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Monthly Market Recap

August 2026

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From the Investment Committee

Equity markets delivered solid returns in August, with the S&P 500 gaining 2.7% and the Nasdaq rising 3.9%. International equities also performed well, with developed markets outperforming US large caps. Continued strength in corporate earnings and investor enthusiasm around artificial intelligence supported equity prices, while higher bond yields and geopolitical uncertainty contributed to some volatility toward the end of the month.

Yields rose to decade-high levels as markets increasingly priced in a more hawkish Federal Reserve. Following Chairman Warsh's Jackson Hole speech, expectations shifted toward a potential rate hike at the next FOMC meeting on September 16, with another increase priced in before year-end. The resulting rise in yields weighed on fixed-income returns, most notably longer-maturity municipal bonds. Despite the August sell-off, higher income levels have largely offset price declines, leaving fixed-income returns roughly flat year-to-date.

The US economy continued to show resilience in August, although the pace of growth appears to be moderating. Second-quarter GDP grew at a 1.5% annualized rate, supported by healthy consumer spending and an 8.5% increase in business investment excluding housing. More recent data suggests that activity is beginning to cool, with consumer spending rising just 0.2% in July and job growth remaining modest. At the same time, manufacturing activity remained healthy, with the ISM Manufacturing Index at 54.6 in August. Continued investment in artificial intelligence and technology also remains an important source of business investment and economic growth.

Looking ahead, the investment environment presents a mix of opportunities and challenges. While the economy continues to grow and corporate fundamentals remain supportive, elevated equity valuations leave less room for disappointment and could lead to greater volatility. In this environment, we believe a disciplined and diversified approach remains important, with a continued emphasis on higher-quality assets and investments that can provide resilience across a range of economic and market conditions.

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Key Takeaways

US Economic Growth Is Moderating	• The Bureau of Economic Analysis reported that real GDP grew at a 1.5% annualized rate in Q2 2026, down from 2.1% in Q1. • Consumer spending, exports, and investment in artificial intelligence contributed to growth.
Persistent Inflation	• Inflation remains above the Fed's 2% target at 3.4%, but core inflation has moderated to 2.5%. • Current inflation concerns are concentrated in energy and geopolitical risks rather than broad-based price pressures across the economy, contributing to upward pressure on bond yields and greater uncertainty around the economic outlook.
Stocks Rally	• US equities posted solid gains, with the S&P 500 rising 2.7% and the Nasdaq gaining 3.9% in August. • Strong corporate earnings and continued enthusiasm around artificial intelligence supported equity markets.
Hawks Are Circling	• Fed Chair Kevin Warsh's speech at the Jackson Hole Economic Policy Symposium was decidedly hawkish, more so than the market expected. • Markets are now pricing in at least two 0.25% rate hikes by year-end. • Combined with renewed hostilities in the Strait of Hormuz, yields moved higher for the month, reaching decade-high levels for longer-maturity Treasury bonds.

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Asset Class Performance

Equities

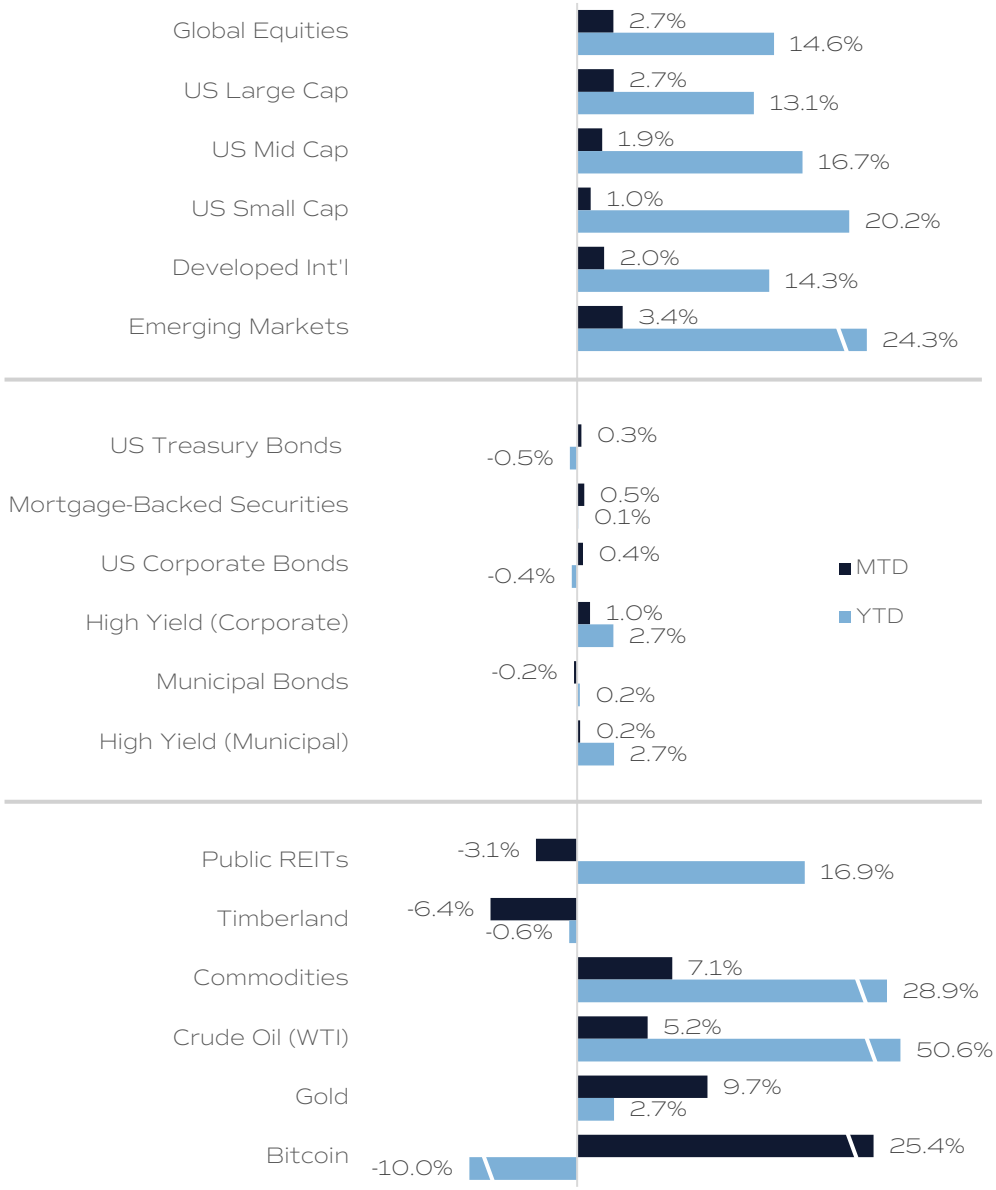
- US equity markets were broadly up in August, driven by strong earnings reports in Technology and an increase in oil prices that drove Energy higher.
- Emerging markets posted solid returns, up 3.39% thanks to strong global equity demand, a softer dollar, and good earnings reports.

