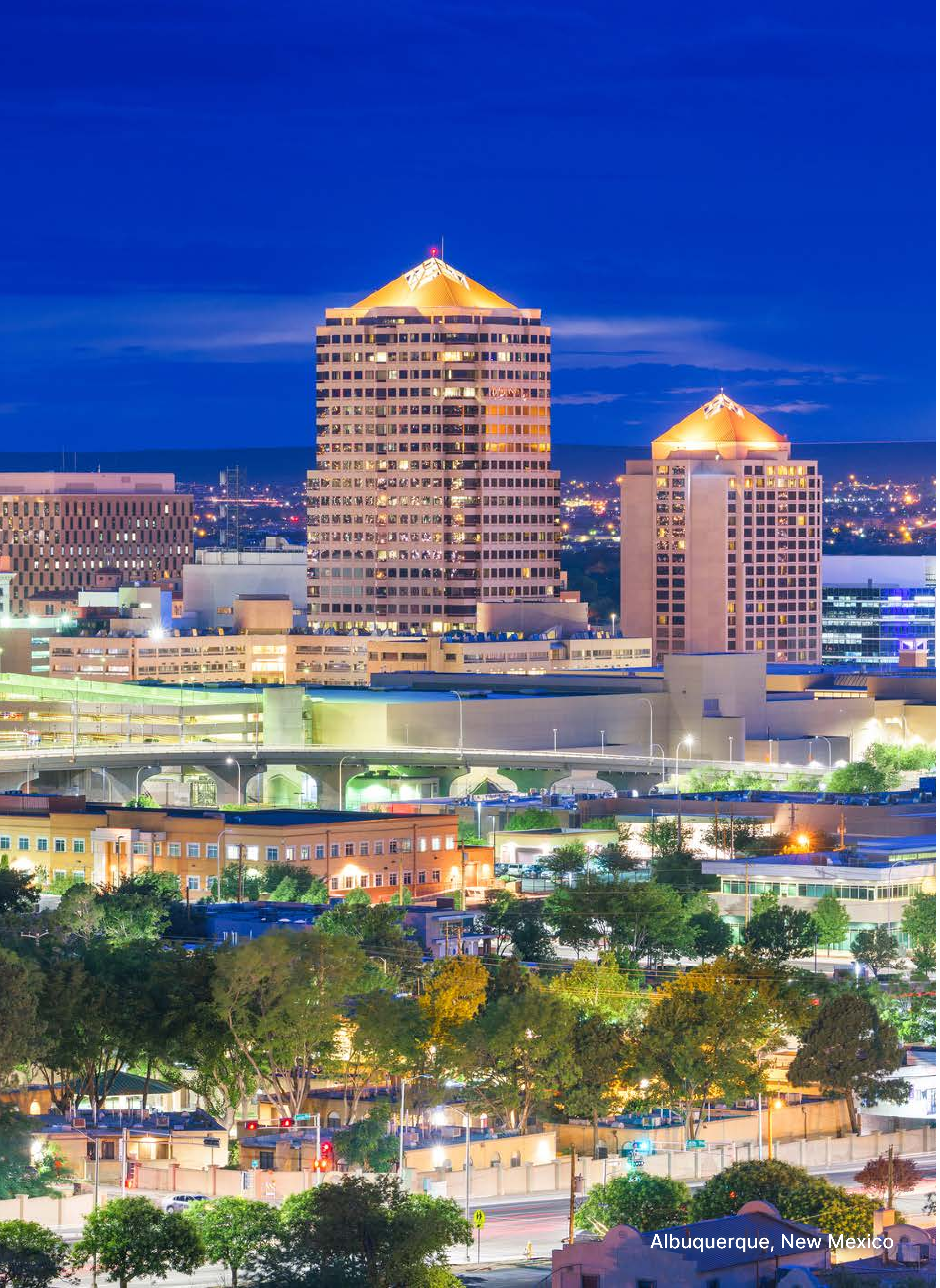

WEEK OF AUGUST 17, 2026

Market Navigator

Stocks were marginally higher, with strength in small-cap stocks and value-leaning sectors such as energy, consumer staples, health care, and financials. Bond markets were slightly lower. The 30-year Treasury yield moved to 5.25 percent, a level not seen since 2007.

Quick Hits

1. **Beyond the headlines:** Inflation moderates but remains above the Federal Reserve's (Fed's) target.
2. **Report releases:** Weaker retail sales and modest improvement in inflation should keep the Fed in a holding pattern.
3. **Financial market data**: Stocks were marginally higher, with strength in small-caps and value-leaning sectors.
4. **Looking ahead:** Highlights include housing market updates and minutes from the Federal Open Market Committee's (FOMC's) July meeting.

