

Making Sense

Market Update | September 2026



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Recorded on September 30, 2026

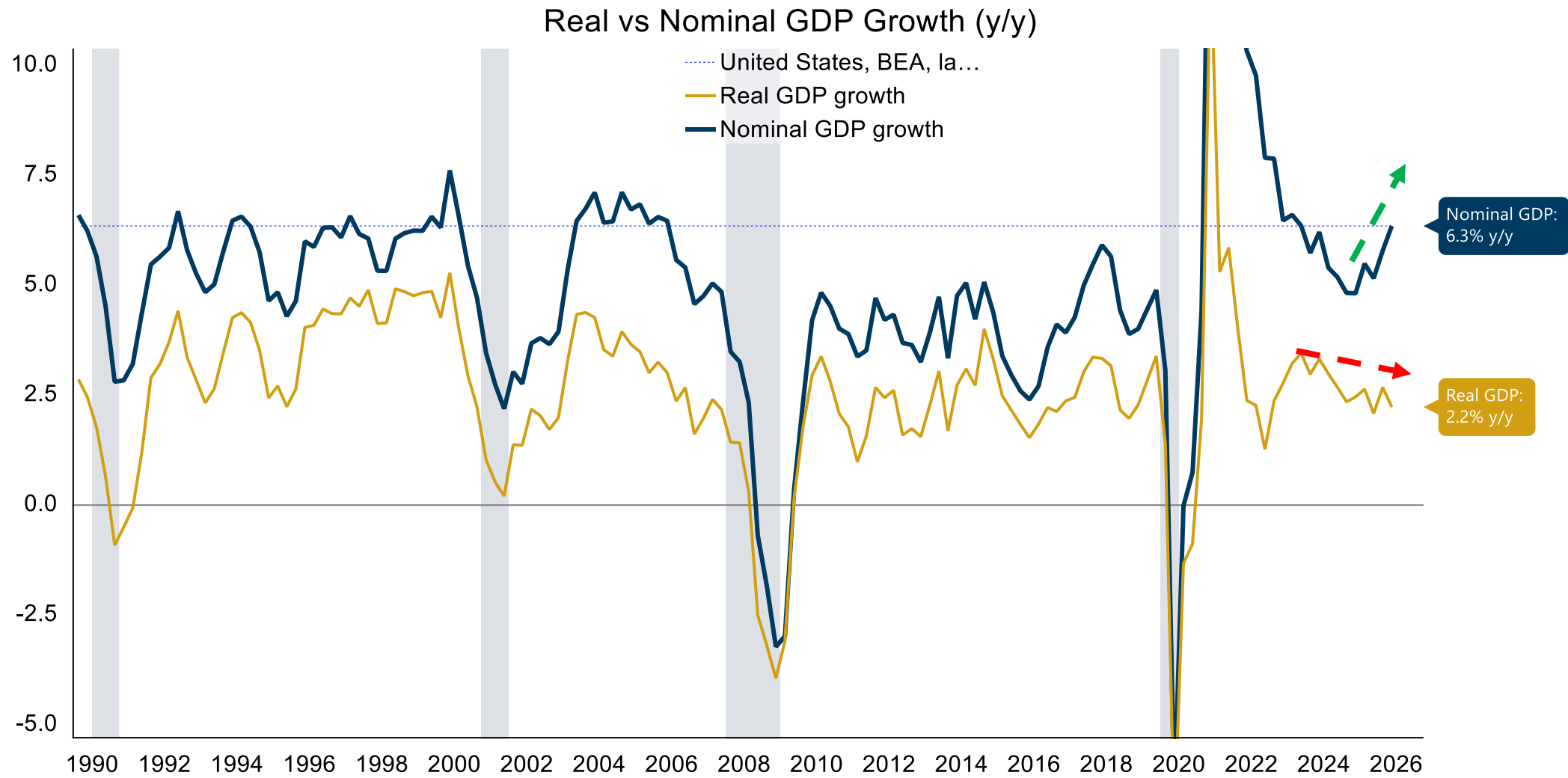
What are we going to cover?

- 1. Economic update:**
Economic growth | Inflation | Labor market | Fed policy
 - 2. Market update:**
Equities | Corporate earnings | Valuations | Interest rates
- 
- A decorative graphic consisting of several overlapping lines in blue and yellow. The lines are of varying lengths and orientations, creating a sense of movement and depth. Some lines are straight, while others are curved or bent at angles. The colors are a vibrant blue and a bright yellow, set against a light blue background.

Economic update



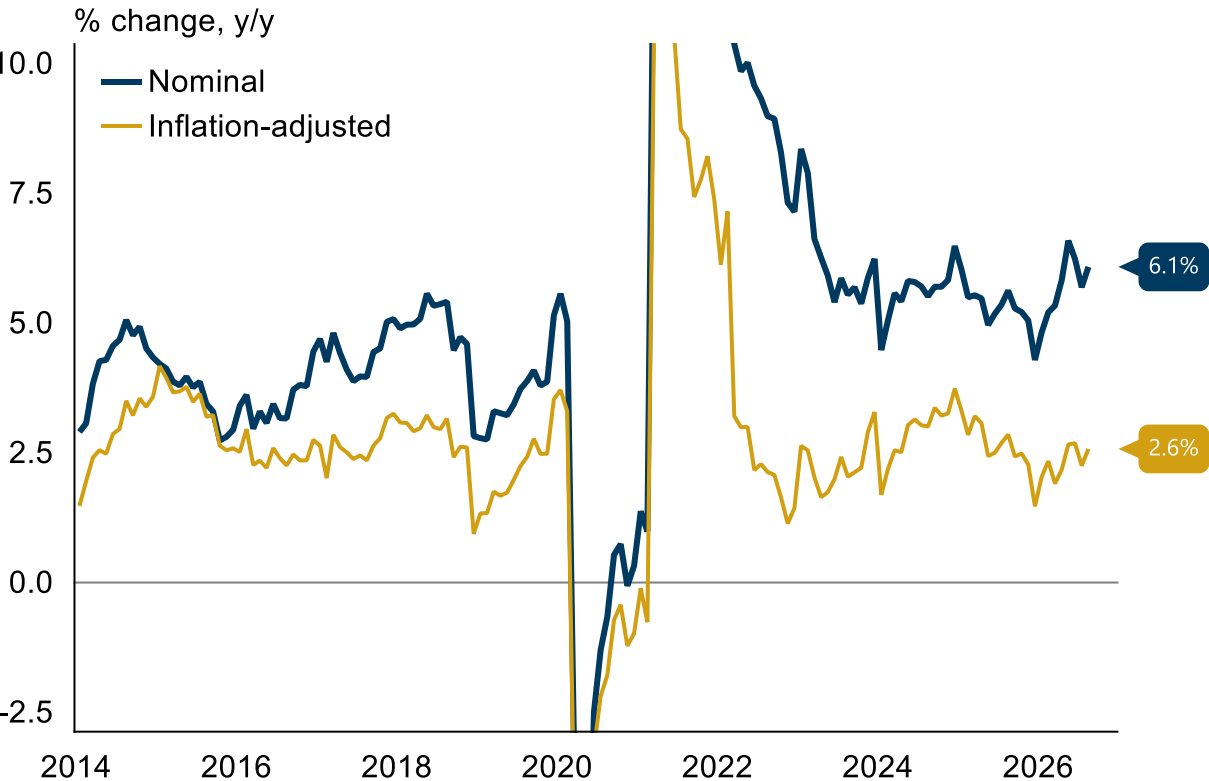
GDP growth is growing at a fast pace...before adjusting for inflation



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

Households are spending at a decent pace, but saving rates are low

Consumer Spending Growth



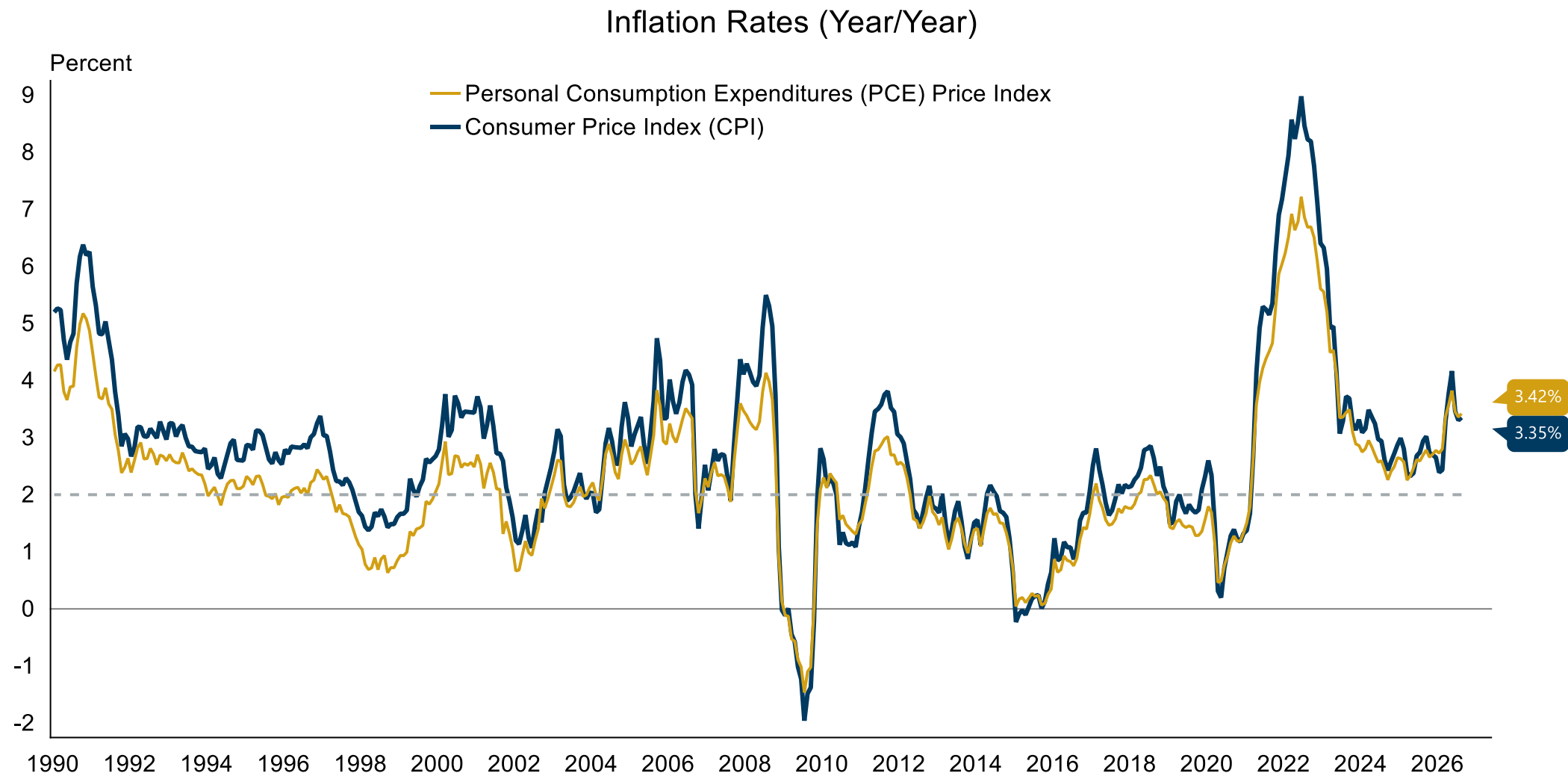
Source: U.S. Bureau of Economic Analysis (BEA), First Citizens Bank
Data through August 2026

