



Economic Update

September 2026

Rand Westlund, CFA

Statistics Do Not Lie...

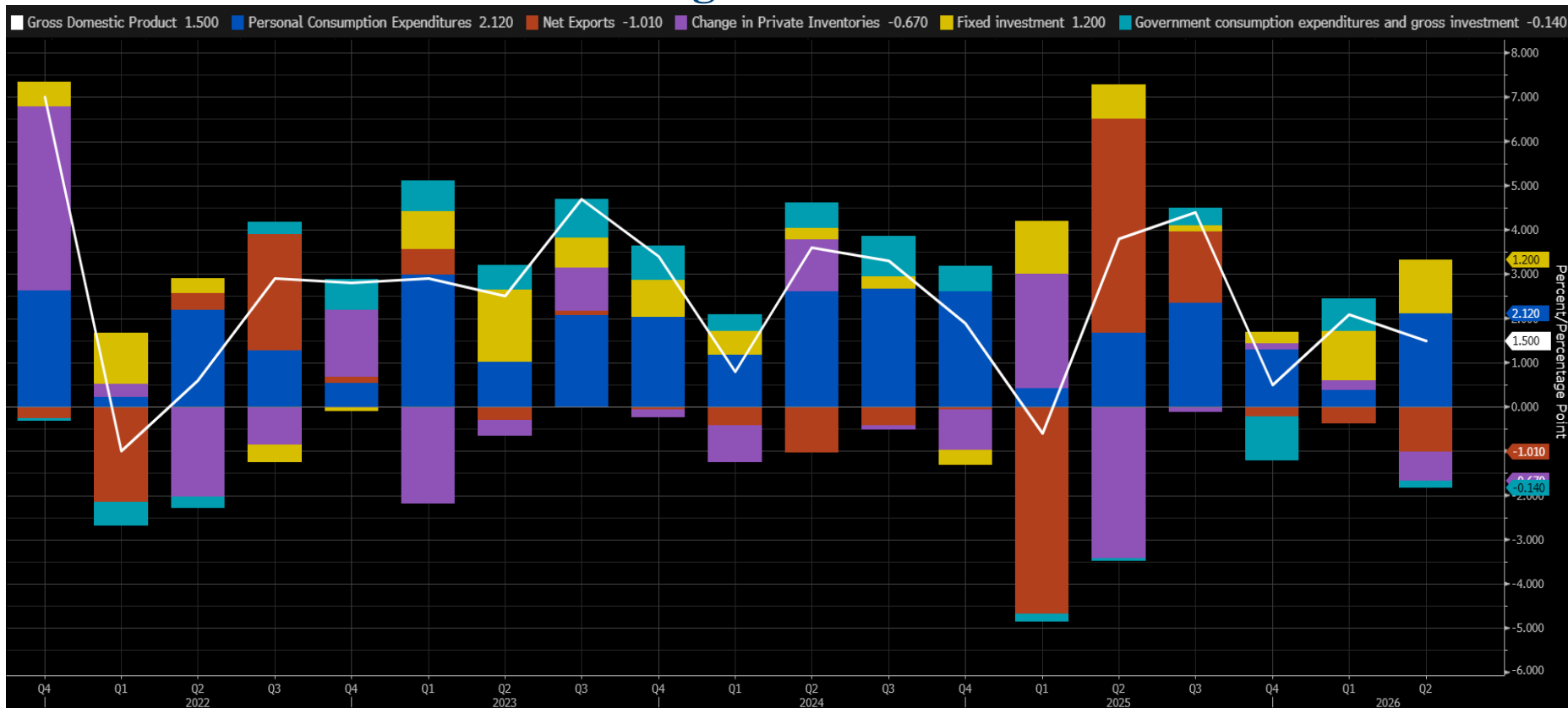
***“How can you and I find truth?
Through precise investigation.
But some truths don’t lend to
precise investigation.
In those cases, we’ll use
rational logic.
That presents a problem.
What problem?
Whose rational logic shall we use –
yours or mine?”***

The Book of Gleeb, p. 33, 1968

Thinking About Global Economic Growth and Momentum

Global PMIs		Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26
World	Manufacturing	50.9	50.7	50.8	50.5	50.4	50.9	51.8	51.3	52.6	52.7	52.2	n/a
	Services	53.4	52.9	53.5	53.2	52.4	52.8	53.4	50.8	51.2	51.3	51.7	n/a
Developed	Manufacturing	50.9	50.3	50.6	50.5	50.5	51.4	51.8	52.0	53.8	53.9	53.2	n/a
	Services	53.3	52.9	53.8	53.3	52.1	52.6	52.1	50.1	50.4	49.8	50.6	n/a
U.S.	Manufacturing	53.0	52.0	52.5	52.2	51.8	52.4	51.6	52.3	54.5	55.1	53.9	53.9
	Services	54.5	54.2	54.8	54.1	52.5	52.7	51.7	49.8	51.0	50.7	51.2	53.6
Memo: ISM Mfg		48.9	48.9	48.8	48.0	47.9	52.6	52.4	52.7	52.7	54.0	53.3	55.6
Memo: ISM Services		51.9	50.4	52.0	52.4	53.8	53.8	56.1	54.0	53.6	54.5	54.0	n/a
Emerging	Manufacturing	50.9	51.2	51.1	50.5	50.4	50.6	52.0	50.7	51.6	51.6	51.4	n/a
	Services	53.9	53.0	53.0	53.3	53.0	53.0	56.1	51.9	52.7	54.0	53.5	n/a
China	Manufacturing	50.5	51.2	50.6	49.9	50.1	50.3	52.1	50.8	52.2	51.8	51.7	50.9
	Services	53.0	52.9	52.6	52.1	52.0	52.3	56.7	52.1	52.6	54.4	54.1	n/a

US Economic Growth – Parsing the Elements



Indicator	Actual / Forecasts				Probability of Recession 20.0%							
	Q3 25	Q4 25	Q1 26	Q2 26	Q3 26	Q4 26	Q1 27	Q2 27	Q3 27	Q4 27		
Economic Activity												
Real GDP (YoY%)	2.3	2.0	2.7	2.1	1.7	2.0	2.1	2.1	2.1	2.2		
Real GDP (QoQ% SAAR)	4.4	0.5	2.1	1.5	2.1	2.0	2.1	2.2	2.2	2.2		
Consumer Spending (QoQ% SAAR)	3.5	1.9	0.5	3.2	1.9	2.0	2.0	2.0	2.1	2.1		
Government Spending (QoQ% SAAR)	2.2	-5.6	4.4	-0.8	1.2	1.5	1.2	1.2	1.1	1.1		
Private Investment (QoQ% SAAR)	0.0	2.3	7.9	3.0	4.7	4.4	3.8	4.0	3.9	3.7		
Exports (QoQ% SAAR)	9.6	-3.2	10.9	4.5	2.5	2.5	2.4	2.4	2.4	2.5		
Imports (QoQ% SAAR)	-4.4	-1.0	11.8	11.5	3.5	3.3	2.5	2.9	2.5	2.5		

Under a New Federal Reserve Leader

An old quote keeps coming to mind:

***“None of the old rules work any more
(but then they never did).”***

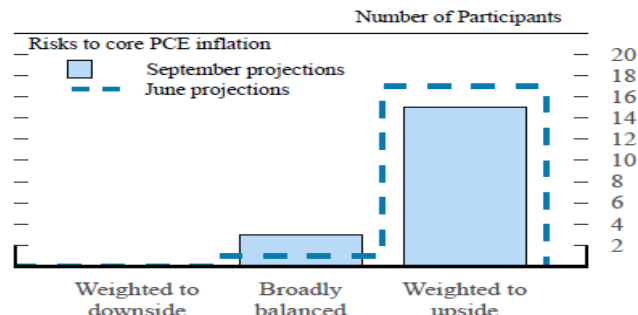
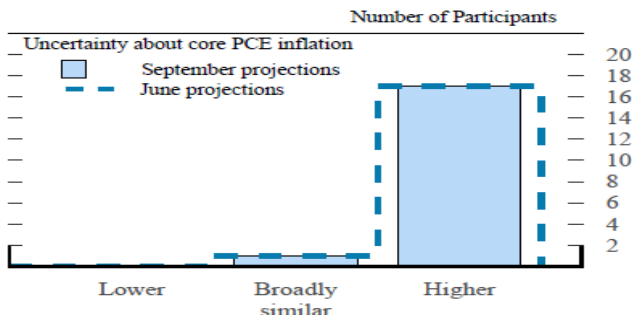
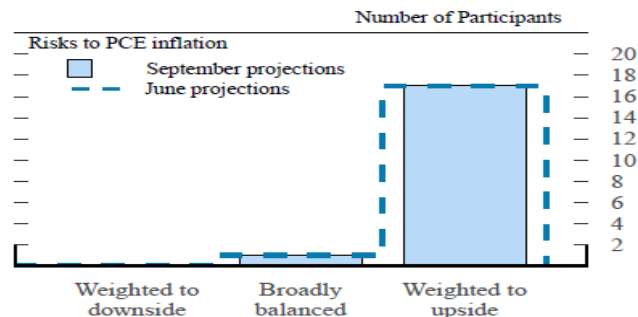
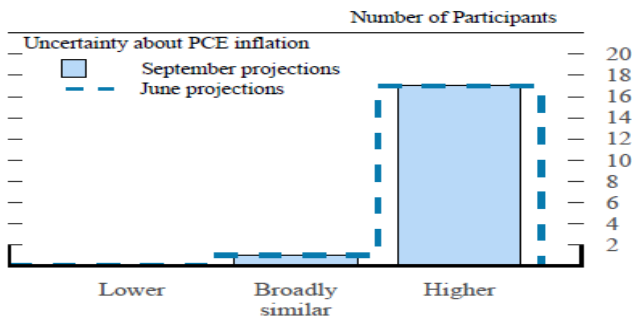
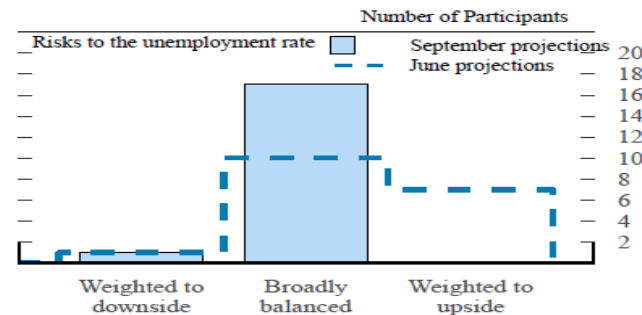
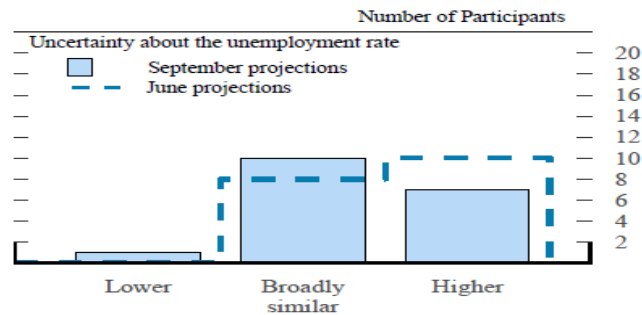
Consider the Federal Reserve's

Primary Objectives:

