SMITH SHELLNUT WILSON
AN AFFILIATE OF b1BANK

OUR MISSION

Smith Shellnut Wilson is a registered investment adviser* specializing in managing investment portfolios for banks, individuals, corporations, foundations and public entities. Smith Shellnut Wilson offers its clients skilled investment management and unremitting client service. Smith Shellnut Wilson is dedicated to the premise that client relationships and performance, not transactions, are the ultimate goals.

***Registration of an Investment Adviser does not imply any certain level of skill or training.**

ECONOMIC AND MARKET COMMENTARY

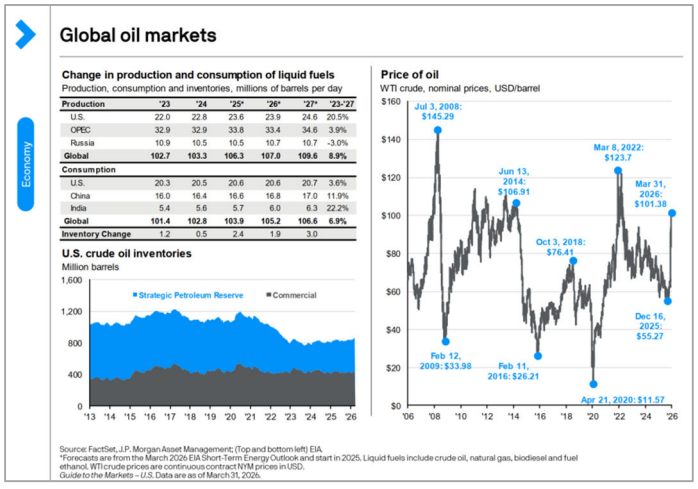
1st Quarter 2026

I. FIRST-QUARTER 2026 ECONOMIC RECAP

By Frank Smith, III, CFA

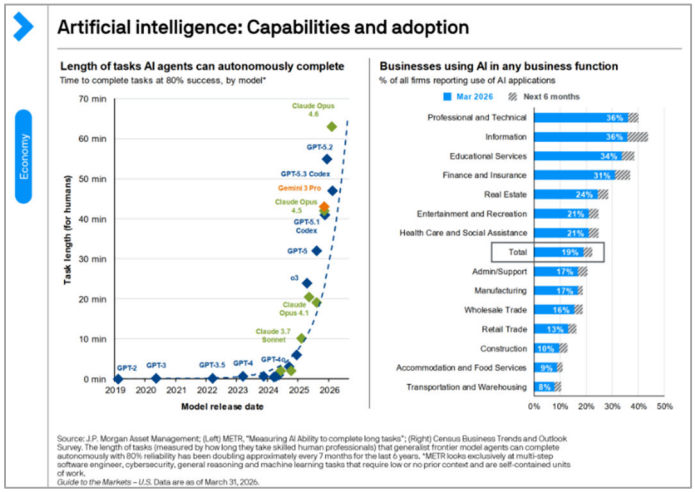
Iran Conflict

The pivotal event in the first quarter was the U.S.-Israeli attack on Iran. The war's outcome remains unclear, but both sides appear hopeful for a resolution. The U.S. government faces pressure to exit, as weapon supplies dwindle and the conflict worsens economic conditions. Continuing hostilities are creating uncertainty and pressuring U.S. resources.



Source: FactSet, J.P. Morgan Asset Management; (Top and bottom left) EIA.
*Forecasts are from the March 2026 EIA Short-Term Energy Outlook and start in 2025. Liquid fuels include crude oil, natural gas, biodiesel and fuel ethanol. WTI crude prices are continuous contract NYM prices in USD.
Guide to the Markets – U.S. Data are as of March 31, 2026.

If the conflict ends soon, energy prices may remain high for a few months, affecting the U.S. economy. Gasoline prices are at their highest since 2022, likely pushing year-over-year CPI inflation to 3.5% by May or June. While higher oil prices hurt consumers, they benefit domestic producers. Energy costs impact lower- and middle-income households most, reducing spending on essentials and increasing public frustration ahead of elections.



Source: J.P. Morgan Asset Management; (Left) METR, "Measuring AI Ability to complete long tasks"; (Right) Census Business Trends and Outlook Survey. The length of tasks (measured by how long they take skilled human professionals) that generalist frontier model agents can complete autonomously with 80% reliability has been doubling approximately every 7 months for the last 6 years. *METR looks exclusively at multi-step software engineer, cybersecurity, general reasoning and machine learning tasks that require low or no prior context and are self-contained units of work.
Guide to the Markets – U.S. Data are as of March 31, 2026.

Labor Market

Lower net immigration will slow economic growth, but increased investment in AI could help offset these impacts. Productivity in the non-farm business sector rose by 1.7% in 2025, following gains of 2.1% and 2.7% over the prior two years. Output per worker has risen faster this decade than in the 2000's or the 2010's. This has been aided by increased capital spending on intellectual property and R&D, a trend likely to continue as companies capitalize on AI.

A sharp drop in U.S. immigration and an aging population are shrinking the working-age population. With full employment, almost all late 2020s growth must come from productivity. This could limit long-term U.S. growth. A shrinking workforce means productivity gains must drive future economic growth.

With fewer workers available, the unemployment rate could fall to 4.0% by year-end, down from 4.4%. The labor market is weak but remains tight. Despite a tight labor market and higher inflation in early 2026, wage growth continues to be low as companies remain cautious. Rising wages are unlikely to drive U.S. inflation.

Inflation

Year-over-year inflation could rise soon, possibly reaching 3.5% in June due to higher energy costs from the Iran conflict, tariffs, and large income tax refunds. Inflation should decline in the second half as tariffs are reduced and rent growth slows. By 2027, CPI inflation may fall below 2% as these trends persist and energy prices stabilize.

