NATIONAL ASSOCIATION OF MUTUAL INSURANCE COMPANIES

MARKET INVESTMENT BRIEFING

Monthly Investment Intelligence for Insurance Leaders

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PURPOSE AND USE OF THIS BRIEFING

The NAMIC Investment Governance Briefing summarizes publicly available capital-market information for educational and informational purposes and provides general context concerning financial-market developments associated with property and casualty insurance investment portfolios.

The briefing does not express NAMIC's views regarding market direction, investment opportunities, asset allocation, portfolio construction, individual securities, investment managers, or future market performance. It does not recommend investments, portfolio actions, governance practices, monitoring practices, or courses of action and is not intended to replace an insurer's professional investment, legal, accounting, tax, actuarial, regulatory, or other advisers. The significance of any market development to an individual insurer depends upon that insurer's particular investments, liabilities, financial circumstances, accounting treatment, regulatory requirements, investment policies, and other considerations.

EXECUTIVE SUMMARY

Financial markets entered the middle of September with additional information concerning inflation, employment, producer prices, interest rates, credit conditions, corporate earnings, and developments in private markets.

The federal funds target range remained 3.50% to 3.75% following the Federal Open Market Committee's July meeting. Market participants continued to evaluate incoming economic information before the Federal Reserve's September meeting. Consumer-price information released September 11 showed that the Consumer Price Index increased 0.4% in August and 3.4% over the preceding 12 months. Excluding food and energy, consumer prices increased 0.3% during August and 2.4% over 12 months. The 12-month core rate was slightly lower than the 2.5% reported for July.

Energy prices were an important component of the August increase. The energy index increased 2.1% during the month, including a 3.9% increase in gasoline prices. Shelter prices increased 0.3%. Producer-price information released September 10 showed that the Producer Price Index for final demand increased 0.4% in August and 5.4% over the preceding 12 months. Final-demand goods prices increased 1.1% during August, while final-demand services prices increased 0.1%. Labor-market information released September 4 showed that nonfarm payroll employment increased by 162,000 in August and the unemployment rate remained 4.1%. Previously reported employment changes for June and July were revised upward by a combined 55,000 jobs. The previously reported July decline of 23,000 jobs was revised to an increase of 21,000.

Taken together, the August reports provided a different combination of information from that available when the August briefing was prepared: employment increased more than initially reported, while consumer prices increased more rapidly during August than during July. These observations describe the published economic data and do not establish their implications for future monetary policy or financial-market performance.

Treasury yields continued to reflect expectations concerning inflation, economic growth, monetary policy, federal financing requirements, investor demand, and the additional compensation associated with holding longer-maturity securities. Investment-grade corporate credit spreads remained narrow by historical standards during late August and early September, according to the ICE BofA U.S. Corporate Index option-adjusted spread series made available through the Federal Reserve Bank of St. Louis.

Municipal securities continued to reflect the effects of elevated 2026 issuance as well as broader movements in interest rates and fixed-income markets.

U.S. equity markets remained at elevated levels, while performance continued to vary among companies and sectors. Artificial-intelligence-related capital investment remained a significant corporate and capital-market theme.

Private credit and commercial real estate continued to receive attention in Federal Reserve, regulatory, and institutional research, particularly in connection with credit conditions, valuation, liquidity, refinancing, and differences among borrowers and assets.

These developments describe aggregate economic and financial-market conditions. They do not establish their significance for any individual insurer or investment portfolio.

WHAT CHANGED SINCE THE AUGUST BRIEFING?

The August NAMIC Investment Governance Briefing described markets characterized by relatively high longer-term interest rates, narrow investment-grade corporate credit spreads, elevated municipal issuance, and differentiated conditions across public equities and private markets. Additional public information became available during late August and the first part of September.

Inflation: August Consumer Price Index data showed a 0.4% monthly increase and a 3.4% increase over the preceding 12 months. Core CPI, excluding food and energy, increased 0.3% during August and 2.4% over 12 months. The 12-month core rate declined from 2.5% in July.

