Weekly Market Update

Monday, September 21, 2026

D|A|DAVIDSON WEALTH MANAGEMENT

The Weekly Market Update - 9/21/26: Consumer Trends Look Good as Fed Hikes

Major Indices (Price Returns)	Close	Last Week	Quarter-to-Date	Year-to-Date	LTM	All-Time High	% from High
S&P 500	7,650.50	-0.08%	2.02%	11.76%	18.42%	7,798.99	1.9%
Dow Jones Industrial Average	51,682.64	-1.69%	-1.22%	7.53%	13.48%	54,349.12	5.2%
NASDAQ Composite	26,522.55	0.72%	1.18%	14.11%	23.62%	27,093.90	2.2%
Russell 2000	2,860.40	-1.50%	-5.42%	15.25%	20.87%	3,068.42	7.3%
MSCI EAFE (USD)	3,142.97	-1.60%	0.84%	8.65%	15.45%	3,262.58	3.8%
MSCI Emerging Markets (USD)	1,710.85	-0.62%	-0.70%	21.82%	35.95%	1,802.77	5.4%
Bloomberg Commodity Index	145.44	0.15%	18.07%	32.59%	41.49%	237.95	63.6%
Barclays U.S. Aggregate Bond	90.43	-0.05%	-2.83%	-3.88%	-2.83%	112.07	23.9%

Source: FactSet

Recent consumer data reflects solid spending levels despite the presence of sustained headwinds. Growth in July personal consumption expenditures, or PCE (Bureau of Economic Analysis, BEA), and August retail sales (U.S. Census), along with an uptick in monthly jobs growth (Bureau of Labor Statistics, BLS) and a stable 4.1% unemployment rate, reveals an increase in consumer spending contributions to the U.S. economy from earlier in the year. Despite growth in technology investment and other expenditures from business, consumers remain the largest contributor to the U.S. economy as measured by gross domestic product, or GDP. Through the end of June 2026, consumer spending comprised 69% of inflation-adjusted U.S. GDP (annualized) and business investment comprised 16%. In general, moderate growth in consumer spending can drive meaningful growth in the U.S. economy, while growth in business investment must be larger to have a greater impact on overall economic expansion. U.S. inflation-adjusted GDP increased +2.1% and +1.5% in 1Q26 and 2Q26, respectively. Business investment, primarily supporting artificial intelligence infrastructure projects, grew +10.6% and +8.5% annualized in 1Q26 and 2Q26, respectively. At the same time, consumer spending increased +0.5% (1Q) and +3.4% (2Q) over the same two periods. Data from the Federal Reserve Bank of Atlanta, which tracks current quarter GDP inputs as monthly data is reported, was most recently updated on 9/17/26 and reflected 3Q26 U.S. GDP tracking at +5.1%, with consumer spending +4.1% and business investment +8.7%. While some August data and all September data remain unreported, consumer trends appeared to have firmed from solid 2Q26 levels. Concern remains that high oil prices driving higher costs for gasoline, heating oil, diesel, and jet fuel will keep inflation higher for longer, and in recent months wage growth (BLS) has grown less than inflation. We attribute consumer resilience to the use of savings (the U.S. savings rate was 3.0% of disposable income in July, down from 4.4% in January) and credit, as well as healthy spending from high-income earners. High-income spending can benefit from strong equity market returns creating a "wealth effect" for an important segment of the economy. This creates a risk that a change in asset prices (such as equities or home prices) could negatively impact the consumer economy disproportionately.

As expected, the Federal Reserve Bank (Fed) increased its fed funds target rate by +0.25%. The new fed funds target range is 3.75% to 4.00% and represented the first target rate increase in more than three years (July 2023). Fed Chair Kevin Warsh said that since the last Fed policy meeting in July, the economy has strengthened, inflation trends have not improved, and the geopolitical environment has escalated (creating uncertainty). The U.S. 2-year Treasury yield (TY) trades at 4.73% on 9/21/26, well above the fed funds target, an indication that markets see more Fed hikes ahead. In addition, the U.S. 10-year TY (long-term rates) was 4.96% on 9/21, up from 4.60% at the end of July. Chair Warsh attributed upward yield pressure to three potential factors, including a strong economy, demand for capital from AI infrastructure financing, and geopolitics (Iran) driving inflation in a range of commodities.

China's President Xi Jinping visits Washington D.C. this week to meet with President Trump on 9/24 (Thursday). The two leaders last met in May in Beijing, and President Xi last visited the U.S. in November 2023. Multiple high profile topics are likely on the agenda including U.S.-China trade, AI investment, the Strait of Hormuz, critical minerals, and Taiwan. Expectations are low for any major breakthroughs or announcements, but trade relations are always a wild card. The two countries have a tariff escalation truce in place until November, so an extension or agreement is needed.

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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 most recent FOMC was on 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. Federal Reserve Bank statements can be found at federalreserve.gov.

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. Monthly data on PCE (consumer spending) is reported by the BEA in its Personal Income and Outlays report. This report also includes the personal savings rate, with is personal savings as a percentage of disposable income, measured monthly.

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.

U.S. oil prices are often described using the price per barrel of West Texas Intermediate (WTI. This is a high quality low density crude oil grade sourced primarily from the Permian basin. Futures contracts and spot prices are traded on the New York Mercantile Exchange (NYMEX). Data on the economics of oil price changes on the retail price of gasoline can be found from the Federal Reserve Bank of St. Louis and the U.S. Energy Information Administration (EIA). WTI was quoted at $106 per barrel on 9/15/26, the highest level since late May, but as of 9/21/26, WTI was $92 per barrel.

The Strait of Hormuz is located in the gulf between Oman and Iran. According to the U.S. Energy Information Administration, an estimated 20 million barrels per day are transported on ships through the Strait on a daily basis. This includes liquified natural gas (LNG) as well and is an essential waterway for Gulf energy exports.

The Automobile Club (AAA) monitors daily fuel prices in the U.S., which can be tracked at: gasprices.aaa.com.

Retail Sales measures the change in retail sales for the given time period; the Monthly Retail Trade Survey provides current estimates of sales at retail and food service stores and is answered by about 4,900 retail and food service companies that are designed to represent the complete universe of over three million retail and food service firms in the U.S.; the control group excludes volatile items like gasoline, motor vehicles, and building materials; ex-auto excludes motor vehicles and parts dealers; ex-auto fuel excludes gasoline and motor vehicles; data reported by the U.S. Census Bureau. August retail sales increased +1.2% from July and +5.3% year-over-year (vs. July 2025).

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.

In late October 2025, in Busan, South Korea, the U.S. and China agreed to a one-year curb on higher U.S. tariffs in exchange for a one-year pause on China exports of rare earth minerals. The talks also included discussion about fentanyl, soybean purchases, oil and gas, and access to technology.

The concept of a "wealth effect" was attributed to economist Arthur Pigou in the 1940s. It is an economic theory that concludes that consumer often increase spending when asset values rise.