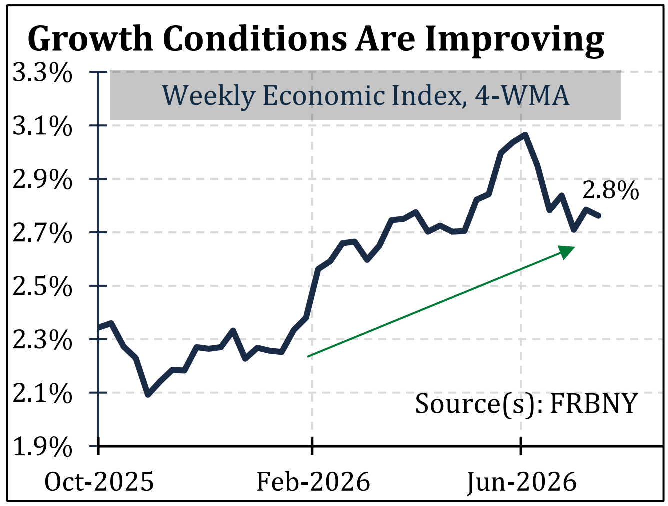
Market Commentary

August 2026

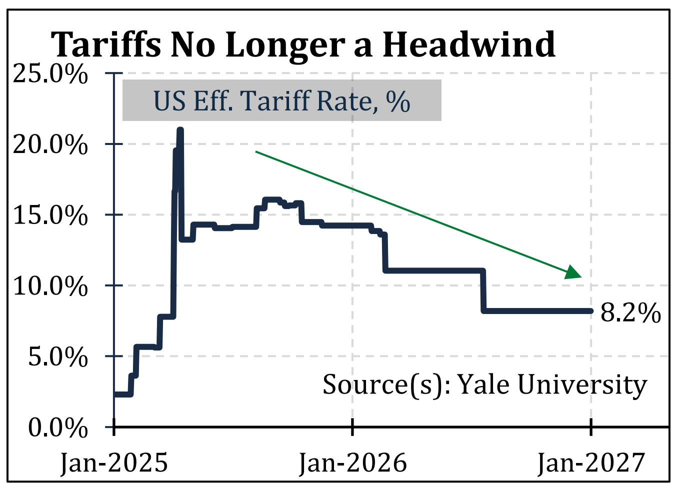
Executive Summary:

- Despite persistent investor concerns—including geopolitical conflict, inflation pressure, and higher interest rates—U.S. equities have continued to advance in 2026.
- Economic growth has proven more resilient than consensus expectations, supported by improving inflation-adjusted growth indicators and continued expansion in the domestic economy.
- Inflation and rate volatility remain key risks, but moderating price pressures and slower federal issuance should help contain longer-term interest rates.
- With real growth improving and corporate earnings expected to follow, the current bull market still appears positioned to climb the "wall of worry."

Sir John Templeton observed that bull markets are "born on pessimism, grow on skepticism, mature on optimism, and die on euphoria." A related Wall Street adage holds that bull markets climb a "wall of worry." In other words, the most favorable environments for stocks often unfold despite a steady stream of reasons to be concerned, and that has certainly been the case in 2026.



At the start of the year, Wall Street consensus expected U.S. growth to slow as economic conditions "normalized" following a strong 2025. Conversely, we believed growth could instead advance, supported by slack in several sectors of the economy and incoming fiscal stimulus. Thus far, our view has been validated: most inflation-adjusted growth indicators have improved since January, including the Weekly Economic Index, which has accelerated year-to-date.

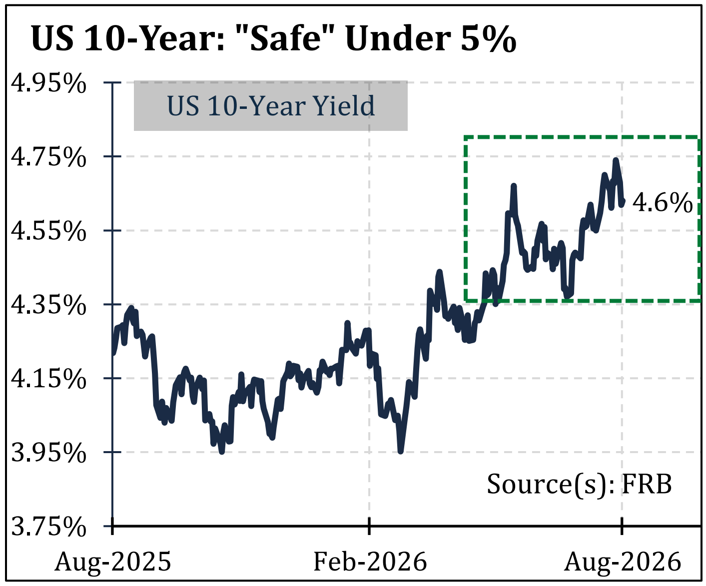


In late February, conflict between the United States and Iran sent oil prices sharply higher and pressured equities. Even then, credit conditions remained accommodative, reinforcing our view that the equity market weakness would likely prove temporary.

