First Citizens Wealth®

Making Sense

Market Update | July 2026

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Recorded on July 22, 2026

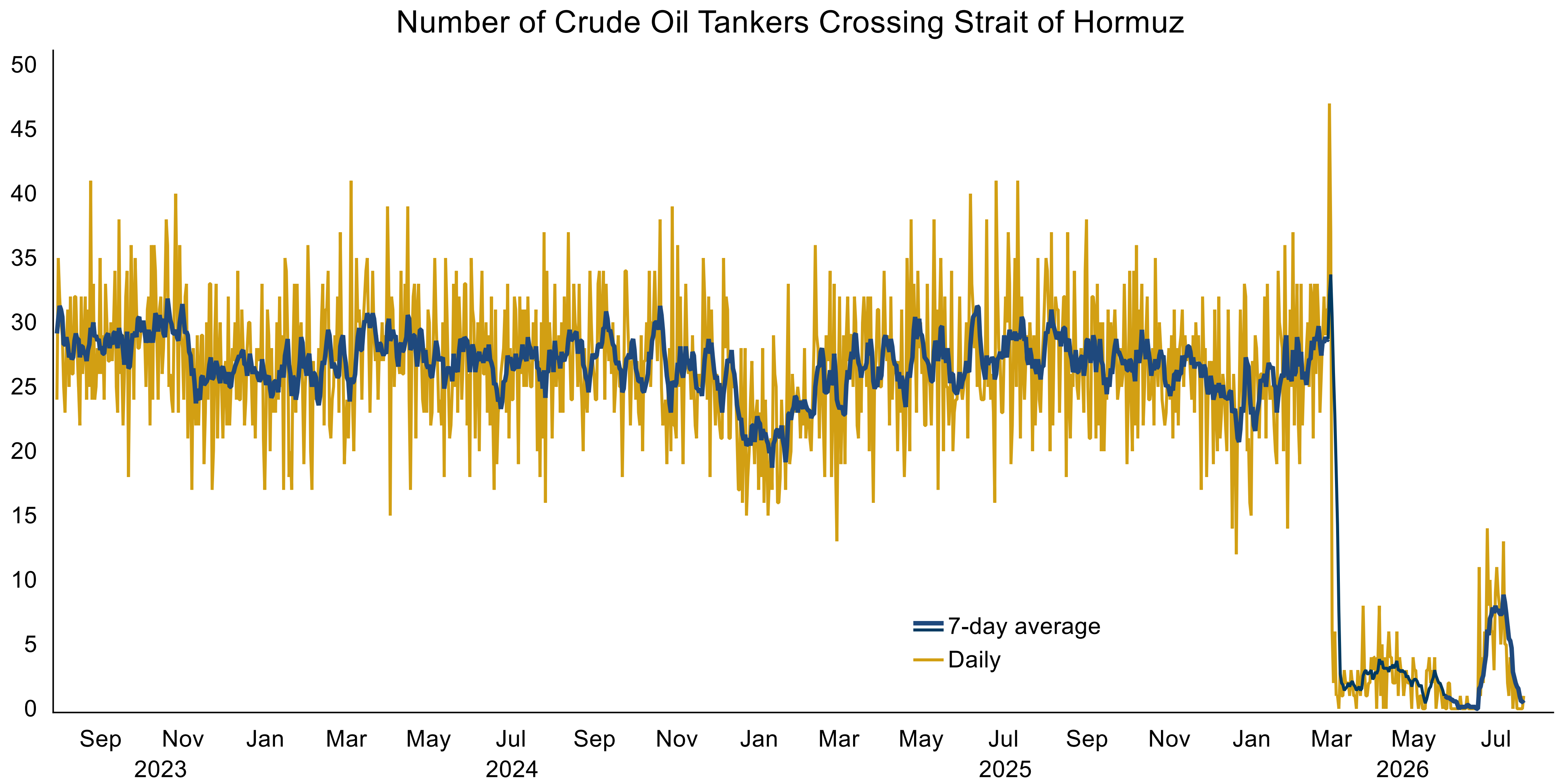
What are we going to cover?

1. **Economic update:**
   Geopolitics | Inflation | Federal Reserve policy | Artificial intelligence

2. **Market update:**
   Equity markets | Corporate earnings | Fixed income | Long-term investing

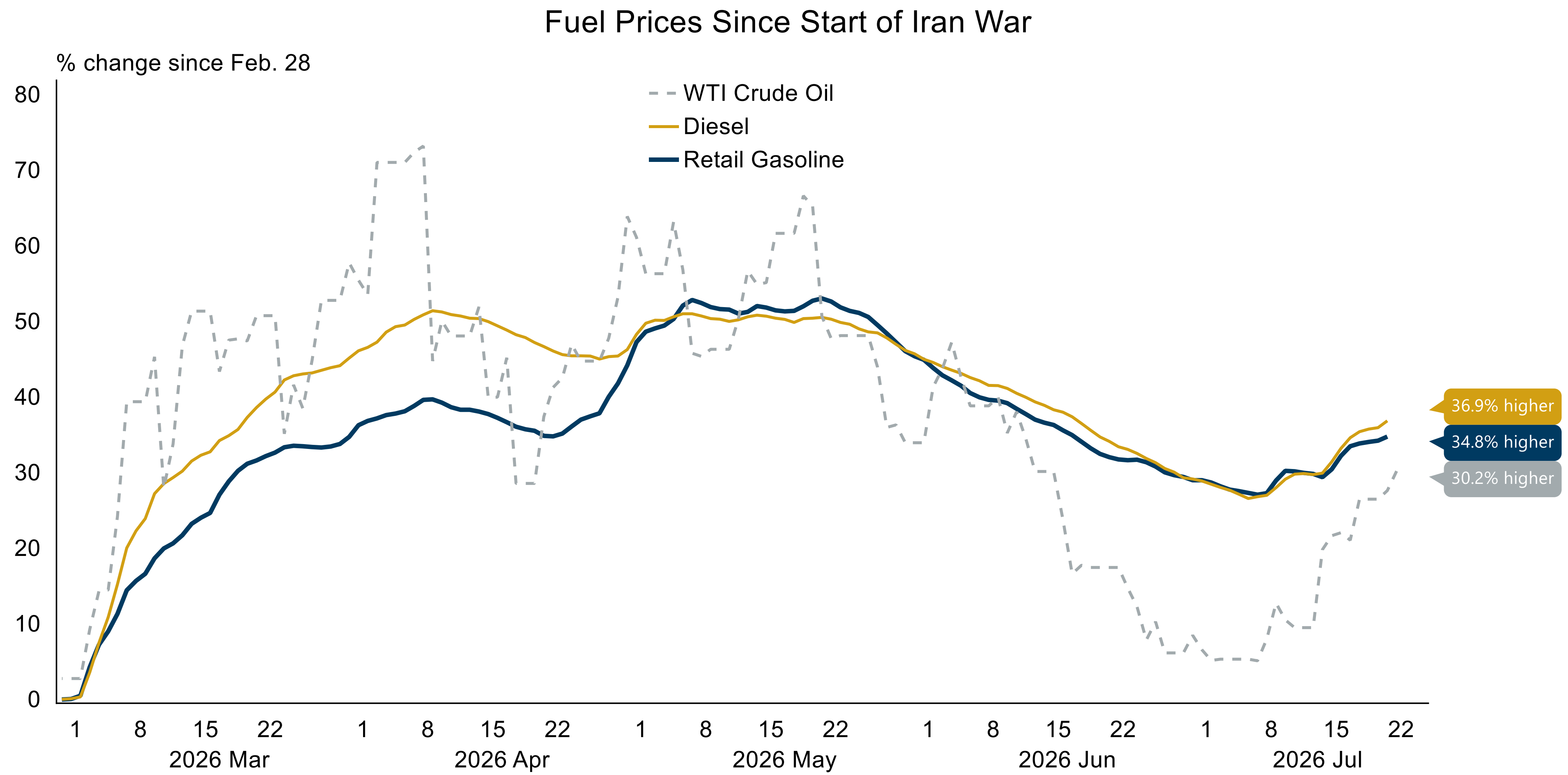
Economic update

Oil has once again stopped flowing through the Strait of Hormuz



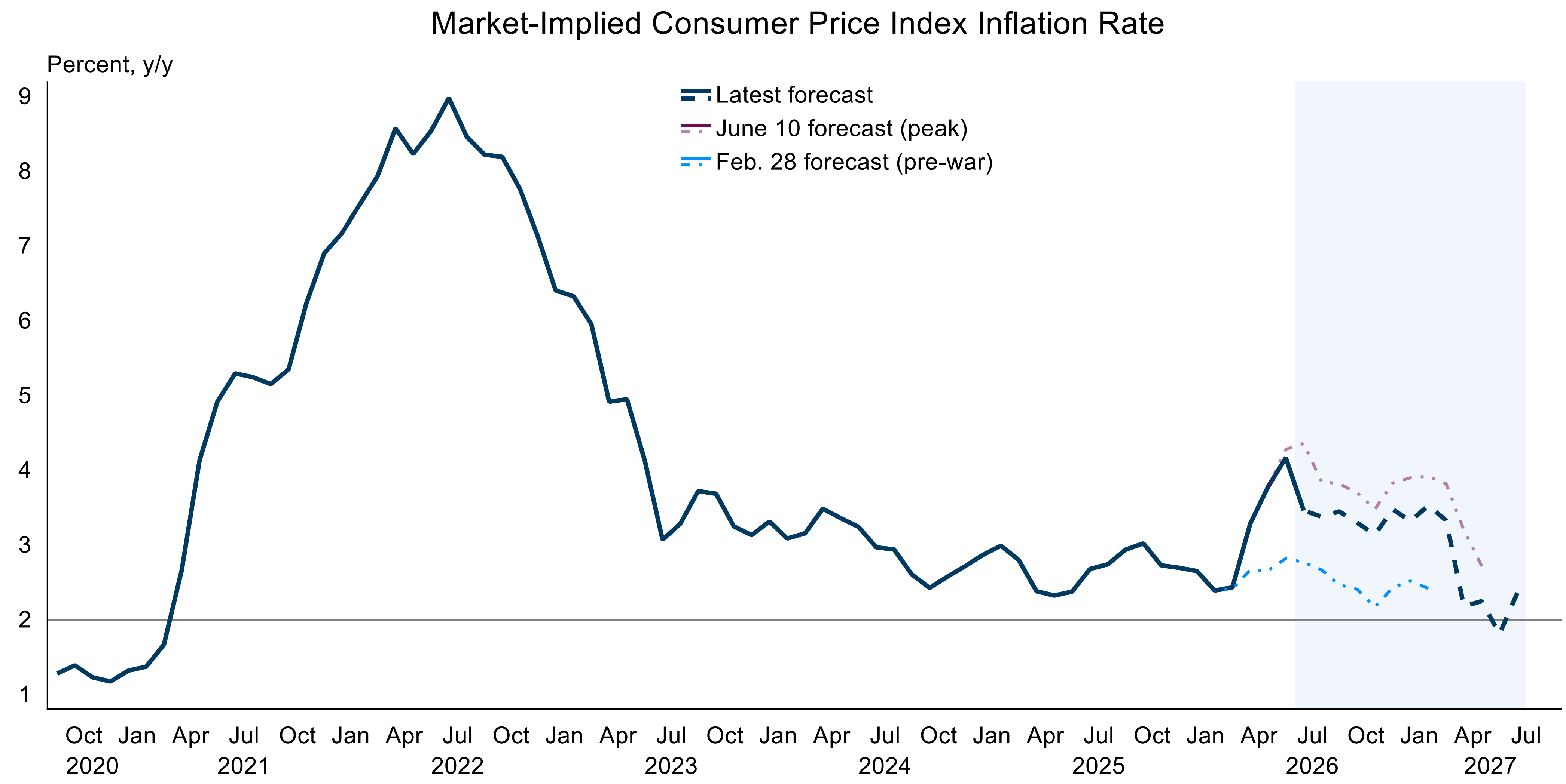
Source: Bloomberg, First Citizens Bank
Data as of 7/21/2026

