INVESTMENT MANAGEMENT

By the numbers

Chart of the week (Aug. 7, 2026)

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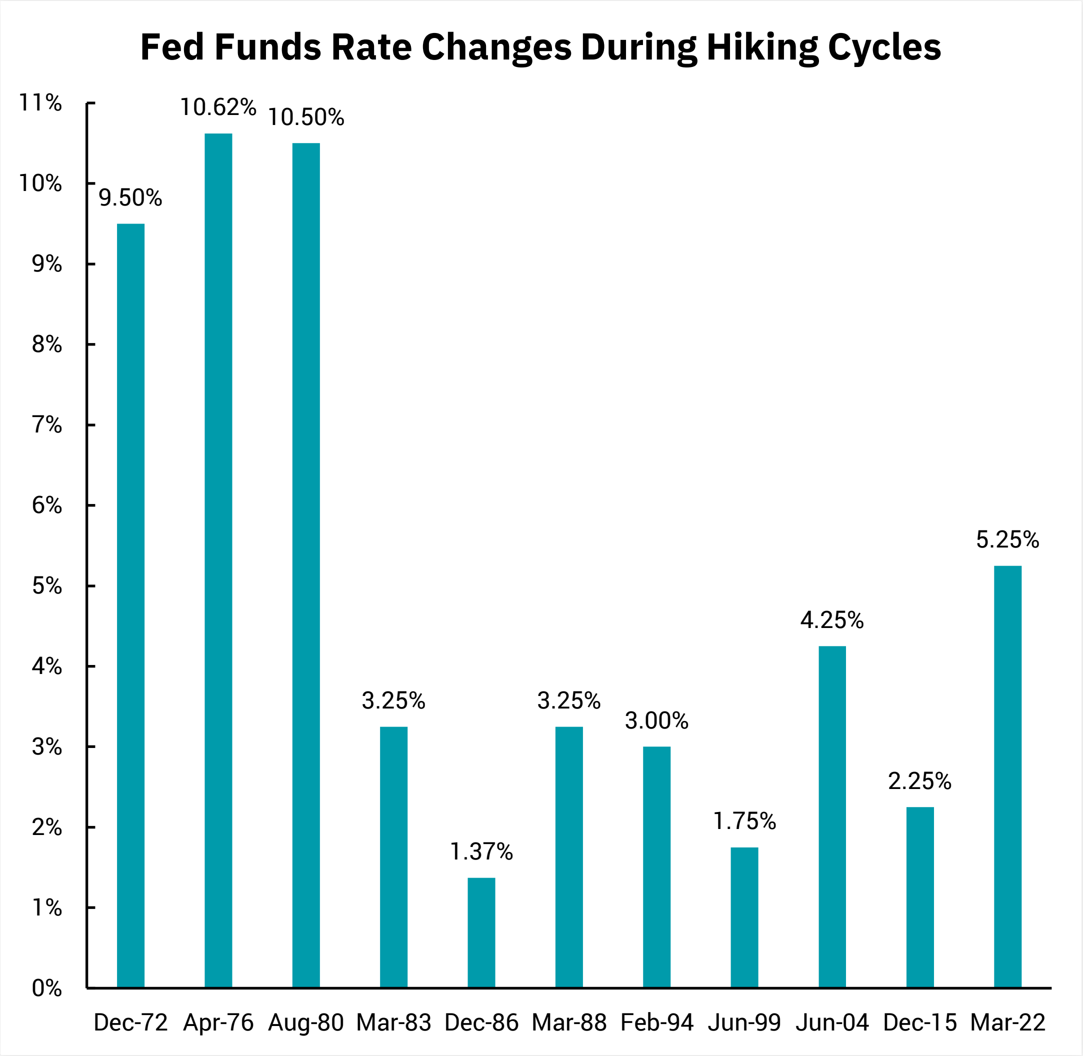

Despite being led by a new chairman appointed by a president who has repeatedly advocated for lower interest rates, the Federal Open Market Committee's (FOMC) bias has recently shifted toward higher rates. Sensitivity to appearing influenced by politics may be responsible for some of this shift, but economic data has shown resilience in growth and a stickiness to inflation that is also part of this change from within the Fed.

