Summary

Economic data included U.S. GDP seeing minimal revision, but still a slower pace than Q1, gains in personal income and spending, as well as durable goods. On the other hand, new home sales continued to come in weak, while several home price indexes showed minor gains, now below the pace of inflation. Consumer sentiment also remained negative, due to inflation concerns.

Equities were mixed, with gains in the U.S. and tech-related emerging markets, and flattish elsewhere. Bonds were also flattish as interest rates calmed. Commodities were mixed, with gains in grains, and declines in the prices of energy and precious metals.

Economic Notes

(0) The second release of **U.S. GDP** for the 2nd quarter was minimally changed from the first estimate, remaining at a rounded 1.5%, and still down from the 2.1% growth rate in Q1. Contributors remained consumer spending (which strengthened slightly from the first report, mostly in services, including health care), exports, and private investment. Detractors included a drop in government spending as well as a rise in imports (higher than the first report). The GDP price index was revised up by 0.2% to an annualized 6.4% rate, while the PCE price index was revised up by 0.2% to an annualized 5.3% rate, as was core PCE to an annualized 3.6%.

The Atlanta Fed's **GDPNow** measure for Q3 stood at a robust 4.6% last week, with most of the durable growth from personal spending (2.1% of the total figure) and non-residential fixed investment (0.9%), but coupled with an adjustment higher in inventories (1.9%), while residential investment is expected to decline, in keeping with an ongoing weak pace.

(+/0) **Personal income** rose 0.4% for July, exceeding the 0.2% expected. **Personal spending** rose 0.2%, double the 0.1% estimate, with the largest sectors being financial/insurance, healthcare, and housing/utilities, while gasoline spending fell back sharply with some price easing. The financial component was a main driver of the month's gain, with nearly half of spending from portfolio management fees, which correlated to higher stock prices from Q2; those may be revised away as the BEA updates their methodology in upcoming months for that component. The **personal saving rate** remained low, but ticked up by 0.4% to 3.0%. Over the past year, personal income has risen by 3.7% (little-changed after inflation), while spending was up by 5.9% (with services spending beating out that of goods by 1-2%). The **PCE price index** rose by a rounded 0.2% on both a headline and core level, after excluding food and energy. Year-over-year, headline PCE rose 3.7%, with core up 3.3%.

(+) **Durable goods orders** rose by 1.1% in July, marking the fourth straight month of gains, and roughly double the rise of June and the 0.5% rise expected. Removing transportation, orders rose by 0.4%, as transportation equipment, a lumpy order indicator month-to-month, led the total index with a rise of 2.3% in the month. Core capital goods orders rose 0.2%, while core capital goods shipments increased by 1.4%. Year-over-year, total durable goods orders were up 12%, while excluding transportation was up 11%. Gains over the full year continued to be bolstered by defense, obviously related to Middle East munitions and restocking, but also communications equipment, computers, primary metals, and machinery. The latter groups have been obviously tied to the AI infrastructure buildout.

(0/+) The **S&P/Case-Shiller 20-city home price index** rose 0.2% in June on a seasonally-adjusted basis, and 0.4% on a non-adjusted basis. The year-over-year rise reaccelerated by a half-percent to 2.1%. By city, results were mixed with 13 of the 20 cities seeing gains. The best results were again led by Chicago (6.9%), New York (4.8%), and Cleveland, while Seattle and Las Vegas lagged with declines just short of -2%. Per S&P, the "pace of erosion" slowed, in terms of real price movements, but the trailing 12-month national growth rate remains below the pace of inflation, somewhat unusual historically. The main notable trend was the price recovery strength in the Midwest and Northeast, and weakness in the West and Sunbelt.

(0/+) The **FHFA house price index** was unchanged in June but rose 0.3% on a seasonally-adjusted basis for Q2. Year-over-year, the national price index rose 2.1%, below the rate of inflation and down from the 3.1% pace in Q1, but continuing a string of positive quarterly results since 2012. By segment, East North Central (Great Lakes states, helped by IL, WI, and OH) saw a 4.5% rise, while the Pacific division was weakest, with little-changed price results for the year (with strength in AK and HI pulled down by negative price movements in NM, WA, CO, and CA). Prices were noted as rising in 76 of the 100 largest metros for the past year, with regional results similar to the S&P/Case-Shiller results.