Gasoline prices didn’t experience the same drop as oil prices



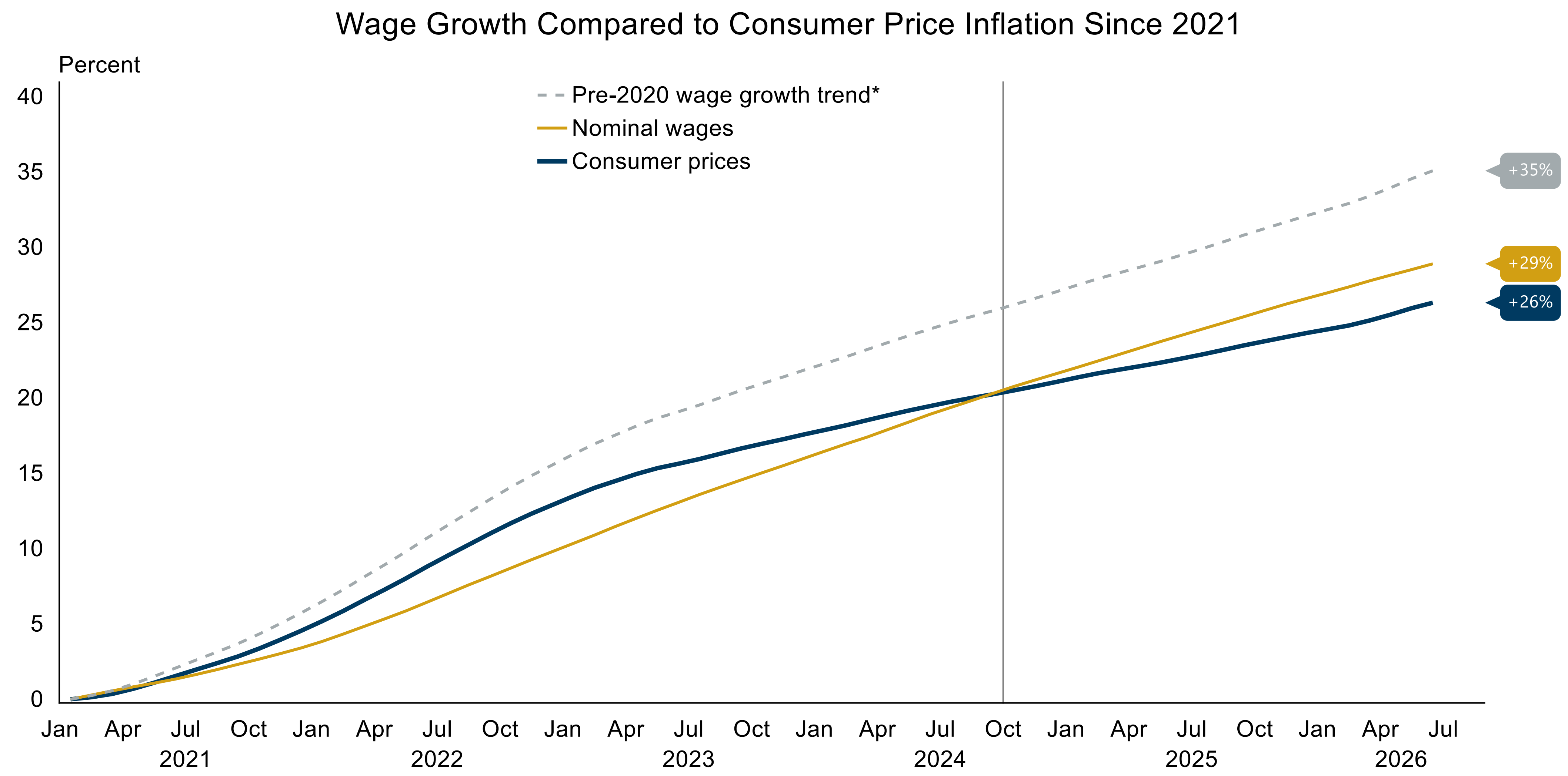
Source: Bloomberg
Data as of: 7/21/2026

Markets still see inflation as remaining elevated for the rest of the year



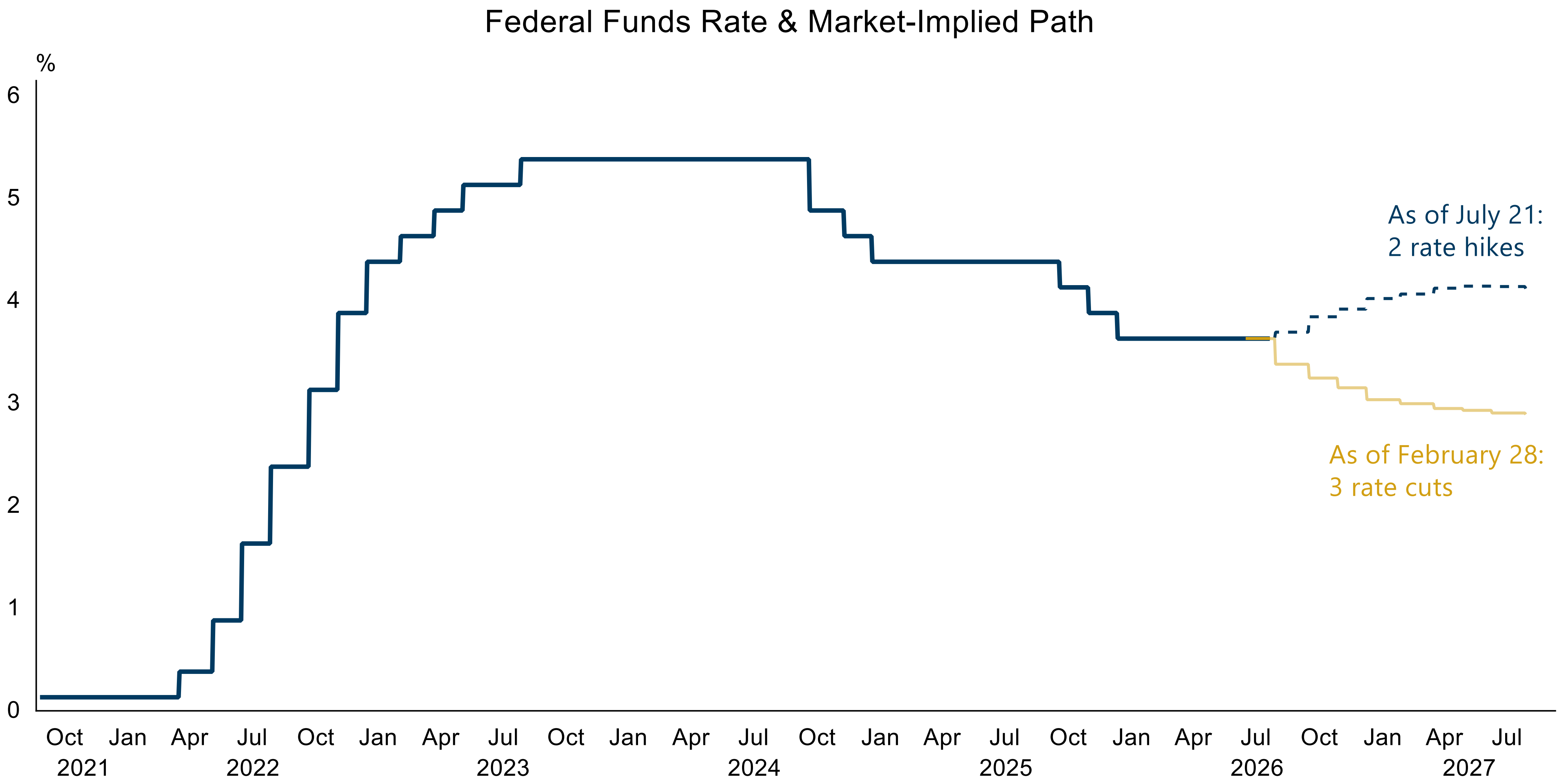
Source: U.S. Bureau of Labor Statistics (BLS), Bloomberg, First Citizens Bank
Data as of 7/20/2026

Cumulative wage growth exceeds inflation…but not by very much



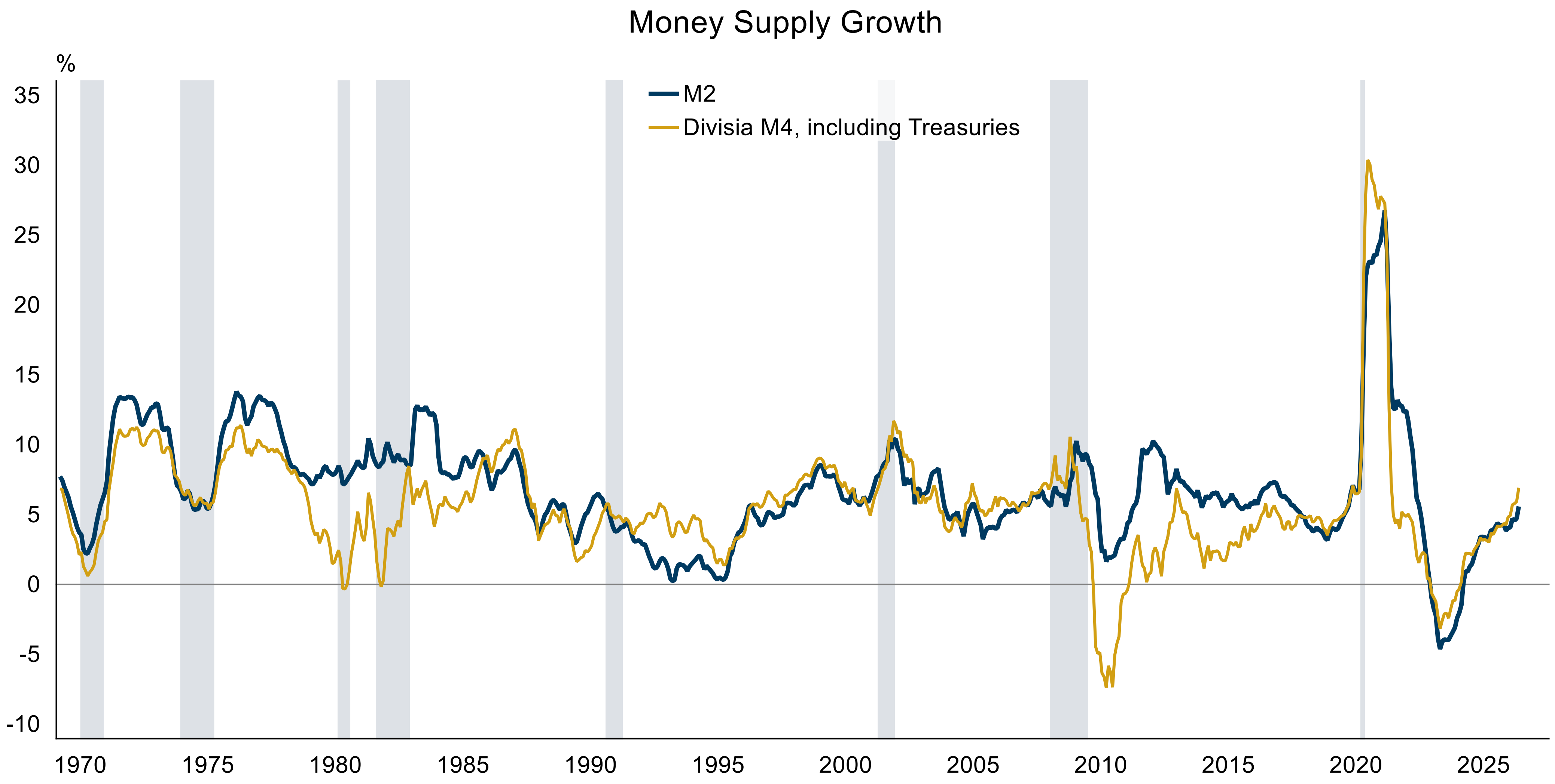
Source: Bureau of Labor Statistics, First Citizens Bank
Data as of July 2026. *Pre-2020 wage growth trend is 1.3pp above CPI inflation.