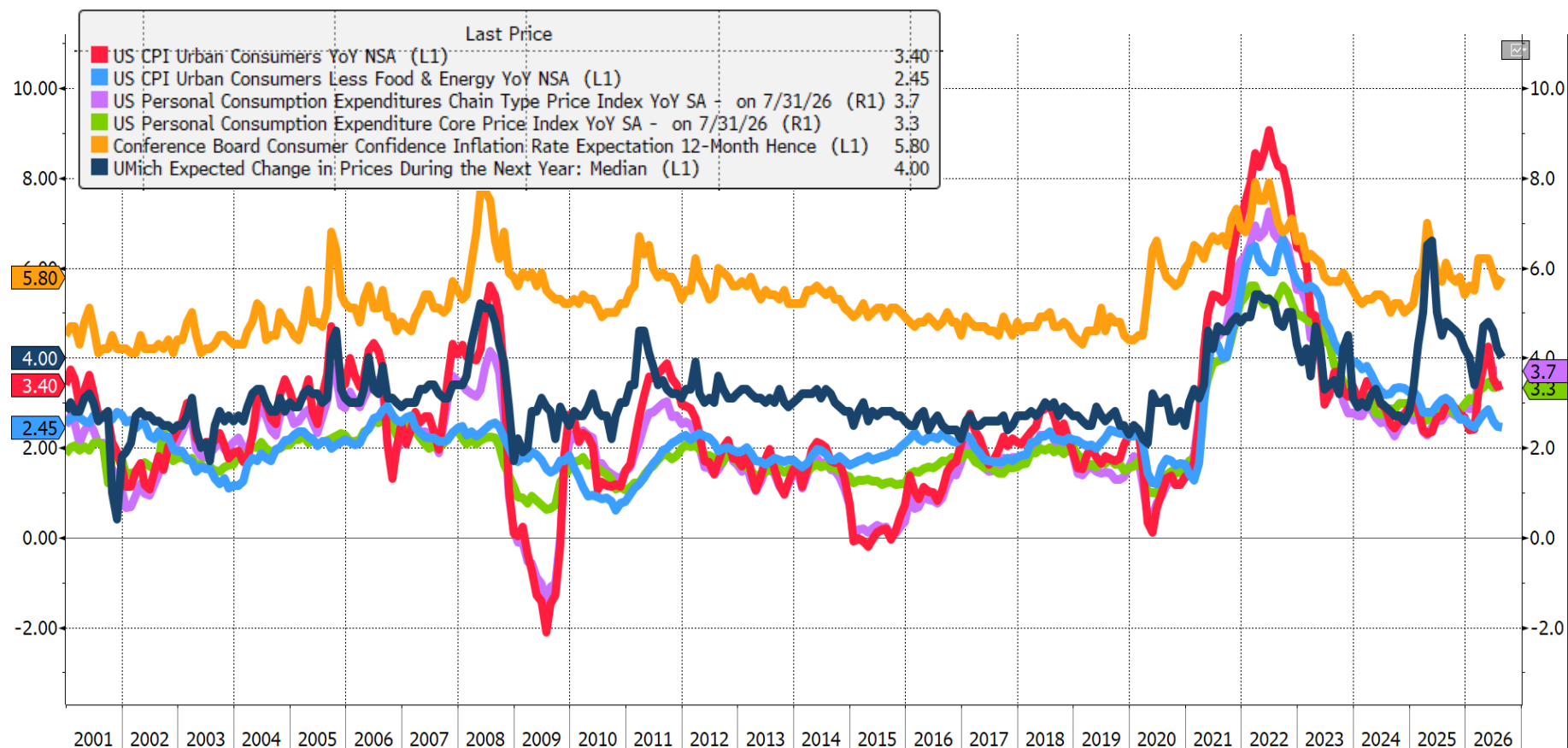
1 – ***Low*** Inflation

2 – ***Low*** Unemployment

FOMC Summary – Uncertainty and Risk



The Long-Term of Inflation

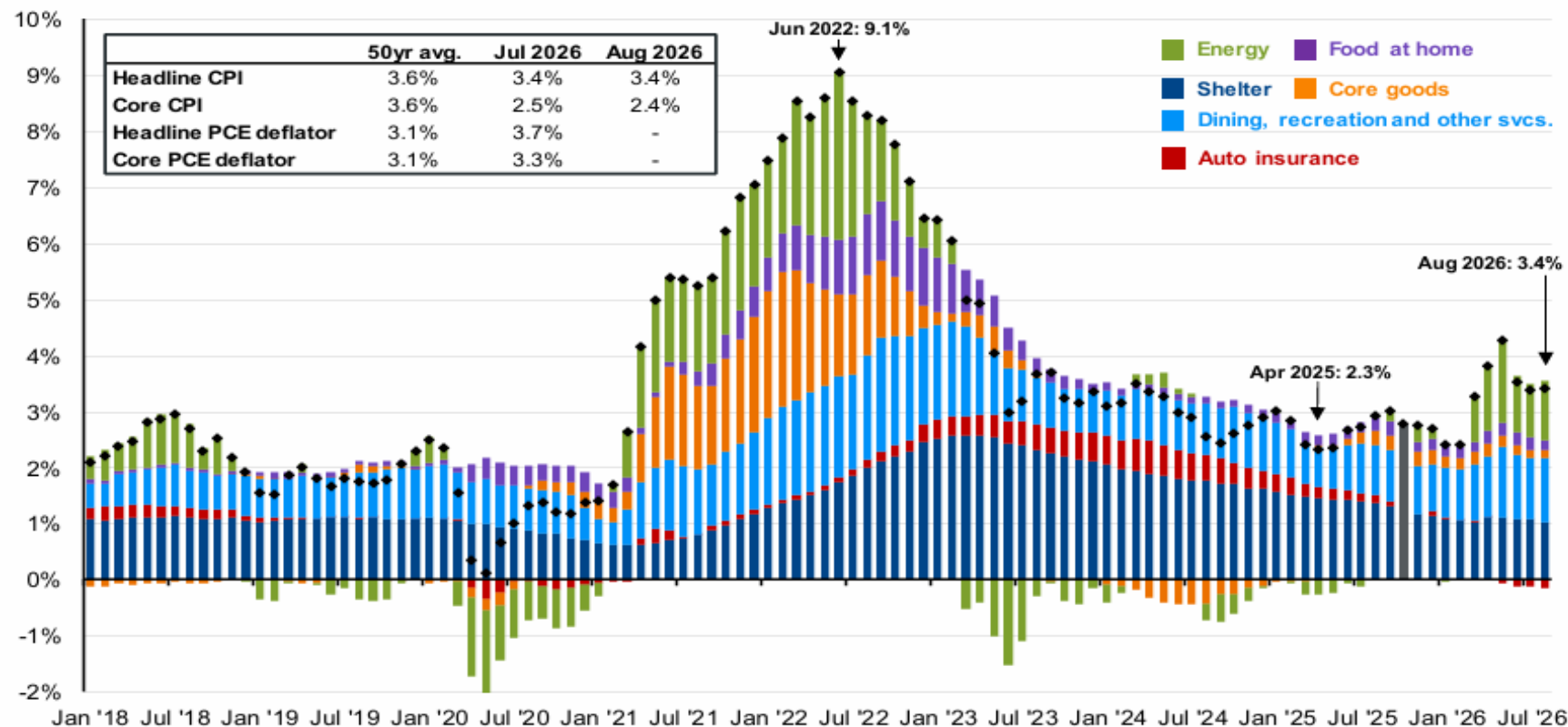


Actual / Forecasts		Probability of Recession 22.0%									
Indicator		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Price Indices											
CPI (YoY%)		1.8	1.2	4.7	8.0	4.1	3.0	2.7	3.3	2.4	2.3
PCE Price Index (YoY%)		1.4	1.1	4.1	6.5	3.8	2.6	2.6	3.5	2.4	2.1
Core PCE (yoy%)		1.7	1.3	3.6	5.3	4.2	2.9	2.8	3.2	2.5	2.2

A Closer Focus on CPI Inflation

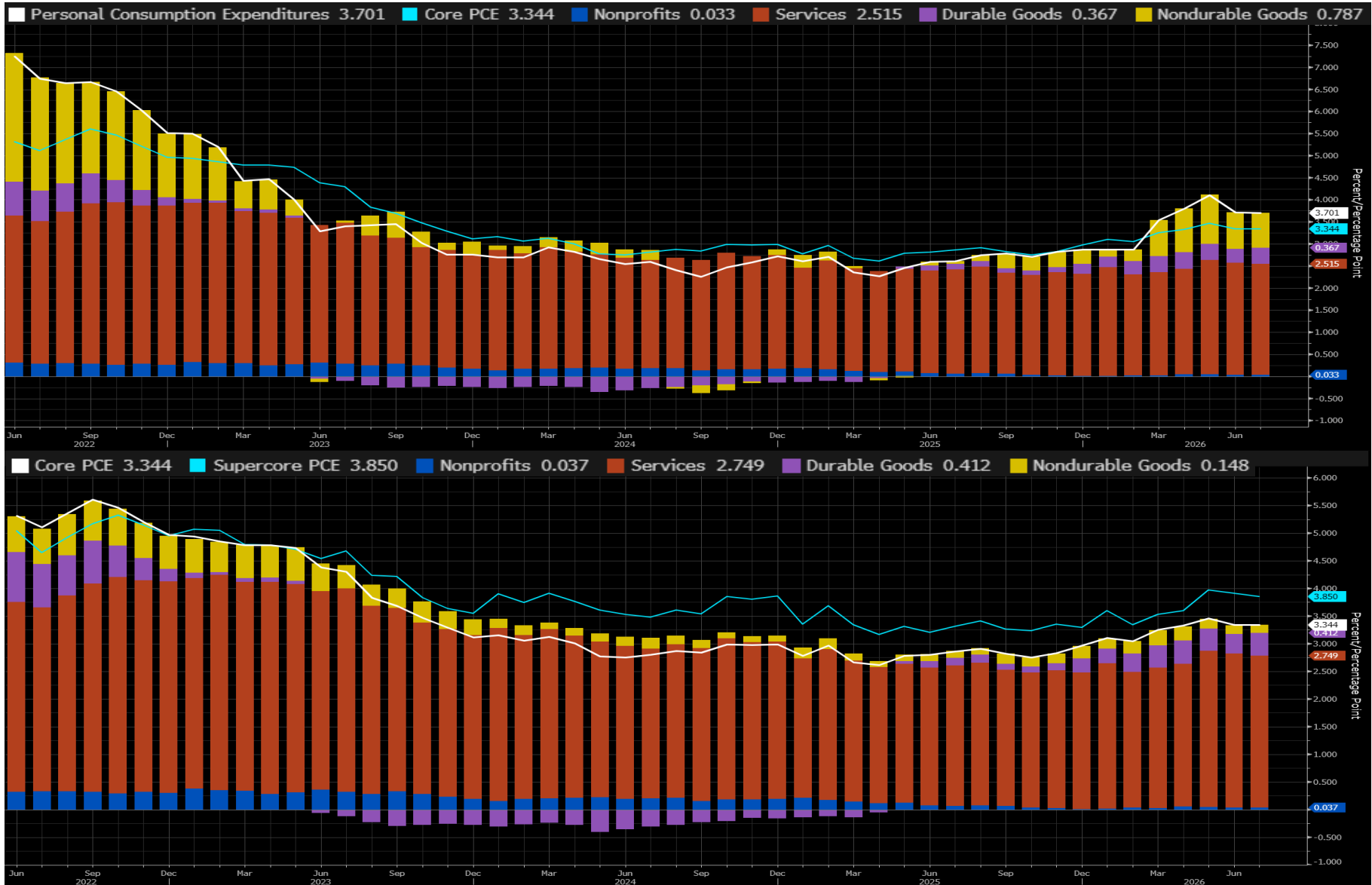
Contributors to headline CPI inflation

Contribution to year-over-year % change in CPI, non-seasonally adjusted

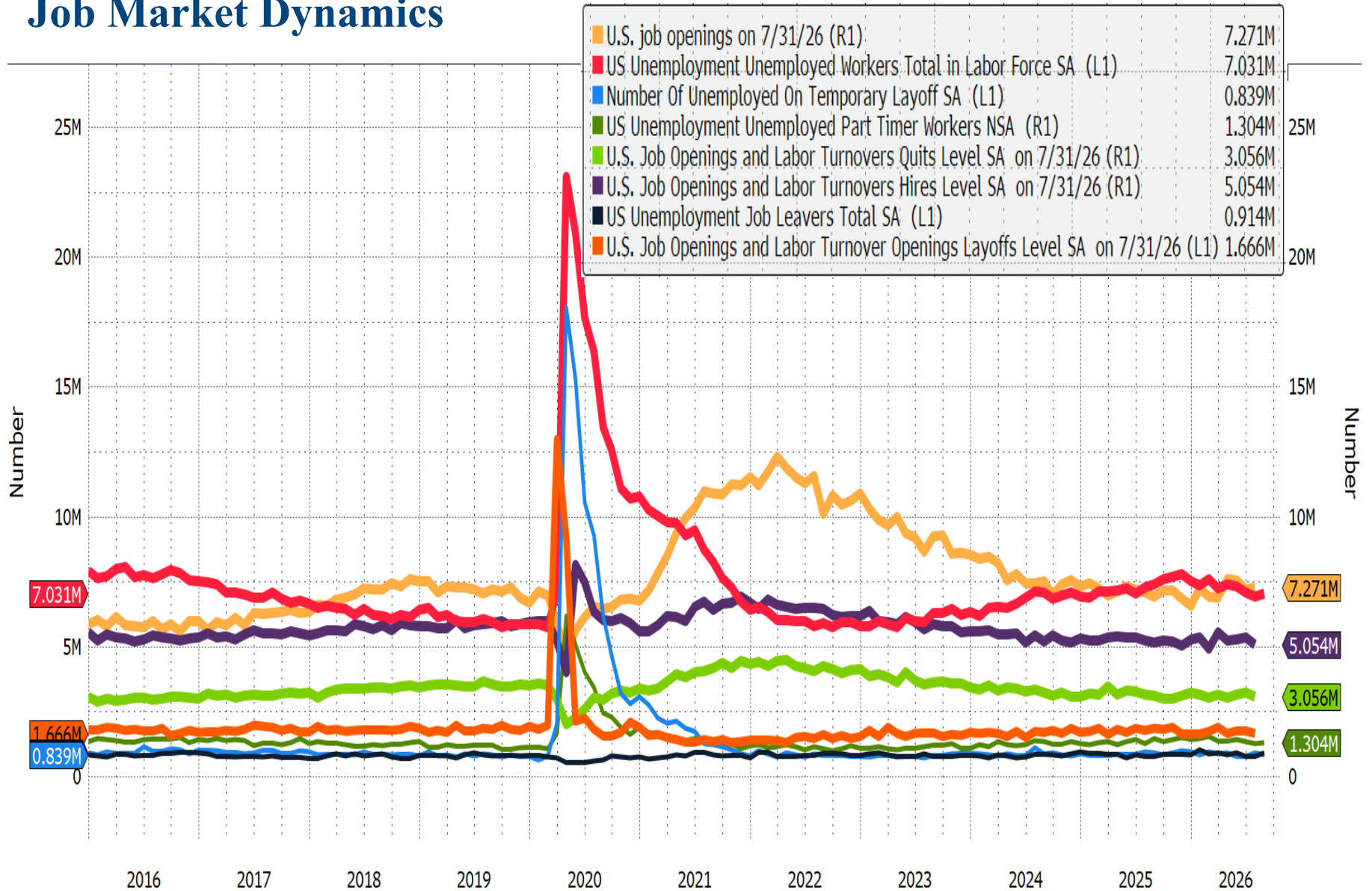


Actual/ Forecasts		Probability of Recession 22.0%									
Indicator		Q4 25	Q1 26	Q2 26	Q3 26	Q4 26	Q1 27	Q2 27	Q3 27	Q4 27	Q1 28
Price Indices											
CPI (YoY%)		2.7	2.7	3.9	3.3	3.3	3.0	2.0	2.3	2.2	2.2
PCE Price Index (YoY%)		2.8	3.1	3.8	3.6	3.5	3.0	2.2	2.3	2.2	2.1
Core PCE (yoy%)		2.9	3.1	3.4	3.3	3.2	2.7	2.5	2.4	2.4	2.2

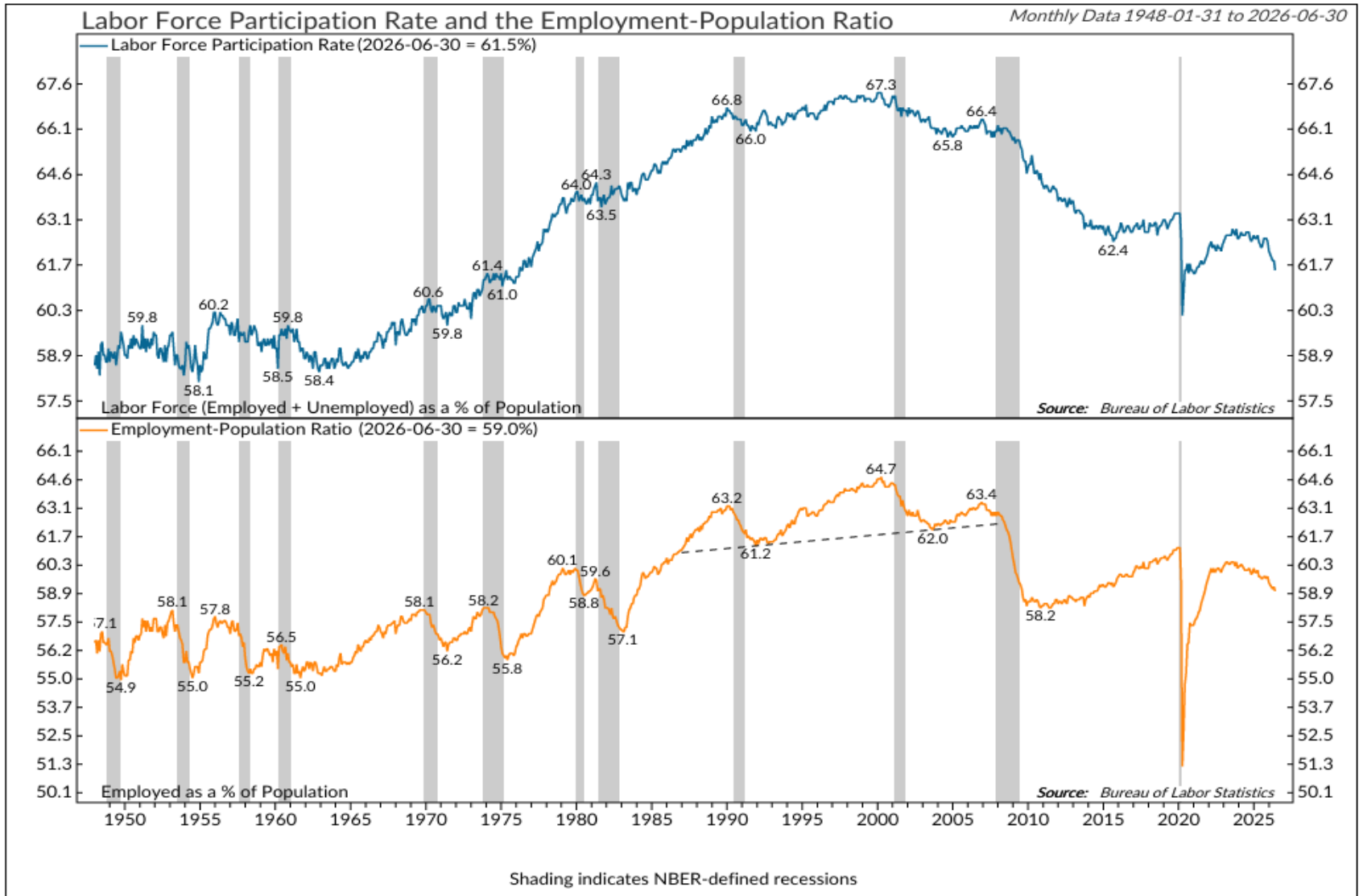
A Closer Focus on PCE Inflation – Jun 2022 – Jul 2026



