MONTHLY CIO MARKET OUTLOOK

August 2026 | Data through July 31, 2026

Disciplined perspective for a changing market

A client-ready review of markets, inflation, growth, high-frequency indicators, risks, opportunities, and portfolio construction implications.

Current regime

Moderate economic expansion
Persistent but improving inflation
Resilient private demand
Elevated long-term rates
Narrow and volatile equity leadership

+9.4%	+9.2%	-0.4%	1.5%	3.5%	3.7%
S&P; 500 YTD	Nasdaq YTD	Broad bonds YTD*	Q2 real GDP	Headline CPI YoY	Headline PCE YoY

Investment posture: Constructive but balanced. Favor quality, diversification, and liquidity while avoiding excessive concentration in high-duration growth assets.

*Broad bond performance is an approximate Bloomberg U.S. Aggregate benchmark reading based on available public market summaries. This report is for informational purposes and is not individualized investment advice.

1 | Executive Summary and Market Performance

Markets finished the final week of July higher, but the month exposed sharp dispersion beneath the headline indexes. The S&P; 500 gained 1.0% for the week and ended July roughly flat, while the Nasdaq rose 1.6% for the week but declined 3.2% for the month. Year to date, both remained up approximately 9%. Strong earnings from several large technology and consumer companies helped stabilize sentiment, yet elevated Treasury yields, persistent inflation, and geopolitical uncertainty continued to pressure valuation-sensitive assets.

The macro backdrop remains expansionary but less uniform. Q2 real GDP grew at a 1.5% annualized rate, while private domestic demand was stronger than the headline figure. June payroll growth slowed to 57,000 and unemployment held near 4.2%. Consumer spending remained positive, but confidence softened and household savings stayed low. The Federal Reserve held its target rate at 3.50%-3.75%, reinforcing a data-dependent environment.

CIO conclusion

Maintain a diversified, quality-oriented allocation. Use volatility to rebalance rather than chase momentum. Intermediate-duration high-quality bonds remain attractive, while long-duration exposure should be added selectively.

Market	Level	Week	July	YTD	CIO interpretation
S&P; 500	7,489.72	+1.0%	-0.1%	+9.4%	Near record levels; leadership remains uneven
Nasdaq Composite	25,373.85	+1.6%	-3.2%	+9.2%	Technology volatility increased during July
Broad U.S. bonds	-	Positive week	Approx. -1.0%	Approx. -0.4%	Higher yields pressured duration
10-year Treasury	Approx. 4.75%	Higher	Higher	-	Restrictive long rates remain a valuation headwind

Market breadth: July showed a meaningful rotation away from high-momentum technology and semiconductor shares toward a broader mix of software, financial, energy, and defensive exposures. This is constructive for diversification, but it also highlights the risk of relying on a narrow group of winners.

2 | Growth, Inflation, Labor, and Monetary Policy

Indicator	Period	Latest	Interpretation	Signal
Real GDP	Q2 2026	1.5% annualized	Slower than Q1, but still expansionary	WATCH
Private domestic demand	Q2 2026	3.9% annualized	Underlying demand stronger than headline GDP	POSITIVE
Headline CPI	June	-0.4% MoM / 3.5% YoY	Energy helped monthly decline; annual rate remains high	WATCH
Core CPI	June	0.0% MoM / 2.6% YoY	Better underlying inflation reading	IMPROVING
Headline PCE	June	-0.1% MoM / 3.7% YoY	Fed-preferred inflation remains elevated	WATCH
Core PCE	June	+0.1% MoM / 3.3% YoY	Services inflation still requires monitoring	WATCH
Nonfarm payrolls	June	+57,000	Hiring slowed materially	WATCH
Unemployment rate	June	4.2%	Labor market remains broadly stable	NEUTRAL
Fed funds target	July meeting	3.50%-3.75%	Policy held steady; 9-3 vote	RESTRICTIVE

Inflation

The June monthly readings improved, but year-over-year PCE inflation remains well above t Federal Reserve's 2% objective. Energy and geopolitical developments could reintroduce volatility.

Growth

The 1.5% GDP headline understates the strength private domestic demand. Consumer spending ar business investment remain important offsets to softer trade and government components.

Policy

The Fed remains restrictive and data dependent. Higher-for-longer policy risk is most relevant for long-duration bonds, leveraged businesses, housing, and expensive growth equities.

