What's on Our Minds

August 10, 2026

MARKET HIGHLIGHTS

- **The S&P 500 hit another record high,** with a strong earnings season doing the heavy lifting versus multiple expansion.
- **July payrolls came in at -23,000 instead of the +93,000 expected** with the prior two months revised down 103,000, driven mostly by government (-53,000), leisure and hospitality (-40,000), and retail (-19,000). The unemployment rate fell to 4.1% as labor force participation slipped to 61.4%.
- **Wage growth continues to slow,** with average hourly earnings up just +0.1% (3.2% year over year). With second-quarter productivity at +1.4%, unit labor costs look contained at just +1.3%.
- **September hike odds fell to 45% from 67% a week ago**—absent a hot Consumer Price Index print this week, September looks off the table for now.
- **The ISM Manufacturing Purchasing Managers' Index came in at 55.6,** the highest since May 2022, with employment expanding for the first time in 33 months. ISM services held steady at 54.1, but prices paid rose nearly three points on sticky services inflation.
- **The US and Japan jointly intervened to support the yen,** with $60 billion of purchases reportedly funded by selling euros rather than dollars.

MARKET PERFORMANCE

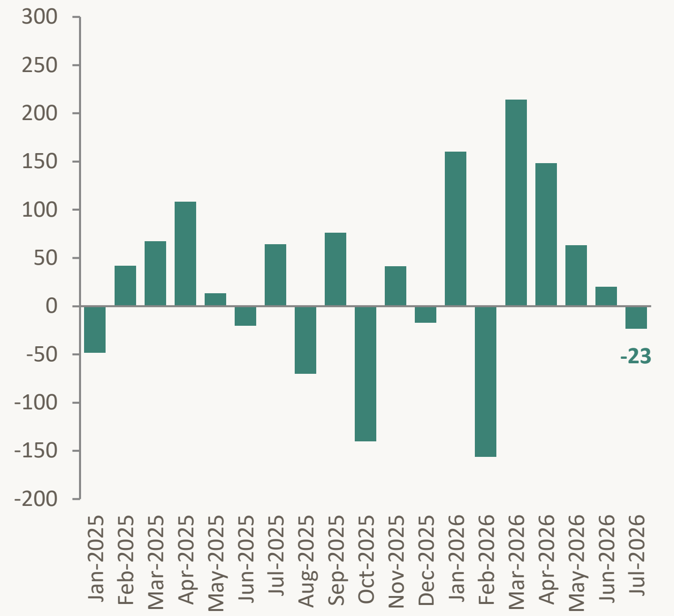
ASSET CLASS	1-WEEK	YTD
U.S. Aggregate Bond (Agg)	0.60%	-0.09%
Municipal Bonds 1-10Y	0.62%	0.56%
U.S. High Yield	0.76%	2.37%
S&P 500	3.59%	14.09%
Russell 2500 (SMID cap)	3.74%	24.00%
MSCI EAFE (International)	2.25%	14.10%
MSCI Emerging Markets	-0.43%	19.53%
MSCI ACWI (Global)	2.88%	14.54%
Crude Oil (NYMEX WTI)	-4.62%	36.52%
Gold LBMA PM	7.63%	-0.74%
60/40 ACWI/Agg Portfolio	1.97%	8.68%

WHAT CAUGHT OUR EYES THIS WEEK

The "No Hire, No Fire" Labor Market Lives On

July payrolls were a big miss: a loss of 23,000 jobs versus expectations for a 93,000 gain. It was not a good report, although we would point to a few statistical quirks that might overstate the negativity. A 50,000 decline in local government education jobs leans heavily on a large seasonal adjustment factor (unadjusted payrolls drop by roughly 1 million every July as schools let out, making for a difficult seasonal adjustment.) Elsewhere, a 40,000 fall in leisure and hospitality jobs looks like payback for temporary World Cup hiring. It appears that two of the largest drivers of the negative print were one-offs, rather than evidence of a new trend. The household survey looked better, with the unemployment rate falling to 4.1%, though with a step down in labor force participation. Evidence of layoffs in the report was nonexistent. Taking the two reports together paints a familiar picture: little hiring, but little firing. Wage growth also continues to soften, which is allowing for a slight unwind of some of the near-term rate hikes that had been priced into markets.

