What's on Our Minds

September 8, 2026

MARKET HIGHLIGHTS

- **Rate volatility has lately been a bigger issue than equity volatility** as higher energy prices, wider fiscal deficits, rising corporate supply, and solid growth push central banks toward tightening ahead of European Central Bank, Bank of Japan, Bank of England, and Federal Reserve (Fed) meetings.
- **August payrolls handily beat estimates** (+162,000 versus +56,000) while unemployment held at 4.1%. Wage growth cooled to 3.1% year over year, confirming Fed Chair Kevin Warsh's recent characterization of labor markets at full employment, which enables full attention to the inflation side of the Fed's mandate.
- **Institute for Supply Management surveys were mixed,** with manufacturing slipping to 54.6 as prices stayed elevated at 71.1, while services rose to 55.4 with strong new orders and prices climbing to 72.6, reflecting persistent input-cost pressure.
- **Middle East tensions escalated** as US strikes on Iranian targets and tankers followed Islamic Revolutionary Guard Corps retaliation, pushing oil to its highest level since late July despite modest renewals of Strait of Hormuz transit.

MARKET PERFORMANCE

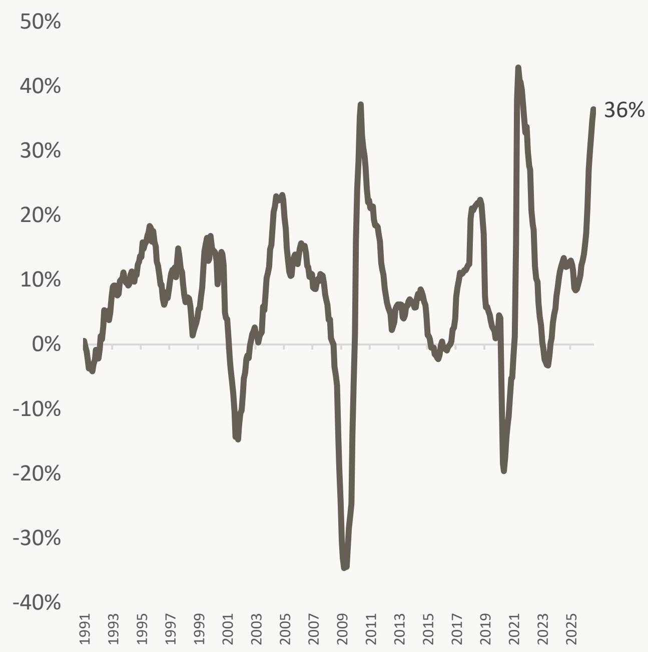
ASSET CLASS	1-WEEK	YTD
U.S. Aggregate Bond (Agg)	-0.18%	-0.40%
Municipal Bonds 1-10Y	-0.51%	-0.03%
U.S. High Yield	-0.15%	2.48%
S&P 500	0.13%	13.65%
Russell 2500 (SMID cap)	0.03%	21.54%
MSCI EAFE (International)	-0.16%	14.08%
MSCI Emerging Markets	0.26%	24.61%
MSCI ACWI (Global)	0.08%	14.78%
Crude Oil (NYMEX WTI)	5.14%	59.80%
Gold LBMA PM	-3.23%	1.09%
60/40 ACWI/Agg Portfolio	-0.03%	8.71%

WHAT CAUGHT OUR EYES THIS WEEK

What Happens After Peak Earnings Growth?

The current earnings environment is one for the record books, with S&P 500 12-month forward earnings projected to be up 36% year over year. That puts us in rare territory, typically only reserved for recoveries from major recessions. Are sell-side analysts being too optimistic? Time will tell, but for now we give them the benefit of the doubt. Their track record has been solid outside of recessionary periods, so it would be highly unusual for them to collectively whiff on their forecasts in a typical growth environment. Nonetheless, at some point the party will end and earnings growth will return to more "normal" levels. Should we be concerned about an impending deceleration? History tells us that markets digest the period after a peak in earnings growth surprisingly well, with positive returns over the 12 months following eight of 10 peaks in S&P 500 forward earnings growth since 1990. Real trouble for stocks typically required material and sustained drops in earnings, or, in other words, a recession. Going from great earnings growth to good earnings growth (as we expect) doesn't usually cause problems.

