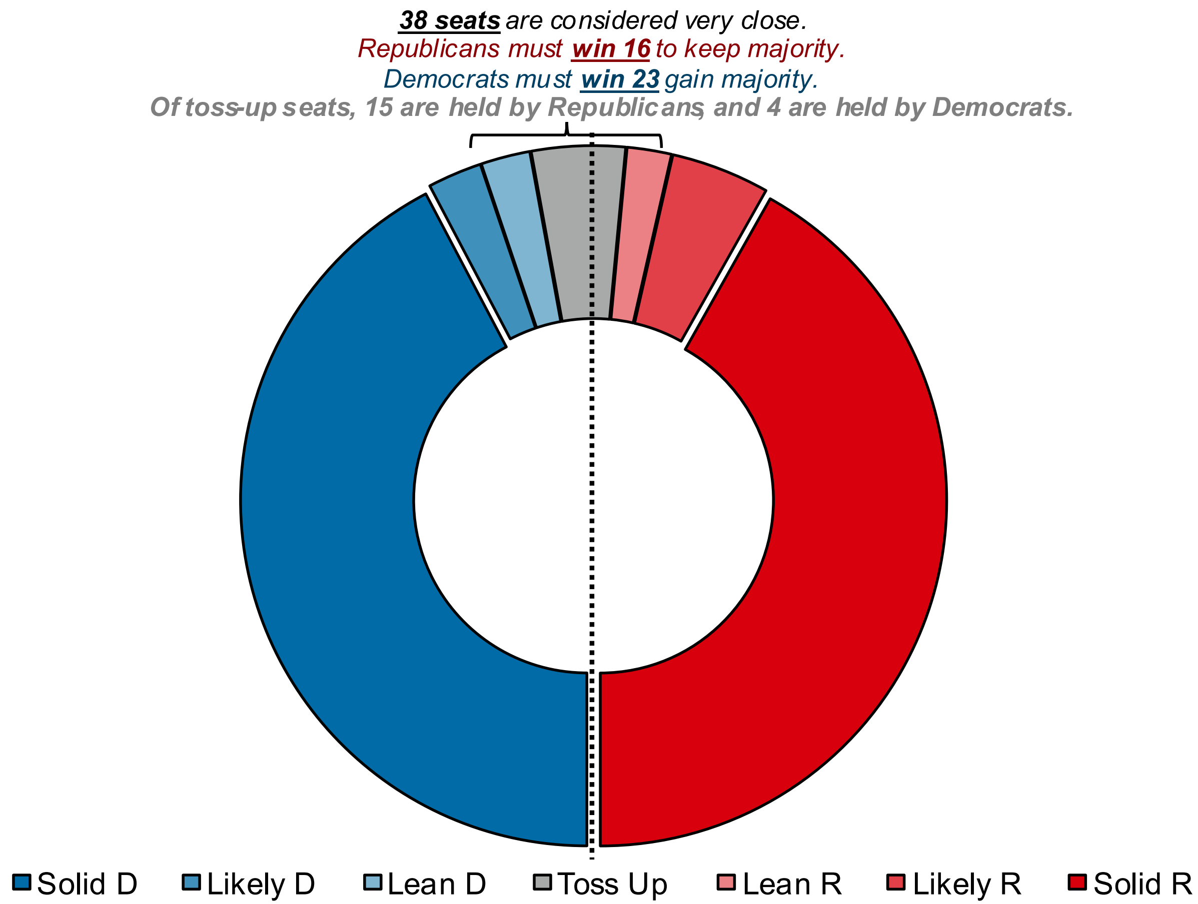
Midterm elections are projected to be tight — especially in the Senate