Producer Price: The Producer Price Index for final demand increased 0.4% in August and 5.4% over the preceding 12 months. Final-demand goods prices increased 1.1% during the month, while final-demand services prices increased 0.1%.

Employment: Nonfarm payroll employment increased by 162,000 in August and the unemployment rate remained 4.1%. Earlier estimates for June and July were revised upward by a combined 55,000 jobs. The previously reported July decline of 23,000 jobs was revised to an increase of 21,000.

Federal Reserve: The federal funds target range remained 3.50% to 3.75%. The August inflation, producer-price, and employment reports became part of the information available to policymakers and market participants before the Federal Reserve's September meeting.

Corporate Credit: Investment-grade corporate spreads remained narrow during late August and early September, according to the ICE BofA U.S. Corporate Index option-adjusted spread series made available through the Federal Reserve Bank of St. Louis.

Municipal Securities: The municipal market continued to reflect elevated 2026 issuance and changes in broader fixed-income market conditions.

Equities: Broad U.S. equity indexes remained at elevated levels, with continuing differences in performance among sectors and individual companies.

The comparison above describes observed changes in publicly available economic and financial-market information. It does not characterize those changes as favorable or unfavorable, predict their continuation, or indicate their significance for any particular insurer or investment portfolio.

1. U.S. TREASURIES AND INTEREST RATES

Current Public Information – Interest rates remained an important feature of financial markets during late August and early September. The Federal Reserve maintained the federal funds target range at 3.50% to 3.75% following its July meeting. Treasury securities with longer maturities continued to reflect factors extending beyond the current federal funds rate, including expectations concerning inflation and economic growth, federal financing requirements, investor demand, and compensation associated with holding longer-maturity securities.

August inflation information released September 11 showed that consumer prices increased 3.4% over the preceding 12 months. Core consumer prices, excluding food and energy, increased 2.4%.

Producer-price information released September 10 showed a 5.4% increase in final-demand prices over the preceding 12 months. The index for final demand less foods, energy, and trade services increased 4.7% over the same period.

Labor-market information released September 4 showed an increase of 162,000 in August nonfarm payroll employment and an unemployment rate of 4.1%. Previously reported June and July employment changes were revised upward by a combined 55,000 jobs.

The U.S. Treasury's August quarterly refunding materials provided additional information concerning federal financing requirements and planned Treasury issuance.

Market yields continued to incorporate several influences simultaneously rather than changes in any single economic indicator.

P&C Insurance Context – Treasury securities are widely held within insurance investment portfolios and also provide benchmark interest rates used in the pricing of many other fixed-income securities.

For fixed-rate securities, prevailing market interest rates and market values generally move in opposite directions. When prevailing yields rise, otherwise comparable fixed-rate securities issued at lower yields generally decline in market value. When prevailing yields fall, the reverse generally occurs.

At the same time, changes in prevailing yields affect the rates available on newly issued securities. The magnitude of market-value changes differs according to characteristics including maturity, coupon, duration, and other security-specific factors.These are general characteristics of fixed-income markets. They do not establish the effect of an interest-rate change on any particular insurer.

2. CORPORATE BONDS

Current Public Information – Investment-grade corporate bond markets continued during late August and early September to combine underlying Treasury yields with historically narrow credit spreads. The ICE BofA U.S. Corporate Index option-adjusted spread series remained within a small range over this period.

The ICE BofA BBB U.S. Corporate Index likewise continued to show relatively narrow spreads by longer-term historical standards.

An option-adjusted spread measures the yield differential between a bond or bond index and a comparable Treasury curve after adjustment for embedded options.

A narrower spread means that the additional yield differential is smaller. A wider spread means that it is larger. Neither condition, standing alone, establishes whether a security or market is appropriately valued.

Corporate credit conditions continued to vary by issuer, rating, industry, leverage, maturity, earnings, refinancing requirements, and other characteristics.

