What's on Our Minds

August 3, 2026

MARKET HIGHLIGHTS

- **The Federal Open Market Committee (FOMC) kept its benchmark interest rate steady** at 3.50–3.75%. Three dissents favored a 0.25% increase, underscoring a hawkish tilt amid stubborn inflation. The statement was little changed from June. Federal Reserve Chair Kevin Warsh's press conference leaned more on process than policy signals; he reaffirmed the 2% target, said the economy showed "impressive resilience," and called the labor market "fine."
- **The lack of forward guidance stirred volatility.** Equities dipped before and after the meeting, while the 10-year yield pushed through 4.70% with bear steepening at the long end, as investors seemed to doubt Warsh's inflation-fighting resolve. Warsh suggested he's comfortable letting markets do some of the Fed's tightening.
- **The Iran-US conflict escalated** (US strikes after Iran's drone attack on ships in Egypt; Houthi/Iraqi militia strikes and Saudi response) before President Donald Trump paused action, citing a possible deal. Oil prices rose but stayed contained.
- **June durable goods missed** (+0.3% vs. +2.8% est.) on weak aircraft orders, but core orders/shipments beat estimates.

MARKET PERFORMANCE

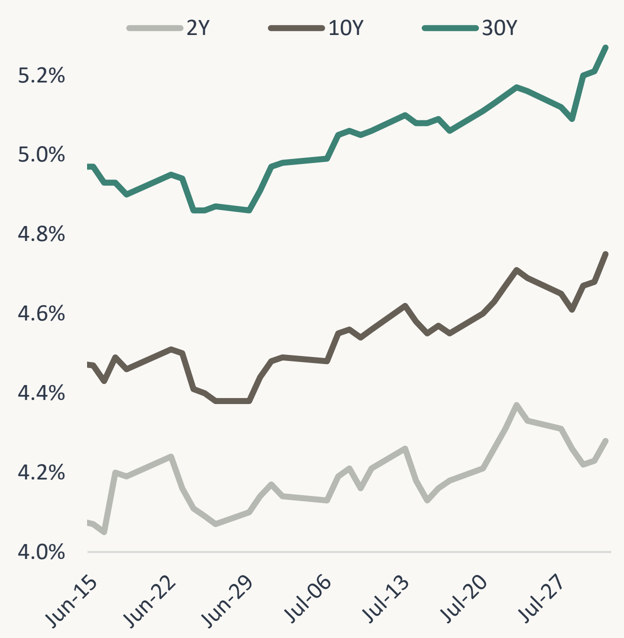
ASSET CLASS	1-WEEK	YTD
U.S. Aggregate Bond (Agg)	-0.12%	-0.69%
Municipal Bonds 1-10Y	0.08%	-0.06%
U.S. High Yield	0.14%	1.59%
S&P 500	1.06%	10.14%
Russell 2500 (SMID cap)	0.04%	19.52%
MSCI EAFE (International)	2.02%	11.59%
MSCI Emerging Markets	2.36%	20.04%
MSCI ACWI (Global)	1.37%	11.33%
Crude Oil (NYMEX WTI)	0.38%	47.69%
Gold LBMA PM	-1.19%	-7.81%
60/40 ACWI/Agg Portfolio	0.77%	6.52%

WHAT CAUGHT OUR EYES THIS WEEK

Learning to Play the Ball

Last week's FOMC meeting came against a backdrop of recent soft inflation and employment reports, and nonzero odds of a rate hike. We did not get the rate hike, but did get another "hawkish pause." Since then, the market narrative has flipped on its head. Fears of hiking rates into a supply shock have given way to fears of a policy mistake from failing to rein in inflation. After the press conference, Treasury yields and breakeven inflation rates rose as the market showed some frustration over a lack of clear insight from the FOMC—not just into forward guidance, but also the decision-making framework that yielded a hold-steady despite three dissents. Warsh noted, "markets are learning to play the ball, not the referee," and we agree it would be helpful to wean off a heavy dose of forward guidance. However, to continue the analogy, for the market to play the ball, it needs to know the rules of the game. Despite some near-term angst in bond markets, Fed funds futures still expect a handful of rate hikes ahead. Our take is bond markets aren't necessarily doubting the credibility of the Fed. Rather, given the removal of information, they want a little more compensation for the uncertainty introduced.

US Treasury Yields



Please see important disclosures and other key information on page 4.

