

Week in Review

Equity Markets:

US stock markets were down across the board despite strong earnings from reporting companies. The S&P 500 Index recognized a weekly decline of (-1.39%). The Dow Jones Industrial Average gave up (-0.78%) while the Nasdaq recognized a loss of (-2.02%). The Forward 12-Month Price/Equity Ratio for the S&P 500 now stands at 19.73.¹

The major stock markets continue to be affected by the rising price of Crude Oil, which increased again last week to \$87/barrel, up from \$82 the prior week. This is directly correlated to the Iran War and the state of the Strait of Hormuz.² The Energy Sector continues to outperform the broader markets. On a year-to-date basis, Energy has outperformed the next-best sector of the S&P 500 – Information Technology – by nearly 55%.³

Fixed Income Markets:

Yields on US 30-Year Treasury Bonds hit a multi-decade high of 5.31% last week [before ending the week at 5.27%] amidst multiple complicating issues, including the \$40 Trillion US fiscal deficit, geopolitical instabilities, and ever-sticky US inflation. Concurrently, yields on the 10-Year Treasuries rose 4 basis points last week to 4.74%. The Bloomberg US Aggregate Bond Index recognized a weekly loss of (-0.10%). Both Investment-Grade Corporates and High-Yield Bonds fell by (-0.15%).⁴

These volatilities led to US Treasury Secretary Scott Bessent making a surprise mid-week announcement that the Treasury Department will more than double its repurchasing operation for 10-Year to 30-Year securities, which will be supplanted with new short-term bonds. This week begins with news that the Treasury Department may tap its \$1 Trillion general account to fund this buyback program.⁵

Economic Updates:

The S&P Global Flash Composite Purchasing Managers' Index [PMI] shot up this August to 56.0, a gain from July's 54.5 reading as it registered its highest reading since April 2022. The survey also noted rising business confidence levels while employment grew at its fastest pace since January 2025. Meanwhile, Pending Home Sales fell 2.3% month/month while New Housing Starts from June declined more than 12% on a year/year basis. The National Association of Home Builders credited this downward housing trend to economic and geopolitical uncertainties, elevated mortgage rates, and rising construction costs. Amidst all these measures, the Minutes from the Federal Reserve's July meeting were published. Their expectations are for inflation to moderate through the second half of the year while also recognizing upside inflationary risks.⁶

Looking Ahead

Equity Markets:

This past month has seen a notable pivot in the Sectors and Industries delivering leadership in the broader markets. In a year largely dominated with the rise of Artificial Intelligence, the past month has seen the ascendance of the Health Care, Energy, and Materials sectors taking the helm of market leadership. This demonstrates the importance of investor diversification in equity investments, recognizing how changing market conditions, and changing investor demands, can necessitate broader economic exposure to recognize portfolio appreciation.

Earnings Season for the Second Quarter of 2026 continues this week with prominent companies responsible for the rise of Artificial Intelligence scheduled to deliver their reports.

Fixed Income Market

Last week's broad negativities are still being digested by investors concerned over whether this could be a dysfunctional bond market. However, recognizing strong investor demand in last week's Treasury auctions, this could be a normalization of the bond markets rather than a crisis. That is validated by the global nature of these events, recognizing comparable fixed income repricing in Japan, France, Germany, and the United Kingdom. This all results in a premium for term.⁷

Underlying issues remain important to consider. The US economy is facing a heavy fiscal supply; increased competition for capital amidst the rise of Artificial Intelligence; and elevated inflation led up by rising energy prices.

Economic Updates:

The Jackson Hole Economic Policy Symposium takes place this week in Wyoming. Sponsored by the Federal Reserve Bank of Kansas City, it will be the first one for Kevin Warsh as Fed Chair. It is expected that he will speak on his plans for the Federal Reserve under his term, as well as his thoughts on inflation, monetary policy, and the forward outlook for interest rates.⁸

Personal Consumption Expenditures will be announced this upcoming week, a key measure for domestic inflation. Other pending metrics include Consumer Confidence, New Home Sales, Durable & Capital Goods Orders, Retail & Wholesale Inventories, and Gross Domestic Product for the Second Quarter.

**** 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/>
- 2) John Hancock Investment Management, LLC
<https://www.jhinvestments.com/weekly-market-recap#market-moving-news>
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<https://www.ssga.com/us/en/individual/resources/sector-tracker#currentTab=ytd>
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- 6) T. Rowe Price
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- 7) LPL Research
<https://www.lpl.com/research/blog/weekly-market-performance-august-21-2026.html>
- 8) Seeking Alpha
<https://seekingalpha.com/article/4939423-wall-street-week-ahead>

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