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ECONOMIC REVIEW[1]

- The ISM Manufacturing Index expanded for the seventh straight month, rising to 55.6 in July, well above market expectations of 53.9. Readings above 50 signal the sector is expanding, and below 50 suggest contraction.
  - The employment index climbed to 52.8, marking its first expansionary reading in nearly three years.
- Similarly, the ISM Non-Manufacturing (Services) remained in expansion, though at a slower pace of 54.1 in July, slightly below expectations of 54.5.
  - The employment index slipped back into contraction after one month of expansion, while the prices paid index moved higher.
- Job openings in the U.S. fell by 178,000 to 7.359M in June, led by a decrease within the healthcare sector.
  - The percent of people who quit their job held steady at 2.0% for the second consecutive month, while both hiring and layoffs were largely unchanged.
- The number of U.S. payrolls fell by an unexpected -23,000 in July, missing expectations for an 80,000 gain, while May and June payrolls were revised lower by a combined -103,000 jobs.
- The unemployment rate fell to 4.1% with the decline primarily being driven by a shrinking labor force rather than stronger employment.
- Initial jobless claims, which measure the number of people filing for unemployment benefits for the first time, increased slightly to 199,000 from 198,000 the previous week.
- Continuing jobless claims rose by 24,000 to 1.801 million, indicating a modest increase in the number of individuals receiving unemployment benefits.

How does the most recent economic data impact you?

- This week's economic data suggests the labor market may be starting to show signs of softening, which could influence the Federal Reserve's (Fed's) outlook and reduce the likelihood of additional rate hikes in the current environment.
  - Futures markets reduced the expected likelihood of a September rate hike to about 40%, compared with nearly 60% prior to the jobs release.[2]
- The U.S. manufacturing sector continues to show resilience in 2026, supported by ongoing AI-related investment, increased nearshoring activity, and the benefits of the One Big Beautiful Bill Act (OBBBA).

A LOOK FORWARD[1]

- This week, investors will receive an update on the state of U.S. inflation with the release of both the Consumer Price Index (CPI) and Producer Price Index (PPI).
- Retail sales data will also provide insight into the health of the consumer and the strength of overall spending.

How does this week's slate of economic data impact you?

- The resurgence of the conflict in the Middle East at the start of July pushed energy prices higher, putting this week's inflation data in sharp focus. Investors will be looking for clues on the Fed's policy path, while retail sales will offer a timely read on consumer resilience in a higher inflation environment.

MARKET UPDATE[3]

Market Index Returns as of 8/7/26	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	3.59%	3.52%	14.09%	22.86%	21.52%	13.44%
NASDAQ	5.19%	1.84%	15.22%	25.18%	25.24%	13.29%
Dow Jones Industrial Average	2.96%	3.35%	13.43%	24.33%	17.33%	11.04%
Russell Mid-Cap	3.19%	2.55%	18.24%	23.56%	16.94%	8.71%
Russell 2000 (Small Cap)	3.54%	0.40%	23.06%	38.47%	17.52%	7.65%
MSCI EAFE (International)	2.25%	4.25%	14.10%	24.06%	18.09%	9.57%
MSCI Emerging Markets	-0.43%	-3.49%	19.53%	34.63%	20.81%	7.68%
Bloomberg US Agg Bond	0.60%	-0.71%	-0.09%	2.68%	4.11%	-0.20%
Bloomberg High Yield Corp.	0.73%	0.48%	2.44%	5.67%	8.65%	4.23%
Bloomberg Global Agg	0.67%	0.13%	-0.08%	1.15%	3.50%	-1.69%

OBSERVATIONS

- Equity markets continued to rebound after July's pullback, led by the technology sector, with the NASDAQ gaining +5.19%.
  - The S&P 500 and Dow Jones Industrial Average also posted strong weekly returns of +3.59% and +2.96%, respectively.
- Mid- and small-cap stocks also participated in the rally, advancing +3.19% and +3.54%, reflecting broad-based strength across the equity market.
- International markets delivered mixed results. Developed international equities extended their recent momentum with a +2.96% gain, while emerging markets gave back some previous gains, declining -0.43%.
- Fixed income markets also moved higher as Treasury yields remained relatively stable throughout the week.
  - U.S. high-yield bonds led the way with a +0.73% return, followed by the Bloomberg Global Aggregate Bond Index (+0.67%) and the Bloomberg U.S. Aggregate Bond Index (+0.60%).

BY THE NUMBERS

China opens Arctic 'Ice Silk Road' as Strait of Hormuz Crisis Deepens: China is accelerating development of its "Ice Silk Road" through the Arctic as geopolitical tensions and disruptions around the Strait of Hormuz and other key maritime chokepoints threaten global trade. By utilizing Russia's Northern Sea Route, Chinese shipping companies aim to reduce transit times between Asia and Europe while decreasing reliance on traditional routes through the Middle East and the Suez Canal. Although the Arctic passage offers strategic and economic advantages, it remains seasonal and presents operational, environmental, and geopolitical challenges, including dependence on Russian infrastructure and increasingly accessible waters due to Arctic ice melt. Overall, the move reflects China's broader effort to diversify its trade routes and strengthen supply chain resilience amid rising global uncertainty.[4]

The Rise of the Unstoppable American Tourist: A strong U.S. economy, rising household wealth, and a growing preference for spending on experiences have fueled a surge in international travel, with Americans taking record numbers 24 million trips abroad in 2025. In 1990, fewer than 5% of Americans held a passport, compared with more than 50% today, highlighting just how dramatically international travel has expanded. Europe has been one of the largest beneficiaries, as U.S. travelers continue to spend heavily on vacations and luxury experiences. While the tourism boom has provided a meaningful boost to local economies, it has also contributed to overtourism, higher housing costs, and pressure on local infrastructure, prompting some destinations to introduce measures aimed at managing visitor volumes.[5]

Economic Definitions

Federal Reserve (Fed): The Federal Reserve System is the central banking system of the United States of America.

