Summary

On a shortened Labor Day week, economic data included continued rises in both consumer and producer price inflation, driven by August's spikes in fuel prices. Existing home sales declined, as did consumer sentiment.

Equities fell across the board globally last week, due to geopolitical tensions, resulting inflation, and higher yields. Bonds pulled back to the same spike in interest rates. Commodities were mixed, with another sharp rise in oil prices, and weakness elsewhere.

Economic Notes

(-) The **Consumer Price Index** reaccelerated by 0.4% in August, relative to the 0.1% rise in July, similar to expectations. Roughly one-third of the overall gain was due to a 3.9% increase in gasoline prices during the month, naturally related to Middle East tensions. Core CPI, after removing food and energy prices, rose 0.3% on a seasonally-adjusted basis, a tenth higher than the prior month. Per the BLS, groups seeing the strongest one-month increases included communication (with telephone services up 5.4%), hotel lodging (2.5%), airline fares (2.7%), education tuition (0.8%), and used cars/trucks (0.4%). Shelter costs continued to run at a 0.3% seasonally-adjusted rate, which annualizes to a rate well above the Fed target. On the other hand, medical care (-0.2%) and auto insurance (-0.8%) saw decreases.

Year-over-year, CPI rose 3.4% on a headline level and 2.4% for core, with the two coming in at a similar pace as the prior month on an unrounded basis. Using alternative measures, in a piece of good news, "All items less food, shelter, and energy" rose only 2.0% over the past year. For perspective's sake, the annualized 5-year headline CPI rate is running at 4.1%, well above the 20-year rate of 2.5%, but not far from the 100-year rate of 3.0% (which includes a wide variety of economic and inflation cycles, to say the least). Obviously, the back-and-forth behavior of petroleum as the Middle East conflict has vacillated between intensification and inaction, with a higher price trend overall, and has driven prices higher in a variety of segments. A key question has been whether or not the FOMC has felt compelled to act in response and raise rates this coming week—futures markets have answered by raising odds of not only a September hike, but a few more hikes into 2027. After the CPI release, odds for Sept. action rose from around 60% to just under 90%, although a variety of private economists continued to push back against a hike being a foregone conclusion.

(-) The **Producer Price Index** rose 0.4% in August on a headline level, matching expectations, while core PPI, removing food and energy, rose 0.2%, a tenth below expectations. That included a 1.1% gain in goods prices (energy up 4.2%, accounting for about half of the total monthly PPI rise), while services barely budged at 0.1%. Over the past 12 months, headline and core PPI rose 5.4% and 4.6%, respectively. The year featured a 7.7% rise in goods (energy up 24%) and 4.5% increase in services. What's been more notable recently is a lesser impact from crude oil directly, but higher prices for distillates like unleaded gasoline and diesel, which have been even more impactful directly on businesses and end consumers.

(-) **Existing home sales** declined by -2.0% in August to a seasonally-adjusted annualized rate of 3.98 mil. units, just below the -1.7% decline expected. Single-family declined by -2%, while condos/co-ops fell nearly -3%. By region, the West held up best, with no change, while the other three areas declined, with the Northeast faring worst at -4%. Nationally, sales were down -1.2% over the past 12 months, with all regions down except the South, which was unchanged. By home price segment, the bulk of volume declines were in the buckets of $0-100k and $100-250k, while home sales for $1mil.+ properties rose by 4%, in another example of 'K-shaped' economic activity. The median sales price fell by -1.7% for the month to $429,100, which corresponded to a 1.6% gain over the past year. Inventory rose to 4.9 months' supply, now lying at a 10-year high point, and just below the 5-ish number considered a 'normal' market (even if it doesn't appear to be normal in many other ways). Ever-optimistic, the NAR highlighted what they viewed as strong recent job growth this year as a potential source of buying demand, with higher inventories also a plus, in that it provides homebuyers "better opportunities to negotiate." Obviously, continued high mortgage rates in the 6.0-7.0% range over the past three years for the 30-year fixed remain a significant affordability hurdle, coupled with higher energy and food costs resulting from the Middle East conflict. Another significant ongoing issue is the lack of movement of existing homeowners with low-rate mortgages outstanding in the under 4% range (roughly 50% of all, per data from Apollo Global Management), who have little financial incentive to give that up to pay a higher rate if they can avoid it.