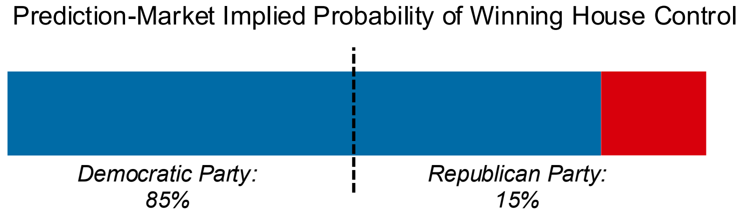
2026 Senate Midterm Election Ratings





2026 House of Representatives Midterm Election Ratings

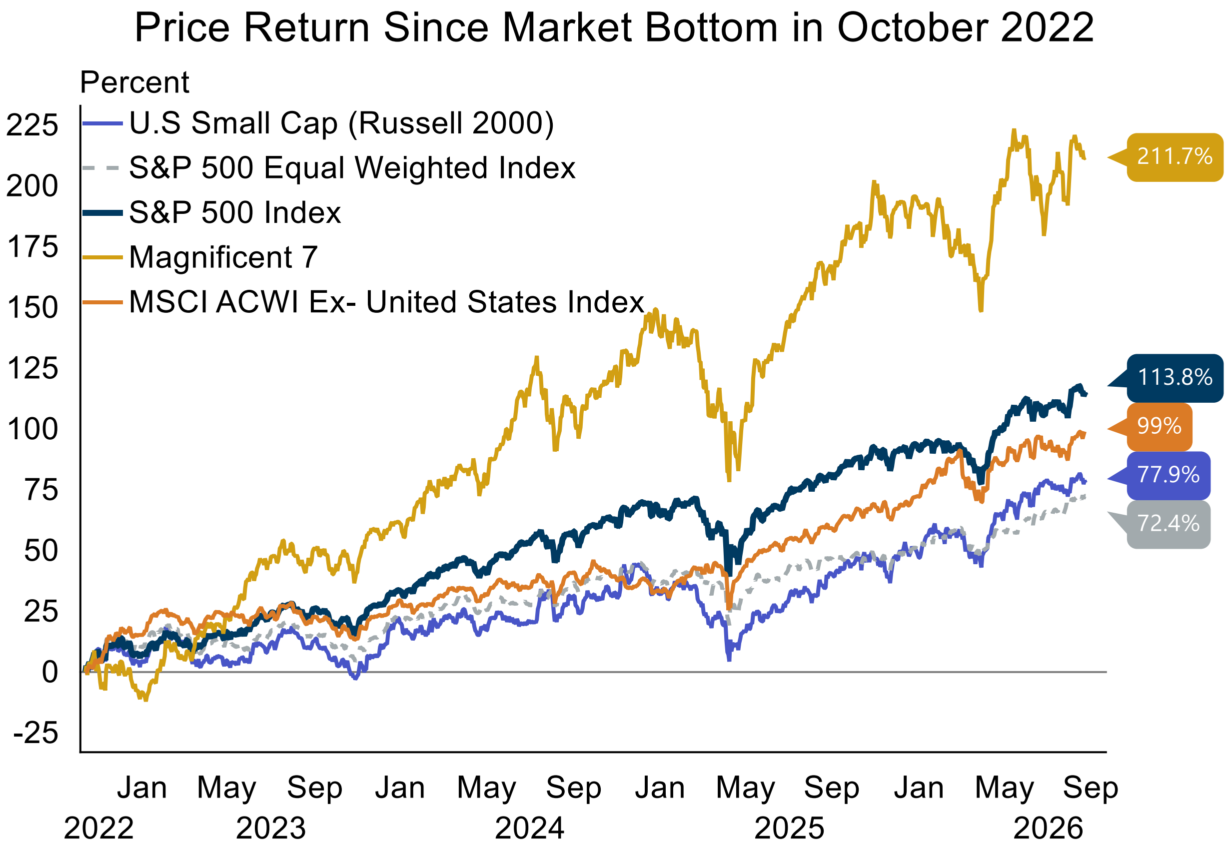




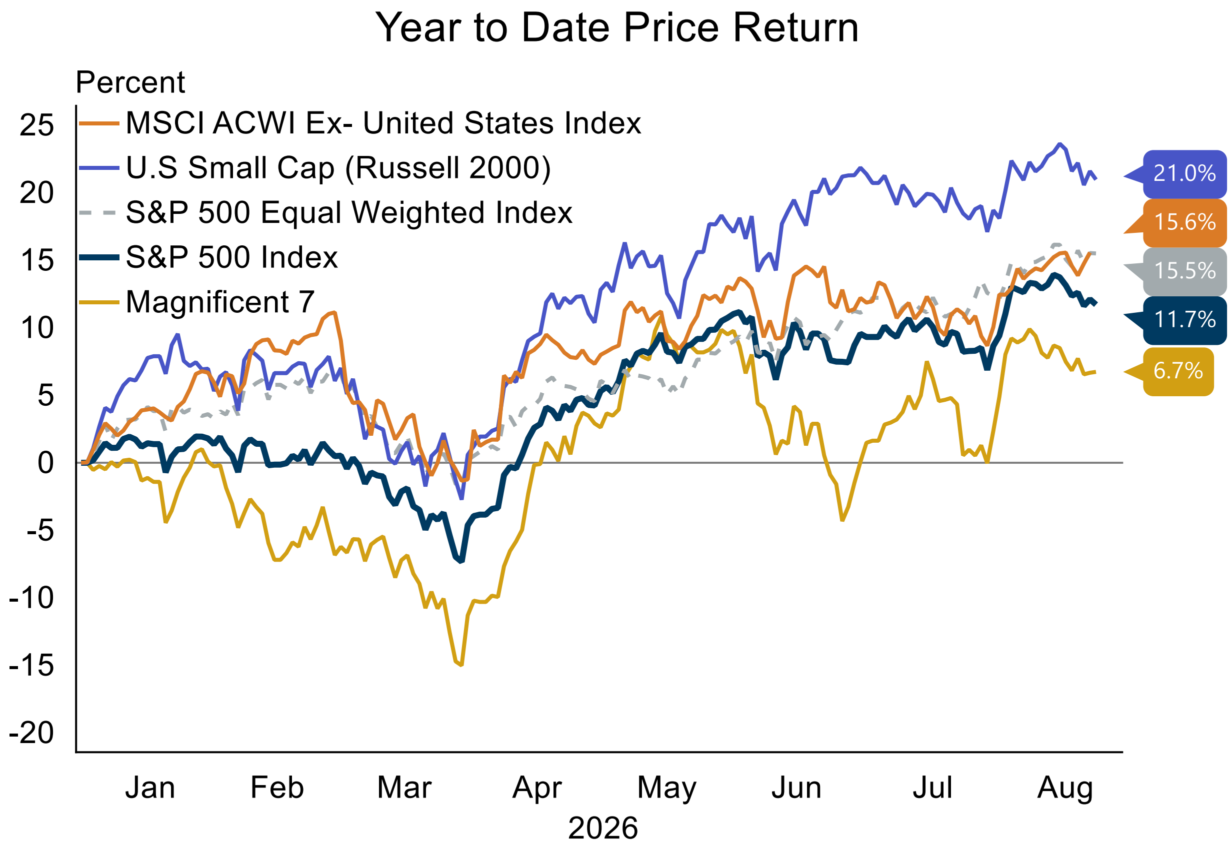
Source: Cook Political Report, Bloomberg, First Citizens Bank