Beyond the Headlines: Inflation Moderates but Remains Above the Fed's Target

Inflation data delivered a reassuring message to investors. Price pressures for consumers and producers eased somewhat, which is encouraging given concerns about the impact of higher oil prices and their pass-through effects. Still, inflation rates remain well above the Fed's 2 percent target. Improving trends, however, may have lessened the central bank's need to raise interest rates in the near term.

Positive News in Most Areas

The good news on inflation was broad-based. The Consumer Price Index (CPI) report for July showed consumer prices rising just 0.1 percent, and annual inflation slowed from 3.5 percent to 3.4 percent. The Fed tends to focus on measures that exclude volatile categories such as food and energy. Core CPI, which excludes those categories, increased 0.2 percent but slowed to 2.5 percent year-over-year, marking a second consecutive month of slower growth.

For producers, the news was also encouraging. Producer prices were unchanged, below expectations for a modest increase, suggesting that companies are facing fewer cost pressures. This could support future consumer inflation trends and may assuage concerns that rising producer inflation could be passed on to consumers.

Fed Remains Data-Dependent

Despite three dissenting FOMC votes last month in favor of raising rates, the Fed bought itself some time by holding rates steady. The central bank has long held that it is data-dependent. The consumer and producer inflation reports indicate that the price acceleration following the start of the war in the Middle East may be fading.

At the same time, a weaker-than-expected employment report and the first decline in retail sales since October 2025 could indicate that the economy is beginning to weaken under the weight of higher oil prices. This doesn't mean that the central bank will reduce interest rates in the near term. Inflation remains above the Fed's long-term goal. As a result, the Fed is likely to remain focused on price stability and hold rates steady. This would give it time to assess additional data over the next several months and determine whether the trend of moderating inflation continues.

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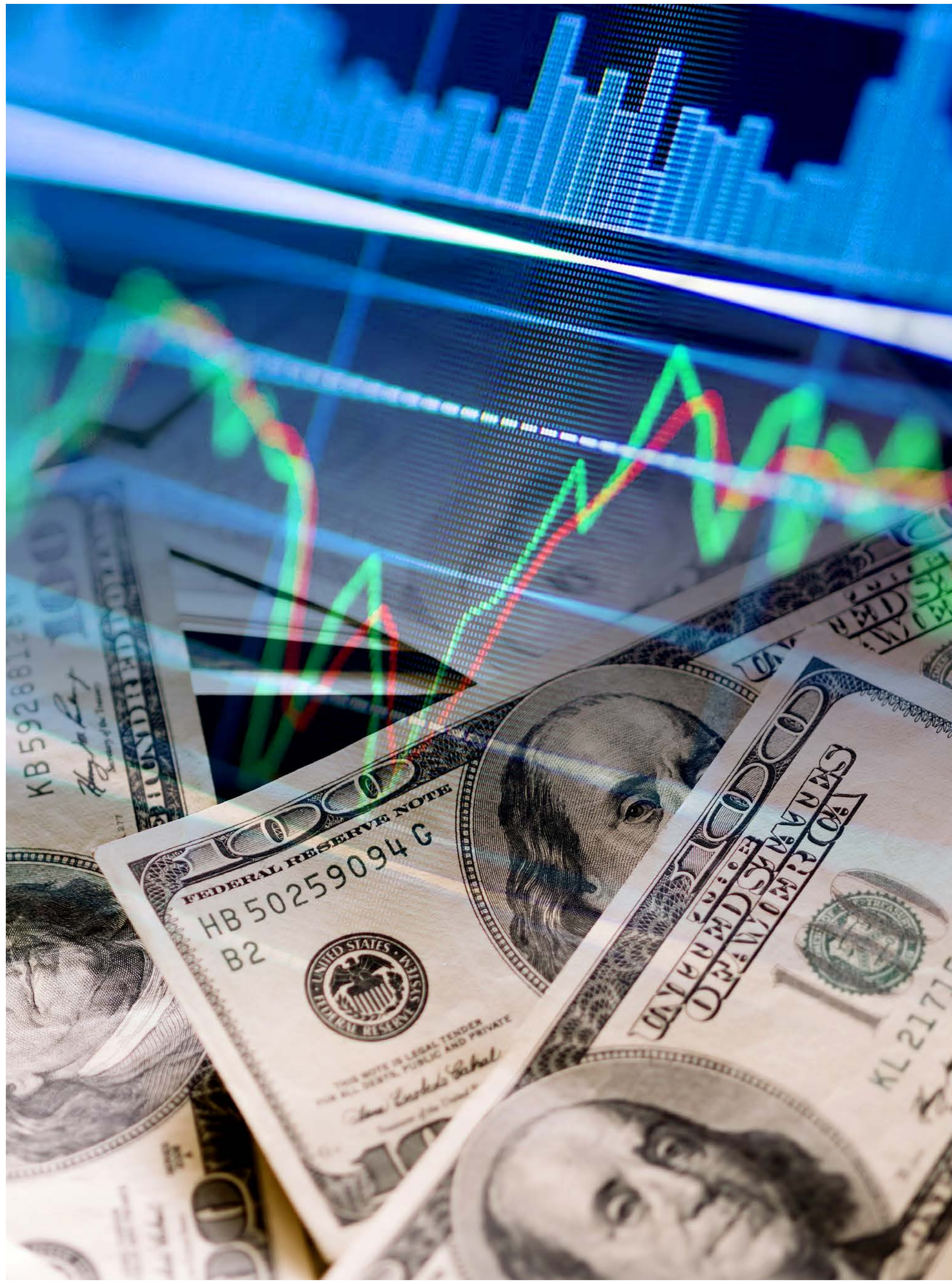
The Next Move Is Unclear

