TRADITION
INVESTMENT MANAGEMENT

Economic and Market Review August 2026

August 31, 2026

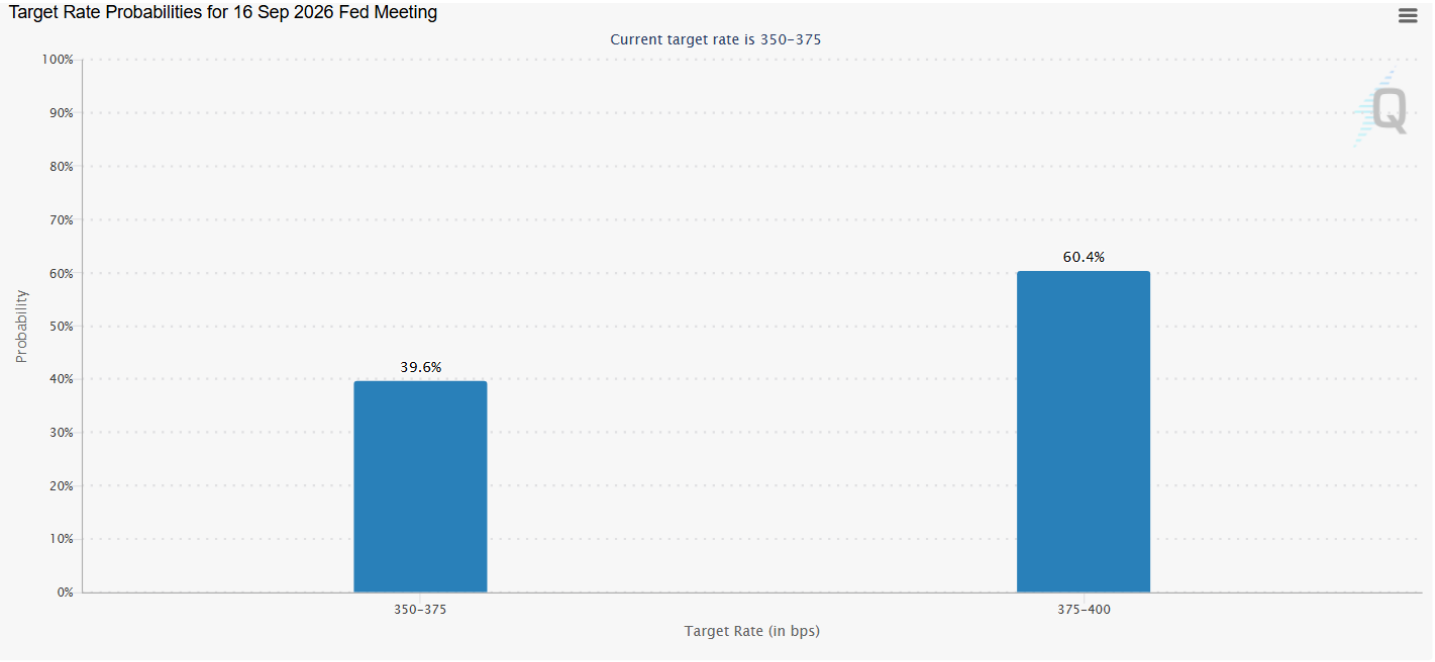
Equity Indices	Index Level	YTD Return
Dow Jones	53,185.90	10.66%
S&P500	7,686.14	12.28%
NASDAQ	26,370.89	13.46%
S&P Developed Ex-US	544.02	15.92%
MSCI–Emerging IMI	2,754.32	25.07%
Bonds (Yield)	**Yield**	**YTD Return**
2yr Treasury	4.34%	0.86%
10yr Treasury	4.75%	0.59%
10yr Municipal	3.38%	-0.73%
US Prime Rate	6.75%	
Commodities	**Price**	**YTD Return**
Gold	$4,431.82	2.62%
Silver	$67.35	-5.82%
Crude Oil (WTI)	$85.76	49.36%
Natural Gas (NYMEX)	$2.93	-20.51%
Currencies	**Index Level**	**YTD Return**
Dollar Index (DXY)	98.72	0.45%

Warsh Puts a September Hike on the Table

The Federal Open Market Committee held the federal funds target at 3.50% to 3.75% at its July 28-29 meeting, the fifth consecutive meeting without a change. Chair Kevin Warsh's post-meeting press conference in July had left bond traders uncertain about his reaction, and long-dated Treasuries sold off in the weeks after it. In late August, he recommitted to the 2% PCE inflation target, described financial conditions as not broadly restrictive, and said the summer's better-than-expected inflation readings "do not tell me that underlying trends have meaningfully improved."