Meanwhile, Fed Chair Kevin Warsh is reviewing a few ways to, hopefully, improve how the Fed oversees monetary policy going forward. These topics range from the way the Fed measures inflation, to the veracity of their data and sources, the size and composition of their balance sheet, the impact of artificial intelligence (AI) on the labor market and economy and how the Fed communicates with market participants. The overall idea of these reviews is to increase the credibility of the Fed and its oversight of monetary policy.

In the interim, some of the changes, like their communication and a reduction in forward guidance, are increasing volatility in the bond market as participants consequently must rely more on incoming economic data rather than what the Fed states they are going to do. While a bit uncomfortable now, the lack of accuracy in past Fed forecasts and guidance would indicate this shift is warranted.

Our chart this week provides some insight into what it might mean if the Fed does raise rates over the next few months. While there have been limited instances where the Fed has raised rates once and then subsequently lowered rates, the historical record shows a first increase is normally the beginning of a cycle of increases. This is why the markets will be watching the data on employment and inflation so closely over the next few months.

In both cases, the data influencing these two Fed mandates is being impacted by forces outside the Fed's control. The monthly labor report for July reflects this. While job growth was negative and revisions for the prior two months were lower, the headline unemployment rate fell from 4.2% to 4.1%. The labor force is being buffeted by our aging demographic and shifts in immigration policies which are impacting the size of our labor force. The magnitude of the influence of these factors as we move forward is unknown. Similarly, the Fed's inflation mandate is subject to the ongoing nature of the conflict in Iran.

Our sense is it will be difficult to get inflation back to the Fed's 2% target in the short run, but that doesn't necessarily mean that the Fed needs to raise rates. Time and data will tell the tale, but unless the Fed is willing to say a series of rate increases is necessary, stability might be the best case. In the meantime, getting accustomed to relying less on Fed direction is a good thing for investors and the capital allocation process within markets.

Chart data source: Baird Strategas.

INVESTMENT MANAGEMENT

By the numbers

Commentary (Aug. 7, 2026)

Domestic equities

- U.S. stock markets moved sharply higher during the week with several indices reaching new all-time highs. Strong earning and weak economic data drove the moves.
- A wave of strong second-quarter earnings results, most notably in cloud and AI infrastructure updates from megacaps like Microsoft and Alphabet helped investors rebuild confidence in tech valuations. The "Mag 7" booked significant gains, reversing losses from last months.
- The weaker-than-expected jobs report out Friday reflected labor market cooling and reduced the probability of an imminent Fed interest rate hike in September. This helped boost rate-sensitive small caps which outperformed large for the week. The uptick in the participation rate and the drop in the unemployment rate also sparked investor optimism.
- Progressing diplomatic discussions to reopen the Strait of Hormuz caused crude oil prices to drop about 5% for the week, easing inflation worries and further reducing the likelihood of a near-term rate hike.

International equities

- Foreign investors remain focused on the Middle East Conflict and the significant currency interventions in the Japanese yen that highlight potential risks that could impact global equity and fixed-income markets.
- Foreign developed markets advanced, with gains seen across most foreign markets. European stocks are benefiting from strong corporate earnings growth, which are projected to grow over 20% for the second quarter, the strongest growth rate since third-quarter 2022. However, extreme heat is becoming a macro issue in Europe as the Rhine River, which transports over 200 metric tons of freight, is suffering from low water levels. These conditions are driving up transportation costs and raising inflation concerns.
- Emerging markets remain volatile, as investors grapple with ongoing worries about valuations and speculation in Asian AI-related hardware stocks. In India, the central bank maintained its current policy rate at 5.25%, noting that the economy remains resilient despite rising energy prices. Meanwhile, Mexico held its policy rate at 6.5% and indicated that future rate cuts are not on the horizon due to elevated core inflation.

Bonds

- U.S. Treasury yields fell with investors believing progress was being made on the U.S.-Iran negotiations, sending energy prices lower. Weaker-than-expected U.S. jobs data for July also contributed to the drop in yields, but the market ended the week continuing to fully price in a full hike by the FOMC by year-end.
- Based on the U.S. Treasury's quarterly refunding statement, the government plans to continue relying mostly on T-Bill issuance to meet its funding needs. Auction sizes are expected to remain unchanged, but officials anticipate issuing a short-dated Cash Management Bill (CMB) to meet cash management needs over the near term. The statement also indicated that the U.S. Treasury expects the account to peak around $1.05 trillion in late October, with large outflows expected at that time.
- According to S&P Global, recovery rates for first-line lenders are plummeting, with most getting less than 30 cents on the dollar following 23% of the bankruptcies during the past three years, compared with just 7% of the cases from 2008 to 2022.

