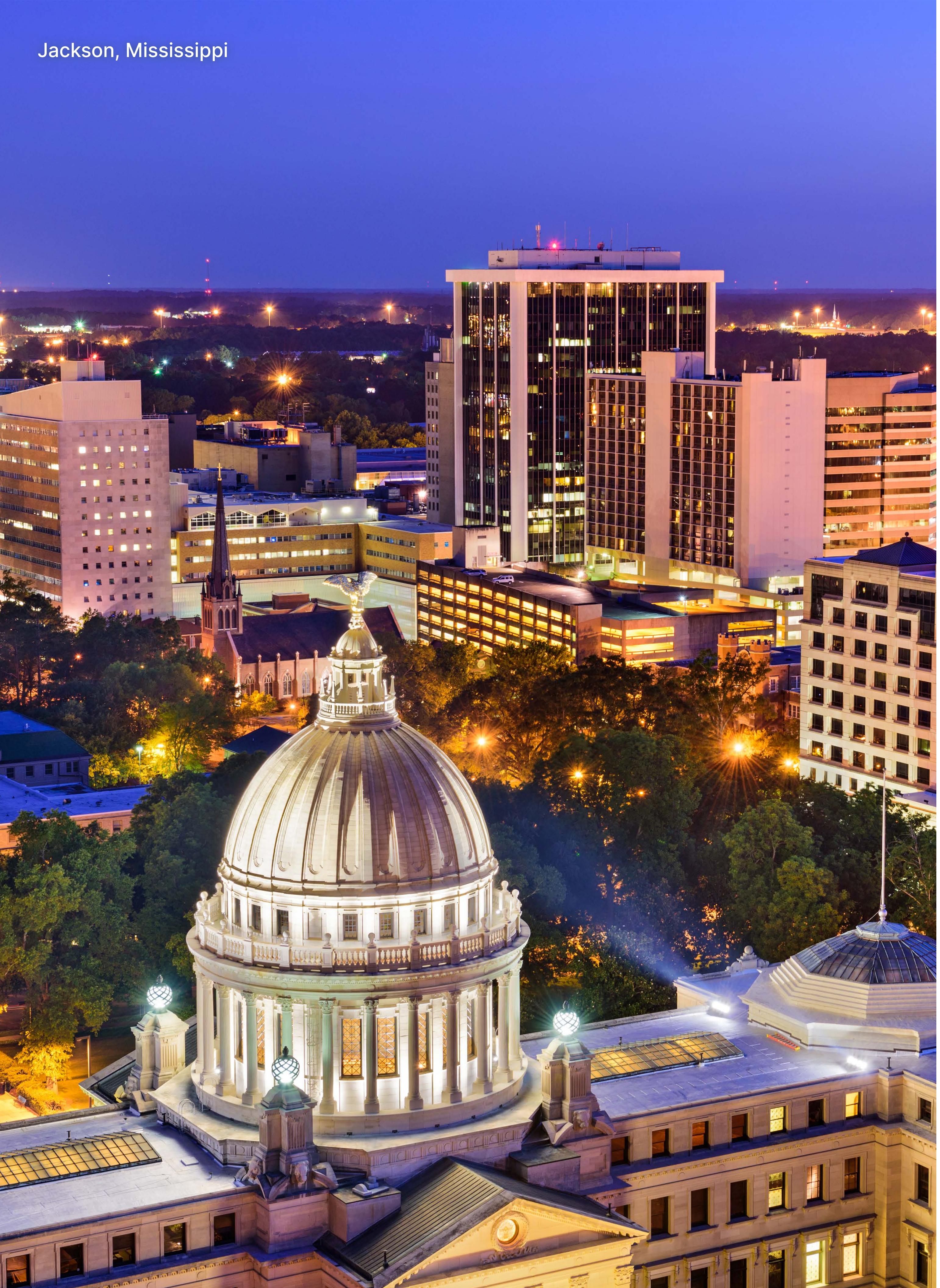


WEEK OF AUGUST 10, 2026

Market Navigator

Stocks posted strong gains across the globe last week. Strong earnings and no further escalation of the Middle East conflict fueled the rally. The Nasdaq Composite was the strongest U.S. index, rising more than 5 percent. The 30-year Treasury yield declined from levels last seen 19 years ago, and fixed income moved higher as a result.