Personal Saving Rate



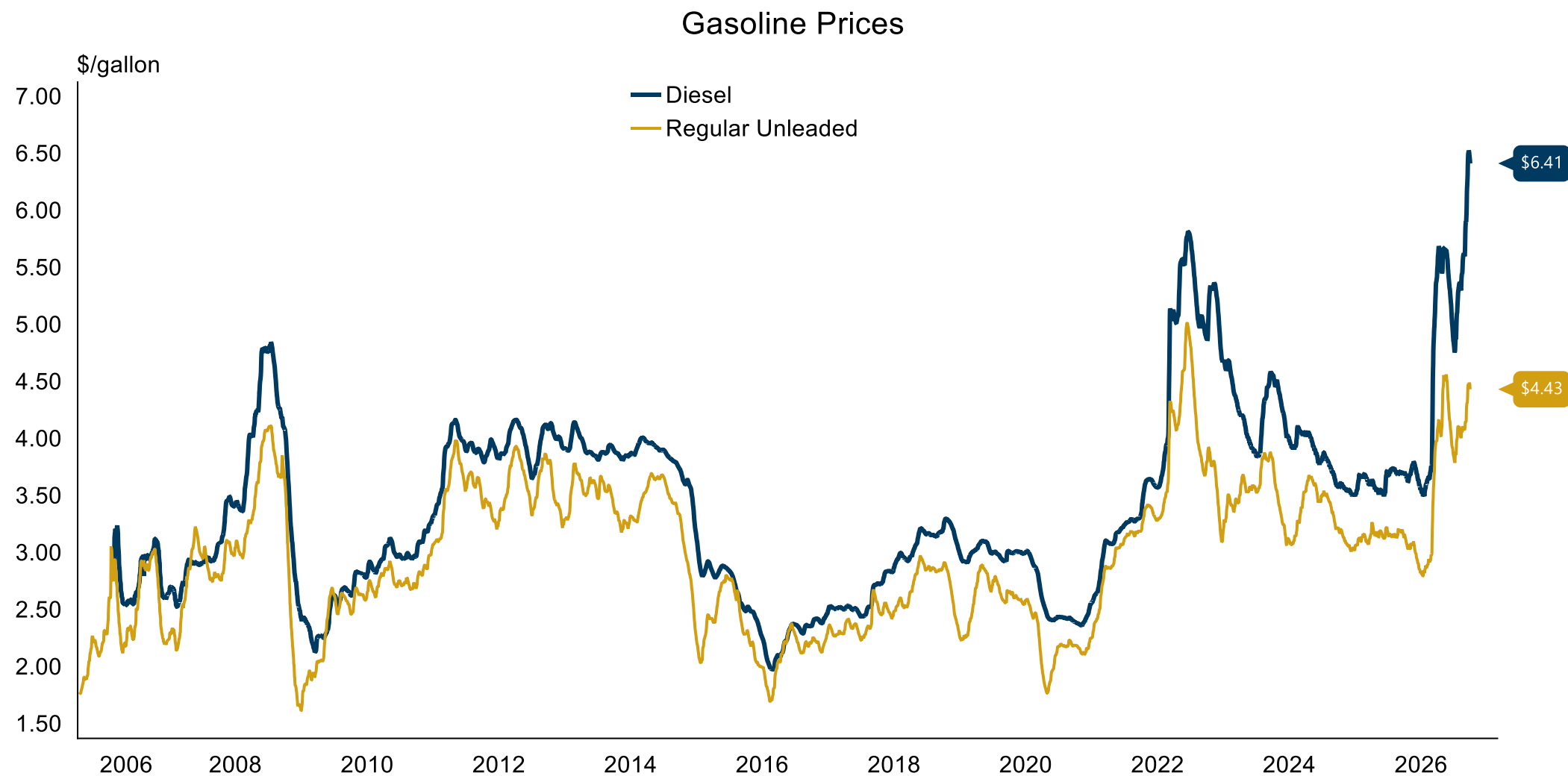
Source: U.S. Bureau of Economic Analysis (BEA), First Citizens Bank
Data as of September 30, 2026

Inflation is running well above the 2% target, as it has for over 5 years



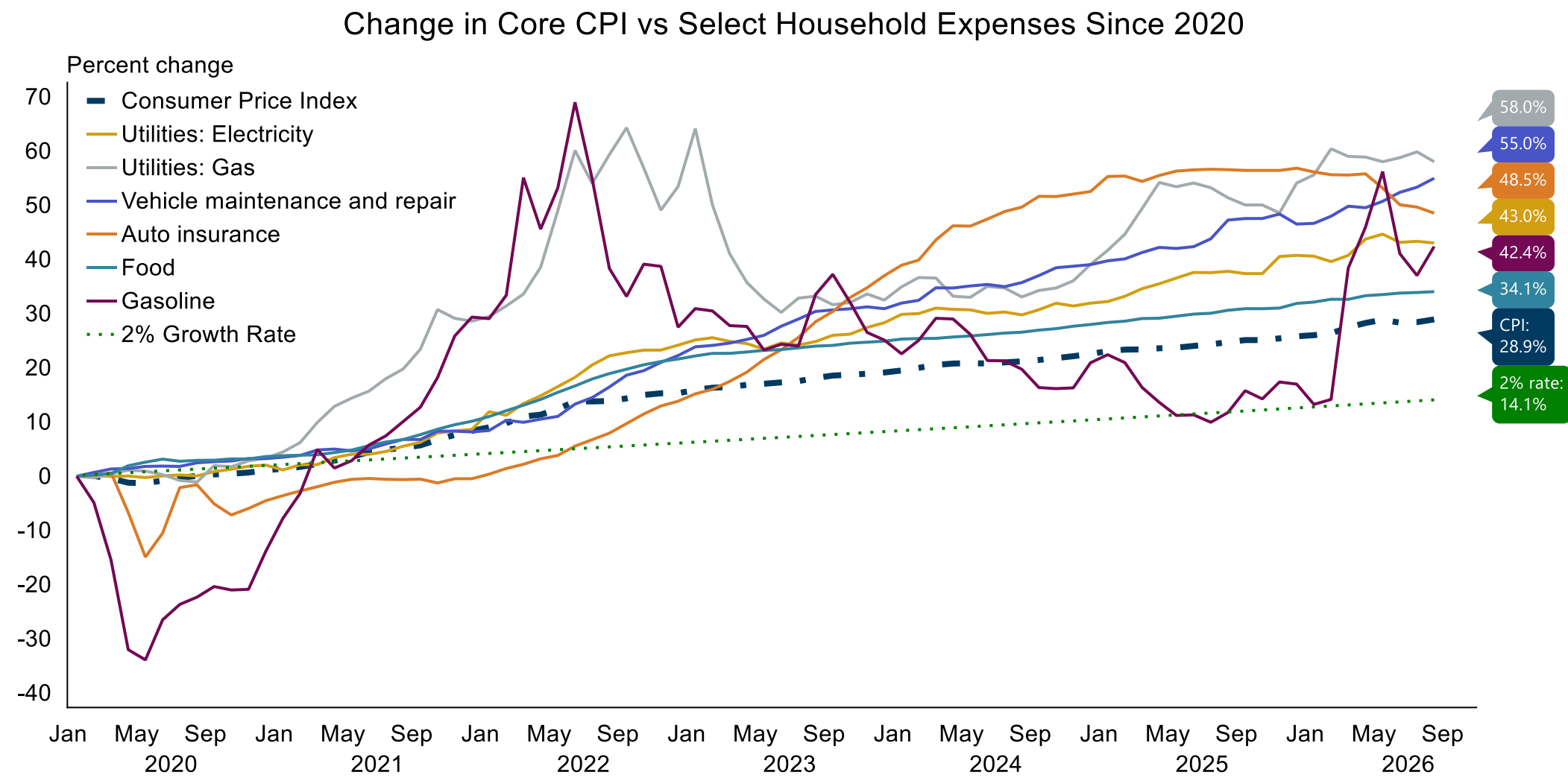
Source: U.S. Bureau of Labor Statistics (BLS), U.S. Bureau of Economic Analysis (BEA), First Citizens Bank
Data as of September 30, 2026

