SOLLINDA
CAPITAL MANAGEMENT

Market Down & Dirty
August 17, 2026

The Data

- Equities ended the week mostly higher.
  - S&P 500 +0.40% Dow -0.56% Russell 2000 +1.17%, Nasdaq +0.14%[1]
    - The All-Country World Index rose +0.50%.[1]
  - S&P 500 sub-sectors were mostly higher for the week.
    - Energy led to the upside with a gain of +7.3%.[1]
    - Consumer Discretionary & Materials were the negative performers.[1]
  - The CBOE Volatility Index (VIX) declined over 4% last week.[1]

- US Treasury bond yields were mixed.
  - US 2yr -0.02% at 4.17%, 10yr +0.05% to 4.69%, 30yr +0.06% to 5.26%.[1]
  - The steepening of the yield curve continued last week.

- Commodities as an aggregate asset class were higher last week.
  - WTI Crude rose +5.33%.[1]
  - Gold gained +0.77%.[1]
  - The US Dollar index increased +0.10%.[1]

- In our opinion, U.S. economic data was mixed last week.
  - The Small Business Optimism Index rose last month.[1]
  - Retail sales showed the first sales decline in 9 months.[1]
  - Both the Consumer & Producer Price Indices saw declines in their measure of inflation.[1]

- An index of equities outside the US (FTSE All-World ex-US) gained +0.47%.[1]

[1] Source: Bloomberg – 8/14/2026

Conclusion

- US stocks modestly moved higher last week.
    - Cooling inflation readings seemed to help lift major indices.
    - Small-caps led major benchmarks higher as the Russell 2000 hit another all-time high.[1]
        - The Dow Jones Industrial Average was the lone negative major index.
    - Earnings growth for the S&P 500 is outpacing the advance in the index.
        - The US benchmark is now trading just below 22 times forward earnings, compared with around 26 times at the beginning of the year, when a dominant theme was concern about sky-high valuations.
- S&P 500 sub-sectors were mostly higher.
    - Energy led to the upside on renewed fighting in Iran.[1]
    - Consumer Discretionary led to the downside.
- The VIX volatility index declined last week to close Friday near its lowest level of the year.
    - The S&P's volatility curve indicates traders are relatively sanguine about upcoming risks as the earnings season comes to a close and the events calendar winds down.
    - The recent FOMO-fueled demand for upside calls that triggered a collapse in short-dated volatility came after the late July episode when traders were buying protection in mass.
        - The sharp reversal highlights the fragility of a market at the mercy of investor sentiment that's quickly shifting from fear of a selloff to fear of missing out.
    - The scramble by market participants to purchase upside calls amidst the most recent squeeze has caused the two-week correlation between VIX and SPY to turn positive.
        - This historically has reflected a frothy or stretched market condition as opposed to a fundamentally driven one.
        - We will continue to watch these metrics, especially heading into the options expiration this week.
- US Treasury yields were mixed last week.
    - The short 2yr yield declined while the 10/30yrs both increased.
        - This steepening in the yield curve has been notable as rates on the 30yr have drifted to multi-decade highs.[1]
    - Both Consumer & Producer monthly measures of inflation declined.
        - This prompted market participants to further reduce their expectations for the Fed to hike interest rates next month at their September meeting.
        - The probability has declined from a 67% chance of a hike to just 33% over the last 2 weeks.[1]
        - While inflation cooled, it remains well above the Fed's 2% target.
- Commodities rose across the spectrum last week.
    - Oil gained on the back of Middle East hostilities picking up.
    - Gold gained for the 2nd week and has now bounced right into key long-term averages.

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