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



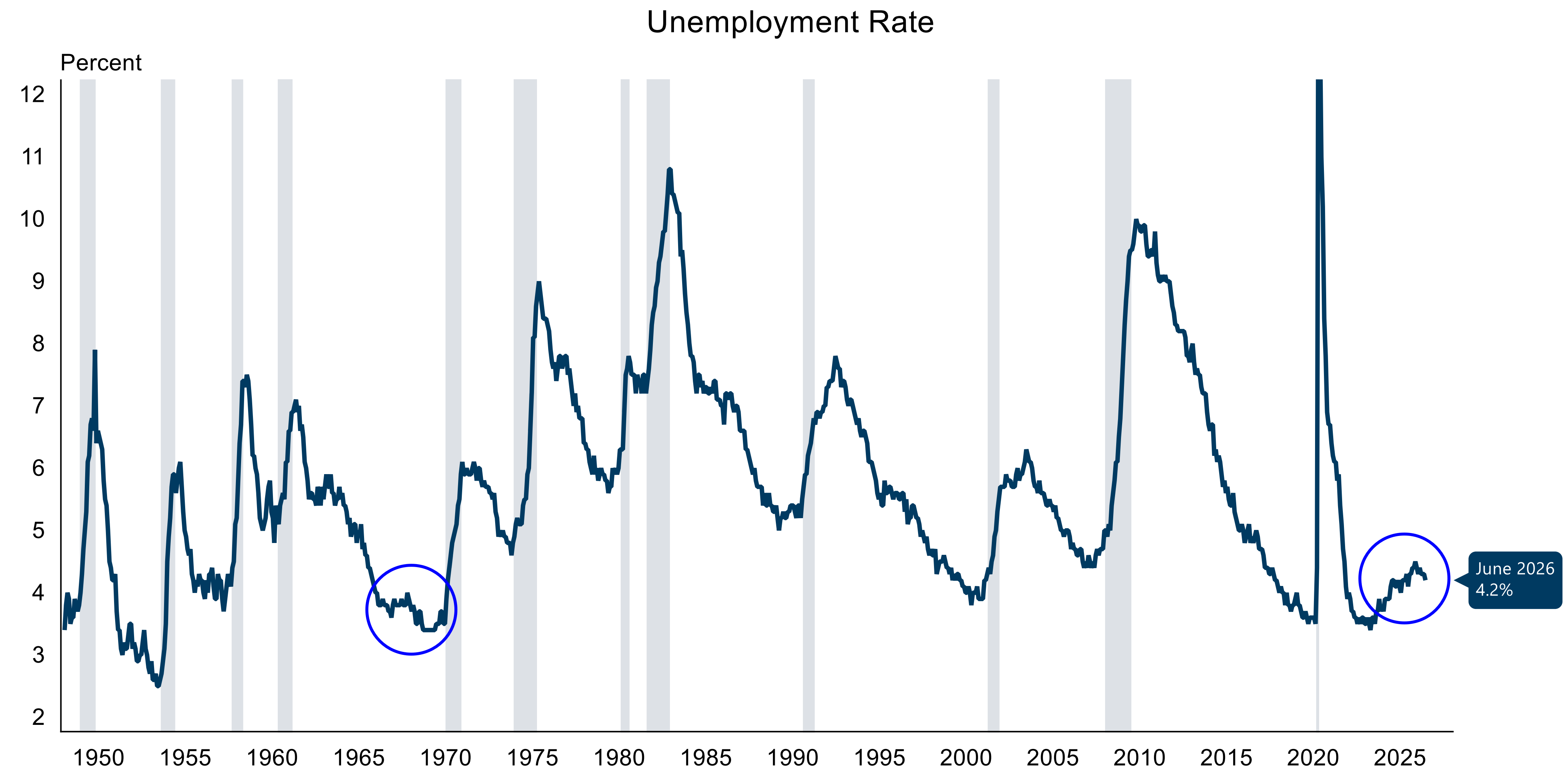
Source: Bloomberg, First Citizens Bank
Data as of: 7/20/2026

Money supply measures are regaining traction in policy discussions



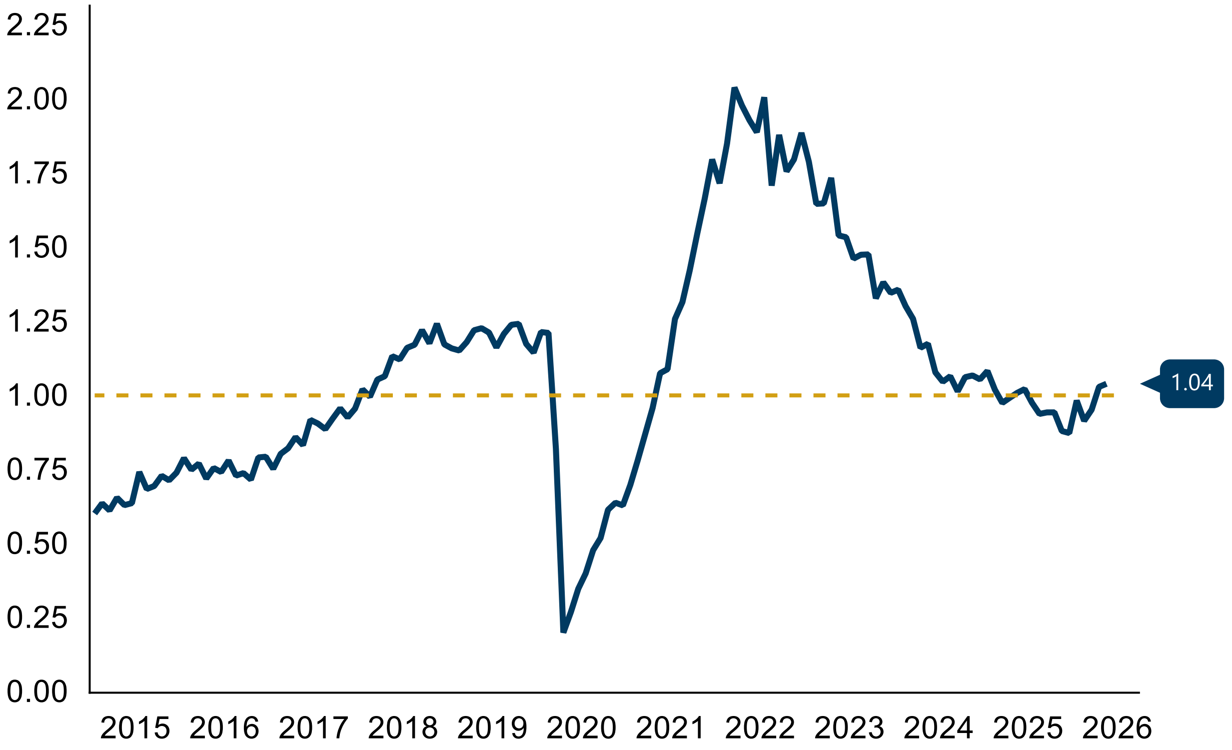
Source: Federal Reserve, Center for Financial Stability, First Citizens Bank
Data as of June 29, 2026

The unemployment rate hasn't changed this little since the late 1960s

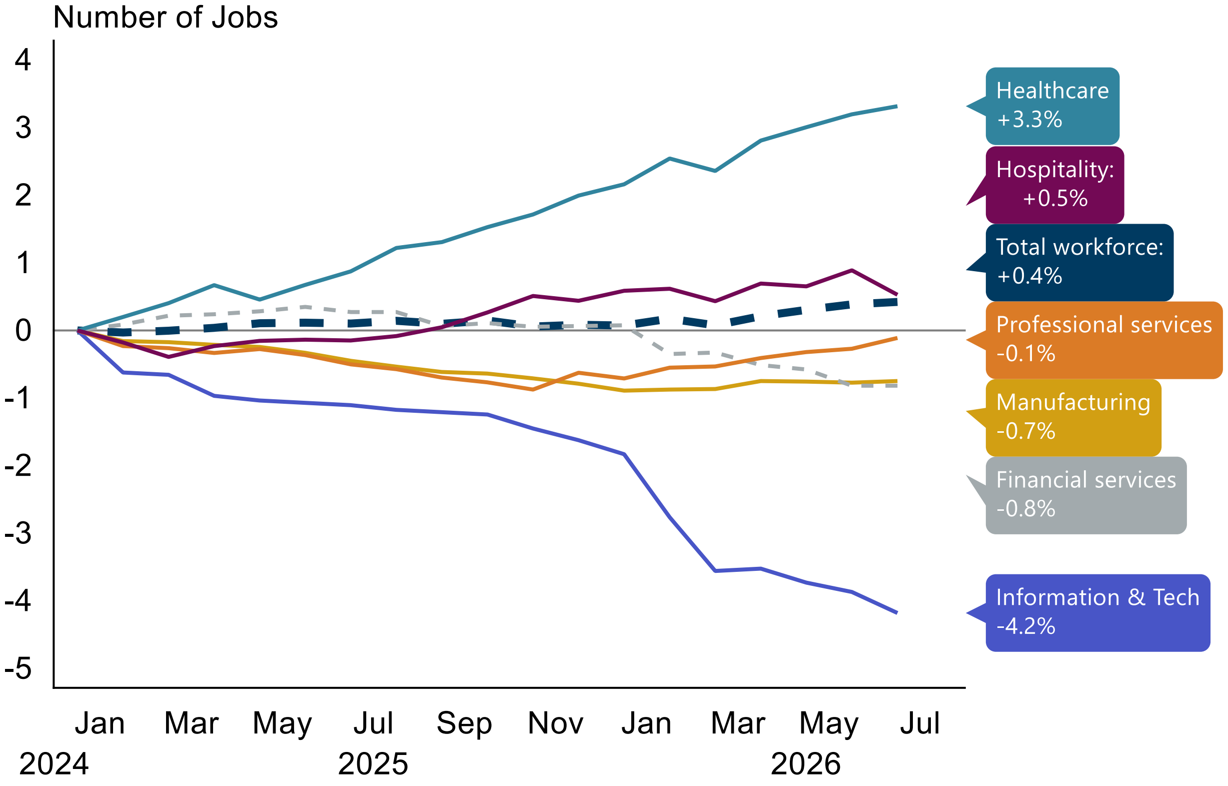


Source: U.S. Bureau of Labor Statistics (BLS), First Citizens Bank
Data as of July 2, 2026

The labor market is balanced in aggregate, but some sectors are down

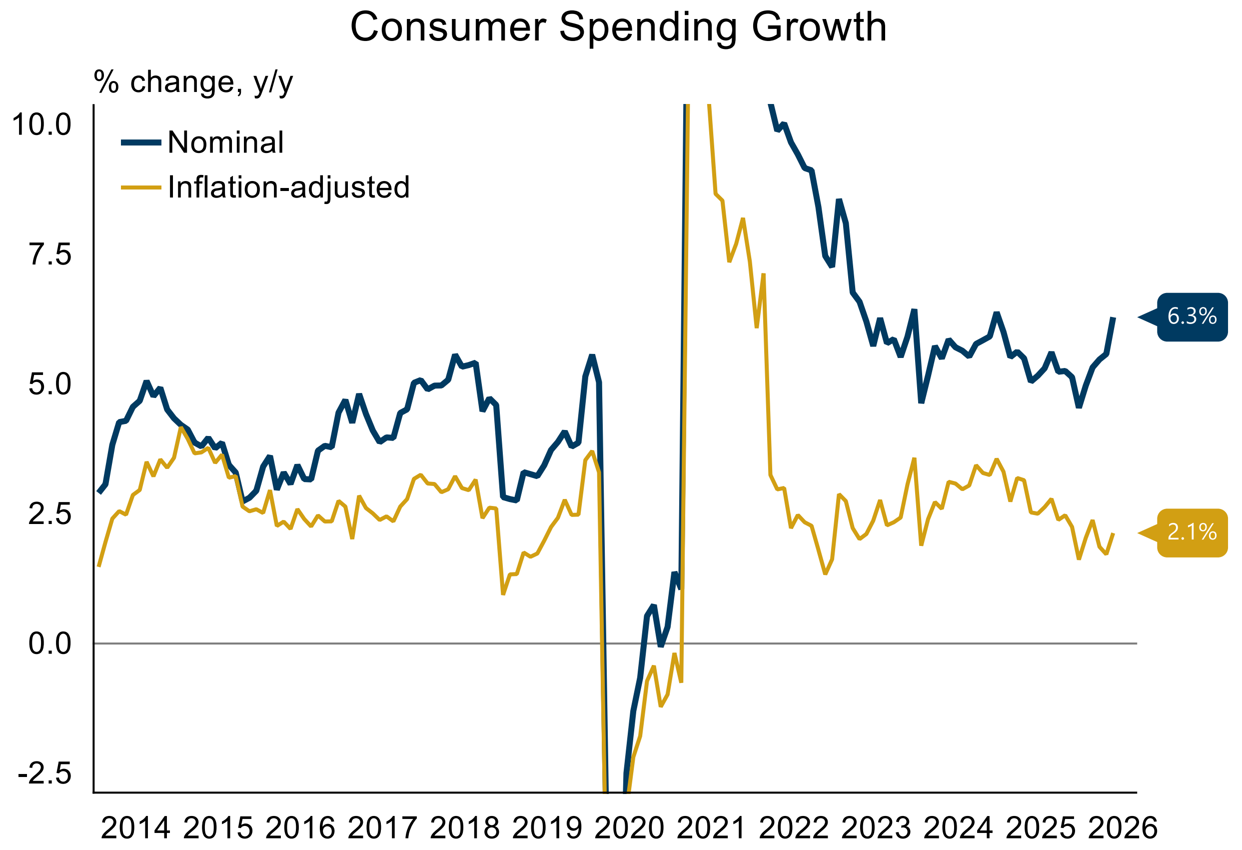


Source: U.S. Bureau of Labor Statistics (BLS), First Citizens Bank
Data through May 2026