The market read that as a hike being live. The 2-year Treasury yield moved from 4.22% to 4.30% during the speech and finished the month at 4.34%, up from 4.20% on August

27. Nasdaq's Market Intelligence Desk tracked the probability of a September hike rising from 36% to 67% over the week before finally settling at 60%.



TARGET RATE (BPS)	PROBABILITY(%)			
	NOW *	1 DAY 4 SEP 2026	1 WEEK 1 SEP 2026	1 MONTH 7 AUG 2026
350-375 (Current)	39.6%	40.6%	32.8%	55.6%
375-400	60.4%	59.4%	67.2%	44.4%

* Data as of 8 Sep 2026 10:23:12 CT

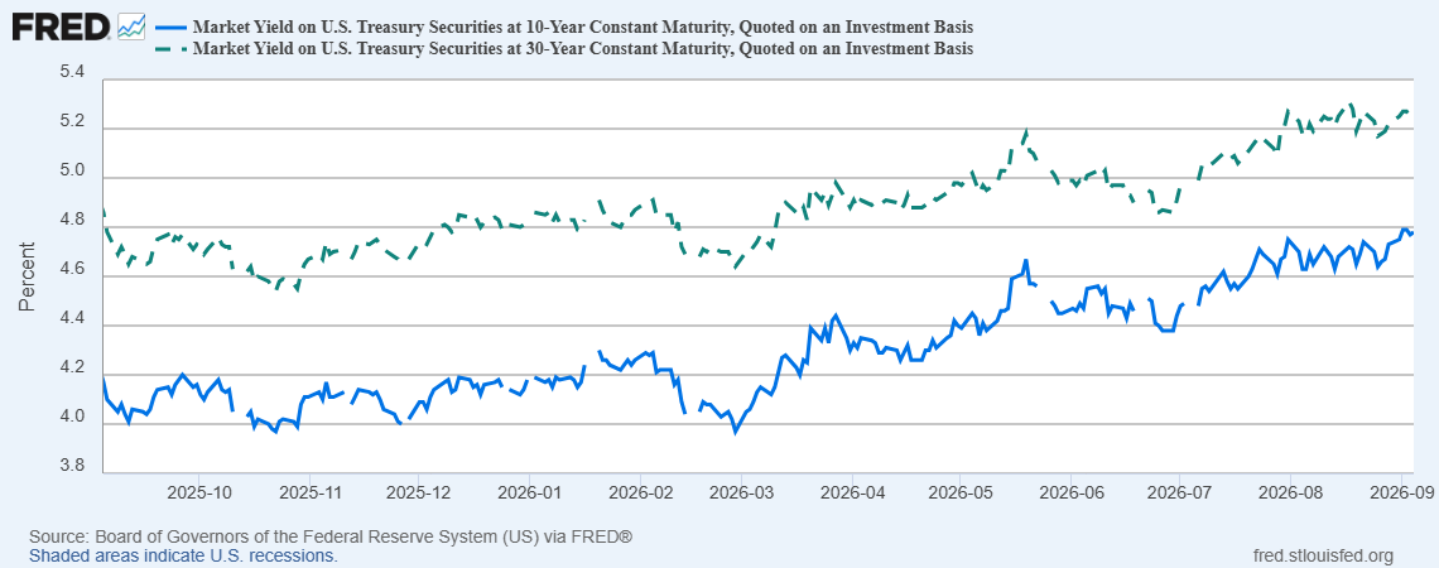
CME

Warsh's argument is that two soft monthly prints do not establish a trend when headline inflation is 3.4%, real wage growth has been negative for four months, and the economy is tracking near 4.6% growth in the current quarter. We find this argument to be a plausible one, however, we believe the larger risk is on the communication side. Warsh has refused to offer forward guidance on principle, telling the audience that the Fed should not indulge "a regime in which market participants are looking primarily to the Fed for their next trade." Without guidance, the market has to infer the reaction function from speeches, and it has now priced a hike that the chair has not committed to. Either the Fed hikes on September 16 into inflation data that is improving, or it holds and absorbs a credibility cost.