Economics

- On Wednesday, the Energy Information Administration's weekly status report showed crude oil inventories increased by 2.5 million barrels week-over-week. This was a welcome development following the previous week's unexpected drop. The increase came from a pickup in imports and a slight decrease in refinery capacity.
- On Thursday, jobless claims came in at 199,000 for the week. This was in line with the previous week's figure of 198,000 and the consensus estimate of 201,000. While Friday's employment report showed some weakness, broad layoffs remain contained.
- On Friday, July's employment report showed that the economy lost 23,000 jobs, which was lower than the expected increase of 88,000 new jobs. Despite the weak reading, the unemployment rate fell to 4.1% from 4.2% last month. Most of the job losses came from government and seasonal workers.

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Weekly Market Update

For Week Ending August 07, 2026

Markets

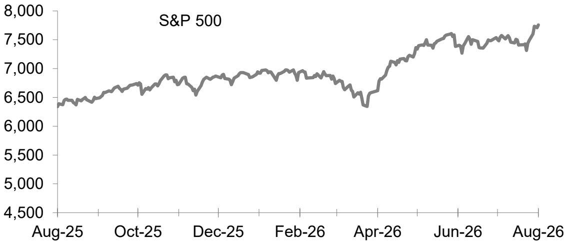
	Last Price	Change From Prior Week	Change From Year End	Change From Year Ago
Capital Markets				
Dow Jones Industrial Avg	54,036.93	3.0%	13.4%	24.9%
S&P 500 Index	7,757.64	3.6%	14.1%	23.8%
NASDAQ Composite	26,690.62	5.2%	15.2%	26.4%
S&P 400 Midcap Index	3,885.57	3.4%	18.4%	26.1%
S&P 600 Smallcap Index	1,811.16	2.4%	24.5%	36.5%
MSCI EAFE	12,100.16	2.3%	14.1%	24.7%
MSCI Emerging Markets	916.18	-0.4%	19.5%	33.9%
Bloomberg US Agg	2,346.62	0.6%	-0.1%	2.5%
Bloomberg Municipal 5 Yr	523.40	0.6%	0.8%	2.1%
Bloomberg US Corporate	3,538.81	0.7%	-0.2%	2.4%
Bloomberg Glb Agg ex US Hdg	616.32	0.4%	1.1%	1.8%
Bloomberg High Yield	2,985.74	0.7%	2.4%	5.6%
MSCI US REIT Index	2,788.29	-0.7%	18.7%	21.8%
Bloomberg Commodity Index	339.14	-0.2%	22.8%	35.8%

	Last Price/Yield	Prior Week	Year End	Year Ago
Key Rates				
Fed Funds Target	3.75%	3.75%	3.75%	4.50%
3-Month Treasury	3.79%	3.75%	3.63%	4.24%
1-Year Treasury	3.99%	4.03%	3.47%	3.91%
2-Year Treasury	4.20%	4.29%	3.47%	3.73%
5-Year Treasury	4.35%	4.45%	3.73%	3.79%
7-Year Treasury	4.49%	4.59%	3.94%	3.99%
10-Year Treasury	4.65%	4.73%	4.17%	4.25%
30-Year Treasury	5.20%	5.27%	4.84%	4.83%
Consumer Rates				
30-Year Mortgage	6.77%	6.73%	6.25%	5.83%
BOKF National Prime Rate	7.50%	7.50%	7.50%	8.25%
SOFR	3.62%	3.66%	3.71%	4.35%
Commodities				
Gold (spot)	4,341.56	4,046.15	4,319.37	3,396.38
Crude Oil WTI	78.18	84.67	57.42	63.88
Gasoline	4.02	4.10	2.83	3.16
Natural Gas	2.66	2.75	3.69	3.07
Copper	6.59	6.47	5.68	4.40

