September 4, 2026

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MARKET VIEW WEEKLY

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ECONOMIC REVIEW[1]

- The Institute for Supply Management (ISM) Manufacturing Purchasing Managers' Index (PMI) eased to 54.6 in August, from July's nearly four-year high of 55.6, but remained firmly above 50 in expansion territory for the eighth consecutive month.
    - New orders slowed to 53.7, and employment eased to 51.2, while production remained strong at 58.3; prices stayed elevated at 71.1, and supplier deliveries rose to 59.3.
- ISM Services PMI rose to 55.4 in August from 54.1 in July, beating expectations of 54.3 and marking the strongest pace of services sector growth in six months.
    - Business activity (61.7) and new orders (60.9) hit multi-year highs, employment remained in contraction at 47.8, and prices rose to a four-year high of 72.6 amid higher fuel costs, tariffs, and Middle East disruptions.
- U.S. job openings edged higher to 7.27 million in July from a downwardly revised 7.18 million in June, slightly below expectations of 7.30 million.
    - There are roughly 1.1 jobs open per unemployed worker. The number of job quits came in at 3.1 million (1.9% rate), and layoffs at 1.7 million (1.0% rate).
- The Federal Reserve's (Fed) Beige Book showed economic activity increased modestly, led by data center and defense demand that supported manufacturing, while employment rose slightly and price pressures accelerated moderately across different Fed districts.
- Nonfarm payrolls surged by 162,000 in August, well above expectations of 56,000 and the prior 12-month average of 31,000 jobs. June and July were revised higher by a combined 55,000, including July, from -23,000 to +21,000.
- The unemployment rate held at 4.1%, while labor force participation edged up to 61.6%. Average hourly earnings rose 0.3% for the month and 3.1% year over year.

How does the most recent economic data impact you?

- Economic growth remains on solid footing, while the labor market looks considerably stronger than the earlier reports suggested. The latest data points to a reacceleration in hiring and suggests the recent weakness was more of a soft patch than the beginning of a meaningful deterioration.
- The stronger labor backdrop removes one of the clearest arguments for lower interest rates and reinforces Fed Chair Warsh's view that the labor market remains near full employment. With employment holding up, the Fed has greater flexibility to remain focused on bringing inflation back toward target rather than providing additional support to the economy.

A LOOK FORWARD[1]

- Despite the holiday-shortened week, the economic calendar is jam-packed, headlined by August's Producer Price Index (PPI) and Consumer Price Index (CPI) alongside existing home sales and preliminary consumer sentiment.

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

- The Fed's job just became more difficult with renewed labor market strength, putting inflation squarely back in focus. Persistent price pressures remain one of the biggest risks to both monetary policy and the broader market outlook.
- Consumer sentiment will test the disconnect between resilient markets and households still facing elevated prices, with continued weakness raising questions about the durability of consumer spending.

MARKET UPDATE[2]

Market Index Returns as of 9/4/26	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	0.13%	3.13%	13.65%	20.48%	21.32%	12.83%
NASDAQ	0.42%	1.21%	14.51%	22.88%	24.48%	12.34%
Dow Jones Industrial Average	-0.16%	2.40%	12.39%	19.57%	17.59%	10.67%
Russell Mid-Cap	-0.38%	1.35%	16.86%	17.71%	17.21%	7.93%
Russell 2000 (Small Cap)	0.15%	-1.42%	20.83%	25.98%	18.12%	6.82%
MSCI EAFE (International)	-0.16%	4.24%	14.08%	21.61%	18.76%	9.09%
MSCI Emerging Markets	0.26%	0.62%	24.61%	37.88%	23.17%	8.15%
Bloomberg U.S. Agg Bond	-0.18%	-1.01%	-0.40%	0.87%	4.39%	-0.29%
Bloomberg High Yield Corp.	-0.15%	0.60%	2.57%	4.42%	8.57%	4.07%
Bloomberg Global Agg	0.06%	0.09%	-0.13%	0.19%	4.14%	-1.76%

OBSERVATIONS

- Major domestic indices were mixed, with technology leading while the Dow moved modestly lower.
  - The NASDAQ (+0.42%) led gains, followed by the S&P 500 (0.13%), while the Dow Jones Industrial Average declined -0.16%.
- Down-cap equities were also mixed. The Russell Mid-Cap declined -0.38% while the Russell 2000 gained +0.15%.
- International equities diverged as well, with developed markets (MSCI EAFE) declining -0.16%, while emerging markets advanced +0.26%.
- Domestic fixed income markets moved modestly lower, with the Bloomberg U.S. Aggregate declining -0.18% and high yield bonds falling -0.15%
  - International bonds bucked the trend, with the Bloomberg Global Aggregate gaining +0.06%.

BY THE NUMBERS

The Panama Canal: Less Water, Less Trade: El Niño is suppressing rainfall in Panama, creating a severe water shortage for the 50-mile canal, where fresh water is essential to operate the locks that lift and lower ships between the Atlantic and Pacific. With rainfall roughly 35% below the historical average from May through August, and each transit requiring roughly 200 million liters of water, the canal is cutting daily traffic from 36 to 32 ships. Maximum vessel draft is also being reduced from 15.24 to 14.63 meters, with ships losing roughly 200 containers of capacity for every 30cm reduction. The stakes are significant, as about 5% of global trade passes through the canal, and roughly 70% of its container traffic originates from or is destined for the United States. With drought conditions potentially lasting into mid-2027, further restrictions could mean fewer ships, smaller cargo loads, longer wait times, and higher shipping costs.[3]

264 Days without a Day Off: The USS Abraham Lincoln finally made port in Thailand after spending 264 consecutive days at sea, giving its roughly 5,000 sailors and Marines their first full port stop since deploying in November. The nuclear-powered carrier has been deployed for 286 total days, including an extended combat deployment supporting U.S. operations against Iran. At roughly 3 football fields long, the Lincoln arrived visibly worn from the deployment, while reports also surfaced of food shortages and deteriorating mental health among the crew. The stop is also a sizable economic event for Pattaya, where officials expect the influx of service members to generate roughly 100 million baht, or $3,000,000 for the local economy.[4]

Economic Definitions

Beige Book: The Beige Book is a public report published by the United States Federal Reserve eight times a year that summarizes current economic conditions across the 12 regional Fed districts. Its formal title is the Summary of Commentary on Current Economic Conditions.

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.

Existing Home Sales: This concept tracks the sales of previously owned homes during the reference period. Total existing home sales include single-family homes, townhomes, condominiums and co-ops. All sales are based on closings from Multiple Listing Services. Foreclosed homes are only counted in the inventory if the bank is working with a realtor. Foreclosed homes that sell via auction (or other closings outside of the Multiple Listing Services) are not included.

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

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.

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 (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.

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.

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).

University of Michigan Consumer Sentiment Index: Consumer confidence tracks sentiment among households or consumers. The results are based on surveys conducted among a random sample of households. Target Audience: representative sample of US households (excluding Alaska and Hawaii). Surveys of Consumers collects data on consumer attitudes and expectations summarized in the Consumer Sentiment, in order to determine the changes in consumers' willingness to buy and to predict their subsequent discretionary expenditures. This Index is comprised of measures of attitudes toward personal finances, general business conditions, and market conditions or prices. Components of the Index of Consumer Sentiment are included in the Leading Indicator Composite Index. Unit: Index (Q1 1966=100).

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.

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[1] Data obtained from Bloomberg as of 9/4/26.
[2] Data obtained from Morningstar as of 9/4/26.
[3] The Panama Canal: Less Water, Less Trade | www.france24.com
[4] 264 Days Without a Day Off | apnews.com