Your Weekly Investment
Insights
August 17, 2026

VERDENCE CAPITAL ADVISORS

Key **Takeaways:**

- Economic expansion should continue but consumer faces headwinds.
- Federal Reserve is likely to raise rates in 2H26.
- Complacency is creeping into the equity market.
- Long term bond yields are expected to continue to rise.
- Diversification in commodities and hedging in an overvalued market.

Revisiting our 2026 Themes

Earlier this year we offered five different themes for 2026 where we predicted how the economy would perform, what we expected from the Fed and our outlook for the asset classes. As we move into 2H26 we wanted to use this weekly insights to review how our predictions have played out and what is still applicable as we close out 2026.

- **Theme #1 – Expansion to continue with little room for error:** Our base case to start 2026 was that the economic expansion would continue driven by AI spending and consumers getting a much needed lifeline from the One Big Beautiful Tax Bill. Both of these have materialized with capex spending and the consumer making up ~85% of GDP in 1Q and 2Q26. We expect corporate spending on AI to continue but we are concerned about the pace of consumer spending in 2H26. Inflation is a bigger concern than we thought at the start of the year, real wage growth is negative, consumer confidence is hovering near record lows and the personal savings rate is at the second lowest level seen since 2007.
- **Theme #2 – Stop and Go Can go Both Ways:** We expected the Fed would remain on hold this year with a higher chance of a rate hike in late 2026 than a cut. This contrasts with Fed fund futures, which priced in two-three cuts in 2026. We think the Fed will raise rates in 2H26 as inflation is a bigger risk to the economy than the labor market.
- **Theme #3 – The Stock Market is not the Economy:** We expected earnings to drive equity returns more than P/E expansion. This year S&P 500 earnings are expected to grow 30% while P/Es have declined 15%. We favored developed international and small/midcap over U.S. large cap equities. The Russell 2500 is outperforming the Russell 1000 by over 1000 bps YTD, while the MSCI EAFE and Russell 1000 are performing in line. We believed an underweight to global equities was the best for investors given heghtened valuations. However, momentum continues and equities are on pace to rally for the third straight year. As we move through 2H26 we see complacency as a risk and believe markets are due for a correction.
- **Theme #4 – Growing Debt, Shrinking Tolerance.** We recommended shorter duration in fixed income given stubborn inflation and rising budget deficits. This year two and five year Treasuries are outperforming 10 and 30YR bonds, and both the 10 and 30YR auctions came in at multi-decade high yields. We avoided credit, though high yield and investment grade have outperformed. We remain concerned about long term bonds given surging deficits and inflation.
- **Theme #5 – Layer of Diversification**. In commodities we recommended a diversified approach as opposed to focusing on gold. Gold has been the laggard in commodities this year and we expect that to continue as yields rise. We also recommended hedging strategies in the overvalued equity market and hedge funds are up ~7% YTD. We continue to recommend hedging strategies as a way to participate in the rally if momentum continues to drive equities higher and mitigate the downside risk if/when a correction materializes.

Megan Horneman | Chief Investment Officer
mhorneman@verdence.com

Weekly Economic Recap –

Inflation comes in as expected; Consumers pull back

The NFIB Small Business Optimism survey showed confidence among small business owners rose for the second consecutive month. Optimism around future hiring plans rose to the highest level since 2022. In addition, small business owners became more confident on capital outlays, job openings and it being a good time to expand.

In July, the Consumer Price Index came in as expected at the headline (+0.1% MoM) and core (+0.2% MoM) levels. Prices on services (ex energy), owners' equivalent rent and education/communication led the increase in inflation in July.

Inflation as measured by the Producer Price Index came in slightly better than expected in July. At the headline level, prices were flat for the month. However, excluding food, energy and trade prices rose 0.4% MoM and are rising 4.7% on a year over year basis. The increase in final goods prices compared to the cost of intermediate goods showed that businesses are passing on cost increases to consumers.

Retail sales declined in July at the headline and core levels. At the core level, the decline was primarily due to auto and internet sales (-2.2% MoM) as Amazon ran Prime Day a month earlier this year. Spending at restaurants, a key reading on discretionary spending, rose at a solid pace (+0.5% MoM).

The preliminary reading on University of Michigan Consumer Confidence showed confidence is falling the most in three months in August. Confidence declined on current economic conditions and future expectations. In addition, inflation expectations over the next 12 months rose to 4.3% (from 4.2%).

Key Takeaways:

- Small business optimism rising.
- Inflation data delivers little surprises.
- Consumer spending pulls back.
- Global equities rally as AI trade gains momentum.
- Bonds fall led by long term Treasuries.
- Geopolitical tensions push energy prices higher.