Gasoline and diesel prices are fueling inflation

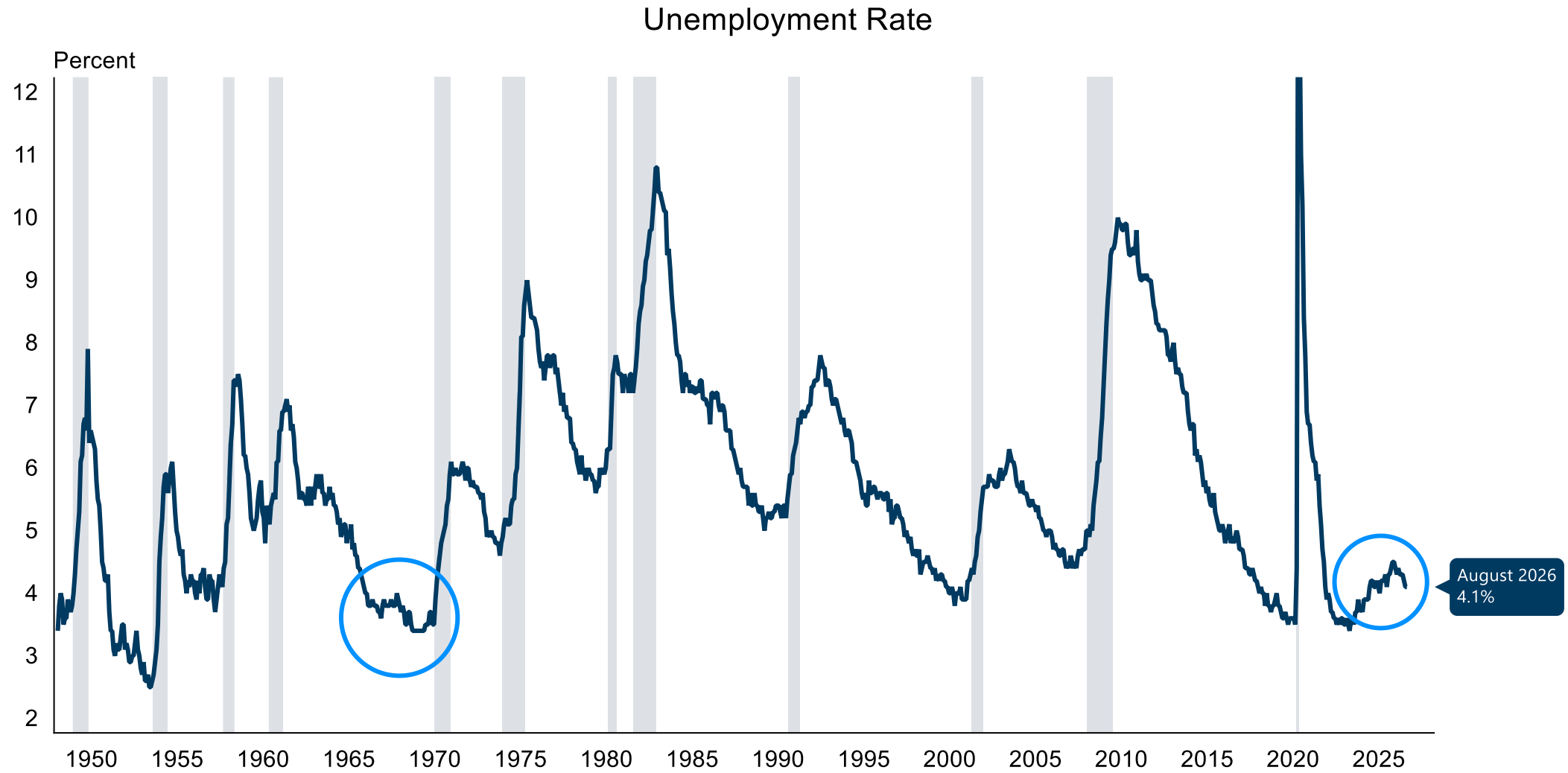


Source: Bloomberg
Data as of: 9/30/2026

Prices for necessities rose 2-4 times faster than normal since 2020



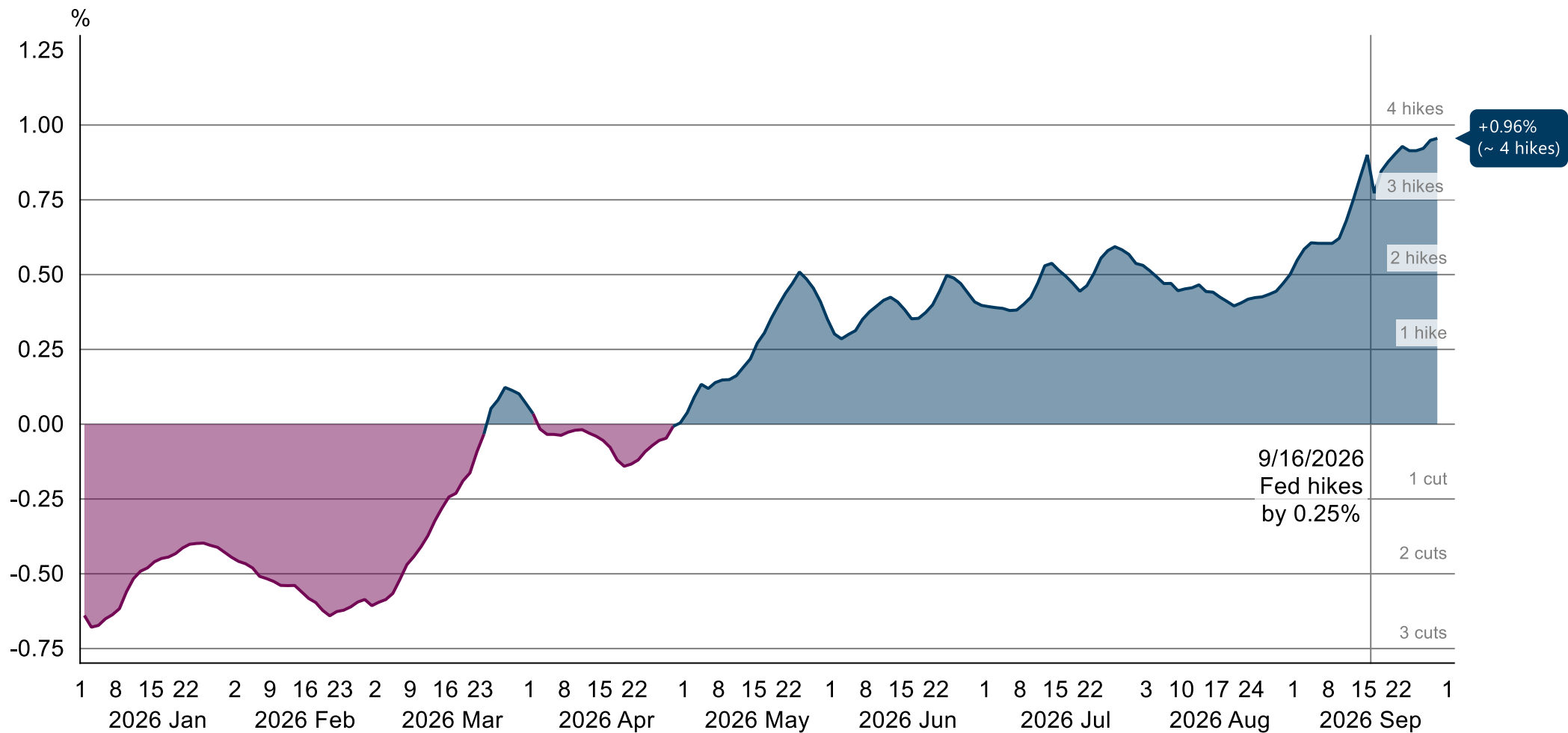
Unemployment remains modest – and is ticking lower



Source: U.S. Bureau of Labor Statistics (BLS), First Citizens Bank
Data as of September 4, 2026

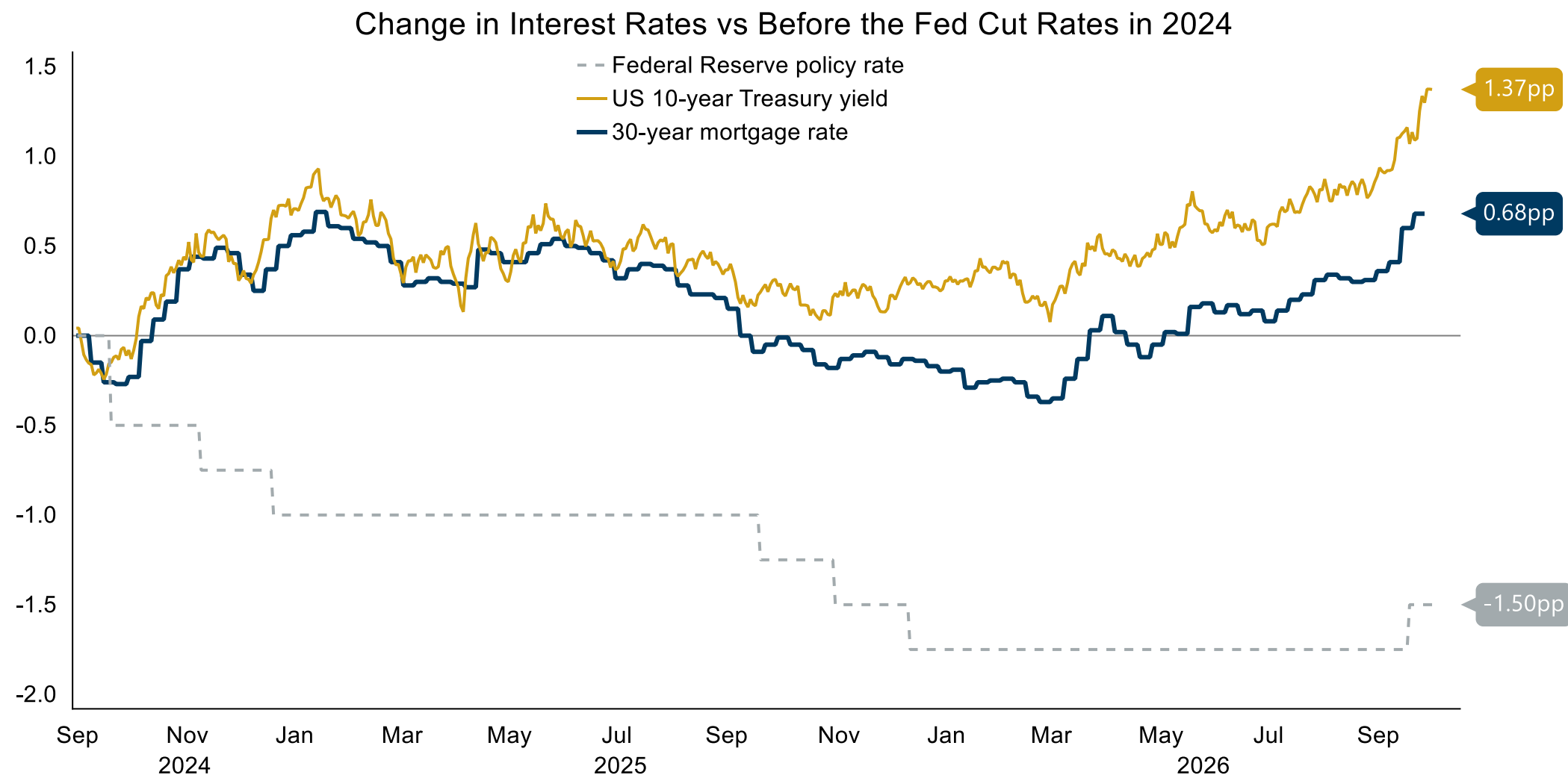
Markets started the year expecting 3 cuts but now expect 4 more hikes

Market-Implied Change in Federal Funds Rate, Next 12 Months



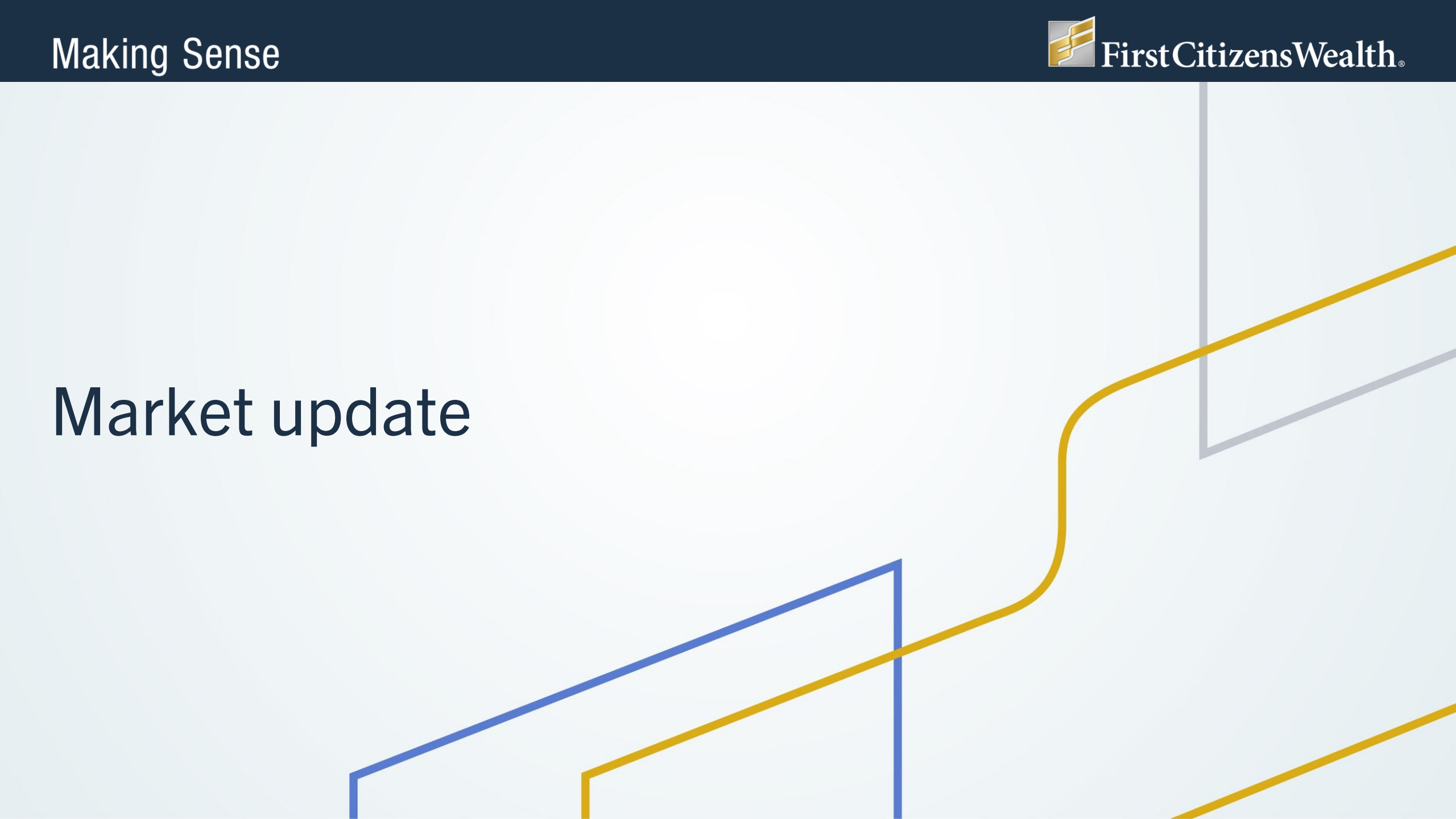
Source: Bloomberg, First Citizens Bank
Data as of: 9/30/2026