Fixed Income

- Treasury yields moved higher in August, longer-maturity municipal bonds in particular.
- Total returns were mixed for the month, with the taxable market posting mostly positive returns while municipal bonds posted mixed returns.
- Year to date, fixed-income returns are close to unchanged despite rising yield levels.
- High Yield taxable bonds performed well in August and YTD, along with High Yield municipal bonds.

Real Assets

- Increases in energy prices continue to dominate headlines, but precious metals, copper, and even cryptocurrencies were all solidly positive in August.
- Elsewhere in real assets, prices for live cattle appear to have broken and could be headed substantially lower after more than tripling from Covid lows.



Source: Bloomberg as of August 31, 2026.

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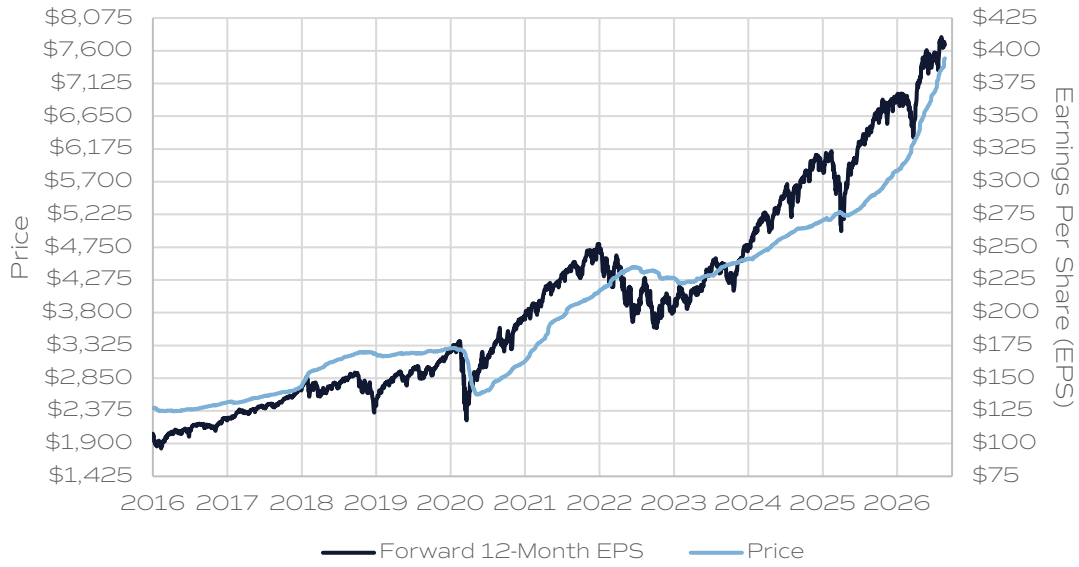
Macroeconomic Overview

	Year End 2025 %	Recent Period %	Prior Period %	YTD Change %
GDP (YoY Change)**	2.00	2.10	2.00	0.10
Conference Board - LEI*	(0.20)	0.20	(0.10)	0.40
Unemployment Rate*	4.40	4.10	4.20	(0.30)
CPI (YoY Change)*	2.70	3.40	3.50	0.70
CPI ex. Food & Energy*	2.60	2.50	2.60	(0.10)
PCE*	2.97	3.34	3.34	0.37
Effective Fed Funds Rate	3.64	3.63	3.63	(0.01)
10-Year U.S. Treasury	4.17	4.75	4.74	0.57