(-) **New home sales** declined by -10.5% in July to a seasonally-adjusted annualized pace of 607k units, beyond the -1.4% decline expected. For the month, the Northeast and West regions saw gains, offset by sharp declines in the Midwest and South. Months' supply rose by 1.1 to 9.6, up 0.4 from a year ago. Year-over-year, national new home sales were down -6.3%. The median new home sales price declined by -2.3% for the month to $393,800, remaining down -0.9% over the past year, and down by over -14% from the fall 2022 postpandemic peak levels. New home sales have continued to vacillate within a range of 600-800k for most of the past five years, remaining well below U.S. housing needs. Sales continued to be hindered by a high 30-year mortgage rate (over 6.6%), among other regional building factors.

(-/0) The Conference Board's **index of consumer confidence** fell by -0.8 of a point to 89.4 in August, below the unchanged 90.2 level expected. Assessments of the present situation rose by 7 points, but were offset by expectations for the future, which fell by -6 points. The labor differential rose by 5 points, with a rise of a few percent for jobs considered plentiful, while jobs being 'hard to get' fell by a few percent. Inflation expectations for the coming year rose by 0.2% to 5.8%, reversing a few months of declines, but still down from a peak of 7% seen in 2025 and nearly 8% in 2022. The survey sponsor noted that responses for the month were "slightly more pessimistic" due to "references of prices in general" remaining elevated, and specifically to oil and gas prices. Consumers were more "pessimistic" about business conditions and labor for the next six months. Despite a few ups and downs, the overall index has been on a continued downward slide since its last high point in 2021.

(-) The final **Univ. of Michigan index of consumer sentiment** for August showed a drop of -3.5 points (or -6%) to 51.7. Assessments of current conditions were down -5%, with expectations for the future just slightly worse at -7%. Year-over-year, the overall index was down -11%, led by the current conditions component, down nearly -16%. Inflation expectations for the coming year declined by -0.2% to 4.0%, while those for the next 5-10 years were unchanged for the third straight month at a still-elevated 3.3%. Per the survey sponsor, inflation remained the key worry among respondents, with declines in all political groups, and especially those "typically less-equipped to absorb increases," including consumers who were older, lower/middle-income, and those with no stock holdings. Consumers also anticipate further increases in gasoline prices, which exacerbate the inflation concerns, and "are increasingly worried that prospects elsewhere in the economy could be weakening."

(+) **Initial jobless claims** for the Aug. 22 ending week fell by -4k to 203k, below the 208k claims expected. Continuing claims for the Aug. 15 week declined by -18k to 1.778 mil., below the 1.792 mil. median forecast. Claims remain well-contained, which continues to be a positive from a labor market measurement standpoint.

Market Notes

Period ending 8/28/2026	1 Week %	YTD %
DJIA	0.55	12.58
S&P 500	0.50	13.51
NASDAQ	0.85	14.03
Russell 2000	-1.49	20.65
MSCI-EAFE	0.11	14.27
MSCI-EM	0.05	24.28
Bloomberg U.S. Aggregate	0.13	-0.21

U.S. Treasury Yields	3 Mo.	2 Yr.	5 Yr.	10 Yr.	30 Yr.
12/31/2025	3.67	3.47	3.73	4.18	4.84
8/21/2026	3.88	4.24	4.43	4.74	5.27
8/28/2026	3.90	4.34	4.48	4.73	5.22

U.S. stocks rose last week, at least in the large cap group, with little change in PCE inflation and mixed economic results, while small caps fell back. The week began with U.S.-Canada tariff negotiations collapsing, with the U.S. applying a 50% rate on $20 bil. of imported goods, with Canada retaliating dollar for dollar at varied rates, and an expected economic and inflation headwind to Canada should the policies persist through year-end and beyond. By sector, gains were led by technology (mostly Microsoft, but also as Nvidia's earnings continued to grow at an extraordinarily strong rate), communications (primarily Meta, following the conclusion of their trial around the impact of social media on children—with an agreement to pay over $16 bil.), and financials. Laggards included negative returns for energy, health care, and industrials. Real estate also fell back.

The Federal Reserve was preoccupied by the annual Jackson Hole Symposium, where markets awaited Chair Warsh's Friday keynote comments. He advocated for a "quieter Fed" (with limited forward guidance), and that "the Fed's predominant focus right now should be on prices," as inflation was "concerning," and "we have work to do," were taken more negatively by the stock market as odds of a Sept. rate hike went up (from about 35% to just under 60% by Friday). At the same time, he noted that he's "impressed by the overall performance of the economy, which appears to have strengthened."