P&C Insurance Context – The yield on a corporate bond can be understood as containing an underlying government interest-rate component and an additional spread associated with credit and other characteristics.

Corporate bond yields can therefore change even when the financial condition of the issuer has not changed, because the underlying Treasury yield may change. Credit spreads can also change independently as market assessments of credit conditions change. These separate components help explain why movements in corporate bond yields do not necessarily have a single cause.

3. MUNICIPAL BONDS

Current Public Information – Municipal securities entered September following unusually strong issuance during the first half of 2026. The Municipal Securities Rulemaking Board reported approximately $299 billion of new issuance through June, 5% more than during the comparable period in 2025. Second-quarter issuance was the largest second-quarter volume in the available MSRB data.

Tax-exempt issuance increased 7% during the first half compared with the prior-year period, while taxable issuance decreased 2%. Refunding volume increased 48% compared with the first half of 2025.

The MSRB also reported approximately $33 billion of net inflows into municipal bond exchange-traded funds and approximately $33 billion into tax-exempt mutual funds during the first half of 2026.

Municipal securities encompass a wide range of state, local-government, healthcare, utility, transportation, housing, education, and other issuers. Their financial characteristics vary according to revenue sources, legal structures, reserves, debt obligations, demographics, and other issuer-specific circumstances.

P&C Insurance Context – Municipal securities have historically represented an important component of P&C insurer fixed-income holdings.Unlike Treasury securities, municipal securities combine interest-rate characteristics with issuer-specific credit characteristics and, in many cases, tax characteristics.

Their economic characteristics can therefore reflect prevailing interest rates, issuer credit conditions, security structure, market supply and demand, and applicable tax treatment. Aggregate municipal-market statistics describe conditions across the market and do not establish the characteristics or credit condition of an individual security or issuer.

4. PUBLIC EQUITIES & CAPITAL MARKETS

Current Public Information – U.S. equity markets remained at elevated levels during late August and early September, while performance continued to vary among sectors and individual companies. Corporate earnings, interest rates, geopolitical developments, and investment associated with artificial intelligence remained prominent market themes.

Artificial-intelligence-related expenditures continued across semiconductors, cloud computing, data centers, electrical generation and transmission, cooling equipment, and other infrastructure.

The effects of this spending differed among companies supplying infrastructure, companies purchasing it, and companies attempting to incorporate artificial intelligence into existing business models.

Capital spending associated with AI also continued to focus market attention on depreciation, financing requirements, energy availability, free cash flow, and the timing of revenues or operating efficiencies associated with those investments.

P&C Insurance Context – Public equities represent ownership interests rather than contractual promises to make specified principal and interest payments. Equity-market movements can therefore change the market value of insurer equity holdings independently of changes in interest income generated by fixed-income securities.

The accounting and capital effects of equity-market movements depend upon applicable insurance accounting and regulatory treatment and the particular holdings and circumstances of an insurer. General equity-index performance does not establish the performance of an individual insurer's equity holdings.

5. PRIVATE CREDIT

Current Public Information – Private credit remained a significant component of non-bank finance. The term encompasses multiple forms of lending, including direct lending, asset-backed finance, specialty finance, private placements, and other negotiated transactions.

Federal Reserve research has examined relationships between private credit and leveraged-loan markets, including companies obtaining financing through both channels.

Private-credit transactions differ structurally from publicly traded corporate bonds. Transactions are generally privately negotiated, pricing may occur less frequently, disclosure may be less standardized, and secondary-market liquidity may be limited.

Reported valuations can therefore change differently from prices in continuously traded public markets. Private-credit conditions also vary considerably among borrowers, managers, funds, transaction structures, industries, and vintages.

P&C Insurance Context – “Private credit” describes a broad group of investments rather than a single security type or strategy. The less-frequent pricing of many private-credit investments means that reported values can behave differently from prices observed in public bond markets.