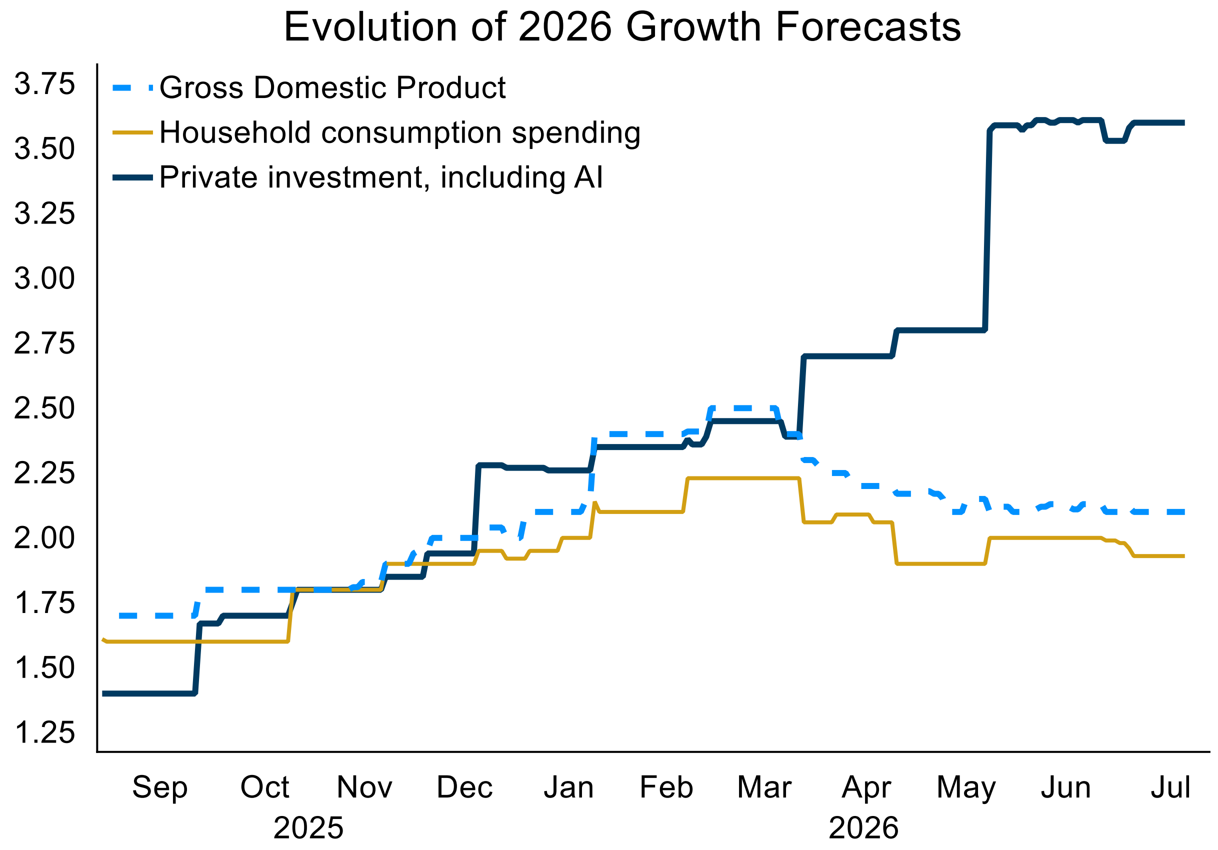


Source: U.S. Bureau of Labor Statistics (BLS), First Citizens Bank
Data as of July 2, 2026

Private investment — including AI — is powering growth higher

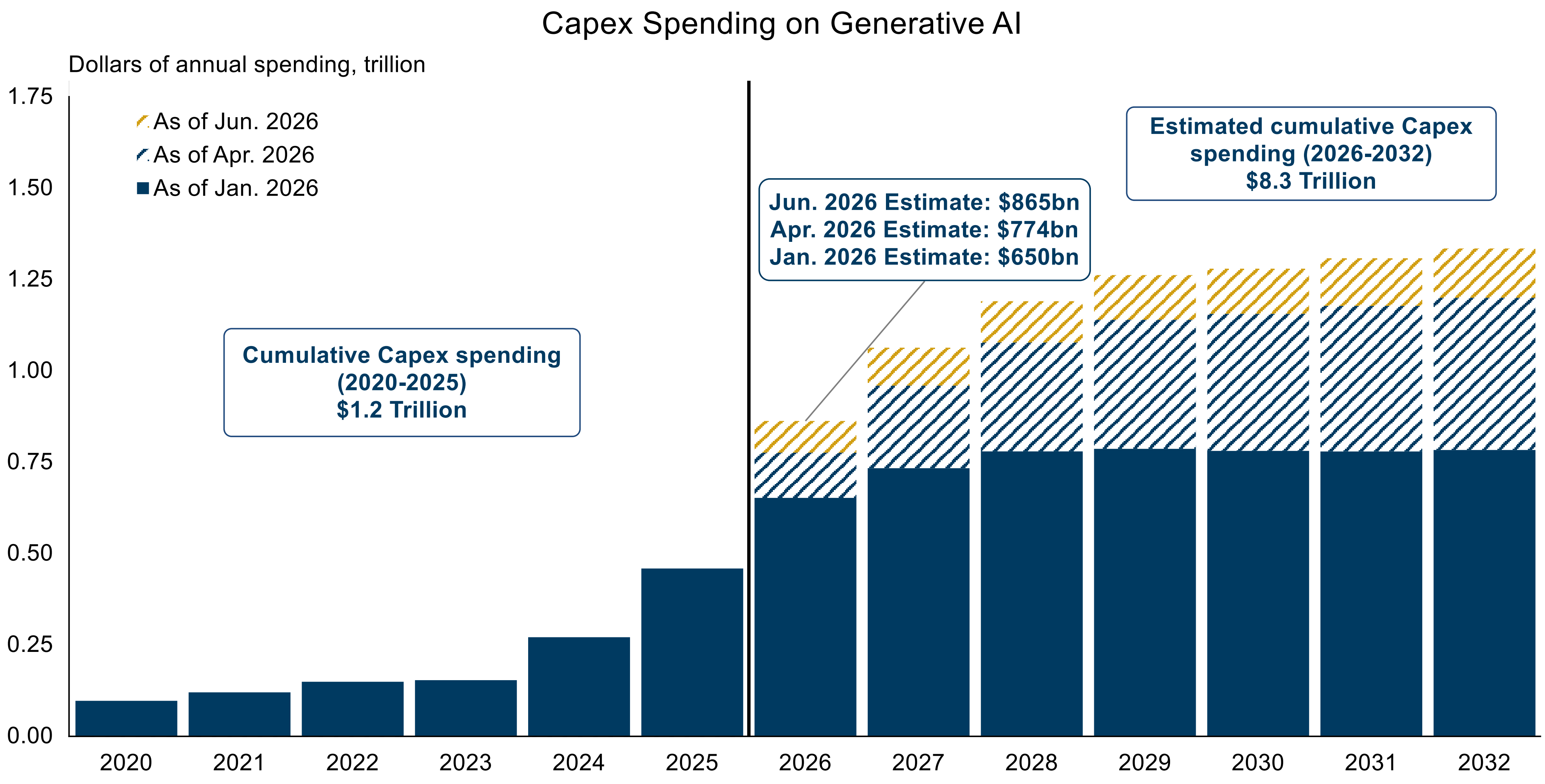


Source: U.S. Bureau of Economic Analysis (BEA), First Citizens Bank
Data through May 2026



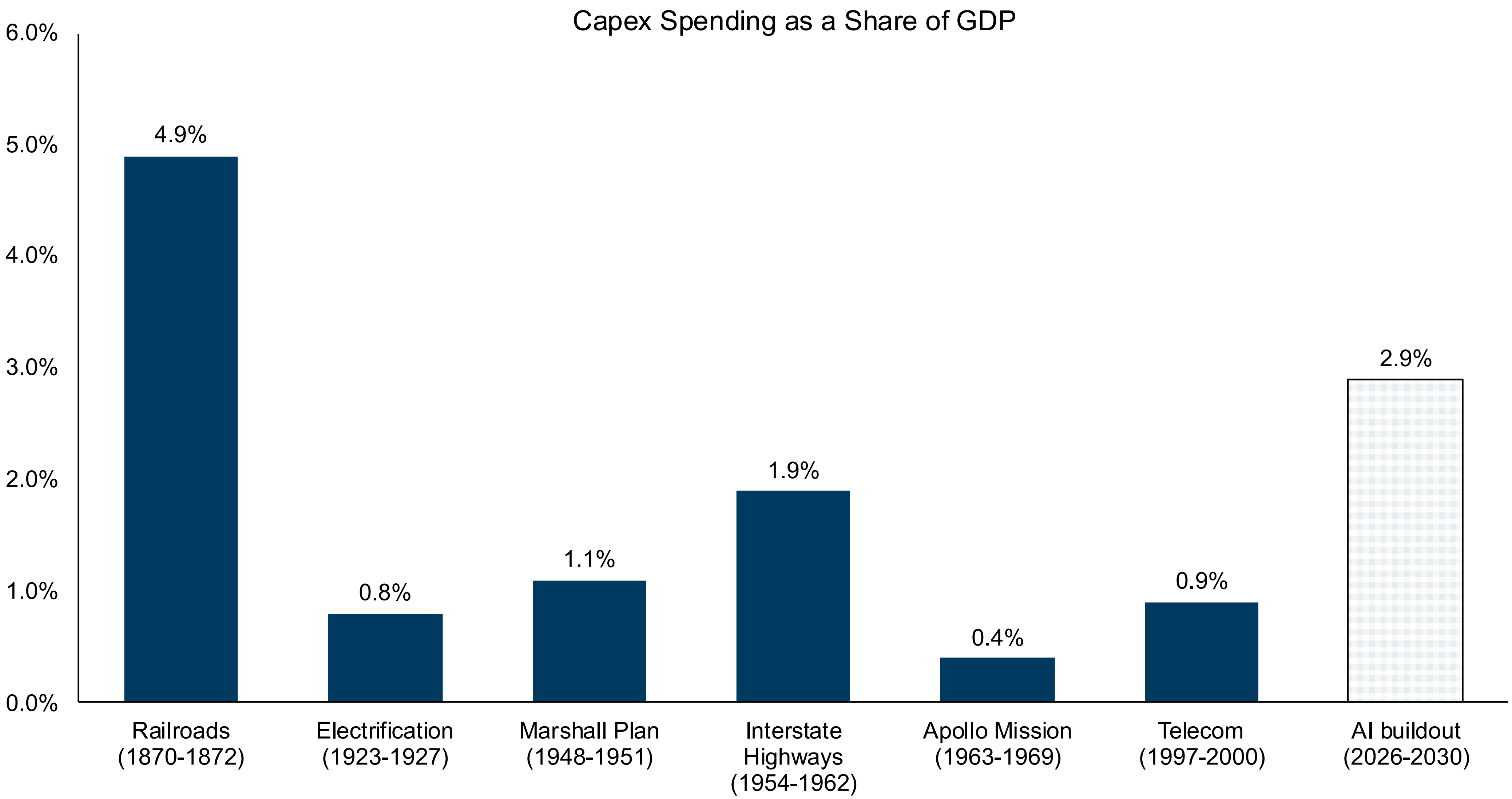
Source: Bloomberg
Data as of: 7/21/2026

Expected spending on the AI buildout continues to rise



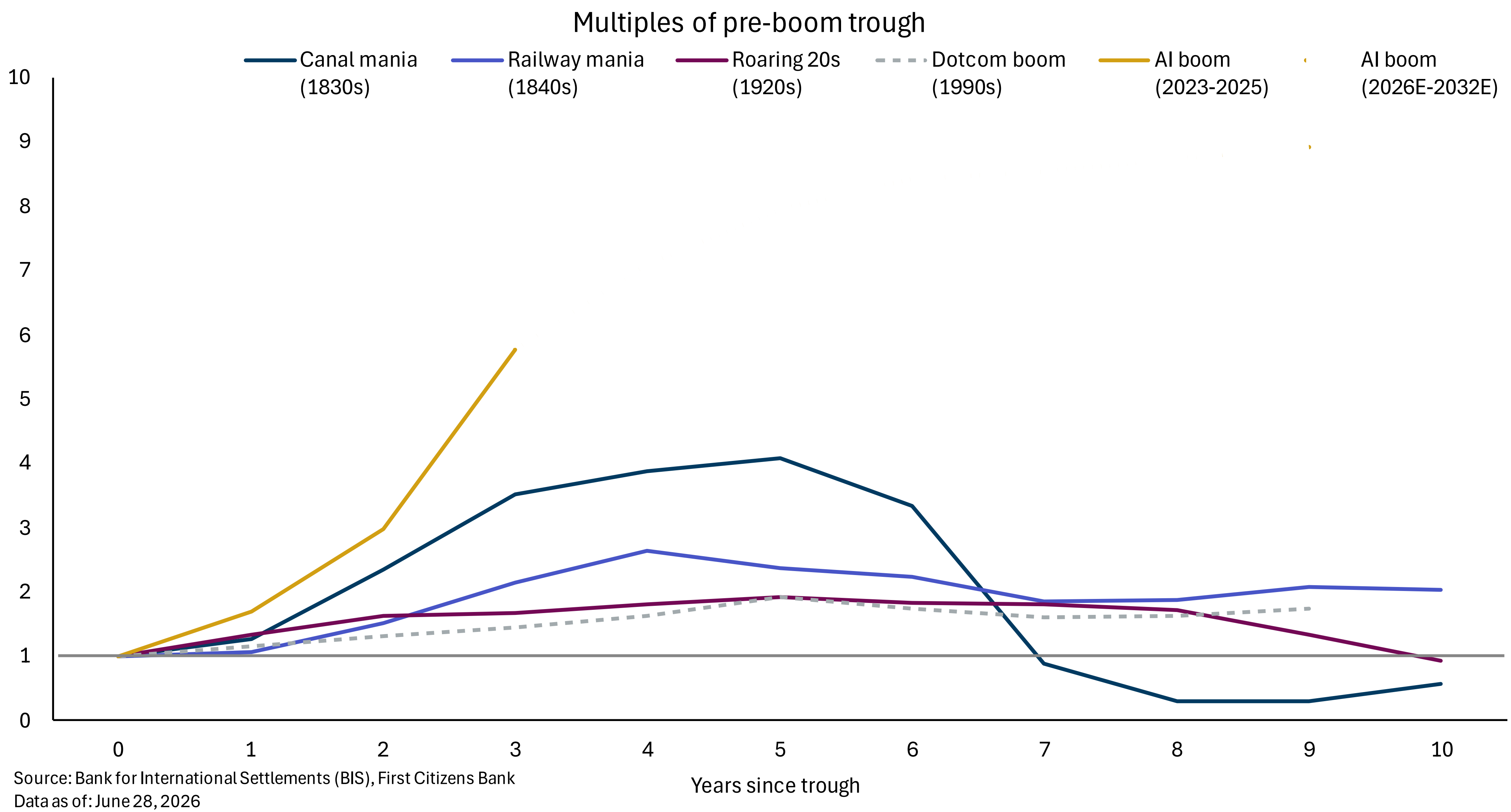
Source: Bloomberg
Data as of: 6/15/2026

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.