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OUR KEY THEMES FOR 2026 (updated as of July)

1) Monetary policy moves to neutral or slightly restrictive and fiscal policy moves to neutral or slightly positive while the AI infrastructure build-out remains a key structural tailwind.
2) One Big Beautiful Bill Act corporate tax changes are spurring a reacceleration in non-AI business investment.
3) Global growth on net remains positive as trend-or-better US growth offsets supply shocks overseas.
4) Broader economic activity lifts employment, while labor force growth remains sluggish.
5) Inflation remains above target, but progress should resume when the current supply shock fades.
6) The jury is still out on new Fed Chair Warsh's direction regarding interest rates, the Fed balance sheet, and the inflationary versus productivity-enhancing impacts of the AI build-out.
7) We see stability or slight upward pressure for long-term rates, based on strong economic activity.
8) It's hard to fight strong fundamentals for equity markets, with double-digit profit growth balancing high earnings multiples.
9) Better earnings breadth was delayed, not canceled.
10) International stocks still offer diversification benefits and an impressive fundamental outlook considering geopolitical headwinds.

IN CASE YOU MISSED IT

INSIGHTS

Startups Should Not Wait to Hire CFOs

Tax Challenges Every Business Operating in Multiple States Must Navigate

The Tax Drag Hiding in Your Long-Term Financial Plan

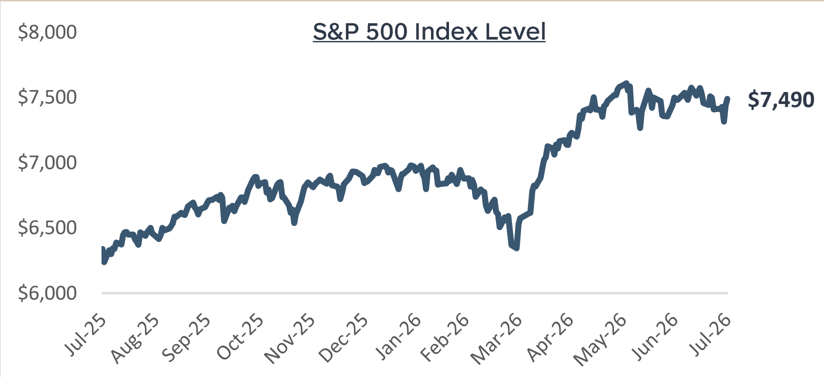
ARCHIVE

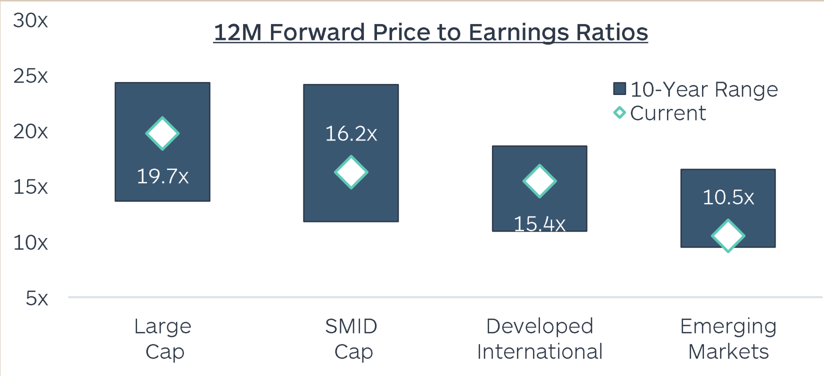
Historical Economic and Market Outlooks Insights

WEBINARS

Recording: Q3 2026 Market & Economic Outlook

EQUITIES





S&P 500 SECTOR	1-WEEK	YTD
Consumer Discretionary	8.3%	0.0%
Comm. Services	5.4%	1.4%
Consumer Staples	1.2%	10.3%
Financials	1.1%	4.9%
Health Care	0.0%	6.0%
Information Technology	-0.1%	15.7%
Energy	-0.2%	34.7%
Industrials	-1.6%	16.5%
Materials	-1.7%	10.1%
Real Estate	-2.2%	14.3%
Utilities	-4.2%	5.3%

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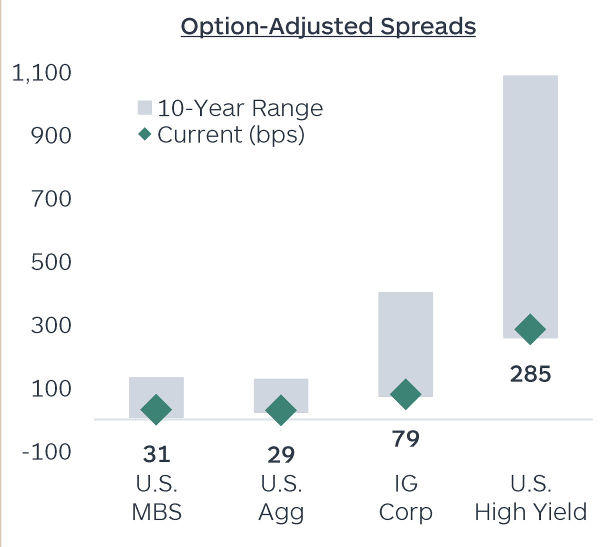
FIXED INCOME

