VOLUME 2 SEPTEMBER 2026

CANAVAN'S CORNER

RPJ Market Update

AUGUST 2026 PERFORMANCE

Equities	Month	YTD	1 Year	3 Year	5 Year	10 Year
S&P 500	2.7%	13.1%	20.4%	21.0%	12.8%	15.4%
Russell 1000 Value	2.0%	23.1%	29.7%	19.8%	11.8%	11.8%
Russell 1000 Growth	3.7%	4.1%	10.8%	21.1%	11.9%	18.0%
Russell 2000	1.0%	20.0%	26.5%	17.5%	6.8%	10.6%
MSCI EAFE	2.0%	13.8%	21.6%	18.2%	9.4%	9.5%

Bonds	Month	YTD	1 Year	3 Year	5 Year	10 Year
Cash	0.3%	2.5%	3.8%	4.6%	3.7%	2.4%
Short-Term Bonds	0.2%	0.7%	2.1%	4.5%	1.7%	2.0%
Intermediate Bonds	0.4%	-0.3%	1.9%	4.1%	-0.3%	1.4%
Investment Grade Bonds	0.4%	-0.4%	1.9%	5.0%	-0.1%	2.3%
HY Bonds	1.0%	2.7%	4.9%	8.5%	4.1%	5.4%

Source: Morningstar, as of 8/31/26

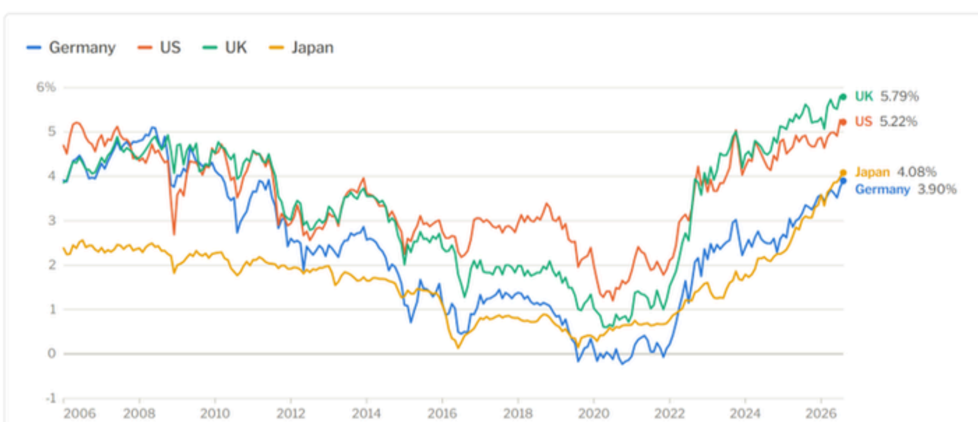
Markets closed out the summer with solid gains despite rising interest rates, persistent inflation, and ongoing geopolitical tensions. Strong corporate earnings and continued enthusiasm for artificial intelligence helped offset concerns about higher borrowing costs and fiscal challenges. As a result, most major asset classes finished the month higher.

Government Spending & Inflation Push Global Yields Higher

Long-term Treasury yields took center stage in August, with the 30-year U.S. Treasury yield reaching its highest level in nearly two decades[1]. The move higher came as U.S. government debt surpassed $40 trillion[2]. Investors demanded greater compensation for risks tied to expanding budget deficits, persistent inflation pressures, and the significant capital investment required to support the buildout of artificial intelligence infrastructure. Together, these forces drove interest rates higher and increased borrowing costs worldwide.

In response, the U.S. Treasury Department expanded its long-term Treasury buyback program, increasing the maximum size of repurchase operations to $4 billion[3]. The goal was to improve market liquidity and help ease borrowing costs. The announcement initially pushed yields lower, but investors largely viewed the move as a temporary measure that did little to address the bigger issues of rising government debt and ongoing deficits. Yields soon began climbing again.

Global 30-Year Bond Yields Hit 19-Year High



Source: FRED, Deutsche Bundesbank, Bank of England, Japan Ministry of Finance, as of 8/31/26

OUR AUTHOR

Jeff Canavan, CFA, joined the firm in 2025 as Director of Investments with over 20 years of experience in the investment industry. He leads efforts in investment due diligence, asset allocation, risk management, and market research. Jeff is dedicated to implementing thoughtful, research-driven strategies designed to support clients in achieving their long-term financial goals.

Attention then shifted to Federal Reserve Chairman Kevin Warsh's comments at the annual Jackson Hole Economic Policy Symposium. Investors were looking for clues about how the Fed might respond to the changing interest-rate environment.

Warsh acknowledged that economic growth remains solid and the labor market is healthy, but he reiterated the Fed's commitment to bringing inflation back to its 2% target. He also emphasized that short-term interest rates remain the Fed's main policy tool. His comments reinforced expectations that the Fed would keep interest rates restrictive until there is more progress on inflation, increasing the possibility of another rate hike in the near term.