Even though the federal funds rate and 10-year Treasury yields remain well above levels from five years ago, the backdrop isn't necessarily unfavorable for markets. Investors have been concerned that the Fed, under new Chair Kevin Warsh, would eventually raise rates because he has sounded hawkish on interest rate policy. Stable rates for the foreseeable future could reduce that concern and allow market participants to continue to focus on strong fundamentals from corporate America.

Full-year 2026 and 2027 S&P 500 earnings estimates have continued to move higher. With companies across multiple industries contributing to that growth, long-term fundamentals should remain supportive of equity markets.

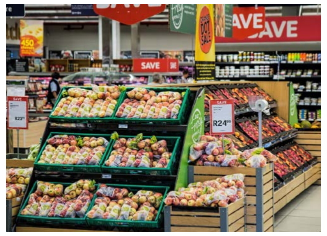


Report Releases: August 10–14, 2026

Consumer Price Index
July (Wednesday)

Headline and core consumer inflation slowed modestly year-over-year. The growth rates, however, remain well above the Fed's 2 percent target.

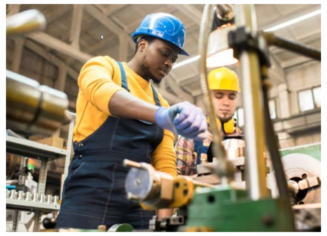
- Prior monthly CPI/core CPI growth: –0.4%/+0.0%
- Expected monthly CPI/core CPI growth: +0.1%/+0.2%
- Actual monthly CPI/core CPI growth: +0.1%/+0.2%
- Prior year-over-year CPI/core CPI growth: +3.5%/+2.6%
- Expected year-over-year CPI/core CPI growth: +3.4%/+2.5%
- Actual year-over-year CPI/core CPI growth: +3.4%/+2.5%



Producer Price Index (PPI)
July (Thursday)

Producer inflation also slowed last month. Although that was a welcome sign, price increases remain well above the Fed's target.

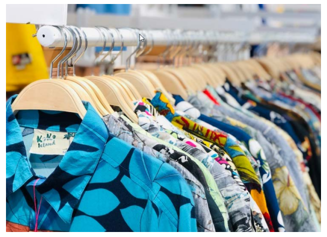
- Prior monthly PPI/core PPI growth: –0.1%/+0.4%
- Expected monthly PPI/core PPI growth: +0.2%/+0.3%
- Actual monthly PPI/core PPI growth: +0.0%/+0.2%
- Prior year-over-year PPI/core PPI growth: +5.5%/+4.7%
- Expected year-over-year PPI/core PPI growth: +4.9%/+4.1%
- Actual year-over-year PPI/core PPI growth: +4.7%/+4.2%



Advance Retail Sales
July (Friday)

Retail sales slumped last month, due in large part to slowing vehicle and non-store sales. Despite missing expectations, the report marked the first drop in sales growth since October 2025.

- Expected/prior month retail sales monthly change: +0.1%/+0.2%
- Actual retail sales monthly change: –0.6%



>> The Takeaway

- The first decline in retail sales in nine months further calls into question the underlying strength of the U.S. economy.
- Consumer and producer inflation rates improved modestly, making it more likely that the Fed will hold interest rates steady.

Financial Market Data

Equity

Stocks were marginally higher. The small-cap Russell 2000 led the way, rising more than 1 percent. The S&P 500 and Nasdaq Composite managed small gains, and the Dow Jones Industrial Average fell slightly. Oil prices rose about 5 percent, leading to a 7 percent rally in the energy sector. Utilities, consumer staples, health care, and financials each rose roughly 1 percent. Underperformers included consumer discretionary, which was down 2 percent, and communication services and materials, which were each down about 1 percent. International markets were positive, with developed markets rising more than 0.5 percent and emerging markets rising more than 2.5 percent.