Longer-term interest rates move on factors other than just the Fed

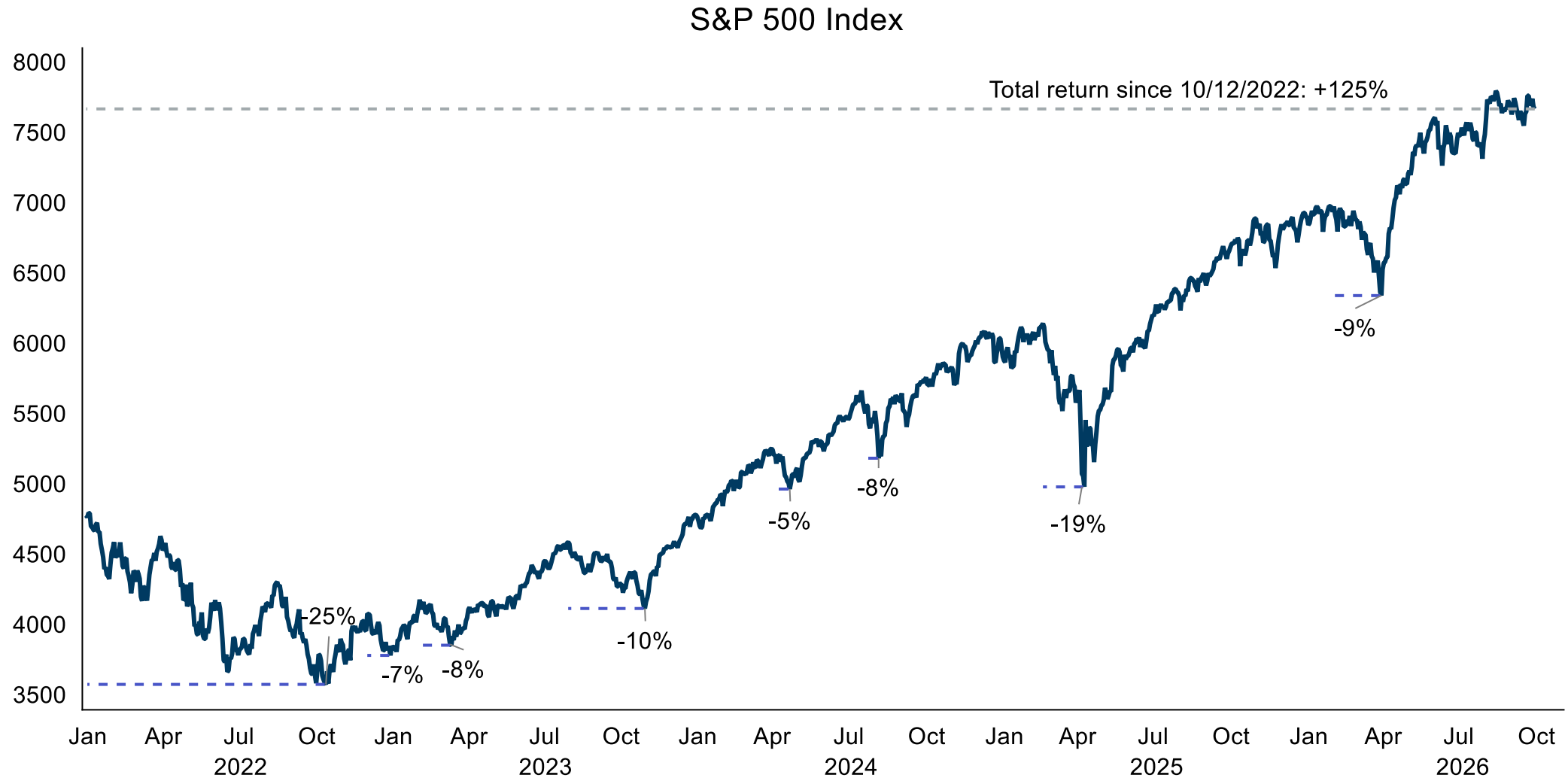


Source: Freddie Mac, Federal Reserve, Bloomberg First Citizens Bank
Data as of September 29, 2026.

Market update



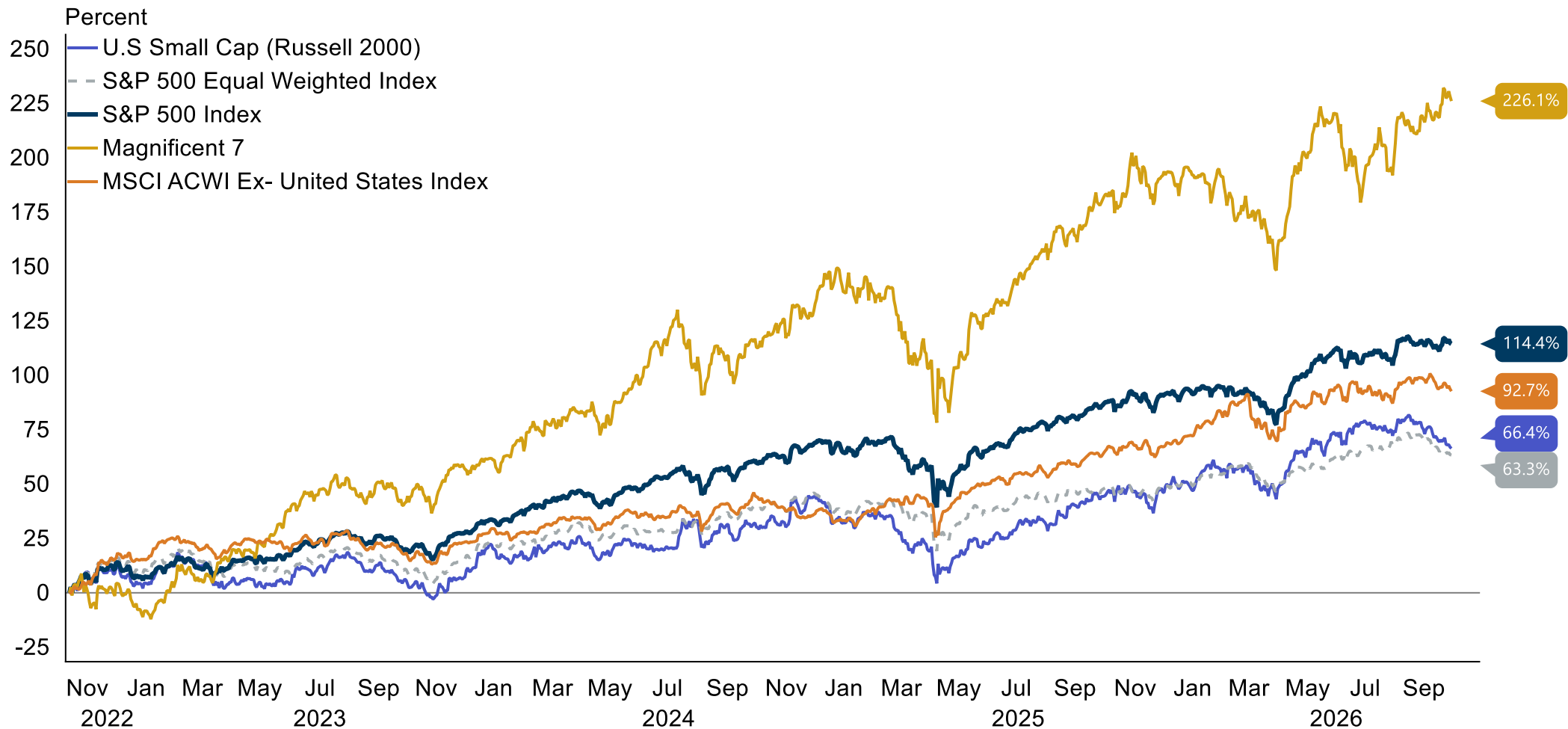
After a handful of selloffs, the current bull market has returned 126%



Source: Bloomberg
Data as of: 9/29/2026

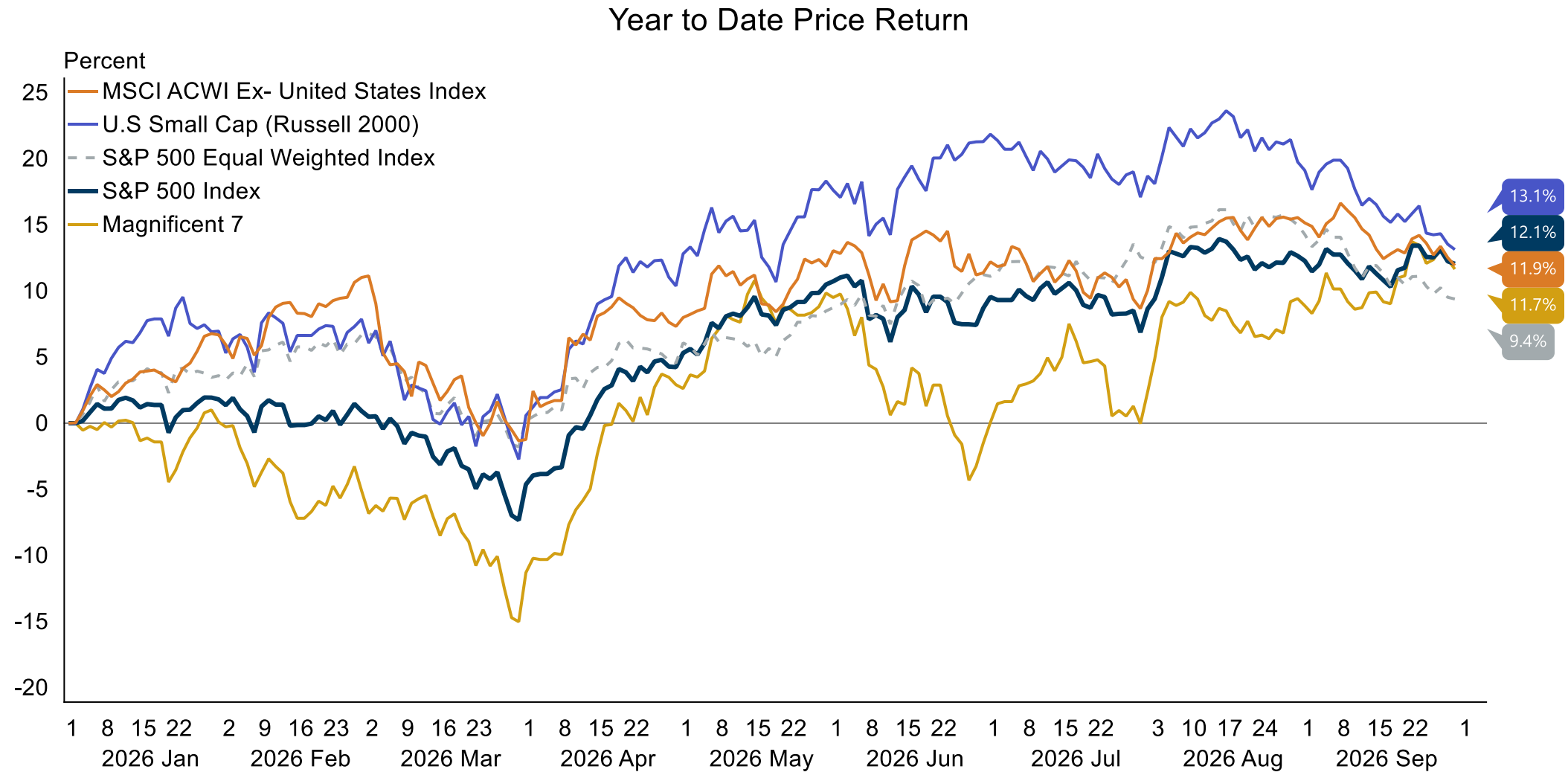
Mega cap tech has dominated since 2022...