Bessent Tries Operation Twist

On August 19, Treasury Secretary Scott Bessent announced an expanded buyback program for 10- to 30-year off-the-run coupons, at least doubling the size of liquidity-

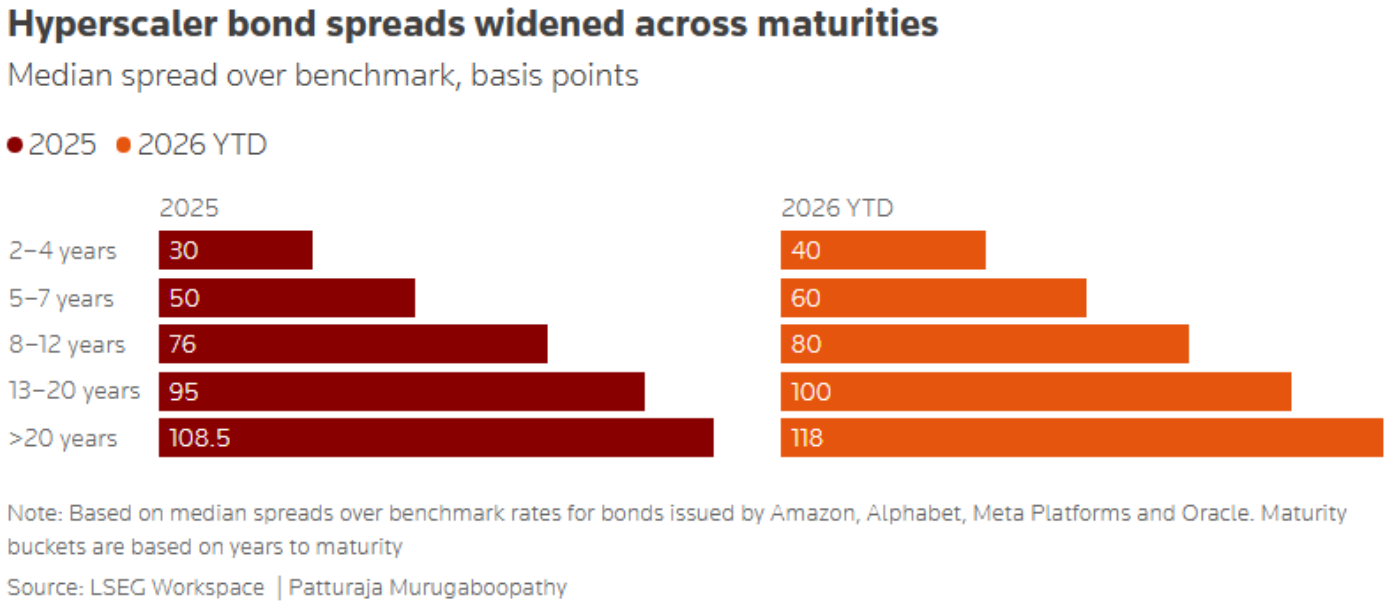
support purchases to a minimum of $4 billion per operation beginning September 9. The department continues to fund itself at the front end through bills, and the stated aim is to pull down the long end of the curve.



The 30-year Treasury yield touched 5.34% during August, its highest level since the summer of 2007, and the 10-year reached 4.77%, its highest since January 2025.