Job Market Dynamics



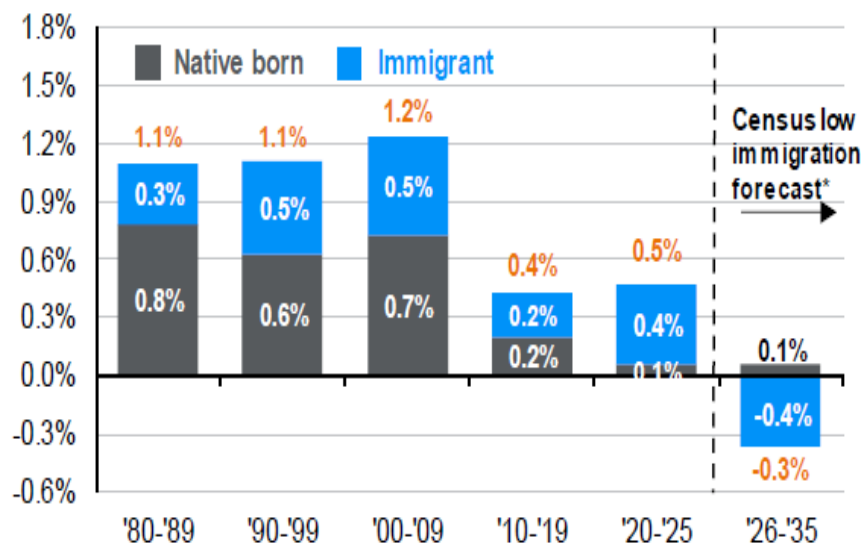
Labor Force Market Dynamics



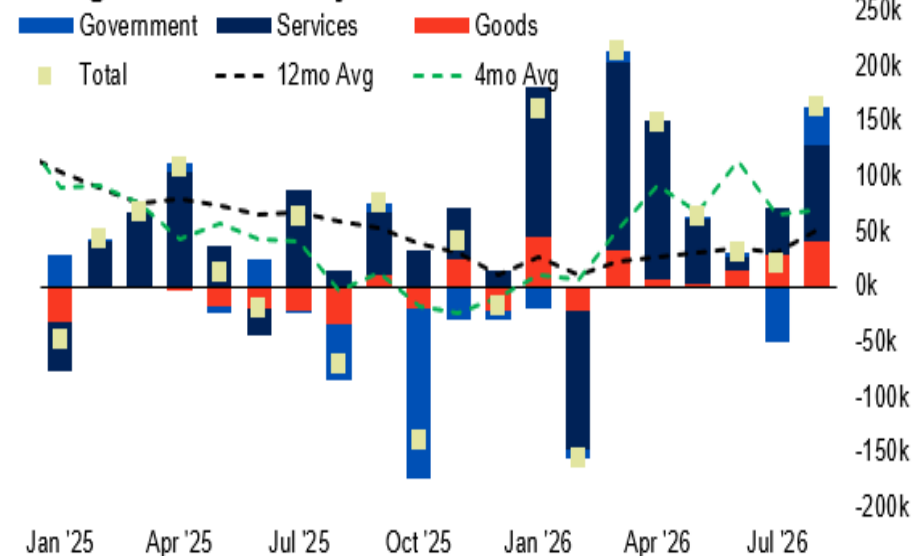
Looking at Labor Force and Job Gains

Growth in working-age population

Percent increase in civilian non-institutional population ages 16-64



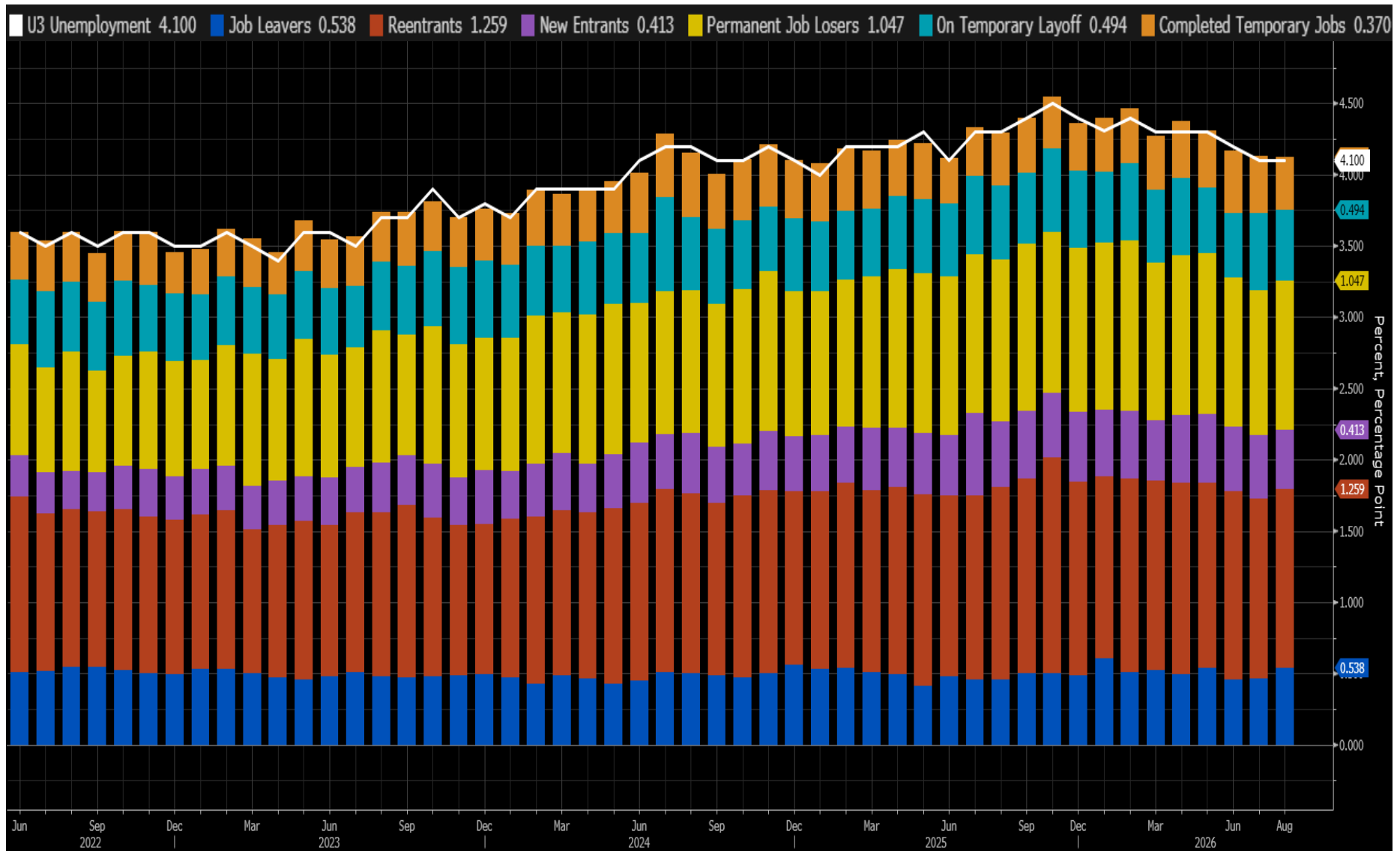
Change in Nonfarm Payrolls



Source: BLS, Macrobond

	Actual / Forecasts			Probability of Recession 22.0%						
Indicator	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Labor Market										
Unemployment (%)	3.7	8.1	5.4	3.6	3.6	4.0	4.3	4.3	4.3	4.2
Non Farm Payrolls (000s SA, monthly chg.)	166	-771	603	380	210	122	10	70	71	81
Average Hourly Earnings (YoY%)	3.3	4.9	4.3	5.4	4.5	4.0	4.0	3.4	3.2	3.3

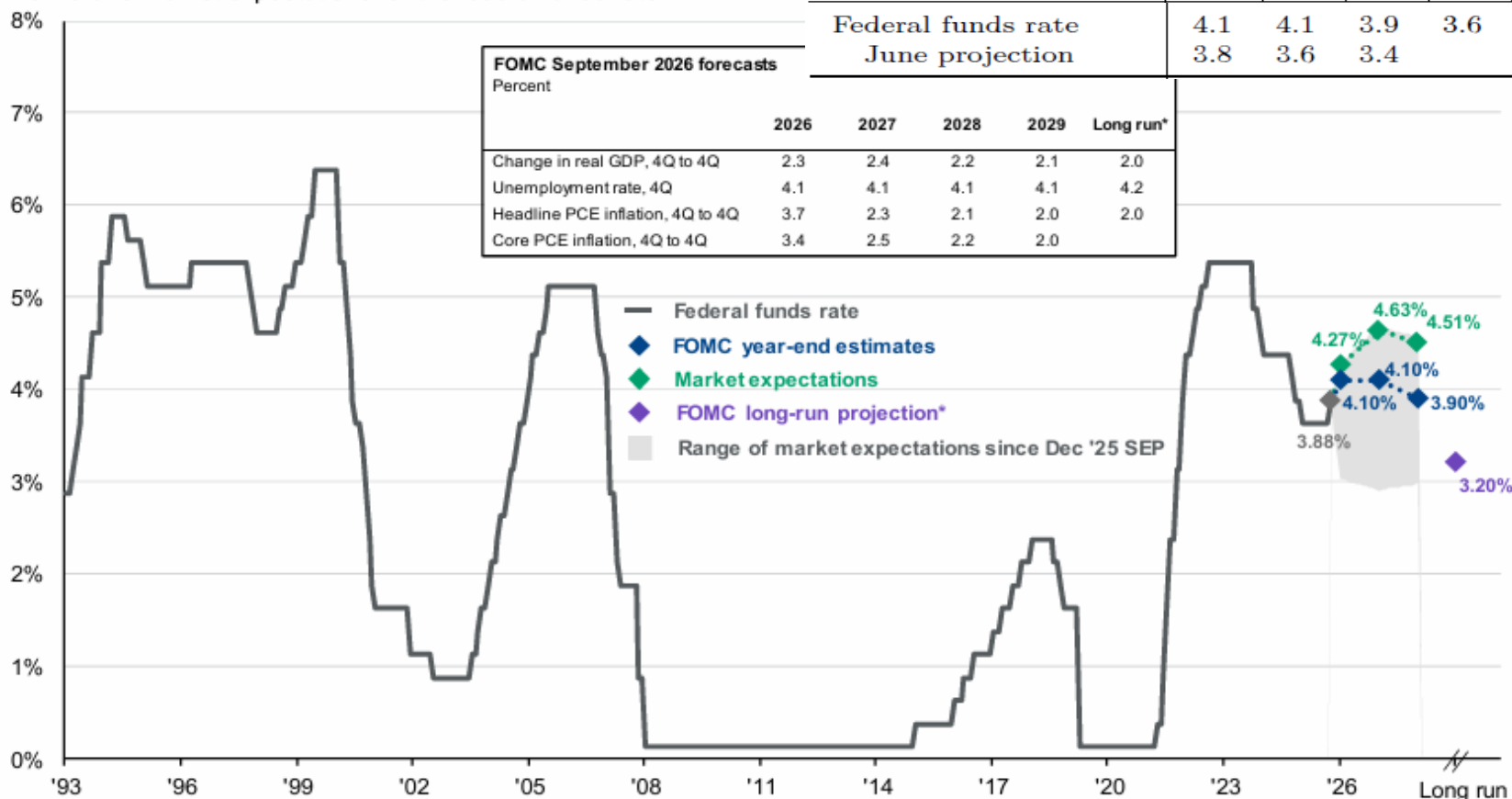
Looking Closer At Unemployment



Interest Rate Expectations

Federal funds rate expectations

FOMC and market expectations for the federal funds rate

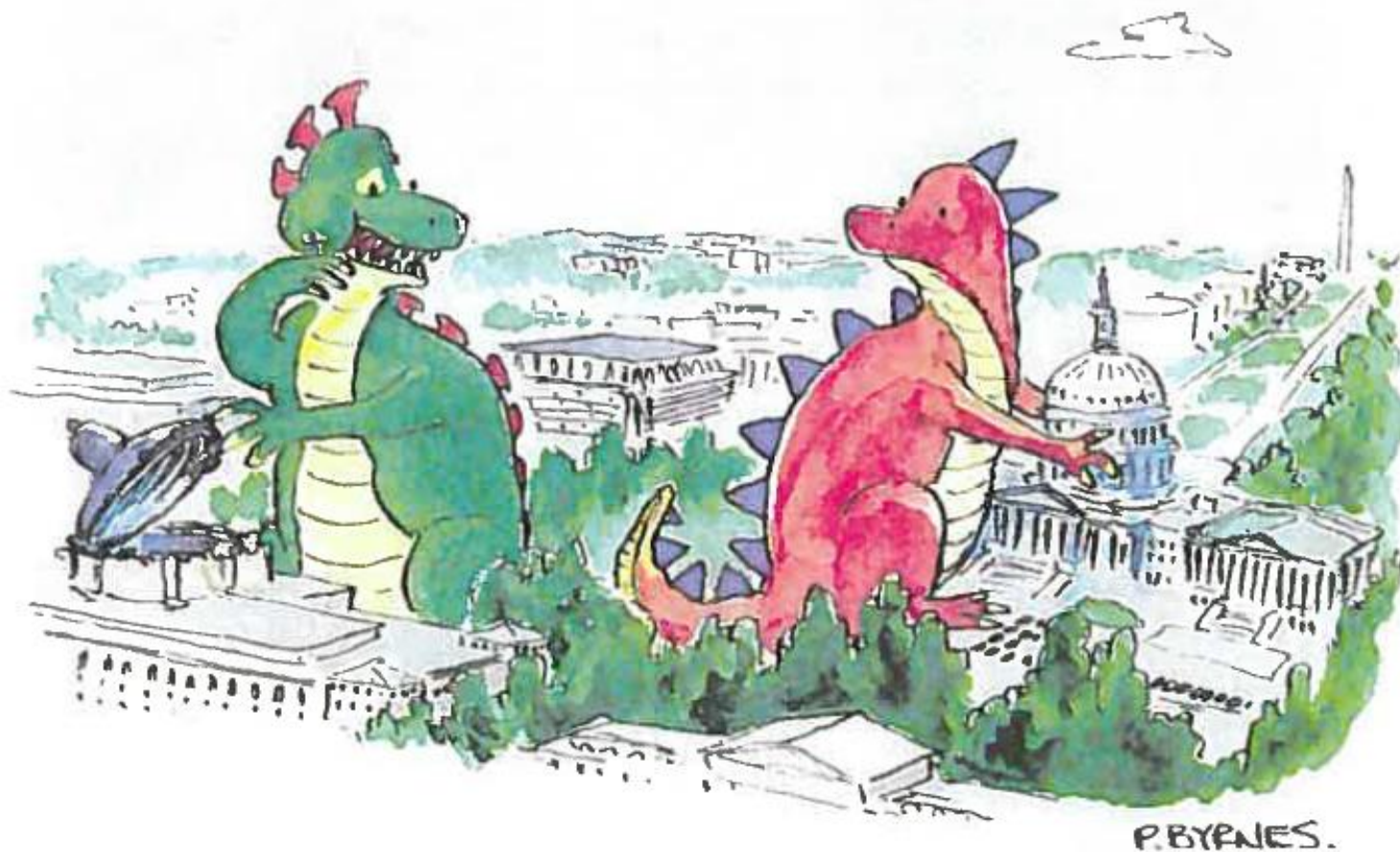


Actual / Forecasts

Probability of Recession 22.0%

Indicator	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Interest Rates										
Central Bank Rate (%)	1.75	0.25	0.25	4.50	5.50	4.50	3.75	4.00	3.66	3.40

In the Echo Chambers of An Election Year...