Price Return Since Market Bottom in October 2022



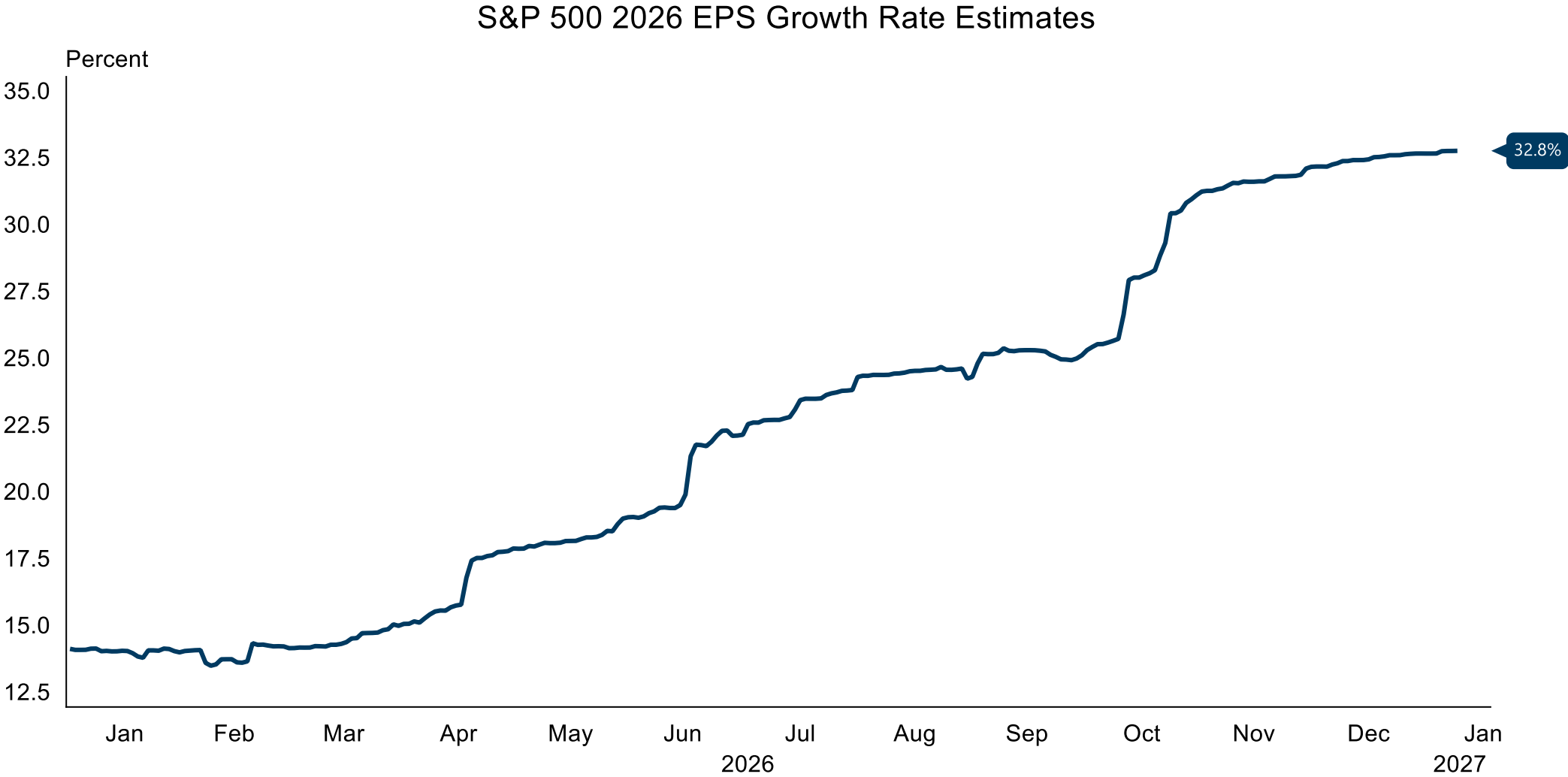
Source: Bloomberg
Data as of: 9/29/2026

... but small cap, equal-weight S&P, and international lead this year



Source: Bloomberg
Data as of: 9/29/2026.

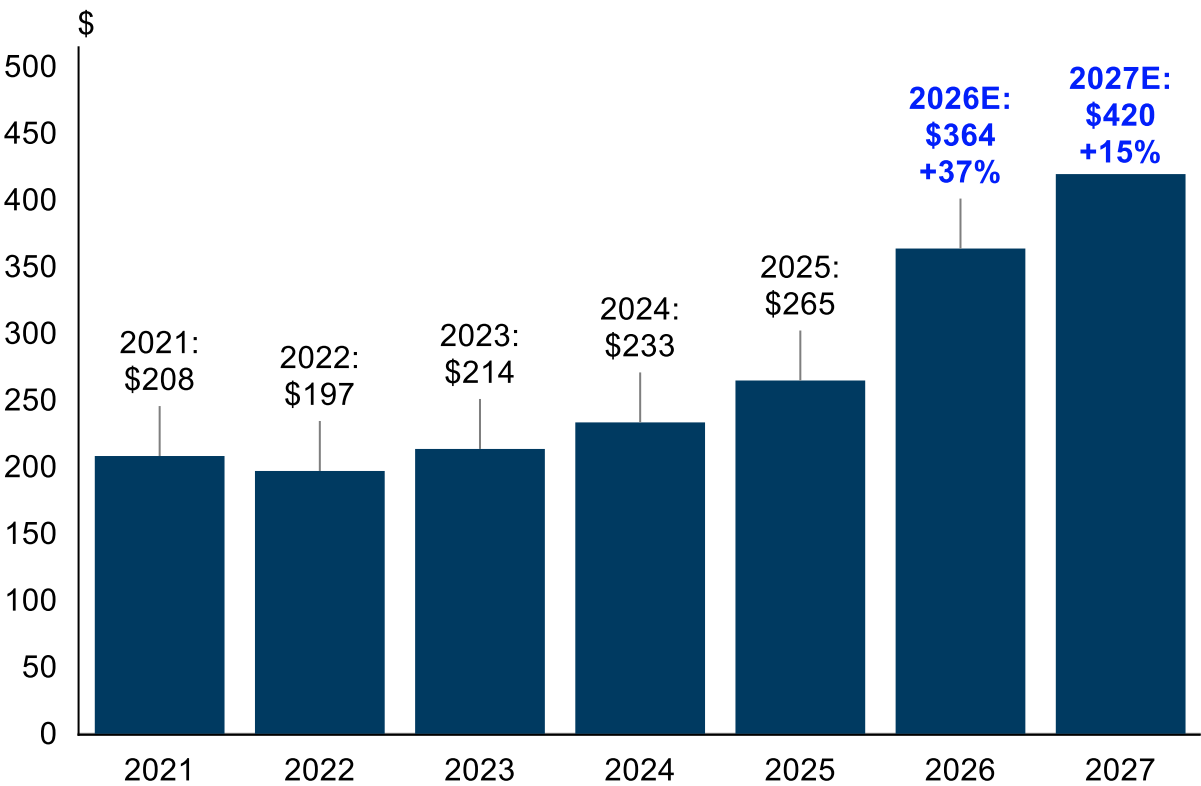
Earnings growth estimates have been revised substantially higher



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

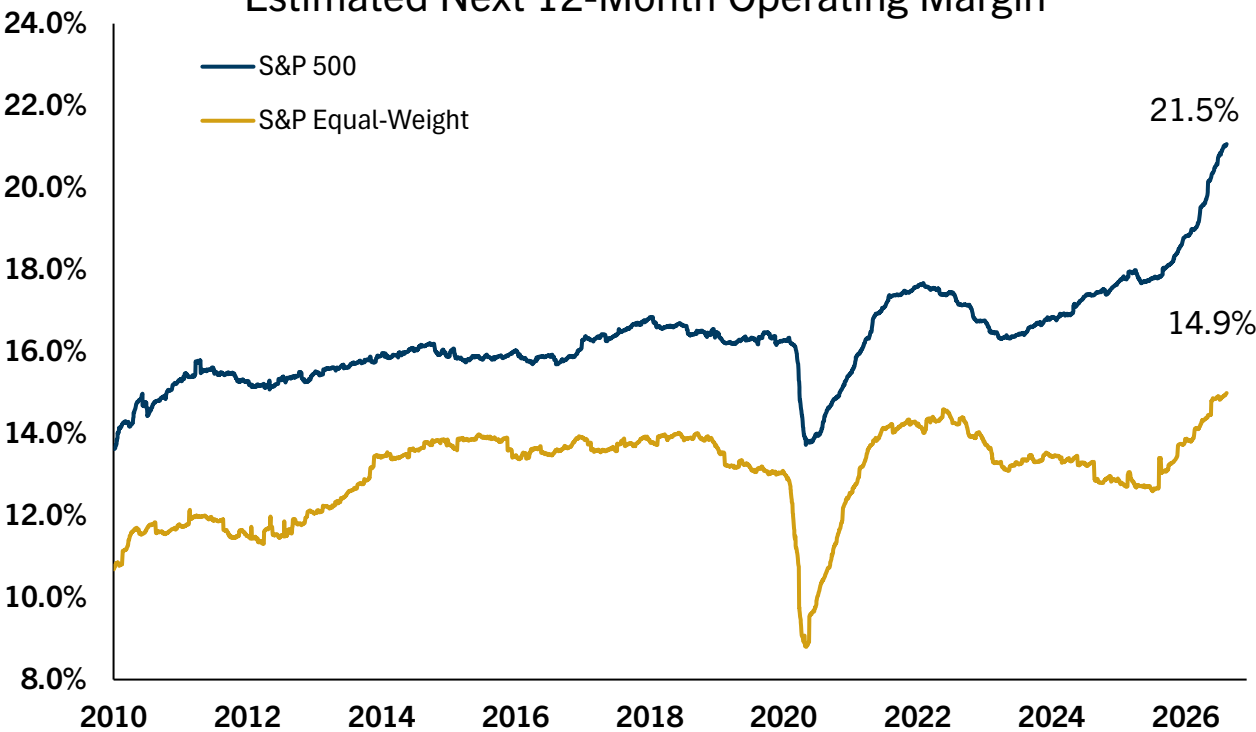
Earnings are remarkably robust, and profit margins are exceptional