- There was no Fed meeting in August, but Chair Kevin Warsh, speaking at Jackson Hole, left little doubt that this Fed is still concerned about inflation. Consequently, the markets give a 60% chance of a quarter-point rate hike at the September 16 meeting.
- Following Warsh's comments, Treasury yields rose. The 10-year note closed August at 4.75%, up from intra-month lows of 4.63%. Global yields also spiked on this news, most notably in the United Kingdom and Japan.
- Equities, for the most part, have ignored higher oil prices and ongoing wars, though perhaps not the prospect of higher interest rates. The most recent S&P 500 high was 7,793, but it closed August at 7,686.

S&P 500 Change in Forward 12-Month EPS vs. Change in Price*



- The Q2 earning season was one for the record books. S&P 500 companies posted a 52% YOY earnings growth rate. Even excluding the Magnificent Seven, the rate was nearly 32% YOY.
- As of month-end, the Atlanta Fed forecasted GDP to expand at a rate of 4.6% in Q3, which bodes well for continued earnings growth.
- Upcoming midterm elections could stir up market volatility. The CBOE Volatility Index (VIX) closed August around 15 versus 30.05 in late February when the Iran war started. While the VIX is not suggesting any near-term trouble, we know this can change in an instant.

Source: Bloomberg as of August 31, 2026. *FactSet as of August 31, 2026.

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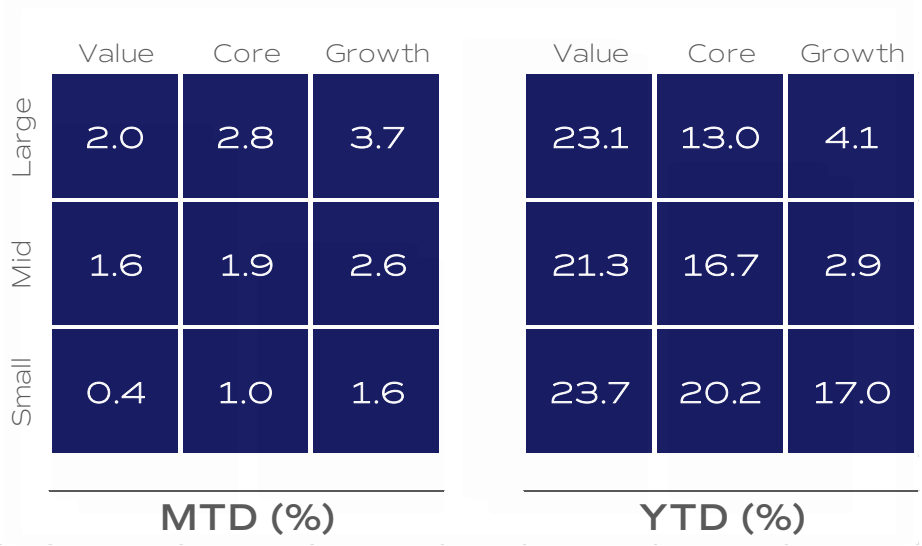
US Equity Markets

	MTD %	YTD %	1 Yr %
Energy	7.02	44.20	45.78
Technology	6.25	22.88	33.65
Materials	5.97	16.69	15.54
Health Care	4.89	11.14	26.34
S&P 500	*2.72*	*13.12*	*20.35*
Financials	1.34	6.17	8.46
Consumer Discretionary	(0.04)	(0.00)	3.94
Consumer Staples	(0.69)	9.55	7.85
Communications Services	(1.23)	0.14	13.44
Real Estate	(1.87)	12.20	9.52
Industrials	(2.56)	13.56	16.64
Utilities	(4.77)	0.27	2.97



Best

- ***Energy*** was the top-performing sector in August, up 7.02%. This was a direct result of oil prices moving higher at the end of the month as geopolitical tensions in the Middle East escalated once more.

Worst

- ***Utilities*** was the worst-performing sector, down 4.77%, followed by Industrials, which was down 2.56%. The recent underperformance in Utilities was driven by increased uncertainty around wildfire liabilities and pressure from rising Treasury yields. Manufacturing data showed signs of cooling in August, causing Industrials to underperform.

- Large- and mid-cap growth stocks performed better than value stocks for the month, but value still remains the best performer YTD.
- So far this year, investors have rotated away from mega-cap tech names toward more value-oriented stocks with stronger cash flows and cheaper valuations.
- International equities were positive for the month, with the EAFE index up 2% and emerging markets up 3.4%. Emerging markets have been a strong performer YTD, up more than 24%.

Source: Bloomberg as of August 31, 2026.