S&P 500 Next 12 Months Earnings per Share YoY%



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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

Video: September 2026 Economic and Market Outlook

The Difference Between Financial Advisors at Registered Investment Advisers and Broker-Dealers

How Executives Can Mitigate Single-Stock Risk With Tax Efficiency

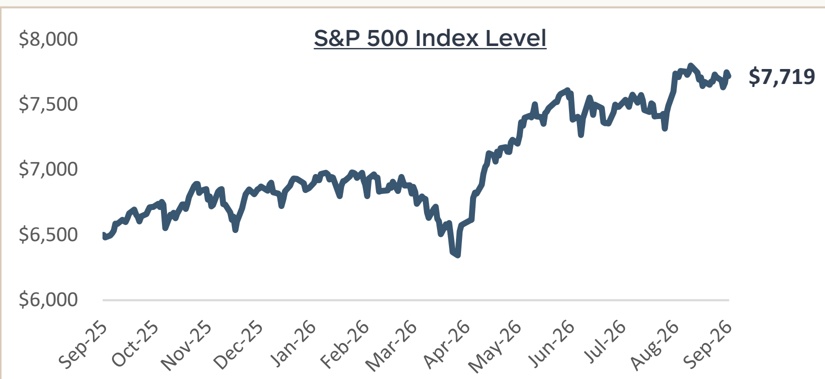
ARCHIVE

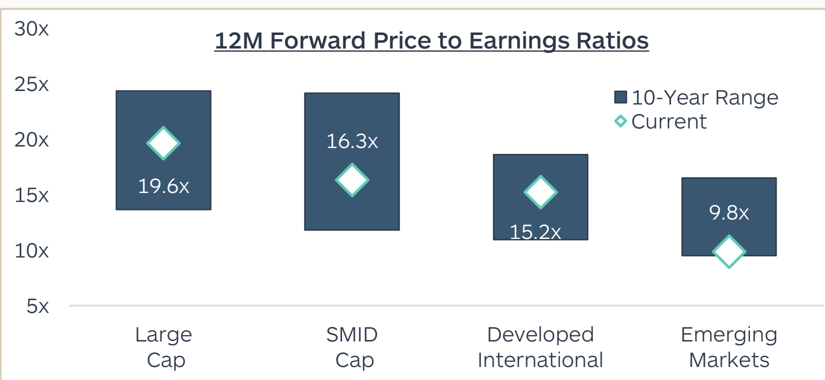
Historical Economic and Market Outlooks Insights

WEBINARS

Recording: Q3 2026 Market & Economic Outlook

EQUITIES





S&P 500 SECTOR	1-WEEK	YTD
Energy	2.3%	44.5%
Information Technology	1.1%	23.9%
Utilities	0.8%	2.3%
Health Care	0.2%	11.8%
Financials	0.0%	7.1%
Comm. Services	-0.4%	1.4%
Consumer Staples	-0.8%	9.0%
Industrials	-1.0%	13.7%
Real Estate	-1.2%	11.7%
Materials	-1.4%	16.0%
Consumer Discretionary	-2.0%	-1.3%

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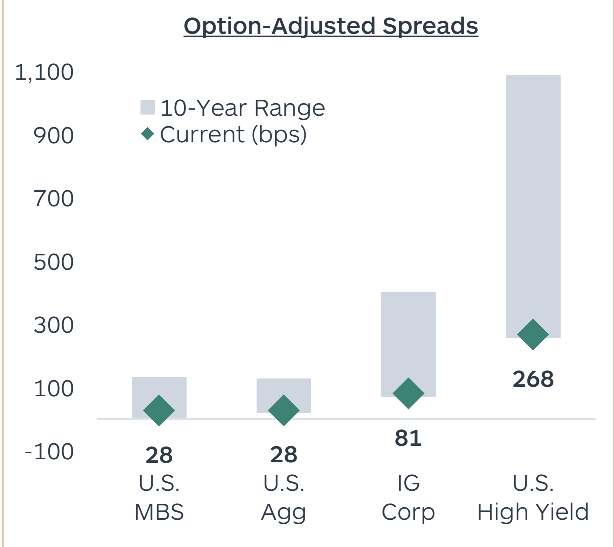
FIXED INCOME

KEY INTEREST RATES	9/4/2026	Δ YTD
Municipal Bonds 1-10Y	3.48%	0.51%
Effective Federal Funds Rate	3.63%	-0.01%
3M T-Bill	3.85%	0.22%
10Y Treasury Yield	4.78%	0.61%
U.S. Aggregate	5.04%	0.73%
Prime Rate	6.75%	0.00%
30Y Mortgage Rate	6.76%	0.51%
U.S. High Yield	7.63%	0.55%



COMMODITIES, CURRENCIES, CRYPTO

Asset Class	9/4/2026
Crude Oil	$91.50
Gold	$4,415.40
U.S. Dollar Index	$99.18
Bitcoin	$80,055.00

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THE WEEK AHEAD

Sep. 7 (Mon.)

Sep. 8 (Tue.)
Aug. NFIB Small Business Index

Sep. 9 (Wed.)

Sep. 10 (Thu.)
Weekly Initial Claims

Aug. PPI

Sep. 11 (Fri.)
Aug. CPI

Coming Up
FOMC Meeting (9/16)

Aug. Retail Sales (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, Bloomberg, January 1990–August 2026 monthly S&P 500 data

MARKET PERFORMANCE: All returns represent total return for the stated period. 1-Week and Year-to-Date (YTD) returns are as of 9/4/26. 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 9/4/26 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 9/4/26. 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 9/4/26.

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 9/4/26. 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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