

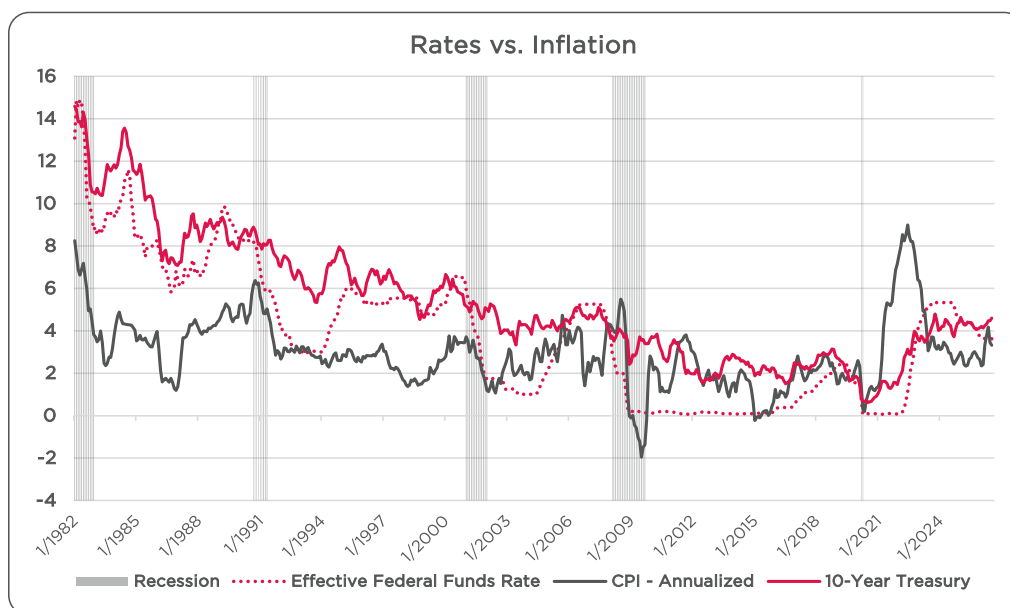
Market update

September 1, 2026

August reinforced the theme that the economy remains resilient, corporate earnings continue to show strength, and investors must navigate a more complicated interest-rate and valuation environment amid elevated geopolitical risks. The **U.S. economy** continues to expand at a steady pace. Second quarter GDP was revised to 1.5%, but that figure was distorted by temporary factors, including a surge in imports, a drawdown in the Strategic Petroleum Reserve, and declining inventories. Consumer spending and personal income data continued to increase as well.

	<u>AUGUST</u>	<u>1 YEAR</u>
• U.S. Taxable Bonds	+0.4%	+1.9%
• U.S. Stocks	+2.7%	+19.4%
• Foreign Stocks	+2.6%	+27.9%

The **Federal Reserve** remains a source of uncertainty. Policymakers held rates steady, but a 9-3 vote highlighted a meaningful hawkish contingent. With inflation still above the Fed's 2% objective, the path for interest rates remains less certain than markets would prefer. Higher Treasury yields have created some price volatility but also improved the income opportunity for investors. The 10-year Treasury ended August near 4.7%, while the broader bond market continues to offer yields around 5%. This income provides an important cushion against potential interest-rate volatility.



Equities remained well supported by strong corporate earnings, particularly among the largest technology companies. The “Magnificent 7” continued to post exceptional earnings growth, while earnings growth outside those companies was also surprisingly strong. AI investment continues to expand rapidly across the economy and capital markets, making it increasingly difficult for investors to diversify away from the theme. While markets remain positive on the long-term potential of AI, concentration creates additional risk if adoption slows, infrastructure investment disappoints, or earnings fail to meet expectations.