SMITH SHELLNUT WILSON
AN AFFILIATE OF 61BANK

Financial Week Newsletter

Summarized by Smith Shellnut Wilson

August 31, 2026

"You don't have to burn books to destroy a culture. Just get people to stop reading them." Ray Bradbury

MARKETS

Macro Recap: Markets spent much of last week reassessing the outlook for monetary policy after Federal Reserve Chair Kevin Warsh delivered a firmer-than-expected message on inflation during the Fed's annual Jackson Hole symposium. Warsh emphasized that policymakers still need clear evidence that inflation is moving sustainably back toward the Fed's 2% target and suggested that, absent that progress, additional policy tightening could remain on the table. The comments represented a notable shift from expectations just a week earlier, when investors largely anticipated the Fed would remain on hold through the fall.

Adding to the cautious tone, the Fed's preferred inflation gauge, the Personal Consumption Expenditures (PCE) Price Index, rose 0.2% in July, pushing the year-over-year rate to 3.7%, both slightly above consensus expectations. Meanwhile, consumer confidence deteriorated, with the University of Michigan Consumer Sentiment Index declining to 51.7 in August from 55.2 in July. While sentiment remains above the lows reached earlier this year, the data reflects continued pressure on consumers from elevated prices and economic uncertainty.

Equity Market Recap: Despite the shift in interest rate expectations, U.S. equity markets finished the week modestly higher. The S&P 500, Nasdaq Composite, and DJIA all recovered the small losses recorded the previous week and continued to trade within a relatively narrow range. This marks a third consecutive week of consolidation following the strong rally that began at the end of July.

Fixed Income and Rates Recap: Treasury yields moved higher, particularly at the short end of the curve, as traders increased the likelihood of another rate increase at the Fed's September meeting. The 2-year Treasury yield rose from 4.23% on Thursday to 4.35% by Friday afternoon, reflecting growing uncertainty around near-term policy decisions.

At the same time, Treasury Secretary Scott Bessent continued efforts to stabilize long-term borrowing costs. Earlier this month, the Treasury announced it would expand its buyback program for longer-dated Treasury securities, increasing purchases of 10- to 30-year bonds in an effort to improve market liquidity and reduce upward pressure on long-term yields. The initiative, which Bessent referred to as a "Treasury Twist," was designed to support the long end of the curve at a time when rising yields were becoming a growing concern for consumers, businesses, and the federal government. The Treasury has also accumulated nearly $1 trillion in its Treasury General Account, providing significant flexibility to support future buyback operations if needed.

The contrasting actions from the Fed and Treasury highlight a growing policy divergence. While the Federal Reserve remains focused on containing inflation through restrictive monetary policy, the Treasury is attempting to ease pressure on long-term interest rates and support overall market functioning.

Week Ahead: Attention now shifts to Friday's employment report, which could be the most important economic release before the Federal Reserve's September meeting. Recent labor market data has pointed to a meaningful slowdown in hiring, raising concerns that economic momentum is beginning to soften. A weaker-than-expected August jobs report would intensify the challenge facing policymakers as they weigh stubborn inflation against signs of labor market weakness. With inflation still above target, employment trends deteriorating, and rate expectations shifting, markets are likely to remain highly sensitive to incoming economic data over the next several weeks.

INDICES

	Aug 24 Close	Aug 28 Close	Weekly Change	Dec 31 2025	YTD Change
DJIA	53,277	53,560	0.5%	48,063	11.4%
S&P 500	7,674	7,712	0.5%	6,846	12.6%
NASDAQ	26,180	26,402	0.8%	23,242	13.6%
Russell 2000	3,018	2,972	-1.5%	2,482	19.8%
KBW Bank Indx	186.0	187.2	0.7%	164.0	14.1%
Bitcoin	$79,078	$78,106	-1.2%	$87,648	-10.9%
Oil (WTI)	$85.54	$86.13	0.7%	$57.42	50.0%
Gold	$4,666	$4,450	-4.6%	$4,319	3.0%
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	3.81	0.02	3.63	0.18
2yr UST	4.24	4.33	0.10	3.47	0.86
10yr UST	4.71	4.73	0.02	4.17	0.57
2-10yr UST Spread	47	40	-7	69	-29
2y AAA Muni/10y UST	59.6%	57.6%	-2.0%	70.3%	-12.7%
10y AAA Muni/10y UST	70.1%	70.4%	0.3%	65.4%	5.0%
5yr Inflation Forecast	2.34	2.33	-0.01	2.27	0.06

Week Ahead

- **Monday:** No major U.S. reports scheduled
- **Tuesday:** JOLTS, ISM manufacturing idx, Construction spending
- **Wednesday:** ADP national employment, Factory orders
- **Thursday:** ISM nonmanufacturing idx, Trade balance
- **Friday:** Jobs & unemployment

ALL CONTENT IS FOR INFORMATIONAL PURPOSES ONLY AND SHOULD IN NO WAY BE CONSTRUED OR INTERPRETED AS A SOLICITATION TO SELL OR AN OFFER TO SELL ADVISORY SERVICES OR PRODUCTS.