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osaic

MARKET VIEW WEEKLY

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ECONOMIC REVIEW[1]

- The Federal Reserve (Fed) met on Wednesday to determine the path of interest rates. As expected, the Federal Open Markets Committee (FOMC) left its target range unchanged at 3.50%-3.75%.
    - Three of the 12 total voting committee members believed rates should move upward, suggesting that if inflation progress stalls, additional rate hikes could remain on the table.
- The initial reading of Gross Domestic Product (GDP), which is a measure of economic growth, came in at 1.5% for the second quarter.
    - This was below the anticipated 2.1% reading, and slightly below the long-term trend of 2.0%.
        - Despite the slower-than-anticipated reading, the reading was mainly dragged down by a higher number of imports, potentially ahead of tariffs that were implemented in July.
- The Personal Consumption Expenditures Price Index (PCE), one of three measures of inflation, came in sharply lower in June.
    - The figure fell -0.1% for the month of June, but remained at 3.7% on the year, nearly double the Fed's 2% inflation target despite strong progress being made on the month.
        - Much of the decline was because of falling oil prices in the month of June.
    - Core inflation, which excludes the volatile food and energy sectors, rose 0.1% for the month, and remains up 3.3% for the year.
- The University of Michigan Consumer Sentiment Survey suggested that consumers felt better in July, with the index rising to 55.2 points.
    - From a record low of 44.8 just two months ago, the survey has climbed more than 10 points.

How does the most recent economic data impact you?

- The decline in PCE was welcomed by both the Fed and investors, though as oil prices have risen once again in July, that trend is unlikely to hold.
- Economic growth appeared stronger than the headline number would suggest, with consumer spending data from the underlying report remaining durable.
    - Business investment slowed slightly, but artificial intelligence (AI) spending remained strong.
- The Fed is in a difficult position, as a prolonged increased in oil prices driven by the conflict in Iran could delay progress on inflation and keep the door open to additional rate hikes.

A LOOK FORWARD[1]

- This is a busy week for market data, with investors focused on the jobs report, which will include such information as the number of nonfarm payrolls added to the economy and the unemployment rate.
- ISM Services and Manufacturing will also provide key insights into the manufacturing and service sectors.

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

- It is the Fed's job to balance both strong job growth and low inflation. If the job market remains strong, interest rate hikes may be more likely.

MARKET UPDATE[2]

Market Index Returns as of 7/31/26	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	1.06%	-0.06%	10.14%	21.50%	19.42%	12.86%
NASDAQ	1.60%	-3.19%	9.53%	23.62%	21.94%	12.40%
Dow Jones Industrial Average	1.04%	0.38%	10.17%	22.41%	15.85%	10.57%
Russell Mid-Cap	0.32%	-0.62%	14.59%	20.33%	14.92%	8.20%
Russell 2000 (Small Cap)	0.05%	-3.03%	18.85%	36.96%	15.26%	7.11%
MSCI EAFE (International)	2.02%	1.96%	11.59%	24.80%	16.34%	9.31%
MSCI Emerging Markets	2.36%	-3.07%	20.04%	38.33%	19.46%	8.03%
Bloomberg US Agg Bond	-0.12%	-1.30%	-0.69%	1.88%	3.92%	-0.40%
Bloomberg High Yield Corp.	0.18%	-0.25%	1.71%	5.31%	8.37%	4.04%
Bloomberg Global Agg	0.63%	-0.53%	-0.75%	0.86%	3.23%	-1.91%

OBSERVATIONS

- All major domestic averages rebounded last week, with the NASDAQ leading the way, up +1.60%, followed closely by the S&P 500 (+1.06%) as well as the Dow (+1.04%).
- Both mid-cap and small-cap stocks posted positive returns, but underperformed large-cap domestic indices as interest rates moved higher, which tends to adversely affect smaller companies more.
- International stocks yielded positive performance for the week, beating out all other indices. Developed international stocks rose +2.02%.
    - Emerging market stocks were the winner on the week, gaining +2.36% as oil prices declined on the week.
- Fixed income indexes were mixed on the week, as yields rose domestically.
    - The Bloomberg US Aggregate Bond Index (-0.12%) was most impacted by the rise in U.S. interest rates, while US High Yield Corporates (+0.18%) rose slightly, and the Bloomberg Global Aggregate Bond Index (+0.63%) rebounded from a down week as international interest rates moved down.

BY THE NUMBERS

Wildfires Rage Across North America: In the year 2025, roughly 5.1 million acres burned because of wildfire activity. This year, through the end of July, over 5.4 million acres have already burned ahead of August, which tends to be the driest month for most regions of the country and the most prone to enhanced wildfire activity. Outside of the United States, wildfires in Canada and even across Europe in France and Spain have created higher temperatures and poor air quality, with large masses of smoke carried by wind. So far in 2026, there have been over 45,000 wildfires in the United States alone, as a drier winter for much of the West and Midwest has led to fire-prone conditions, and warmer temperatures, in part attributed to the El Niño weather cycle, have increased the risk of wildfires.[3]

Tensions Between U.S. and Iran Remain High: U.S. President Donald Trump said early Sunday he has canceled a planned attack on Iran following a request by Tehran and its regional neighbors. "We have just been asked by Iran, and other Middle Eastern Countries, to hold off any attack in that the perimeters of a deal has been agreed to," Trump said in a Truth Social post. A temporary ceasefire following the signing of a memorandum of understanding between the U.S. and Iran on June 17 has effectively broken down. Neither side has given way on key sticking points, including Iran's nuclear program and control of shipping through the Strait of Hormuz, through which about a fifth of the world's oil supplies moved before the war broke out. Iran has said that there has been no such diplomatic breakthrough as of yet.[4]

Economic Definitions

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

PCE (headline and core): PCE deflators (or personal consumption expenditure deflators) track overall price changes for goods and services purchased by consumers. Deflators are calculated by dividing the appropriate nominal series by the corresponding real series and multiplying by 100.

GDP QoQ: Gross domestic product (GDP) measures the final market value of all goods and services produced within a country. It is the most frequently used indicator of economic activity. The GDP by expenditure approach measures total final expenditures (at purchasers' prices), including exports less imports. This concept is adjusted for inflation.

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.

U-3 Unemployment Rate: The unemployment rate tracks the number of unemployed persons as a percentage of the labor force (the total number of employed plus unemployed). These figures generally come from a household labor force survey.

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.

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 7/31/26.
[2] Data obtained from Morningstar as of 7/31/26.
[3] Statistics | National Interagency Fire Center
[4] Trump cancels planned attack on Iran, saying he reached an agreement over the 'perimeters of a deal'