The market no longer expects rate cuts this year. If inflation and real GDP growth drop below 2% by 2027, rate cuts may be needed then. The Fed is expected to act cautiously, given steady growth and higher inflation from oil prices. The Fed, to date, has resisted the political pressure to lower rates.

In conclusion, the U.S. economy continues to grind forward amid geopolitical risks and labor market shifts as technological advancements are delivering productivity gains. The Iran conflict has introduced short-term inflationary pressure via higher energy prices, straining lower- and middle-income households but providing some relief through domestic energy production. Tighter immigration and an aging workforce are constraining labor supply, contributing to slower job growth and a tight labor market.

Given these dynamics, monetary policy is expected to remain cautious. The Fed's reluctance to cut rates reflects persistent inflation risks and modest economic growth. While recession risks appear contained, the path forward is slower, more productivity-driven expansion, shaped by geopolitical tensions and inflationary trends

II. FIRST-QUARTER 2026 EQUITY MARKET RECAP

By Dodd Williams

In Q1 2026, equity markets experienced significant volatility and ended the quarter in negative territory. The OEX, SPX, SML, RIY, RTY, and RAY indices all ended the quarter with a negative return for the period. The S&P 400 Index (MID) returns were positive, albeit small at 0.78%. The primary cause of the weak returns during the quarter were attributed to the Middle Eastern conflict with Iran. The conflict, which began in late February and is still ongoing, has caused a slew of economic repercussions on economies worldwide. The largest of these issues is the shutdown of the Strait of Hormuz, which is a crucial transportation route for oil and gas transport. The Strait, which under normal circumstances, sees the transportation of nearly 20 million barrels of oil per day, has been largely shut down since early March. This shutdown has led to increased oil and gas prices, which consequently has resulted in weakness in the equity market and a renewed fear of an inflation spike. During the final days of the quarter, the market rallied upon hearing news of a potential resolution to the conflict. However, as of today, it is unclear whether this resolution will come to fruition.

Index	Ticker	Description	Quarterly Return
S&P 100	OEX	The largest 100 companies	-8.58%
S&P 400	MID	The 101st to 500th largest companies	0.78%
S&P 500	SPX	The largest 500 companies combined	-5.97%
S&P 600	SML	Small capitalization companies – smaller than S&P 500	0.76%
Russell 1000	RIY	The largest 1000 companies – comprises 93% of the investable market	-5.78%
Russell 2000	RTY	Another index of small capitalization companies (the next 2000 after the Russell 1000) – comprises only 8% of the larger Russell 3000	-0.73%
Russell 3000	RAY	The broadest representation of the U.S. stock market representing 98% of the investable market	-5.50%

Source: Return Figures are from Bloomberg COMP page

Another significant event that occurred in the market during the first quarter was the market is experiencing a slight sector shift regarding information technology. Technology for the past several years has held a strong position within the market, and it appears rotation is beginning to occur, albeit slowly. Increasing valuations of technology companies and questions regarding the returns on AI related projects has the market reconsidering the position of technology sector within the market. A few newsworthy events occurred during the quarter in regards to AI including OpenAI's recent closure of its Sora AI video model and Disney's discontinuation of an OpenAI partnership worth $1 billion. Additionally, Google recently discovered a new algorithm in which AI will use significantly less RAM and still keep the quality the same as when models used more RAM. This innovation is a huge step in the AI world and will lead to significantly reduced costs for Google and others.

On a global front, during the first quarter, the MSCI Emerging Markets ETF (EEM) returned 0.07%, Japan's Nikkei Index was up 6.73% and the FTSE 100 Index in the United Kingdom returned 2.22%. Overall, the equity market in the first quarter of 2026 proved to be a turbulent one, with the Iranian conflict at the very center. Moving into the second quarter, time will only tell how this conflict will evolve and what resolution can be made.

References:

Review of markets over the first quarter of 2026 | J.P. Morgan Asset Management

Dow skyrockets by over 1,100 points, stocks rally to end Q1 2026

Wall Street closes down as oil prices spike on Middle East conflict | Reuters

III. FIRST-QUARTER 2026 BOND MARKET RECAP

By Chad McKeithen

The first quarter of 2026 was marked by elevated uncertainty across fixed income markets, driven by geopolitical tensions, energy-price shocks, and shifting expectations for Federal Reserve policy. As the quarter progressed, sharp intraday rate movements pressured bond valuations. While credit fundamentals remained broadly intact, investors demanded greater compensation for rising instability and rising issuance, leading to modest spread widening from historically tight levels.

Rising oil prices and concerns that inflation could remain elevated pushed Treasury yields into wide trading ranges, with frequent 5–15 basis-point daily moves. Expectations for Federal Reserve easing faded steadily, and by quarter-end markets were largely pricing no rate cuts in 2026, signaling a shift toward a longer, more cautious policy outlook.

U.S. Treasuries continued to provide safe-haven protection during periods of stress, though rallies were constrained by inflation sensitivity and rising volatility. Yields finished the quarter higher, with the 2-year Treasury rising from 3.47% to 3.79% and the 10-year from 4.17% to 4.30%.

Municipal bonds modestly underperformed Treasuries as higher rates, elevated issuance, and wider spreads weighed on prices. Broad municipal indices posted slightly negative total returns, though steady coupon income helped offset price declines. Credit fundamentals remained strong, supported by healthy state and local balance sheets and low default activity, while higher absolute yields and compelling tax-equivalent income continued to support demand.

Agency MBS faced early-quarter pressure as rate volatility increased prepayment uncertainty and extended durations. Spreads widened in January and February before stabilizing, aided by increased support from Fannie Mae and Freddie Mac, which emerged as sizable buyers. As a result, agency MBS finished as one of the stronger-performing fixed income sectors during the quarter.