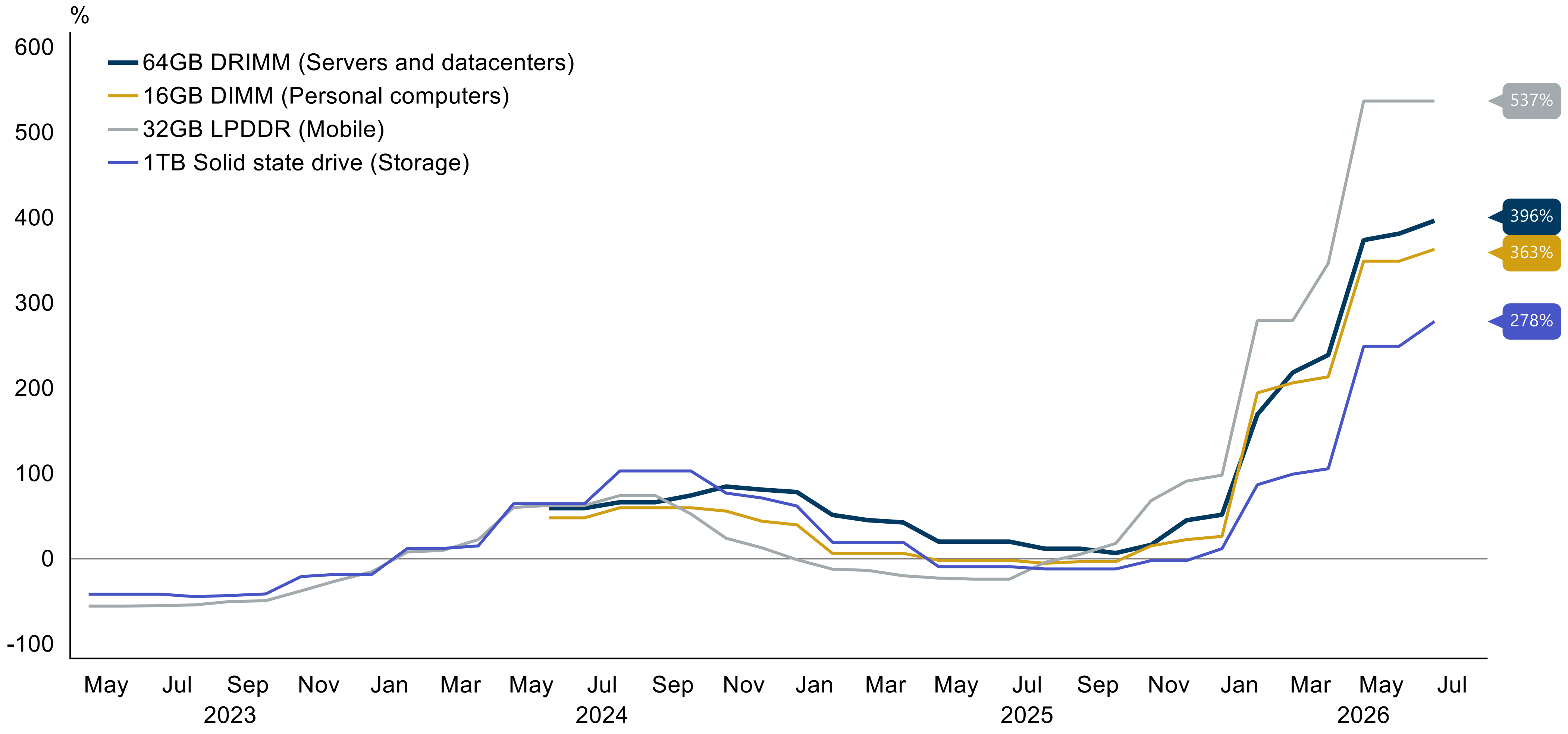
The AI boom is seeing the fastest spending ramp up in modern history



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

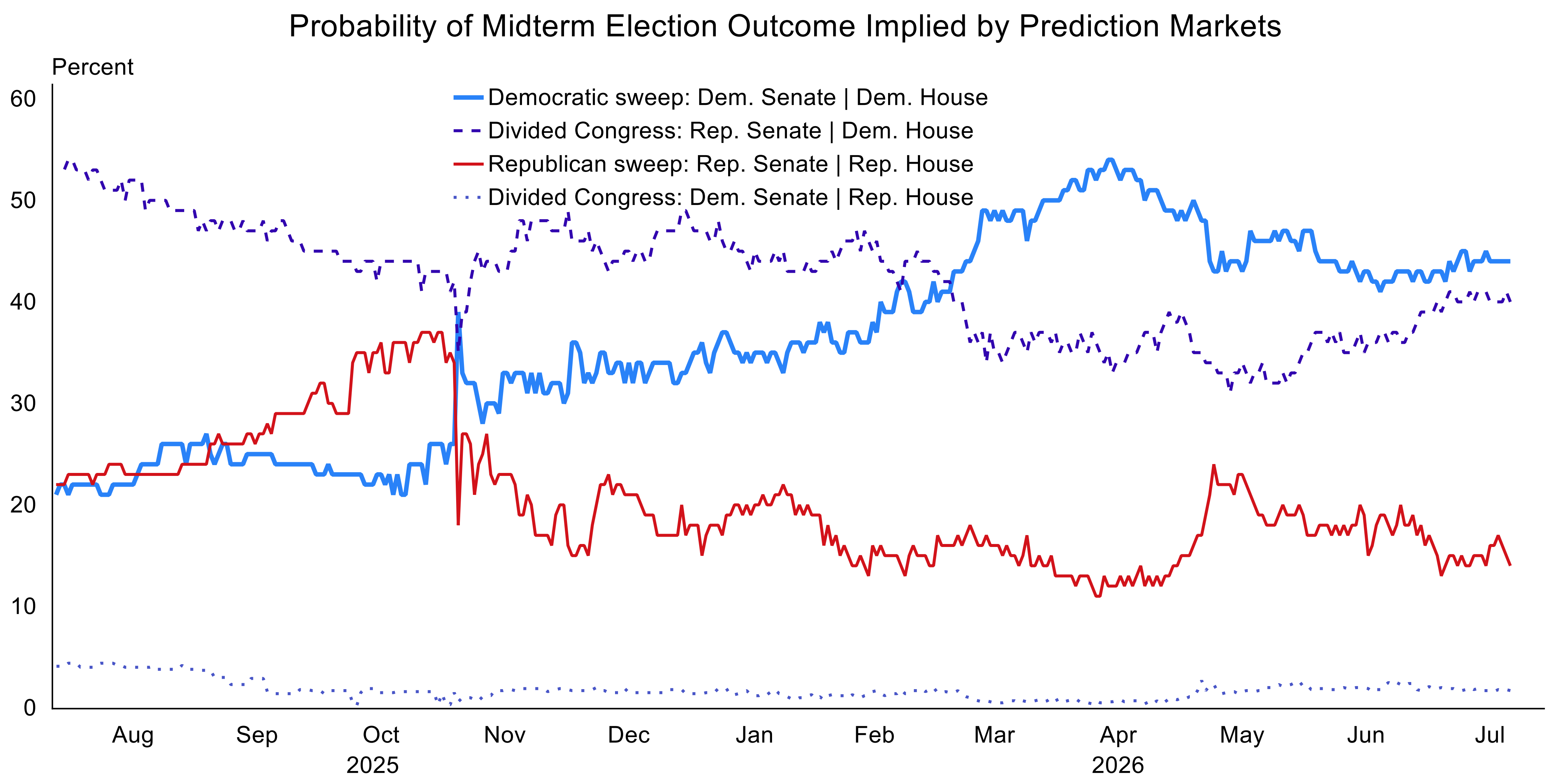
Input costs for AI buildout — and consumer electronics — have surged

Memory Pricing: Price Change From 1 Year Ago



Source: Bloomberg, First Citizens Bank
Data as of June 2026

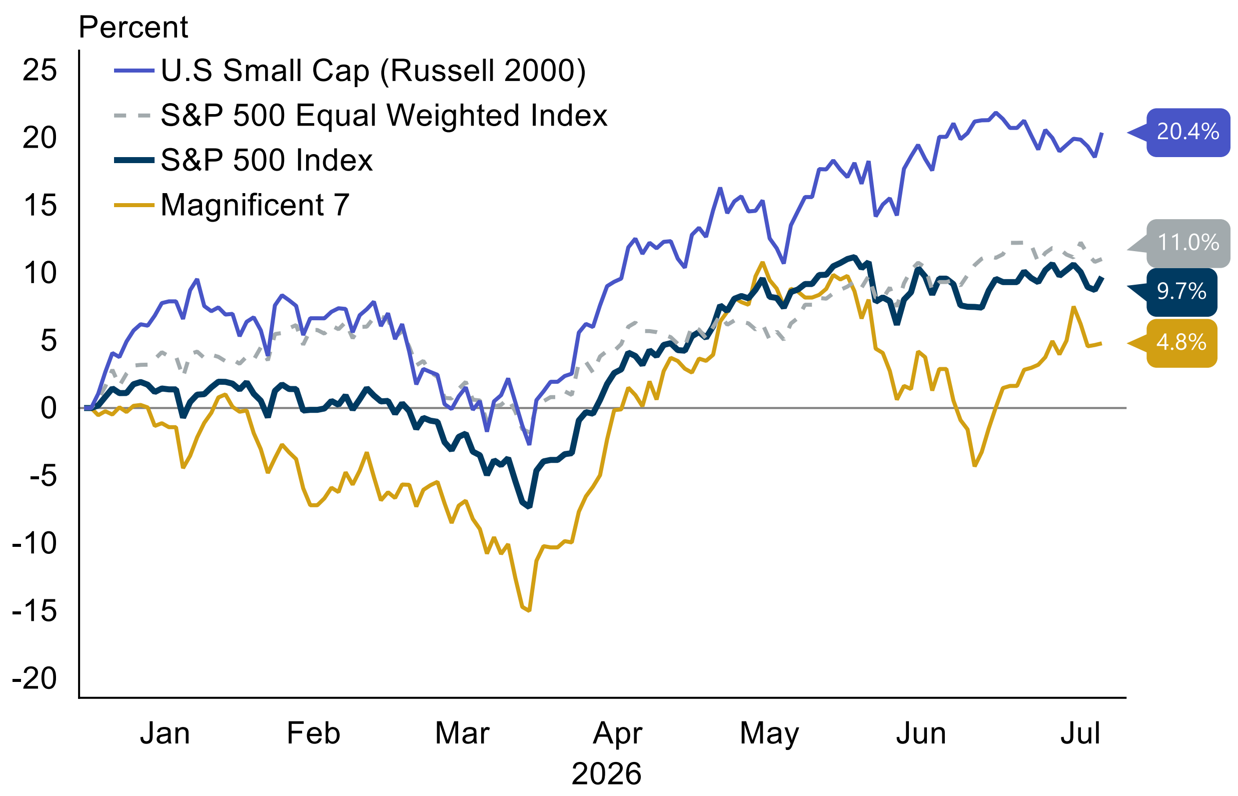
Divided government is likely with Senate races looking very tight