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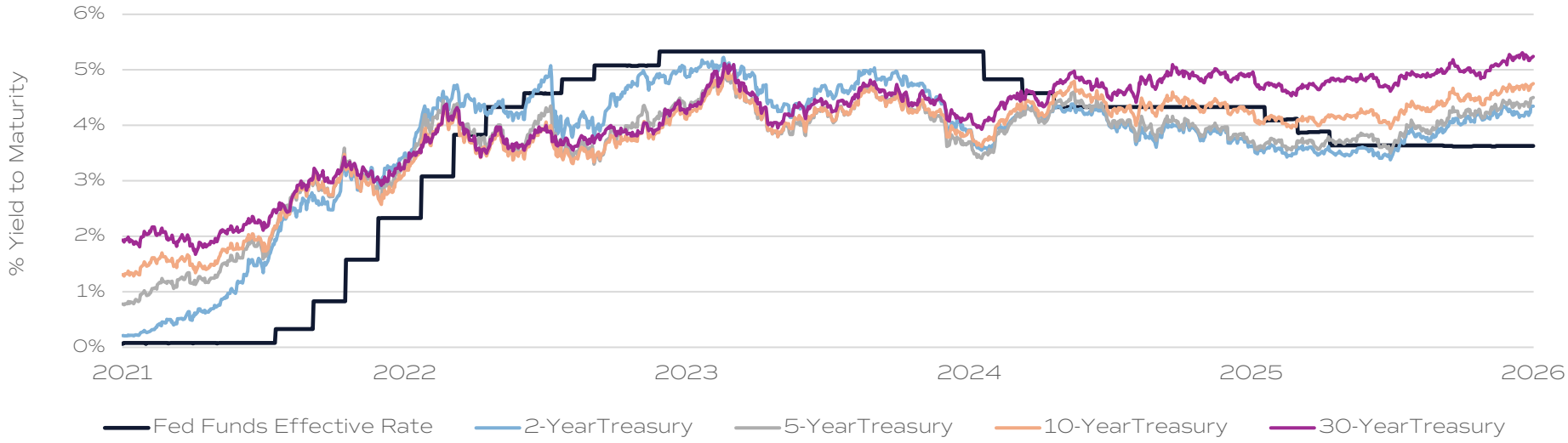
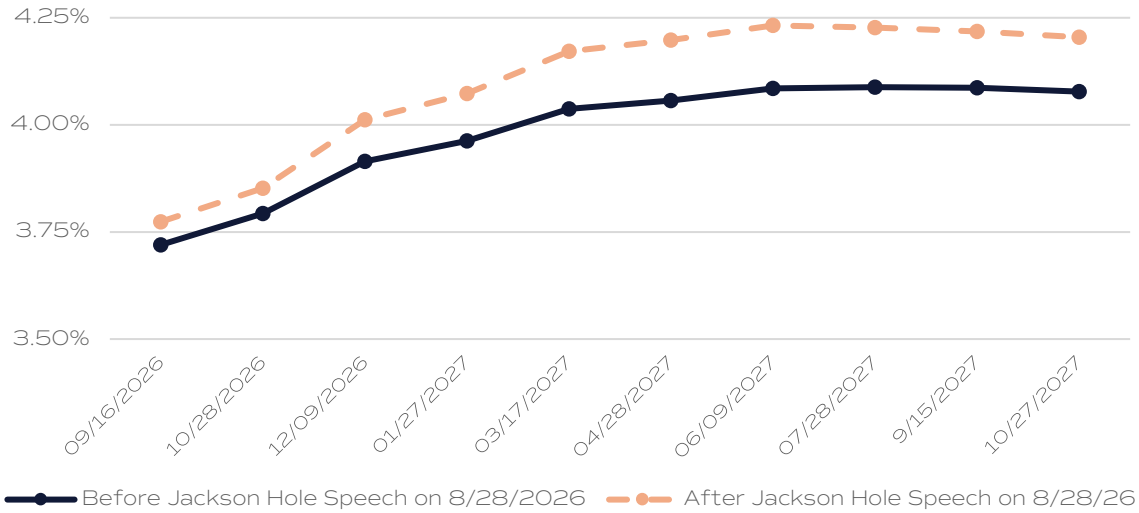
Fixed Income

Fed Funds Rate & Treasury Yields



Increasingly Hawkish Fed Reflected in Fed Funds Implied Rate Path*



- Fed Chair Warsh's speech at the Jackson Hole symposium was decidedly more hawkish than markets expected.
- His repeated comments regarding the higher level of current inflation relative to target was notable.
- This is in contrast to his press conference after the July FOMC meeting, where he was less clear.
- Immediately after his Jackson Hole speech, the market priced in a rate hike for the next FOMC meeting on September 16.

Source: Bloomberg as of August 31, 2026. *Bloomberg as of August 28, 2026.

