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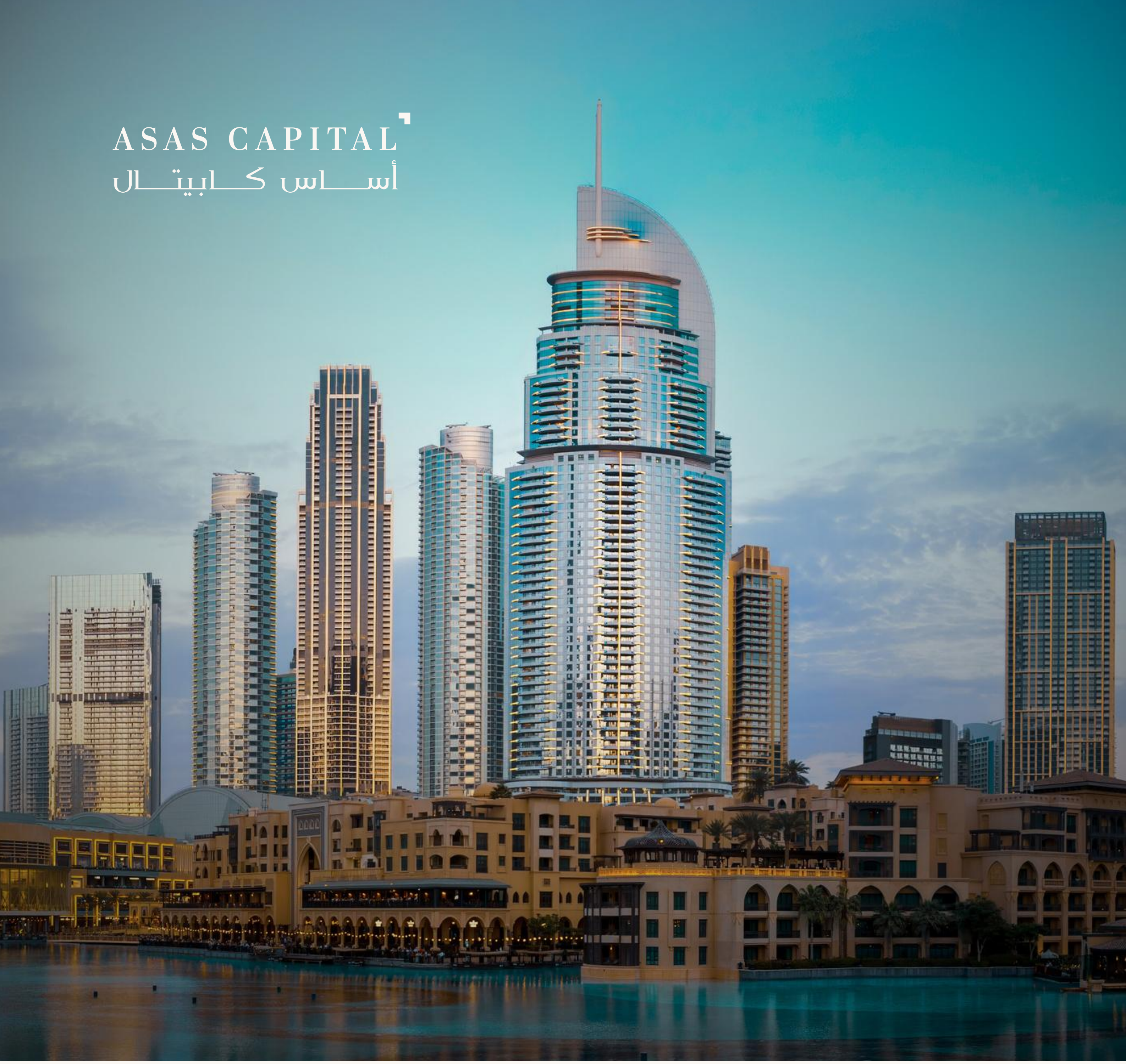

AUGUST 28, 2026

WEEKLY UPDATE

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WEEKLY UPDATE

MUSINGS

“If you want to live a happy life, tie it to a goal, not to people or things.”

