Rapid City, South Dakota

WEEK OF AUGUST 31, 2026

# Market Navigator

Large-cap stock indices, led by the technology and communication services sectors, were marginally higher. Small-cap stocks and the health care and energy sectors underperformed. Bond markets were modestly higher as yields on long-term Treasuries declined.

## Quick Hits

1. **Beyond the headlines:** Federal Reserve (Fed) chair calms markets, but inflation remains the focus.
2. **Report releases:** Manufacturing strength and consumer concerns about the future were key takeaways.
3. **Financial market data**: Large-cap stocks advanced, led by growth-oriented sectors, while small-cap stocks underperformed.
4. **Looking ahead:** Economists and investors will closely watch Friday's employment report.

# Beyond the Headlines: Fed Chair Calms Markets, but Inflation Remains the Focus

Fed Chair Kevin Warsh made his highly anticipated first speech at the Jackson Hole Economic Symposium on Friday morning. Long-term Treasury yields have been under pressure recently, with yields on the 30-year approaching levels last seen in 2007. Warsh clearly positioned inflation as the central bank's primary concern. He also expressed confidence in a growing economy, a resilient labor market, and the long-term economic benefits of artificial intelligence (AI).

**Fighting Inflation Comes First**

Warsh again made it clear that the Fed is focused on returning inflation to its 2 percent target, a level that inflation has remained above for the past five years. He mentioned that although progress has been made since inflation spiked in 2022, there has been little additional improvement over the past couple of years. He added that despite improvements in the inflationary trend over the past few months, they haven't been sufficient to give the Fed confidence that the trend is sustainable.

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**Economic Backdrop Remains Solid**

Warsh noted that the economy is doing well and may be strengthening despite the various headwinds it has faced. Resilient consumer spending and rising business investment should support continued economic growth. Warsh was equally upbeat about the labor market, calling it stable and consistent with the Fed's goal of maximum employment.

Although the chair presented a balanced view of the issues surrounding the rollout of AI (e.g., who profits from it and its effects on jobs), he seemed optimistic about the impact AI could have on economic growth. He cited AI's potential to increase productivity, which could lead to noninflationary economic growth.

**Earnings to the Rescue**

Just as markets begin to worry about headlines, corporate America has proved adept at navigating higher inflation and interest rates by delivering strong earnings growth. Last week was no exception, as market bellwether Nvidia reported earnings that helped fuel a strong rally.

Fundamentals drive markets, and third- and fourth-quarter estimates as well as full-year estimates for the S&P 500 have continued to move higher. Despite potential near-term volatility, strong earnings growth should provide a supportive backdrop for investors moving forward.

## Report Releases: August 24–28, 2026

**Conference Board Consumer Confidence Index**
August (Tuesday)

Consumer confidence fell because of a sharp drop in expectations for future economic conditions.

- Expected/prior month consumer confidence: 90.2/90.2
- Actual consumer confidence: 89.4

**Preliminary Durable Goods Orders**
July (Wednesday)

Headline and core durable goods orders showed solid growth in July, signaling healthy levels of business investment.

- Expected/prior durable goods orders monthly change: +0.5%/+0.5%
- Actual durable goods orders monthly change: +1.1%
- Expected/prior core durable goods orders monthly change: +0.6%/+1.1%
- Actual core durable goods orders monthly change: +0.4%

### >> The Takeaway

- Manufacturing showed strength, with durable goods orders posting solid month-over-month growth.
- Consumer confidence unexpectedly fell amid continued concerns about the future of the economy.

## Financial Market Data

### Equity

Stocks were mixed, with most major indices posting modest gains. The Nasdaq Composite fared best, rising 0.85 percent. The S&P 500 and Dow Jones Industrial Average each rose roughly 0.5 percent. The Russell 2000 declined about 1.5 percent, and the equal-weighted S&P 500 fell slightly for the second week in a row. The technology, communication services, and financial sectors each rose more than 1 percent. The declining sectors were health care, energy, industrials, and real estate. International developed markets and emerging markets were largely unchanged.

| Index | Week-to-Date | Month-to-Date | Year-to-Date | 12-Month |
|---|---|---|---|---|
| S&P 500 | 0.50% | 3.06% | 13.49% | 19.98% |
| Nasdaq Composite | 0.85% | 4.11% | 14.04% | 22.38% |
| DJIA | 0.55% | 2.18% | 12.58% | 19.28% |
| MSCI EAFE | 0.11% | 2.42% | 14.80% | 22.45% |
| MSCI Emerging Markets | 0.05% | 3.56% | 24.53% | 39.56% |
| Russell 2000 | –1.46% | 1.54% | 20.82% | 26.69% |

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

### Fixed Income

Bonds were modestly higher, with long-term Treasury yields declining. Inflation remained in focus after Warsh's speech at Jackson Hole, leading to a sell-off in short-term Treasuries and a flattening of the yield curve. Core bonds, Treasuries, and mortgages were up slightly, while the municipal market sold off marginally.

| Index | Week-to-Date | Month-to-Date | Year-to-Date | 12-Month |
|---|---|---|---|---|
| U.S. Broad Market | 0.13% | 0.48% | –0.21% | 1.86% |
| U.S. Treasury | 0.07% | 0.37% | –0.47% | 1.20% |
| U.S. Mortgages | 0.09% | 0.68% | 0.23% | 3.08% |
| Municipal Bond | –0.16% | 0.06% | 0.49% | 4.44% |

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

### >> The Takeaway

- Large-cap indices rose, but other areas showed weakness. Growth sectors such as technology and communication services rose; the health care and energy sectors lagged.
- Fixed income markets were marginally higher, with long-term Treasury yields moving lower and short-term yields increasing, as inflation remained in focus.

## Looking Ahead

The highlight this week is expected to be an update on the labor market. After a surprising drop in July, economists expect a modest improvement in hiring, which would be a welcome sign for the Fed.

- The week kicks off on Tuesday with the **Institute for Supply Management (ISM) Manufacturing index** for August. The index is expected to decline modestly but remain in expansionary territory.
- On Thursday, we'll see the **ISM Services index** for August. Consensus expectations are that services confidence will rise slightly, marking two consecutive months of improvement.
- Lastly, on Friday, we'll see the August **employment report**. It's expected to show a modest improvement in hiring, with roughly 60,000 new jobs added after July's decline.

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