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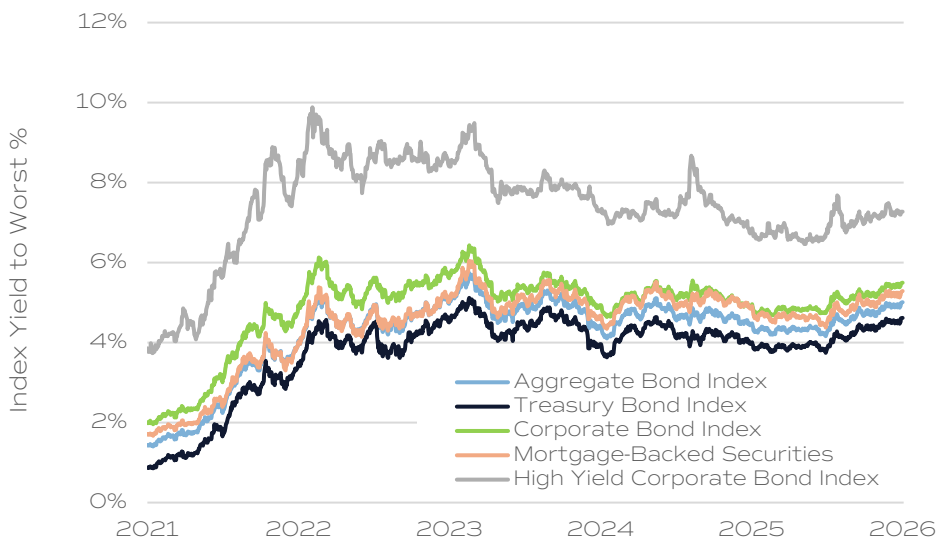
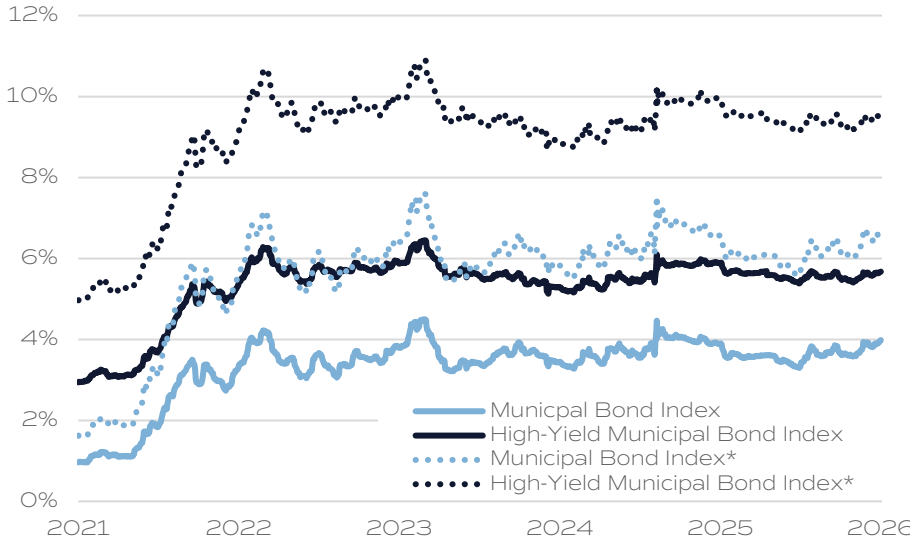
Fixed Income Yields

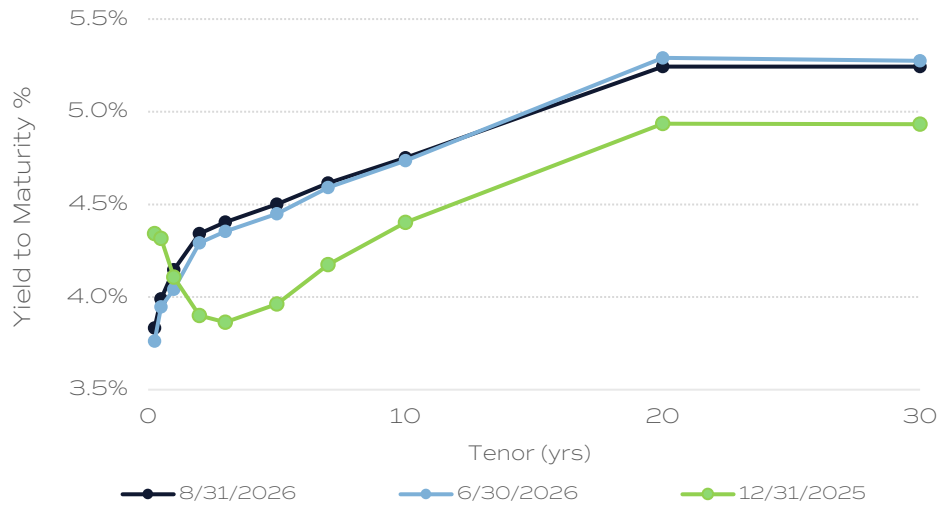
Taxable Bond Indexes Yield to Worst



*Tax-Exempt Bond Indexes Yield to Worst**



US Treasury Yield Curves



- Despite the August repricing of future Fed rate hikes, we believe bond market yields remain attractive, both on a nominal and real basis.
- Municipal bonds in particular offer very attractive yields for those in higher tax brackets. The recent sell-off in longer-term municipal bond have increased yields to very attractive levels.
- As we move into the latter part of the year, municipal bonds tend to outperform other fixed-income asset classes due to seasonal supply/demand imbalances.

Source: Bloomberg, Bloomberg BVAL as of August 31, 2026. *Tax-equivalent yield. Assumes a federal income tax rate of 37% and Medicaid surtax of 3.8%.

