MONTH ENDING AUGUST 31, 2026

Market Navigator

Despite another month of concerning headlines regarding the war in the Middle East and renewed focus on U.S. government debt as it surpassed $40 trillion, stocks rallied across the board. Strong fundamentals, reflected by more positive news from corporate America, provided a supportive backdrop. With a modest increase in oil prices, the energy sector led the market higher, aided by a rally in technology stocks.

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Beyond the Headlines: Earnings Growth Exceeds Expectations

Given a pullback in some high-flying areas of the market, the Nasdaq was the best performing U.S. index for the month, followed closely by the S&P 500. But solid gains were also seen in the Dow Jones Industrial Average and the small-cap Russell 2000. The equal weighted S&P 500, which removes the impact of the size of the company from index weighting, also posted solid gains. International markets moved higher as well. Broad strength in the market, driven by strong fundamentals, is a good sign for investors over the long term.

The second-quarter earnings season is now in the rearview mirror, and the results exceeded analysts' expectations. Headline growth rates of 52 percent were impacted by some non-operating gains from several large technology names. However, even if those are excluded, earnings growth approached 34 percent. That compares to the 23 percent that analysts were expecting at the end of June. Ten of the 11 sectors reported year-over-year growth, with nine of them reporting double-digit growth. This is indicative of broad earnings growth across most of the economy.

For the S&P 500, this is also the second-straight quarter of 25 percent-plus earnings growth. In another encouraging sign, earnings estimates for the third and fourth quarter are now showing growth expectations of 28 percent and 26 percent, respectively. If those estimates hold, 2026 will be a remarkably strong year of almost 30 percent earnings growth. It's hard to overstate just how strong the fundamentals supporting the market have been so far this year.

Nasdaq Composite
3.99%
In the month of August

S&P 500
2.72%
In the month of August

DJIA
1.47%
In the month of August

Fixed Income Update: Higher Yields as Fed Focuses on Inflation

During August, the yield on the 30-year U.S. Treasury bond traded as high as 5.3 percent, a level last seen in 2007. Nonetheless, bonds still managed marginally positive returns for the month. Without a Federal Reserve meeting in August, investors instead focused on Fed Chair Kevin Warsh's speech at the Jackson Hole Economic Symposium at the end of the month. Warsh reiterated that the Fed is focused on reining in inflation and returning it to the Fed's goal of 2 percent growth. Inflation has not been that low in more than five years. As a result, market participants continue to believe there is a better than 50-50 chance that interest rates will be increased at the Fed meeting in September.