Quick Hits

1. **Beyond the headlines:** The July employment report complicates the Federal Reserve (Fed) outlook.

2. **Report releases:** Negative job creation and downward revisions to previous reports indicate a weaker labor market.

3. **Financial market data**: Technology led a stock-market rally, with the Nasdaq Composite up more than 5 percent.

4. **Looking ahead:** Updates on consumer and producer prices are the key reports this week.

Beyond the Headlines: July Employment Report Complicates Fed Outlook

Although the Federal Open Market Committee (FOMC) made no changes to interest rate policy at its July meeting, three members dissented and recommended raising rates because of concerns about persistent inflation. The market expects the Fed to raise rates at its next meeting in September. To do so with confidence, however, the central bank would need employment, the other side of its dual mandate, to remain on solid footing.

The July employment report has called that stability into question—and potentially created challenges for the Fed.

Lower rates might exacerbate inflation, and higher rates could lead to more labor weakness. This leaves the central bank between a rock and a hard place.

Job Creation Turns Negative

After rebounding in the spring, the labor market seems to have weakened. The employment report showed that nonfarm payrolls unexpectedly declined by 23,000 jobs in July, well below expectations for an increase of 80,000 jobs. In addition, the U.S. Department of Labor revised May and June payroll figures downward by a combined 103,000 jobs, reducing the three-month job creation average to 20,000.

This marks the third consecutive summer of labor market weakness. In the previous two years, job creation eventually stabilized. Headwinds such as tariffs, higher energy prices, and AI adoption certainly exist and could weigh on future job growth. At the same time, this weakness may prove to be part of the same seasonal pattern.