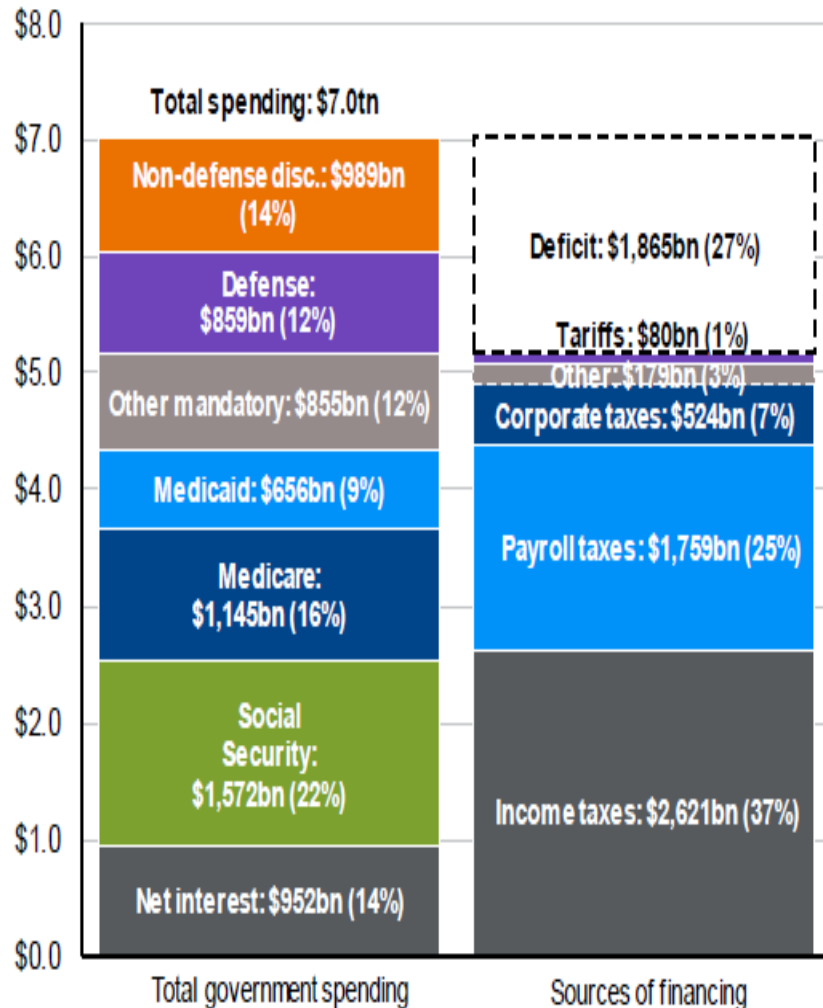


"You can't eat that. It has nuts in it."

Considering Budget Elements...

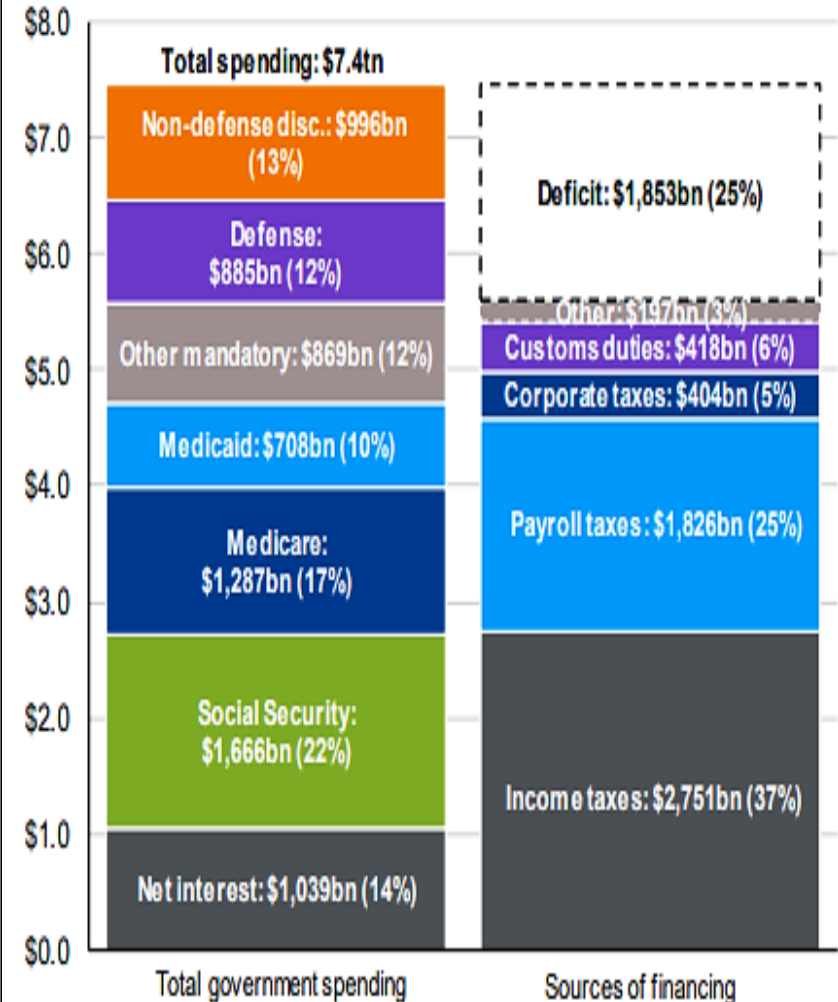
The 2025 federal budget

USD trillions



The 2026 federal budget

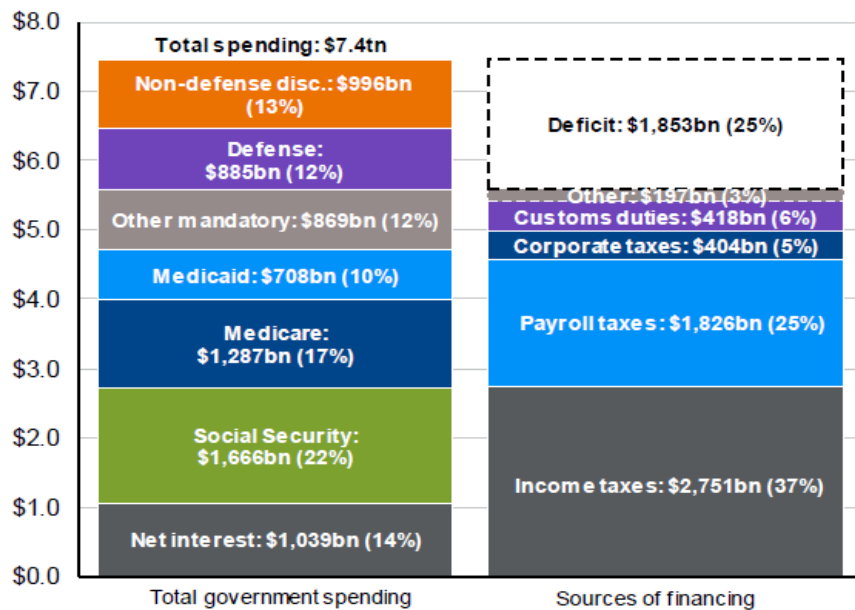
USD trillions



The Budget and the Look-Ahead

The 2026 federal budget

USD trillions



CBO's Baseline economic assumptions

	2026	'27-'28	'29-'30	'31-'36
Real GDP growth	2.3%	1.9%	1.8%	1.8%
10-year Treasury	4.1%	4.3%	4.3%	4.4%
Headline inflation (CPI)	3.0%	2.5%	2.3%	2.3%
Unemployment	4.6%	4.5%	4.4%	4.2%

FOMC June 2026 forecasts

Percent

	2026	2027	2028	Long run*
Change in real GDP, 4Q to 4Q	2.2	2.3	2.2	2.0
Unemployment rate, 4Q	4.3	4.3	4.2	4.2
Headline PCE inflation, 4Q to 4Q	3.6	2.3	2.0	2.0
Core PCE inflation, 4Q to 4Q	3.3	2.5	2.1	

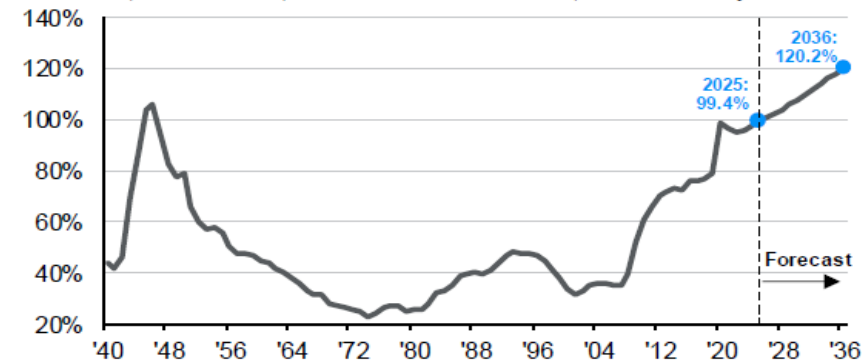
Federal deficit and net interest payments

% of GDP, 1973 - 2036, CBO Baseline Forecast



Federal net debt (accumulated deficits)

% of GDP, 1940 - 2036, CBO Baseline Forecast, end of fiscal year



*What are
Consumers and Businesses
thinking about?*

Parsing Oil and Gas Dynamics

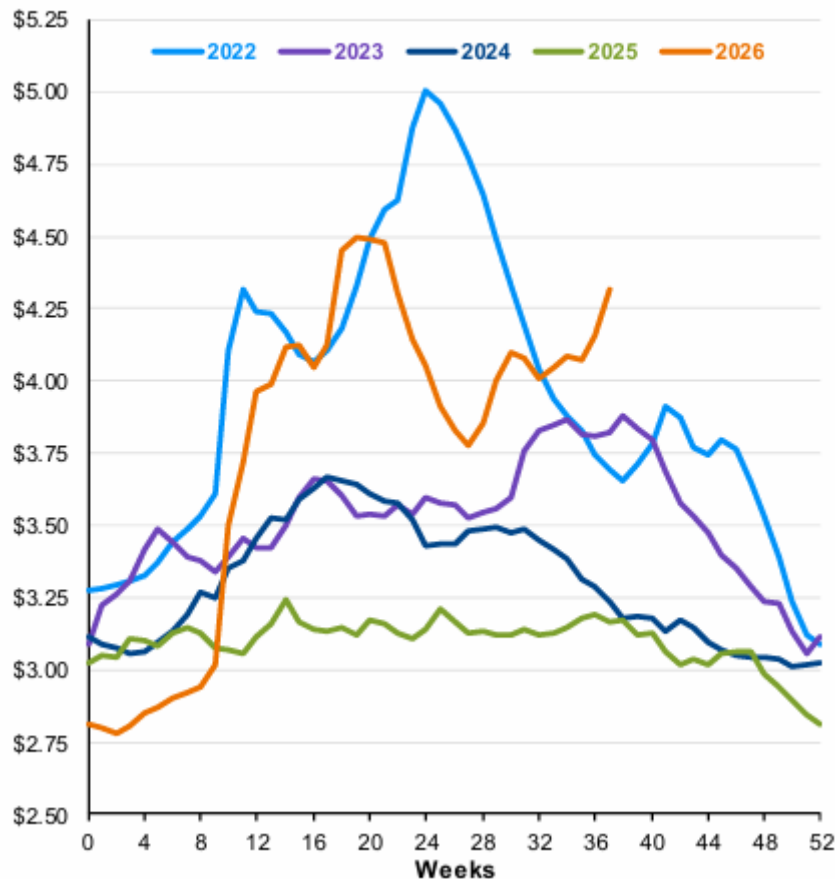
Price of oil

WTI crude, nominal prices, USD/barrel



Retail gasoline prices

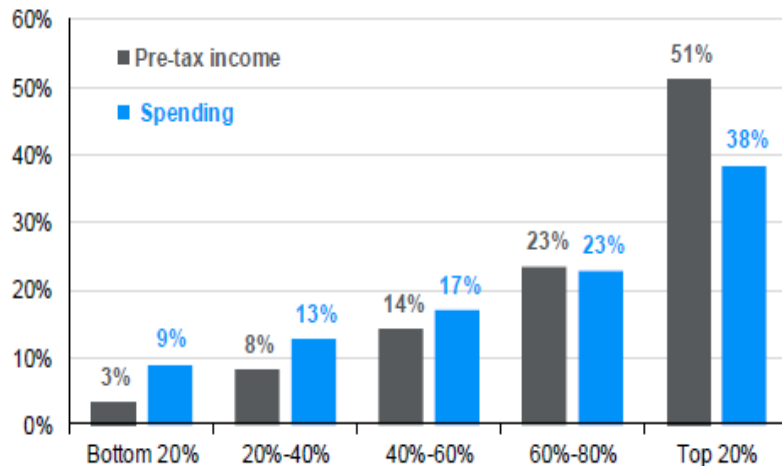
All regular formulations, USD per gallon, weekly



Parsing Consumer Income

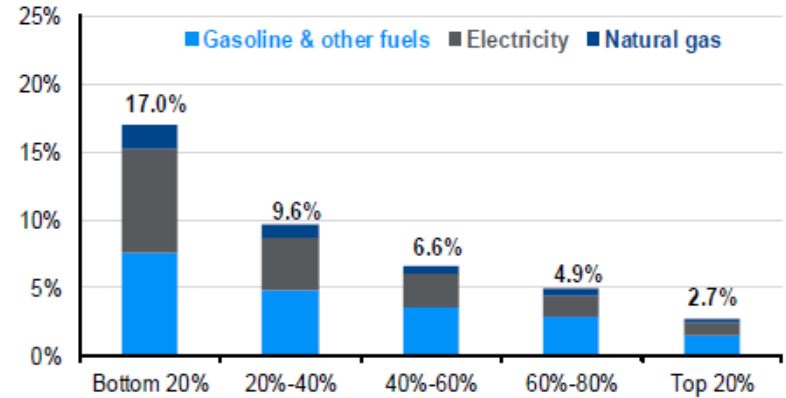
Consumer share of total pre-tax income and spending

By pre-tax income cohort, 2024



Consumer expenditures on energy

% of total income, by pre-tax income cohort, 2024

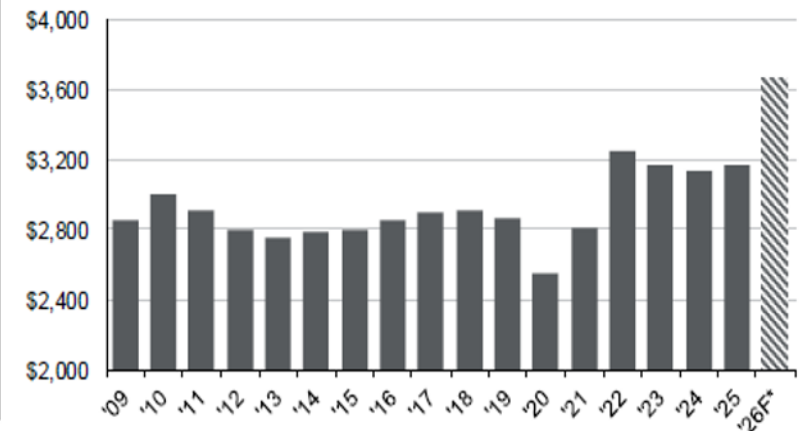


Income Tax share - by quintile - 2022 (most recent)

Bottom 20%	20-40%	40-60%	60-80%	80-100%	Quintile
<\$30k	~\$30k-\$59k	~\$59k-\$104k	~\$104k-\$189k	>\$189k	Approx Income Range
(net negative)	2%	6%	15%	77%	% of Income Taxes Paid (Top 1 ~ 40%)

