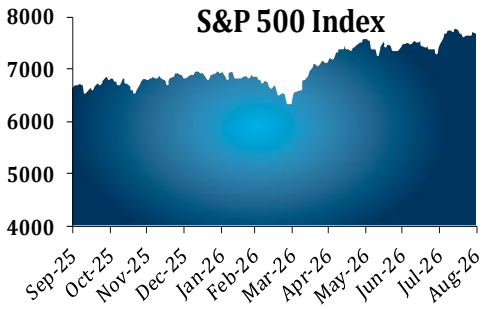
Public

This Month in the Markets

August 2026

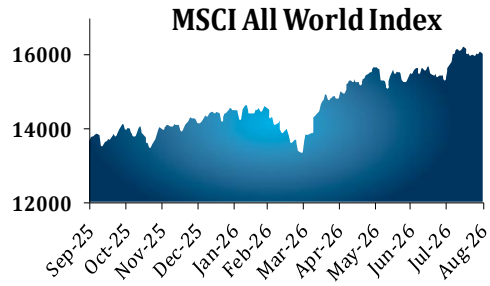
Equity Commentary: Market Becoming More Discerning

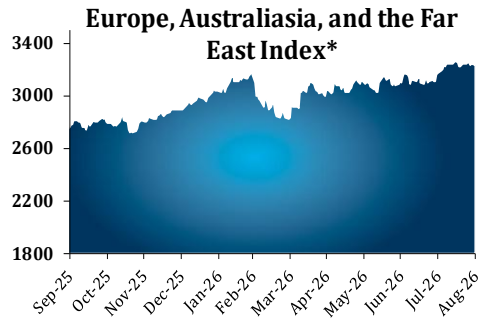
August was a solid month for equities, although the gains were front-loaded, and the final week gave back some of the returns. The MSCI ACWI Index returned 2.7% for the month, while the MSCI Emerging Markets Index rose 3.4%. In the U.S., 2Q earnings were among the strongest in years, sell-side strategists lifted year-end targets above 8,000, and the S&P 500 gained 2.7%.



The MSCI ACWI Materials sector was the top performer, gaining 10.5%. U.S. dollar debasement fears pushed gold and silver prices higher during the month, driving a surge in gold-miner shares. The MSCI ACWI Utilities sector was the weakest performer, falling 3.1% as the interest-rate-sensitive sector sold off amid a jump in longer-term yields to their highest level since 2007.

The market overall seems to be becoming more discerning, and in August there appeared to be a growing differentiation in returns even within sectors. For example, Nvidia beat earnings expectations and rose and somewhat revived the AI narrative. Earlier, however, beats by Western Digital, Cisco and AMD were met with disappointment that led to selloffs after reporting earnings. The difference in reaction appears to have revolved around diverging margin profiles, with Nvidia offering a more favorable trajectory than the other mentioned names. Revenue betas are not enough to support stock prices; profitability is coming more into focus. Retail also saw increased bifurcation. A run of data points in August pointed to a weakening US consumer: July retail sales fell the most in over a year; consumer confidence slid to its lowest level since January. Retailer results reinforced the theme that shoppers haven't stopped spending but are hunting for deals and deferring big-ticket purchases. The standouts on the downside were Walmart, which dropped 9.2% on Aug. 20 after a rare sales miss (its worst day since 2022), and Dick's Sporting Goods, which fell a record 31% on continued trouble at Foot Locker and a more promotional footwear market. On the other side, Target rose 4.3% to a near two-year high on better-than-expected comparable sales and Dollar General gained 2.5% on traffic-driven comp growth. Software staged a sharp comeback in August, with Salesforce CEO Marc Benioff dismissing the "SaaSpocalypse" narrative as nonsense after his company issued a strong revenue outlook. The iShares Expanded Tech-Software Sector ETF ended the month up 16% and now sits 26% above its near-term low. Results coming in have largely quieted the AI disruption fears that had hit the sector earlier in the year.





The worst performing position in August was On Holding SG (“ONON”), which declined 21.4%. The Swiss footwear and sports apparel company reported double digit revenue growth and exceeded analyst estimate in the second quarter, but management warned that there was a wholesale sneaker inventory overhang which is impacting third quarter results. We believe the company has an attractive valuation and compelling long-term story in the high-end athletic shoe and apparel market.

The best performer was Newmont Corp. (“NEM”) which increased 34.5% after a 10% move in gold. After peaking at over $5,400 in January, gold had sold off nearly 27% to under $4,000 before the recent rally back to the $4,500 range.