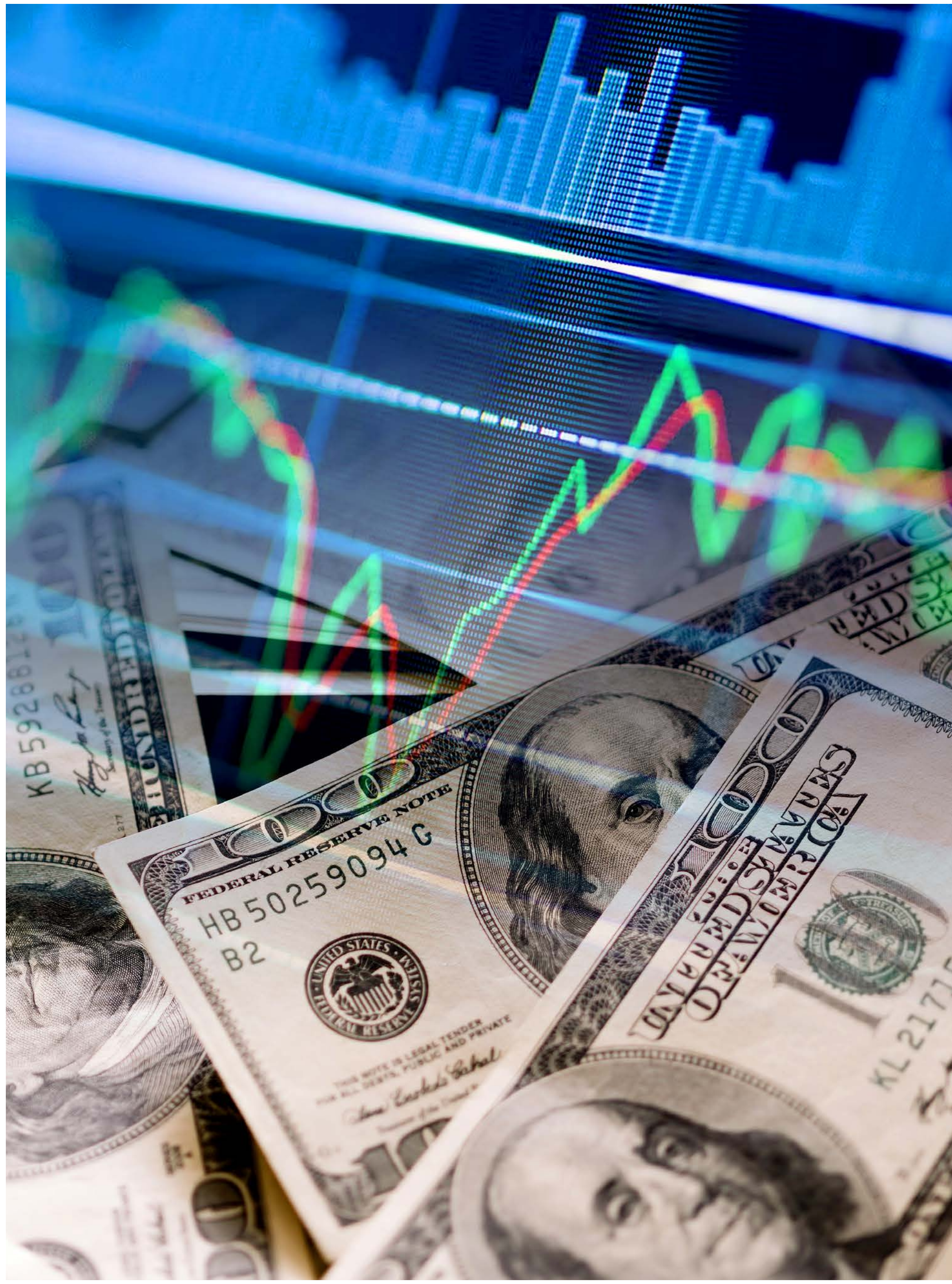
The Fed's Next Move Is Unclear

The primary issue is that employment weakness is emerging while inflation remains above the central bank's 2 percent target. Addressing these issues requires different policy responses. If the Fed wanted to focus on a weakening job market, it would reduce interest rates. Conversely, if it wanted to tame inflation, it would increase interest rates.

The problem? Lower rates might exacerbate inflation, and higher rates could lead to more labor weakness. This leaves the central bank between a rock and a hard place. Fed officials must determine whether the employment weakness is the start of a slowdown or merely a blip. Their decision will likely depend on upcoming inflation reports, the first of which is expected this week, and the August employment report.

Follow the Data

Because of the weaker-than-expected employment report, market participants have unwound their expectations for a September rate increase. The consensus now is that the Fed will stand pat before potentially cutting rates in October. No one knows exactly how the Fed will interpret the data, so waiting for the next several reports remains the best course of action.



Report Releases: August 3–7, 2026

Institute for Supply Management (ISM) Manufacturing Index
July (Monday)

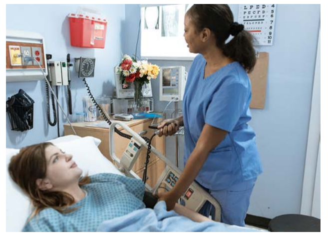
Manufacturer confidence exceeded economists' estimates last month, driven primarily by faster-than-expected hiring.

- Expected/prior month ISM Manufacturing index: 53.9/53.3
- Actual ISM Manufacturing index: 55.6

ISM Services Index
July (Wednesday)

Service sector confidence improved modestly last month but missed expectations. The index remains in expansionary territory, however.

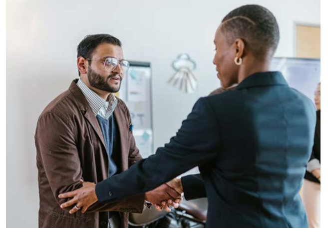
- Expected/prior month ISM Services index: 51.5/50.8
- Actual ISM Services index: 50.1



Employment Report
July (Friday)

The July employment report showed a net loss of 23,000 jobs, far below expectations. May and June payroll reports were revised downward by a combined 103,000 jobs. This trend indicates weakness in the labor market.

- Expected/prior change in nonfarm payrolls: +80,000/+20,000
- Actual change in nonfarm payrolls: –23,000



>> The Takeaway

- Data was mixed. The manufacturing sector showed more strength than expected, but the services sector missed expectations.
- The July employment report showed job losses, and the previous two reports were revised downward.

Financial Market Data

Equity

Strong earnings reports, no further escalation of the Middle East conflict, and a weak employment report helped stocks rally. The Nasdaq Composite led the way, rising more than 5 percent. The S&P 500 and the Russell 2000 each rose more than 3.5 percent, and the Dow Jones Industrial Average increased almost 3 percent. Technology was the strongest sector, rising more than 7 percent, while materials increased 5.5 percent. With oil prices down nearly 8 percent, energy declined more than 3 percent. International developed markets rose more than 2 percent, but emerging markets dropped modestly.

