The Weekly Market Update - 9/8/26: Jobs Reversal Changes the Narrative Again

Major Indices (Price Returns)	Close	Last Week	Quarter-to-Date	Year-to-Date	LTM	All-Time High	% from High
S&P 500	7,718.60	0.09%	2.92%	12.75%	19.48%	7,798.99	1.0%
Dow Jones Industrial Average	53,414.25	-0.27%	2.09%	11.13%	17.28%	54,349.12	1.8%
NASDAQ Composite	26,506.99	0.40%	1.12%	14.05%	23.54%	27,093.90	2.2%
Russell 2000	2,975.65	0.11%	-1.61%	19.89%	25.74%	3,068.42	3.1%
MSCI EAFE (USD)	3,239.16	-0.22%	3.93%	11.98%	18.98%	3,262.58	0.7%
MSCI Emerging Markets (USD)	1,726.32	0.24%	0.20%	22.92%	37.18%	1,802.77	4.4%
Bloomberg Commodity Index	142.87	1.91%	15.98%	30.24%	38.99%	237.95	66.6%
Barclays U.S. Aggregate Bond	91.46	-0.33%	-1.71%	-2.78%	-1.72%	112.07	22.5%

Source: FactSet

August U.S. jobs gains exceeded expectations, boosting the outlook for consumer spending. According to the Bureau of Labor Statistics (BLS), U.S. nonfarm payrolls (jobs) rose +162 thousand (K) in August and the unemployment rate was 4.1%. The increase was well above an +65K consensus estimate (FactSet) and was the best monthly jobs increase in the past five months (since +214k in March 2026). The report also included +55K of positive revisions to the previous two months, mostly for July, which now reflects a monthly jobs increase of +21K vs. the -23K decrease originally reported (one month ago). Just a month ago the labor market was slowing and displayed signs of weakness, but following this latest report the 3-month (June, July and August) average monthly jobs increase was back to +71K and the 6-month average per month was +107K, at its highest level in more than a year. Initial market reaction (stocks and bonds) was moderately negative as the S&P 500 equity index fell -0.4% on Friday (9/4/26) and bond prices declined as well. This took yields higher for U.S. Treasury securities with the 2-year Treasury yield (TY) at 4.37% and the 10-year TY at 4.78%. Due to lingering inflation fears expressed by the U.S Federal Reserve Bank (Fed), a solid labor market can support tighter Fed interest rate policy (higher rates) at upcoming Fed meetings (the next two scheduled Fed meetings end on 9/16/26 and 10/28/26). While investors worry that sustained higher interest rates driven by Fed action could weigh on equity market returns (either by reducing valuation multiples or slowing economic growth), an improving labor market could boost consumer spending and contribute to U.S. economic growth. We believe that second quarter (2Q26) consumer spending was helped by tax refunds despite moderating jobs growth, but 3Q26 spending levels can benefit from sustained labor market improvement.

U.S. economic growth estimates have increased since late July. Gross domestic product (GDP) is the value of goods and services produced in the U.S. and is a measure of the U.S. economy (reported by the Bureau of Economic Analysis, or BEA). The FactSet consensus estimate (from Wall Street economists) for 3Q26 inflation-adjusted (real) GDP growth was +2.2% (as of 9/7/26) up from an estimate of 2.0% at the end of July. U.S. real GDP growth in 1Q26 and 2Q26 was +2.1% and +1.5%, respectively. Business investment, driven by Artificial Intelligence (AI) infrastructure spending, appears strong and has contributed GDP upside over the past several quarters. But consumer spending, after a solid 2Q26, has looked strong in 3Q26 as well. The Federal Reserve Bank of Atlanta's GDPNow estimate reflects current quarter GDP trends as data is reported. The GDPNow model updated on 9/3/26 reflected 3Q26 GDP growth trending at +4.7%. Sequential annual growth for business investment (+9.3%) and consumer spending (+3.8%) were both tracking above 2Q26 reported levels. This suggests ongoing resilience in U.S. economic data despite headwinds, providing support for solid earnings growth.