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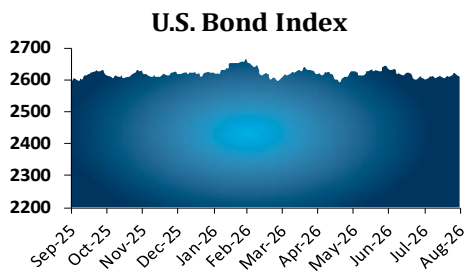
Fixed Income Commentary: 30-year Treasury Soars

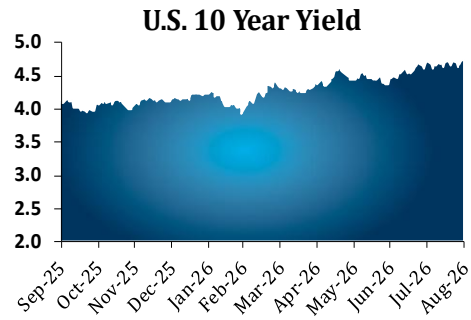
August produced a series of notable bond-market headlines: Warsh's Jackson Hole speech, Treasury Department buyback announcements, and Stan Druckenmiller's Wall Street Journal op-ed. Together, these events shifted rate expectations, drove meaningful intra-month yield moves, and framed the month around a broader debate over market discipline, policy intervention, and Fed credibility.

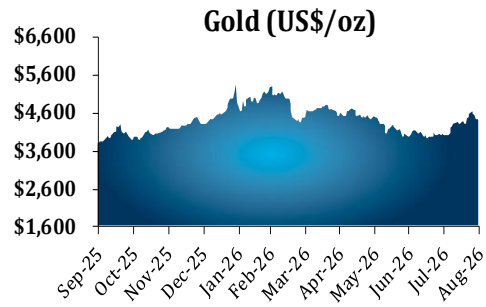
That debate first surfaced in the shape of the curve. For most of the month, the yield curve steepened as long-end yields rose on higher nominal-growth expectations linked to potential AI-driven productivity gains and lingering uncertainty around Fed Chair Kevin Warsh's policy views. Short-end rates moved lower, meanwhile, as softer data tempered expectations for further Fed hikes. Unit labor costs and retail sales both missed consensus; nonfarm payrolls delivered a large downside surprise, including a negative headline print and sizeable negative two-month revision; real average weekly and hourly earnings also disappointed; and PPI final demand came in below expectations on both a month-over-month and year-over-year basis.

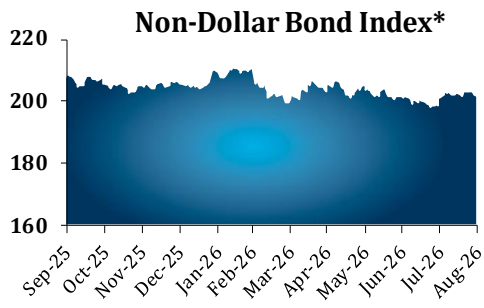
As long-end yields continued to climb, the policy response became more explicit. On August 19, the Treasury Department announced that it would at least double its buybacks of long-term Treasuries to support liquidity at the long end of the curve. The announcement came as the 30-year Treasury yield reached its highest level in 19 years. Although the program was modest relative to overall long-term Treasury supply, the signal was important: Bessent appeared unwilling to let long rates rise further. Long-end yields initially declined, but the move was largely reversed within days. The dollar also fell on the news and did not fully recover.

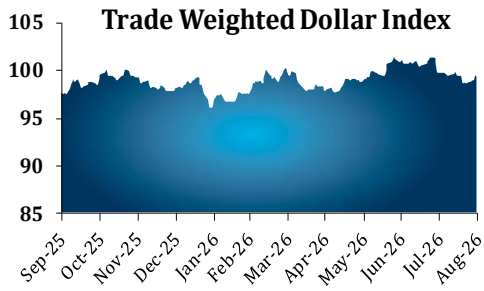
The announcement quickly drew a market-based counterargument. On August 24, Stan Druckenmiller responded in a Wall Street Journal op-ed titled "Let the Bond Market Speak." His core argument was that the government should not try to cap yields under the guise of liquidity management. If the going rate for Treasuries has risen, he argued; that is simply the cost of funding. Rather than suppress rates, the bond market should be allowed to act as a barometer of the government's financial health and price the clearing rate for treasuries accordingly. Ultimately, Druckenmiller put responsibility on Congress to rein in spending and move toward a balanced budget. That debate over free markets versus policy intervention set the stage for Warsh's Jackson Hole remarks later in the week.











