

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

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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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