MCFADVISORS

Investment Insights

August 2026 Market Commentary

Earnings Strength Lifts Markets as Rates and Energy Risks Persist

EXECUTIVE SUMMARY

Markets mostly advanced in August as strong corporate earnings, continued artificial-intelligence investment, and resilient business activity outweighed softer labor and consumer data. The S&P 500 gained 2.7%, International Developed equities gained 2.5%, and Emerging Market Equities advanced 4.1%. Small Cap Equities were one of few asset classes to fall this month. Credit markets also improved, while commodities and precious metals extended their year-to-date leadership. The principal counterweight was interest rates: Treasury yields remained elevated as inflation, fiscal borrowing, and renewed energy risk kept Federal Reserve policy expectations unsettled.

Market Review

Asset Class Performance – Returns as of 08/31/2026

Asset Class	1-mo	QTD	YTD	1-yr	5-yr	10-yr	25-yr
US Large Cap (S&P 500)	2.7	2.7	13.1	23.5	12.8	15.3	11.4
US Large Cap Value (S&P 500 Value)	2.1	6.1	12.5	25.1	11.6	12.0	9.9
US Large Cap Growth (S&P 500 Growth)	3.2	1.5	13.6	22.1	13.1	17.8	13.1
US Mid Cap (S&P 400)	0.2	(2.2)	14.7	17.1	8.0	10.8	10.0
US Small Cap (S&P 600)	(0.6)	(2.5)	20.0	24.1	6.9	10.6	9.0
International Developed (MSCI World xUS IMI)	2.6	1.6	13.8	22.1	8.3	8.7	6.8
Emerging Markets (MSCI EM IMI)	4.1	0.4	22.0	38.4	6.1	9.2	6.7
US High Yield Bonds *(Bloomberg US High Yield)*	1.0	0.7	2.7	4.3	4.1	5.4	6.9
Intermediate US Treasuries (Intermediate)	0.4	1.5	2.1	9.1	1.2	1.7	1.1
US Investment Grade Bonds *(Bloomberg US Agg Bond)*	0.4	(0.9)	(0.3)	1.9	(0.3)	1.8	1.7
US Short Term (3-6m) *(Bloomberg US Govt/Credit 1-3 Yr)*	0.3	0.4	2.2	3.6	2.2	2.0	2.4
Cash (Bloomberg US T-Bill 1-3m)	0.3	0.6	2.4	4.5	2.7	2.4	1.7

For informational purposes only. Past performance is not indicative of future results.
Source: Morningstar; Returns for periods longer than 1 year are annualized.

August delivered broad gains across risk assets despite a more difficult rate backdrop. Strong second-quarter earnings, continued investment in artificial intelligence, and resilient business activity helped the S&P 500 advance 2.7% and reach new highs during the month, before pulling back slightly towards the end of August.

International results were positive but uneven. Emerging-market equities gained 4.1% as a softer U.S. dollar and strength in technology-oriented Asian markets supported returns. Commodities again stood out, led by precious metals and firm energy prices. Longer-term government yields remained elevated, but credit markets were supported by healthy corporate fundamentals and steady investor demand.