	P/E Forward	P/E Trailing	Price to Book	Current Div Yield
Index Characteristics				
Dow Jones Industrial Avg	20.88	21.11	6.29	1.42
S&P 500	20.08	26.37	5.90	1.10
S&P 500 Value	18.38	21.21	3.94	1.77
S&P 500 Growth	21.47	32.60	9.83	0.55
NASDAQ	24.90	35.83	7.99	0.58
S&P Midcap 400	16.96	18.41	2.95	1.49
S&P Smallcap 600	14.09	17.26	2.19	2.08
MSCI EAFE	15.89	17.65	2.43	2.90
MSCI Emerging Markets	9.93	17.51	2.44	2.54

Source: Bloomberg

Equity Style



1 Month*

	Value	Core	Growth
Large	2.22	3.44	4.47
Mid	3.03	3.08	3.12
Small	3.63	2.48	1.29

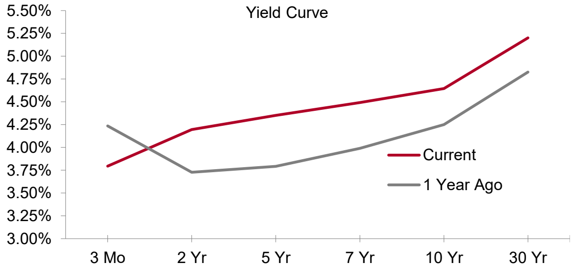
■ > 10%
■ 0% - 10%
■ <0%

**S&P Indices*

Year to Date*

	Value	Core	Growth
Large	12.19	14.07	15.66
Mid	15.27	18.43	21.51
Small	23.11	24.51	25.97

Fixed Income Style



1 Month*

	Short	Interm.	Long
Govt	0.35	0.16	-1.51
Corp	0.38	0.05	-1.54
HY	0.42	0.30	-0.65
	1-3 Yrs	1-10 Yrs	+10 Yrs

■ > 10%
■ 0% - 10%
■ <0%

Year to Date*

	Short	Interm.	Long
Govt	1.01	0.24	-2.63
Corp	1.57	0.59	-1.84
HY	2.60	2.43	2.68
	1-3 Yrs	1-10 Yrs	+10 Yrs

Economic Data

	Last Release	Year Ago
Inflation		
CPI Headline Inflation	3.5%	2.7%
CPI Core Inflation	2.6%	2.9%
Personal Consumption Exp (PCE) Core	3.3%	2.8%
Jobs		
Unemployment Rate (U3)	4.1%	4.3%
Broader Unemployment Rate (U6)	7.9%	7.9%
JOLT Survey (in millions)	7.36	7.20
Jobless Claims (000's)	199	226
Change in Non-Farm Payroll (000's)	-23	64
Average Hourly Earnings (Y/Y % Change)	3.2%	4.0%
Consumer & Spending		
Consumer Confidence (Conf Board)	90.8	98.7
Consumer Spending ($ Bil)	22,184	20,868
Consumer Credit ($ Bil)	5,167	5,044
Retail Sales ($ Bil)	769	720
Housing		
Housing Starts (000's)	1,427	1,379
Case-Shiller Home Price Index	335.10	331.41
U.S. Productivity		
Real Gross Domestic Product ($ Bil)	24,271	23,771
Quarter over Quarter Change	1.5%	3.8%
Year Over Year Change	2.1%	2.1%
ISM Manufacturing	55.60	48.40
Capacity Utilization	76.09	76.18
Markit US Composite PMI	54.50	55.10
U.S. General		
Leading Economic Indicators	99.1	100.5
Trade Weighted Dollar Index	119.7	121.7
EUR / USD	1.16	1.17
JPY / USD	157.76	147.14
CAD / USD	0.72	0.73
AUD / USD	0.71	0.65

S&P 500 Sector Returns

	1 Month	YTD
Energy	5.73%	30.38%
Information Technology	7.35%	24.00%
Industrials	1.51%	20.07%
Materials	2.56%	16.30%
Real Estate	0.31%	14.20%
Consumer Staples	-0.02%	10.36%
Health Care	0.74%	8.02%
Financials	2.83%	6.20%
Utilities	-4.59%	3.56%
Consumer Discretionary	3.16%	2.89%
Communication Services	-2.13%	2.69%

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