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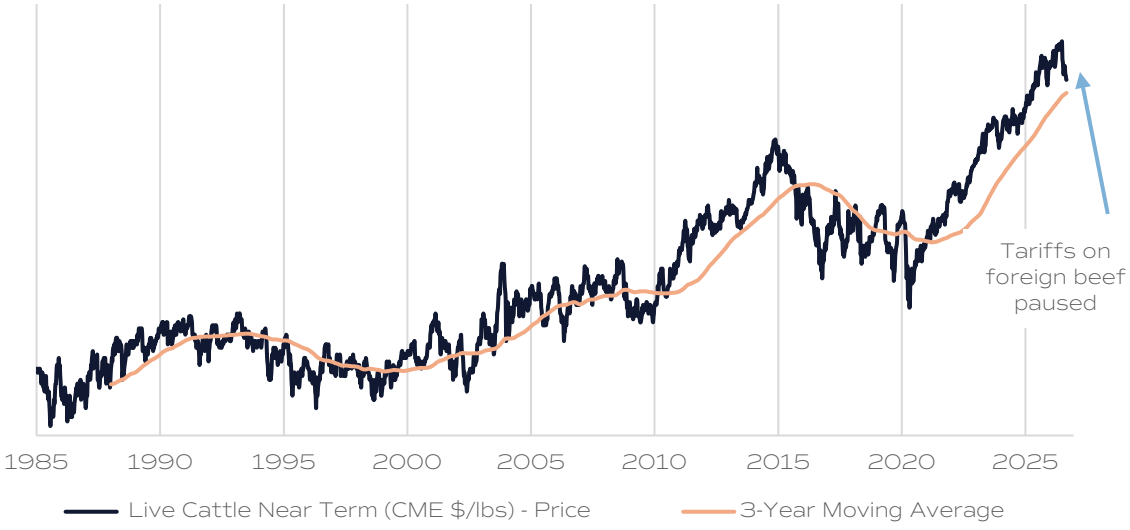
Real Assets

	Price USD	MTD %	YTD %	1 Yr %
Real Assets				
FTSE NAREIT	838.33	-3.05%	16.90%	16.35%
FTSE NAREIT - Timberland	121.53	-6.43%	-0.56%	-8.04%
Bloomberg Commodity Index	141.37	7.05%	28.88%	37.53%
Crude Oil (WTI) [bbl.]	85.76	5.24%	50.59%	38.32%
Natural Gas [MMBtu]	2.90	11.92%	-20.30%	3.04%
Copper [MT]	14,294.00	3.65%	15.06%	44.35%
Gold [oz.]	4,437.38	9.67%	2.73%	28.70%
Silver [oz.]	66.58	15.59%	-7.10%	67.62%
Bitcoin	78,853.76	25.37%	-10.03%	-27.74%
Ethereum	2,472.62	32.90%	-16.96%	-44.51%

- Beyond the real estate complex, August was a very strong month for physical assets, with most major commodities strongly positive.
- With the war in Iran still at a stalemate, energy prices broadly pushed higher. Crude oil (WTI) rose 5%, natural gas rose better than 10%, and (while not listed here) heating oil is breaking out to new all-time highs with winter on the horizon.
- After more than a year of declines, cryptocurrencies had their best month in quite some time, with both Bitcoin and Ethereum jumping more than 25%.

Cattle Prices Finally Break*



- In our September 2025 market recap, we showed that the spread between Feeder and Live Cattle was blowing out to multi-decade highs and argued that a peak was likely imminent.
- We also argued that should the trend in the spread break, prices would break sharply shortly thereafter.
- Just weeks after that initial analysis, the Feeder—Live Cattle spread peaked just below 60%, nearly three times the 30-year average.
- It took a while, but it appears cattle prices may have finally peaked in June, with the August 27 announcement of targeted tariff relief on foreign beef imports furthering the price breakdown.

Source: Bloomberg as of August 31, 2026. *FactSet as of August 31, 2026.

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Financial Markets Performance

	Price USD	MTD %	QTD %	YTD %	1 Yr %	3 Yr %	5 Yr %
Global Equity							
MSCI ACWI	1,149.22	2.69%	2.80%	14.61%	22.80%	20.97%	11.41%
U.S. Equity							
S&P 500	7,686.14	2.72%	2.66%	13.12%	20.35%	21.00%	12.76%
Russell 1000	4,187.23	2.82%	2.45%	13.01%	19.74%	20.75%	12.08%
Russell Mid Cap	4,444.51	1.86%	1.23%	16.72%	17.93%	16.83%	8.04%
Russell 2000	2,956.45	1.01%	-2.04%	20.19%	26.64%	17.48%	6.85%
International Equity							
MSCI ACWI ex US	484.84	2.59%	2.97%	17.39%	27.88%	20.79%	10.01%
MSCI EAFE	3,233.25	2.00%	4.02%	14.26%	22.20%	18.82%	10.06%
MSCI Europe	217.54	1.34%	3.28%	11.79%	21.09%	18.53%	10.16%
MSCI Japan	2,549.63	3.45%	4.50%	21.17%	28.35%	20.37%	10.47%
MSCI Emerging Markets	1,719.31	3.39%	0.25%	24.30%	39.61%	23.72%	8.64%
Global Fixed Income							
Bloomberg U.S. Aggregate	2,341.67	0.39%	-0.92%	-0.31%	1.89%	4.08%	-0.29%
Bloomberg Gov't/Credit	2,700.45	0.35%	-0.94%	-0.46%	1.51%	3.88%	-0.51%
Bloomberg US Treasury Total Return	2,421.90	0.31%	-0.81%	-0.53%	1.22%	3.19%	-0.81%
Bloomberg US Corporate Total Return	3,530.97	0.44%	-1.25%	-0.40%	1.94%	5.00%	-0.12%
Bloomberg US Corporate High Yield	2,992.90	0.97%	0.72%	2.69%	4.89%	8.51%	4.13%
Bloomberg Global Aggregate	499.81	0.46%	-0.08%	-0.30%	0.60%	3.62%	-1.74%
Bloomberg Municipal Bond Index	1,395.23	-0.23%	-2.07%	0.20%	4.12%	3.40%	0.54%
Bloomberg High Yield Municipal Bond Index	482.22	0.22%	-1.30%	2.74%	6.66%	5.69%	1.31%