Average income tax refund by filing year

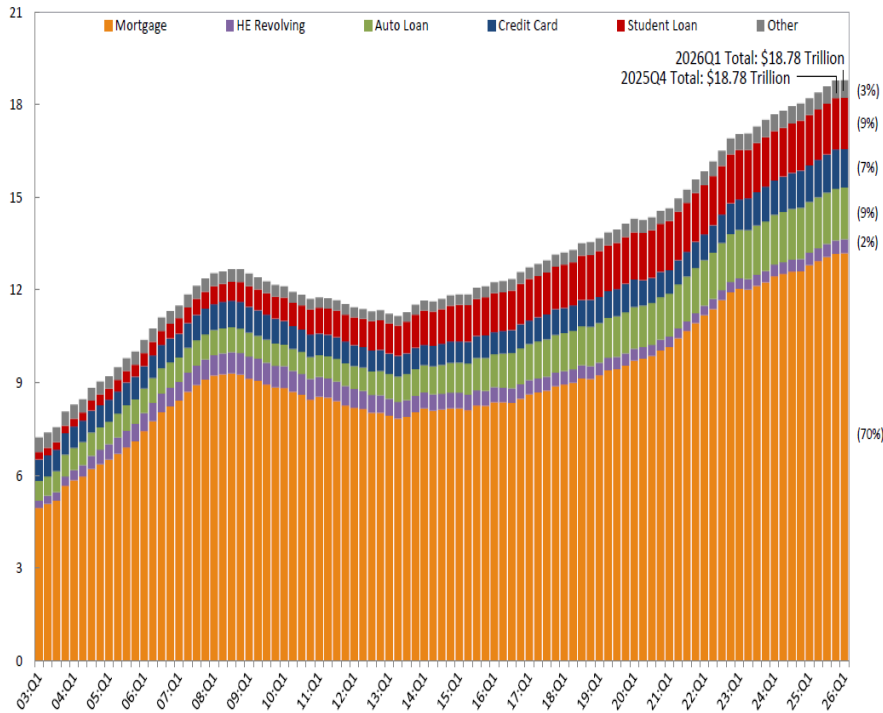
2009 - 2026F*



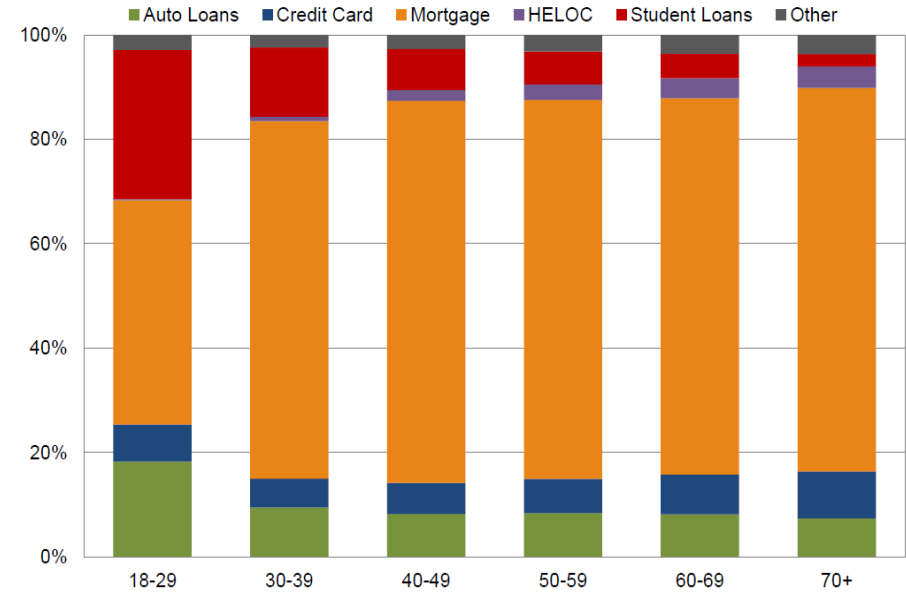
A Look at Consumer Debt...

Total Debt Balance and its Composition

Trillions of Dollars



Debt Share by Product Type and Age (2026 Q1)



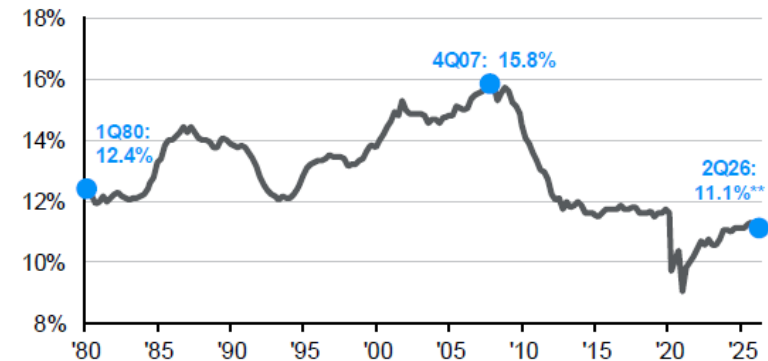
Note: Age is defined as the current year minus the birthyear of the borrower. Age groups are re-defined each year. Balances may not add up to totals due to a small number of individuals with unknown birthyears.

Source: New York Fed Consumer Credit Panel/Equifax

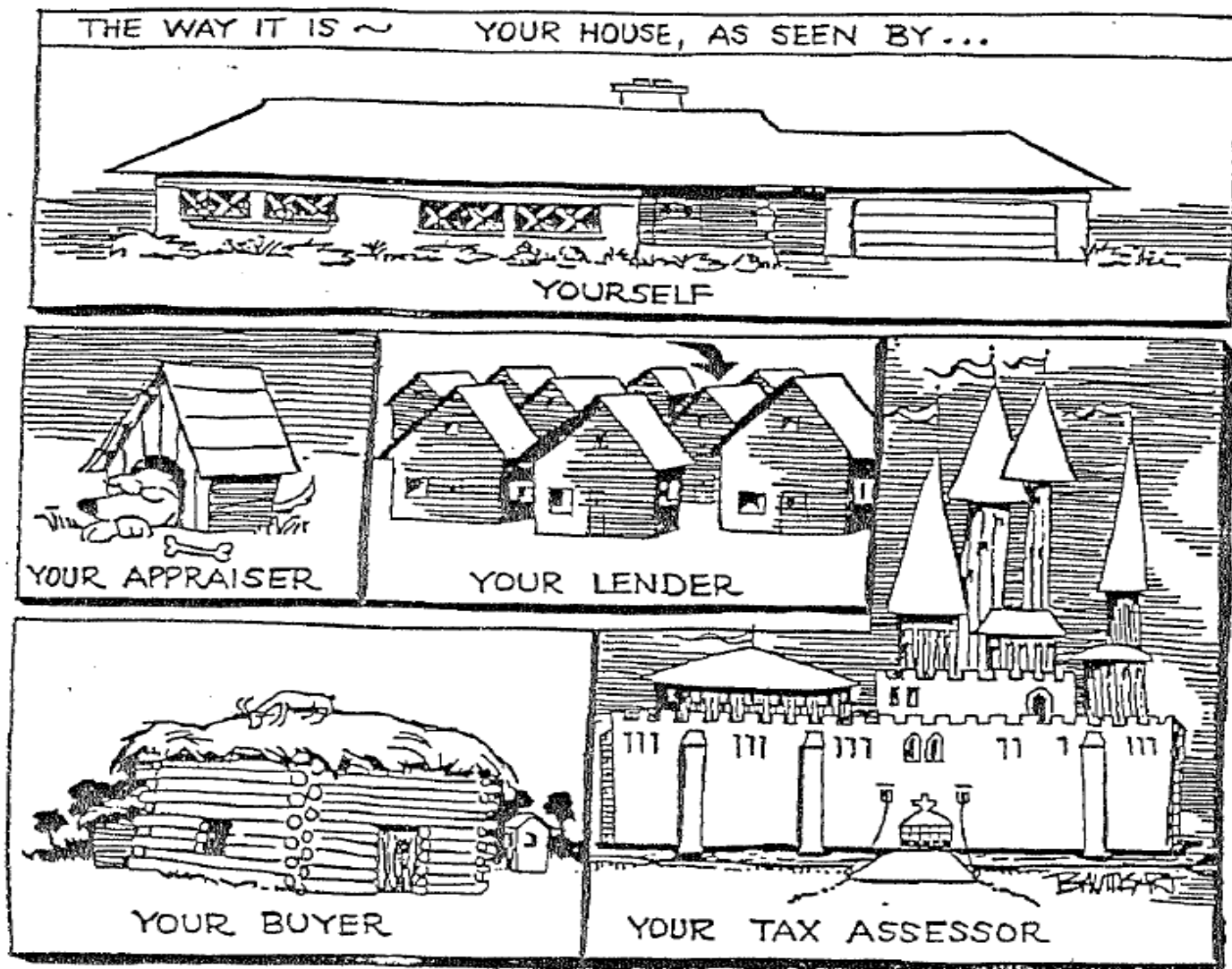
21

Household debt service ratio

Debt payments as % of disposable personal income, SA



Housing Perspectives



Housing Dynamics

Pepper ... And Salt

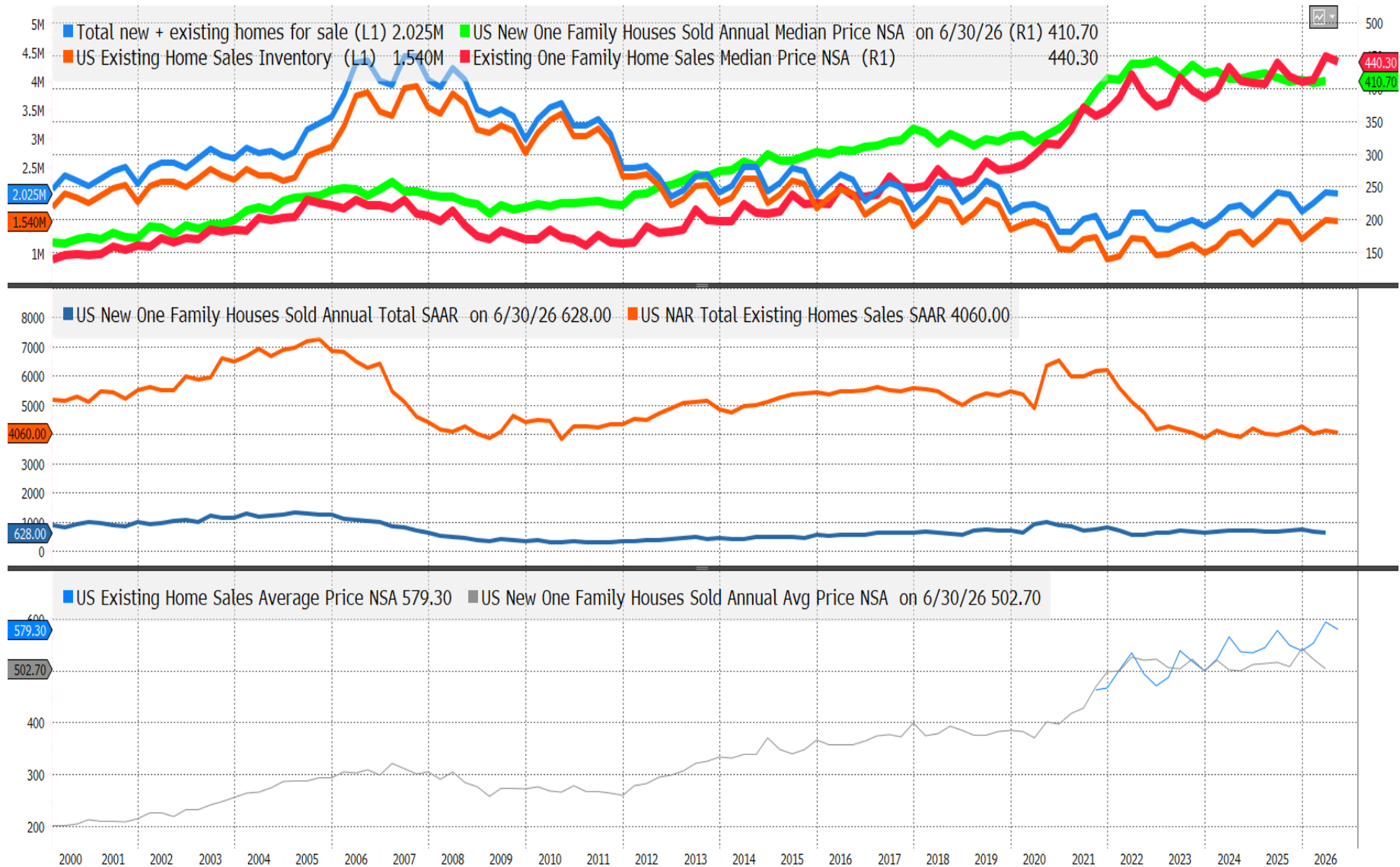
THE WALL STREET JOURNAL



*"I won't miss the house.
I'll miss the internet rate."*

(and the interest rate)

