

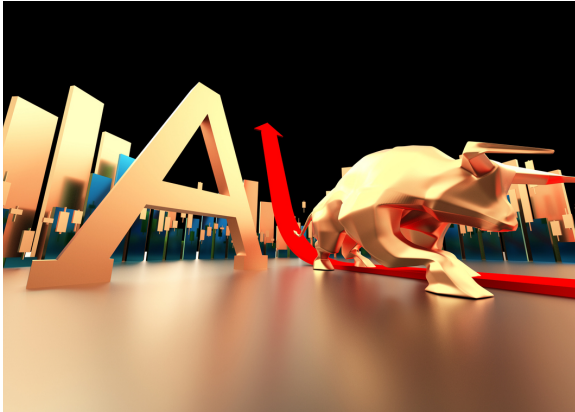
EXECUTIVE SUMMARY

Monthly Market Commentary

Benchmark Returns AS OF AUGUST 31, 2026

	MONTH	YTD
S&P 500	2.72%	13.14%
Dow Jones Industrial Average	1.47%	11.79%
Nasdaq	3.99%	13.90%

	MONTH	YTD
Bloomberg Agg Bond Index	0.39%	-0.31%
Developed International	2.00%	14.24%
Emerging Markets	3.40%	24.35%



August Angst Amid All-Time Highs

August was a turbulent but positive month for U.S. equity markets, as investors weighed:

- persistent inflation pressures,
- concerns surrounding the fiscal outlook,
- higher Treasury yields,
- shifting expectations for Federal Reserve policy, and
- continued geopolitical uncertainty.

Despite these headwinds, the total return for the S&P 500 was 2.7%, supported by a strong second-quarter earnings season and renewed strength in technology and AI-related shares.

Economic reports released during the month painted a picture of slowing growth, still-elevated inflation, and mounting fiscal concerns. July non-farm payrolls unexpectedly declined by 23,000, while the unemployment rate held at 4.1%. There was a surprise contraction in one measure of consumer spending: July retail and food-service sales unexpectedly declined 0.6% from June, although sales remained 5.0% above year-earlier levels.

The Consumer Price Index rose just 0.1% in July and 3.4% from a year earlier, down from 3.5% in June, while core (excluding food and energy) CPI increased 0.2% for the month and 2.5% year-over-year. The Fed’s preferred inflation measure was less reassuring: the PCE price index rose 0.2% in July and 3.7% over the prior 12 months, while core PCE increased 0.2% and 3.3%, respectively.

Mid-month, the U.S. Treasury reported that the federal debt had breached \$40 trillion. In response, long-term Treasury bond yields moved higher as markets demanded greater compensation for mounting debt and deficit risks.

Corporate earnings provided a brighter backdrop. Second-quarter results for the S&P 500 were exceptionally strong and far exceeded analysts’ expectations. It should be noted that headline growth was amplified by unusually large investment gains at Alphabet and Amazon. Excluding those two companies, S&P 500 earnings still increased roughly 32% from a year earlier. Looking ahead, the outlook for corporate profits remains favorable. While third-quarter growth is likely to moderate from the extraordinary second-quarter headline results, the underlying earnings outlook remains constructive.

Monetary policy returned to center stage late in the month when Federal Reserve Chair Kevin Warsh delivered his first address at the central bank’s annual Jackson Hole gathering. Warsh outlined a philosophical shift in how the Fed intends to communicate and conduct policy. He advocated a “quieter Fed,” less dependent on forward guidance and more willing to allow incoming economic and financial-market information to shape decisions in real time. He then described an economy that remained resilient, citing strong capital spending, healthy consumption, elevated corporate profits, and a labor market he viewed as consistent with full employment. He was less comfortable with inflation. Citing the latest 3.7% headline PCE inflation, he argued that progress toward the Fed’s 2% target had been too modest. He reaffirmed the 2% inflation objective as a “firm, fixed target,” identified short-term interest rates as the Fed’s predominant policy tool, and said unconventional policies should generally be reserved for genuine crises.

Chairman Warsh set a demanding standard for avoiding an imminent rate hike: policymakers must be confident that underlying inflation is moving toward 2% “clearly and at sufficient speed.” Otherwise, he said, the Fed still has “work to do.” The Chairman’s speech from Jackson Hole was predominantly seen as hawkish, causing markets to recalibrate the odds of the Fed raising interest rates at its September 15-16 meeting.

Short-term Treasury yields rose after the Jackson Hole speech, joining the earlier moves in long-term Treasury yields. The benchmark 10-year yield ended the month near 4.76%, its highest level since January 2025. Renewed geopolitical tensions in the Middle East added another source of uncertainty on the final trading day, pushing oil prices higher and contributing to a 0.3% decline in the S&P 500. Nevertheless, the index finished the month with its strongest August performance since 2021.

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