

Index	Asset Class	2026		2025
		Aug.	YTD	
Equity Indexes		Total Returns		
NASDAQ 100	Mega Cap U.S. Growth Equity	4.2%	17.1%	21.0%
S&P 500	Large Cap U.S. Equity	2.7	13.1	17.9
S&P 400	Mid Cap U.S. Equity	0.2	14.7	7.5
S&P 600	Small Cap U.S. Equity	(0.6)	20.8	6.0
MSCI All Country World	Global Equity	2.7	14.6	22.9
MSCI All Country World (Ex U.S.)	International Equity	2.6	17.4	33.1
MSCI Europe, Asia & Far East (EAFE)	International Developed Market Equity	2.0	14.2	31.9
MSCI Emerging Markets (EM)	International Emerging Market Equity	3.4	24.4	34.4
Fixed Income Indexes				
Bloomberg U.S. Aggregate Bond	U.S. Investment Grade Bond	0.4	(0.3)	7.3
S&P National AMT-Free Municipal Bond	U.S. Investment Grade Muni Bond	(0.2)	0.1	3.8
S&P Municipal Bond High Yield	U.S. Muni Bonds (Below Investment Grade)	(0.0)	2.0	3.3
Bloomberg U.S. Corp. High Yield	U.S. Corp Bonds (Below Investment Grade)	1.0	2.7	8.6
Index Blends: Stock/Bond				
80%/20%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		2.2	11.6	19.8
60%/40%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		1.8	8.6	16.6
40%/60%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		1.3	5.6	13.5
20%/80%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		0.9	2.7	10.4
Data as of 8/31/2026. Source: Morningstar, and blended benchmark returns are based on monthly rebalancing.				

Please see important disclosures at end of this report.

Overview & Economy

“Like a Duck on a Lake.” Others have applied this depiction to investment markets recently, and we’re adopting it here because it is profoundly applicable. On the surface, trends in financial markets have looked calm while moving forward, but below the surface there’s been some notable churning. We unpack the churning we’ve noticed below:

Within Equities... Stocks are on track for a good year across the globe. We find it interesting that this trend has persisted despite that under the surface there’s been some significant flips in leadership – and back again, in some cases. As we’ve highlighted previously, International stocks have maintained their leadership pace established last year. Within the U.S., the **Mag 7** have become the **Lag 7**, and the Energy and Healthcare sectors have seized the leadership reins from the Technology sector. In part, this has been because the major Tech names have been wrestling amongst themselves, as investors try to discern between the AI winners and losers (which has been personified by the semiconductor/memory stocks vs. the legacy software stocks -- e.g., **Nvidia (NVDA)**, **Advanced Micro (AMD)** and **Micron (MU)** vs **Microsoft (MSFT)**, **Salesforce (CRM)** and **Adobe (ADBE)**). Over recent months, the stock action between these major Tech sub-sectors has distilled to an either/or.

Within Fixed Income... Based on our experience, intermediate-term bonds and funds are most often relied upon within private client balanced portfolios. While the year-to-date performance for intermediate-term maturities has been just “meh,” there has been some notable controversies developing for longer maturities. Across the longer end of the curve, bond market investors have reacted quite negatively to the prevailing economic conditions (which we

address further below) – by pushing up market interest rates for longer-term Treasuries to levels not seen since before the Great Recession of 2008-2009. Although we note that these rebellious bond market participants, coined “*bond vigilantes*” by economist Ed Yardeni in the 1980s, are not only commentators on markets, but their sentiment and corresponding market impact can influence economic activity and thereby policy.¹

About the Macro Economy... The main catalysts that have riled up the “*bond vigilantes*” have been inflation and its contributing factors. Not only has inflation remained elevated above the Federal Reserve’s 2.0% mandated target for going on five years (both in terms of CPI and the Fed’s preferred PCE measure), but it has been ticking higher so far in 2026. Contributing factors have been the spike in oil prices attributable to the Iran War, the ongoing iteration of trade tariffs, and increasing U.S. Government deficit spending (with gross U.S. debt surpassing \$40 trillion for the first time ever). On top of all that, the bond market is absorbing a flood of AI bonds (i.e., over \$200 billion in bond issuances this year by hyperscalers, and maybe double that next year – we’ll see).² Higher longer-term rates, of course, translate into higher mortgage rates (which often results in lower real estate values), higher borrowing costs for the consumer (which can impact consumer spending), and Governments also pay more on public debt which can further compound the deficit. Treasury Secretary Bessent announced an intent to help moderate the recent rise in long rates by applying a “*Treasury Twist*,” whereby the proceeds from the sale of short-term Treasuries will be used to increase the buyback of longer-term Treasuries.³ While this “*twist*” may help, it would seem to us that simply bringing inflation down and applying some fiscal discipline would help more.

And next comes September. Yes, on a calendar basis September has technically begun, but for investment markets it really begins after Labor Day. There are several theories as to why, since 1928, September has historically been the weakest month of the year for U.S. stocks – and this has been despite the fact that both the 1929 and 1987 crashes occurred in October. Over the past 25 years, the S&P 500’s average returns in September have been a negative 1.4%. Among the most plausible explanations for this phenomenon, in our view, are two: The first relates to investment professionals returning to work from summer vacations. Monthly trading volumes are the lowest in July and August, and stock moves on lighter volume can be erratic and often unsustainable. With most investment pros back at their desks, erratic/unsustainable moves can get reined back in. And second, is the corporate “*confessional season*” which refers to the time of year when the c-suite need to get real about their outlook for the year and, if necessary, adjust investor expectations with reduced guidance. We’re just offering this because we find it interesting. Of course, for longer-term investors, we suggest you focus on the new college and/or pro football seasons instead!

Equity Markets

Most global equity indexes we track pushed upward in August, and all are on track for solid years. The exception in August was U.S. Small and Mid Caps (S&P 600 and S&P 400, respectively), which were flat to down owing to increases in market interest rates and these Caps’ greater reliance on debt financing. International stocks, boosted by the depreciating U.S. dollar, kept pace with U.S. Large Cap stocks (i.e., MSCI Ex. US vs the S&P 500) last month.

Fixed Income Markets

The “*meh*” performance for bonds last month and YTD reflects the continuing creep higher for market interest rates, which we discussed above. Higher market rates result in lower bond valuations so as to adjust the market yields higher. The higher yield (i.e., below investment grade) bond indexes continue to fare a bit better than the investment grade indexes, reflecting their traditional correlation to equities.

Reference(s):

- 1) The Wall Street Journal, “Bond Yields Around the World Soar...”, Sept. 1, 2026 – [Link](#)
- 2) Reuters, “Hyperscaler debt binge pushes yields up...”, July 29, 2026 – [Link](#)
- 3) CNBC, “Bessent could tap near \$1 trillion Treasury General Account to fund bond buybacks...”, Aug. 24, 2026 – [Link](#)

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