Weekly Market Recap –

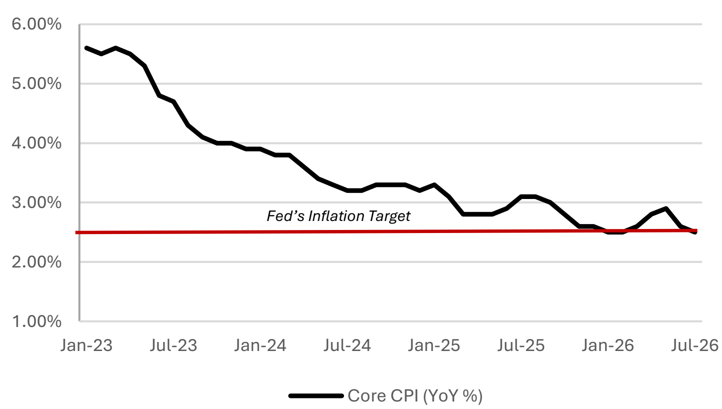
Global Equities Higher Led by Emerging Market Equities

Equities: The MSCI AC World Index rose for the second consecutive week and the S&P 500 notched its 27th record high for the year. From a global perspective, emerging market equities outperformed the rest of the world as Korea and Taiwan benefited from strong semiconductor demand. Within the U.S. growth outperformed value at all market cap levels as investors rotated back into tech stocks.

Fixed Income: The Bloomberg Aggregate Index fell for the fifth time in the past seven weeks despite inflation data coming in as expected and the odds of a September rate hike declined. Long term Treasuries and investment grade debt led the weakness.

Commodities/FX: The Bloomberg Commodity Index rallied for the first time in three weeks. The gains were driven by energy and grains. Crude oil jumped the most in three weeks as the U.S. and Iran failed to reach a deal to reopen the Strait of Hormuz. Grains were driven higher by a USDA report showing that corn and soybean yields would be less than originally expected.

Inflation Better but Not Good Enough



Footnotes: Data is as of July 2026.
Source: Bloomberg Finance LP, Verdence Capital Advisors.

Megan Horneman | Chief Investment Officer
mhorneman@verdence.com

Global Equities Rally on Tech Trade

U.S. Equities	Current	1WK	1MO	3MO	1YR	YTD
Dow Jones Industrial Average	53,732	-0.5%	2.4%	7.8%	21.6%	12.8%
S&P 500	7,786	0.4%	3.3%	4.1%	21.8%	14.5%
Russell 1000 Growth	5,044	0.5%	1.7%	-0.3%	11.9%	6.2%
Russell 1000 Value	2,540	0.4%	5.0%	10.4%	32.5%	23.9%
Russell 2500	5,383	1.0%	4.1%	8.2%	33.3%	25.2%
Russell 2000	3,068	1.1%	3.6%	7.5%	35.3%	24.6%
Nasdaq	26,729	0.2%	2.4%	0.5%	23.9%	15.4%

International Equities	Current	1WK	1MO	3MO	1YR	YTD
MSCI AC World (USD)	1,160	0.7%	3.5%	4.3%	23.5%	15.4%
MSCI EAFE (USD)	3,263	0.6%	4.3%	6.7%	23.0%	14.8%
MSCI Europe ex UK (USD)	3,587	0.3%	3.9%	7.4%	21.1%	12.0%
MSCI Japan (USD)	5,853	2.6%	5.5%	8.0%	31.2%	23.1%
MSCI UK (USD)	1,730	-0.7%	3.8%	4.7%	21.1%	11.9%
MSCI EM (USD)	1,701	2.7%	3.1%	-0.2%	36.2%	22.7%
MSCI Asia ex Japan (USD)	1,129	3.3%	3.5%	0.2%	37.5%	25.0%

Fixed Income	Current Yield	1WK	1MO	3MO	1YR	YTD
U.S. Aggregate	4.9%	-0.1%	-0.2%	-0.2%	2.4%	-0.2%
U.S. Govt/Credit	4.8%	-0.2%	-0.2%	-0.2%	1.9%	-0.4%
U.S. 10 Year Treasury	4.7%	-0.2%	-0.4%	-0.5%	1.3%	-1.5%
U.S. TIPS (1-10YR)	4.4%	0.0%	0.1%	-0.4%	2.6%	1.3%
U.S. High Yield	7.2%	0.1%	0.6%	1.3%	5.5%	2.6%
EM Bonds (USD)	6.1%	0.0%	0.0%	0.6%	5.2%	1.5%
Municipal Bonds	3.8%	0.1%	-0.6%	0.3%	5.4%	1.2%