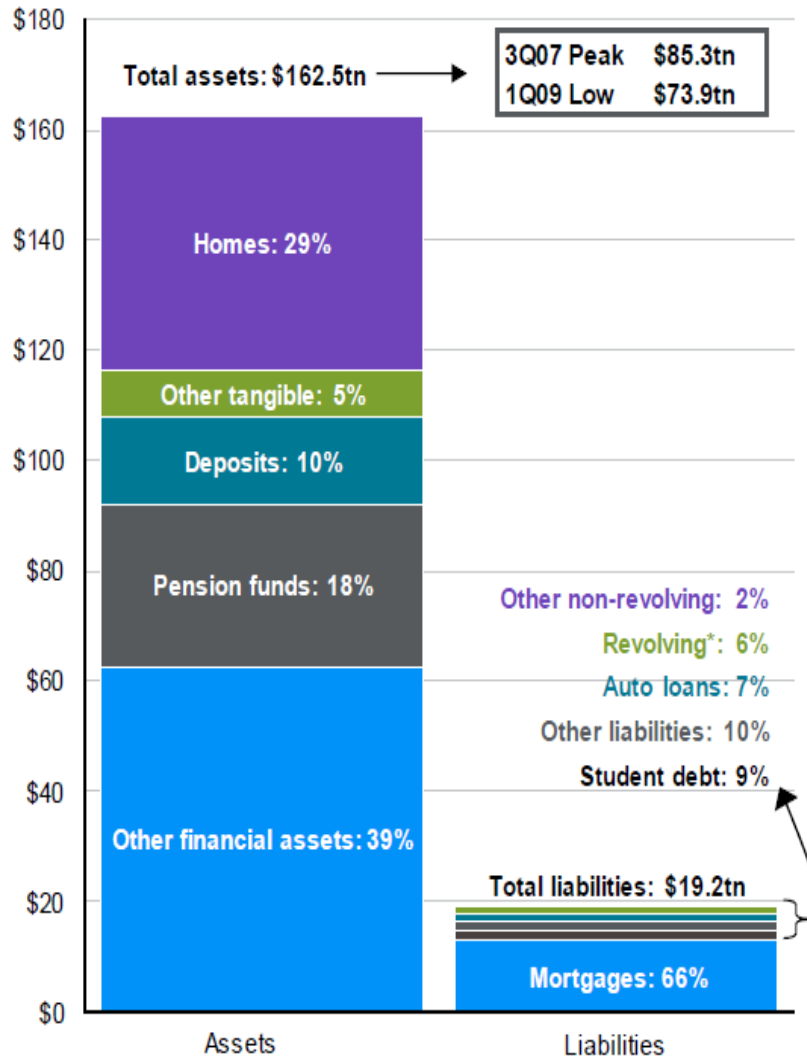
Housing Dynamics



Thinking About Consumer Balance Sheets

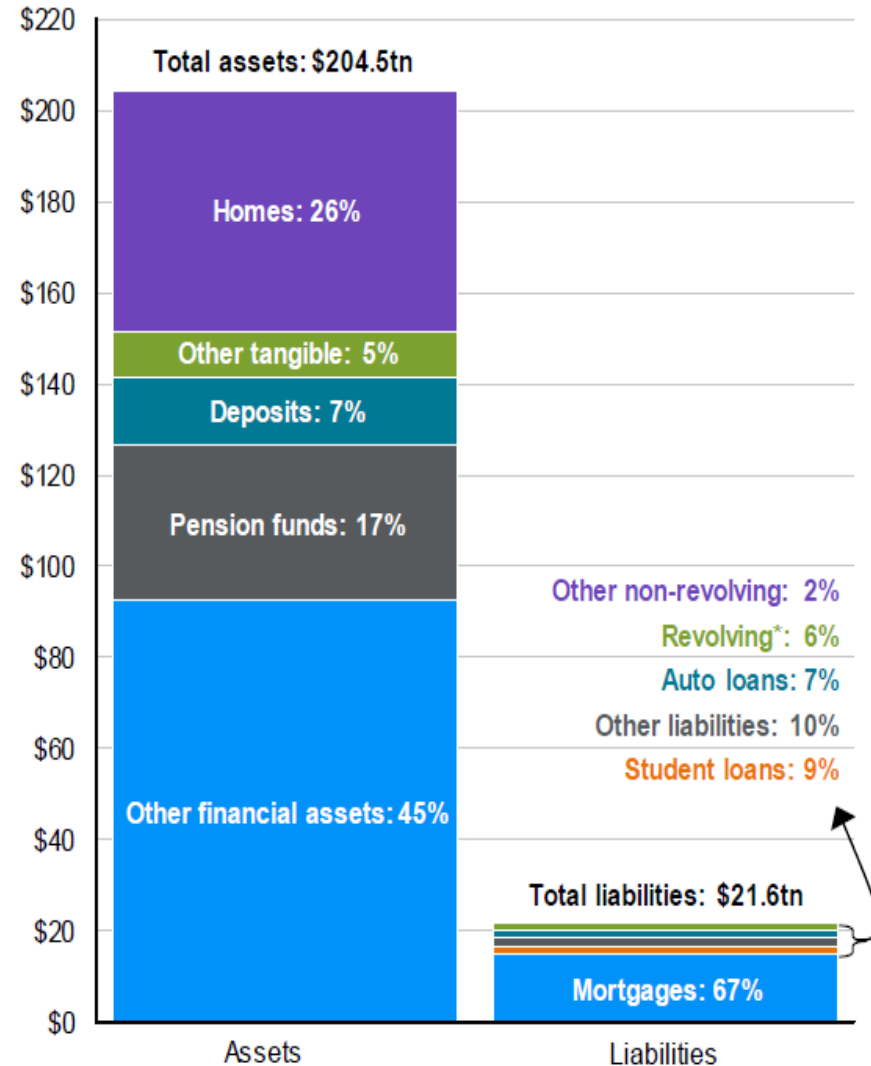
Consumer balance sheet

3Q22, trillions of dollars outstanding, not seasonally adjusted



Consumer balance sheet

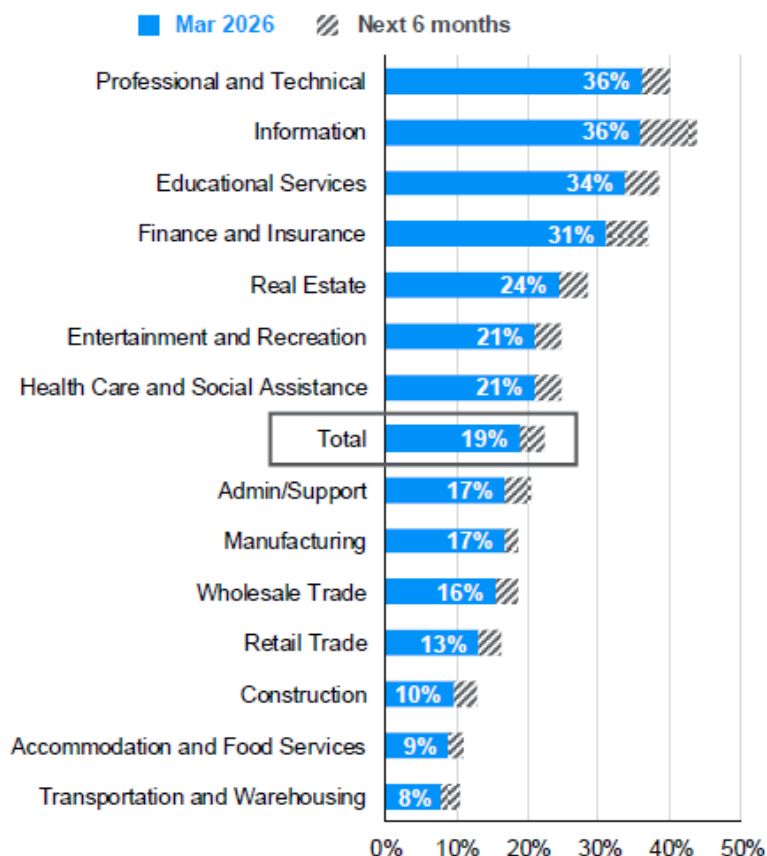
1Q26, USD trillions, not seasonally adjusted



Planning for AI and Technology Use

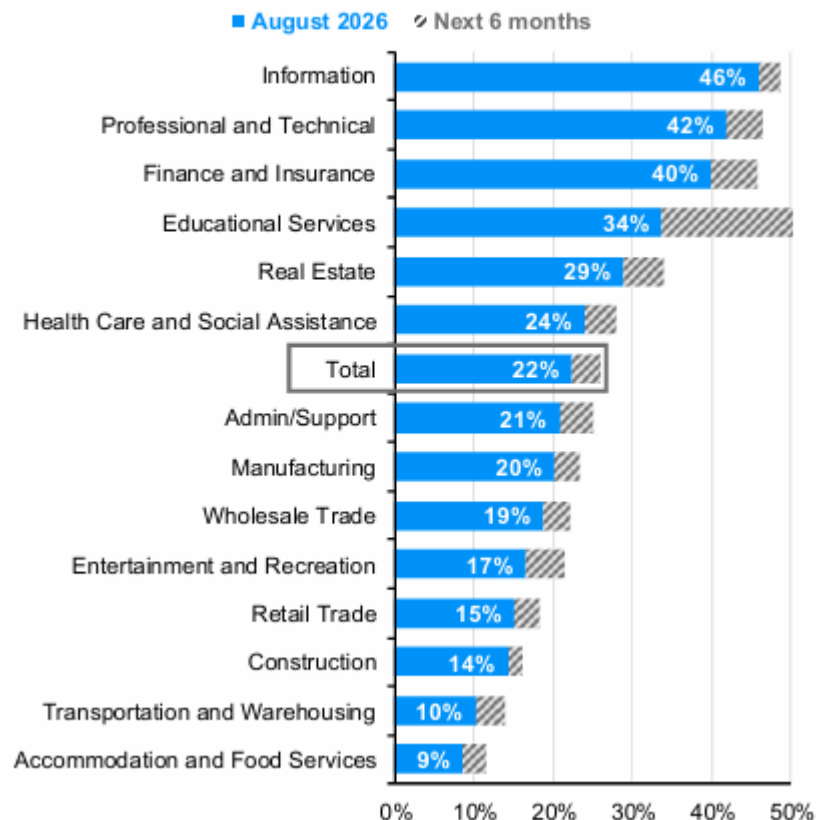
Businesses using AI in any business function

% of all firms reporting use of AI applications



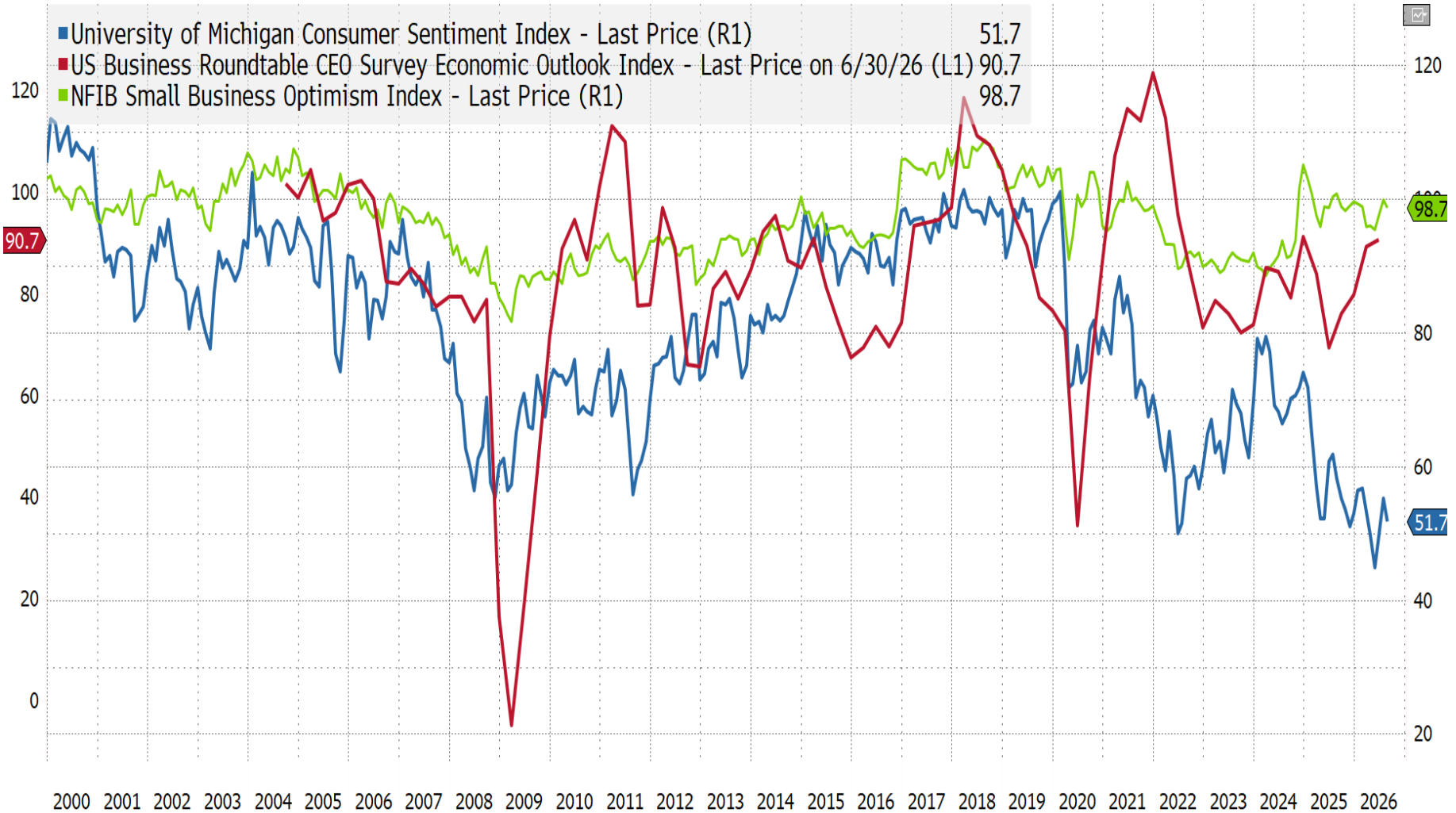
Businesses using AI in any business function

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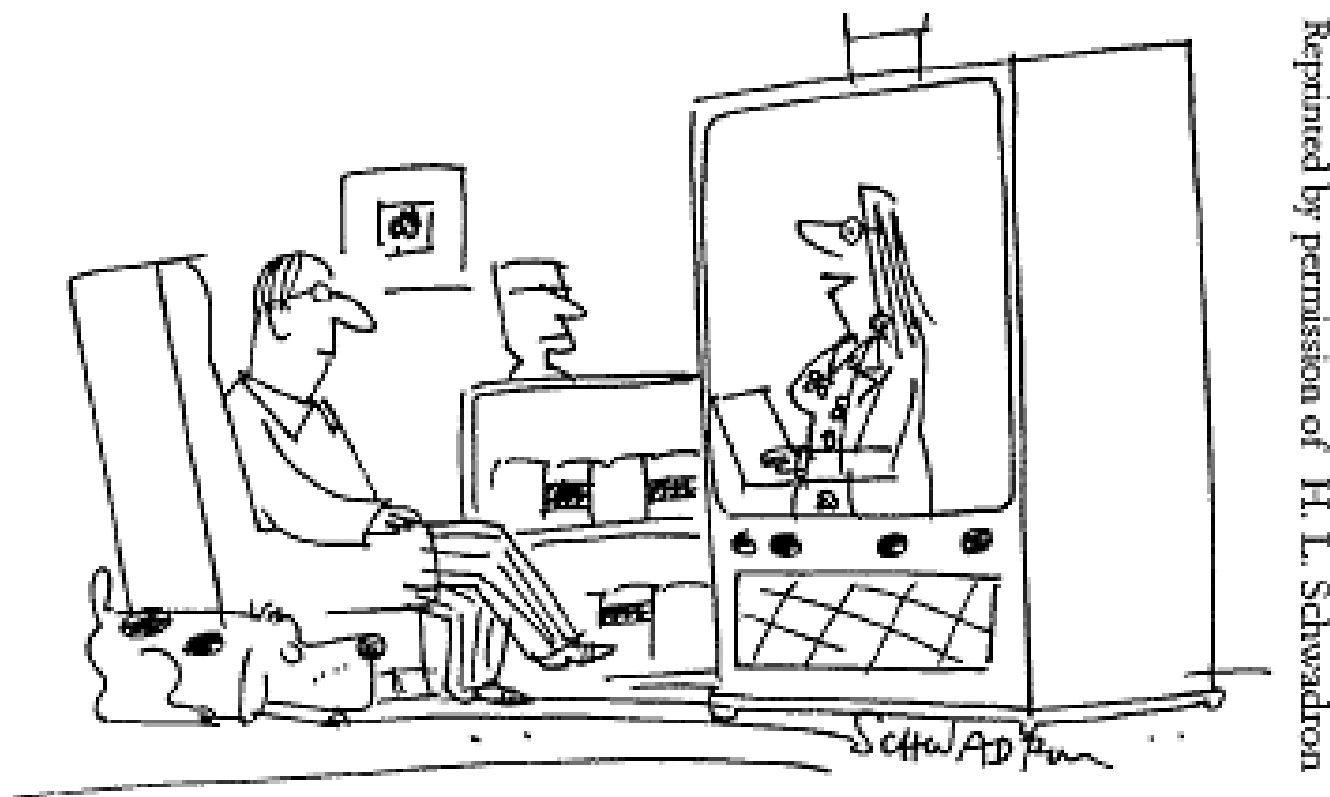
We still need AI (*actual* intelligence) to check AI (*artificial* intelligence)!

Sentiment: Consumer = Not Happy! and Business = Hopeful?