Source: Bloomberg as of August 31, 2026.

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Tactical Views

Asset Class	Underweight		Neutral		Overweight
Cash		●			
Equities				●	
U.S. Large Cap				●	
U.S. Mid Cap			●		
U.S. Small Cap			●		
Developed Int'l		●			
Emerging Markets				●	
Fixed Income				●	
U.S. Government		●			
MBS		●			
Corporates				●	
TIPS					●
Municipals				●	
Muni High Yield				●	
Taxable High Yield				●	
Developed Int'l		●			
Emerging Markets				●	
Real Assets			●		
Commodities				●	
Timberland			●		
Private Real Estate			●		

Alternatives					
Hedge Funds			●		
Private Equity				●	
Private Debt		●			
Infrastructure				●	

Equity Sectors	Underweight		Neutral		Overweight
Energy			●		
Healthcare		●			
Consumer Discretionary				●	
Industrials				●	
Technology				●	
Communications			●		
Financials				●	
Real Estate			●		
Utilities		●			
Materials			●		
Consumer Staples		●			

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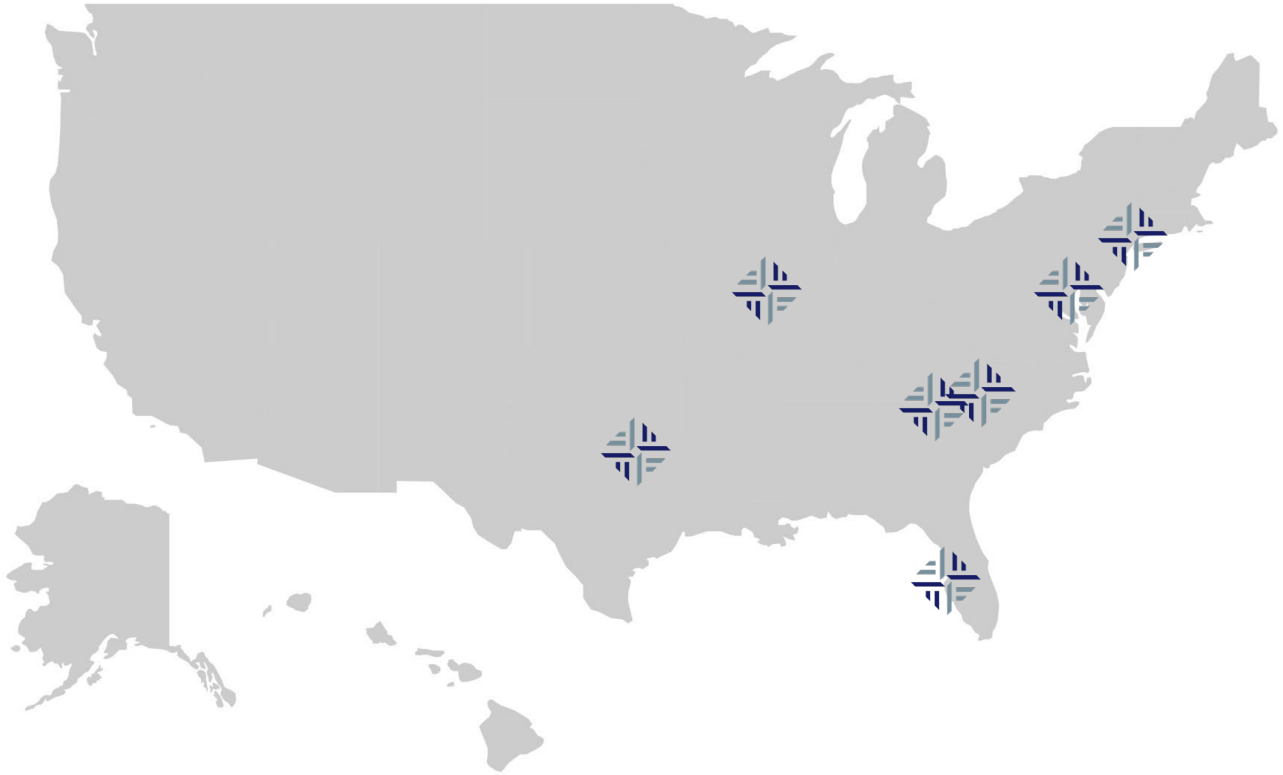