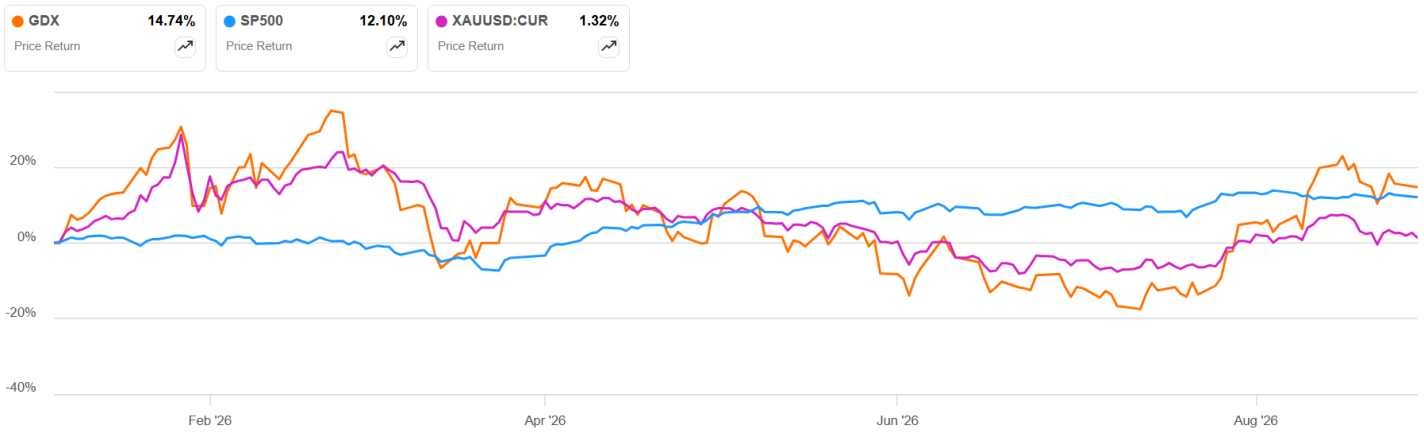
The 30-year is at a 19-year high for reasons that $4 billion per operation does not address: a federal debt load that has passed $40 trillion, a Q3 GDP nowcast near 4.6%, and a wall of AI-linked corporate issuance competing directly for duration demand. Nasdaq's desk notes that more than half of 2026's mega-cap technology bond financings

have carried maturities of 10 to 50 years, which puts hyperscaler balance sheets in the same buyer pool as the Treasury's own long bonds.



Gold Miners Lead the Debasement Trade

Gold rose 9.7% in August and silver rose 15.6%, but the leadership was in the equities. The VanEck Gold Miners ETF (GDX) gained 33% in the month, oil services (OIH) gained 12%, and bitcoin rose 25.4%, its best month since November 2024.



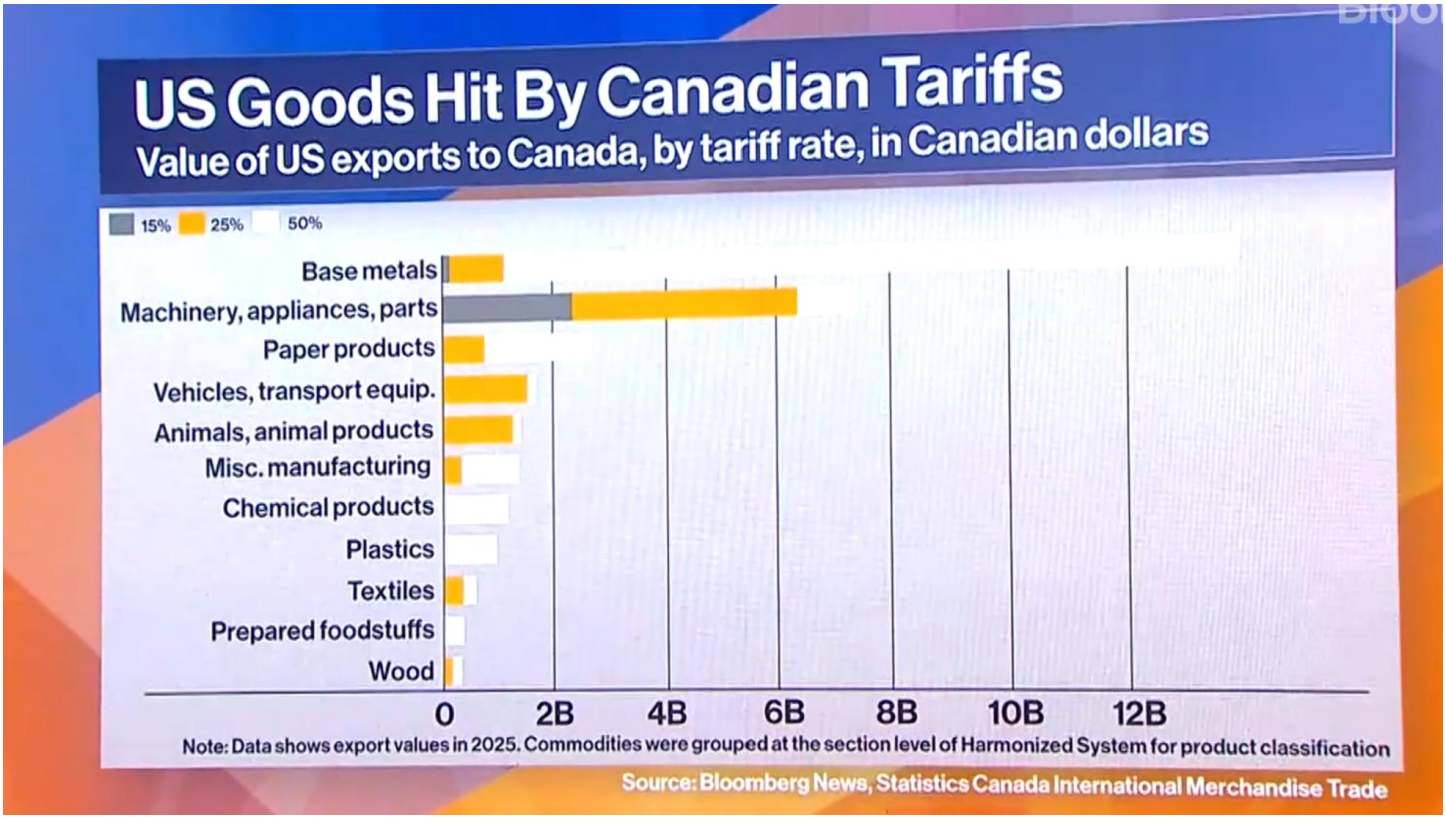
SeekingAlpha, GDX vs S&P 500 and Gold Spot Price

