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ECONOMIC REVIEW¹

- Real Gross Domestic Product (GDP) for the second quarter remained unchanged at a 1.5% annualized rate.
 - Upward revisions to personal consumption and business investment were offset by small downward revisions to net exports, inventories, and government purchases.
- “Core” GDP, which focuses on consumer spending, business fixed investment, and residential construction while excluding inventories, government outlays, and trade, can provide a clearer picture of underlying growth.
 - This measure was revised higher to a 4.2% annualized rate from an initial 3.9%, marking the fastest pace since early 2023. Core GDP is now up 2.7% from a year ago.
 - Volatile swings in trade figures are the primary reason for the difference between headline and core readings, and this category cut 1.1% from the headline reading in Q2.
- Personal Consumption Expenditure (PCE) prices rose 0.2% in July, though remained at 3.7% on an annualized basis.
 - “Core” prices, the Federal Reserve’s (the Fed) preferred inflation metric, also rose 0.2% in July, and the year-ago comparison now stands at 3.3% – still well above the Fed’s 2% target.
- In Kevin Warsh’s first speech at the Jackson Hole Economic Symposium on Friday, the Fed Chairman importantly reiterated 2% PCE inflation as a firm target and outlined his thoughts on four main topics: AI’s economic implications, forward guidance, guiding principles for policy, and a current assessment of the U.S. economic environment.
 - Warsh defined current economic conditions as resilient, with strong capital expenditures, robust corporate profits, and healthy consumer spending, but conceded that the Fed may not be done fighting inflation.

How does the most recent economic data impact you?

- Although Q2 GDP remained at just 1.5% with the second revision, an arguably more important piece of data in this report addressed economy-wide corporate profits, which posted the largest increase in five years.
 - Profits jumped 9.1% in the second quarter and are now up 22.8% from a year ago.
- While PCE inflation remains elevated, personal income rose 0.4%, easily beating the consensus expected +0.2%.
 - A 3.8% increase in private sector wages over the past year is certainly a positive for American workers, but inflation is up 3.7% over the same period, so consumers’ purchasing power is essentially unchanged.
- Although Chairman Warsh’s Jackson Hole speech did dispel some investor concerns, traders still raised the odds of a rate hike to around 60% from 35%.



A LOOK FORWARD¹

- Jobs and the labor market will be the focus for investors this week with the Job Openings & Labor Turnover Survey (JOLTS), ADP National Employment Report, and the Employment Report highlighting economic data releases.

How does this week’s slate of economic data impact you?

- While the labor market still appears quite strong, these critical reports always have the ability to move markets.
- Chairman Warsh reiterated that the primary focus at the Fed is inflation, but meaningfully weak or strong job reports will impact the central bank’s view on whether a rate hike will be necessary.



MARKET UPDATE²

Market Index Returns as of 8/28/26	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	0.50%	3.00%	13.51%	20.78%	21.28%	12.94%
NASDAQ	0.85%	0.79%	14.03%	23.78%	24.55%	12.60%
Dow Jones Industrial Average	0.55%	2.57%	12.58%	19.46%	17.47%	10.67%
Russell Mid-Cap	-1.03%	1.74%	17.31%	18.54%	17.16%	8.12%
Russell 2000 (Small Cap)	-1.49%	-1.57%	20.65%	27.13%	17.76%	6.93%
MSCI EAFE (International)	0.11%	4.41%	14.27%	22.11%	18.60%	9.51%
MSCI Emerging Markets	0.05%	0.35%	24.28%	39.47%	22.99%	8.83%
Bloomberg US Agg Bond	0.13%	-0.83%	-0.21%	1.99%	4.15%	-0.27%
Bloomberg High Yield Corp.	0.27%	0.75%	2.72%	4.91%	8.64%	4.19%
Bloomberg Global Agg	-0.14%	0.03%	-0.19%	0.70%	3.78%	-1.71%



OBSERVATIONS

- Major domestic indices delivered solid returns in a somewhat volatile week highlighted by critical economic data releases and punctuated by Fed Chairman Kevin Warsh's first speech at the Jackson Hole Economic Symposium.
 - The S&P 500 (0.50%), the NASDAQ (0.85%), and the Dow Jones Industrial Average (0.55%) all produced meaningful positive weekly returns.
- Down-cap equities struggled as both the Russell Mid-Cap and Russell 2000 indices pulled back more than 1% (nearly 1.5% for small-cap stocks) on the week.
- Developed international and emerging market equities delivered marginally positive returns, improving 0.11% and 0.05%, respectively.
- Domestic fixed income produced positive returns despite some yield volatility surrounding Chairman Warsh's speech. The Bloomberg US Agg. and the Bloomberg High Yield Corp. indices improved 0.13% and 0.27%, respectively.
 - International bonds fell -0.14% on the week.