ALBERT EINSTEIN

LAST WEEK IN THE MARKETS

Name	Closing Level		Weekly Change		YTD Change	
S&P 500	**7,711**	▲	0.48%	▲	**12.64%**	▲
Nasdaq Composite	**26,402**	▲	**0.85%**	▲	**13.60%**	▲
10Y UST Yield	**4.730**	▼	-0.13%	▼	**13.62%**	▲
Crude oil	83.45	▼	**-3.67%**	▼	**45.38%**	▲
Gold	**4,455**	▼	**-3.22%**	▼	3.17%	▲
DXY	99.677	▲	0.85%	▲	1.42%	▲
USD/INR	**95.36**	▼	-0.34%	▼	**6.15%**	▲
Bitcoin	**77,835**	▲	0.43%	▲	**-11.04%**	▼
Euro STOXX 50	**6,478**	▲	0.28%	▲	**11.44%**	▲
India (Nifty)	**24,175**	▼	-0.32%	▼	**-7.48%**	▼
Japan (Nikkei)	**66,405**	▲	0.59%	▲	**31.91%**	▲
China (CSI 300)	4,609	▼	-0.22%	▼	0.66%	▲
Saudi (TASI)	**11,238**	▲	**2.59%**	▲	**7.12%**	▲
Abu Dhabi (ADX)	10,044	▲	0.40%	▲	0.51%	▲
Dubai (DFM)	5,882	▲	0.44%	▲	-2.73%	▼

NEWS FROM THE MARKETS

Markets focused on Q2 earnings strength, sticky inflation data, and Fed Chair Kevin Warsh’s Jackson Hole speech. Equities finished the week higher, despite volatility, and rate-hike bets rose after the speech. Geopolitical risks from the Iran conflict and U.S. debt concerns remained active.

Q2 Corporate Earnings Season was Exceptionally Strong

S&P 500 companies delivered exceptional results. **Blended year-over-year earnings growth reached 52.0% - the highest rate since Q2 2021.** It is the second consecutive quarter above 25% growth and the seventh of double-digit growth.

About 86% of companies beat EPS estimates, and the average surprise was large. Revenue growth stood at 15.5% year-over-year, the strongest since late 2021.

Growth was broad but concentrated. The "Magnificent 7" posted over 100% earnings growth, boosted by investment gains at firms such as Alphabet and Amazon. Excluding those effects, growth for the rest of the index also remained solid near 32%. Analysts raised full-year 2026 estimates meaningfully during the season.

Profit margins stayed near record levels. Companies showed resilience despite higher energy costs and geopolitical noise.

Most Sectors Delivered Strong Results

- **Energy:** Led with ~146% year-over-year earnings growth. Higher oil prices linked to Middle East disruptions drove the rebound. Oil-weighted producers more than doubled profits in some cases.
- **Information Technology and Communication Services:** Strong double-digit to triple-digit growth in several names. AI-related spending and semiconductor demand supported results. NVidia later reinforced the theme with robust quarterly numbers and guidance.
- **Consumer Discretionary:** Solid gains, though skewed by large constituents.
- **Financials and Industrials:** Healthy beats. Capital markets activity and resilient demand helped.
- **Health Care:** The only sector reporting a year-over-year earnings decline in blended data.
- **Others:** Most sectors posted positive growth. Ten of eleven sectors showed year-over-year increases, many in double digits.

Overall surprise rates were highest in Health Care, Information Technology, and Industrials for EPS. Revenue beats were widespread except in Utilities.

Chair Warsh's Jackson Hole Speech: Key Messages

Fed Chair Kevin Warsh spoke on August 28 in his first Jackson Hole keynote as chair (marking roughly his 100th day). The speech was titled "In Our Time."

Key points included:

- **Inflation remains the priority.** PCE stands at 3.7% year-over-year. Recent softer readings "do not tell me that underlying trends have meaningfully improved."
- "We must be confident that underlying inflation is moving to our objective, clearly and at sufficient speed. Otherwise, we have work to do."
- The 2% PCE target is "firm" and "fixed."
- The economy appears strong and resilient. Labor market conditions are consistent with full employment. Credit and loan markets show few signs of policy restraint.
- **Short-term rates remain the primary tool.** Unconventional policies should be used sparingly.
- Preference for a "quieter Fed." Reduced reliance on detailed forward guidance and public rate-path predictions. Markets should provide unfiltered signals.
- AI is a major potential productivity driver. The Fed is studying its effects via task forces, but these will not drive near-term policy.