While higher yields would increase borrowing costs for consumers and businesses, they also create more attractive income opportunities for fixed-income investors, resulting in both challenges and opportunities across the economy.

> **"Bond yields start to move higher and the equity market ignores it, until it doesn't."**
>
> **Matt Maley**
> **Chief Market Strategist**
> **Miller Tabak + Co.**

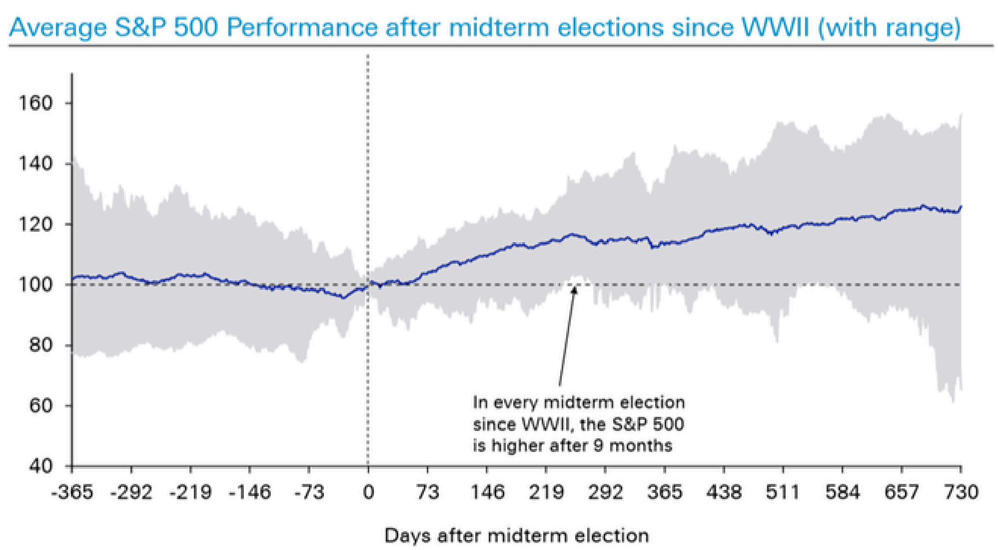
While the bond market dominated the headlines, stock investors appeared largely unfazed. The S&P 500 gained 2.7% in August[4], continuing its steady climb higher. Market participation also broadened during the month, lifting several major asset classes to or near record levels[4].

Strong corporate earnings helped support investor confidence. Markets largely looked past concerns about higher-for-longer interest rates, geopolitical tensions with Iran, federal deficits, and elevated stock valuations. As long as corporate earnings continue to grow and the economic outlook remains supportive, investors have shown a willingness to look beyond negative headlines and focus on longer-term growth.

Investor sentiment also received a boost from renewed enthusiasm surrounding artificial intelligence following concerns earlier in the summer that investment in the theme might be slowing. Strong earnings and guidance from AI leader Nvidia reaffirmed the scale of AI infrastructure spending, helping propel technology stocks higher. The sharp reversal in investor sentiment highlighted both the promise of artificial intelligence and the volatility that can accompany one of the market's most closely watched investment themes.

Midterm Elections

Another potential source of uncertainty for investors is the upcoming midterm elections, now less than ten weeks away. While the nation's growing debt burden is unlikely to be a major campaign issue, topics such as data center development, electricity demand, and the broader economic impact of artificial intelligence are expected to receive greater attention from candidates and voters alike. Housing affordability and healthcare costs are also likely to be prominent issues, creating potential volatility across several industries in the weeks ahead.



Source: Bloomberg Finance LP, Deutsche Bank

While it may seem that election results would have a lasting impact on markets, history suggests otherwise. As the chart above illustrates, election-related volatility has typically been short-lived. Once the dust settles, markets have generally returned their focus to economic fundamentals, corporate earnings, and longer-term growth trends. In fact, according to Deutsche Bank, the S&P 500 was higher nine months after each of the 20 midterm elections held since World War II.

Higher interest rates and the upcoming midterm elections may contribute to periods of market volatility in the months ahead. However, history suggests that successful long-term investing is driven less by short-term headlines and more by economic fundamentals, corporate earnings, and staying focused on a well-constructed financial plan. Despite concerns surrounding rates, deficits, and the election cycle, the economy continues to expand and corporate earnings remain supportive, reinforcing our focus on long-term opportunities rather than short-term distractions.

Sources:
1. Market Yield on U.S. Treasury Securities at 30-Year Constant Maturity, Quoted on an Investment Basis (DGS30) | FRED | St. Louis Fed
2. US debt crosses $40 trillion threshold after doubling under Trump and Biden | Reuters
3. Treasury Announces Increased Sizes of Nominal Long-End Liquidity Support Buybacks Beginning September 9 | U.S. Department of the Treasury
4. S&P Dow Jones Indices
5. Thematic Research: DB CoTD: The gravitational pull of midterms? - Deutsche Bank Research Institute

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