Foreign stocks were mixed, with weakness in developed markets in Europe, in keeping with a strong rise in the value of the U.S. dollar by about a percent, and mixed results by country, with stronger results in Japan, helped by technology. Emerging markets were flattish on net, with technology-related gains in Taiwan as well as Brazil offset more tempered results elsewhere, as well as declines in South Korea and China.

Bonds were little-changed for the most part last week, with yield moves being mixed across the U.S. Treasury curve. However, unhedged international bonds were held back by a sharp rise in the value of the dollar. Debate continued over the U.S. government fiscal policy and recent actions by the Treasury to reduce long-term yields. A well-known investor noted in a piece last week that the long-term Treasury yield is the only 'fiscal disciplinarian' the US has left, implying higher rates could be what it takes to compel spending control.

Commodities moved in different directions, with gains in agriculture, as wheat and corn prices rose their highest prices in three years, due to lower supply expectations as well as concerns over exports from Ukraine in the midst of ongoing conflict. These was offset by weaker energy and precious metals, with the latter related to gold's negative reaction to the stronger dollar. Crude oil prices declined by over -4% last week to $83/barrel, with little negative news from the Middle East, and hopes for a return to negotiations.

Have a good week.

Ryan M. Long, CFA
Palouse Capital Management

Sources: Palouse Capital Management, American Association for Individual Investors (AAII), Associated Press, Barclays Capital, Bloomberg, Citigroup, Deutsche Bank, FactSet, Financial Times, First Trust, Goldman Sachs, Invesco, JPMorgan Asset Management, Morgan Stanley, MSCI, Morningstar, Northern Trust, PIMCO, Standard & Poor's, StockCharts.com, The Conference Board, Thomson Reuters, T. Rowe Price, Univ. of Michigan, U.S. Bureau of Economic Analysis, U.S. Federal Reserve, Wall Street Journal, The Washington Post. Index performance is shown as total return, which includes dividends. Performance for the MSCI-EAFE and MSCI-EM indexes is quoted in U.S. Dollar investor terms.

Notes key: (+) positive/encouraging development, (0) neutral/inconclusive/no net effect, (-) negative/discouraging development.

The information presented is for informational purposes and is intended for financial professionals only. This should not be distributed beyond its intended audience. All information has been obtained from sources considered reliable, but no representation is made as to its completeness, accuracy, or timeliness. This information should not be relied upon as investment advice, research, or a recommendation by Palouse Capital Management regarding the use or suitability of the model portfolio or any security or asset class in particular. The information provided is not intended to be and should not be construed as investment, legal or tax advice. Only the investor and their financial professionals know enough about the investor's individual circumstances to make an investment decision.

Information and opinions expressed are subject to change without notice. Any forecasts, opinions or statements of financial market trends expressed are those of Palouse Capital Management and are subject to change without notice.

Past performance is not a guarantee of future results. Advisory Solutions Group, LLC, is a registered investment advisor.

REDSTONE
CAPITAL MANAGEMENT

Kevin Canterbury – Managing Director

kevin@redstonecapitalmanagement.com Direct: 480 685 2931

FAQ

- **What caused the market to move this week?**

  Market movement is often driven by a combination of economic data, interest rate expectations, corporate earnings, investor sentiment, and geopolitical developments. A single week's movement should usually be viewed in the context of longer-term trends rather than as a stand-alone signal.

- **Why do interest rates affect stock and bond prices?**

  Interest rates influence borrowing costs, consumer spending, corporate profits, and the relative attractiveness of different investments. When rates move meaningfully, both stocks and bonds can reprice as investors reassess risk, income, and future growth expectations.

- **How does inflation impact investment portfolios?**

  Inflation can reduce purchasing power and influence interest rate policy, bond yields, consumer behavior, and company margins. Investors should evaluate inflation in relation to their income needs, time horizon, and overall asset allocation.

- **Why do bond yields matter to investors?**

  Bond yields can affect income expectations, borrowing costs, and how investors compare the value of stocks, bonds, and cash. Changes in yields may also influence the price of existing bonds and broader market sentiment.

- **What does economic data mean for investors?**

  Economic reports can influence expectations for growth, inflation, employment, and interest rates. Investors should consider economic data as one input in a broader planning and investment process rather than a reason to make reactive decisions.

- **Why does the Federal Reserve matter to the markets?**

The Federal Reserve influences short-term interest rates and monetary policy. Markets often respond to Fed commentary because it can affect borrowing costs, inflation expectations, and investor assumptions about future economic growth.