*And then there are Investment Markets
and their Responses to a
Data-Dependent Fed...*

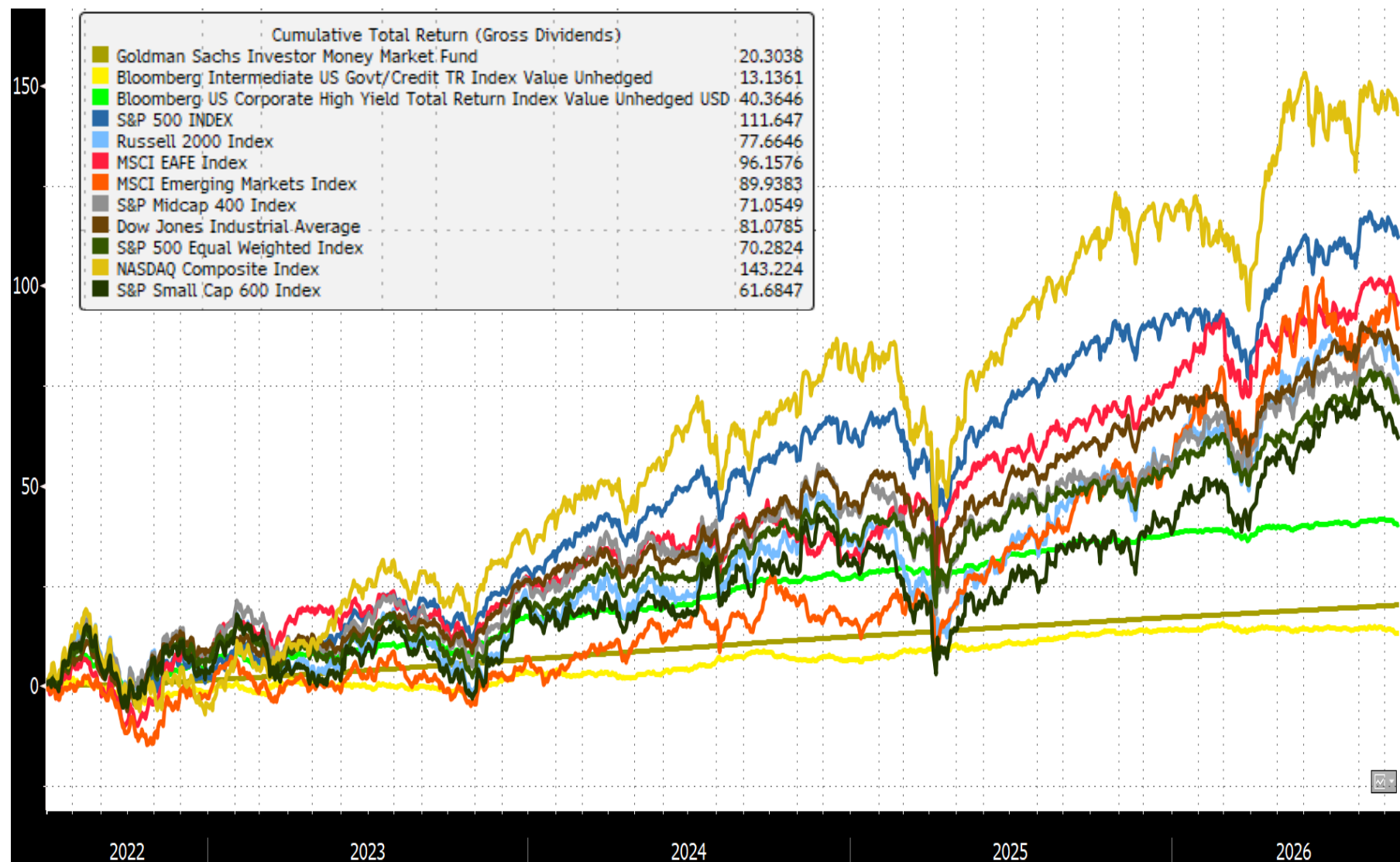
What's Your Investment Objective?



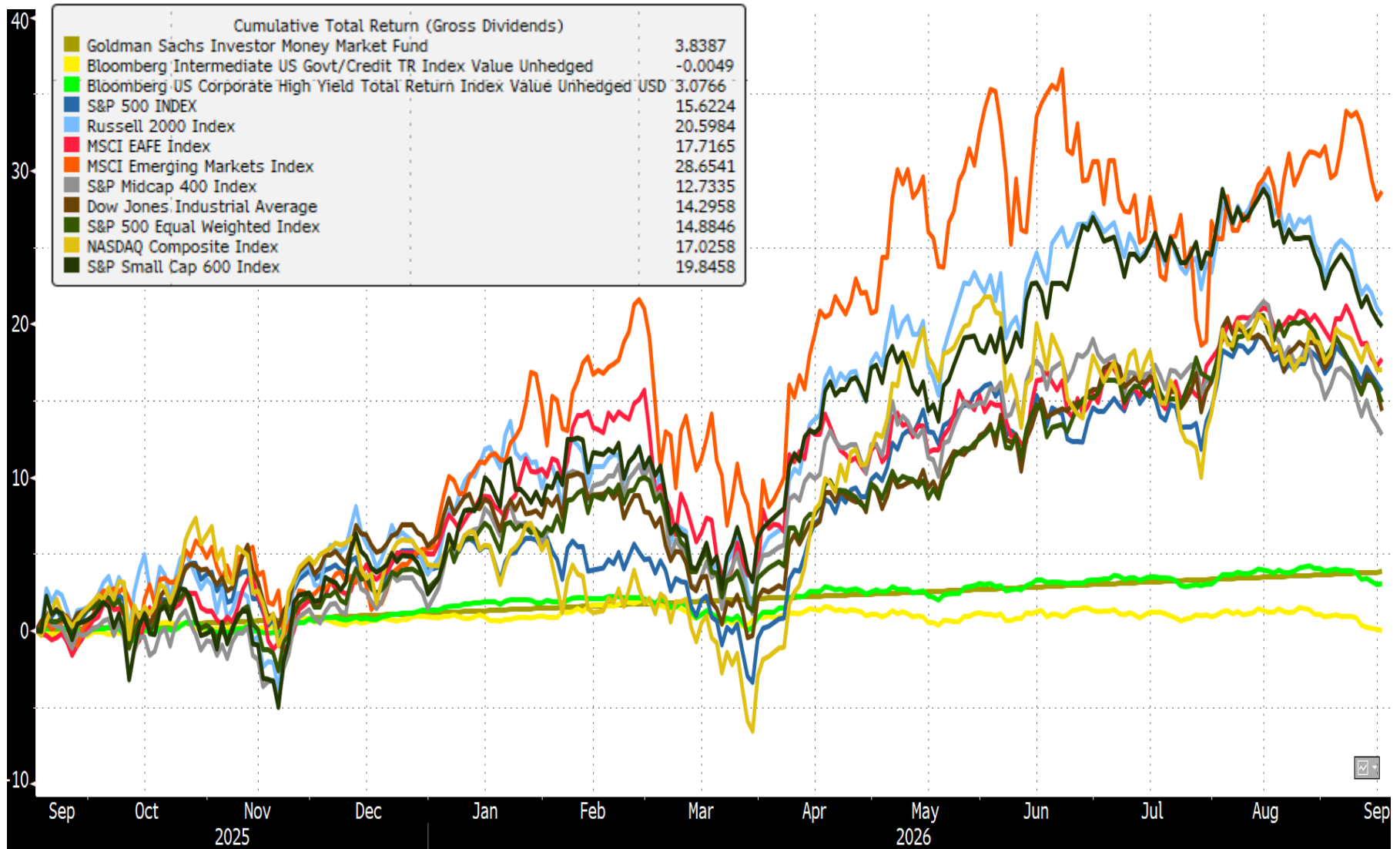
Reprinted by permission of H. L. Schwadron

'In market news, stockholders looking for a "Safe Haven" bought bonds, and bond-holders looking for a "Safe Haven" bought stocks...'

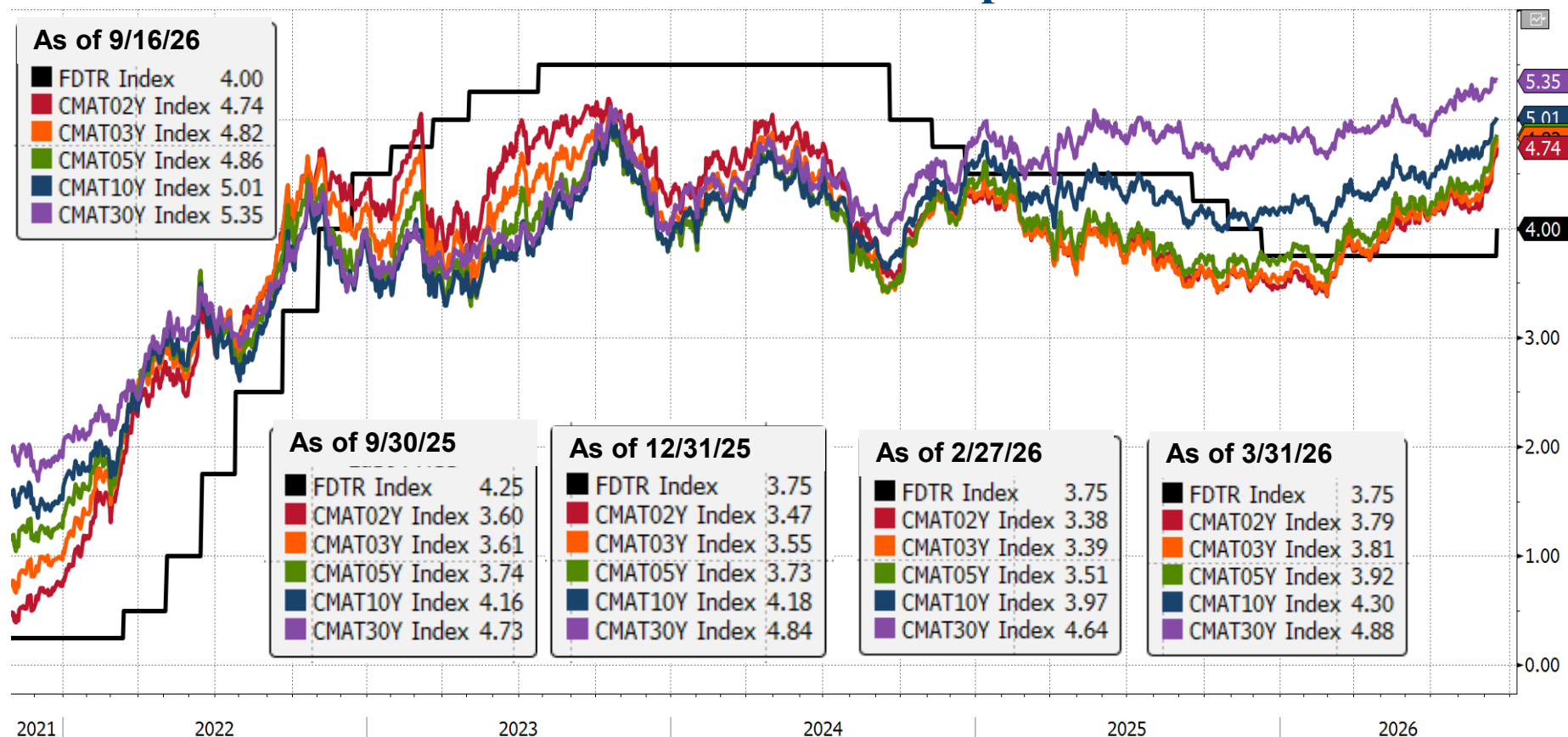
Market Segment Returns – 6.30.22 – 9.16.26 (since inflation peak)



Market Segment Returns – Last 12 Months



A Look at Interest Rates From Investor Perspective



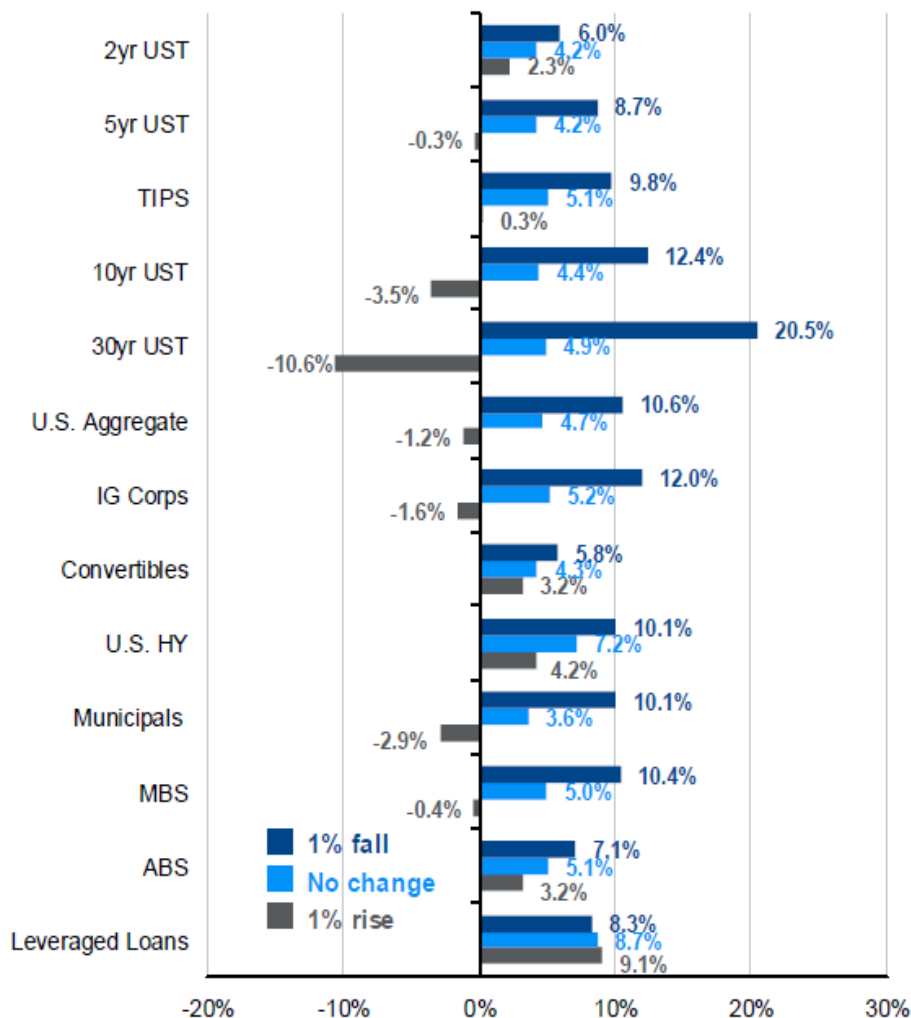
Actual/ Forecasts			Probability of Recession 22.0%							
Indicator	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Interest Rates										
Central Bank Rate (%)	1.75	0.25	0.25	4.50	5.50	4.50	3.75	4.00	3.66	3.40
3-Month Rate (%)	1.57	0.07	0.09	4.59	5.33	4.31	3.65	3.81	3.51	3.36
2-Year Note (%)	1.57	0.12	0.73	4.43	4.25	4.24	3.48	4.18	3.78	3.58
10-Year Note (%)	1.92	0.92	1.51	3.88	3.88	4.57	4.17	4.64	4.40	4.19

A Look at Fixed Income Returns And Potential

U.S. Treasuries	Yield		Return	Avg. Maturity
	9/16/2026	12/31/2025	2026	
2-Year	4.74%	3.47%	0.35%	2 years
5-Year	4.86%	3.73%	-2.24%	5
TIPS	2.59%	1.69%	-0.89%	7.1
10-Year	5.01%	4.18%	-3.54%	10
30-Year	5.35%	4.84%	-4.54%	30
Sector				
U.S. Aggregate	5.33%	4.32%	-1.57%	8.3
IG Corps	5.78%	4.81%	-1.54%	10.2
Convertibles	4.41%	6.13%	13.90%	-
U.S. HY	7.74%	6.53%	1.72%	4.8
Municipals	4.34%	3.60%	-1.81%	13.3
MBS	5.62%	4.63%	-1.56%	7.8

