Market Watch

August 31, 2026

Primary Market Drivers

Earnings & Economic Data

Nvidia delivered last week with another strong earnings announcement, showing the AI infrastructure buildout is alive and well. The results and general takeaways were similar to previous quarters - explosive growth, cutting edge advancements, seemingly unlimited demand, and extended scarcity across the stack. Markets took it favorably as it put an exclamation point on an already-historic earnings season. Check out the commentary for a full statistical recap. While earnings season is essentially over, this is the last week to feature numerous important announcements before the break: Dell Technologies (DELL 9/1), Palo Alto Networks (PANW 9/1), Broadcom (AVGO 9/2), Hewlett Packard Enterprise (HPE 9/2), and NetApp (NTAP 9/2), among a few others. Expect AVGO's report to be a major market mover while DELL and PANW also garner some attention. Turning to economic data, last week's Core PCE and Q2 GDP figures came in at expectations - an underwhelming result. This week, labor market data is in focus with JOLTS (9/1), ADP Employment (9/2), Challenger Job Cuts (9/3), and Nonfarm Payrolls and Unemployment (9/4). The Fed seems to be more focused on inflation than employment in the short-term, though an updated look at the labor market is always welcome.

Fed Policy

Kevin Warsh's first Jackson Hole speech leaned hawkish as the new Fed chair highlighed inflation remaining firmly above target, a lack of meaningful improvement in recent data, and an admission that prices are the Fed's predominant focus moving forward. Pundits continued to gripe at the lack of forward guidance to frame policy path, and Warsh even went so far to mention he wants a "quieter Fed" in his address. The market's reaction was a collective shrug, especially relative to past speeches at the event. Rate hike odds for September's meeting spiked to 57.0% (up from 39.8% a week ago). However, those are still coin toss odds and the Fed is quickly running out of meetings in 2026 to take action on as only three remain. It will be interesting to see how rate hike odds shift should we get meaningful progress on the Iran conflict ahead of midterm elections.

Iran Conflict

"Economic D-Day" came and went as the US introduced new economic sanctions on Iran and its partners. Iran was expectedly against the sanctions, calling it "state terrorism" and urging its allies not to comply. There are currently no direct US-Iran talks as the stalemate continues. Midterm elections loom large in November, with speculation that the Trump administration wants this conflict wrapped up prior to votes being cast. Perhaps the next few weeks will be telling. We will continue to keep this section updated with the latest, though progress has stalled once again for the time being.

All referenced market information, statistics, and economic data were gathered from StreetAccount, a paid subscription data service provided by FactSet Research Systems Inc.

Market Returns 8/28/2026

Category	Ticker	YTD%
Domestic Equity		
S&P 500	SPY	13.42%
Dow Jones	DIA	12.30%
Large-Cap Growth	QQQ	16.90%
Large-Cap Value	IVE	12.75%
Mid Caps	MDY	15.04%
Small Caps	IWM	20.64%
International Equity		
Developed Intl	EFA	13.94%
Emerging Markets	EEM	23.34%
Fixed Income		
Core Bonds	AGG	-0.09%
Corporate Bonds	LQD	-0.87%
High Yield Bonds	HYG	2.36%
ST Treasuries	IEI	-0.54%
LT Treasuries	TLT	-2.36%
International Bonds	BNDX	0.12%

Performance data and stock chart were gathered from eSignal, a paid market screening application provided by Intercontinental Exchange, Inc.

Current Environment Summary

What's Working	What's Not	What's Next
Historically Strong Earnings Growth	Rate Hike Expectations	**Earnings: DELL, PANW, AVGO**
AI & Tech Revolution Long-Term Theme	Iran Conflict Drags On	**Nonfarm Payrolls & Unemployment (9/4)**
Stable Labor Market	Inflation Creeping Higher	Labor Market Data
Strong US GDP	Interest Rates Trending Higher	Iran Conflict Updates
Stocks Trading Near All-Time-Highs	Warsh Leaned Hawkish at Jackson Hole	Labor Day Weekend (Markets Closed 9/7)

Portfolio Manager Commentary

Ken Hartley, CFA

The Federal Reserve held its annual boondoggle at Jackson Hole as the financial markets held their collective breath waiting for someone to give them guidance on the direction of interest rates. The new Fed chairman did a fairly good job of sticking to the premise of (unofficial) “do your own work and don’t rely on me to provide guidance”. It must be frustrating for all the market gurus to be without the constant hand holding and forward guidance the Fed has provided since the Great Recession of 2008. Reminds one of the Pink Floyd song that gave us “how can you have any pudding if you don’t eat your meat?”. FYI the song was “Just another brick in the wall”. Chair Warsh is bent on bringing the wall down.

The Iran conflict has reached the six-month mark and there seems to be no end in sight. However, two things came to light over the weekend that will go a long way towards removing any leverage IRAN has in the Straight. First, the US has struck a deal with Venezuela for that country’s oil reserves. Believed to be 65 billion barrels. Granted, it will take 12 to 18 months to bring these fields online, but it certainly tells the folks in the Middle East that their reserves have become less important in the global picture. I’m sure China is looking forward to the opportunity to establish relationships once the US begins to minimize the region.