*Merrill Lynch Global Broad Market, Ex US Dollar Index

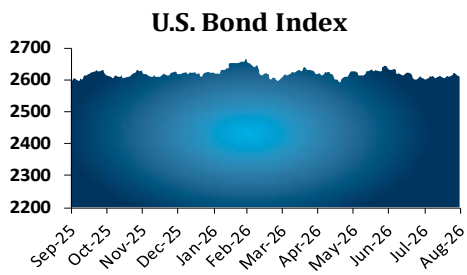
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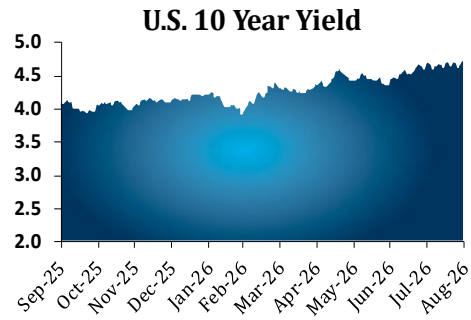
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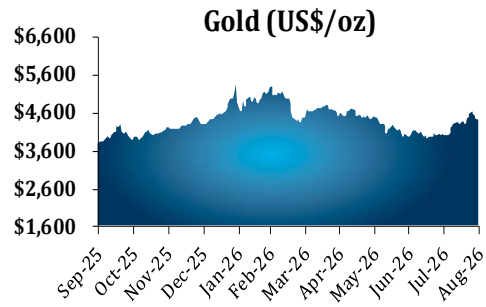
Fixed Income Commentary: Less Guidance, More Steepening

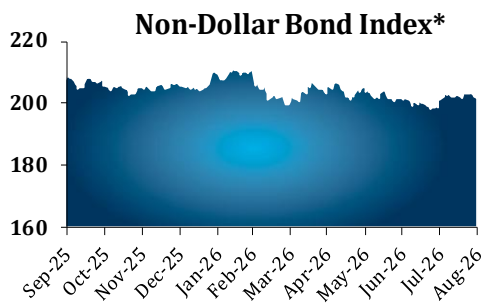
After opening with comments on AI, Warsh devoted much of the early part of his Jackson Hole speech explaining why he believes the Fed should move away from forward guidance. In his view, it risks tying policy to a pre-set path, a concern he linked to the Fed's slow response to 2021 inflation readings before it ultimately began raising rates. He also cited a "hall-of-mirrors" problem: "If markets rely materially on the Fed's guidance and the Fed relies on market prices, we are all more likely to be blinded to new developments... more likely to be caught unprepared for a turn of events." The rest of the speech was more hawkish. Warsh reiterated that the 2% personal consumption expenditure (PCE) inflation objective is a "fixed, firm target" and said labor markets are "consistent with full employment," leaving inflation as the clear focus. While market-based inflation expectations remain well anchored, he said current inflation is still unacceptably high: "We must be confident that underlying inflation is moving to our objective, clearly and at sufficient speed. Otherwise, we have work to do." Markets responded by flattening the curve: short rates rose on increased Fed-hike expectations, supporting the dollar, while longer rates moved only marginally higher, consistent with a signal of Fed credibility.

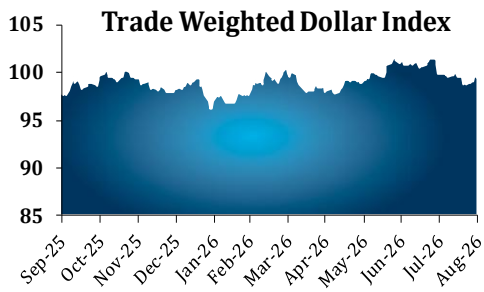
Those late-month moves left the curve slightly flatter for the month: the 2-year Treasury rose 0.05%, the 10-year rose 0.02%, and the 30-year fell 0.03%, ending 0.06% below the high reached before Bessent announced the buyback program. Credit spreads tightened overall, with CCC-rated issuers—the riskiest segment of high yield—the main exception. Hyperscalers also saw some widening, reflecting concern around large debt-funded capex programs. In FX, the dollar weakened, with the Bloomberg Dollar Spot Index down 0.89%; the Australian dollar (+2.11%) and Norwegian krone (+1.41%) were the strongest G10 performers.











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