Clearstead Market Minute

August 2026

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Financial markets remained near record highs as strong earnings helped offset persistent inflation, rising Treasury yields, and growing policy uncertainty. Early in the month, cooler inflation data, improving manufacturing activity, and robust second-quarter earnings supported risk assets. Sentiment weakened later as Fed minutes revealed greater inflation concerns, trade tensions with Canada intensified, and consumer activity softened. At Jackson Hole, Fed Chair Warsh signaled less reliance on forward guidance and a smaller role for the Fed in steering markets, while maintaining a restrictive policy tone.

Domestic Equity

Equities broadly gained in August, and at the index level there was only minimal volatility amid seasonally softer trading volumes and a very strong Q2 earnings season. Large caps outpaced their mid-cap and small-cap peers and slowly rising tensions in the Middle East helped buoy the Energy sector. But technology firms—largely tied to the AI-ecosystem—also performed strongly in August after giving back some of their impressive H1-2026 gains in July. Because of the strong gains in technology stocks, growth-oriented indices outperformed their value-index peers across the cap spectrum. In addition, some rate sensitive sectors came under pressure in August, with both Utilities and Real Estate declining in the month.

	August	YTD '26
S&P 500	2.7%	13.1%
S&P 500 Equal Weight	2.1%	15.6%
Russell 1000 Growth	3.7%	4.1%
Russell 1000 Value	2.0%	23.1%
Russell Mid Cap	1.9%	16.7%
Russell 2000	1.0%	20.0%

International Equity

International equities also made solid gains in August, with Emerging Markets (EM) leading the way. EM equities benefited from a strong rebound in both the South Korean and Taiwanese stock markets in August, which both gained more than 6%. Both indices are dominated by mega-cap AI-oriented names which have been volatile over the recent weeks but ended August higher. Unlike in the US, international small caps generally outperformed their large-cap peers as investors rotated into some of the less expensive parts of the equity market. After strong buying in July by government affiliated banks and insurance companies, Chinese equities traded slightly lower in August as macroeconomic data generally disappointed.

	August	YTD '26
MSCI ACWI ex USA IMI (USD)	3.0%	16.7%
MSCI Europe (USD)	1.4%	11.1%
MSCI Japan (USD)	3.3%	20.9%
MSCI Pacific ex Japan (USD)	2.5%	16.7%
MSCI EM (USD)	3.4%	24.1%
MSCI China (USD)	(0.3%)	(7.6%)

Rates & Credit

Rates and credit markets lagged equities in August as sticky inflation, heavy issuance, and hawkish Fed rhetoric pushed yields higher. The 10-year Treasury yield ended the month at a year-to-date high of 4.75%, while the 2-year yield rose to 4.34%. Treasury buybacks provided brief support, but deficit concerns and continued supply kept long-term yields elevated. Record investment-grade issuance widened spreads, while tight high-yield spreads supported positive returns. Municipal bonds delivered mixed results and underperformed Treasuries. Portfolios positioned for a resilient economy and a higher-for-longer rate environment remain well placed amid a more volatile macro backdrop.

	August	YTD '26
10 Yr Treasury	0.2%	(1.7%)
Bloomberg US Agg Bond	0.4%	(0.3%)
Bloomberg Interm Corp	0.3%	0.4%
Bloomberg Govt/Credit 1-3 Yr	0.3%	1.2%
Bloomberg US High Yield	1.0%	2.7%
Bloomberg Muni 1-10 Yr	0.4%	0.3%

Diversifying Strategies

Hedged strategies delivered positive performance in August despite elevated volatility and rising interest rates into month-end. Macro strategies were the strongest performers, as systematic trend-followers benefited from strong trends across oil, energy, and agricultural commodities, along with opportunities in currency markets. Equity hedge strategies also posted solid gains as equity markets rebounded from July weakness, with improving market breadth and stock dispersion supporting fundamental growth, value, and market-neutral managers. Relative value strategies generated modest gains, led by convertible arbitrage, while multi-strategy managers remained positive despite rising Treasury yields. Event-driven strategies were approximately flat, as continued M&A activity supported merger arbitrage, offset by slight weakness in catalyst-driven special situations.

	August	YTD '26
HFRX Global Hedge Fund	0.8%	4.4%
HFRX Equity Hedge	1.4%	7.9%
HFRX EH: Equity Market Neutral	0.5%	(0.5%)
HFRX Event Driven	0.1%	2.3%
HFRX Relative Value Arbitrage	0.3%	1.7%
HFRX Macro/CTA	1.6%	5.7%

Real Assets & Other

Commodities generated strong returns in August as geopolitical tensions heated up, and supply disruption concerns continued to underpin energy and industrial material prices. Gold outperformed in the month and pushed year-to-date returns into positive territory as investors embraced the "debasement trade"; (seeking hard assets and stores of value amid persistent fiscal deficits, geopolitical uncertainty, and a softer US dollar). In contrast, REITs and infrastructure equities struggled as higher long-term Treasury yields weighed on these interest-rate-sensitive assets. Bitcoin rallied sharply during the month, benefitting from renewed institutional demand and growing interest in alternatives viewed as less dependent on traditional monetary and fiscal regimes.

	August	YTD '26
BB Commodity/Industrial Metals	2.3%	13.0%
BB Commodity/Energy	5.6%	69.1%
BB Commodity/Gold	9.5%	2.0%
MSCI US REIT	(3.0%)	16.7%
FTSE Global Core Infra 50/50	(1.7%)	9.8%
US Dollar	(0.5%)	1.1%
Bitcoin	25.3%	(10.0%)