Corporate bonds generated returns primarily through income as spreads widened modestly. Investment-grade spreads moved from the low-70s into the low-90 basis-point range, while high-yield spreads widened toward the mid-300s, still well below long-term averages. Credit conditions remained favorable, supported by stable earnings and manageable leverage.

Overall, the first quarter of 2026 reaffirmed that fixed income has resumed its traditional role as an income-generating asset class, though within a more uncertain environment. As markets enter the second quarter, disciplined security selection and thoughtful balance-sheet positioning remain critical as investors balance attractive income opportunities against persistent geopolitical and inflation-related risks.

Chart 1 – 1st Quarter Rate & Bond Sector Changes

Rates/Indicators	3/31/26	12/31/25	Q / Q Change
Prime	6.75	6.75	0.00
Effective Fed Funds	3.64	3.64	0.00
3m Tbill	3.69	3.63	0.06
2yr UST	3.85	3.47	0.38
10yr UST	4.34	4.17	0.17
2-10yr UST Spread	0.49	0.69	-0.20
10y AAA Muni/10y UST	70%	65%	5%
Bond Sector Yields	**3/31/26**	**12/31/25**	**Qtr Change**
U.S. Aggregate	4.57	4.32	0.25
IG Corps	5.14	4.81	0.33
U.S. High Yield	7.40	6.53	0.87
Municipals	3.77	3.60	0.17
MBS	4.83	4.63	0.20
Asset Backed	4.94	4.69	0.25

Source: J.P. Morgan Asset Management / Bloomberg

Chart 2 – 2026 Bond Sector Total Returns

Bond Sector Total Returns	YTD Total Return	Avg Maturity
U.S. Aggregate	-0.05%	8.20
IG Corps	-0.54%	10.40
U.S. High Yield	-0.50%	4.80
Municipals	-0.18%	13.40
MBS	0.40%	7.10
Asset Backed	0.71%	2.20

J.P. Morgan / Bloomberg

The source of the information in this commentary is SSW, J. P. Morgan Asset Management, Bloomberg COMP, S&P Capital IQ, and GICS.

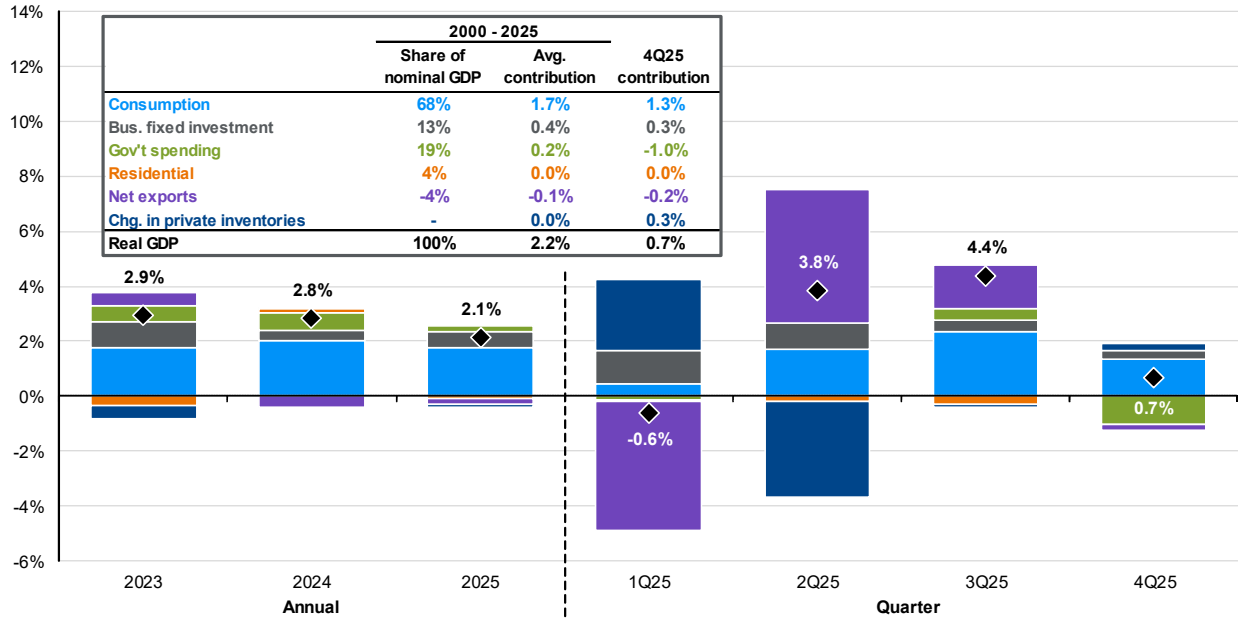
All content is for informational purposes only and should in no way be construed or interpreted as a solicitation to sell or an offer to sell advisory services or products.

Chad McKeithen | Research Department
Smith Shellnut Wilson, LLC
661 Sunnybrook Rd, Ste 130
Ridgeland, MS 39157
601.315.8134
www.ssw1776.com

