What's on Our Minds

August 31, 2026

MARKET HIGHLIGHTS

- **At Jackson Hole, Federal Reserve (Fed) Chair Kevin Warsh reaffirmed the 2% Personal Consumption Expenditures (PCE) target as firm and said inflation progress hasn't been good enough,** favoring short rates over unconventional tools and prioritizing getting policy right over communications transparency. Markets read the speech as incrementally hawkish: September hike odds jumped, the dollar rose, gold fell, and the curve flattened—possibly signaling the Fed is about to tighten into an economy that is already slowing.
- **Treasury Secretary Scott Bessent sanctioned roughly 60 Iran-linked entities, individuals, and vessels,** though skepticism persists that the United States would include go as far as including China in those sanctions as midterms loom.
- **Canada matched new US levies with $20 billion in retaliatory tariffs,** including 50% on steel, aluminum, furniture, and electronics, suggesting tariff-driven inflation lingers longer than expected.
- **July core PCE rose 0.2%,** holding at 3.3% year over year, with headline PCE inflation also running steady at 3.7%.

MARKET PERFORMANCE

ASSET CLASS	1-WEEK	YTD
U.S. Aggregate Bond (Agg)	0.13%	-0.21%
Municipal Bonds 1-10Y	-0.01%	0.49%
U.S. High Yield	0.27%	2.64%
S&P 500	0.50%	13.51%
Russell 2500 (SMID cap)	-1.41%	21.51%
MSCI EAFE (International)	0.11%	14.27%
MSCI Emerging Markets	0.05%	24.28%
MSCI ACWI (Global)	0.31%	14.70%
Crude Oil (NYMEX WTI)	-3.43%	45.62%
Gold LBMA PM	-2.16%	4.46%
60/40 ACWI/Agg Portfolio	0.24%	8.73%

WHAT CAUGHT OUR EYES THIS WEEK

Takeaways From Jackson Hole

What did Fed Chair Warsh tell us in his eagerly awaited speech in Jackson Hole? First, he pointed to artificial intelligence as an increasingly large factor in shaping the macroeconomic environment, but admittedly one that still offers more questions than answers. He then defended his withdrawal of forward guidance, stressing the need for clear market signals that avoid the "hall-of-mirrors problem" where markets look to the Fed, but the Fed looks to markets. He reaffirmed his committee's inflation target: 2% annual growth of the PCE price index. He then gave us his read on the current economy, noting strong recent displays of resilience, healthy spending by both consumers and businesses, a labor market holding steady near full employment, and an inflation picture that has seen only modest progress to target over the past few years. As expected, Warsh stopped short of anything that could be construed as forward guidance, but it certainly felt like he was attempting to presage a tightening of monetary policy. Was this just more jawboning and biding time in hopes of another good Consumer Price Index report before the next meeting? Time will tell, but for now, markets are taking him at his word, with a September rate hike back to the base case in federal funds futures markets.

Notable Excerpts From Warsh's Jackson Hole Speech

"We determine the path of short-term interest rates. And market participants will always try to anticipate what we will do next. But we should not indulge a regime in which market participants are looking primarily to the Fed for their next trade."

"Price stability is not self-executing, nor is inflation necessarily mean-reverting. It is the Fed's job to deliver stable prices."

"…on balance, I would be hard-pressed to describe broad financial conditions as restrictive."

"…as of now, I believe the labor markets are consistent with full employment."

"…on the price-stability side of our mandate, the numbers are more concerning. "

Over the past 12 months, 54% of goods and services in the PCE basket showed price increases above 3%. This is well below the post-pandemic highs of about 77%, but it remains well above the level of 32% in the two decades that preceded the pandemic."

"…while this summer's PCE and CPI readings were better than expected, they do not tell me that underlying trends have meaningfully improved."

" We must be confident that underlying inflation is moving to our objective, clearly and at sufficient speed. Otherwise, we have work to do."

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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