Fixed income returns in different interest rate scenarios

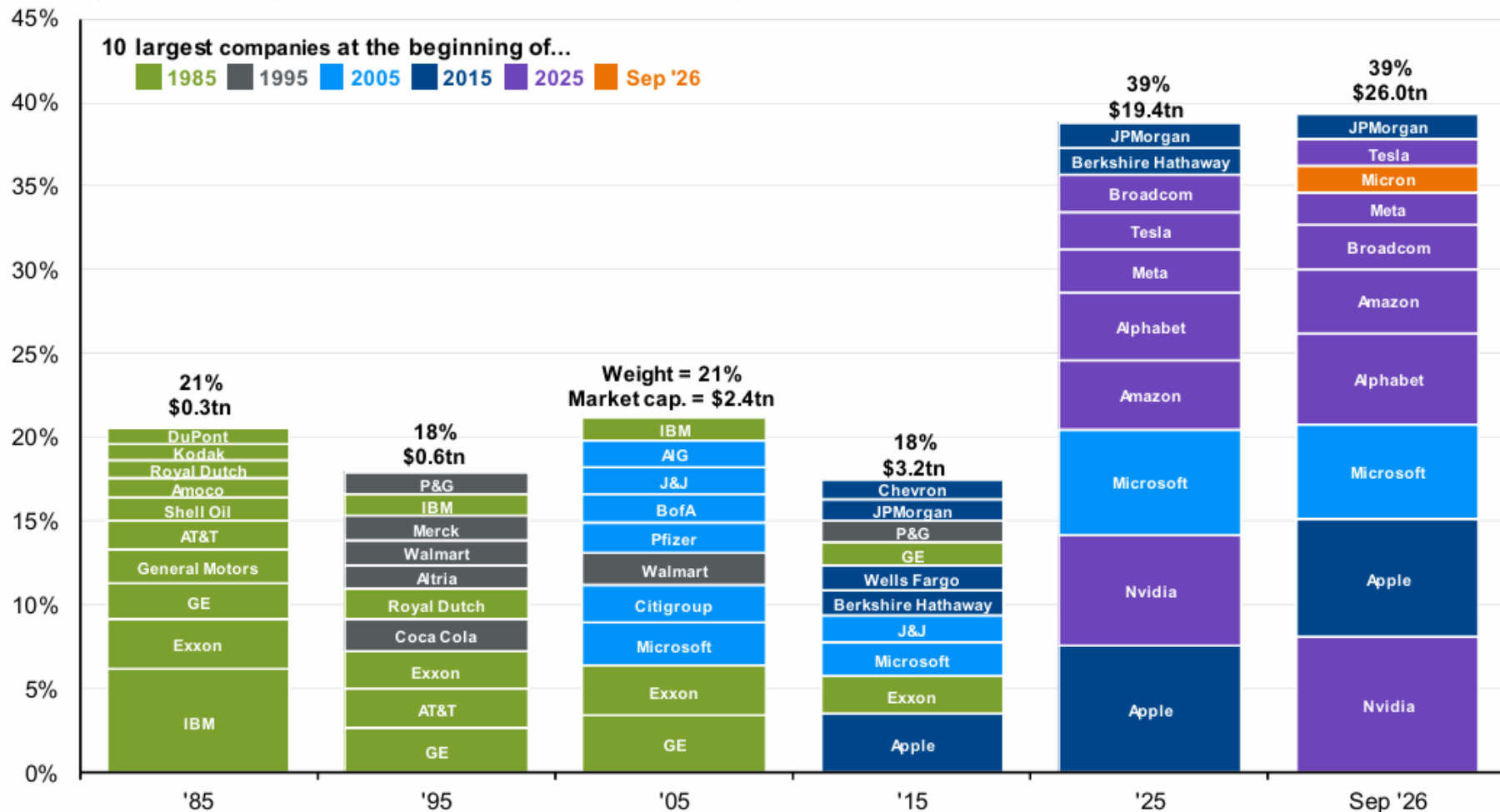
Total return, assumes a parallel shift in the yield curve



S&P 500 - Top 10 Companies Across Time

Top 10 companies in the S&P 500

Index weight on the first day of the indicated year and month for current year



S&P 500 - Top 10 Companies Contribution Across Time

P/E of top 10 and remaining companies in S&P 500

Next 12 months

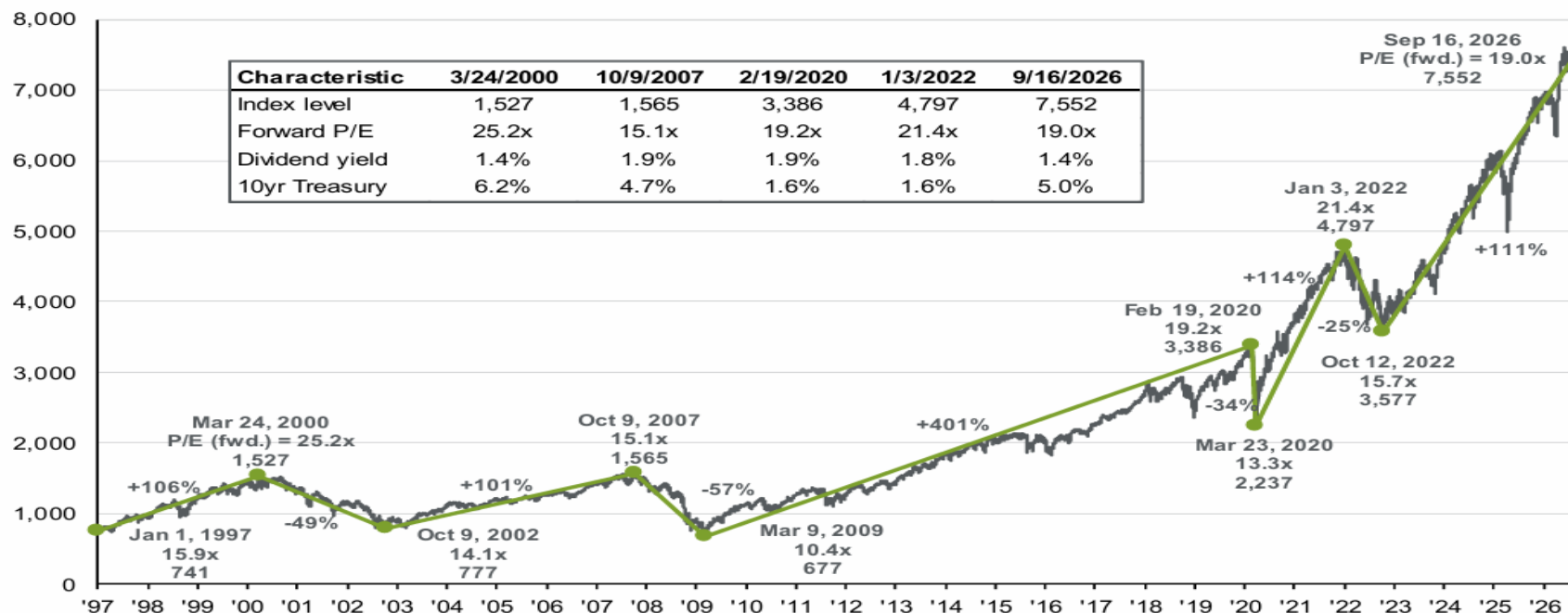


Weight of the top 10 companies in the S&P 500

% of market capitalization, % of last 12 months earnings



S&P 500 Across Time



S&P 500 Level:		Oper	P/E on Earnings					S&P 500 EQ- Wgt		Oper	P/E on Earnings				
9.16.26	7,552	EPS	22	20	18	16	15	9.16.26	8,574	EPS	22	20	18	16	15
INDEX LEVEL								INDEX LEVEL							
12/31/2021	S&P	\$208.21	4,581	4,164	3,748	3,331	3,123	12/31/2021	BB	\$308.83	6,794	6,177	5,559	4,941	4,632
12/31/2022	S&P	\$196.95	4,333	3,939	3,545	3,151	2,954	12/31/2022	BB	\$360.68	7,935	7,214	6,492	5,771	5,410
12/31/2023	S&P	\$213.53	4,698	4,271	3,844	3,416	3,203	12/31/2023	BB	\$371.26	8,168	7,425	6,683	5,940	5,569
12/31/2024	S&P	\$233.36	5,134	4,667	4,200	3,734	3,500	12/31/2024	BB	\$385.14	8,473	7,703	6,933	6,162	5,777
12/31/2025	BB	\$277.01 (e)	6,094	5,540	4,986	4,432	4,155	12/31/2025	BB	\$428.01 (e)	9,416	8,560	7,704	6,848	6,420
12/31/2026	BB	\$365.67 (e)	8,045	7,313	6,582	5,851	5,485	12/31/2026	BB	\$513.62 (e)	11,300	10,272	9,245	8,218	7,704
12/31/2027	BB	\$415.98 (e)	9,152	8,320	7,488	6,656	6,240	12/31/2027	BB	\$557.81 (e)	12,272	11,156	10,041	8,925	8,367
12/31/2028	BB	\$480.73 (e)	10,576	9,615	8,653	7,692	7,211	12/31/2028	BB	\$611.13 (e)	13,445	12,223	11,000	9,778	9,167

Market Segment Returns

2011 - 2025		Ann.	Vol.	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	YTD
Large Cap	Small Cap	REITs	REITs	8.3%	19.7%	38.8%	28.0%	2.8%	21.3%	37.8%	1.8%	31.5%	20.0%	41.3%	16.1%	26.3%	25.0%	34.4%	37.0%
Small Cap	EM Equity	Fixed Income	High Yield	7.8%	19.6%	32.4%	13.7%	1.4%	14.3%	25.6%	0.0%	28.7%	18.7%	28.7%	1.5%	18.9%	11.5%	31.9%	22.2%
REITs	REITs	High Yield	EM Equity	3.1%	18.6%	23.3%	6.0%	0.5%	12.0%	21.8%	-4.0%	25.5%	18.4%	27.1%	-12.7%	16.9%	10.0%	17.9%	16.2%
Asset Alloc.	DM Equity	Large Cap	DM Equity	2.1%	17.9%	14.9%	5.2%	0.0%	11.8%	14.6%	-4.1%	22.7%	10.6%	14.8%	-13.0%	14.1%	9.2%	15.8%	12.0%
DM Equity	Comdty.	Cash	Small Cap	0.1%	16.3%	7.3%	4.9%	-0.4%	11.6%	14.6%	-4.4%	19.5%	8.3%	13.5%	-13.9%	14.0%	8.1%	15.8%	11.2%
High Yield	Large Cap	Asset Alloc.	Large Cap	-0.7%	16.0%	2.9%	0.0%	-2.0%	8.6%	10.4%	-5.8%	18.9%	7.5%	11.8%	-14.0%	11.4%	5.4%	12.8%	11.2%
EM Equity	Asset Alloc.	Small Cap	Asset Alloc.	-4.2%	12.2%	0.0%	0.0%	-2.7%	8.3%	8.7%	-11.0%	12.6%	7.0%	1.0%	-18.1%	10.3%	5.3%	12.1%	9.6%
Fixed Income	High Yield	DM Equity	Fixed Income	-11.7%	4.2%	-2.0%	-1.8%	-4.4%	2.6%	3.5%	-11.2%	8.7%	0.5%	0.0%	-19.7%	5.5%	4.9%	7.3%	2.6%
Cash	Fixed Income	Comdty.	Cash	-13.3%	0.1%	-2.3%	-4.5%	-14.6%	1.5%	1.7%	-13.4%	7.7%	-3.1%	-1.5%	-20.4%	5.1%	4.3%	4.3%	1.7%
Comdty.	Cash	EM Equity	Comdty.	-18.2%	-1.1%	-9.5%	-17.0%	-24.7%	0.3%	0.8%	-14.2%	2.2%	-5.1%	-2.2%	-24.9%	-7.9%	1.3%	2.3%	-1.6%

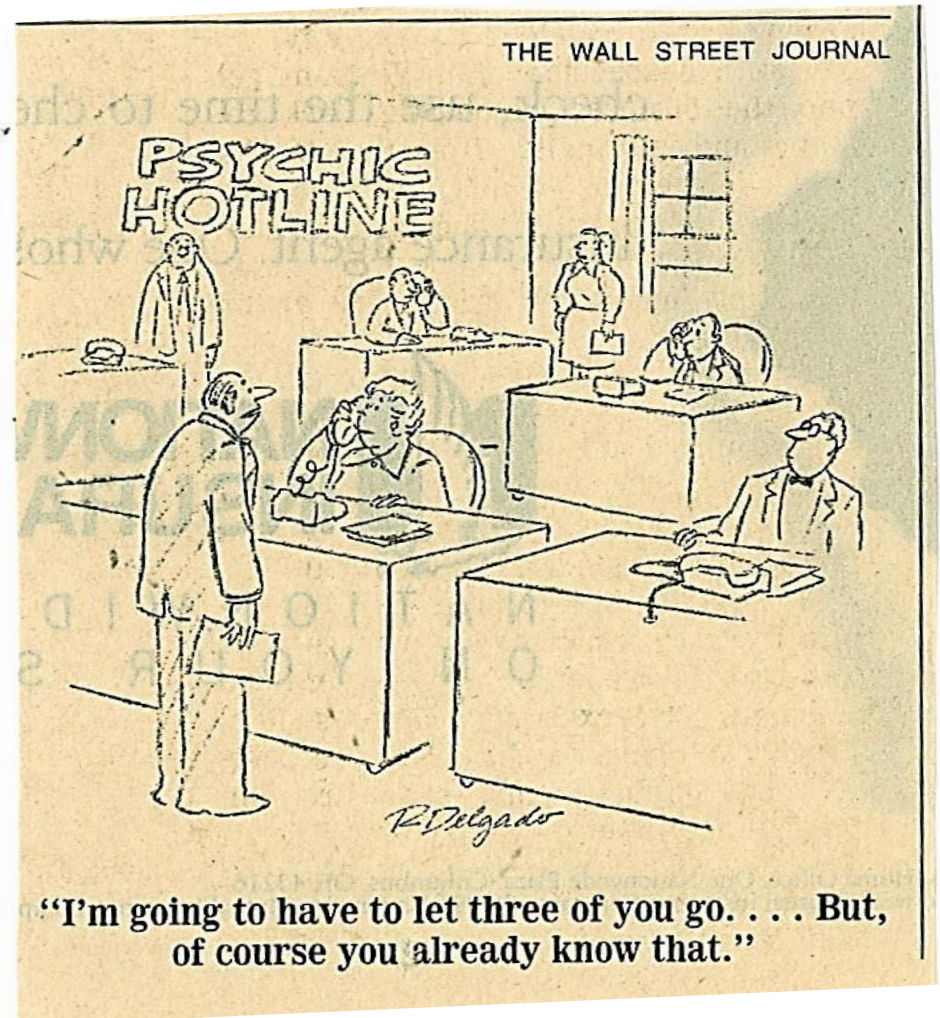
Source: Bloomberg, FactSet, MSCI, NAREIT, Russell, Standard & Poor's, J.P. Morgan Asset Management.

Large Cap: S&P 500; Small Cap: Russell 2000; EM Equity: MSCI EME; DM Equity: MSCI EAFE; Comdty: Bloomberg Commodity Index; High Yield: Bloomberg Global HY Index; Fixed Income: Bloomberg U.S. Aggregate; REITs: NAREIT Equity REIT Index; Cash: Bloomberg 1-3m Treasury. The "Asset Allocation" portfolio is for illustrative purposes only and assumes annual rebalancing with the following weights: 25% in the S&P 500, 10% in the Russell 2000, 15% in the MSCI EAFE, 5% in the MSCI EME, 25% in the Bloomberg U.S. Aggregate, 5% in the Bloomberg 1-3m Treasury, 5% in the Bloomberg Global High Yield Index, 5% in the Bloomberg Commodity Index and 5% in the NAREIT Equity REIT Index. Annualized (Ann.) return and volatility (Vol.) represent the period from 12/31/2010 to 12/31/2025. Please see the disclosure page at the end for index definitions. All data represent total return for stated period. Past performance is no guarantee of future results.

Guide to the Markets – U.S. Data as of September 16, 2026.

Prognosticator's Peril

***“The market will
go up,
unless it goes
down,
in which case it
will go up later.”***



Disclosures

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Thanks for Listening!

Questions??

Economic Update - September 2026

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Sources: Bloomberg Finance L.P., Federal Reserve, FHN Financial, JP Morgan Asset Mgmt., New York Fed, Ned Davis Research, Northern Trust, QCRH Anecdote File, Tax Foundation, Wall Street Journal