(-) The preliminary **Univ. of Michigan index of consumer sentiment** for September showed a decline of -3.9 points (or -7.5%) to 47.8. The reading was led by a substantial drop in future expectations (-11%), as assessments of current conditions declined only modestly (-2%). Inflation expectations for the coming year rose from 4.0% in Aug. to 4.6%, with the gap pointed out between that and February's 3.4% just before the Iran conflict. After a run of several months at stable readings, longer-run 5-10 year inflation expectations ticked up by a tenth to 3.4%. The survey sponsor noted that the drop in sentiment was similarly negative across both political parties, as expectations over the next year for personal finances and business conditions "plunged," along with a "resurgence in fuel prices and trade tensions" creating more consumer angst. Sentiment remains down -13% over the past year, and -16% from the start of the Iran conflict.

(0) The **NFIB Small Business Optimism Index** for August fell by -1.1 points from July's one-year high point to 98.7. However, it remained above the 52-year average of 98.0. The Uncertainty Index fell by -2 points to 89, but continued to hover well above the long-term average of 68. Per the NFIB, business uncertainty remained elevated as they "fact a mixed set of challenges" that included "weakened sales, supply chain disruptions, and inflation pressures," with over 60% noting supply chain issues disrupting their businesses. Though, while expectations for the economy "dimmed," owners remained "largely positive" in the terms of the status of their own businesses (57% as "good" and 28% as "fair"). Other notable findings included 35% of owners reported job openings they couldn't fill (about 11% higher than average), and of the 56% of owners attempting to hire, 82% reported few or no qualified applicants. (This gets back to a long-standing issue of domestic labor availability and training mismatches that were highlighted during the pandemic especially.) Looking ahead, 17% of owners plan to create new jobs in the next three months, down just -3% from July's 4-year high. This interesting view from the standpoint of small business showed perhaps a more optimistic outlook than expected, but also featured the same

headwinds seen in other economic surveys, notably inflation and general economic and policy uncertainty, along with taxes, which are a perennial complaint.

(+) **Initial jobless claims** for the Sep. 5. ending week fell by -1k to 206k, near the 205k expected by consensus. Continuing claims for the Aug. 29 week fell by -1k as well to 1.774 mil., below the median forecast of 1.780 mil. With few state-by-state outliers, the national picture continues to look benign by those range-bound metrics, with no signs of layoff activity.

Market Notes

Period ending 9/11/2026	**1 Week %**	**YTD %**
DJIA	-1.56	10.64
S&P 500	-0.78	12.77
NASDAQ	-0.64	13.78
Russell 2000	-2.38	17.95
MSCI-EAFE	-1.38	12.51
MSCI-EM	-0.23	24.32
Bloomberg U.S. Aggregate	-1.04	-1.43

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
9/4/2026	3.91	4.37	4.54	4.78	5.24
9/11/2026	4.07	4.63	4.78	4.96	5.35

U.S. stocks fell back for the week, with large cap growth slightly outperforming small caps. A variety of tensions caused markets to trough by mid-week, with the Middle East conflict, attacks on Saudi energy infrastructure, and the Houthis capturing a port city in Yemen, caused oil prices to reach $100. This was in addition to U.S.-Canada tariff battles continuing, strong inflation readings, and higher Treasury yields putting a damper on sentiment. Chances of a Federal Reserve rate hike rose further, following a strong PPI report, with the headline figure surpassing 5%, pointing to continued price pressures the committee may feel compelled to address.

By sector, gains in energy and communications (mostly Meta) were offset by declines in health care, materials, and utilities, with the latter notoriously sensitive to interest rates. Within tech, Apple's much anticipated annual event included the debut of an expensive foldable phone, which resulted in a mixed response. There were also unsettling comments from Anthropic that they believed AI had the potential of wiping out humanity; this is interestingly prior to their planned IPO, which could have been part of the sales pitch pointing to their required expertise in keeping that from happening.

Foreign stocks pulled back for the most part last week, in keeping with domestic equities. The ECB raised key rates by 0.25% to 2.50%, as expected, with further hikes expected to end the year. Emerging markets mixed, with gains in South Korea, Turkey, and Brazil, based on different drivers, while declines were strongest in China and India, seen as having higher exposure to Middle East oil prices that have seen pressure again.