Market update

Small caps lead this year, but mega cap tech still dominates since 2022

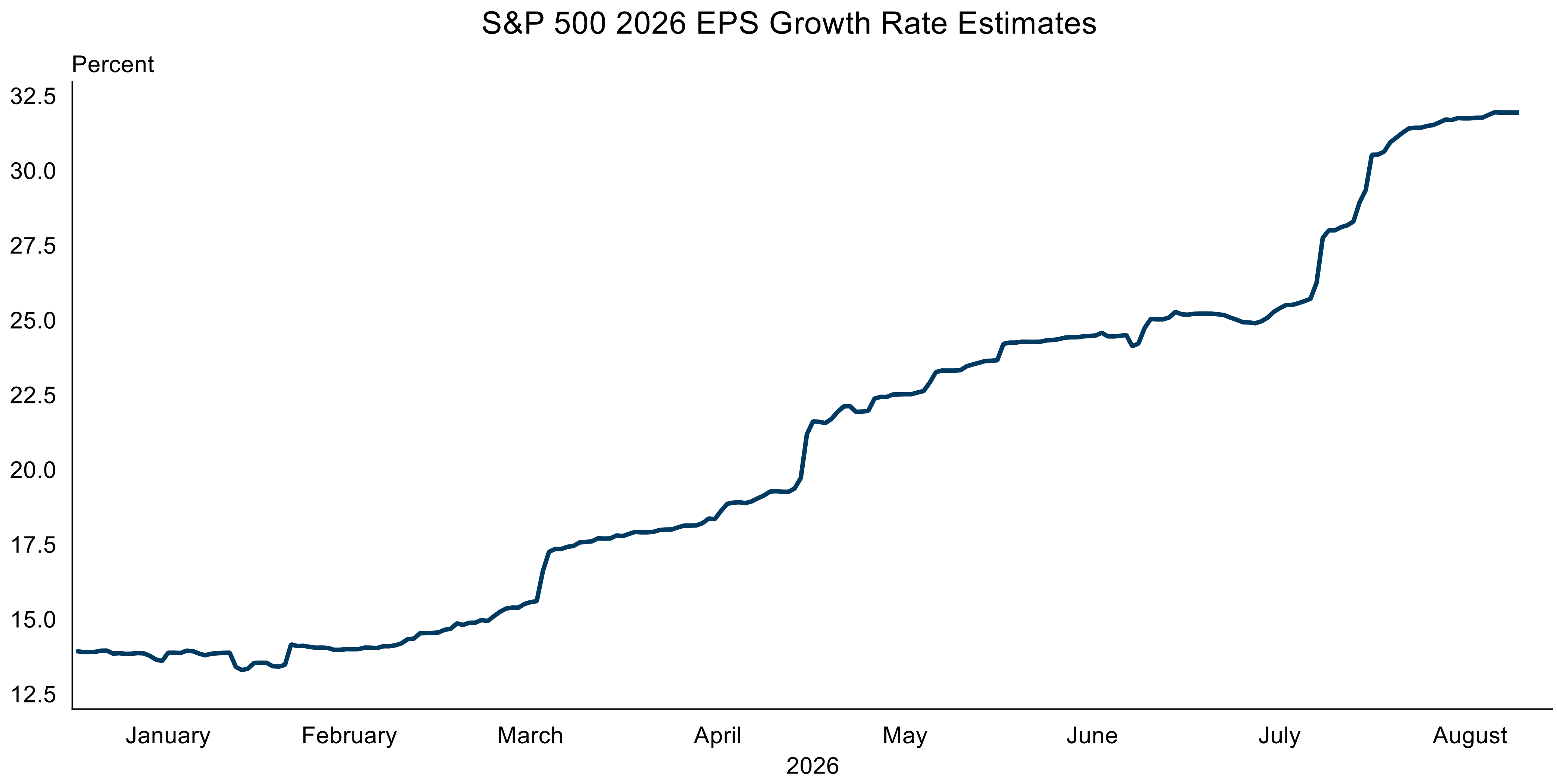


Source: Bloomberg
Data as of: 8/24/2026



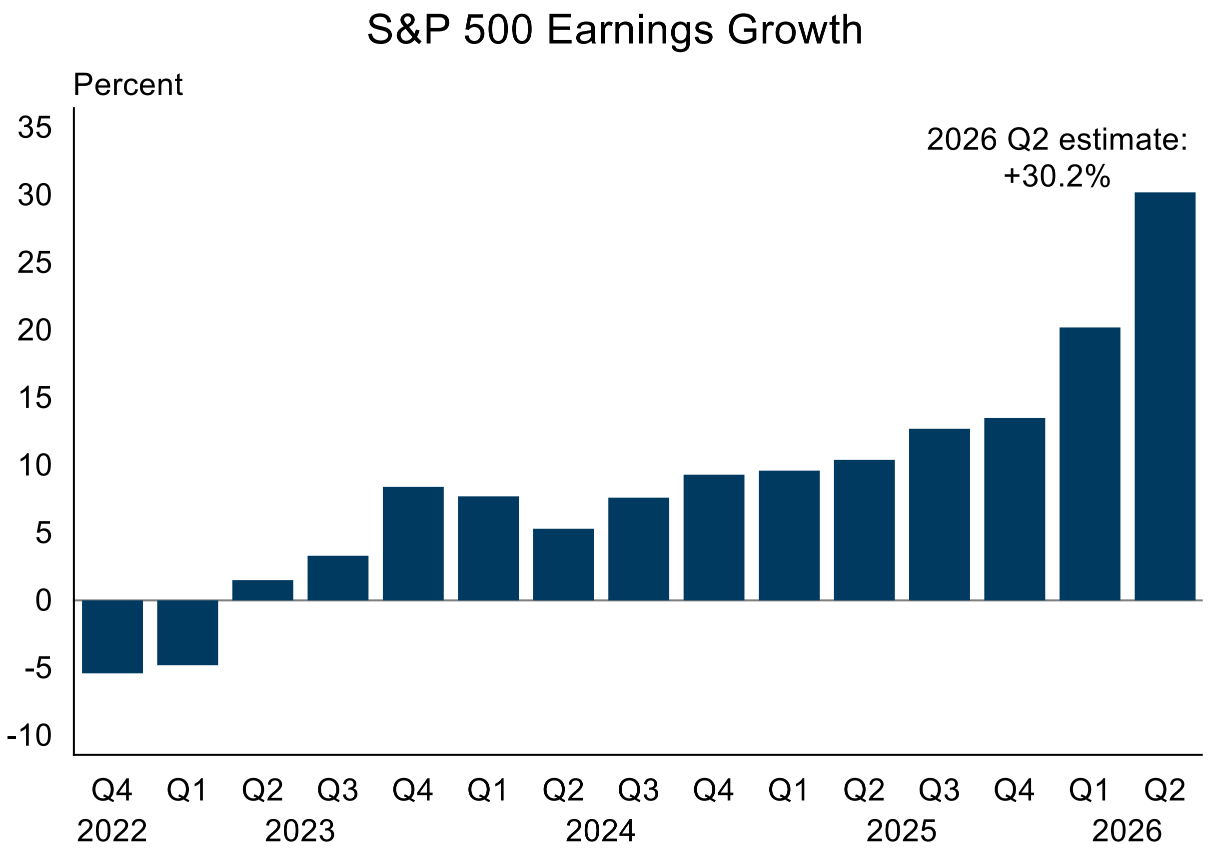
Source: Bloomberg
Data as of: 8/24/2026.