The second thing that is reported to have happened, if it is true, would be a remarkable feat of engineering. The US along with Oman have dredged out a route between the Persian Gulf and the Sea of Oman. The route takes advantage of the natural topography of the waters there and creates a passageway for the large tankers necessary to move the region’s oil to the world. The canal ends up near the town of Muscat, outside the reach of the Iranian military. Now the mainstream media has not trumpeted this with any enthusiasm. But what would you expect. The US Navy is providing escorts for the ships that have begun to utilize this alternate route.

Secretary of Treasury Bessen has been putting on a clinic for the fixed income markets. First, he allowed the Bank of Japan to repo some US treasuries to help support the Yen. Then doubled the size of issuance on the short end of the yield curve and used the proceeds to retire some securities on the long end. He’s fighting a battle that may be at odds with the Federal Reserve. The M2 money supply has increased 5.41% in the last twelve months. This is the fastest rate of increase since mid-2022 (post COVID). Does anyone remember what QE (quantitative easing) does to financial markets? HINT: it usually makes prices go up. Hang on!

Don Moenning

The S&P 500 easily achieved its seventh straight quarter of double-digit earnings growth. The numbers this season were so good that we are seeing excerpts from the financial media like “earnings bubble,” “shades of Enron,” and “fake revenue.” I put absolutely zero stock in these takes, but it is amusing that earnings are so explosive the legacy media simply doesn’t know how to proceed as they make their living off panic and fear.

Perhaps even more impressive than the record-breaking seven straight quarters is the expectation that this streak isn’t going to end anytime soon. Y/Y Quarterly EPS Growth is projected to remain in double digits through FY 2027, though I find that difficult to believe as we get into the latter half of the year given the comparability cliff we’ll face. What’s clear is that the next several quarters are likely to feature more record-breaking announcements, historical streaks, and strong growth, despite all of the macroeconomic noise and false narratives we’ve dealt with in 2026.

Let’s review the data itself, which may be the single greatest earnings quarter I’ve seen in my lifetime. Though some of the 2021 earnings data featured better Y/Y figures, we were coming off of the COVID shutdown which was a forced global recession / panic. This time around, we’re comparing to an extremely impressive 2025, which elevates 2026 into rare air.

With 97% of S&P 500 companies reporting, 86% have reported EPS above estimates, which was well above the 5-year average of 78% and 10-year average of 76%. In aggregate, companies reported earnings that are 26.5% above estimates, the highest earnings surprise beat ever and obliterating the 5-year average of 7.0% and 10-year average of 7.4%.

77% of companies beat revenue estimates, well above the 5-year average of 70% and 10-year average of 58%. In aggregate, companies reported revenues that were 3.2% above estimates, significantly higher than the 5-year average of 1.9% and 10-year average of 1.6%. The +3.2% revenue surprise rate also marks the highest in history.

For Q2 2026, the blended y/y earnings growth rate for the S&P 500 is 52.0%, the highest earnings growth rate reported by the index in half a decade. And again, this is in comparison to a very strong 2025, not a “the world is ending” 2020. Crazy.

The Mag 7 reported earnings growth of 118.5%, which is the highest level of growth since Q4 2020 for the group. Three of the top five total market contributors to earnings growth for the S&P 500 were Mag 7 companies (Alphabet, Amazon, Nvidia). While the negative narrative surrounding capex lingers, this quarter was a statement quarter granting clarity on ROI from big capex spend.

While there are caveats and pundits will come up with all sorts of asterisks to discredit what was achieved this quarter, sometimes it’s just not all that difficult. This is a bull market defined by earnings growth, driven by next-gen infrastructure, and sponsored by corporate spending. It’s a rare period where the sloppy macro (of which there is a lot – Iran conflict, elevated interest rates, stubborn inflation, hawkish Fed, high vol trading) simply has no power over the strength of the earnings. Try to smile and enjoy it while it lasts as stocks continue to trade near all-time highs.

Investors should carefully consider investment objectives, risks, charges and expenses before investing. Some risks to consider are:

***Equity Market Risk** : Economic, market, political, and issuer-specific conditions and events will cause the value of equity securities to rise or fall. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices.*

***Value Investment Risk** : Value stocks may perform differently from the market as a whole and following a value-oriented investment strategy may cause a portfolio to underperform equity funds that use other investment strategies.*

***Small Company Risk** : Securities of small companies are often less liquid than those of large companies and this could make it difficult to sell a small company security at a desired time or price. As a result, small company stocks may fluctuate relatively more in price. In general, smaller capitalization companies are also more vulnerable than larger companies to adverse business or economic developments and they may have more limited resources.*

***Tax Advantage Strategy Risk** : An investment strategy that considers the tax implications of investment decisions may alter the construction of portfolios and affect portfolio holdings, when compared to those of non-tax managed. The Clarus Wealth Advisors anticipates that performance of a tax-managed portfolio may deviate from that of non-tax managed portfolios.*

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