

Week in Review

Equity Markets:

US stock markets delivered relatively flat and mixed results last week amidst strong earnings and updates to domestic inflation. The S&P 500 Index returned growth of 0.39%. While the Dow Jones Industrial Average gave up (-0.53%), the Nasdaq recognized gains of 0.16%.¹

Earnings Season for the Second Quarter of 2026 continues to deliver robust performance. With greater than 90% of the S&P 500 Index's component companies having reported, we've recognized consistent surprises for both earnings and revenue deliveries above Wall Street's expectations. The Blended Year/Year Growth Rate for the index is currently greater than 51%;² should that hold, it'll be the highest this rate has delivered since the Second Quarter of 2021.

Fixed Income Markets:

Expectations for a September hike to the Key Rate [Fed Funds rate] came down amidst relatively benign inflation indications. Still, yields for US Treasuries steepened amidst rising oil prices, leading bond auctions to clear multi-decade highs, and resulting in the 10-Year Treasuries rising 5 basis points to 4.69%. The Bloomberg Aggregate US Bond Index produced a loss of (-0.14%). Investment-Grade Corporates, meanwhile, gave up (-0.29%) while High-Yield Bonds generated a positive weekly return of 0.14%.³

Economic Updates:

The Consumer Price Index, a primary guide for domestic inflation, rose by 0.1% in July and is up 3.4% on a year/year basis. Core CPI, which subtracts food and energy prices, rose by 0.2% for the month and annualized growth of 2.5%. For both Headline and Core CPI, annualized growth measures declined for each by 0.1% in July. Meanwhile, the Producer Price Index, which covers wholesale goods prices, saw Headline PPI rise by 4.7% year/year, down from June's 5.5% and below Wall Street's expectations.⁴ Altogether, these measures show an easing of inflation on the broader economy.

US Retail Sales, however, gave a less optimistic view of the economy as they fell 0.6% in July, missing expectations for 0.1% growth and falling behind the 0.2% growth recognized in June. This means July was the first month for retail declines in the past nine months.⁵ Concurrently, the University of Michigan's Consumer Sentiment Survey fell to 51 in July from 55.2 in June while their Inflation Index rose by 4.3%.

Looking Ahead

Equity Markets:

Declining inflation concerns helped the US stock markets last week and should continue to do so this week. The major market indices broadly continue to generate healthy gains for the year. The current Earnings Season sees multiple major retailers announce this upcoming week while companies with exposure to the growth of Artificial Intelligence keep making headlines for their strong progression.⁶ Investors should keep in mind that rising earnings growth rates can fuel broader expectations for market performance beyond what is reasonable or possible to achieve.

We have also seen decreased impacts from geopolitical events upon the US markets despite increasing volatility in hot spots around the world. Investors should remain mindful of the price of Crude Oil, which rose 5% last week as developments at the Strait of Hormuz continue to drive energy market performance. Investors should also recognize the impact of the Russo-Ukrainian War on energy markets as Russian refineries continue to be targeted by Ukrainian counterattacks.⁷

Fixed Income Market

Expectations are broadly for the Federal Open Market Committee to hold interest rates flat when they meet in September, with the CME Group's FedWatch tool indicating 67% of respondents expecting conditions to maintain themselves.⁸ This is a material pivot from expectations which had recently been more forceful on their outlook for an impending interest rate hike and should provide relative calm for bond market pricing.

The impacts of rising oil prices could continue to rattle domestic inflation and should be monitored. However, if energy prices fall, then it's possible that price growth may subside and consumption increases, lowering inflation, and thus helping bonds.

Economic Updates:

This upcoming week sees the release of Leading Indicators by the Conference Board, and minutes from the Federal Open Market Committee's last meeting will be published, providing greater clarity for the likelihood of changes to US interest rates.

Other metrics to be released include July's New Housing Starts and Building Permits, alongside Industrial Production, Import & Export Price Indices, and the Preliminary US Purchasing Managers' Index for August.

**** See Important Disclosures on following page

Sources:

- 1) JP Morgan Asset Management
<https://am.jpmorgan.com/us/en/asset-management/adv/insights/market-insights/market-updates/weekly-market-recap/>
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- 5) John Hancock Investment Management, LLC
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- 6) LPL Research
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- 7) Foreign Policy
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- 8) CME Group
<https://www.cmegroup.com/markets/interest-rates/cme-fedwatch-tool.html>

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