Earnings growth estimates have been revised substantially higher

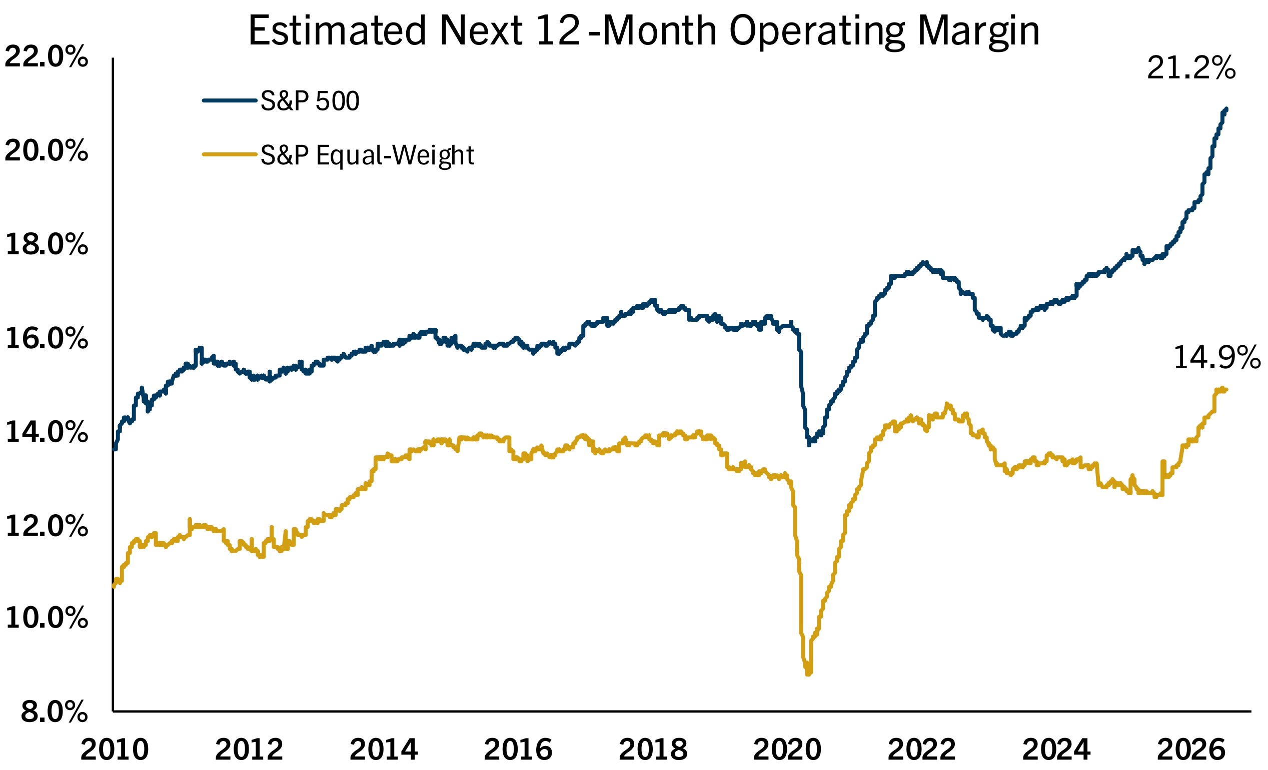


Source: Bloomberg, First Citizens Bank
Data as of August 24, 2026

Earnings growth has been exceptional in 2026, and margins look durable