Components of GDP growth

Contributors to real GDP growth

Seasonally adjusted annualized rate



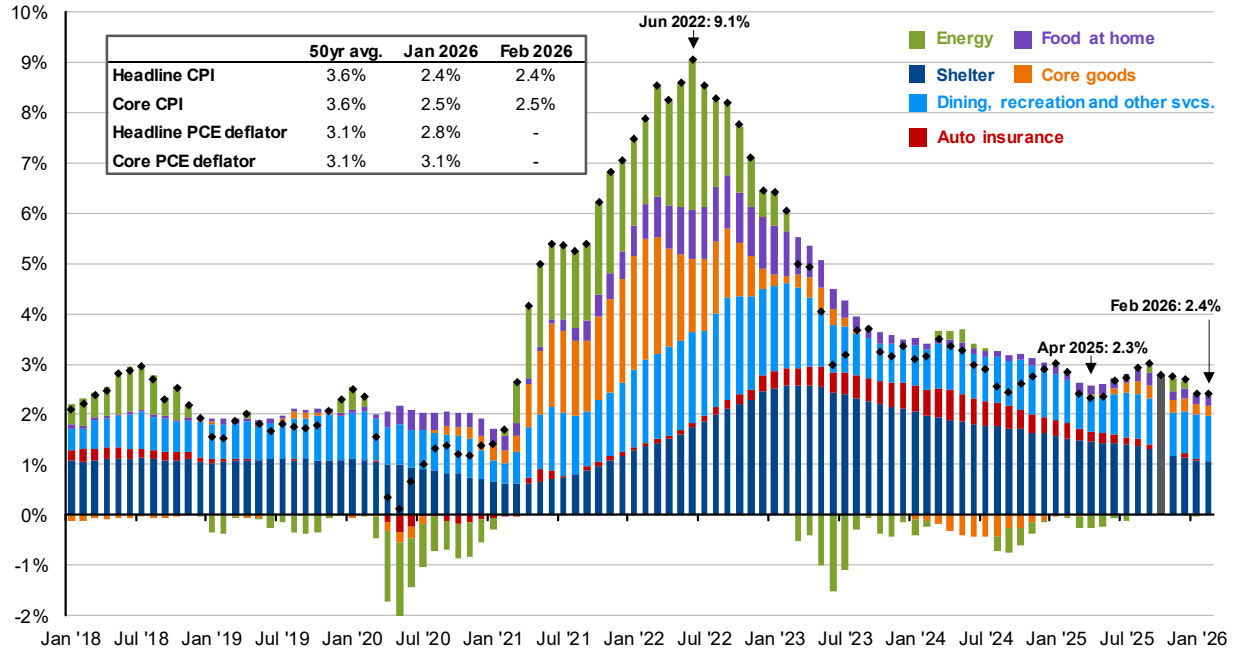
	2000 - 2025 Share of nominal GDP	2000 - 2025 Avg. contribution	4Q25 contribution
Consumption	68%	1.7%	1.3%
Bus. fixed investment	13%	0.4%	0.3%
Gov't spending	19%	0.2%	-1.0%
Residential	4%	0.0%	0.0%
Net exports	-4%	-0.1%	-0.2%
Chg. in private inventories	-	0.0%	0.3%
Real GDP	100%	2.2%	0.7%

Source: BEA, FactSet, J.P. Morgan Asset Management.
Guide to the Markets – U.S. Data are as of March 31, 2026.

Inflation components

Contributors to headline CPI inflation

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



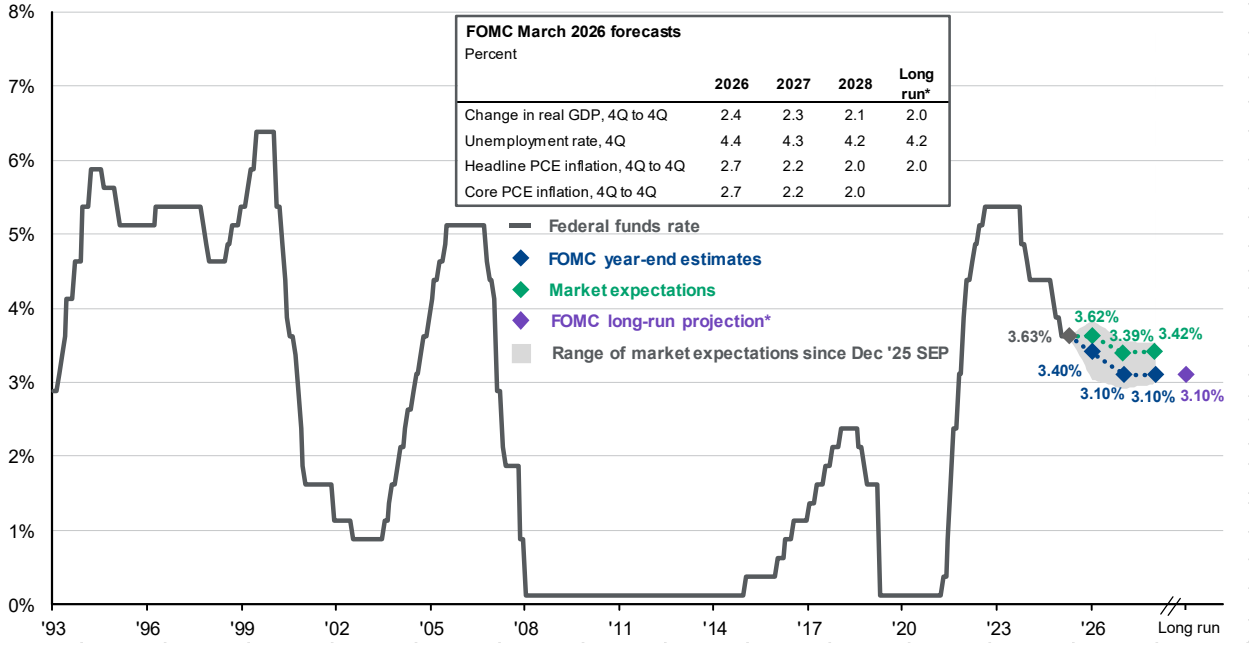
	50yr avg.	Jan 2026	Feb 2026
Headline CPI	3.6%	2.4%	2.4%
Core CPI	3.6%	2.5%	2.5%
Headline PCE deflator	3.1%	2.8%	-
Core PCE deflator	3.1%	3.1%	-

Source: BLS, FactSet, J.P. Morgan Asset Management.
Contributions mirror the BLS methodology on Table 7 of the CPI report. Values may not sum to headline CPI figures due to rounding and underlying calculations. "Shelter" includes owners' equivalent rent, rent of primary residence and home insurance. "Food at home" includes alcoholic beverages. Headline and core PCE deflator inflation shown are based on seasonally adjusted data due to data availability. Official October 2025 data unavailable due to government shutdown and data shown are J.P. Morgan Asset Management estimates.
Guide to the Markets – U.S. Data are as of March 31, 2026.