Inflation then became the dominant concern. From March through May, the BLS reported a series of hotter-than-expected CPI readings, prompting many pundits to turn bearish. Our work suggested that lower effective tariff rates, softer wage growth, and stabilizing oil prices would allow inflation to moderate. In June, headline CPI declined 0.4% month over month, while core CPI was unchanged. Interest rates have also contributed to investor anxiety. After the Senate approved Kevin Warsh as Federal Reserve chair, hawkish commentary from Chairman Warsh and other FOMC members pushed long-term rates higher as investors contemplated the possibility of another hiking cycle. We continue to believe the interest rate volatility should stay contained as inflation moderates and federal issuance slows in the second half of the year.

Despite these concerns, the most important variable, real economic growth, has continued to improve. Equities have responded accordingly. As of August 7, the S&P 500 was up roughly 13% year-to-date, while the small-cap Russell 2000, arguably a broader reflection of the domestic economy, was up more than 20%.

If the U.S. economy continues to expand, corporate earnings should grow over time, and the stock market should reflect that growth. The “wall of worry” is meant to be climbed.



SECTORS	2025	YTD	EQUITY INDICES	TICKER	2025	YTD	COMM. & CURRENCIES	LAST CLOSE	YTD
S&P 500 COMM SVC	33.56%	3.04%	S&P 500 INDEX	SPX	17.86%	13.36%	WTI CRUDE FUTURE Sep26	77.29	34.64%
S&P 500 CONS DISCRET IDX	6.04%	1.52%	DOW JONES INDUS. AVG	INDU	14.92%	13.11%	BRENT CRUDE FUTR Oct26	82.49	35.70%
S&P 500 CONS STAPLES IDX	3.90%	10.34%	NASDAQ COMPOSITE	CCMP	21.17%	13.74%	NATURAL GAS FUTR Sep26	2.64	-28.64%
S&P 500 ENERGY INDEX	8.68%	31.89%	S&P 400 MIDCAP INDEX	MID	7.48%	16.86%	LME COPPER 3MO ($)	14,103.50	13.53%
S&P 500 FINANCIALS INDEX	14.97%	6.37%	RUSSELL 1000 GROWTH INDX	RLG	18.55%	4.70%	Gold Spot $/Oz	4,270.86	1.10%
S&P 500 HEALTH CARE IDX	14.60%	7.18%	RUSSELL 1000 VALUE INDEX	RLV	15.88%	22.73%	Silver Spot $/Oz	61.73	-10.45%
S&P 500 INDUSTRIALS IDX	19.27%	19.82%	RUSSELL MIDCAP RT INDEX	RMC	10.59%	16.81%	Euro Spot	1.15	-1.42%
S&P 500 INFO TECH INDEX	24.04%	22.47%	RUSSELL 2000 INDEX	RTY	12.79%	21.85%	British Pound Spot	1.35	0.45%
S&P 500 MATERIALS INDEX	10.54%	14.55%	MSCI ACWI ex US	NDUEACWZ	32.39%	15.31%	Japanese Yen Spot	157.88	-0.46%
S&P 500 REAL ESTATE IDX	3.15%	13.70%	MSCI EAFE	MXEA	32.03%	13.99%	DOLLAR INDEX SPOT	99.93	1.14%
S&P 500 UTILITIES INDEX	16.04%	3.04%	MSCI EM	MXEF	34.33%	19.79%			

Source: Bloomberg As of: 8/7/2026

Bloomberg Barclays Bond Indices	Total Return 2024	2025	YTD	Effective Duration	Avg. Maturity	Yield-to-Worst	Key Rates	
U.S. Aggregate	1.25%	7.30%	-0.28%	5.97	8.30	4.93%	Effective Fed Funds	3.63%
Intermediate	3.00%	6.97%	0.21%	3.84	4.32	4.59%	2-yr Treasury	4.18%
Global Agg ex USD	-4.22%	8.85%	-0.22%	6.58	8.12	3.14%	10-yr Treasury	4.62%
Inv Grade Corporate	2.13%	7.77%	-0.35%	6.79	10.34	5.41%	10-yr German Bond	3.12%
U.S. Corporate High Yield	8.19%	8.62%	2.29%	3.23	4.74	7.22%	Prime Rate	6.75%
Tax Exempt							30 Year Fixed Mortgage	6.78%
Muni 1-10 Yr Blend (1-12)	0.91%	5.14%	0.43%	4.31	6.39	3.33%		

Source: Bloomberg As of: 8/7/2026