KEY INTEREST RATES	7/31/2026	Δ YTD
Municipal Bonds 1-10Y	3.42%	0.45%
Effective Federal Funds Rate	3.63%	-0.01%
3M T-Bill	3.76%	0.13%
10Y Treasury Yield	4.71%	0.54%
U.S. Aggregate	4.98%	0.66%
30Y Mortgage Rate	6.73%	0.48%
Prime Rate	6.75%	0.00%
U.S. High Yield	7.67%	0.59%



COMMODITIES, CURRENCIES, CRYPTO

Asset Class	7/31/2026
Crude Oil	$84.57
Gold	$4,026.60
U.S. Dollar Index	$99.91
Bitcoin	$63,130.00

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THE WEEK AHEAD

Aug. 3 (Mon.)	Aug. 4 (Tue.)	Aug. 5 (Wed.)	Aug. 6 (Thu.)	Aug. 7 (Fri.)	Coming Up
Jul. ISM Manufacturing PMI	Jun. JOLTS Job Openings	Jul. ADP Employment	Weekly Jobless Claims	Jul. Employment Report	Jul. CPI (8/12)
Jun. Construction Spending	Jun. Factory Orders	ISM Services PMI	Q2 Productivity		Jul. PPI (8/13)
					Jul. Retail Sales (8/14)

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ABBREVIATIONS: Agg: Aggregate. EM: Emerging Markets. SOFR: Secured Overnight Financing Rate. MBS: Mortgage-backed securities. IG: Investment Grade.

CHART OF THE WEEK: Cerity Partners, Ycharts, 6/2/2026 – 7/31/2026

MARKET PERFORMANCE: All returns represent total return for the stated period. 1-Week and Year-to-Date (YTD) returns are as of 7/31/26. Underlying indices are in descending order: Bloomberg US Aggregate provided by Bloomberg Capital; Bloomberg Municipal Bond 10 Yr provided by Bloomberg Capital; ICE BofA US High Yield Index provided by Bloomberg Capital; S&P 500; provided by: Standard & Poor's. Index; Russell 2500; provided by: Russell Investments; MSCI Europe, Australasia, and the Far East (EAFE) provided by MSCI net official pricing; MSCI EM provided by MSCI net official pricing; MSCI All Country World Index (ACWI) provided by MSCI net official pricing; Crude Oil (WTI) provided by CME; LBMA Gold Price PM provided by FactSet. The 60/40 ACWI/Agg Portfolio (60% ACWI / 40% AGG) is not a recommendation and is provided for reference purposes only.

EQUITIES: Top Left-hand Chart. S&P 500 Index Level as of 7/31/26 and provided by Standard & Poor's. Bottom Left-hand Chart. Forward Price to Earnings Ratios refers to the price-to-earnings ratio for the forward 12 months, which is a valuation measure applied to respective broad equity indices as of 7/31/26. Large Cap data is proxied with the S&P 500 and provided by FactSet. SMID data is proxied by the Russell 2500 and provided by FactSet. Developed International data is proxied with the MSCI EAFE and provided by FactSet. Emerging Markets data is proxied by the MSCI EM and provided by FactSet. S&P 500 Sector performance table. Sectors are based on the GICS methodology. Return data are calculated by FactSet using constituents and weights as provided by Standard & Poor's. Returns are cumulative total return for stated period, including reinvestment of dividends. 1-Week and Year-to-Date (YTD) returns are as of 7/31/26.

FIXED INCOME: Top Table. Effective Federal Funds Rate provided by FactSet. Composite Municipal Bond Yield provided by FactSet. Bloomberg US Aggregate provided by FactSet. 3-Month Treasury Bill rate provided by FactSet. 10-Year Treasury Yield provided by FactSet. 30-Year Mortgage Rate provided by FactSet. ICE BofA US High Yield Index provided by FactSet. Prime Rate provided by FactSet. Bottom Table. Option Adjusted Spreads as of 7/31/26. Bloomberg US Aggregate Securitized – MBS, Bloomberg US Aggregate, ICE BofA US Corporate, ICE BofA US High Yield data provided by Bloomberg Capital.

COMMODITIES, CURRENCIES, CRYPTO: WTI NYMEX Crude Oil provided by FactSet. Gold is proxied with the LBMA Gold PM and provided by FactSet. Bitcoin is proxied by the Bitcoin (CME) Continuous index and provided by FactSet. U.S Dollar prices are proxied with the U.S. Dollar Index and provided by FactSet.