Warsh avoided mechanical reaction functions or explicit rate forecasts.

Market Impact was along expected lines

Markets interpreted the speech as hawkish relative to recent ambiguity. Credibility on inflation fighting improved in the eyes of many participants.

- **Equities:** Stocks rose early in the week on strong tech earnings (Nvidia, Salesforce, CrowdStrike), but gave back some gains on Friday after the speech. For the full week: S&P 500 +0.5% (closed near 7,712), Nasdaq +0.8% (near 26,402), Dow +0.5% (near 53,560). Russell 2000 lagged.
- **Bonds:** Short-term yields jumped. **Two-year Treasury yield rose roughly 10–12 basis points to about 4.35%.** Ten-year yield moved higher to around 4.72%. Longer-end yields were more mixed. **September rate-hike odds rose from ~35–40% to 55–60%.**
- **U.S. Dollar:** Strengthened on higher rate expectations. Dollar index posted solid weekly gains.
- **Gold and Precious Metals:** Fell sharply on the day (gold down as much as 3%). Higher real yields and a stronger dollar weighed on the metal. Mining stocks sold off.
- **Oil:** Declined for the week (Brent near $89–90, WTI lower). Some de-escalation hopes in the Gulf offset earlier war-related support.
- **Other:** Bitcoin was volatile and ended roughly flat to slightly lower into the weekend after earlier strength.

Elevated Risk of Rate Hikes Likely to Keep Volatility High

Rate-hike risk is now more front-loaded. A September move is possible but not certain; later 2026 hikes have higher odds if inflation stays sticky.

Equity valuations face pressure from higher discount rates, especially rate-sensitive sectors. Strong earnings provide a buffer. Energy and AI-linked names may stay supported if commodity and growth themes persist.

Bond volatility could remain elevated. Fiscal concerns (U.S. debt above $40 trillion) and Treasury buyback efforts will interact with Fed policy. The dollar may stay firm near-term.

Gold's recent strength could face further headwinds if rate expectations stay elevated.

Watch labor data, August inflation prints, and any Middle East developments closely. AI productivity gains are a longer-term upside risk for growth and potential disinflation.

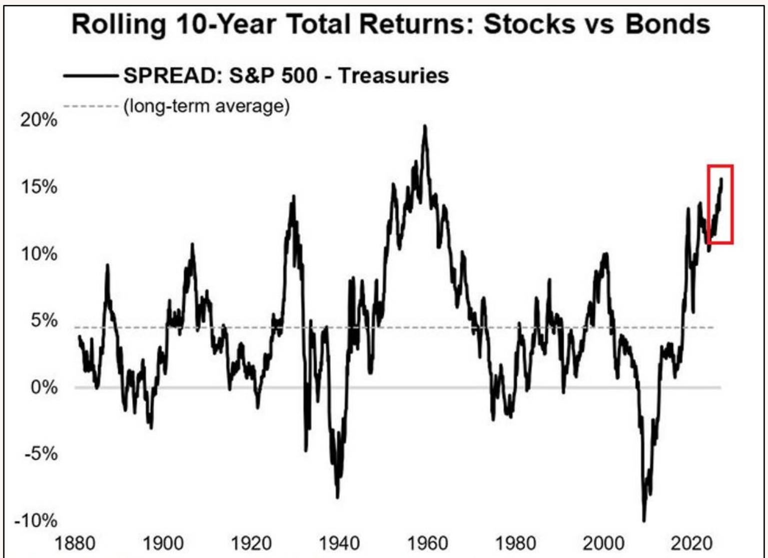
Data suggests that corporate fundamentals are robust. Inflation remains the central risk. Warsh has clarified a data-dependent, inflation-focused stance with less reliance on guidance. Markets will test this framework against incoming data over the coming months. Resilience in growth and earnings continues to support a constructive but more cautious risk posture.

COMING THIS WEEK

Key Economic Events

August 31st	• China PMI Data (Aug) • India GDP Data (Q2)
September 1st	• US Manufacturing PMI Data (Aug) • Dell, PaloAlto Network earnings
September 2nd	• Broadcom, Hewlett Packard Enterprise earnings
September 3rd	• US Services PMI Data (Aug)
September 4th	• US Jobs Data (Aug)

CHART OF THE WEEK



Source: Topdown Charts, LSEG, Robert J. Shiller data

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