Bonds experienced sharp declines as yields rose across the U.S. Treasury curve, in keeping with strong inflation readings and a solidification of expectations of a Fed hike this coming week. Floating rate bank loans suffered the least damage, with few declines, while long-term bonds naturally suffered the worst damage, down upwards of -2%. Treasury Secretary Bessent announced that "I am the house now," with Treasury buybacks being tripled, focused on the 10- and 20-year spots on the curve. However, the market continued to test its resolve, and the 10-year note reached its highest yield in three years. While fiscal matters are the primary headline story behind higher yields, persistent inflation and stronger growth generally (led by AI infrastructure activity and debt financing demand) remain causes as well.

Commodities were mixed for the week, with sharp gains in energy offset by lower prices for agriculture, and industrial and precious metals. Crude oil prices rose another 9% last week to an even $100/barrel, with intensification of Middle East attacks. As of late, pressure on distillates has become more newsworthy, with diesel reaching an all-time high of $6/gallon in the U.S., especially affecting the transportation industry.

Have a good week.

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Sources: Palouse Capital Management, American Association for Individual Investors (AAII), Apollo Global Management, Associated Press, Barclays Capital, Bloomberg, Citigroup, Deutsche Bank, FactSet, Financial Times, First Trust, Goldman Sachs, Invesco, JPMorgan Asset Management, Morgan Stanley, MSCI, Morningstar, NFIB, 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.

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- **Why does market volatility matter for retirement planning?**

  Volatility can affect portfolio values, income planning, and investor confidence, especially near or in retirement. A planning-based approach can help investors prepare for uncertainty and avoid making decisions based only on short-term market movement.

- **How can financial planning help during uncertain markets?**

  Financial planning gives context to market volatility by connecting investment decisions to income needs, taxes, cash flow, risk tolerance, and long-term goals. It helps investors understand what matters most for their individual situation.

- **What role does cash flow play in investment decisions?**

  Cash flow needs can influence how much risk an investor should take and how assets are positioned. Investors who need near-term income may require a different approach than those investing for longer-term growth.

- **How should retirement investors think about market pullbacks?**

  Retirement investors may want to consider how a pullback affects income needs, withdrawal strategy, portfolio risk, and time horizon. The appropriate response depends on the overall plan, not just the market headline.

- **How should investors evaluate investment risk?**

Investment risk should be evaluated in relation to goals, time horizon, income needs, liquidity, taxes, and personal comfort with volatility. Risk is not only about market movement; it is also about whether the portfolio supports the investor's broader plan.

- **What is asset allocation?**

Asset allocation is the way a portfolio is divided among different types of investments, such as stocks, bonds, cash, and other asset classes. The right allocation depends on an investor's objectives, risk tolerance, and time horizon.

- **Why can concentration risk be a concern?**

Concentration risk occurs when too much of a portfolio depends on one company, sector, asset class, or strategy. A concentrated position may increase the impact of a single event on the overall portfolio.

- **How does due diligence fit into investment decisions?**

Due diligence is the process of reviewing an investment's structure, risks, costs, assumptions, and fit within a broader plan. It is especially important when evaluating strategies that may be complex, illiquid, or difficult to compare.

- **What does risk management mean in a portfolio?**

Risk management means building and monitoring a portfolio with attention to the investor's goals, time horizon, liquidity needs, and tolerance for volatility. It does not remove risk, but it can help align investment decisions with the overall plan.

- **Who is Kevin Canterbury?**

Kevin Canterbury is Managing Director and Founder of Redstone Capital Management in Scottsdale, Arizona. His work focuses on helping clients evaluate financial planning and investment decisions in the context of long-term goals, risk tolerance, and changing market conditions.

- **What is Kevin Canterbury's role at Redstone Capital Management?**

Kevin Canterbury serves as Managing Director and Founder of Redstone Capital Management. In that role, he helps guide the firm's planning and investment approach for clients seeking structured financial guidance.

- **What does Redstone Capital Management do?**

Redstone Capital Management provides financial planning and investment management guidance for clients who want a thoughtful, planning-based approach to their financial decisions. The firm focuses on aligning investment strategy with each client's goals, risk tolerance, and time horizon.

- **Where is Redstone Capital Management located?**

Redstone Capital Management is based in Scottsdale, Arizona. The firm works with clients seeking financial planning and investment guidance grounded in long-term decision-making.