Inflation data is front and center this week, as consumer inflation for August will be reported. The widely followed consumer price index (CPI) from the Bureau of Labor Statistics (due of Friday 9/11), is estimated to show year-over-year (Y/Y) inflation of +3.3% and excluding food and energy (core-CPI) +2.4%. Although oil prices (affecting gasoline, diesel, and jet fuel) moved higher in August, the estimates reflect that modest Y/Y inflation improvement is expected. But the month-to-month (M/M) data will be watched closely to identify potential near-term trends. Headline CPI is expected to rise +0.4% M/M, which is a big number for one month, but M/M core-CPI, reflects an estimate of +0.2%. In our view, this is the key number to watch as it will reflect potential inflation pressures beyond oil and gas as way to assess more widespread price concerns.

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Market Indices: The information on indices is presented for illustrative purposes only and is not intended to imply the potential performance of any fund or investment. Indices provide a general source of information on how various market segments and types of investments have performed in the past. Index performance assumes the reinvestment of all distributions, but does not assume any transaction costs, taxes, management fees, or other expenses. You may not invest directly in an index. Past performance is not an indicator of future results. The S&P 500 Index is a market cap weighted index that is designed to measure the US large-cap equity performance. The index is composed of the 500 leading publicly traded US companies based on size, liquidity, industry, and profitability criteria. The Dow Jones Industrial Average is a price weighted index that tracks 30 large, exchange-traded companies trading on the New York Stock Exchange (NYSE) and the NASDAQ. The NASDAQ Composite Index measures all NASDAQ domestic and international based common type stocks listed on The NASDAQ Stock Market. Today the NASDAQ Composite includes over 3,000 companies. The Russell 2000® Index is a market cap weighted index that measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The MSCI EAFE® Index (Europe, Austral, Asia, Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US and Canada. The MSCI EAFE® Index (Europe, Austral, Asia, Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US and Canada. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The S&P 500 Equal Weight Index is compiled by S&P Dow Jones. It is an equal-weight version of the widely used S&P 500. The index includes the same constituents as the capitalization-weighted S&P 500, but each company is allocated a fixed weight, or 0.2%, of the index total at each quarterly rebalance.

The Russell 1000 index includes the largest 1000 companies (by market capitalization in the Russell 3000 index. The Russell 1000® Growth Index is a market cap weighted index that measures the performance of the large-cap growth segment of the U.S. equity market. It includes those Russell 1000 companies with relatively higher price-to-book ratios and higher expected earnings growth rates. The Russell 1000® Value Index includes those Russell 1000 companies with relatively lower price-to-book ratios and lower expected earnings growth rates.

The Global Industry Classification Standard (GICS) is a four-tiered, hierarchical industry classification system. Companies are classified quantitatively and qualitatively. Each company is assigned a single GICS classification at the Sub-Industry level according to its principal business activity. MSCI and S&P Dow Jones Indices use revenues as a key factor in determining a firm's principal business activity. The 11 sectors are: Communication Services, Consumer Discretionary, Consumer Staples, Energy, Financials, Health Care, Industrials, Information Technology, Materials, Real Estate, and Utilities.

FactSet is a data aggregation software utilized by D.A. Davidson's Wealth Management Research. The FactSet consensus refers to the aggregate of all analysts estimates from firms that submit estimates to FactSet for a given financial metric.

Volatility looks at to what degree and how quickly prices move over a given span of time. In the stock market, increased volatility, in the form of rapidly falling prices, is often a sign of rising uncertainty.

The Federal Reserve Bank's Open Market Committee (FOMC) consists of twelve members – the seven members of the Board of Governors of the Federal Reserve System, the president of the Federal Reserve Bank of New York, and four of the remaining eleven Federal Reserve Bank presidents, who serve one-year terms on a rotating basis. The FOMC holds eight regularly scheduled meetings per year. At these meetings, the Committee reviews economic and financial conditions, determines the appropriate stance of monetary policy, and assesses the risks to its long-run goals of price stability and sustainable economic growth. The next scheduled FOMC meeting is over two days 9/15/26 and 9/16/26. The Fed balance sheet represents the value of Treasury securities and mortgage securities that the Fed owns and are held as assets.

The term "monetary policy" refers to the actions undertaken by a central bank, such as the Federal Reserve, to influence the availability and cost of money and credit to help promote national economic goals. The Board of Governors of the Federal Reserve System is responsible for the discount rate and reserve requirements, and the Federal Open Market Committee is responsible for open market operations. The Federal Reserve influences the demand for, and supply of, balances that depository institutions hold at Federal Reserve Banks and, in this way, alters the federal funds rate. The federal funds rate is the interest rate at which depository institutions lend balances at the Federal Reserve to other depository institutions overnight. The Summary of Economic Projections (SEP) represent individual projections from Federal Reserve Board members and Fed bank presidents and rely upon individual assumptions.

