MassMutual Investments

Monthly Market Strategy

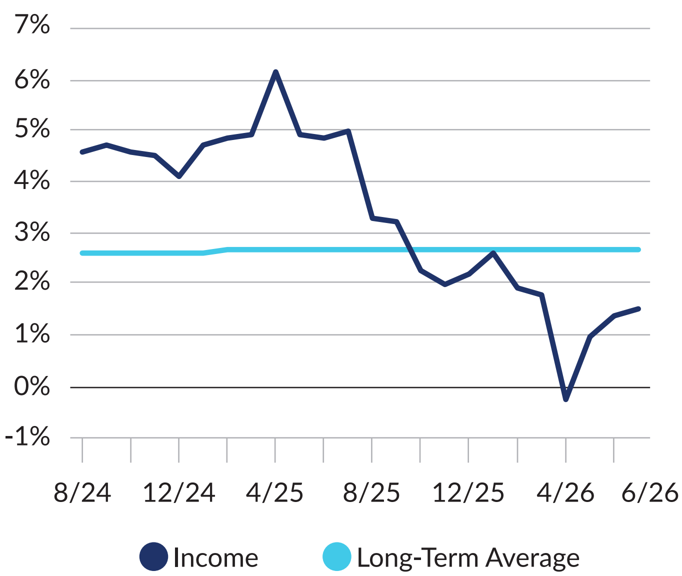
Outlook

- Strong corporate earnings growth and operating margins, propelled by a continuing AI capex spending cycle, underpin a robust equity market.
- Inflation, while moderating slightly over the past year, remains above target and may lead to higher interest rates and policy uncertainty.
- Ongoing risks include elevated U.S. equity valuations, index concentration in AI-related markets, the further potential for inflation, and geopolitical driven uncertainty.

Macro Outlook

We believe that the U.S. economy is currently growing at a modest pace. The labor market, measured by weekly jobless claims and Non-Farm Payroll job gains, continues to remain in a no-fire/low-hire stasis. The employment outlook is likely leading to the recently observed slowdown in real Disposable Personal Income growth on a year-over-year (YOY) basis and continued weakness in consumer expectations as measured by the University of Michigan Consumer Sentiment survey.

REAL DISPOSABLE PERSONAL INCOME GROWTH YOY

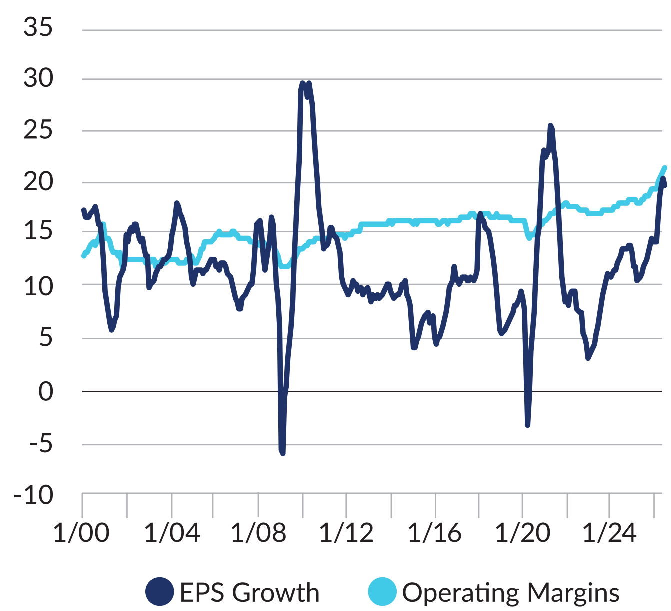


Source: FactSet, MassMutual, 8/21/26

This is concurrent with weak Q2 2026 real U.S. GDP growth of 1.5% annualized and the Federal Reserve lowering its forecast for full-year 2026 growth from 1.8% in March to 1.4% in the June Summary of Economic Projections. Continuing geopolitical crises, particularly in the Middle East, have pushed up inflation in the near term and, as a result, the real cost of funding, as measured by the real 10-Year U.S. Treasury yield. The Personal Consumption Expenditures deflator measure of inflation in July exceeded consensus expectations and remains firmly above 3% on an annual basis. This likely further reinforces the "higher for longer" rate environment, with roughly 25bps of rate hikes forecast by the market for the remainder of 2026.[1]

The outlook for corporate earnings is decidedly sunnier. The consensus forecast for corporate earnings growth for the S&P 500® Index is currently projected at 19.95% for the coming year, a level exceeded only twice over the past 25 years, while expected operating margins are also at a multi-decade high of 21.4%.[1] We believe this strong projected corporate earnings growth, buoyed by continued AI-driven capex spending, will likely keep a floor under equity prices in the intermediate term. The AI tech capital spending cycle continues to be a persistent and dominant positive theme, both in terms of economic drivers and in how equity and, increasingly, credit markets are being priced. We remain on watch for any signs of deterioration in the current corporate earnings cycle.

12-MONTH FORWARD S&P 500 FUNDAMENTALS



Source: FactSet, MassMutual, 8/21/26

Market Outlook

	Under Weight		Neutral	Over Weight	
Equity					
U.S. Large Cap				O	
U.S. Mid Cap		U			
U.S. Small Cap			N		
International Developed			N		
Emerging Markets				O	
Fixed Income					
U.S. Core Bond		U			
U.S. High Yield				O	

Source: FactSet, MassMutual, 8/21/26

U.S. Large Cap: Slight overweight driven by strong expected earnings growth and operating margins, supported by continued AI capex spending. Estimate revisions are very positive. Risks to include elevated valuations, an unexpected decline in technology capex, the potential for sticky inflation, leading to interest rates remaining higher for longer than currently anticipated.

U.S. Mid Cap: Resilient economic growth supports corporate fundamentals, but earnings leadership remains among larger companies with greater scale and AI exposure.

U.S. Small Cap: Lower recession risk supports valuations in U.S. Small Cap, though the strongest earnings opportunities remain concentrated in large-cap growth sectors.

International Developed: Lower valuations versus domestic equities and steadily rising earnings expectations. A lower exposure to innovative technology and artificial intelligence versus other markets is not supporting high earnings growth seen elsewhere.

Emerging Markets: High expected earnings growth and operating margin expansion are driving attractive fair value estimates. Earnings expectations for the category are the highest among equity asset class peers, as EM countries continue to position themselves to take advantage of future technology like EVs, renewable energy, and the AI supply chain.

U.S. Core: Futures curve pricing in modest decline over the next 12 months as a higher-than-expected federal funds rate remains. Expectations of rate increases have remained on track as core inflation remains above target due to high domestic investment and energy supply shocks.

U.S. High Yield: Strong corporate fundamentals continue to provide ample support for compressed Option Adjusted Spreads, which have undeniably tightened over the past few years. A meaningfully different index composition, including higher credit quality and shorter duration, leads to attractive valuations.

The S&P 500® Index measures the performance of 500 widely held stocks in the U.S. equity market. The Index is designed to broadly measure U.S. equity performance and is market capitalization-weighted. The Index does not reflect any fees, expenses, or taxes and cannot be purchased directly by investors.

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Investors should consider funds' objectives, risks, fees, and expenses carefully before investing. This and other information can be found in the funds' prospectuses or summary prospectuses, which are available from MassMutual® by calling 1-866-444-2601. Please read them carefully before investing.

[1] Accessed 8/21/26, FactSet, MassMutual

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