BY THE NUMBERS

The world's No. 1 golfer just ended his agonizing season with a \$10 million payday: Scottie Scheffler's season had defied all logic. Despite playing better than any other golfer around, Scheffler found himself incapable of winning. Entering the PGA Tour's playoffs, he had gone the entire spring and summer without a single victory. That's when Scheffler reminded the golf world why, even after a season without a major championship, he's the game's No. 1 player. He has his second Tour Championship to prove it. Scheffler's win Sunday at East Lake Golf Club in Atlanta marked his second victory in three weeks since the playoffs began. The victory put the 30-year-old in elite company, alongside only Tiger Woods and Rory McIlroy as the only players with multiple cup titles. And for any of his peers who thought Scheffler's struggles might be a sign of weakness, Scheffler showed the opposite: His arsenal now looks more complete than ever.³

Corporate America's Profits Are Booming – and Signal More Good Times Ahead: Profits are booming at America's biggest companies—and their leaders say that likely won't change soon. From Target and J.M. Smucker to farm-equipment maker Deere, companies spanning the breadth of the U.S. economy are ringing up heftier sales and earnings. In recent days, many have raised financial outlooks for the year, citing robust sales as just one of the reasons. Chalk the good times up to a confluence of fortunate events: red-hot artificial-intelligence spending, federal spending and the windfall companies are getting in the form of refunds of some of their past tariff payments. Plus, a booming stock market and high home values are helping many shoppers keep spending, even as plenty of others struggle to absorb rising prices.⁴

Economic Definitions

Conference Board Leading Economic Index: Leading indicators include economic variables that tend to move before changes in the overall economy. These indicators give a sense of the future state of an economy.

Federal Reserve (Fed): The Federal Reserve System is the central banking system of the United States of America.

GDP: Gross domestic product (GDP) measures the final market value of all goods and services produced within a country. It is the most frequently used indicator of economic activity. The GDP by expenditure approach measures total final expenditures (at purchasers' prices), including exports less imports. This concept is adjusted for inflation.

PCE (headline and core): PCE deflators (or personal consumption expenditure deflators) track overall price changes for goods and services purchased by consumers. Deflators are calculated by dividing the appropriate nominal series by the corresponding real series and multiplying by 100.

Job Openings (JOLTS): This concept tracks the number of specific job openings in an economy. Job vacancies generally include either newly created or unoccupied positions (or those that are about to become vacant) where an employer is taking specific actions to fill these positions.

Nonfarm Payrolls: This indicator measures the number of employees on business payrolls. It is also sometimes referred to as establishment survey employment to distinguish it from the household survey measure of employment.

The ADP Report: The ADP National Employment Report is an independent estimate of the change in U.S. nonfarm, private employment derived from actual, anonymous payroll data of client companies served by ADP

Index Definitions

S&P 500: The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities and serves as the foundation for a wide range of investment products. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

NASDAQ: The NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market. The index was developed with a base level of 100 as of February 5, 1971.

NASDAQ-100: The NASDAQ-100 Index includes 100 of the largest domestic and international non-financial companies listed on The Nasdaq Stock Market based on market capitalization. The Index reflects companies across major industry groups including computer hardware and software, telecommunications, retail/wholesale trade and biotechnology. It does not contain securities of financial companies including investment companies.

Dow Jones Industrial Average: The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

Russell Mid-Cap: Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index, which represent approximately 25% of the total market capitalization of the Russell 1000 Index.

Russell 2000: The Russell 2000 Index is comprised of the smallest 2000 companies in the Russell 3000 Index, representing approximately 8% of the Russell 3000 total market capitalization. The real-time value is calculated with a base value of 135.00 as of December 31, 1986. The end-of-day value is calculated with a base value of 100.00 as of December 29, 1978.

MSCI EAFE: The MSCI EAFE Index is a free-float weighted equity index. The index was developed with a base value of 100 as of December 31, 1969. The MSCI EAFE region covers DM countries in Europe, Australasia, Israel, and the Far East.

MSCI EM: The MSCI EM (Emerging Markets) Index is a free-float weighted equity index that captures large and mid-cap representation across Emerging Markets (EM) countries. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

Bloomberg US Agg Bond: The Bloomberg US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

Bloomberg High Yield Corp: The Bloomberg US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Bloomberg's EM country definition are excluded.

Bloomberg Global Agg: The Bloomberg Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

Bloomberg Municipal Bond Index: The Bloomberg U.S. Municipal Index covers the USD-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and prerefunded bonds.

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¹ Data obtained from Bloomberg as of 8/28/26.

² Data obtained from Morningstar as of 8/28/26.

³ [The world's No. 1 golfer just ended his agonizing season with a \\$10 million payday](#)

⁴ [Corporate America's Profits Are Booming—and Signal More Good Times Ahead](#)



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