S&P 500 Operating Earnings per Share



Source: Strategas, First Citizens Bank
Data as of September 17, 2026

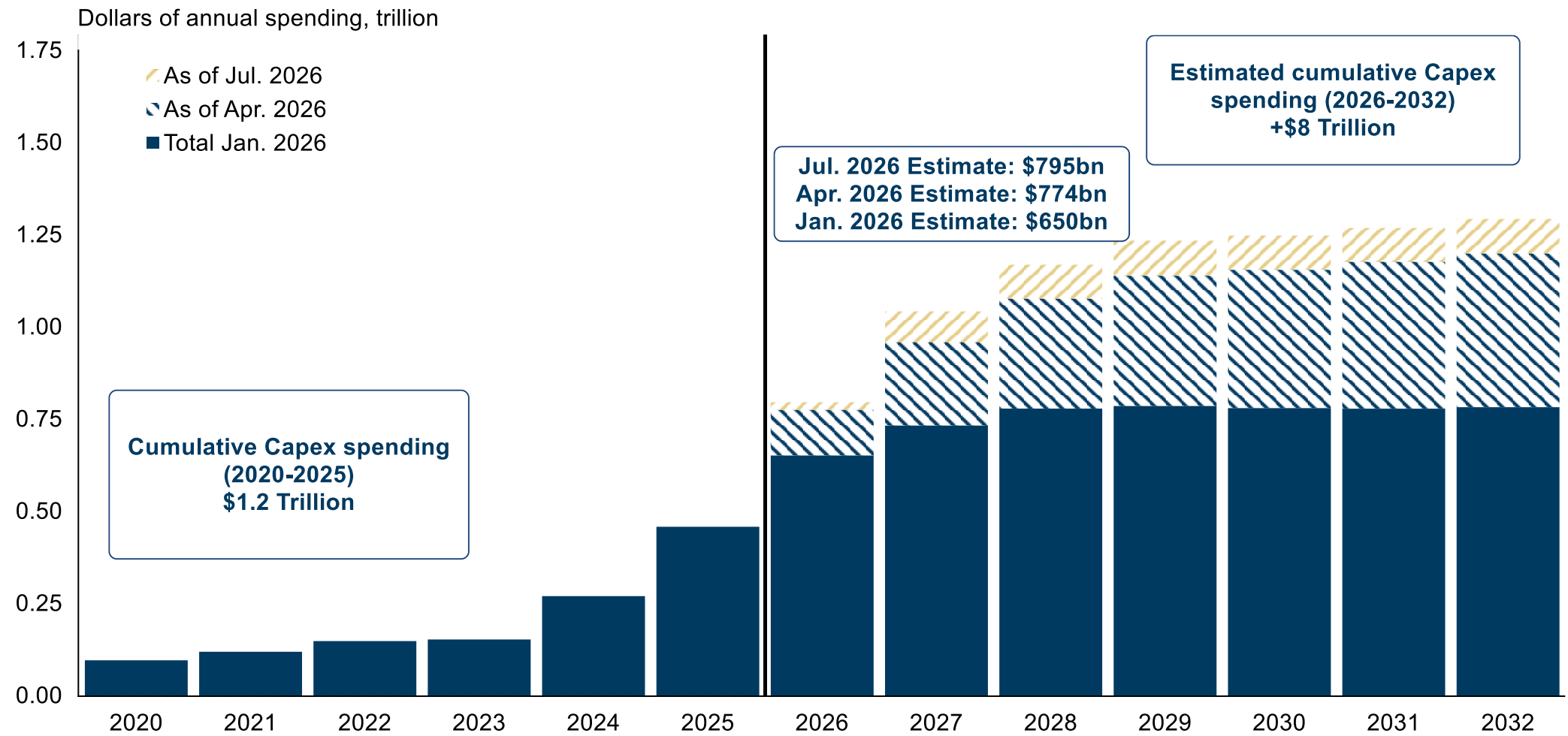
Estimated Next 12-Month Operating Margin



Source: FactSet, Bloomberg. Data as of 9/14/2026.

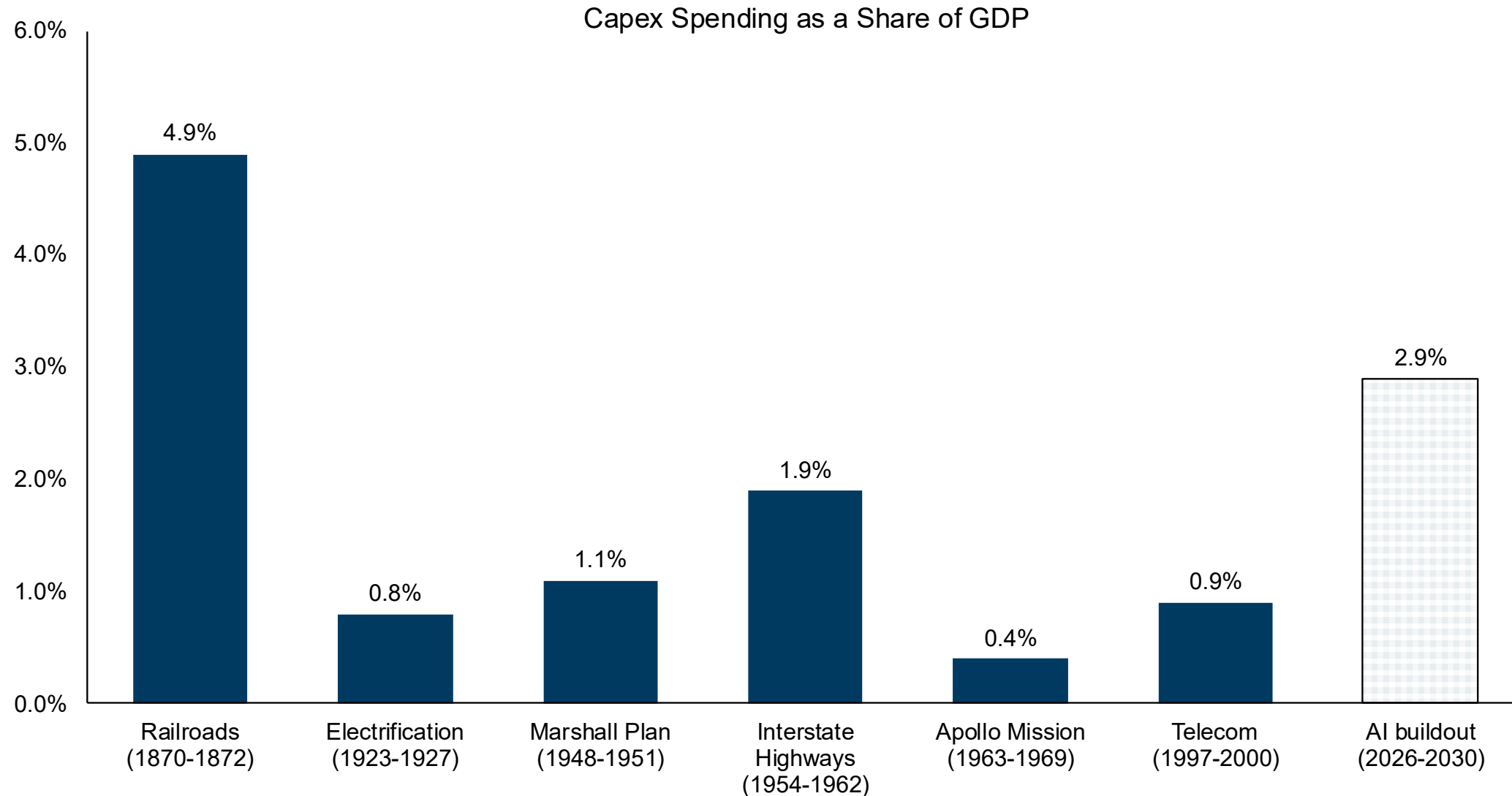
Expected spending on the AI buildout continues to rise