This difference reflects characteristics of market structure, transaction frequency, and valuation methodology. It does not, by itself, establish that underlying economic risk is greater or smaller.

6. COMMERCIAL REAL ESTATE

Current Public Information – Commercial real estate remained highly differentiated by property type, geography, age, occupancy, tenant composition, financing structure, and loan vintage. Interest rates and refinancing remained significant market factors because loans originated during periods of lower interest rates can encounter different borrowing costs when they mature or refinance.

Conditions continued to differ substantially among office, industrial, retail, multifamily, healthcare, data-center, and other property types.

Office markets continued to show differences between newer, well-located buildings and older properties facing weaker demand or additional capital requirements.

Data centers continued to exhibit market characteristics distinct from conventional office properties, including requirements associated with power availability, specialized construction, technology infrastructure, tenant concentration, and capital intensity.

P&C Insurance Context – Insurance-company exposure to commercial real estate can arise through several different financial structures, including directly owned property, commercial mortgage loans, commercial mortgage-backed securities, real estate investment trusts, private funds, and securities issued by companies with substantial real-estate exposure.

These structures differ in liquidity, seniority, contractual cash flows, valuation methods, and sensitivity to property-level developments. Consequently, general information concerning commercial real estate does not necessarily describe the characteristics of a particular investment or insurer exposure.

MARKET CONCEPT EXPLAINED

Treasury Yield + Credit Spread: Understanding the Components of a Corporate Bond Yield

Corporate bond yields are frequently described as consisting of an underlying government interest rate plus an additional credit spread.

For illustration only, suppose a Treasury security of comparable maturity yields 4.50% and a corporate security has a spread of 0.80 percentage point, or 80 basis points, over the Treasury benchmark. The resulting corporate yield would be approximately 5.30%.

That yield can subsequently change for different reasons. The Treasury yield could change while the corporate spread remains approximately constant. The corporate spread could change while the Treasury yield remains approximately constant. Or both could change simultaneously.

For example, if the Treasury yield increased from 4.50% to 4.75% while the credit spread remained 80 basis points, the corporate yield would increase from approximately 5.30% to approximately 5.55% even though the spread had not changed.

This illustrates why a change in a corporate bond yield does not necessarily mean that the market's assessment of the issuer's credit risk changed by the same amount.

The example explains a financial-market relationship only. It does not address the appropriateness, expected performance, or value of any security or investment.

DISTINGUISHING MARKET INFORMATION FROM PORTFOLIO INFORMATION

This briefing describes aggregate financial-market conditions. Aggregate market information and information concerning an individual insurer's investment portfolio are different.

A change in Treasury yields describes a market development. It does not establish the effect on an insurer without information concerning that insurer's particular holdings and circumstances. A change in corporate credit spreads describes market pricing. It does not establish that the credit quality of a particular corporate issuer has changed. Aggregate municipal issuance describes the volume of securities entering the municipal market. It does not establish the financial condition of an individual municipal issuer. A change in a broad equity index describes the performance of the securities represented by that index. It does not establish the performance of an insurer's particular equity holdings. Public-market prices and private-market valuations arise through different market and valuation processes.

The distinction between market-wide information and insurer-specific information is fundamental to the purpose of this publication. NAMIC provides general educational information concerning the former. The significance of that information to an individual insurer depends upon circumstances specific to that insurer.

Feedback and Input for Future Editions: This briefing is designed to serve the evolving educational needs of smaller NAMIC members. Suggestions regarding market sectors, publicly available information, or explanatory material that could be addressed in future editions may be directed to:

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Readers should consult original source materials and their own qualified professional advisers before making decisions concerning matters discussed herein. Investment decisions remain the sole responsibility of each insurer acting through its established governance processes and professional advisers.

The following publicly available sources were used in preparing this briefing. They are organized by subject area. Inclusion of a source does not constitute NAMIC's endorsement of the organization, its research, or its conclusions.

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- JLL — Research and Insights

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