September 1, 2026

August Market Recap

The month of August reminded many investors that the markets rarely move in a straight line. A combination of encouraging economic fundamentals, uncertainty in the bond market and renewed geopolitical turmoil led to increased volatility and shifting market leadership. But the underlying backdrop reinforced that the US economy continues to expand at a sustainable pace.

According to Raymond James Chief Investment Officer Larry Adam, “While higher interest rates and inflation concerns created bouts of volatility during the month, the fundamental backdrop remains supportive. Economic growth continues to exceed expectations, corporate earnings remain healthy and the consumer has shown remarkable resilience."

Consumer spending was essentially flat in real terms in July, while the labor market lost jobs for the first time since February. On the other hand, corporate investment remained consistent thanks to continued spending on AI infrastructure. Inflation, energy prices and geopolitical tensions once again joined forces to create headwinds as the Federal Reserve held interest rates steady, but under a watchful eye.

Equities saw a shift in leadership, with value-oriented sectors like health care, materials and energy outperforming as high-flying growth stocks consolidated. Corporate earnings growth was robust across a range of sectors, mirroring the broadening seen throughout the market.

Bonds provided solid returns as Treasury yields moved lower, led by declines at the longer end of the yield curve.

We’ll dive into more details below, but first, let’s look at how August wrapped up.

	12/31/25 Close	8/31/26 Close*	Change Year to Date	% Gain/Loss Year to Date
DJIA	48,063.29	53,185.90	5,122.61	+10.66%
NASDAQ	23,241.99	26,370.89	3,128.90	+13.46%
S&P 500	6,845.50	7,686.14	840.64	+12.28%
MSCI EAFE	2,892.71	3,246.34	353.63	+12.22%
Russell 2000	2,481.91	2,956.45	474.54	+19.12%
Bloomberg Aggregate Bond	2,348.85	2,343.86	-4.99	-0.21%

Equities push past headwinds

Many equity benchmarks saw positive outcomes despite a host of adverse factors at play during the month of August. The market returned double-digit gains year-to-date, supported by earnings growth and performance broadening beyond the familiar mega-cap tech giants. Small caps and emerging markets equities led the way, up over 20%.

A new trade war with Canada

Trade talks between the US and Canada collapsed, prompting President Trump to impose a 50% Section 338 tariff on $20 billion worth of Canadian goods, the first-ever use of such authority. It targets alcohol, lumber, dairy and textiles. Canada has responded by announcing retaliatory tariffs. The administration also authorized Section 232 tariffs on polysilicon, affecting unmanned aircraft systems and drones.

Treasuries

The announcement of doubling buybacks of long-term bonds hinted at bringing long rates down as the clash between fiscal and monetary policy stands to introduce yet another source of volatility to the market. We are now more than three years into an elevated rate environment, which continues to support the role of fixed income as an important source of portfolio diversification and income generation.

Consumer sentiment on shaky ground again

The preliminary Consumer Sentiment Index (CSI) came in weaker than expected, with both major components deteriorating from last month's numbers. Inflation expectations edged higher for the one-year projection while the five-year projection remained unchanged. The Federal Open Market Committee (FOMC) will likely weigh these sentiment metrics when considering its strategy on managing inflation in the near term.

A return to economic pressure against Iran

August saw the US pivot toward a familiar strategy against Iran, with military action still part of the backdrop but increasingly replaced by economic pressure. This more closely aligns with the Obama years and Trump's first term, though Iran has proven to be quite resilient to such action, even in the face of 90% annual domestic inflation. Notably, Iran's ability to export crude oil through land borders with seven neighboring countries helps it circumvent the US naval blockade.

AI booms on the global stage

Economies closely tied to semiconductor and electronics manufacturing have proven to be powerful beneficiaries of the AI buildout. Korea and Taiwan both reported growth, but were eclipsed by Malaysia and Vietnam, where growth accelerated past trend levels. China's economy has profound structural imbalances, but weakness in consumption has been offset by strength in export activity.

The bottom line

Despite several familiar tensions being navigated by the market, fundamentals and broadening performance across industries previously out of the spotlight continue to drive the markets forward.

While inflation has yet to cease its role as a looming boogeyman casting shadows across the economic landscape, consumer activity remains resilient.

I hope this update finds you well. If you have any questions, please reach out at your earliest convenience.

Sincerely,

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