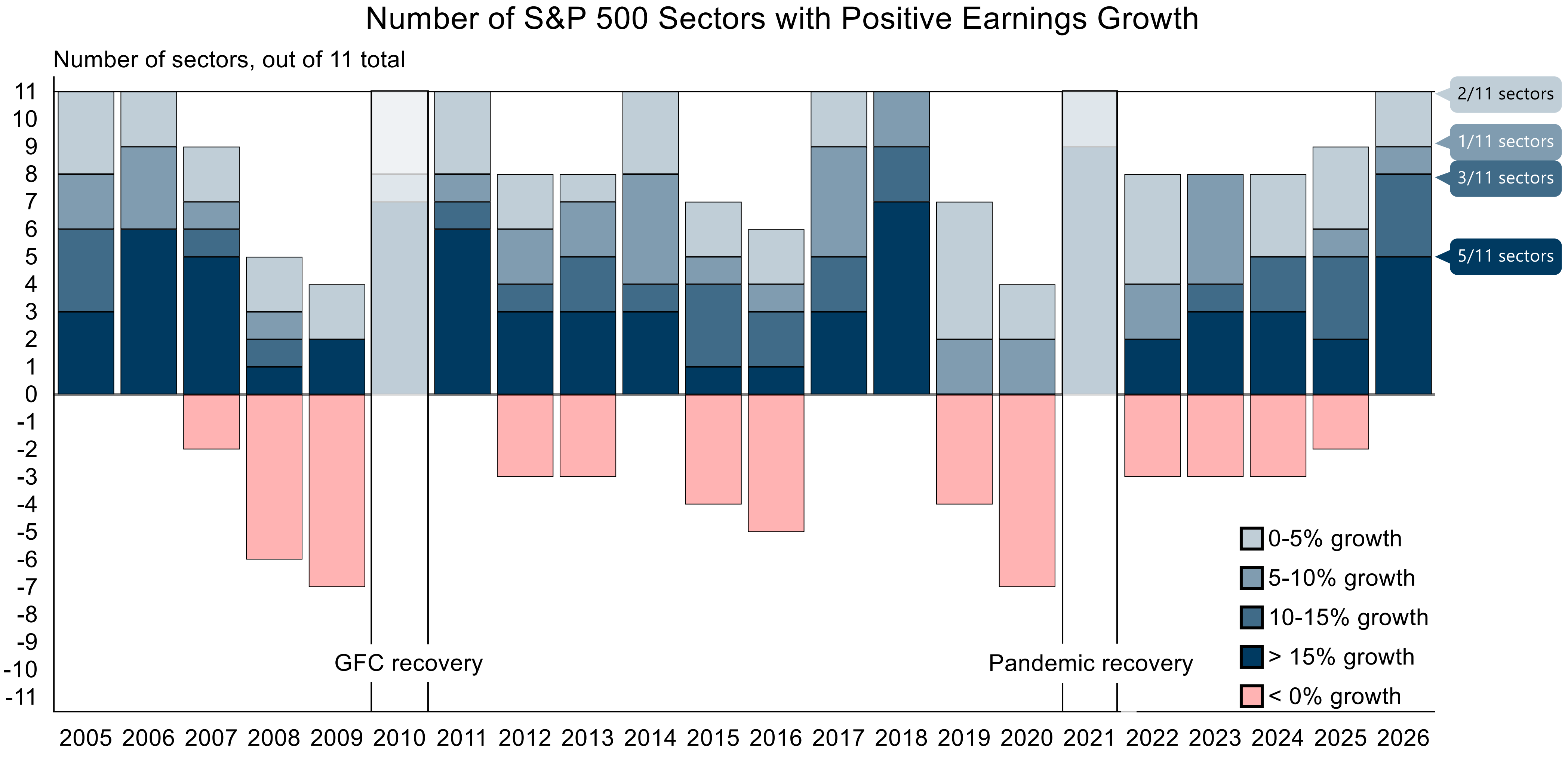


Source: Strategas, First Citizens Bank
Data as of August 19, 2026



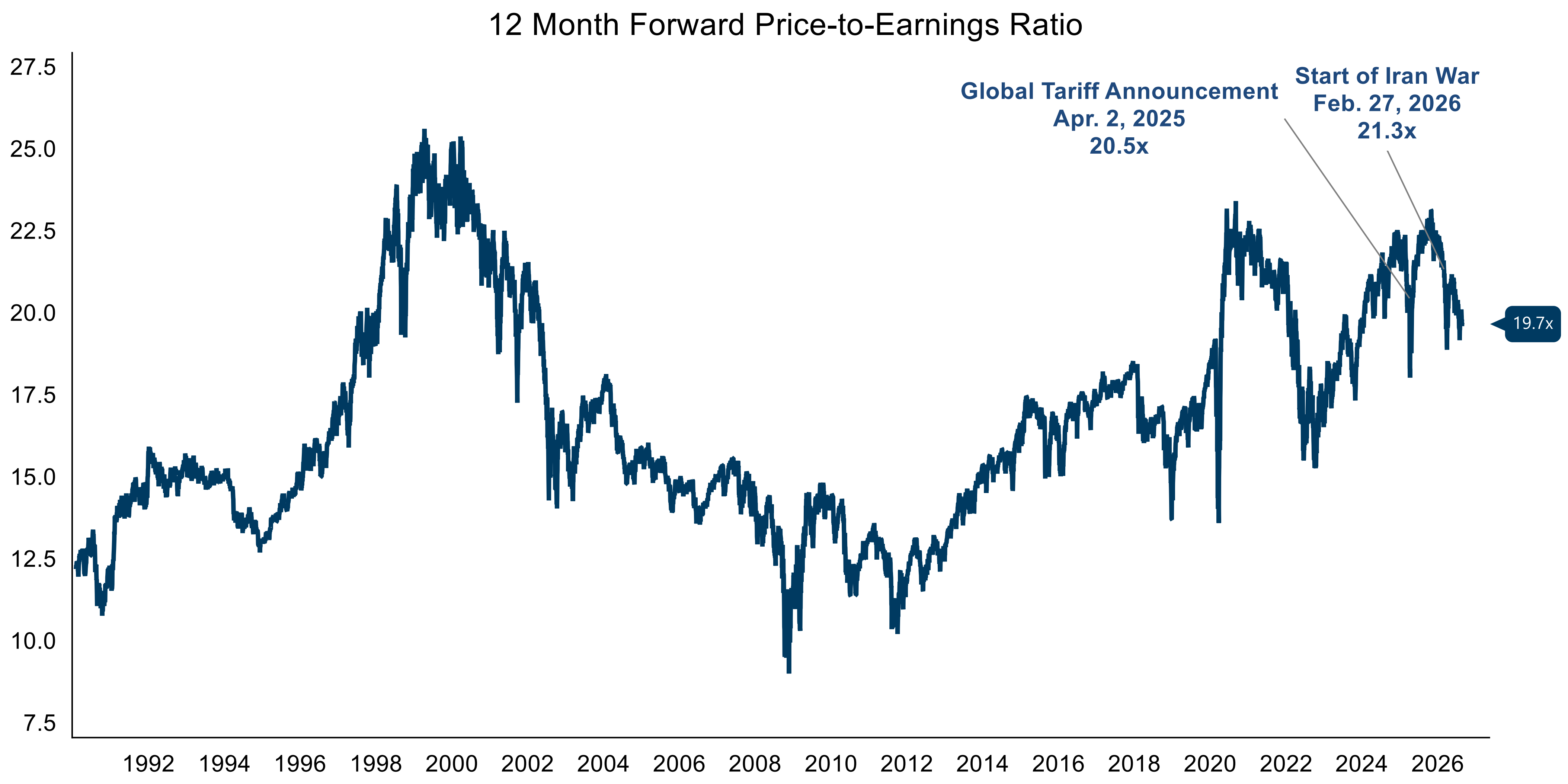
Source: FactSet, Bloomberg. Data as of 8/20/2026.