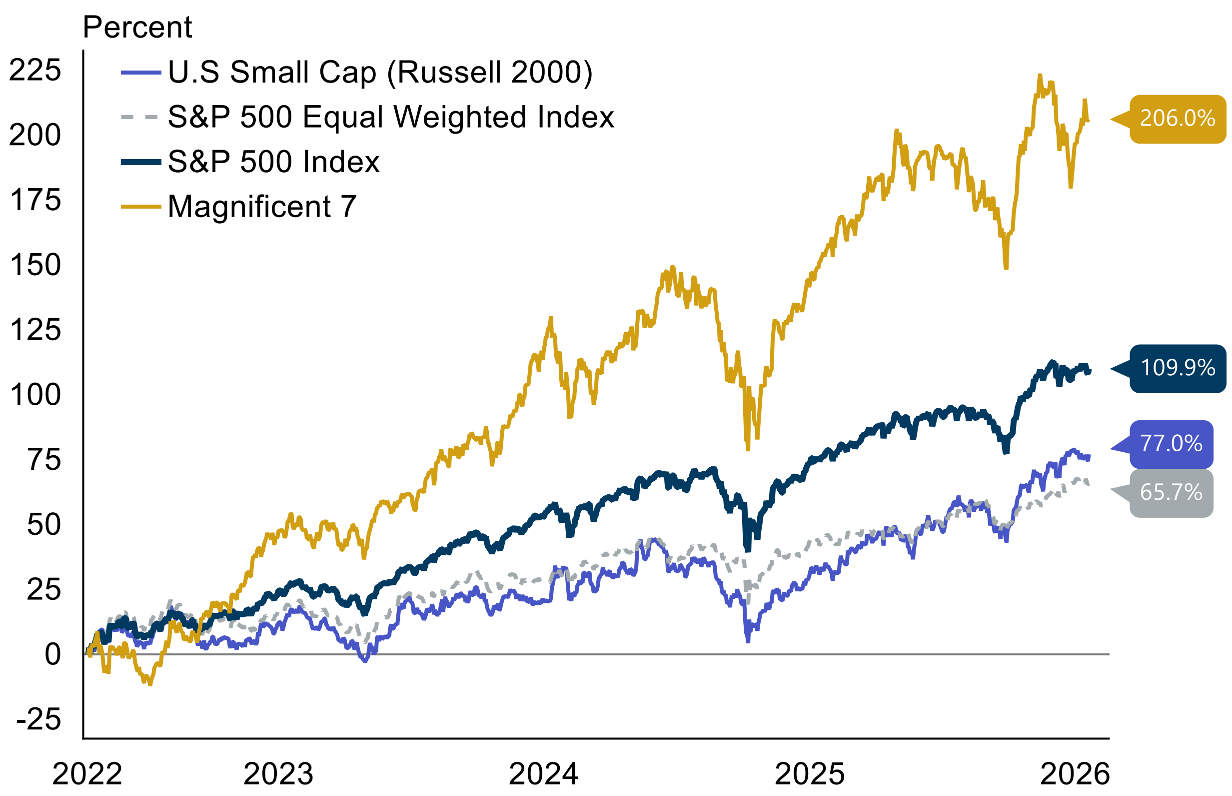
Source: Bloomberg
Data as of: 7/21/2026

Market update

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

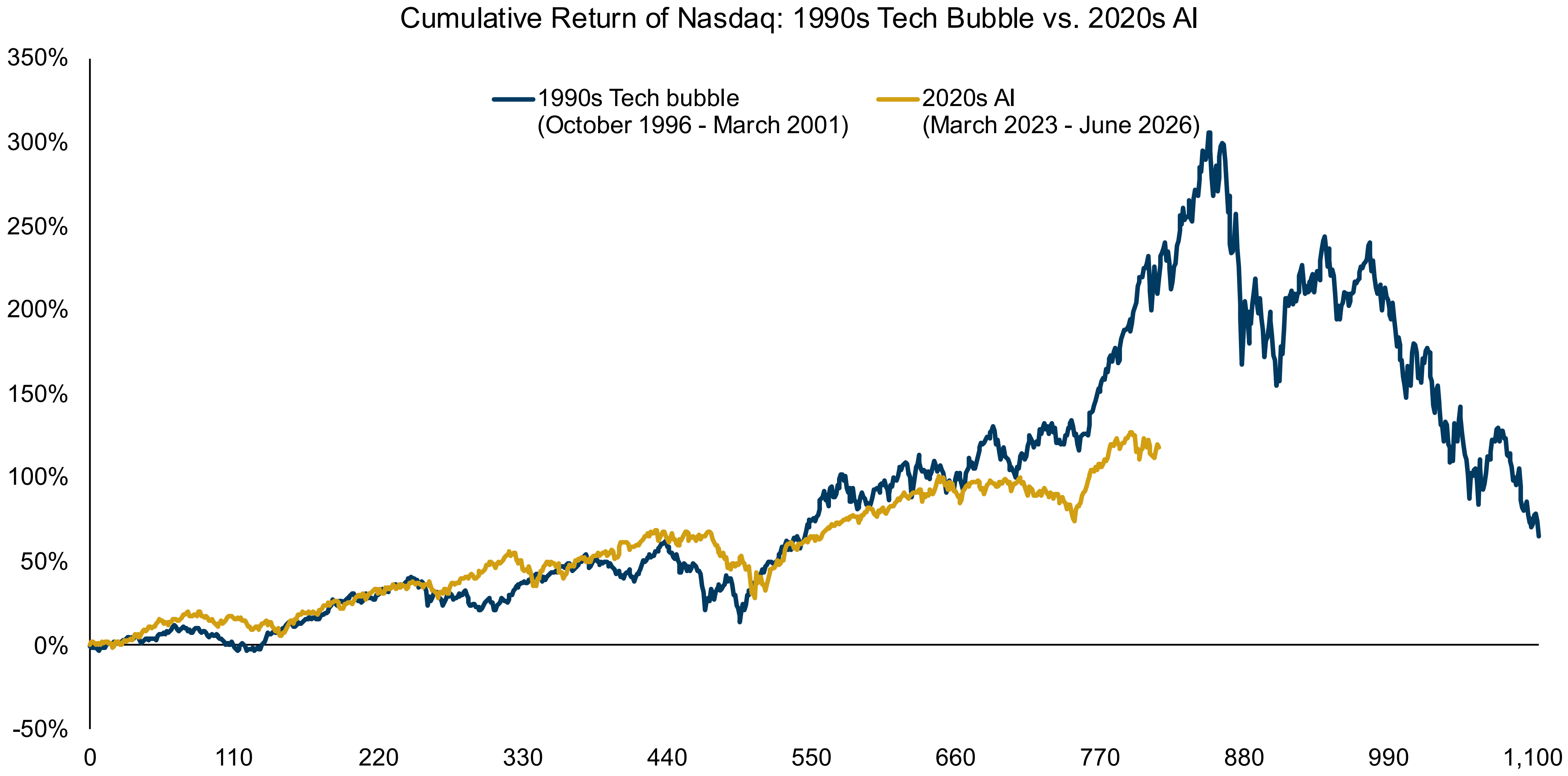


Source: Bloomberg
Data as of: 7/21/2026.



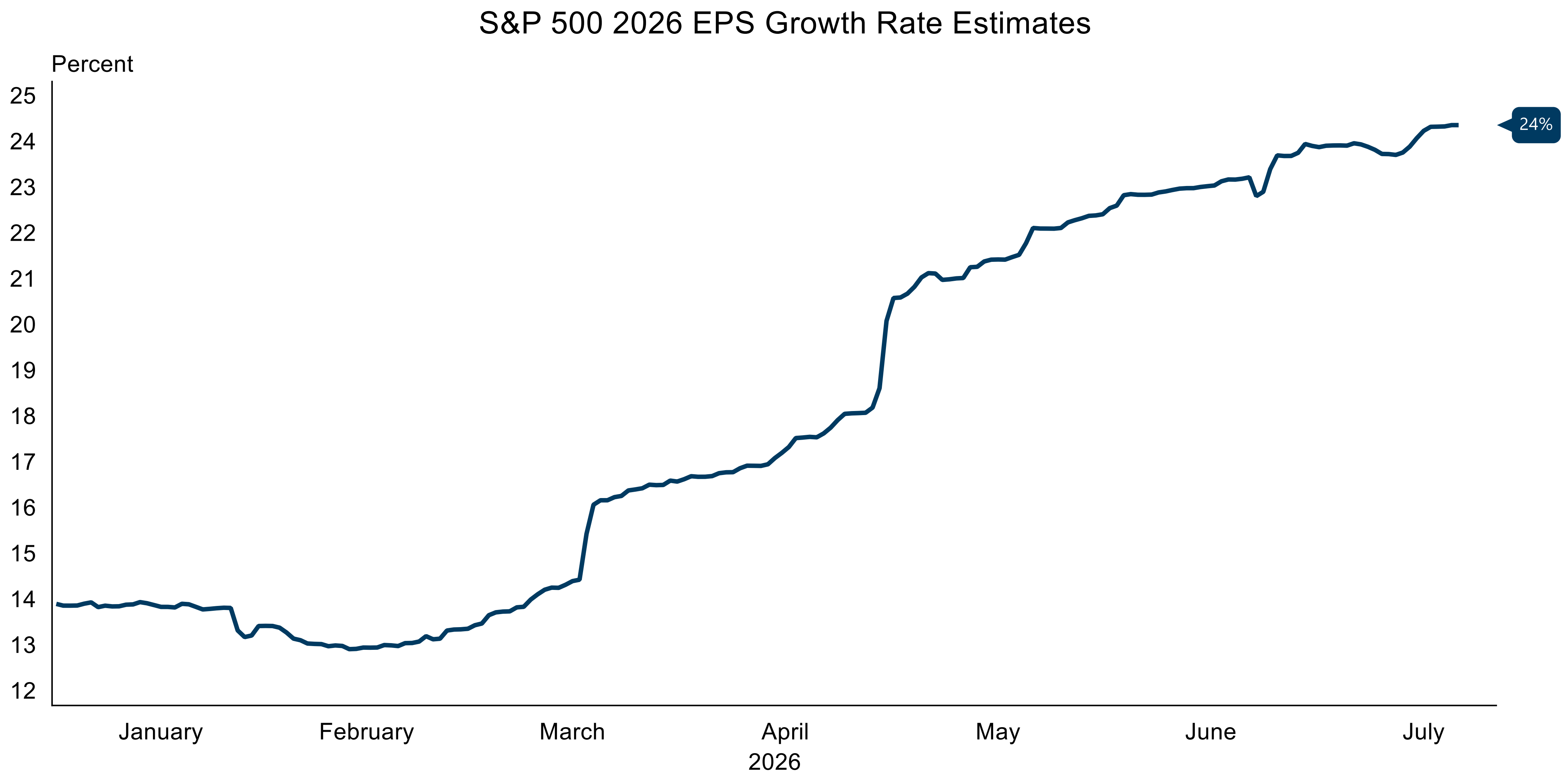
Source: Bloomberg
Data as of: 7/21/2026

Today's tech stocks gains have trailed the mania of the late 1990s



Source: Trivariate Research. Data as of June 30, 2026

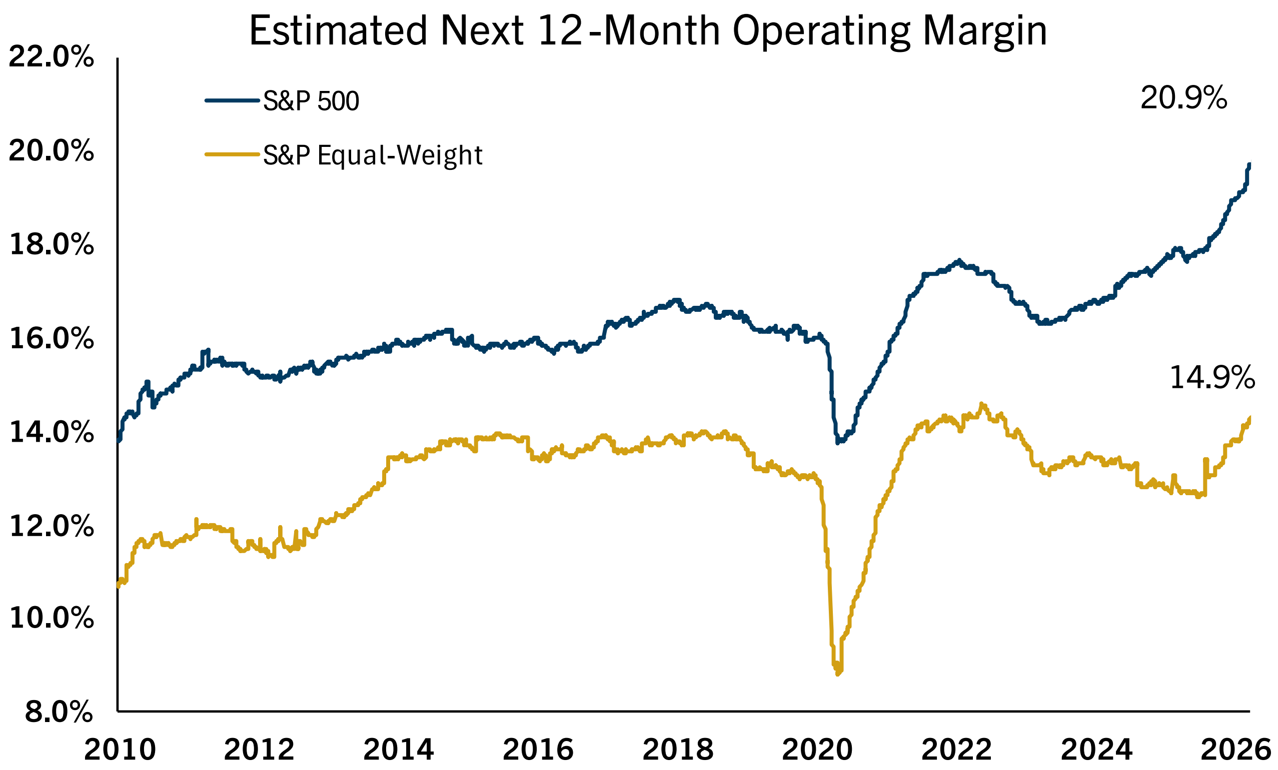
Earnings growth estimates have been revised substantially higher



