WEEKLY INSIGHT

August 12, 2026

Employment Drops but Rate Hike Still a Coin-Flip

The S&P 500 finished the week up 0.4% as AI-related names bounced back. This helped lift the NASDAQ 0.9%, while small caps continued to show strength with a similar 0.9% advance. Despite a negative payrolls report, bond yields pushed higher resulting in a 0.3% decline in the core bond category. Year-to-date has small caps leading the major domestic asset classes with a 23.7% gain. The S&P 500 is up 14%. The other notable category to note is the significant outperformance of value versus growth. The Russell 1000 Value is outpacing the Russell 1000 Growth by around 18%.

Semiconductor related names bounced back this week as high capex guidance continues to be a major theme. Strong earnings reports from some key players in the space helped lift sentiment, as well. Despite this, leadership in the technology space has centered around the software sector over the last quarter. High cash generating companies have significantly outpaced the higher beta and momentum factors over the last three months.

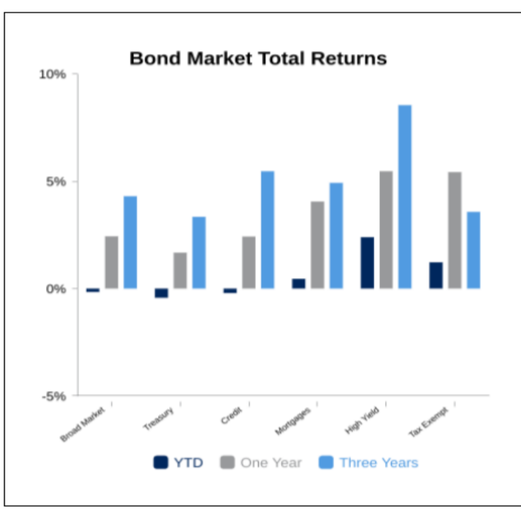
Employment Drops While CPI Stays on Target

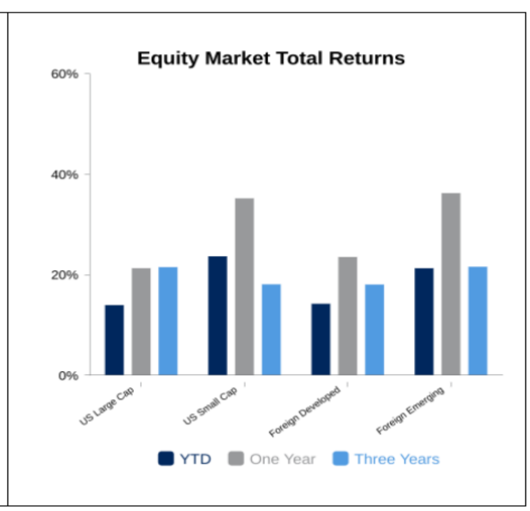
Economic data for the week was highlighted by the July employment report. Nonfarm payrolls declined 23,000 versus a consensus expectation of +83,000. Revisions were to the downside with 103,000 jobs removed over the prior two months. Payrolls have now been negative in five of the last 12 months. Government employment was down 53,000 with much of it concentrated in local education. Some are suggesting a seasonal adjustment to the hiring process could be a factor. The labor force participation declined to 61.4%, which is the lowest level in five years.

The poor employment report was somewhat offset by a CPI report that was in line with expectations. Core CPI was up 0.2% versus the prior month and 2.5% over the year. Owners' equivalent rent continues to stay sticky in the 3.5% range, but there was a 2.8% drop in lodging away from home. Energy was down, but health care inflation remains elevated.

The net result is that rate-related expectations for the September meeting fell modestly over the week. The market is still pricing in a coin-flip on whether the Federal Funds rate will be raised at the next meeting.

Despite choppy employment data throughout the year, Treasury yields have moved higher and recently hit a year-to-date high. This is due to relatively strong overall economic growth. The 30-year bond auction this week will result in the highest yield on 30-year debt in a quarter century.





Interest Rates (%)	Current	12M Ago	3YR Ago
Fed Funds Rate (Upper b	3.75	4.50	5.50
3-Month T-Bill	3.79	4.20	5.42
10-Year Treasury	4.69	4.23	4.15
30-Year Treasury	5.26	4.83	4.26
10-Year Corporate AA	5.47	4.95	5.07
10-Year High Yield Corp.	6.65	6.24	7.09
Commodity Prices ($)	**Current**	**12M Ago**	**3YR Ago**
Gold ($/oz.)	4,408	3,356	1,914
Oil (WTI, $/barrel)	83.27	62.65	83.19
Currencies	**Current**	**12M Ago**	**3YR Ago**
USD (Dollar Index Spot)	100.01	97.84	102.84
USD/EUR	0.87	0.85	0.91
USD/JPY	159.42	147.38	144.96

Sources: BTC Capital Management, Bloomberg

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