Every S&P 500 sector is delivering positive earnings growth



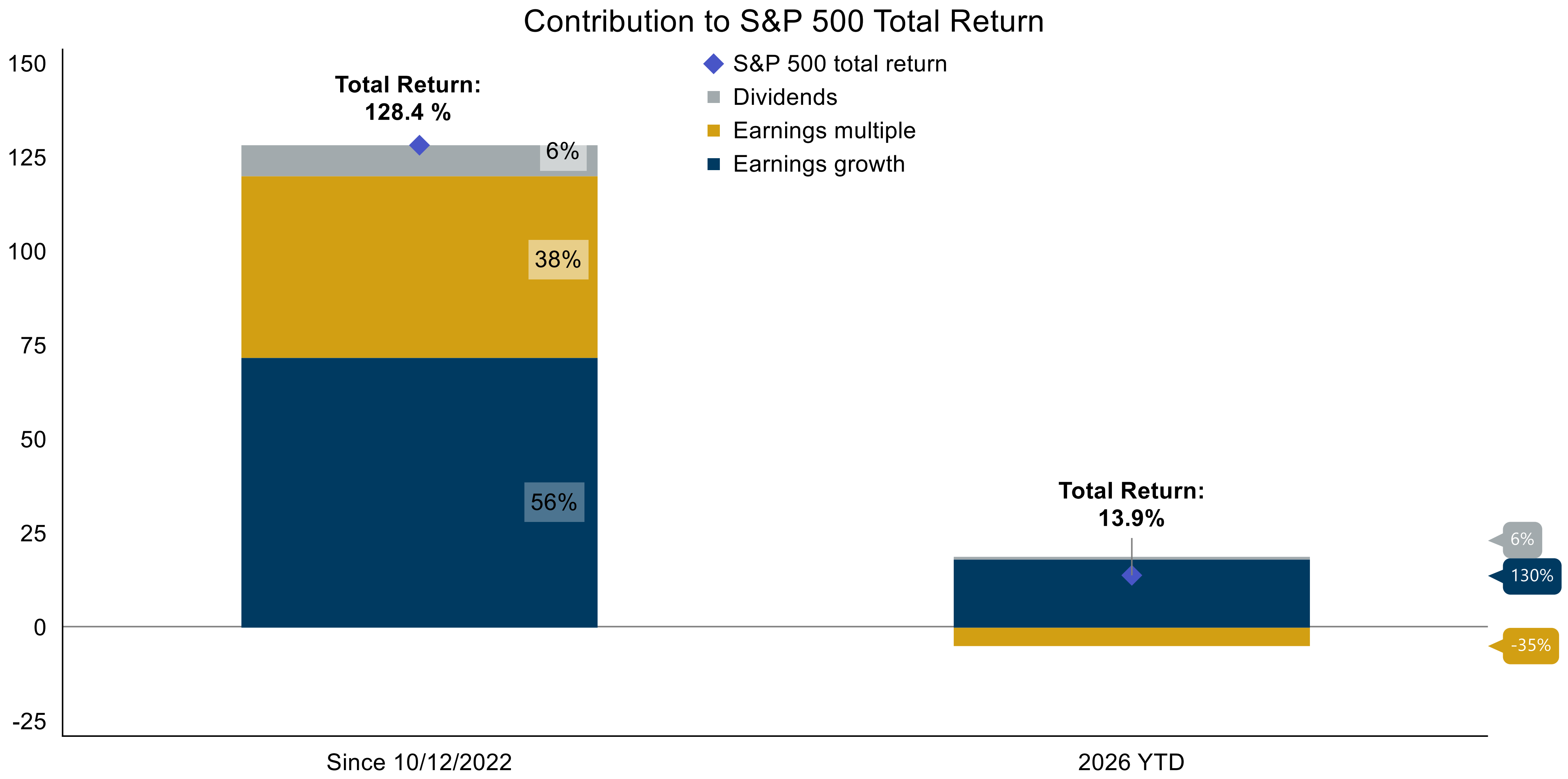
Source: First Citizens Bank, Trivariate Research
Note: 2026 is consensus estimate
Data as of: August 2026

Forward valuations have recovered but remain below recent highs



Source: Bloomberg, First Citizens Bank
Data as of 8/24/2026

Earnings growth has driven more than the entirety of returns this year



Source: First Citizens Bank
Data as of August 19, 2026

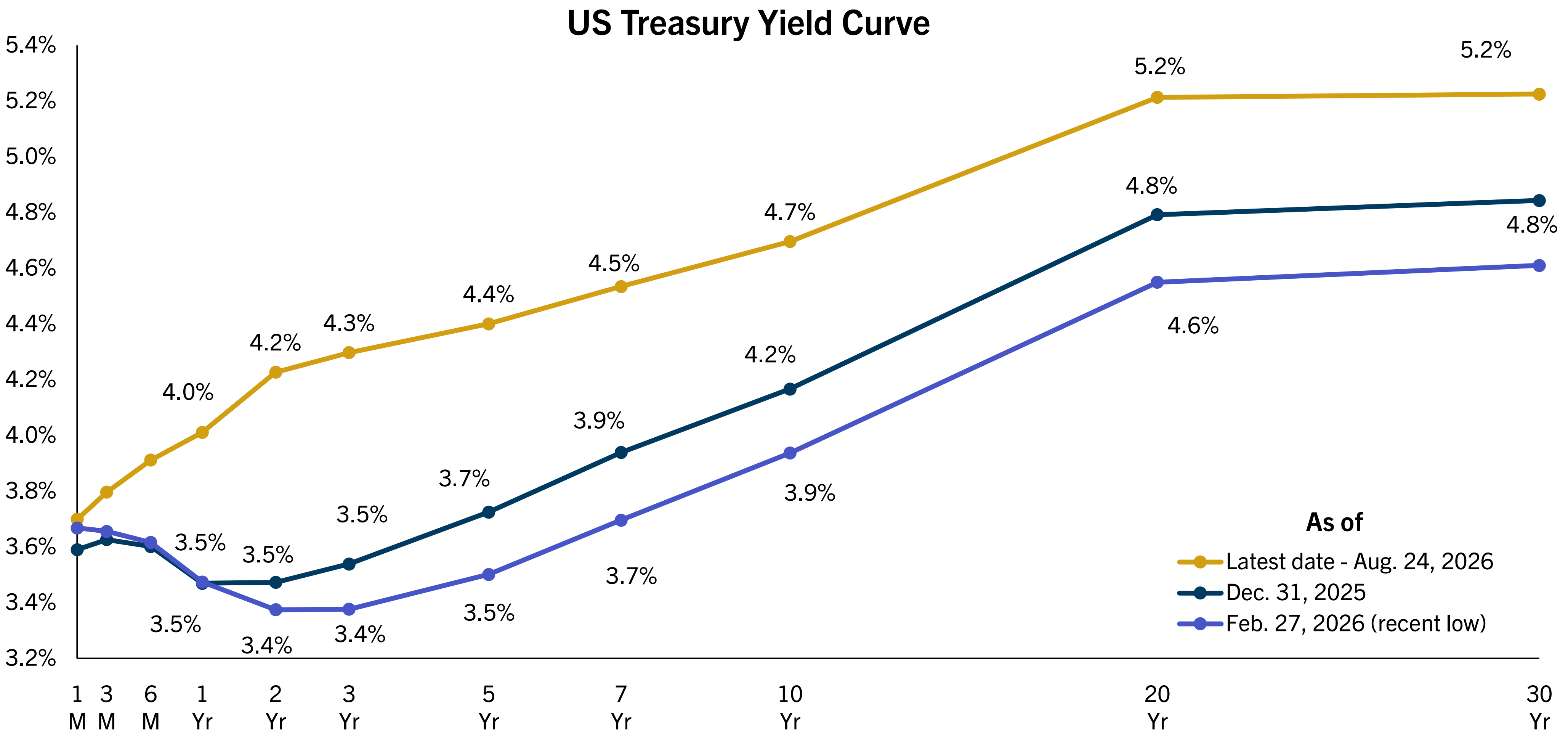
Upward earnings revisions have pushed our price target higher