How Executives Can Mitigate Single-Stock Risk With Tax Efficiency

Frequently Asked Questions About California's 2026 Billionaire Tax

The Outsourcing Landscape: A Field Guide to OCIO Services

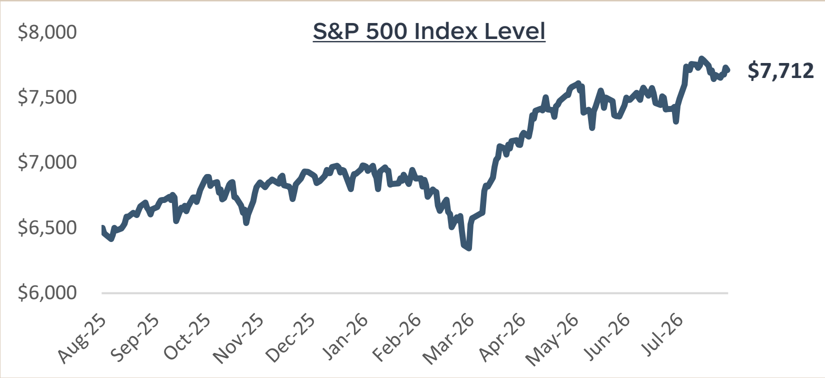
ARCHIVE

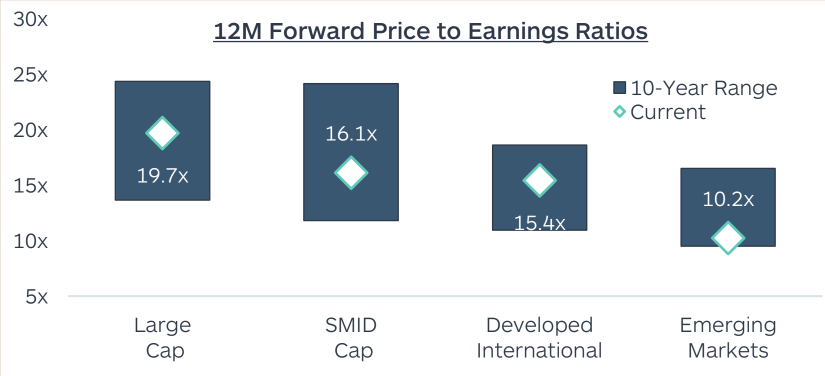
Historical Economic and Market Outlooks Insights

WEBINARS

Recording: Q3 2026 Market & Economic Outlook

EQUITIES





S&P 500 SECTOR	1-WEEK	YTD
Information Technology	1.8%	22.5%
Comm. Services	1.6%	1.8%
Financials	1.1%	7.1%
Consumer Discretionary	0.1%	0.7%
Utilities	-0.1%	1.5%
Materials	-0.4%	17.7%
Consumer Staples	-0.5%	9.9%
Real Estate	-1.3%	13.0%
Industrials	-1.7%	14.9%
Health Care	-2.0%	11.6%
Energy	-2.0%	41.2%

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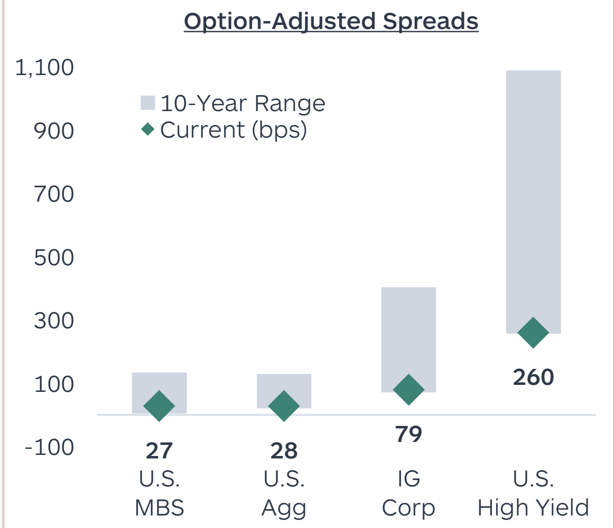
FIXED INCOME

KEY INTEREST RATES	8/28/2026	Δ YTD
Municipal Bonds 1-10Y	3.35%	0.38%
Effective Federal Funds Rate	3.63%	-0.01%
3M T-Bill	3.83%	0.20%
10Y Treasury Yield	4.73%	0.56%
U.S. Aggregate	4.99%	0.68%
30Y Mortgage Rate	6.71%	0.46%
Prime Rate	6.75%	0.00%
U.S. High Yield	7.45%	0.37%



COMMODITIES, CURRENCIES, CRYPTO

Asset Class	8/28/2026
Crude Oil	$83.38
Gold	$4,562.75
U.S. Dollar Index	$99.70
Bitcoin	$77,835.00

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THE WEEK AHEAD

Aug. 31 (Mon.)	Sep. 1 (Tue.)	Sep. 2 (Wed.)	Sep. 3 (Thu.)	Sep. 4 (Fri.)	Coming Up
	Aug. ISM Manufacturing PMI Jul. Construction Spending Jul. JOLTS Job Openings	Aug. ADP Employment Jul. Factory Orders	Weekly Initial Claims Aug. ISM Services PMI	Aug. Nonfarm Payrolls and Unemployment Rate	Aug. PPI (9/10) Aug. CPI (9/11) FOMC Meeting (9/16)

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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, Federal Reserve

MARKET PERFORMANCE: All returns represent total return for the stated period. 1-Week and Year-to-Date (YTD) returns are as of 8/28/26. 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 8/28/26 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 8/28/26. 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 8/28/26.

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 8/28/26. 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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