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	3.59%	3.59%	14.07%	23.79%
Nasdaq Composite	5.19%	5.19%	15.22%	26.42%
DJIA	2.96%	2.96%	13.42%	24.93%
MSCI EAFE	2.26%	2.26%	14.61%	25.48%
MSCI Emerging Markets	–0.42%	–0.42%	19.74%	34.52%
Russell 2000	3.54%	3.54%	23.19%	38.85%

Source: Bloomberg, as of August 7, 2026

Fixed Income

Bonds also rallied as the employment report led to lower Treasury yields across the curve. The 30-year Treasury yield pulled back from the previous week's high-water mark, and the 10-year Treasury yield dropped back to 4.65 percent. Core bonds, Treasuries, and mortgages were higher. The municipal market also showed strength, rising 0.68 percent.

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	0.60%	0.60%	–0.09%	2.46%
U.S. Treasury	0.47%	0.47%	–0.37%	1.64%
U.S. Mortgages	0.83%	0.83%	0.37%	3.95%
Municipal Bond	0.85%	0.68%	1.11%	5.25%

Source: Bloomberg, as of August 7, 2026

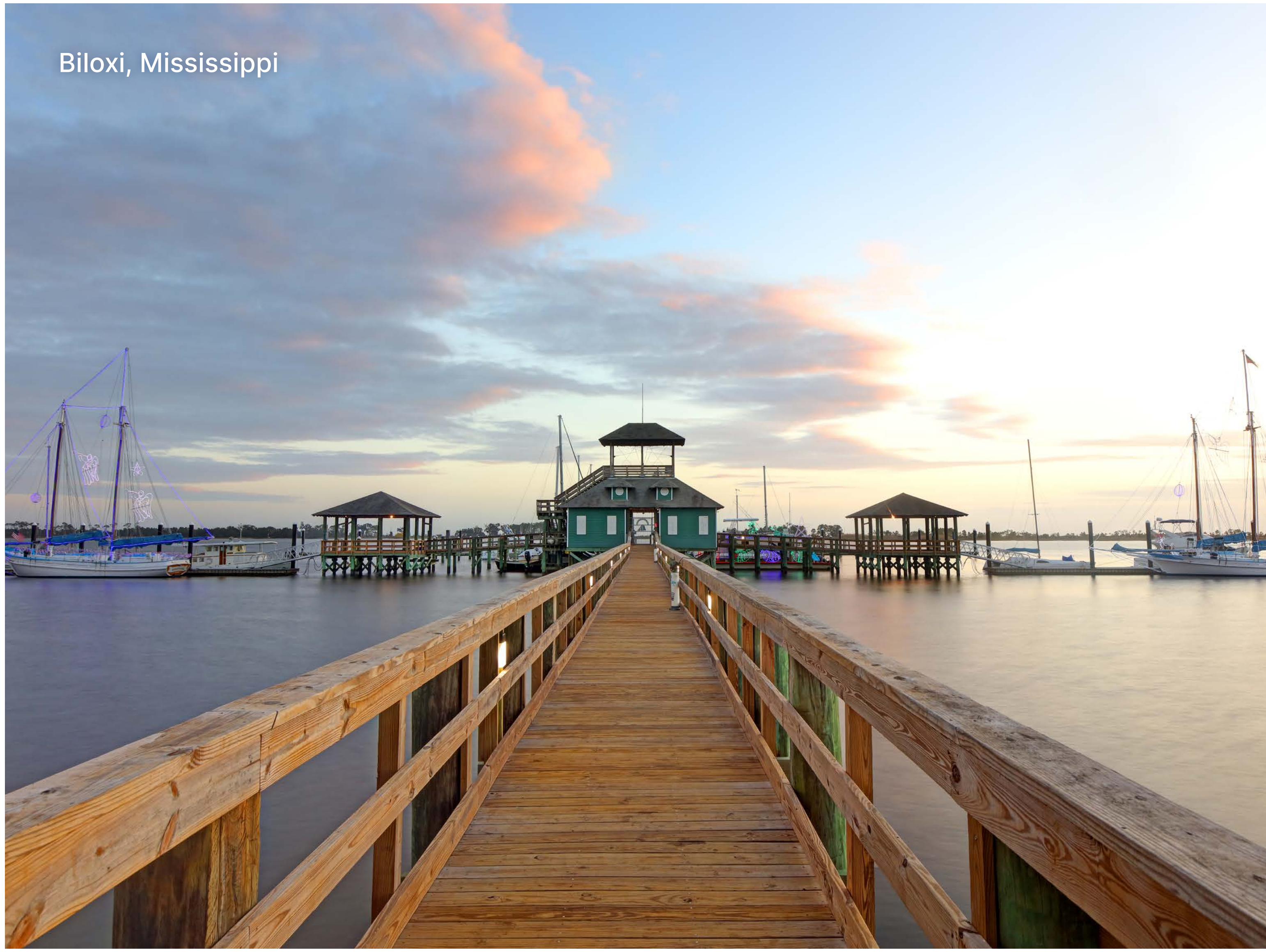
>> The Takeaway

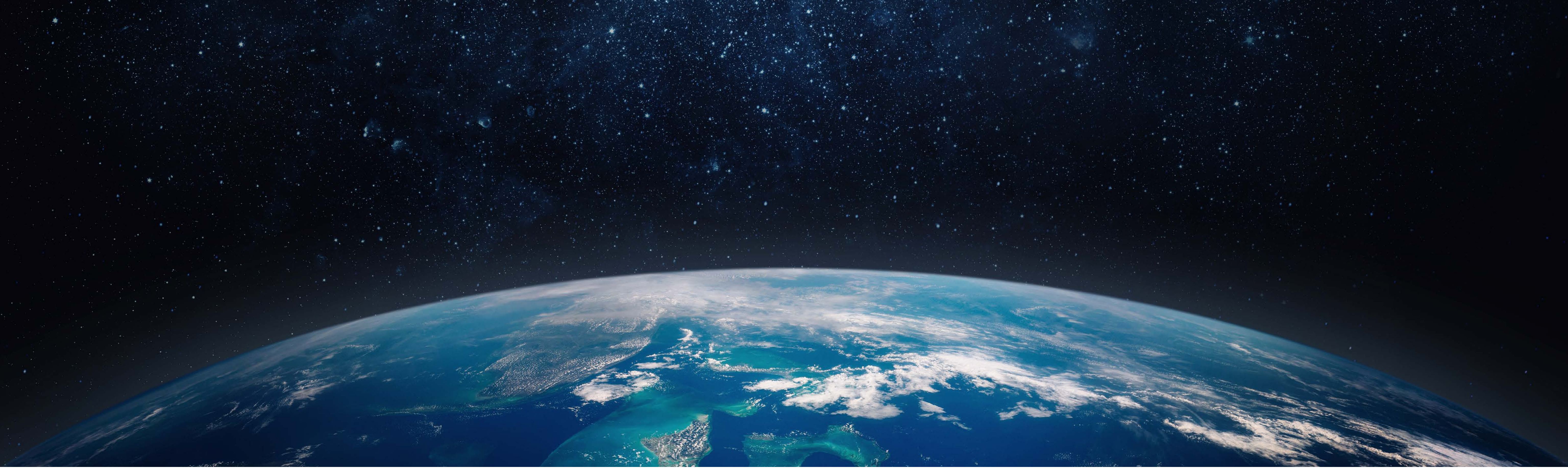
- Stocks rallied across the globe. Earnings and lower bond yields drove the rally, with the Nasdaq Composite rising more than 5 percent.
- Fixed income markets were also higher. The 30-year Treasury yield pulled back from the previous week's 19-year high.

Looking Ahead

It will be another busy week of economic reports, highlighted by updates on consumer and producer prices.

- The week kicks off on Wednesday with the **Consumer Price Index report** for July. Consumer prices are expected to tick up modestly after declining in June.
- On Thursday, we'll see the **Producer Price Index report** for July. Producer prices are expected to rise for the month but decline on a year-over-year basis.
- Lastly, on Friday, we'll receive an update on **advance retail sales** for July and the **preliminary University of Michigan consumer confidence survey** for August. Retail sales are expected to improve, in part due to World Cup–related spending. Consumer confidence, however, is expected to decline after two months of improvement.





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