The Fed and interest rates

Federal funds rate expectations

FOMC and market expectations for the federal funds rate

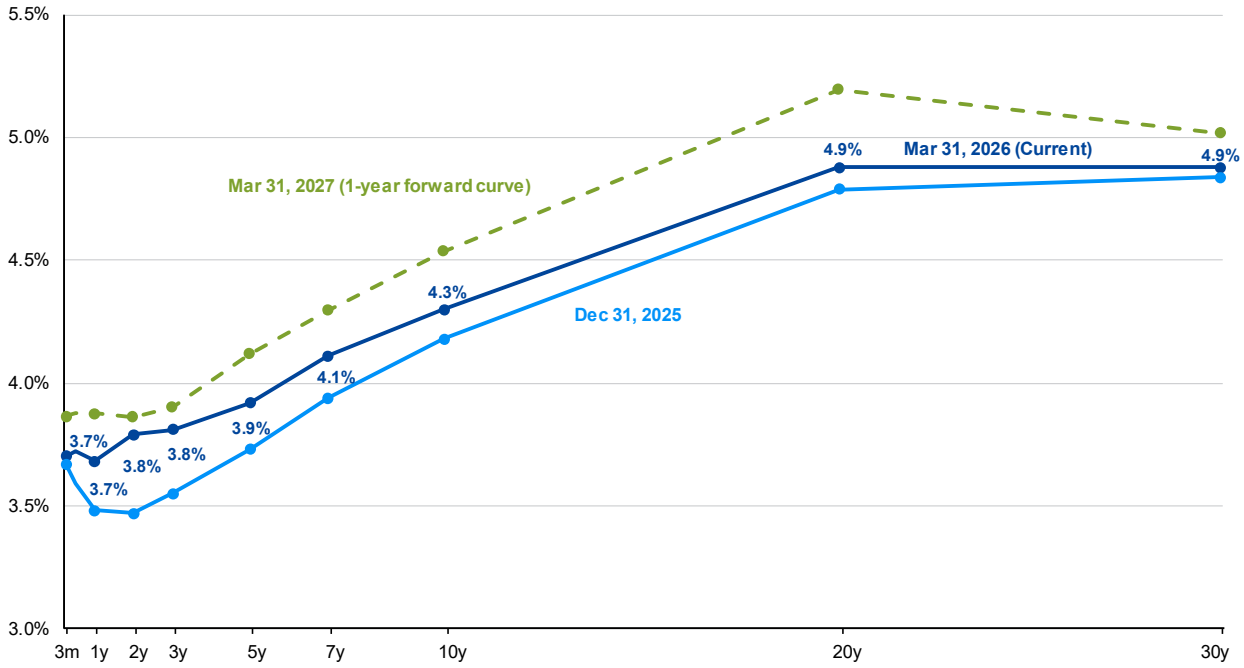


Source: Bloomberg, FactSet, Federal Reserve, J.P. Morgan Asset Management.
Market expectations are based off of USD Overnight Index Swaps. *Long-run projections are the rates of growth, unemployment and inflation to which a policymaker expects the economy to converge over the next five to six years in absence of further shocks and under appropriate monetary policy. Forecasts, projections and other forward-looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections or other forward-looking statements, actual events, results or performance may differ materially from those reflected or contemplated.
Guide to the Markets – U.S. Data are as of March 31, 2026.

Fixed Income

Yield curve

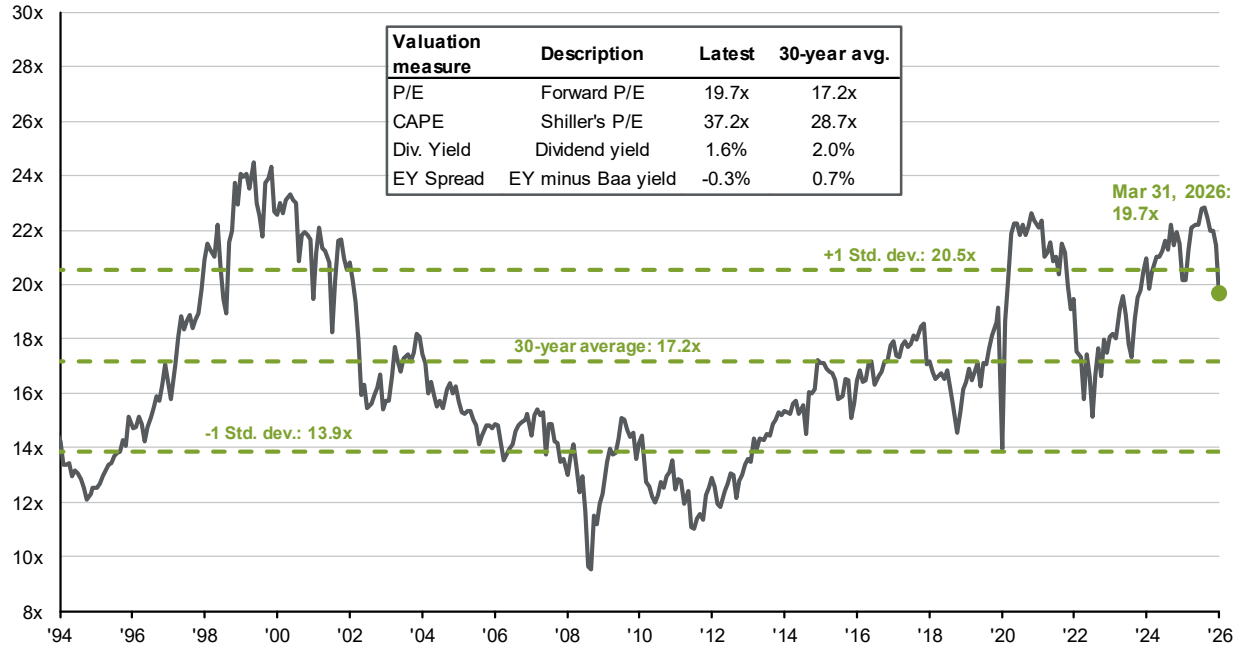
U.S. Treasury yield curve



Source: FactSet, Federal Reserve, J.P. Morgan Asset Management.
Guide to the Markets – U.S. Data are as of March 31, 2026.

