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Financial Week Newsletter

Summarized by Smith Shellnut Wilson

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"Great things are done by a series of small things brought together." Vincent Van Gogh

MARKETS

Macro Recap: Last week brought a modest pause in market momentum as investors digested the final stages of an exceptionally strong earnings season while keeping a close eye on interest rates and government borrowing costs. The U.S. government's total debt surpassed the $40 trillion mark for the first time, reinforcing concerns about long-term fiscal pressures and helping keep upward pressure on Treasury yields. In response, Treasury Secretary Scott Bessent announced that the Treasury would double the size of its bond buyback program beginning next month, a move intended to improve market liquidity and help ease borrowing costs in longer-dated maturities.

Global bond markets also remained in focus as inflation concerns persisted across major economies. Japan's 10-year government bond yield climbed to its highest level in roughly three decades, while Germany's 30-year yield reached levels not seen since 2011. Meanwhile, commodity markets moved higher. Oil prices posted a second consecutive weekly gain, with U.S. crude advancing from roughly $82 to $87 per barrel amid renewed concerns surrounding developments in the Middle East and shipping activity through the Strait of Hormuz. Gold also continued its recent rally, climbing to more than $4,670 per ounce and reaching its highest level in over three months as investors sought inflation hedges and safe-haven assets.

Equity Market Recap: U.S. equities posted their first weekly decline in nearly a month as investors locked in gains following a strong run for stocks. The S&P 500 and NASDAQ each fell between 1% and 2% on the week, snapping a three-week streak of advances. Despite the pullback, both indexes remain relatively close to their historic highs, with the S&P 500 ending the week approximately 1.6% below the record level established the previous week and the NASDAQ sitting about 3.4% below its early-June peak.

While earnings season is winding down, corporate results have generally exceeded expectations and helped support equity valuations throughout the summer. Investor attention is now shifting from earnings toward the path of monetary policy, inflation, and the outlook for economic growth as markets approach the seasonally volatile fall period.

Fixed Income and Rates Recap: Treasury yields moved modestly higher during the week, particularly on the longer end of the curve. The 30-year Treasury yield finished near 5.27%, just below its highest level in almost two decades, while the benchmark 10-year Treasury yield rose to approximately 4.73%. The 2-year Treasury yield ended the week near 4.23%.

The continued steepening of the yield curve reflects ongoing concerns over inflation, elevated federal borrowing needs, and uncertainty surrounding the ultimate path of Federal Reserve policy. Although the Treasury's expanded buyback program is intended to improve conditions in longer-dated securities, investors continue to demand higher yields to compensate for inflation and growing government debt levels.

Week Ahead: Markets will be focused on the Federal Reserve's annual economic symposium in Jackson Hole, Wyoming, beginning Thursday. The gathering often provides important insight into the Fed's thinking on inflation, growth, and interest rates heading into the fall. Fed Chair Kevin Warsh is scheduled to deliver remarks on Friday, and investors will closely scrutinize his comments for any signals regarding future monetary policy decisions. With stocks near record highs, long-term yields elevated, and inflation still above the Fed's target, Jackson Hole could prove to be one of the most closely watched events of the summer.

INDICES

	Aug 17 Close	Aug 21 Close	Weekly Change	Dec 31 2025	YTD Change
DJIA	53,732	53,277	-0.8%	48,063	10.8%
S&P 500	7,786	7,674	-1.4%	6,846	12.1%
NASDAQ	26,729	26,180	-2.1%	23,242	12.6%
Russell 2000	3,068	3,018	-1.6%	2,482	21.6%
KBW Bank Indx	193.9	186.0	-4.1%	164.0	13.4%
Bitcoin	$63,519	$79,078	24.5%	$87,648	-9.8%
Oil (WTI)	$82.99	$85.54	3.1%	$57.42	49.0%
Gold	$4,385	$4,666	6.4%	$4,319	8.0%
Prime	6.75	6.75	0.00	6.75	0.00
Effective Fed Funds	3.63	3.63	0.00	3.64	-0.01
3m Tbill	3.79	3.79	0.00	3.63	0.16
2yr UST	4.18	4.24	0.06	3.47	0.76
10yr UST	4.71	4.71	0.00	4.17	0.54
2-10yr UST Spread	53	47	-6	69	-22
2y AAA Muni/10y UST	59.8%	59.6%	-0.2%	70.3%	-10.7%
10y AAA Muni/10y UST	68.2%	70.1%	1.9%	65.4%	4.7%
5yr Inflation Forecast	2.27	2.34	0.07	2.27	0.07

Week Ahead

- **Monday:** No major U.S. reports scheduled
- **Tuesday:** Case Shiller Home Prices, Consumer conf., New home sales
- **Wednesday:** PCE, Second Q GDP, Second Q GDP
- **Thursday:** Weekly unemployment
- **Friday:** Kevin Warsh - Jackson Hole, UofM consumer sentiment

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