August 2026

NEWSLETTER

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3 BIG THINGS

1. Bonds are boring… right? For something so boring, they're getting a lot of attention. Interest rates continue to drift higher, and the Bloomberg Aggregate Bond Index sits at a negative return for the year. In fact, the five-year return for this asset class is negative too. So what in the world are we doing owning any bonds? Not to steal the thunder from my strategist report below, but bonds still serve a real purpose in portfolios, and their prospects going forward actually look attractive. There are risks tied to higher rates, but starting yields have historically been a strong predictor of forward returns for fixed income. Plus, as the quote of the month points out, we haven't even used our military on interest rates yet!

2. Software was left for dead at the beginning of the year. As AI tools advanced, the narrative became that companies would no longer need to pay for subscription software when they could simply code their own instead. Maybe that will ultimately prove true, but the market seems to be walking back some of that reaction, as August brought continued gains of 16% for software stocks. In fact, these stocks have been up four of the past five months.

3. Is anyone still talking about Bitcoin or digital assets? After a tough start to the year, falling as much as 60% from its all-time high set in November 2025, Bitcoin rallied hard in August, gaining 25% for the month. That pushed its price back above $80k before it settled around $78k. Wells Fargo Investment Institute recently voiced support for adding digital assets to portfolios as a new asset class, one that offers real diversification benefits and whose volatility has come down significantly as it matures.

Quote of the month: "We have many types of intervention. That's one. The ultimate intervention is our military, and if we have to use that, we will." - President Trump when asked about the treasury buying bonds to lower interest rates

MARKET QUICKTAKES

EQUITY

Tech quickly rebounded from July's pain, leading the way in equity markets throughout August. As mentioned last month, emerging markets have become heavily reliant on the technology sector, so they bounced back too. Tech stocks advanced 6% while emerging markets were up 4.5%. Overall, it was a good month for equities: most areas saw gains, with value stocks and small-cap companies up 2% and 1% respectively after leading the way earlier in the summer. So far, 2026 is shaping up to be another strong year for stock investors, with global stocks up nearly 15% and four months still to go until year-end.

FIXED INCOME

Interest rates continued to climb across the curve, despite the Treasury stepping in and announcing increased buybacks of longer-term bonds to help bring rates down. That brought rates lower for about 36 hours before they drifted higher again. Even so, most areas of fixed income saw modest gains throughout August. That's because the interest being paid was enough to offset, and then some, the price losses caused by higher rates. This is an important dynamic to keep in mind when looking at fixed income today: while rates may be moving higher, the income generated by those bonds is significantly higher than we've seen in recent history.

COMMODITIES

Commodities saw a resurgence in August, especially among precious metals. As the dollar weakened throughout the month, gold and silver posted large gains, up 10% and 14% respectively. This follows a difficult six-month stretch for precious metals. Even with those drawdowns, they remain some of the best-performing assets over the three- and five-year periods. Uncertainty around Iran has kept oil price volatility elevated. August saw prices move back higher after some relief at the end of July.