Capex Spending on Generative AI



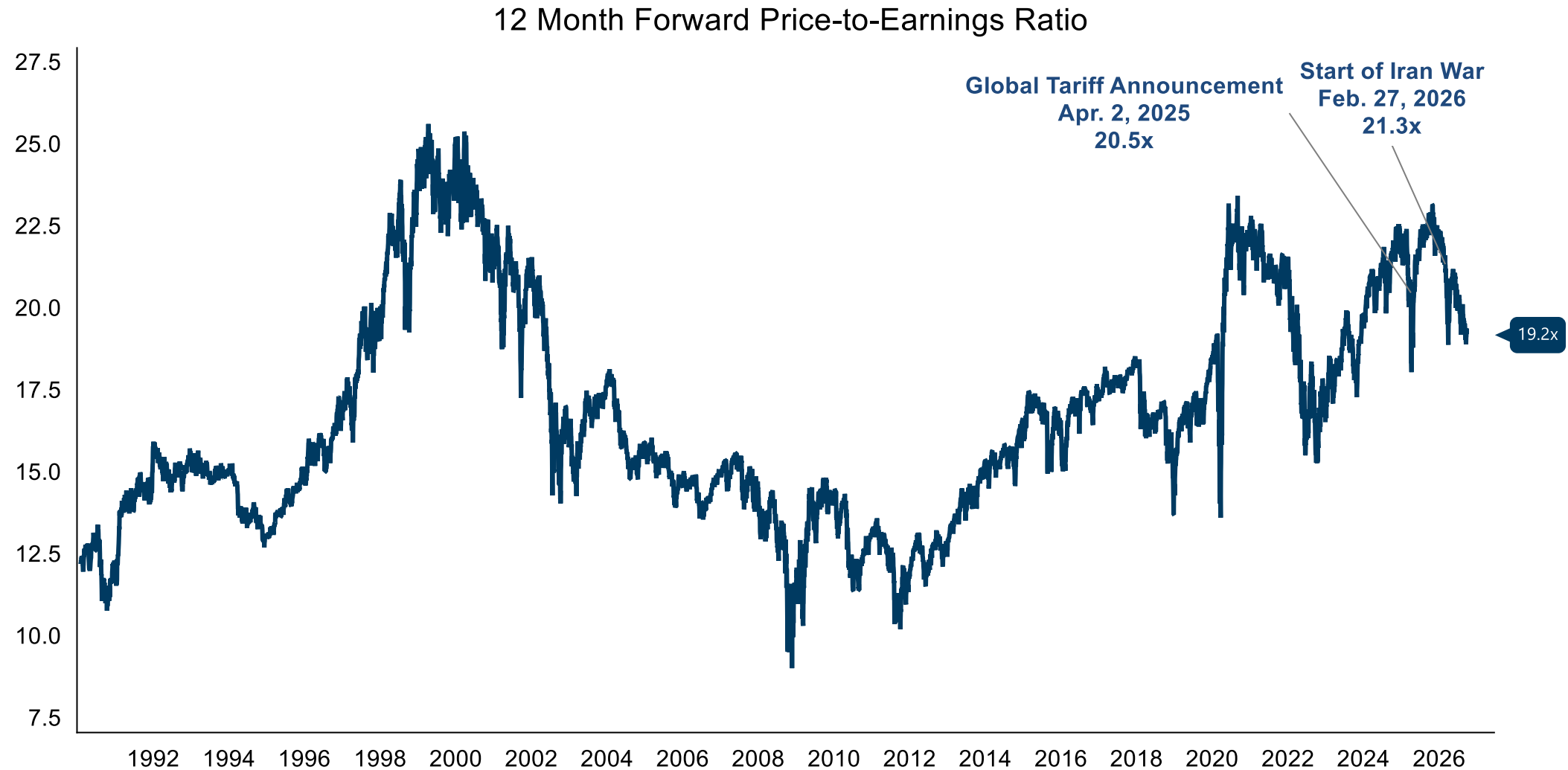
Source: Bloomberg
Data as of: 7/30/2026

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



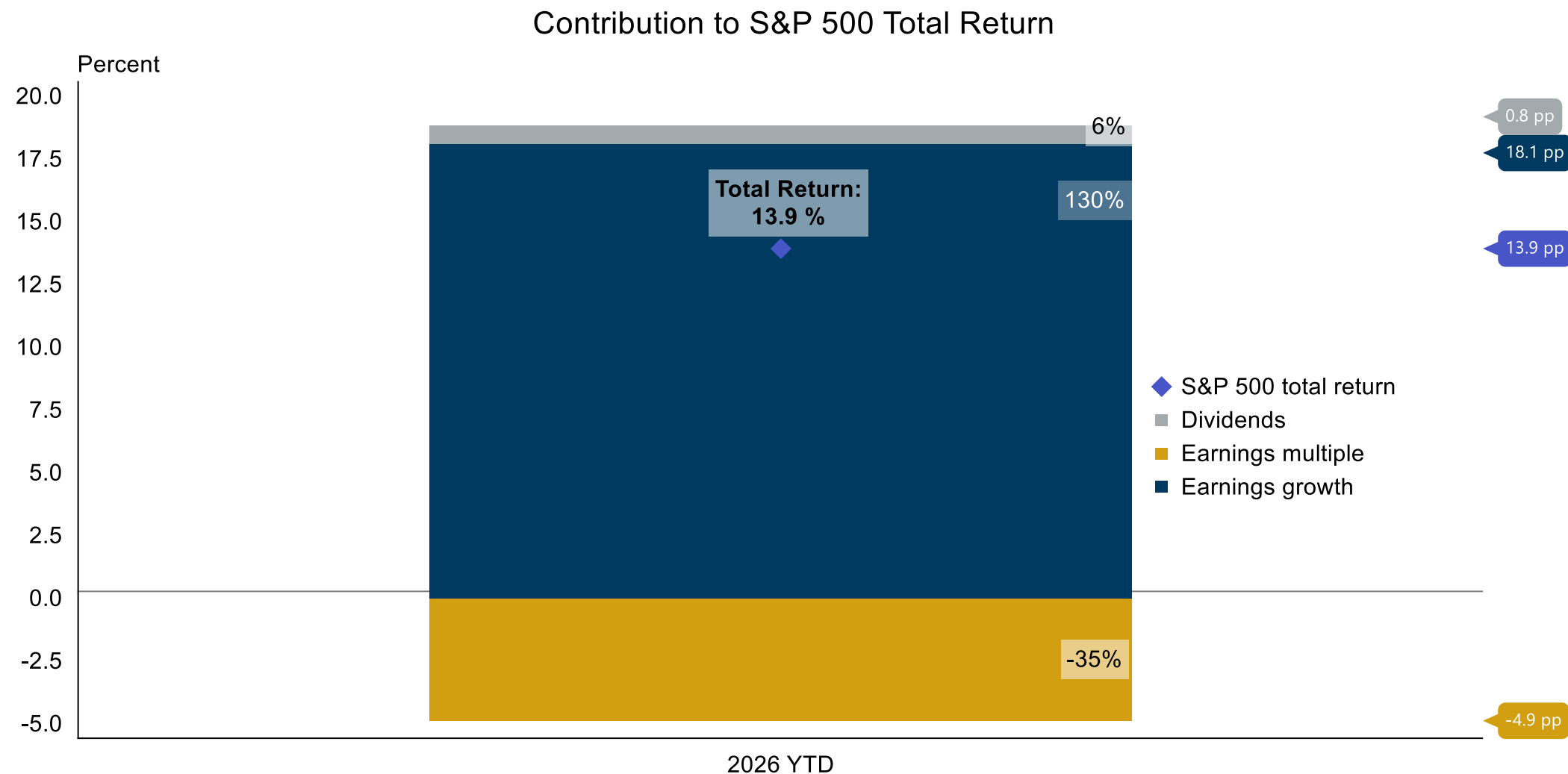
Source: Ulmer (1960) "Capital in Transportation, Communications, and Public Utilities: Its Formation and Financing" (NBER); Eichengreen and De Long (1991) "The Marshall Plan: History's Most Successful Structural Adjustment Program" (NBER); Federal Highway Administration, "Highway Statistics Summary to 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.

Forward valuations have recovered but remain below recent highs



Source: Bloomberg, First Citizens Bank
Data as of 9/25/2026

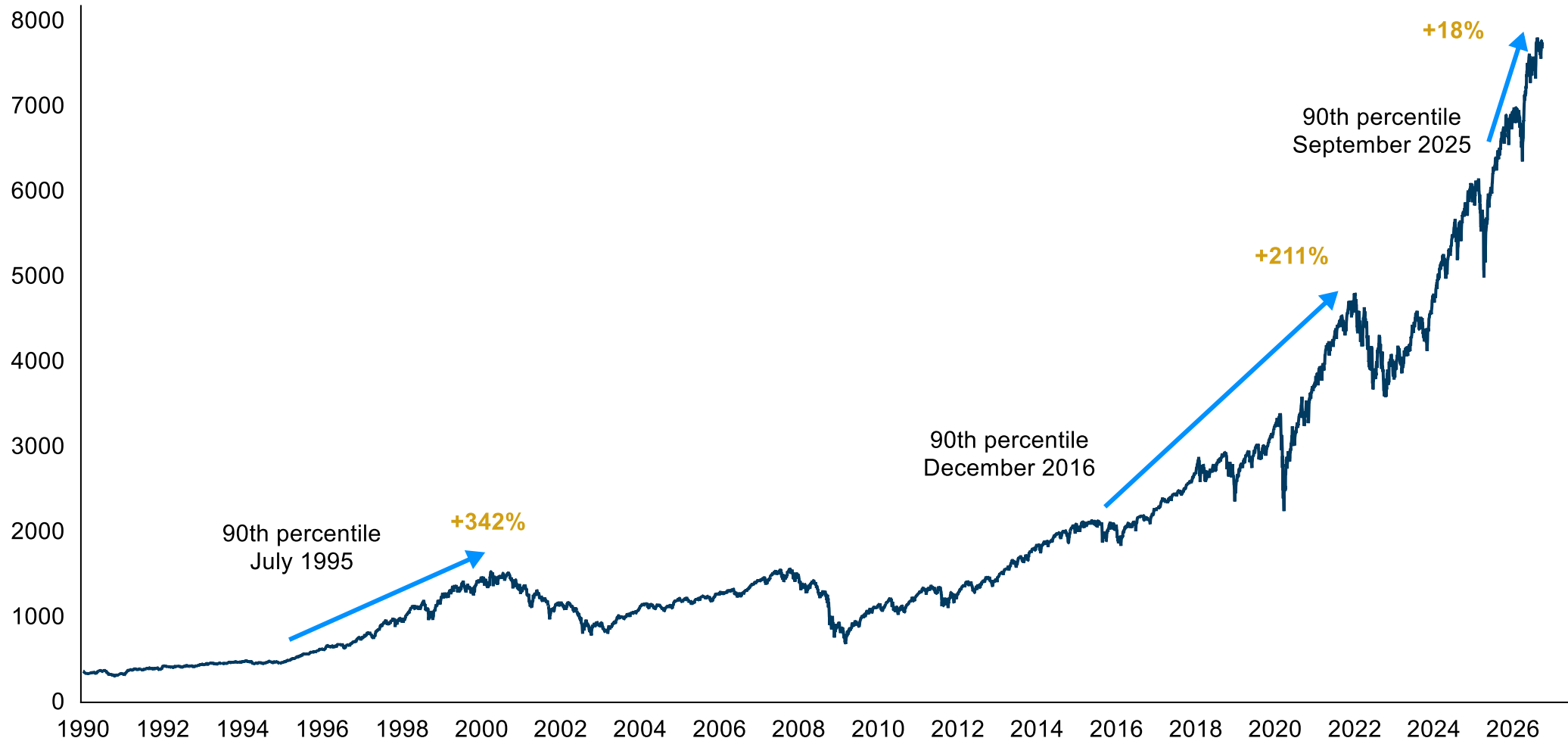
Earnings growth has driven more than the entirety of returns this year



