



The Weekly Market Update – 7/27/26: Fed Meets As Interest Rates Rise

Major Indices (Price Returns)	Close	Last Week	Quarter-to-Date	Year-to-Date	Trailing 12-Months	All-Time High	% to High
S&P 500	7,411.98	-0.61%	-1.17%	8.28%	19.45%	7,609.78	2.7%
Dow Jones Industrial Average	51,947.25	-0.38%	-0.71%	8.08%	17.81%	53,055.91	2.1%
NASDAQ Composite	24,975.82	-2.13%	-4.72%	7.46%	22.61%	27,093.90	8.5%
Russell 2000	2,930.00	-1.09%	-3.12%	18.05%	34.71%	3,024.37	3.2%
MSCI EAFE (USD)	3,113.50	0.43%	-0.10%	7.63%	17.28%	3,179.91	2.1%
MSCI Emerging Markets (USD)	1,628.03	0.46%	-5.51%	15.93%	33.14%	1,802.77	10.7%
Bloomberg Commodity Index	134.94	2.71%	9.55%	23.02%	32.26%	237.95	76.3%
Barclays U.S. Aggregate Bond	91.73	-0.78%	-1.42%	-2.49%	-1.06%	112.07	22.2%

Source: FactSet

U.S. Treasury yields have moved to multi-month highs ahead of this week's scheduled Federal Reserve Bank (Fed) policy meeting. While the Fed manages very short-term interest rates by setting and managing a fed funds (for overnight bank lending) target range, U.S. Treasury bonds are market-traded, and those bond yields can change daily, reflecting investor expectations. As of 7/27/26, the U.S. 10-year Treasury yield (TY, which we view as a proxy for long-term interest rates) was 4.64%, up from 4.37% one month ago (6/26/26). In our view, this recent rise in long-term yields reflects investor concerns regarding resumption of military action in Iran, closure of the Strait of Hormuz, and a new round of rising oil prices. If sustained, this adds to inflationary pressures, creating U.S. economic headwinds as well as adding to U.S. interest costs to finance the annual budget deficit and national debt. From 4.17% on 12/31/25, the 10-year TY in 2026 has traded in a range of 3.96% to 4.70%. The low end of the range was set in late February, just before the start of the Iran conflict, and yields have moved higher along with oil prices. U.S. oil (as measured by West Texas Intermediate crude, or WTI) was \$89 per barrel on 7/24/26, up +33% from \$67/barrel on 2/27/26. We remain concerned that a sustained move higher in long-term interest rates could weigh on equity market gains with more volatility. Both the U.S. and Iran paused attacks over the weekend, renewing hopes that a new ceasefire could be announced, leading to modest Monday declines in oil prices and Treasury yields. U.S. 2-year Treasury yields (which we view as a proxy for domestic short-term interest rates) have also moved higher in July, to 4.30% on 7/24/26 vs. 4.08% on 6/26/26 (and 3.39% at the end of February). While long-term yields, in our view, reflect multiple factors (long-term inflation expectations, economic growth, fiscal deficits, and interest expense), the 2-year TY is more closely aligned with expected near-term Fed monetary policy. Fed policy is tied to its dual mandate to maximize employment and foster stable prices. The usual playbook is the Fed will raise its fed funds target when inflationary pressures rise as higher rates work to reduce monetary liquidity and throttle inflation. This debate comes to the forefront this week as the Fed meets on 7/28 and 7/29.

We expect the Fed to hold its fed funds target range unchanged at 3.50% to 3.75% but believe that a hike of +0.25% is possible. New Fed Chair Kevin Warsh, a President Trump appointee, is largely supportive of lower interest rates over time, with a view that inflationary effects of tariffs are temporary and that technology investment can drive disinflationary productivity. However, the inflationary impact of sustained higher fuel prices is more difficult to defend, and Warsh has made it clear that his Fed will fight inflation aggressively. The 2-year TY of 4.30% is +67 basis points above the midpoint of the fed funds target, an indication that bond investors see at least +0.50% of Fed rate hikes ahead. Although June inflation (consumer price index) was lower than expected, gasoline prices increased in July. If the Fed sees future rate hikes as likely, then why not hike in July? There is no Fed meeting in August and the scheduled September and October meetings are ahead of the November mid-term elections, which could create political pressure on the Fed to not hike rates.

Second quarter (2Q26) earnings reports for the S&P 500 hit full stride this week with 177 (35%) index constituents scheduled to report financial results. Through 7/24/26, with 27% of companies reported, year-over-year (Y/Y) earnings growth was well-above estimates. Despite a few high-profile, non-recurring investment gains, earnings growth has been good, and revenue growth (+13.4% Y/Y) reflects a strong economic environment for U.S. companies. On 7/30/26, the Commerce Department will report 2Q26 U.S. gross domestic product (GDP), with consensus estimates looking for growth of +2.3%.

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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. Within the Technology sector, the Semiconductor group is a sub-industry that includes makers of memory chips.

Gross domestic product (GDP) is a measure of economic growth and 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. The first estimate of 2Q26 U.S. GDP is scheduled for release on 7/30/26 and can be found at www.bea.gov.

S&P 500 earnings growth reflects the year-over-year change in operating earnings on a per share basis. Earnings data are aggregated for all S&P 500 constituents and are measured according to the relative market capitalization weights for each company. Estimated earnings are the combined FactSet estimates of analysts covering each company included in the index. As of 7/27/26, the weighted average 2Q26 earnings growth (year-over-year) estimate for the S&P 500 was up +37%.

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.

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 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. In June 2026, CPI increased +3.5% year-over-year, or Y/Y, vs. June 2025. This was an improvement from a +4.2% Y/Y increase in May.

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 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 next three FOMC meetings are scheduled for 7/28-29/26, 9/15-16/26, and 10/27-28/26.

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.

On 2/28/26, the U.S. and Israel launched an air attack on Iran designed to eliminate weapons capabilities and critical infrastructure. On 3/1/26, the [White House published a release](#) detailing the operation. Iran and the U.S. announced a ceasefire on 4/8/26 and a Memorandum of Understanding (MOU) on 6/17/26. The MOU is presented as a framework of a peace agreement to end the war that will be negotiated over a 60-day period. As of early July, fighting resumes and the cease fire was effectively ended. On 7/26/26, attacks had stopped for two days, but an official ceasefire had not been declared.

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). Brent crude reflects pricing for oil from the Atlantic basin. Many believe that Brent crude represents 66% to 80% of the global trade in oil. Brent contracts are traded on the Intercontinental Exchange.

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 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. As of 7/13/26, very limited shipping vessels were using the Strait of Hormuz. Several organizations are monitoring daily shipping traffic through the Strait of Hormuz, including [hormuzstraitmonitor.com](#) and Kpler. News agencies writing on the slowed traffic on 7/12/26 included Reuters and CNBC.

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