Federal Open Market Committee (FOMC): The Federal Open Market Committee is the branch of the Federal Reserve System that sets U.S. monetary policy. It decides interest rates, manages the money supply, and meets eight times a year.

ISM Manufacturing Index: The Manufacturing ISM Report On Business is based on data compiled from purchasing and supply executives nationwide. Survey responses reflect the change, if any, in the current month compared to the previous month. For each of the indicators measured (New Orders, Backlog of Orders, New Export Orders, Imports, Production, Supplier Deliveries, Inventories, Customers' Inventories, Employment and Prices), the report shows the percentage reporting each response, the net difference between the number of responses in the positive economic direction and the negative economic direction, and the diffusion index. A PMI reading above 50 percent indicates that the manufacturing economy is generally expanding; below 50 percent indicates that it is generally declining.

Nonfarm Payrolls: This indicator measures the number of employees on business payrolls. It is also sometimes referred to as establishment survey employment to distinguish it from the household survey measure of employment.

ISM Services Index: The Services ISM Report On Business® is based on data compiled from purchasing and supply executives nationwide. Survey responses reflect the change, if any, in the current month compared to the previous month. For each of the indicators measured (Business Activity, New Orders, Backlog of Orders, New Export Orders, Inventory Change, Inventory Sentiment, Imports, Prices, Employment and Supplier Deliveries) this report shows the percentage reporting each response, and the diffusion index. An index reading above 50 percent indicates that the non-manufacturing economy in that index is generally expanding; below 50 percent indicates that it is generally declining. Orders to the service producers make up about 90 percent of the US economy.

Job Openings and Labor Turnover Survey – JOLTS: This concept tracks the number of specific job openings in an economy. Job vacancies generally include either newly created or unoccupied positions (or those that are about to become vacant) where an employer is taking specific actions to fill these positions

Retail Sales: Retail sales (also referred to as retail trade) tracks the resale of new and used goods to the general public, for personal or household consumption. This concept is based on the value of goods sold.

Initial Jobless Claims: Initial unemployment claims track the number of people who have filed jobless claims for the first time during the specified period with the appropriate government labor office. This number represents an inflow of people receiving unemployment benefits.

Continuing Jobless Claims: Continuing claims are the number of people filing for unemployment benefits who have already filed an initial claim. To be included in continuing claims, the person must be covered by unemployment insurance and must be currently receiving benefits. They must have been unemployed for at least a week after filing the initial claim, per Department of Labor (DoL) specifications.

Producer Prices - PPI (headline and core): Producer prices (output) are a measure of the change in the price of goods as they leave their place of production (i.e. prices received by domestic producers for their outputs either on the domestic or foreign market).

CPI (headline and core): Consumer prices (CPI) are a measure of prices paid by consumers for a market basket of consumer goods and services. The yearly (or monthly) growth rates represent the inflation rate.

Index Definitions

S&P 500: The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities and serves as the foundation for a wide range of investment products. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

NASDAQ: The NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market. The index was developed with a base level of 100 as of February 5, 1971.

NASDAQ-100: The NASDAQ-100 Index includes 100 of the largest domestic and international non-financial companies listed on The Nasdaq Stock Market based on market capitalization. The Index reflects companies across major industry groups including computer hardware and software, telecommunications, retail/wholesale trade and biotechnology. It does not contain securities of financial companies including investment companies.

Dow Jones Industrial Average: The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

Russell Mid-Cap: Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index, which represent approximately 25% of the total market capitalization of the Russell 1000 Index.

Russell 2000: The Russell 2000 Index is comprised of the smallest 2000 companies in the Russell 3000 Index, representing approximately 8% of the Russell 3000 total market capitalization. The real-time value is calculated with a base value of 135.00 as of December 31, 1986. The end-of-day value is calculated with a base value of 100.00 as of December 29, 1978.

MSCI EAFE: The MSCI EAFE Index is a free-float weighted equity index. The index was developed with a base value of 100 as of December 31, 1969. The MSCI EAFE region covers DM countries in Europe, Australasia, Israel, and the Far East.

MSCI EM: The MSCI EM (Emerging Markets) Index is a free-float weighted equity index that captures large and mid-cap representation across Emerging Markets (EM) countries. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

Bloomberg US Agg Bond: The Bloomberg US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

Bloomberg High Yield Corp: The Bloomberg US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Bloomberg's EM country definition are excluded.

Bloomberg Global Agg: The Bloomberg Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

Bloomberg Municipal Bond Index: The Bloomberg U.S. Municipal Index covers the USD-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and prerefunded bonds.

Disclosures

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[1] Data obtained from Bloomberg as of 8/7/26.
[2] FedWatch - CME Group
[3] Data obtained from Morningstar as of 8/7/26.
[4] China opens Arctic 'Ice Silk Road' as Strait of Hormuz crisis deepens
[5] The rise of the unstoppable American tourist

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