S&P 500 valuation measures

S&P 500 index: Forward P/E ratio

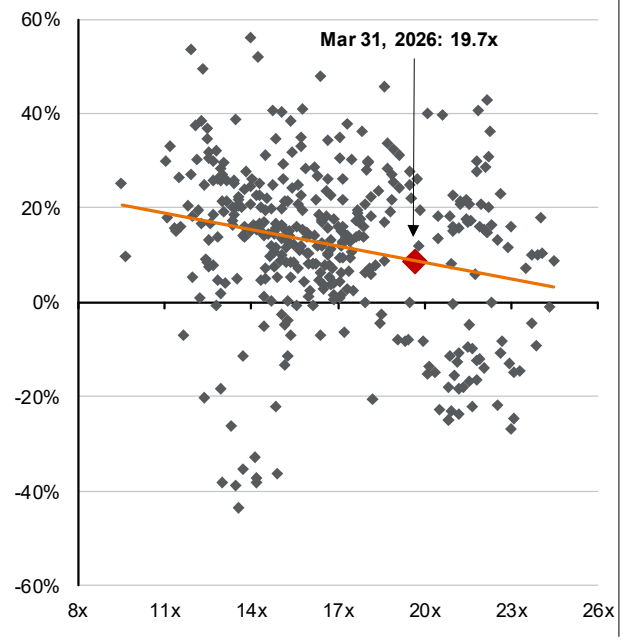


Source: Bloomberg, FactSet, Moody's, Refinitiv Datastream, Robert Shiller, Standard & Poor's, J.P. Morgan Asset Management.
Forward P/E ratio is the most recent S&P 500 index price divided by consensus analyst estimates for earnings in the next 12 months, provided by IBES since March 1994 and FactSet since January 2022. Shiller's P/E uses trailing 10-years of inflation-adjusted earnings as reported by companies. Dividend yield is calculated as consensus estimates of dividends in the next 12 months, provided by FactSet, divided by the most recent S&P 500 index price. EY minus Baa yield is the forward earnings yield (the inverse of the forward P/E ratio) minus the Bloomberg U.S. corporate Baa yield since December 2008 and interpolated using the Moody's Baa seasoned corporate bond yield for values beforehand.
Guide to the Markets – U.S. Data are as of March 31, 2026.