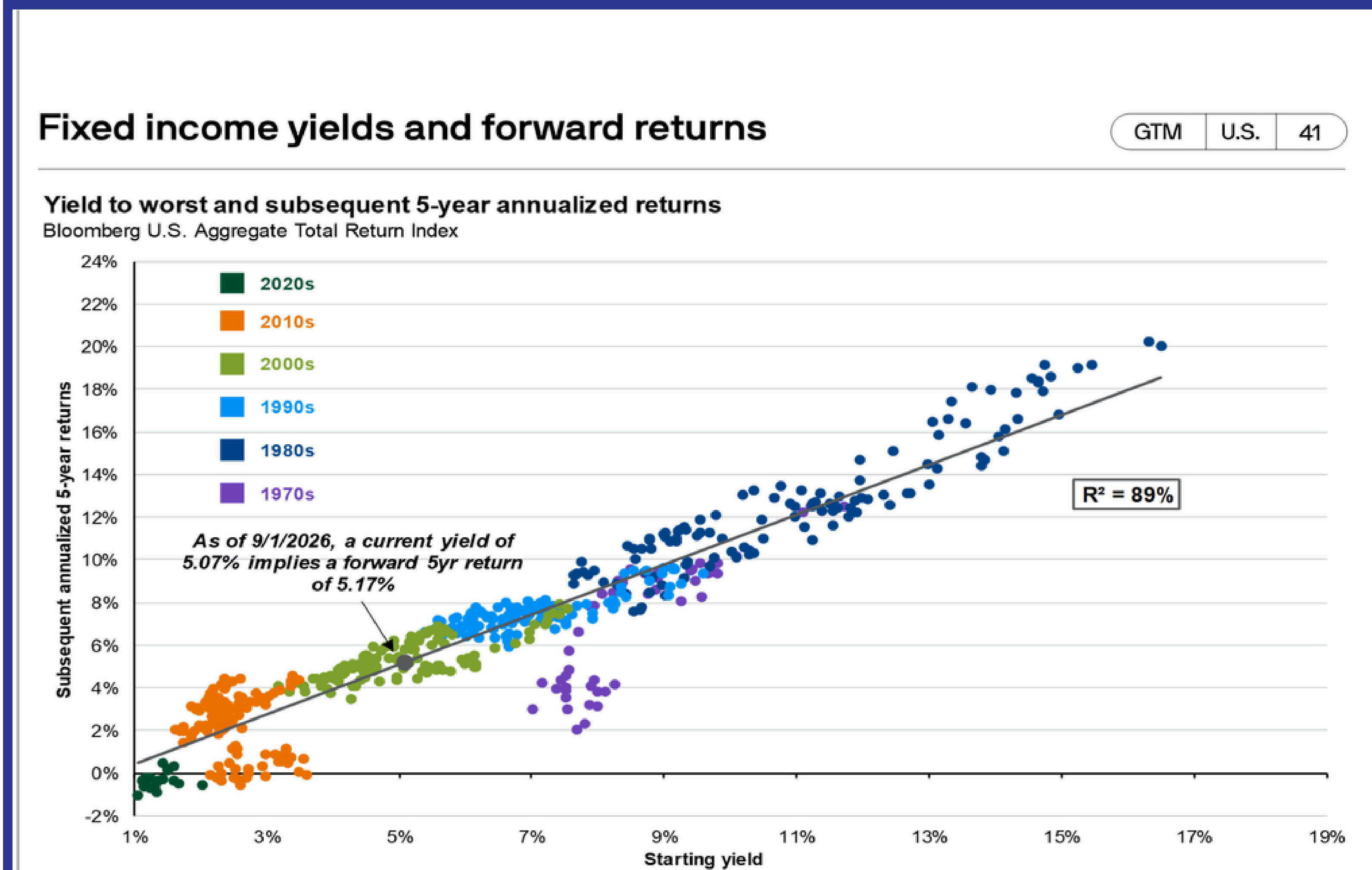
ECONOMIC INSIGHTS IN A NUTSHELL

Economic data did its part in August to keep the Federal Reserve on hold rather than raising interest rates. What looked like a foregone conclusion heading into the September meeting saw some pushback, as the U.S. economy lost 23,000 jobs, a far cry from the 83,000 jobs economists had expected. We also received inflation data showing prices declining by 0.1% during the month. The year-over-year figure remains at 3.3%*, well above the Fed's 2% target, but the data has softened since the higher prints we saw in May. Manufacturing and service production numbers remained strong: manufacturing slowed slightly but still remains firmly in expansion territory. We may be seeing some cooling in the housing market, too. While activity has been slow for a while, prices may finally be starting to come down. The median sales price dropped 2% nationwide, and certain metros are seeing discounts even steeper than that.

*YCharts Monthly Market Wrap August 2026

A VIEW FROM MARKET STRATEGISTS

It’s been a tough stretch for bond investors over the past five years. With essentially no return to show for high-quality bonds, many investors may be feeling frustrated with the allocation. As interest rates have moved higher over the summer, this topic has resurfaced, and it’s an important one. The chart below from J.P. Morgan shows that the starting yield of bonds is highly predictive of the five-year return you can expect. The green dots in the bottom left of the graph are the data points for this decade so far. There’s nothing abnormal about the returns we’ve seen, other than the fact that starting yields had never been lower in history. But as the grey dot shows, where we sit today, the anticipated five-year return going forward is north of 5%. That’s a pretty attractive outcome if it plays out this way. Because of the inverse relationship between interest rates and bond prices, we had to absorb losses in price to reset to a more normal level of interest rates. The 10-year Treasury got as low as 0.52% in 2020, and there were billions of dollars in negative-yielding bonds around the globe at the time. Can you imagine paying someone to hold on to your money? That was a reality not long ago. Getting out of that period hasn’t been a fun experience for investors, but it’s important not to give up on bonds completely. They still serve as a diversifier to equity exposure and may be well positioned for solid returns going forward.



Source: Bloomberg, FactSet, J.P. Morgan Asset Management.
Returns are 60-month annualized total returns, measured monthly, beginning 1/31/1976. R^2 represents the percent of total variation in total returns that can be explained by yields at the start of each period. Past performance is no guarantee of future results.
Guide to the Markets – U.S. Data are as of September 1, 2026.

EVERGREEN REMINDERS

August 2026

Is diversification cool again? I spent the early part of my career defending the need to diversify while U.S. stocks trounced everything else. The idea that risk needs to be spread out, that you don't want all your eggs in one basket, sounds great in theory, but it can be hard to stick with when your neighbor owns 3x leveraged NVDA and just backed a new Porsche out of his garage. Growth stocks have been the dominant area for quite some time, but the past 12 months have seen several other areas outperform them. The chart below shows year-to-date returns through the end of August, and you can see many areas outpacing those beloved growth stocks. Areas that endured long stretches of underperformance, including commodities, value stocks, and international stocks, are finally getting their day in the sun.

Indices in order from left to right:
Bloomberg Commodity Index, MSCI Emerging Markets, Russell 1000 Value, Russell 2000, Russell MidCap, MSCI ACWI ex- USA, S&P 500 Equal Weight Index, MSCI EAFE, Russell 1000 Growth

BEYOND THE MARKET

LIFESTYLE HACK

While sunlight is shorter by the day as we head into Fall, keeping a consistent time on alarm clocks as well as the time you go to bed is proving to improve health more than hours of sleep.
One method that's helped with the dark mornings is a Hatch alarm clock (not sponsored) it lights up the room leading to your alarm time and makes rolling out of bed without sunlight much easier. Good luck to your partner if they aren't the early riser...

PLANNING CORNER

A couple of deadlines come up in September for personal finances. First, if you make quarterly estimate tax payments the third quarter is due on the 15th.

Secondly, if you were looking to set up a SIMPLE IRA for your small business this must be opened before October 1st.

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Disclosures

The S&P 500 Index consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market value weighted index with each stock's weight in the Index proportionate to its market value. The index(es) reflect(reflects) the historical performance of the represented assets [or name of the asset class] and assume the reinvestment of dividends and other distributions. An index is unmanaged and not available for direct investment. Past performance is no guarantee of future results.
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