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

Expensive equity markets can rally further

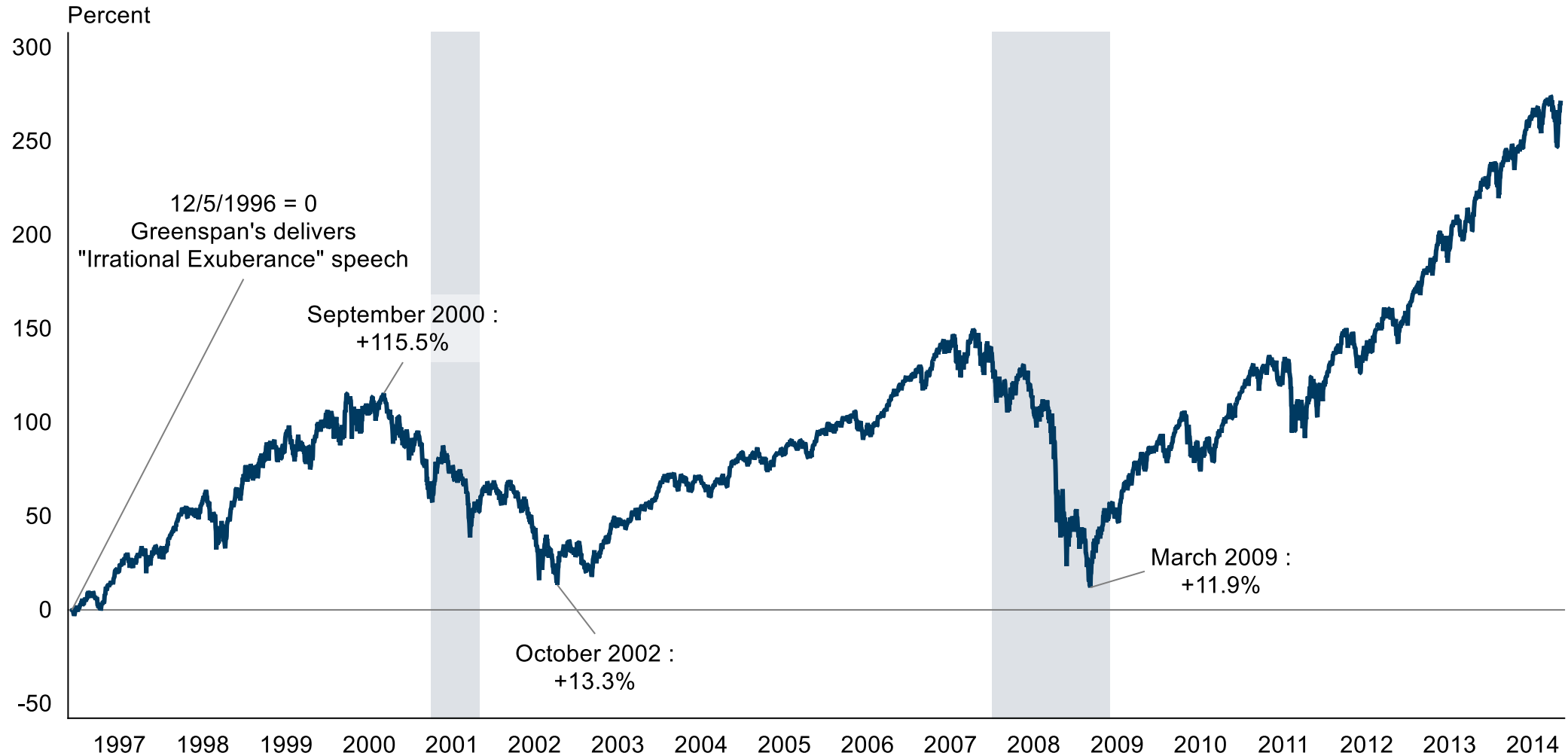
S&P 500 Index and Total Returns



Source: Bloomberg
Data as of: 9/30/2026

Expensive equity markets can rally further

S&P 500 Total Return Since Alan Greenspan's 1996 "Irrational Exuberance" Speech



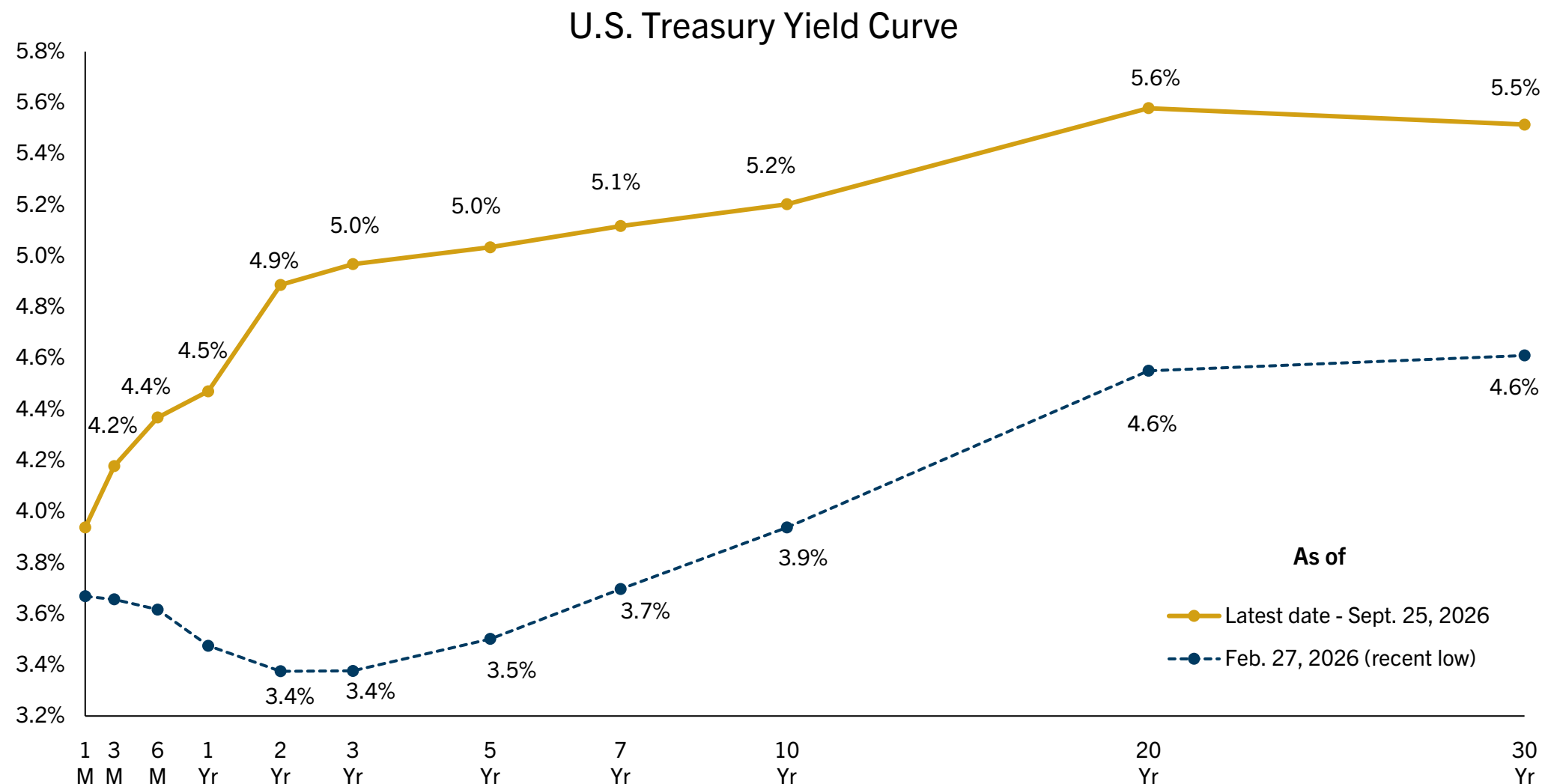
Source: Bloomberg, First Citizens Bank

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 9/29/2026
Bear	6,300	-17.9%
Base	8,300	8.2%
Bull	9,100	18.6%

Treasury yields have risen sharply across the curve



The 10-year Treasury yield is near longer-term averages



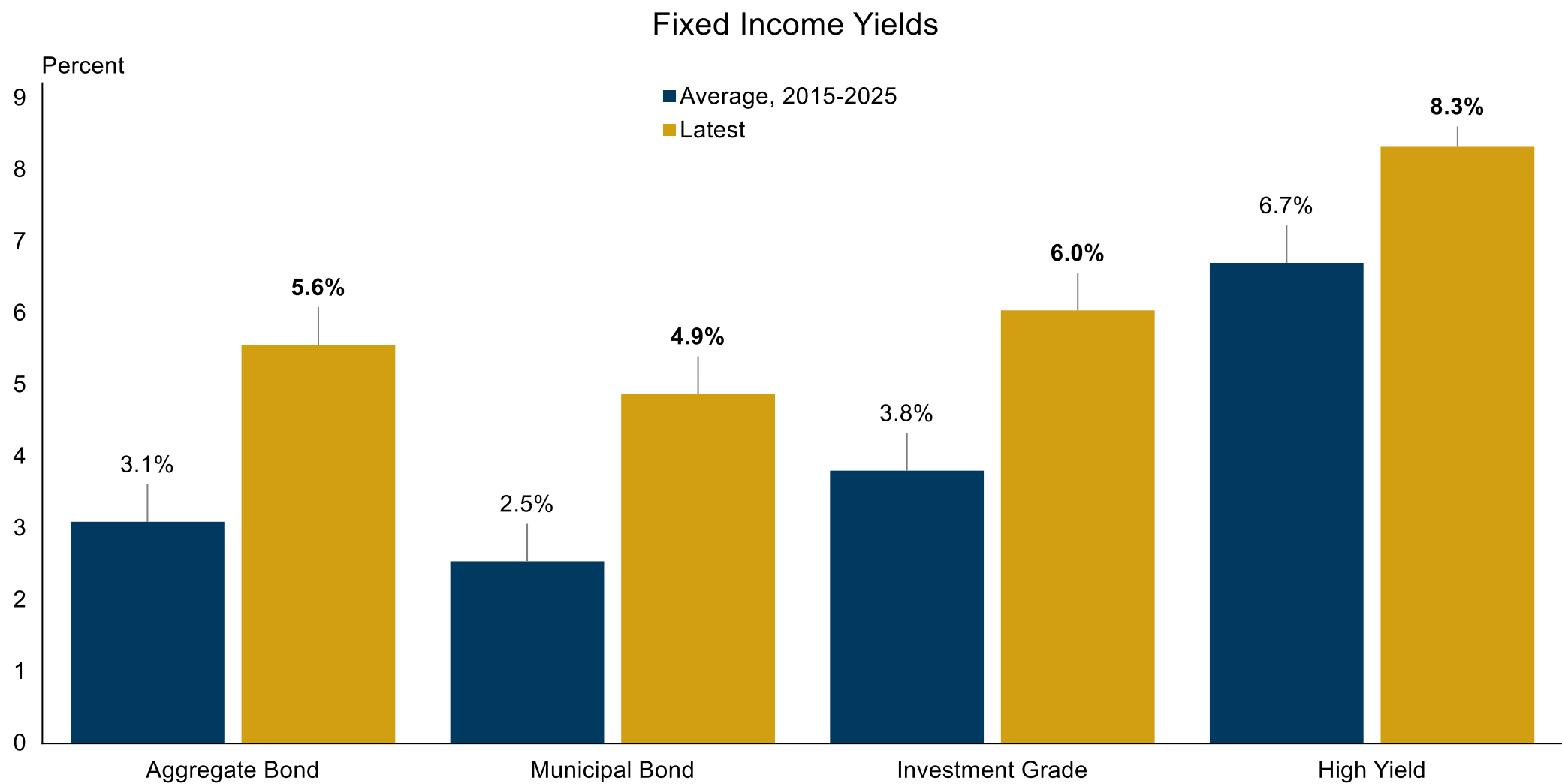
Source: Bloomberg
Data as of: 9/30/2026

The 10-year Treasury yield is near longer-term averages



Source: Bloomberg
Data as of: 9/30/2026

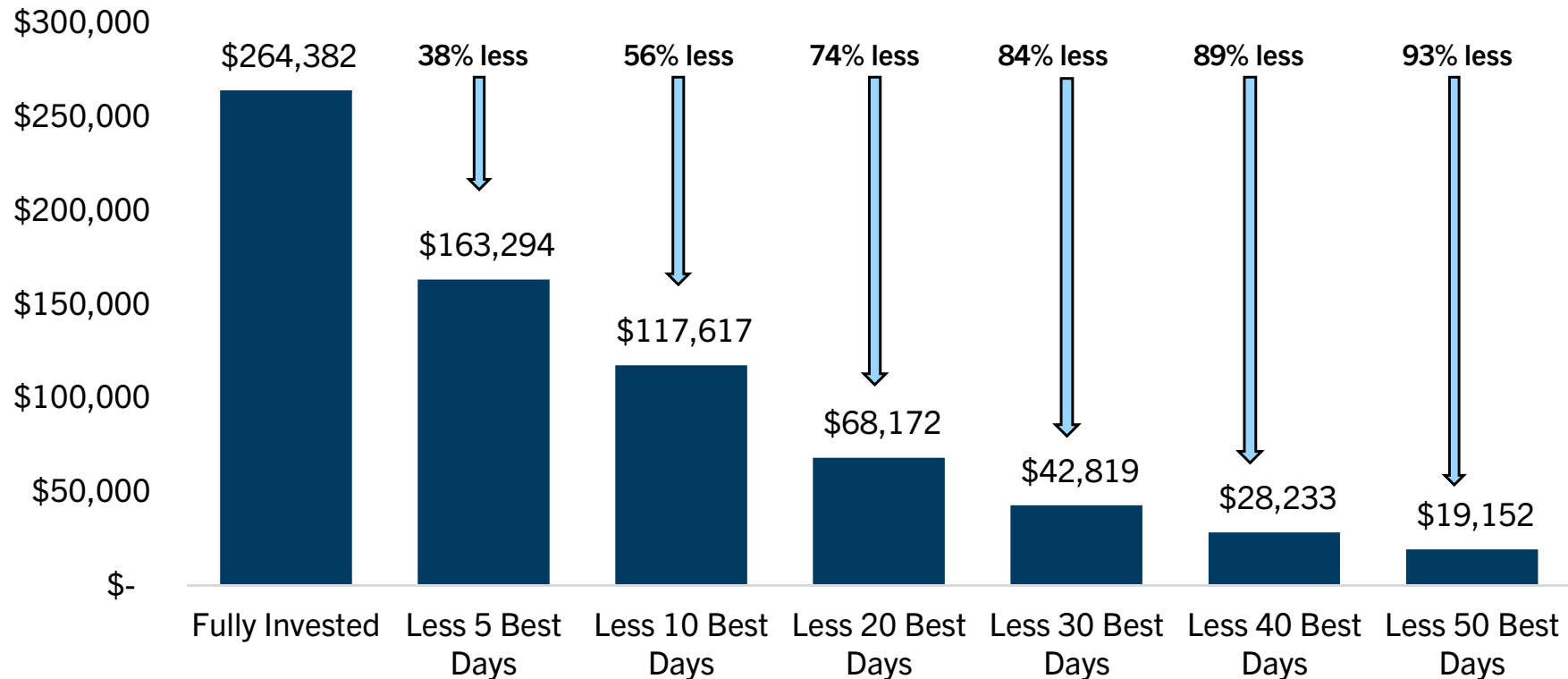
Fixed income is at an attractive entry point compared to the last decade



Source: Bloomberg
Data as of: 9/30/2026

Market timing is a dangerous game

Growth of \$10,000, S&P 500 Compounded Total Returns, 1995-2025



- Nearly half (48%) of the S&P 500 Index's strongest days occurred during a bear market.
- Another 28% of the market's best days took place in the first two months of a bull market—before it was clear a bull market had begun.

Making Sense

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