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	0.39%	4.00%	14.52%	21.78%
Nasdaq Composite	0.16%	5.36%	15.40%	23.87%
DJIA	−0.53%	2.41%	12.83%	21.63%
MSCI EAFE	0.59%	2.86%	15.28%	23.67%
MSCI Emerging Markets	2.66%	2.23%	22.93%	36.73%
Russell 2000	1.15%	4.73%	24.61%	35.25%

Source: Bloomberg, as of August 14, 2026

Fixed Income

Bonds were mostly lower. The Treasury yield curve steepened as market participants pushed out expectations for a Fed interest rate increase. The 30-year Treasury yield once again reached levels not seen in 19 years, eventually closing at 5.26 percent. The 10-year yield closed at 4.69 percent. Core bonds, Treasuries, and mortgages were down 0.14 percent, 0.1 percent, and 0.13 percent, respectively. The municipal market was the lone positive, rising 0.12 percent.

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	−0.14%	0.46%	−0.24%	2.39%
U.S. Treasury	−0.10%	0.38%	−0.46%	1.70%
U.S. Mortgages	−0.13%	0.69%	0.24%	3.89%
Municipal Bond	0.12%	0.80%	1.23%	5.37%

Source: Bloomberg, as of August 14, 2026

>> The Takeaway

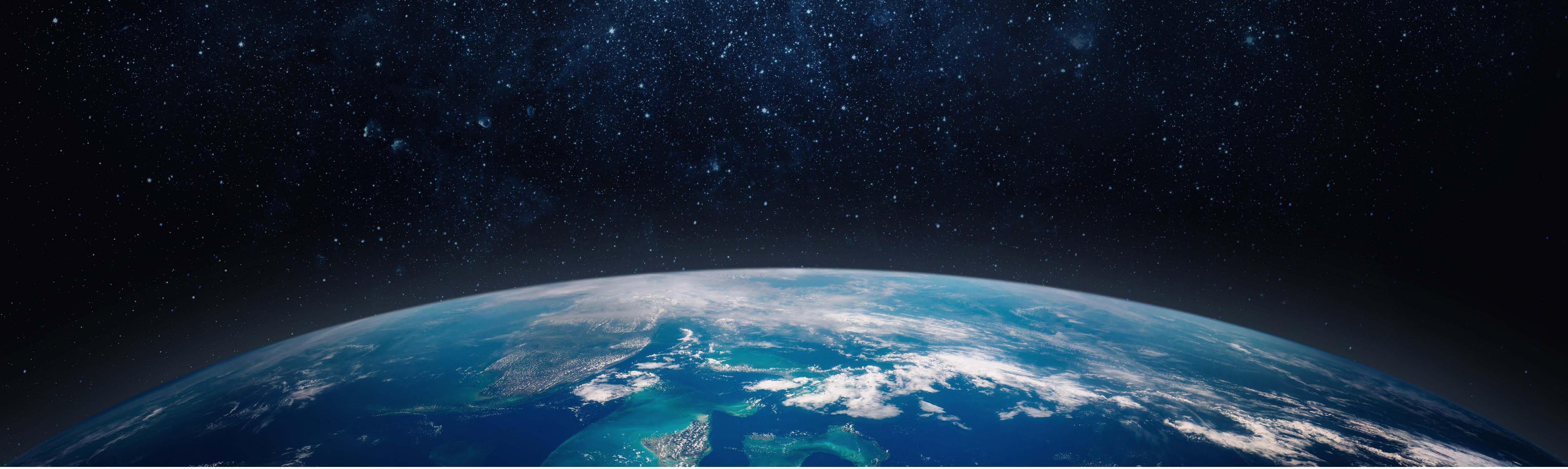
- Stocks were marginally higher, with most of the strength in value-leaning sectors.
- Fixed income markets were slightly lower. The 30-year Treasury yield once again reached levels not seen since 2007.

Looking Ahead

In a relatively quiet week for economic data, the housing market will be in the spotlight, with reports expected on home builder confidence, housing starts, and building permits.

- The week kicks off on Monday with the **National Association of Home Builders (NAHB) Housing Market Index report** for August. Confidence is expected to fall modestly, which would leave the index in contractionary territory.
- On Tuesday, we'll see the **housing starts and building permits report** for July. Both are expected to fall modestly month-over-month.
- Lastly, on Wednesday, we expect minutes from the **FOMC's July meeting**. The minutes will be scrutinized by economists and investors because there were three dissenting votes in favor of increasing rates.

Albuquerque, New Mexico



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