With gold near $4,400, all-in sustaining costs for the large producers sit well below spot, so a 10% move in the metal produces a much larger move in free cash flow, and the miners had lagged the metal badly through the spring correction. The August rally was a

catch-up trade in an operationally levered sector. Central bank purchases, which drove much of the 65% gain in 2025, have not been reported as accelerating.

Trump Discovers the Loonie

The U.S.-Canada trade relationship broke in August. Late on August 21, Prime Minister Mark Carney pulled Canada's negotiators from talks with the Trump administration, citing last-minute U.S. demands on culture, autos and sovereignty that he said were "unfair, uneconomic, and called into question the reliability of any deal." The administration's 50% tariffs on roughly $20 billion of Canadian goods (CBC News puts the figure at $27 billion) took effect at midnight, covering building materials, plywood, cement, wine and liquor, clothing and hockey sticks. On August 25 Ottawa announced dollar-for-dollar counter-tariffs of 15% to 50% on U.S. goods, effective September 8.



BloombergTV

Then, September 6, six days after this issue's data cutoff, the President posted on Truth Social that "Canada's (currency) Dollar imbalance with the U.S. is unacceptable. It has been that way for years - but no longer!" He did not say what exchange rate he would consider acceptable or what action he intended, and separately claimed the U.S. had "lost an average of $60 billion a year" trading with Canada over the past decade, a figure no federal agency has confirmed. The exchange rate he was objecting to, roughly

C$1.38, has held within a few cents of the same range since 2015. Carney did not respond publicly.

TradingView, CAD/USD

The Treasury's semiannual foreign exchange report is the legal mechanism by which the U.S. designates a currency manipulator, and a designation would give the administration a fresh statutory basis for tariffs on top of the August round. Canada meets none of the three criteria in that report: it does not run a material bilateral surplus by Treasury's threshold, it does not run a large current account surplus, and its central bank does not buy foreign currency.

25 states led by Oregon, Arizona and California filed at the CIT on August 3 against the Section 301 forced-labour tariffs, which add 10% to Canadian goods not entered under CUSMA. States have already won against IEEPA at the Supreme Court and against the Section 122 surcharge, but Section 301 is the one authority of the Executive courts have consistently upheld.

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