Bloomberg Aggregate Bond Index

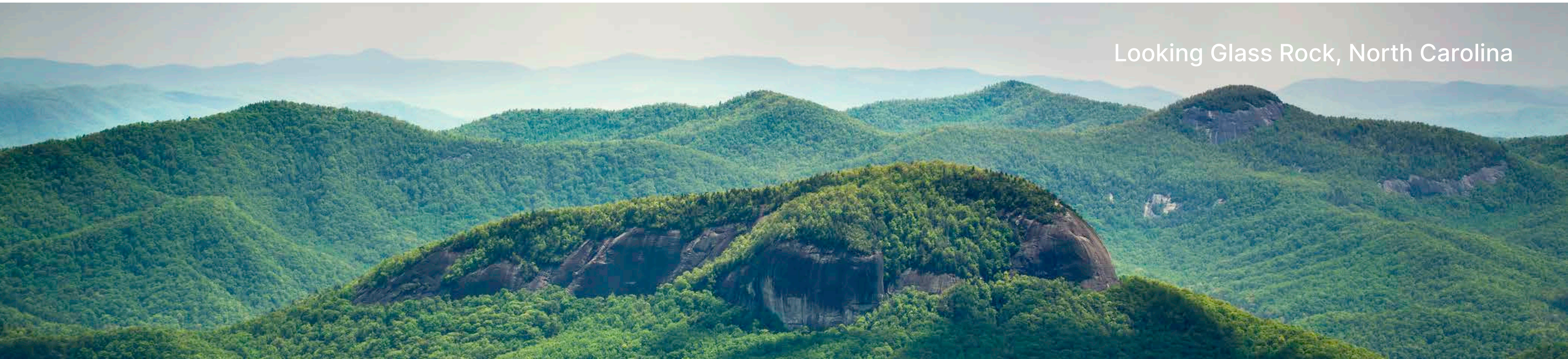
0.39%

In the month of August

Bloomberg U.S. Corporate High Yield Index

0.97%

In the month of August



Looking Glass Rock, North Carolina

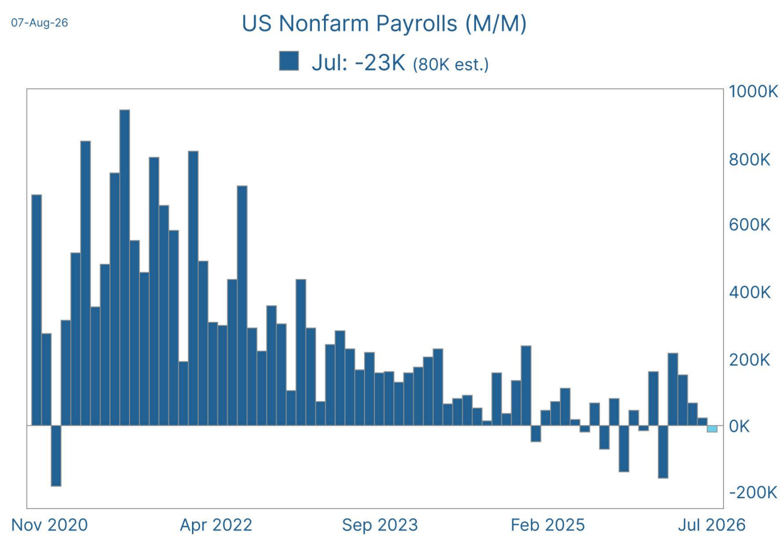
Geopolitical and Economic Update: Risks Starting to Impact Jobs Data?

Data from August was mixed, highlighted by a disappointing employment report for July. Despite expectations that the U.S. economy would produce 80,000 jobs, the data instead showed a decline of 23,000. Equally concerning, the previous two months of jobs creation figures were revised downward by a total of 103,000. Despite this, Warsh described the jobs market as stable and consistent with the Fed's goal of full employment.

On the other hand, August's much watched inflation data delivered a reassuring message for investors. Price pressures for both consumers and producers eased somewhat, an encouraging trend given concerns about the impact of higher oil prices and their pass-through effects. However, Warsh said that despite some improvement in inflation over the last couple of months, it was not enough to reassure the Fed that this is sustainable.

As a result, the upcoming updates on the jobs market and consumer and producer inflation will play an important role in whether the Fed remains on hold or considers another rate increase at its meeting in mid-September. This likely means continued volatility in both stocks and bonds as markets attempt to gauge the sustainable path of inflation.

Figure 1: Non-Farm Payrolls Month-Over-Month, November 2020–Present



Source: The Daily Shot, as of August 10, 2026

>> The Takeaway

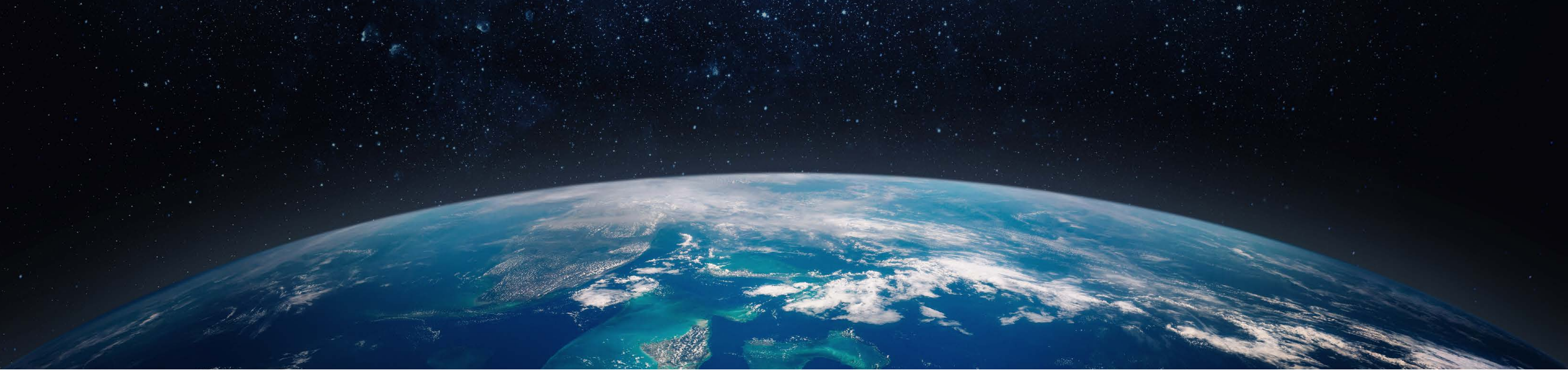
- Jobs creation turns negative as inflation growth slows marginally.
- Upcoming economic reports are key for the Fed's interest rate decision in September.

Looking Ahead: Risks Are Real, but Fundamentals Should Support Markets

Other risks that investors have been monitoring are worth paying attention to. Higher oil prices will continue to weigh on markets, and gas prices at the pump have begun to increase as well. Long-term interest rates could continue to move higher. Also, as Labor Day passes, headlines about the midterm elections and which party will control the House and Senate in January could also lead to increased volatility.

But as Warsh pointed out, macro data points remain solid for now and business investment around artificial intelligence continues to be robust. Ultimately, we believe this should lead to continued economic growth, strong earnings growth from corporate America, and further market appreciation over the long term. If concerns remain, however, speak to your financial advisor to go over your financial plans.


North Carolina



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