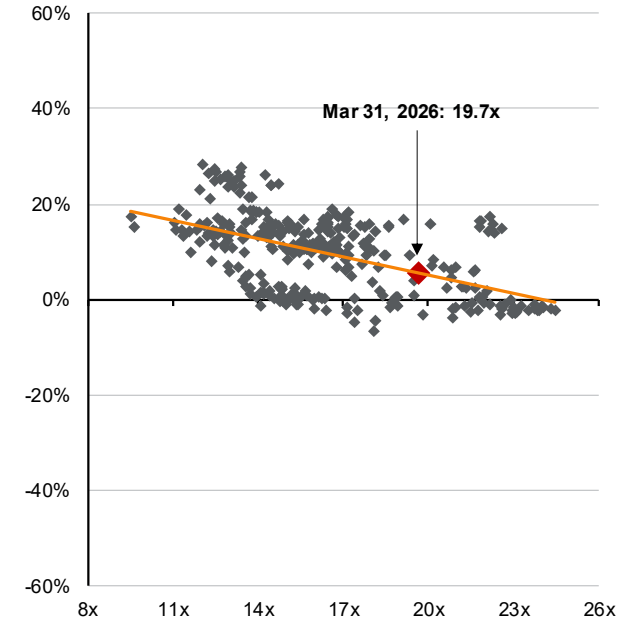
Equities

P/E ratios and equity returns

Forward P/E and subsequent 1-year returns
S&P 500 Total Return Index



Forward P/E and subsequent 5-year annualized returns
S&P 500 Total Return Index

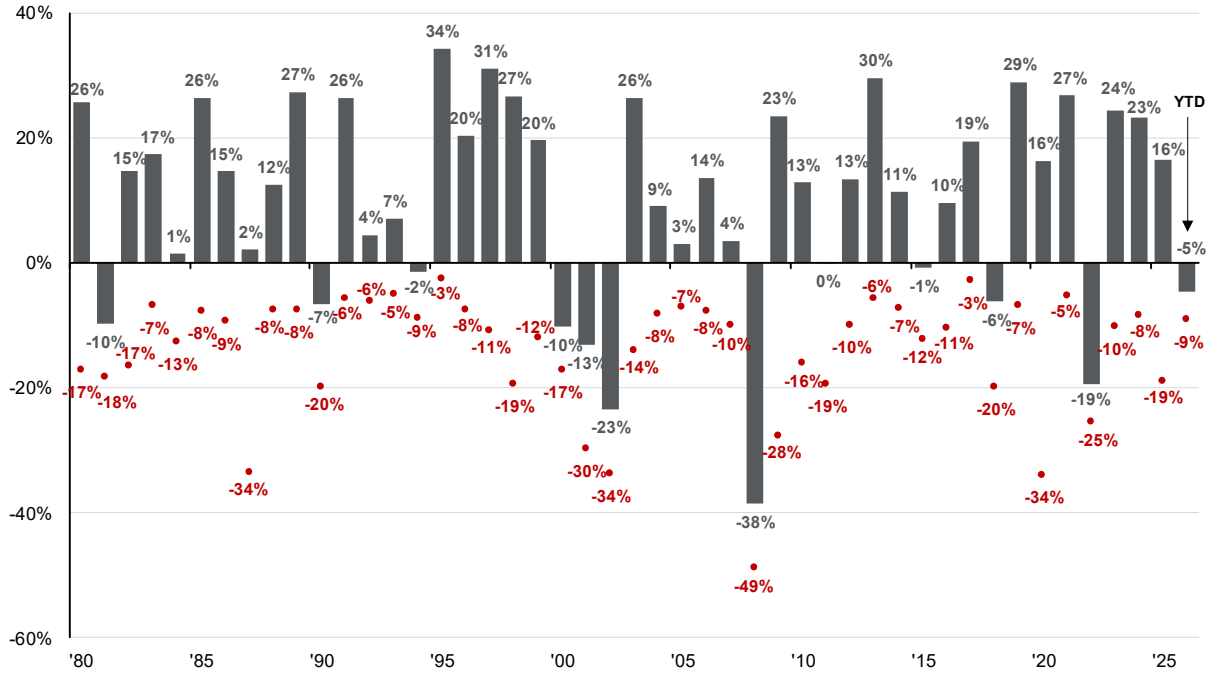


Source: FactSet, Refinitiv Datastream, Standard & Poor's, J.P. Morgan Asset Management.
Returns are 12-month and 60-month annualized total returns. measured monthly. beginning 12/31/1993. The forward P/E ratio is the most recent S&P 500 index price divided by consensus analyst estimates for earnings in the next 12 months, provided by IBES since December 1993 and FactSet since January 2022. Past performance is no guarantee of future results.
Guide to the Markets – U.S. Data are as of March 31, 2026.

Annual returns and intra-year declines

S&P 500 intra-year declines vs. calendar year returns

Despite average intra-year drops of 14.2%, annual returns were positive in 35 of 46 years



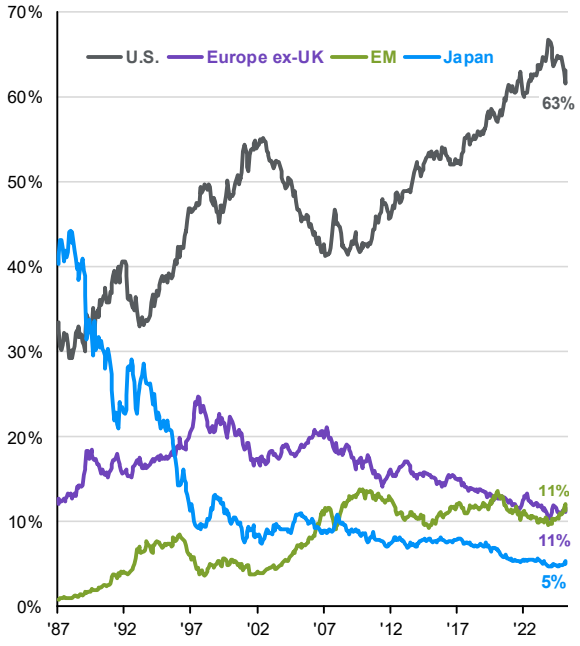
Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.
Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest peak-to-trough decline during the year. Returns shown are calendar year returns from 1980 to 2025, over which the average annual return was 10.7%. Past performance is no guarantee of future results.
Guide to the Markets – U.S. Data are as of March 31, 2026.

Global equity markets

Returns	2026 YTD		2025		15-years
	Local	USD	Local	USD	Ann.
Regions					
U.S. (S&P 500)	-	-4.3%	-	17.9%	13.3%
AC World ex-U.S.	1.1%	-0.6%	25.1%	33.1%	6.1%
EAFE	0.3%	-1.1%	21.2%	31.9%	6.8%
Eurozone	-2.4%	-4.2%	24.7%	41.3%	6.8%
Emerging markets	2.2%	-0.1%	32.1%	34.4%	4.1%
Selected Countries					
Japan	3.0%	1.5%	24.7%	25.1%	7.3%
UK	4.0%	2.0%	25.8%	35.1%	6.3%
France	-3.5%	-5.4%	14.2%	29.5%	6.7%
Canada	3.3%	1.4%	30.9%	37.4%	6.4%
Germany	-6.6%	-8.4%	20.9%	37.1%	6.1%
China	-8.5%	-8.9%	30.7%	31.4%	3.2%
Taiwan	11.1%	9.1%	34.0%	39.8%	13.9%
Korea	24.1%	16.7%	96.5%	100.8%	6.8%
India	-13.6%	-18.1%	9.5%	4.3%	4.8%
Brazil	14.5%	19.2%	35.6%	50.4%	0.7%

Share of global market capitalization

% weight in MSCI All Country World, USD, monthly

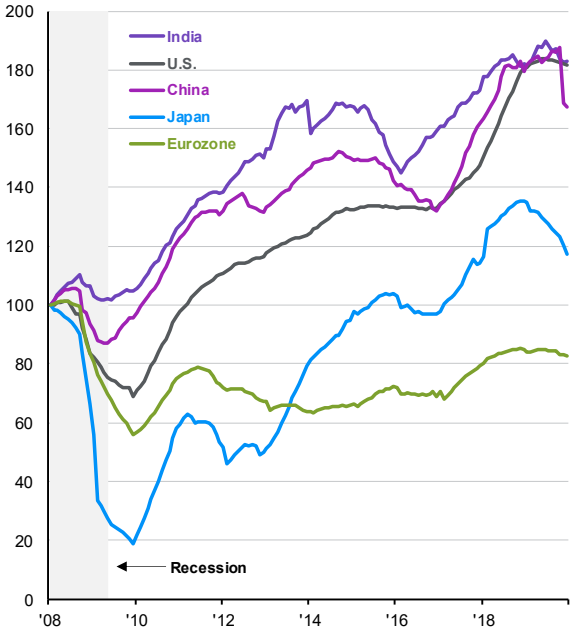


Source: FactSet, MSCI, Standard & Poor's, J.P. Morgan Asset Management.
(Left) All return values are MSCI Total Return Index (Gross) data. 15-year history based on USD returns. 15-year annualized return figures are calculated using a rolling 12-month period ending with the previous month-end. Please see disclosure page for index definitions. Past performance is no guarantee of future results.
Guide to the Markets – U.S. Data are as of March 31, 2026.