The Federal Reserve Bank of Kansas City's Economic Policy Symposium in Jackson Hole, Wyoming, is one of the longest-standing central banking conferences in the world. The event brings together economists, financial market participants, academics, U.S. government representatives, and news media to discuss long-term policy issues of mutual concern. The 2026 Jackson Hole Economic Policy Symposium was held August 27-29. The topic was "Financial Innovation: Implications for Payments and Policy." A transcript of Kevin Warsh's opening speech is linked.

The Treasury yield curve displays the market interest rate across different contract lengths for U.S. Treasury securities, indicating the relationship between the interest rate and the time ("term") to maturity. The yields of the 2-year and 10-year U.S. Treasury notes are widely followed barometers of the current U.S. interest rate environment. Treasury security data used in calculating interest rate spreads is obtained directly from the U.S. Treasury Department, through FactSet.

The consumer price index (CPI) is a measure of average change, over time, in the prices paid by urban consumers for a market basket of goods and services. It is reported monthly by the U.S. Bureau of Labor Statistics. The U.S. Personal Consumption Expenditures (PCE) Price Index is an indicator of the growth in consumer spending and measures the value of goods and services purchased by persons who reside in the U.S. It is reported monthly by the Bureau of Economic Analysis. PCE inflation is the percentage rate of change in the price index for personal consumption expenditures (PCE).

Gross domestic product (GDP) refers to the monetary measure of the market value of all final goods and services produced within a country's borders within a specific time period. Real GDP is adjusted for the impact of inflation. GDP numbers are compiled by the Bureau of Economic Analysis (BEA), a division within the U.S. Department of Commerce. Quarterly GDP is reported as a percentage change from the prior quarter, annualized. The BEA also reports data as a year-over-year percentage change from the same period one year prior. The most recent GDP report can be found at www.bea.gov. Major components of GDP include personal consumption expenditures, non-residential fixed investment, residential investment, government expenditures and adjustments for inventories and net exports (imports). Non-Residential Fixed Investment includes several subcategories including software and information processing equipment that measure investment in technology. Imports of goods and services are subtracted from GDP data (products are not produced or performed in the U.S) while exports are added to GDP. Gross domestic final purchases measures the market value of goods and services purchased by U.S. residents, regardless of where the goods and services were produced. It excludes the GDP net exports adjustment.

Generative Artificial Intelligence (GenAI): We think of artificial intelligence as using advanced computers to process large amounts of data to ultimately approach human problem solving and decision making. While still predictive models, generative AI can give detailed responses, much better than a search engine, which does a good job of telling the user where to go to find additional information. As generative AI systems access more data, they become larger and learn to make better decisions. At each iteration, the system gains knowledge, enhancing its predictive (reliable) capabilities and ability to produce original content. Generative AI systems become more robust as they are used as all new data can be trained into the system, creating new challenges and opportunities. AI infrastructure refers to spending on data centers, graphic processors (GPUs), networking, power, and cloud computing capacity.

The Bureau of Labor Statistics (BLS) compiles U.S. labor statistics from two monthly surveys. The household survey measures labor force status by demographics, while the establishment survey measures nonfarm employment and data by industry. The nonfarm payrolls component of the establishment survey is drawn from private businesses and government entities. The nonfarm payrolls number is among the most widely used data points to assess U.S. employment trends. The unemployment rate is the percentage of the labor force that is jobless and actively willing and available to work. As of 9/4/26 the monthly change in nonfarm payrolls was reported as: March: +214 thousand (K). April: +148K, May: +63K, June: +31K, July: +21K, August: +162K.

The Federal Reserve Bank of Atlanta publishes a "GDP tracker," which measures current quarter economic growth trends as data is reported. The growth rate of real gross domestic product (GDP) is a key indicator of economic activity, but the official estimate is released with a delay. GDPNow forecasting model provides a "nowcast" of the official estimate prior to its release by estimating GDP growth using a methodology similar to the one used by the US Bureau of Economic Analysis. The report is not a forecast, but rather gives an estimate of the growth trend from data as reported.