3 | CIO High-Frequency Dashboard

Area	Indicator	Latest reading	CIO use	Signal
Labor	Initial claims / payroll trend	Claims remain low; June payrolls +57k	Low layoffs, slower hiring	MIXED
Consumer	Retail sales	+0.2% MoM; +6.7% YoY	Nominal spending remains resilient	POSITIVE
Consumer	Real PCE	+0.4% MoM	Healthy real spending in June	POSITIVE
Consumer	Confidence	90.8 in July	Present conditions weakened; expectations subdued	WATCH
Business	Manufacturing PMI	Expansionary recent readings	Watch new orders and employment	POSITIVE
Business	Services PMI	Expansionary recent readings	Services remain the growth engine	POSITIVE
Housing	Rates and activity	Mortgage rates remain restrictive	Affordability and turnover constrained	WEAK
Credit	Spreads / lending	Spreads contained; standards still important	No acute stress, but refinancing costs elevated	NEUTRAL
Yield curve	2s/10s spread	Positive by roughly 45 bps	Less recessionary than an inverted curve	IMPROVIN G
Earnings	S&P; 500 Q2 growth	47.4% blended*	Strong but unusually concentrated	POSITIVE
Financial conditions	Rates / dollar / oil / VIX	Mixed	Long yields and oil remain key swing factors	WATCH

*FactSet reported a 47.4% blended Q2 earnings growth rate, but the figure was heavily influenced by unusually large company-specific gains. Portfolio decisions should emphasize breadth, recurring earnings, cash flow, and balance-sheet quality rather than the headline rate alone.

4 | Risks, Opportunities, and Portfolio Construction

Key risks

Risk	Transmission channel	Most exposed
Persistent inflation	Oil, tariffs, wages, and services inflation may keep rates elevated	Long-duration assets, housing, leveraged companies
Geopolitical escalation	Middle East conflict and shipping disruptions could raise energy costs	Inflation expectations, margins, consumer purchasing power
Equity concentration	A narrow group of mega-cap names still drives index behavior	Index volatility and benchmark-relative risk
Fiscal and Treasury supply	Heavy issuance may keep term premiums elevated	Long-maturity bonds and equity valuations
Growth deceleration	Hiring and confidence have softened	Cyclicals, lower-quality credit, small businesses

Key opportunities

Opportunity	Portfolio relevance
Broader market participation	Rotation can improve diversification beyond mega-cap technology
Attractive bond income	Short and intermediate high-quality bonds offer meaningful yields
Productivity investment	AI and infrastructure spending may support long-run earnings and productivity
Disinflation progress	Continued moderation could support bonds and valuation-sensitive equities
Volatility-driven rebalancing	Market pullbacks can create disciplined entry points

Allocation sleeve	Current posture	Implementation emphasis
U.S. equities	Neutral / selective overweight	Favor quality, durable free cash flow, pricing power, and broader sector exposure
International developed	Neutral	Valuation support, but growth and currency risks remain
Emerging markets	Selective	Use disciplined country and quality screens
Core fixed income	Overweight	Prioritize high-quality short and intermediate maturities
Long-duration Treasuries	Neutral / tactical	Add selectively; inflation and supply risk remain
Credit	Neutral	Favor investment grade; avoid reaching for yield in weak balance sheets
Cash / liquidity	Strategic reserve	Maintain capacity to rebalance during volatility

5 | Forward-Looking Outlook and Upcoming Catalysts

Base case: The U.S. economy remains in a moderate expansion, with private demand offsetting slower headline growth. Inflation continues to ease unevenly, preventing a rapid normalization of monetary policy. Corporate earnings support equities, but elevated long-term rates and concentrated leadership are likely to keep volatility above the unusually calm levels seen earlier in the cycle.

Date	Release / event	Why it matters
Aug. 3	ISM Manufacturing, construction spending	Business momentum and pricing pressures
Aug. 5	ADP employment, Services PMI, ISM Services	Labor and service-sector resilience
Aug. 6	Productivity, unit labor costs, jobless claims	Wage pressure and labor efficiency
Aug. 7	Employment report, unemployment, wages	Primary catalyst for rates and Fed expectations
Aug. 12	July CPI	Critical inflation test
Aug. 14	July retail sales	Consumer strength and margin outlook

Bull case

Inflation moderates faster, earnings broaden, and long yields stabilize. Equity participation improve and high-quality duration performs well.

Base case

Growth remains positive but uneven. Markets deliver modest returns with frequent rotations an valuation-sensitive volatility.

Bear case

Energy-driven inflation and geopolitical escalation push yields higher while labor and consumer data weaken, compressing valuations and credit appetite.

Sources used: U.S. Bureau of Labor Statistics; U.S. Bureau of Economic Analysis; U.S. Census Bureau; Federal Reserve Board; Federal Reserve Bank of St. Louis (FRED); The Conference Board; Institute for Supply Management; FactSet; Associated Press; Barron's; MarketWatch; LPL Research. Market figures are based on publicly available information through July 31, 2026 and may differ slightly by data vendor and calculation convention.