Global equity earnings

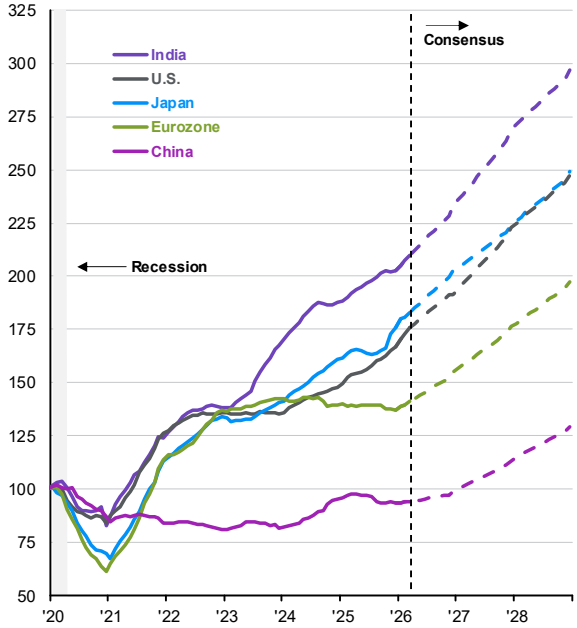
Earnings growth: GFC to pre-pandemic

Jan 2008 = 100, last 12 months, local currency, monthly



Earnings growth: Pandemic to present/consensus estimates

Jan 2020 = 100, last 12 months, local currency, monthly

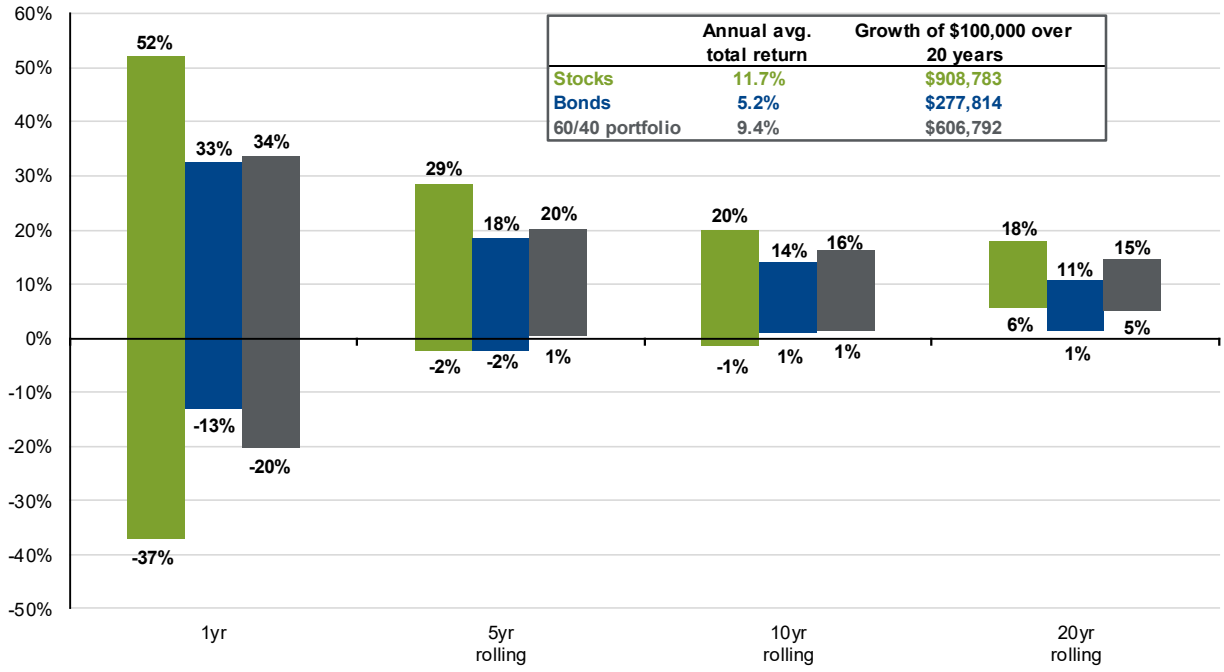


Source: FactSet, MSCI, Standard & Poor's, J.P. Morgan Asset Management.
Countries are represented by their respective MSCI country index except for the U.S., which is represented by the S&P 500. GFC = Global Financial Crisis.
Guide to the Markets – U.S. Data are as of March 31, 2026.

Time, diversification and the volatility of returns

Range of stock, bond and blended total returns

Annual total returns, 1950 - 2025



	Annual avg. total return	Growth of $100,000 over 20 years
Stocks	11.7%	$908,783
Bonds	5.2%	$277,814
60/40 portfolio	9.4%	$606,792

Source: Bloomberg, FactSet, Federal Reserve, Standard & Poor's, Strategas/Ibbotson, J.P. Morgan Asset Management.
Returns shown are based on calendar year returns from 1950 to 2025. Stocks: S&P 500; Bonds: Strategas/Ibbotson for periods prior to 1976 and the Bloomberg U.S. Aggregate thereafter. Growth of $100,000 is based on annual average total returns from 1950 to 2025.
Guide to the Markets – U.S. Data are as of March 31, 2026.