Next Twelve-Month S&P 500 Price Target

	Next Twelve Months Price Level	Percent Change from 8/24/2026
Bear	6,300	-17.7%
Base	8,300	8.5%
Bull	9,100	18.9%

Source: Bloomberg, FactSet, First Citizens Wealth

Treasury yields have risen at the short end and across the curve

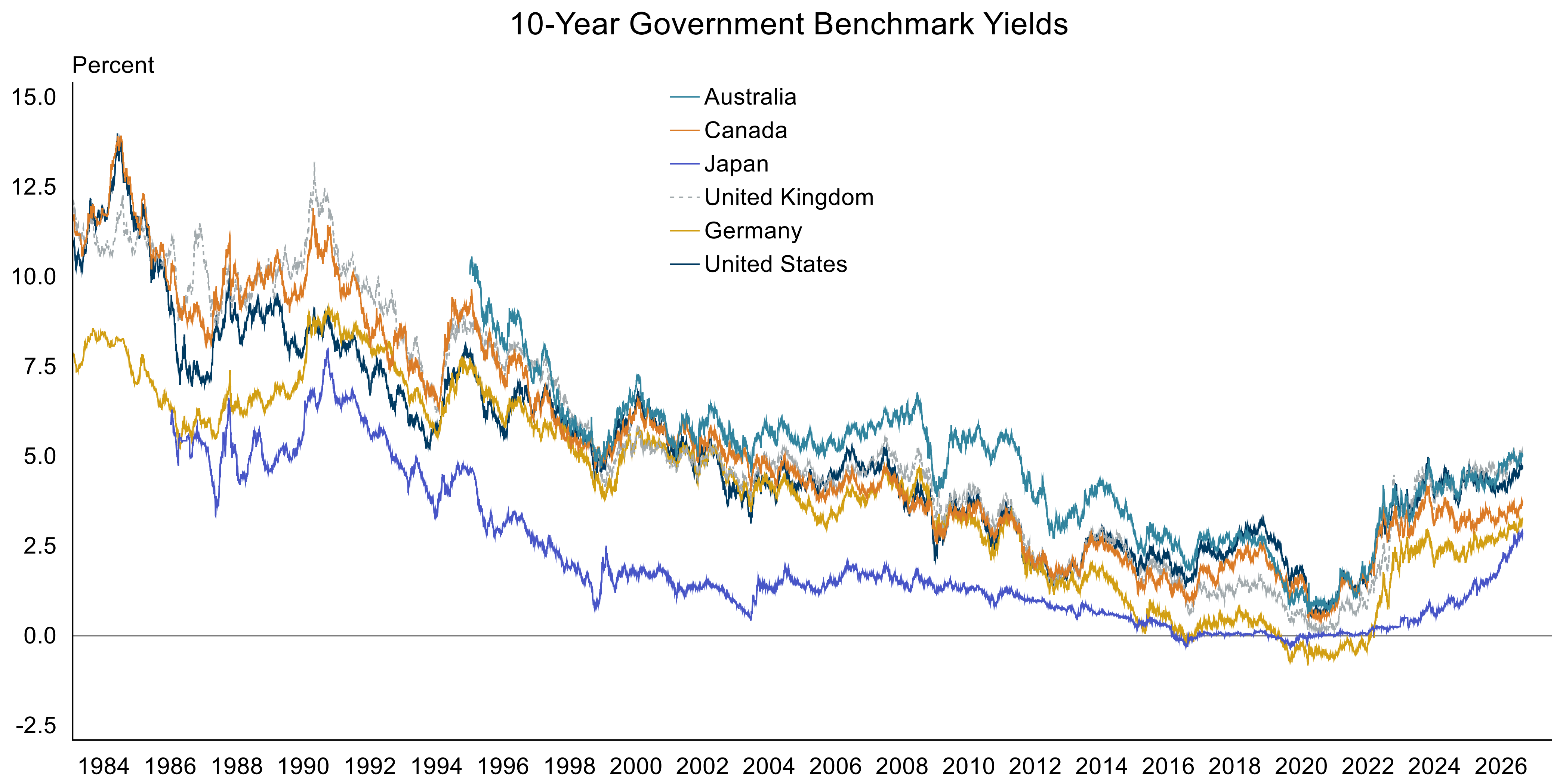


Source: Bloomberg

The 30-year Treasury bond yield is at its highest in 20 years

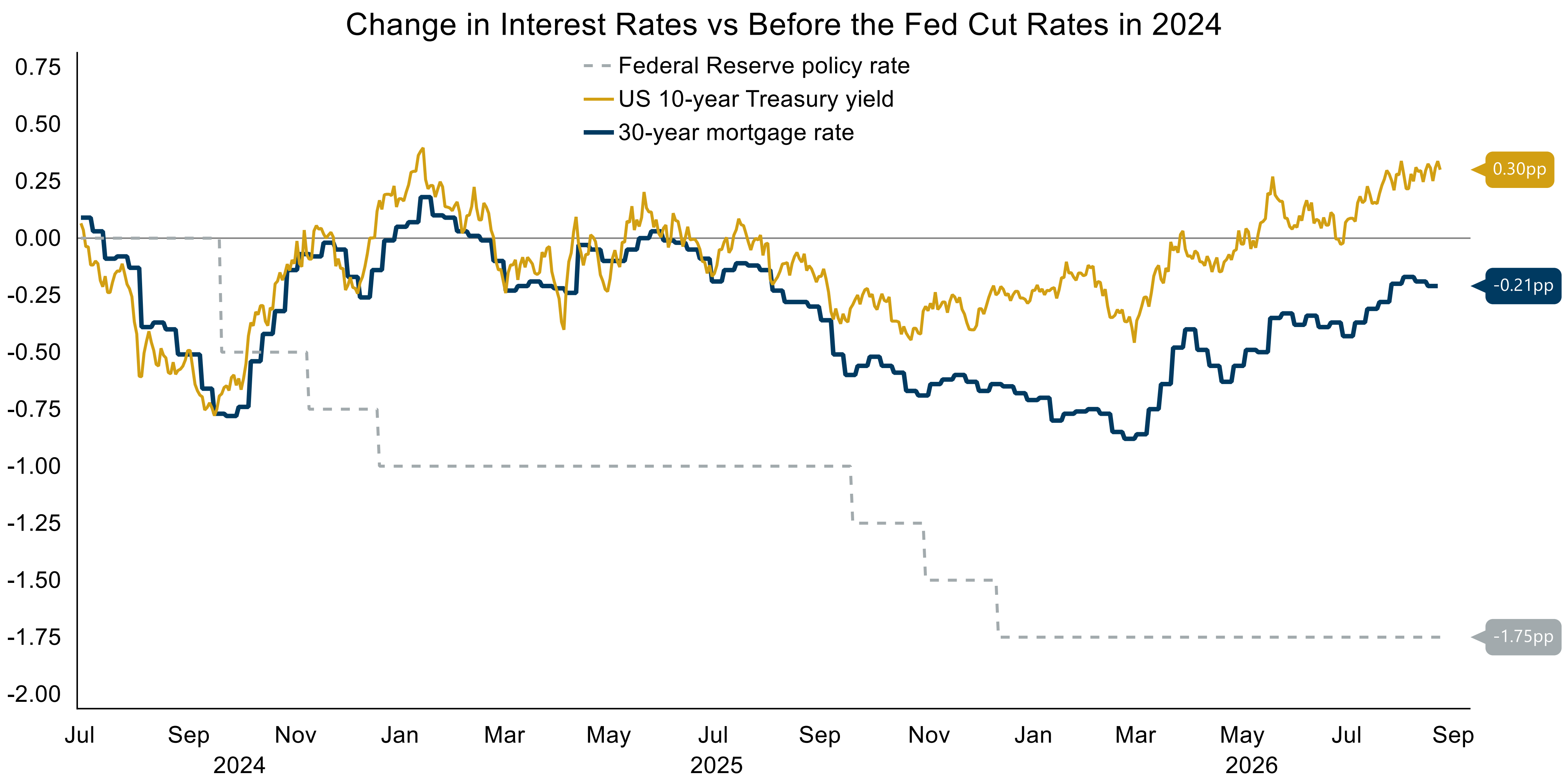
Source: U.S. Department of Treasury, First Citizens Bank
Data as of August 21, 2026