Nonfarm Payroll Employment: Monthly Change (Thousands, Seasonally Adjusted)



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

What's on Our Minds

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

Video: August 2026 Economic and Market Outlook

Startups Should Not Wait to Hire CFOs

Tax Challenges Every Business Operating in Multiple States Must Navigate

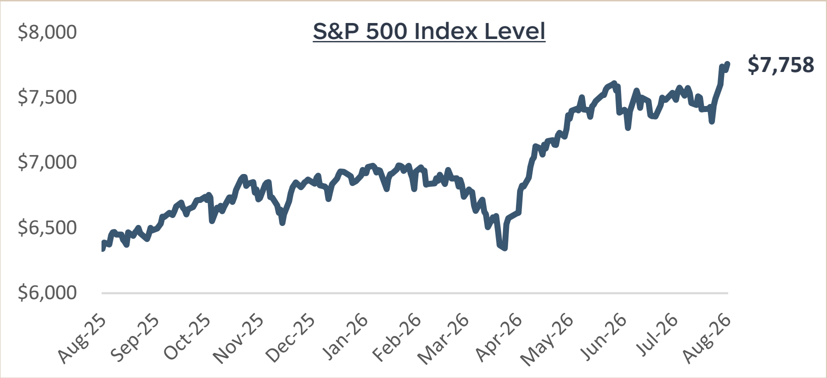
ARCHIVE

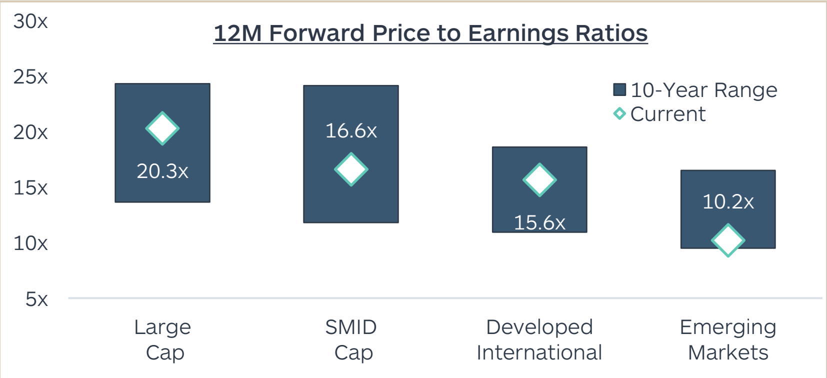
Historical Economic and Market Outlooks Insights

WEBINARS

Recording: Q3 2026 Market & Economic Outlook

EQUITIES





S&P 500 SECTOR	1-WEEK	YTD
Information Technology	7.2%	24.0%
Materials	5.6%	16.3%
Industrials	3.0%	20.1%
Consumer Discretionary	2.8%	2.9%
Health Care	1.9%	8.0%
Comm. Services	1.3%	2.7%
Financials	1.2%	6.2%
Consumer Staples	0.0%	10.4%
Real Estate	-0.1%	14.2%
Utilities	-1.6%	3.6%
Energy	-3.2%	30.4%

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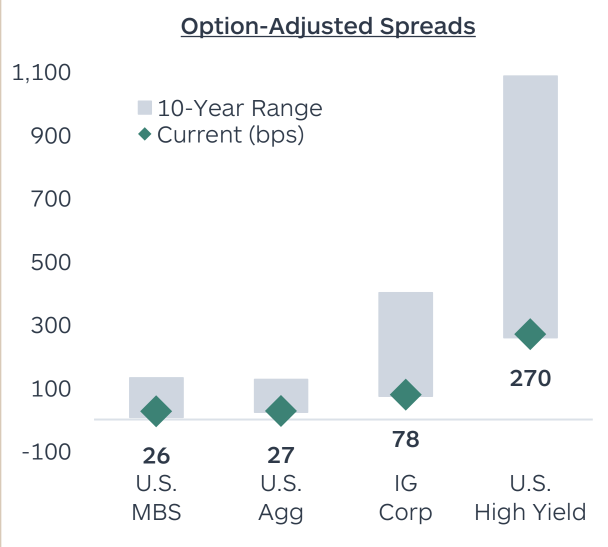
FIXED INCOME

KEY INTEREST RATES	8/7/2026	Δ YTD
Municipal Bonds 1-10Y	3.30%	0.33%
Effective Federal Funds Rate	3.63%	-0.01%
3M T-Bill	3.80%	0.16%
10Y Treasury Yield	4.64%	0.47%
U.S. Aggregate	4.90%	0.58%
30Y Mortgage Rate	6.78%	0.53%
Prime Rate	6.75%	0.00%
U.S. High Yield	7.50%	0.42%



COMMODITIES, CURRENCIES, CRYPTO

Asset Class	7/31/2026
Crude Oil	$78.17
Gold	$4,335.55
U.S. Dollar Index	$99.54
Bitcoin	$65,175.00

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THE WEEK AHEAD

Aug. 10 (Mon.)

Aug. 11 (Tue.)
Jul. Existing Home Sales

Aug. 12 (Wed.)
Jul. CPI

Aug. 13 (Thu.)
Jul. PPI

Aug. 14 (Fri.)
Jul. Retail Sales
Aug. Michigan Consumer Sentiment

Coming Up
FOMC Minutes (8/19)
Jul. Personal Income & Spending (8/26)

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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, FRED, CME FedWatch

MARKET PERFORMANCE: All returns represent total return for the stated period. 1-Week and Year-to-Date (YTD) returns are as of 8/7/26. 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 8/7/26 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 8/7/26. 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 8/7/26.

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 8/7/26. 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.

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