Source: Bloomberg, First Citizens Bank
Data as of July 21, 2026

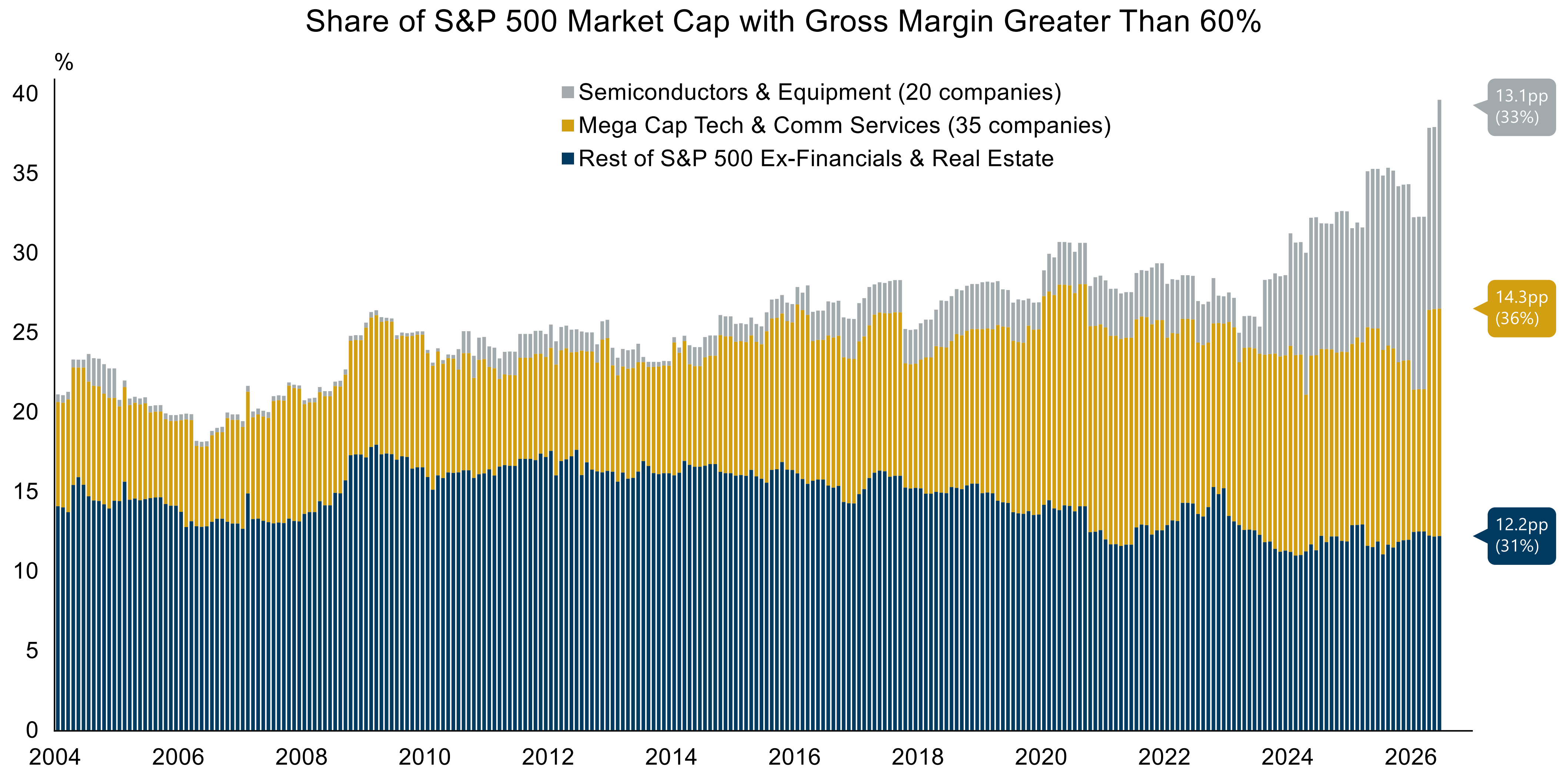
Estimates point to robust corporate earnings and margin growth for 2026

- Q2 2026 estimated earnings growth is **24.7%**
- CY 2026 estimated earnings growth is **24.5%**
- CY 2027 estimated earnings growth is **17.5%**
- Average earnings growth since 1950 is **7.6%**



Source: FactSet, Bloomberg. Data as of 7/17/2026.

Tech companies — particularly chipmakers — have exceptional margins



Source: Trivariate Research, First Citizens Bank
Data as of July 14, 2026

40% of S&P 500 companies have gross margins greater than 60%

Forward valuations have recovered but remain below recent highs

Source: Bloomberg, First Citizens Bank
Data as of 7/21/2026

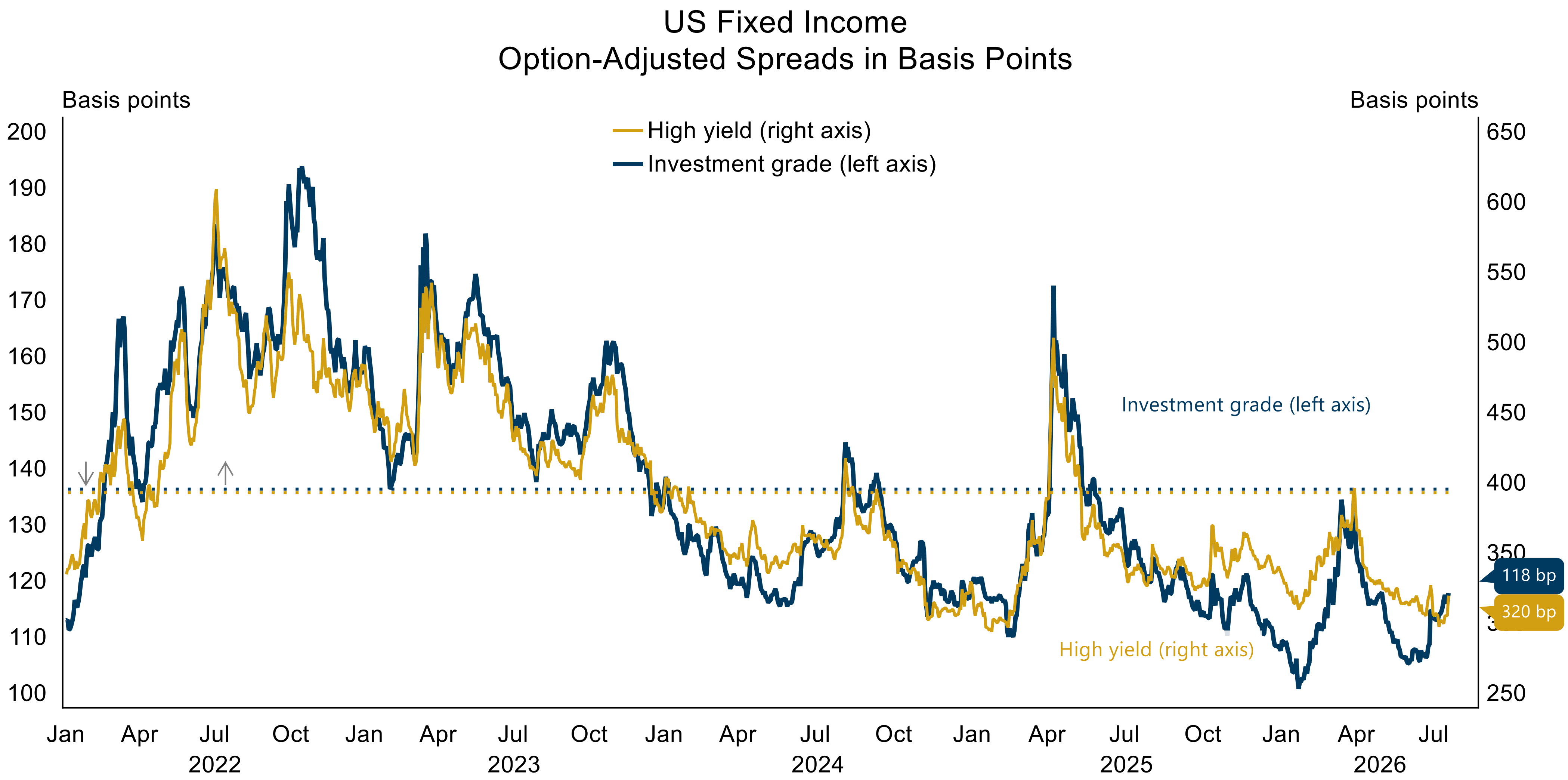
Upward earnings revisions have pushed our price target higher

Next Twelve-Month S&P 500 Price Target

	Next Twelve Months Price Level	Percent Change from 7/21/2026
Bear	5,900	-21.4%
Base	8,000	6.5%
Bull	8,700	15.9%

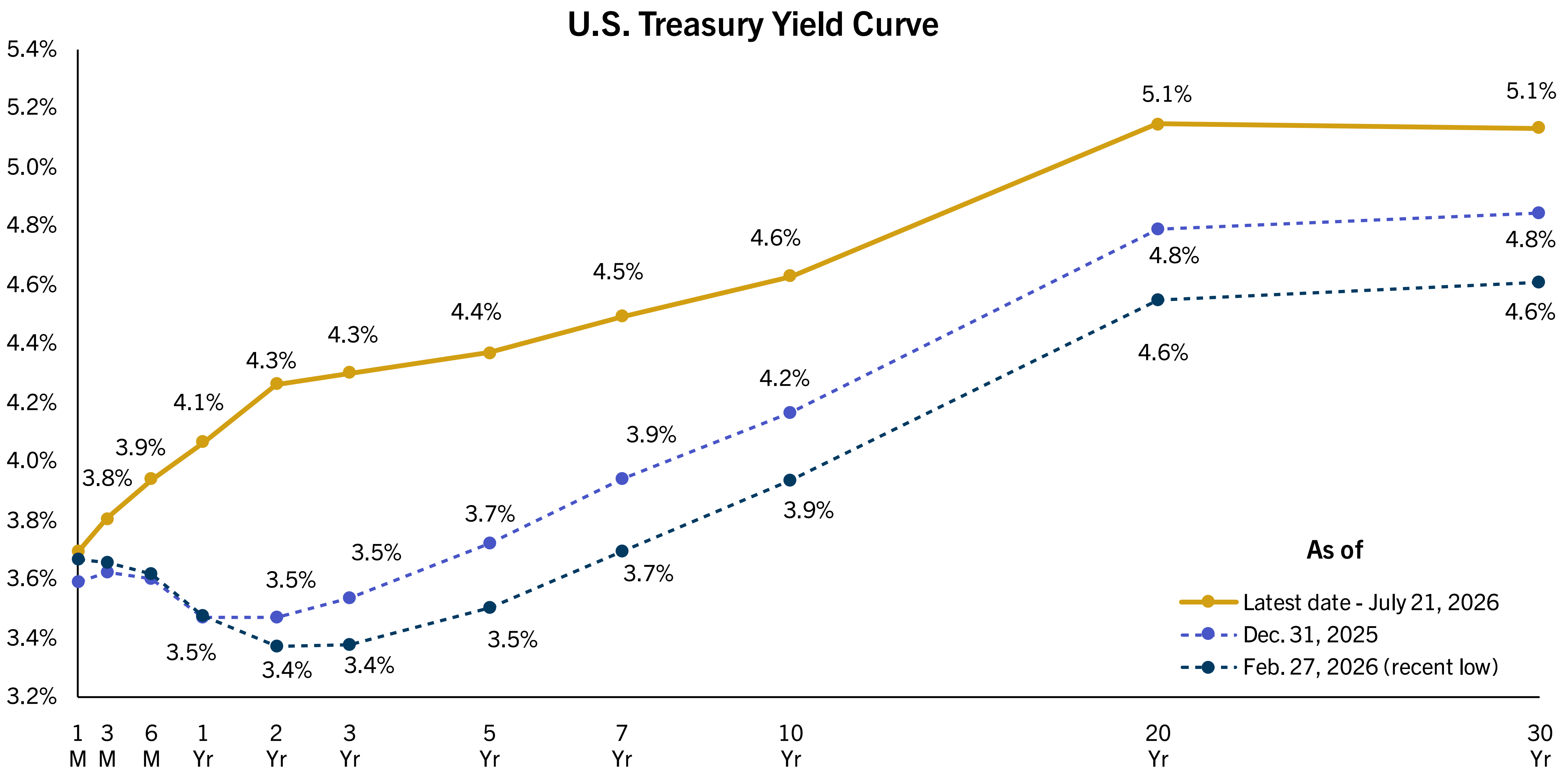
Source: Bloomberg, FactSet, First Citizens Wealth