Commodities	Current	1WK	1MO	3MO	1YR	YTD
Bloomberg Commodity Index	349	2.8%	4.4%	-3.4%	40.6%	26.3%
Crude Oil (USD/bbl)	$88.5	-5.2%	0.7%	-20.5%	22.9%	27.9%
Gold ($/oz)	$4,376.4	0.1%	9.4%	-3.8%	31.9%	1.7%
Copper	$14,160.0	0.6%	3.8%	1.6%	45.0%	14.0%
Wheat	$236.5	1.6%	-1.0%	7.0%	8.3%	16.7%
U.S. Dollar	100	-0.4%	-1.3%	0.2%	1.6%	1.1%
VIX Index	14.3	-4.4%	-13.6%	-17.4%	-3.9%	-4.7%

Footnotes: Data is as of August 14, 2026.
Source: Bloomberg Finance LP, Verdence Capital Advisors.

Megan Horneman | Chief Investment Officer
mhorneman@verdence.com
Past performance is not indicative of future returns.

Disclaimer:

 The indexes presented are unmanaged portfolios of specified securities and do not reflect any initial or ongoing expenses nor can it be invested in directly. An investment's portfolio may differ significantly from the securities in the index.

This material was prepared by Verdence Capital Advisors, LLC ("VCA" or "we", "our", "us"). VCA believes the information and data in this document were obtained from sources considered reliable and correct and cannot guarantee either their accuracy or completeness. VCA has not independently verified third-party sourced information and data. Any projections, outlooks or assumptions should not be construed to be indicative of the actual events which will occur. These projections, market outlooks or estimates are subject to change without notice. This material is being provided for informational purposes only and is not intended to provide, and should not be relied upon for, investment, accounting, legal, or tax advice. Past performance is not a guarantee of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product or any non-investment related content, made reference to directly or indirectly in these materials will be profitable, equal any corresponding indicated historical performance level(s), be suitable for your portfolio or individual situation, or prove successful. You should not assume that any discussion or information contained in this report serves as the receipt of, or as a substitute for, personalized investment advice from VCA. Alternative investments are designed only for sophisticated investors who are able to bear the risk of the loss of their entire investment. Investing in alternative investments should be viewed as illiquid and generally not readily marketable or transferable. Investors should be prepared to bear the financial risks of investing in an alternative investment for an indefinite period of time. Due to various factors, including changing market conditions and/or applicable laws, the content may no longer be reflective of current opinions or positions. All indexes are unmanaged, and you cannot invest directly in an index. Index returns do not include fees or expenses. Sector Watch Use of this website is intended for U.S. residents only. Any recommendation, opinion or advice regarding securities or markets contained in such material does not reflect the views of Verdence Capital, and Verdence Capital does not verify any information included in such material. Verdence Capital assumes no responsibility for any fact, recommendation, opinion, or advice contained in any such research material and expressly disclaims any responsibility for any decisions or for the suitability of any security or transaction based on it. Any decisions you may make to buy, sell, or hold a security based on this research will be entirely your own and not in any way deemed to be endorsed or influenced by or attributed to Verdence Capital. It is understood that, without exception, any order based on such research that is placed for execution is and will be treated as an UNRECOMMENDED AND UNSOLICITED ORDER. Further, Verdence Capital assumes no responsibility for the accuracy, completeness, or timeliness of any such research or for updating such research, which is subject to change without notice at any time. Verdence Capital does not provide tax, or legal advice. Under no circumstance is the information contained within this research to be used or considered as an offer to sell or a solicitation of an offer to buy any particular investment/security. Fixed income securities are subject to increased loss of principal during periods of rising interest rates. Fixed income investments are subject to various other risks including changes in credit quality, market valuations, liquidity, prepayments, early redemption, corporate events, tax ramifications and other factors. Lower rated securities are subject to greater credit risk, default risk, and liquidity risk. Commodity-related products, including futures, carry a high level of risk and are not suitable for all investors. Commodity-related products may be extremely volatile, illiquid and can be significantly affected by underlying commodity prices, world events, import controls, worldwide competition, government regulations, and economic conditions, regardless of the length of time shares are held. Data is provided for information purposes only and is not intended for trading purposes. Verdence Capital shall not be liable for any errors or delay in the content, or for any action taken in reliance on any content.

Megan Horneman | Chief Investment Officer
mhorneman@verdence.com