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When referencing asset class returns or statistics, the following indices are used to represent those asset classes, unless otherwise notes. Each index is unmanaged, and investors can not actually invest directly into an index:

TIPS: Bloomberg Global Inflation-Linked: U.S. TIPS Total Return Index Unhedged

Municipals 5-Year: Bloomberg Municipal Bond 5 Year (4-6) Total Return Index Unhedged USD

Core Bond: Bloomberg US Aggregate Total Return Index USD

High Yield Municipals: Bloomberg Muni High Yield Total Return Index Value Unhedged USD

High Yield: Bloomberg US Corporate High Yield Total Return Index USD

U.S. Long Duration: Bloomberg US Aggregate Government & Credit - Long

Foreign Bond: Bloomberg Global Aggregate ex-USD Total Return Index Value USD (50/50 blend of hedged and unhedged)

Real Assets: S&P Real Assets

U.S. Large Cap: Russell 1000 Total Return Index

U.S. Small Cap: Russell 2000 Total Return Index

International Developed: MSCI EAFE Net Total Return USD Index

Emerging Markets: MSCI Emerging Markets Net Total Return USD Index

U.S. Equity REITs: FTSE Nareit Equity REITs Total Return Index USD

Commodities: Bloomberg Commodity Total Return Index

Hedge Funds: Hedge Fund Research HFRI Fund of Funds Composite Index

Foreign Bond: Bloomberg Global Aggregate x USD Total Return Unhedged

U.S. Core Bond: Bloomberg U.S. Aggregate Total Return Index USD

U.S. High Yield: Bloomberg US Corporate High Yield Total Return Index USD

U.S. MBS: Bloomberg U.S. MBS (30Y) Total Return Index

U.S. All Cap: Russell 3000 Total Return Index

U.S. Large Cap: Russell 1000 Total Return Index

U.S. Small Cap: Russell 2000 Total Return Index

US Value: Russell 3000 Value Total Return Index

US Growth: Russell 3000 Growth Total Return Index

Int'l Developed All Cap: MSCI EAFE IMI Net Total Return USD Index

Int'l Developed Large Cap: MSCI EAFE Large Cap Net Total Return USD Index

Int'l Developed Small Cap: MSCI EAFE Small Cap Net Total Return USD Index

Int'l Developed Value: MSCI EAFE Value Net Total Return USD Index

Int'l Developed Growth: MSCI EAFE Growth Net Total Return USD Index

EM All Cap: MSCI Emerging Markets IMI Net Total Return USD Index

EM Large Cap: MSCI Emerging Markets Large Cap Net Total Return USD Index

EM Small Cap: MSCI Emerging Markets Small Cap Net Total Return USD Index

EM Value: MSCI Emerging Markets Value Net Total Return USD Index

EM Growth: MSCI Emerging Markets Growth Net Total Return USD Index

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Material Risks & Limitations

Fixed Income securities are subject to interest rate risks, the risk of default and liquidity risk. U.S. investors exposed to non-U.S. fixed income may also be subject to currency risk and fluctuations.

Cash may be subject to the loss of principal and over longer period of time may lose purchasing power due to inflation.

Domestic Equity can be volatile. The rise or fall in prices take place for a number of reasons including, but not limited to changes to underlying company conditions, sector or industry factors, or other macro events. These may happen quickly and unpredictably.

International Equity can be volatile. The rise or fall in prices take place for a number of reasons including, but not limited to changes to underlying company conditions, sector or industry impacts, or other macro events. These may happen quickly and unpredictably. International equity allocations may also be impact by currency and/or country specific risks which may result in lower liquidity in some markets.

Real Assets can be volatile and may include asset segments that may have greater volatility than investment in traditional equity securities. Such volatility could be influenced by a myriad of factors including, but not limited to overall market volatility, changes in interest rates, political and regulatory developments, or other exogenous events like weather or natural disaster.

Private Equity involves higher risk and is suitable only for sophisticated investors. Along with traditional equity market risks, private equity investments are also subject to higher fees, lower liquidity and the potential for leverage that may amplify volatility and/or the potential loss of capital.

Private Credit involves higher risk and is suitable only for sophisticated investors. These assets are subject to interest rate risks, the risk of default and limited liquidity. U.S. investors exposed to non-U.S. private credit may also be subject to currency risk and fluctuations.

Private Real Estate involves higher risk and is suitable only for sophisticated investors. Real estate assets can be volatile and may include unique risks to the asset class like leverage and/or industry, sector or geographical concentration. Declines in real estate value may take place for a number of reasons including, but are not limited to economic conditions, change in condition of the underlying property or defaults by the borrow.

Marketable Alternatives involves higher risk and is suitable only for sophisticated investors. Along with traditional market risks, marketable alternatives are also subject to higher fees, lower liquidity and the potential for leverage that may amplify volatility or the potential for loss of capital. Additionally, short selling involved certain risks including, but not limited to additional costs, and the potential for unlimited loss on certain short sale positions.