Credit spreads remain at very tight levels



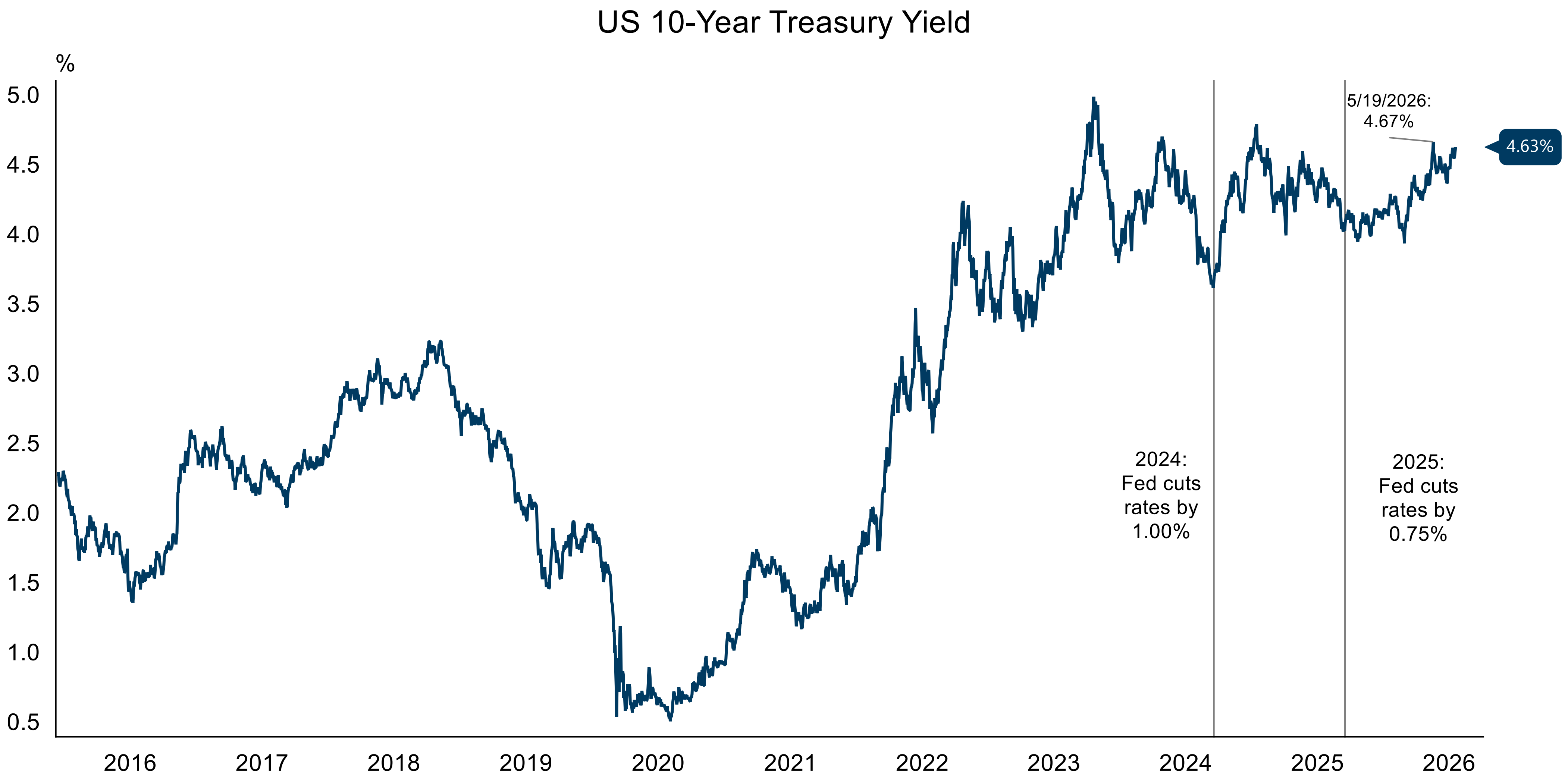
Source: Bloomberg
Data as of: 7/21/2026

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



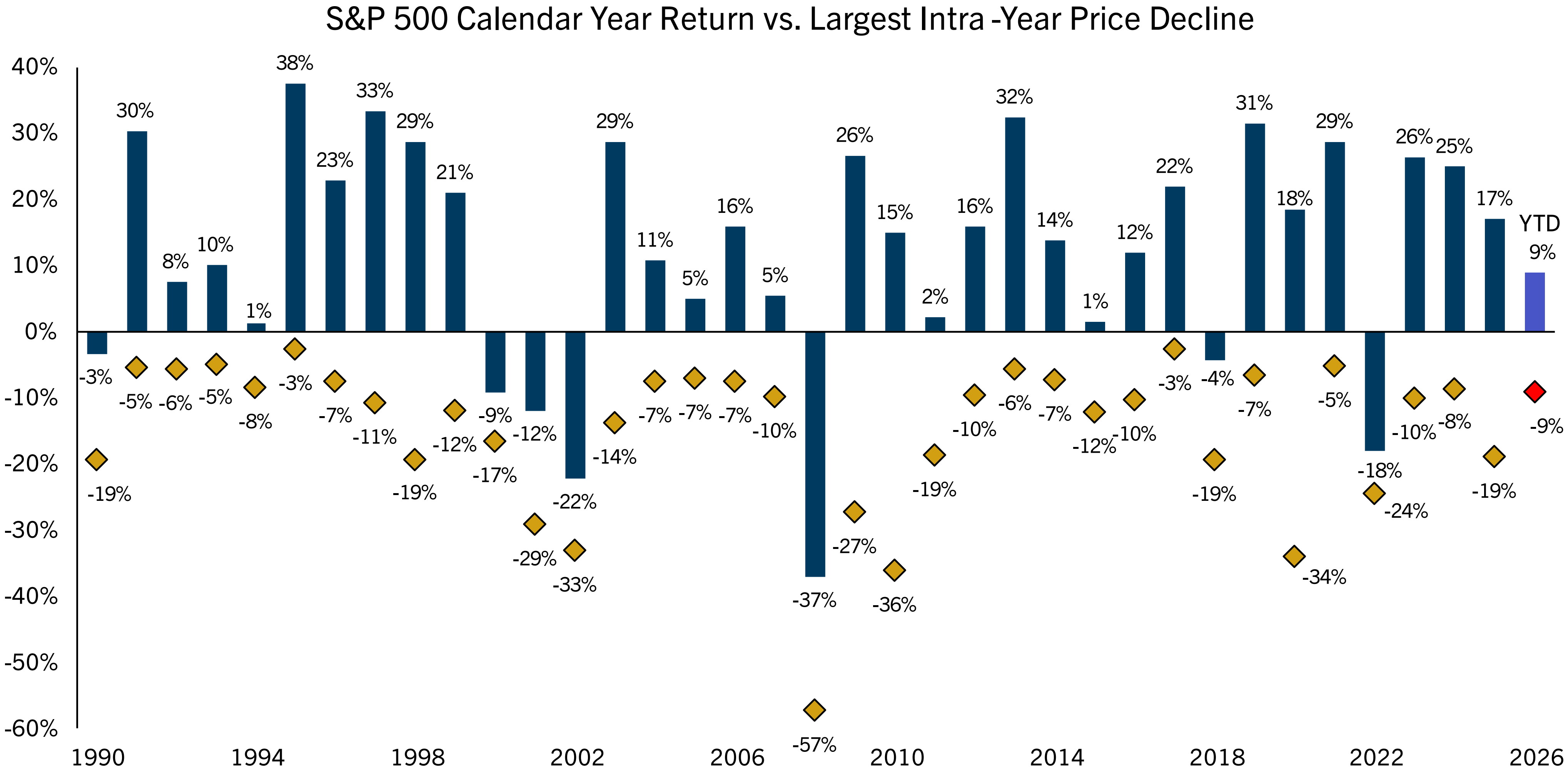
Source: Bloomberg

The 10-year Treasury yield has remained elevated despite Fed rate cuts



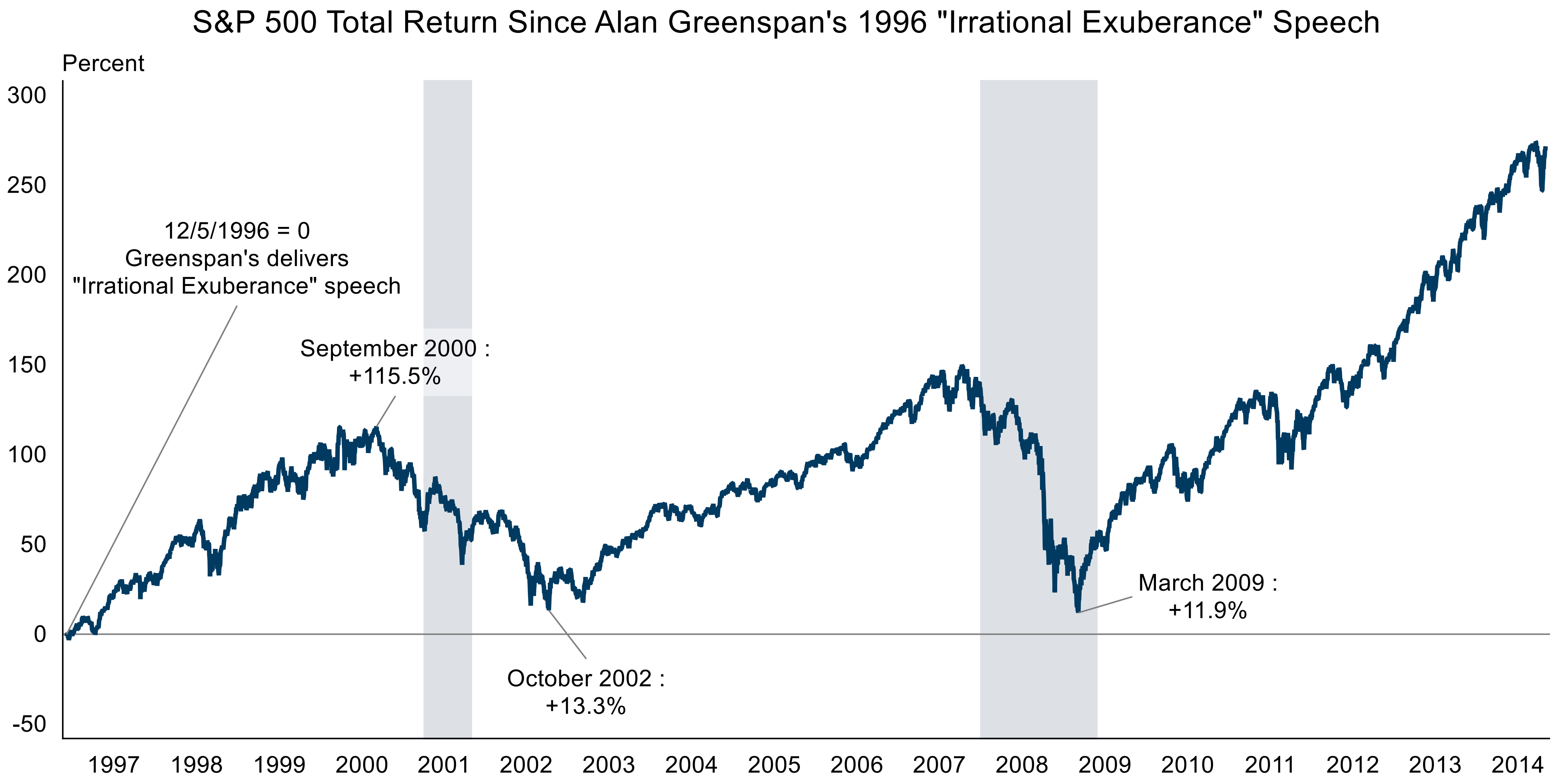
Source: Bloomberg
Data as of: 7/21/2026

Intra-year selloffs average 15%



Source: Strategas Research, FactSet

Expensive equity markets can rally further



Source: Bloomberg
Data as of: 7/22/2026

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