Government bond yields are higher across developed markets



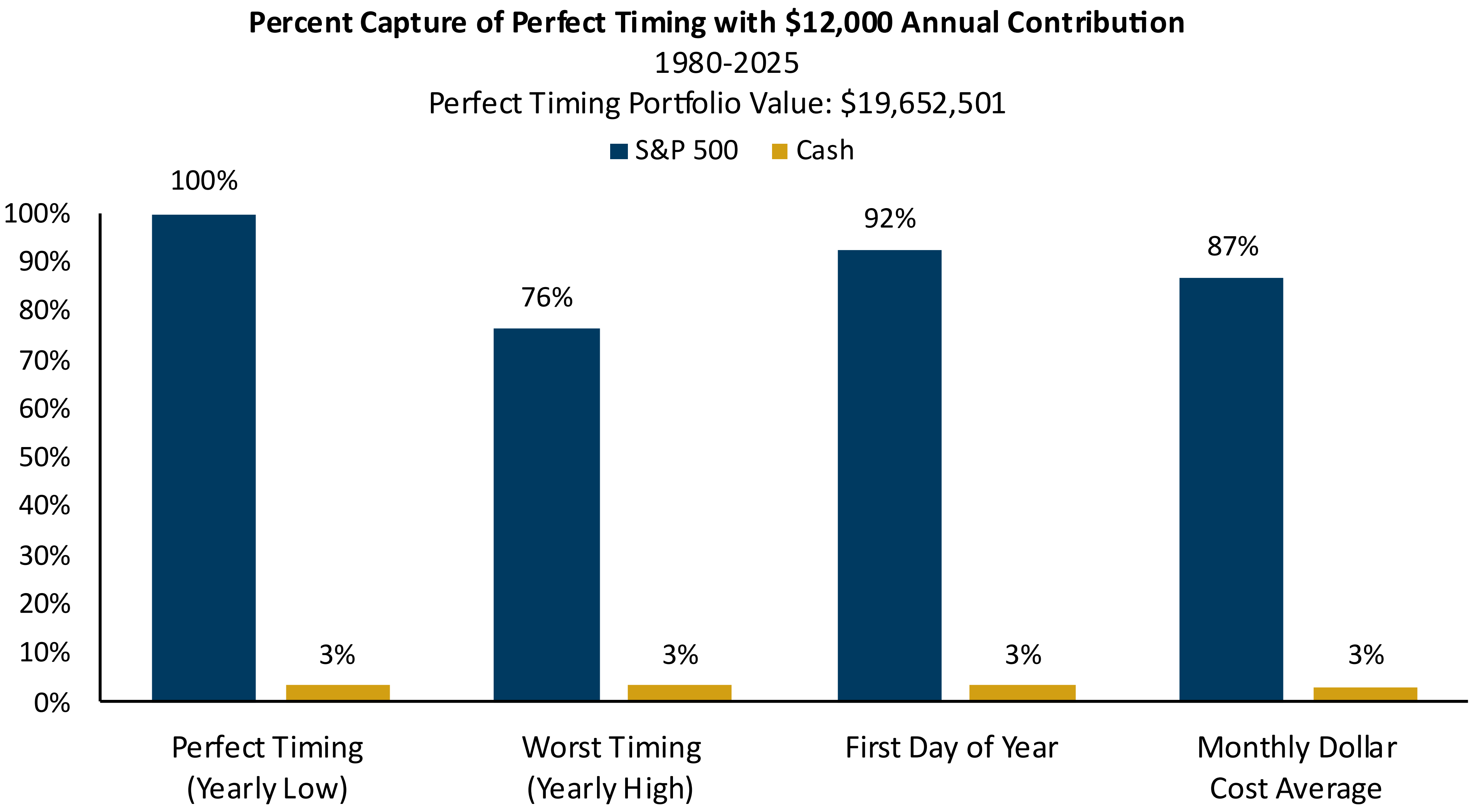
Source: U.S. Department of Treasury, Macrobond Financial AB, First Citizens Bank
Data as of August 23, 2026

Federal Reserve policy does not determine longer-term interest rates



Source: Freddie Mac, Federal Reserve, Bloomberg First Citizens Bank
Data as of August 23, 2026

Being invested is what matters



Source: First Citizens Wealth, Bloomberg.

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Making Sense

In Brief | A look at the week ahead in under two minutes every Monday morning

Market updates | Monthly interactive discussions with in-depth analysis of markets and the economy

Written commentary | Often coinciding with market or economic events

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Important Disclosures