



The Weekly Market Update – 8/3/26: GDP Report Reflects Solid Consumer Spending & Business Investment

Major Indices (Price Returns)	Close	Last Week	Quarter-to-Date	Year-to-Date	Trailing 12-Months	All-Time High	% to High
S&P 500	7,489.72	1.05%	-0.13%	9.41%	18.15%	7,609.78	1.6%
Dow Jones Industrial Average	52,485.03	1.04%	0.32%	9.20%	18.93%	53,055.91	1.1%
NASDAQ Composite	25,373.85	1.59%	-3.20%	9.17%	20.13%	27,093.90	6.8%
Russell 2000	2,931.34	0.05%	-3.08%	18.11%	32.54%	3,024.37	3.2%
MSCI EAFE (USD)	3,176.14	2.01%	1.91%	9.80%	21.40%	3,179.91	0.1%
MSCI Emerging Markets (USD)	1,665.89	2.33%	-3.31%	18.62%	34.00%	1,802.77	8.2%
Bloomberg Commodity Index	132.05	-2.14%	7.21%	20.39%	30.51%	237.95	80.2%
Barclays U.S. Aggregate Bond	91.56	-0.19%	-1.61%	-2.68%	-0.71%	112.07	22.4%

Source: FactSet

Second-quarter (2Q26) U.S. economic activity reflected modest growth, but key components of the private economy were much stronger than the headline report. According to the Bureau of Economic Analysis (BEA), the U.S. economy, as measured by inflation-adjusted gross domestic product (GDP), increased an annualized +1.5% in 2Q26. This was below the +2.1% most recent FactSet consensus estimate and was also below the prior quarter's (1Q26) GDP growth of +2.1%. However, consumer spending and business investment, comprising 69% and 16%, respectively, of inflation-adjusted GDP in 2Q, contributed a combined +3.3% to GDP. Three other categories – government spending and adjustments for net exports and inventories – were negative, driving reported GDP growth down to that +1.5% number. Consumer spending increased +3.2% annualized in 2Q26, up from just +0.5% growth in 1Q26 and alone contributed +212 basis points (bp) to U.S. economic growth in the quarter. This was the strongest consumer spending growth in the past three quarters and reflected a solid contribution from both goods and services. Business investment increased +8.4% annualized in 2Q26 and contributed +115 bp to 2Q26 GDP. This compared to +10.6% growth in 1Q and extends a streak of six consecutive quarters of strong growth contributions from business investment, reflecting capital investment for artificial intelligence (AI) systems and infrastructure including data centers. The negative adjustment for net exports partially reflected imported components for AI data centers, as not all of the capital spending is sourced domestically, but investment spending has sustained a high level that has boosted the U.S. economy. Consumer spending accelerated in the second quarter despite slowdown fears from the Iranian conflict and higher gasoline prices. We attribute the improved consumer data to multiple factors including tax refund checks, hopes for peace (driving gasoline prices lower in June compared to April and May), and a solid jobs market. We believe that U.S. GDP can exceed +2.0% annualized in the second half of 2026, supporting modest equity market gains.

The S&P 500 equity index rallied +2.4% over the last two days of July but ended the month slightly lower (essentially flat). The index closed July (7/31) at 7,490, a tick below 7,499 at the end of June. Despite volatility within growth stocks and Technology (the S&P 500 Technology sector decreased -3.5% in July), broad sector diversification produced a flat month for the index. Seven of the 11 S&P 500 sectors (as measured by Global Industry Classification Standards, or GICS) were positive on the month, led by Energy +12.5%, Financials +6.0%, and Real Estate +2.5%. Technology weakness was driven by a recent pullback in the semiconductor group (although mostly positive for the year-to-date), partially offset by gains in software (although mostly negative year-to-date). In our view, solid 2Q26 earnings growth in Technology can provide a catalyst for the sector, but we continue to advocate for broad sector diversification over the remainder of 2026.

Equity markets have rallied to begin August on renewed peace hopes, and investors will look at important July labor market data as the week progresses. U.S. oil (as measured by West Texas Intermediate crude oil, or WTI) dropped -5% to \$79 per barrel on Monday (still trading) as Middle East attacks de-escalated over the weekend. This contributed to the S&P 500 trading up +1.5% in midday trading. The Bureau of Labor Statistics (BLS) will report July nonfarm payrolls (jobs) on 8/7/26, with consensus estimates pointing to a monthly increase of +100 thousand (K). In 2Q26 (April, May & June), monthly jobs gains averaged +111K, including +57K in June. We consider +100K monthly jobs gains to be a healthy number that can support solid consumer spending trends.

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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 released on 7/30/26 and can be found at www.bea.gov. Data for the contribution on personal consumption expenditures (PCE) and non residential fixed investment (NRFI) can be found in the BEA's NIPA Table 1.1.6. PCE increased +3.2% annualized in 2Q26, with PCE goods +5.2% and PCE services +2.2%.

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 8/3/26, the weighted average 2Q26 earnings growth (year-over-year) estimate for the S&P 500 was up +48%.

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.

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 trade 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.

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.