Economic Update

Key Economic Indicators

Economic Data Point	Date	Level	PREVIOUS 4 QUARTERS (Quarter-End Date)			
Description	8/31/2026		6/30/2026	3/31/2026	12/31/2025	9/30/2025
Inflation						
CPI (NSA, YoY%)	7/31/2026	3.40	3.50	3.30	2.70	3.00
Core CPI (ex food & fuel, NSA, YoY%)	7/31/2026	2.50	2.60	2.60	2.60	3.00
U.S. Employment						
Initial Jobless Claims (4-wk MA, 1000's)	8/29/2026	207.25	222.50	208.00	219.25	234.00
Unemployment Rate (SA,%)	7/31/2026	4.10	4.20	4.30	4.40	4.40
Nonfarm Payroll (SA, 1,000's)	7/31/2026	158,858	158,881	158,650	158,432	158,548
Production						
Industrial Production (SA, YoY%)	7/31/2026	1.08	1.29	0.71	1.16	1.86
Durable Goods Orders (NSA, YoY%)	7/31/2026	13.00	9.20	2.80	12.80	9.70
Conf. Board US Leading Econ. Indicators	7/31/2026	99.50	99.30	99.00	99.40	100.10
U.S. Housing & Construction						
Building Permits (SA, MoM%)	7/31/2026	4.30	(2.60)	(11.50)	4.80	7.20
Housing Starts (Monthly, 1,000's)	7/31/2026	1,239	1,415	1,522	1,378	1,319
New Home Sales (Monthly, 1,000's)	7/31/2026	607	678	659	723	714
U.S. Retail Sales						
Retail Sales (SA, YoY%)	7/31/2026	5.00	6.80	4.20	2.40	4.10
Auto Sales (SAAR, Millions)	8/31/2026	16.76	16.52	16.34	16.02	16.39
U.S. Survey Data						
Conf. Board Consumer Confidence (SA)	8/31/2026	89.40	92.20	92.20	94.20	95.60
UofM Consumer Sentiment (NSA)	8/31/2026	51.70	49.50	53.30	52.90	55.10
ISM Manufacturing PMI (SA)	8/31/2026	54.60	53.30	52.70	47.90	48.90

Sources: Bloomberg, MCF Advisors.

For informational purposes only. Past performance is not indicative of future results.

The U.S. economy continued to expand, although the data showed a widening gap between healthy business activity and a softer labor market and consumer. The second estimate for Q2 real GDP was an annual growth rate of 1.5% in the second quarter. July industrial production rose 0.2%, and the August ISM Manufacturing PMI strengthened to 54.6. In contrast, July payrolls declined by 23,000, prior months were revised lower, and retail sales fell 0.6% from June.

Inflation moderated but remained above the Federal Reserve's objective. Headline CPI rose 3.4% over the year ended July, down from 3.5% in June, while core CPI eased to 2.5%. Core PCE inflation held at 3.3% year-over-year. Consumer confidence and sentiment weakened in August as households remained concerned about living costs, energy prices, and the economic outlook.

Federal Reserve

The Federal Reserve did not meet in August, leaving the federal funds target range at 3.50% to 3.75%. Minutes from the July meeting highlighted an unusually divided Committee and the tension between weaker employment data and inflation that remains above target. Policymakers continued to emphasize that decisions would depend on the full set of incoming information.

Chair Kevin Warsh reinforced the Fed's commitment to its 2% inflation objective at Jackson Hole. Markets interpreted the tone as less accommodative than expected, lifting the probability of a September rate increase and pushing short-term yields higher late in the month. The policy outlook therefore remains highly sensitive to labor, inflation, and energy-price data.

Equity Markets

Earnings & AI Leadership Broaden

Corporate earnings remained the primary support for equities. Strong reports from many tech companies capped a healthy second-quarter earnings season, while software, communications, materials, energy, and health-care companies also contributed to market gains. The broader participation suggested that investors were rewarding both AI infrastructure spending and companies demonstrating practical productivity or revenue benefits from AI adoption.

Valuations and financing costs still warrant discipline. Large growth companies remain sensitive to capital-spending expectations, and the rise in long-term yields raises the discount rate applied to future earnings. Small caps (S&P 600) fell -0.6% in August and lagged large caps, reflecting their greater exposure to borrowing costs. Emerging markets remained a bright spot, aided by dollar weakness and strength in Asia.

Diversifying Strategies

Commodities Extend Their Lead

Commodities produced another strong month. The broad Bloomberg Commodity Index rose 7.4%, extending its year-to-date gain to roughly 32.1%. Gold advanced nearly 10% and silver more than 15% as investors focused on geopolitical risk, fiscal sustainability, and the long-term value of the U.S. dollar. Oil held near multi-month highs amid the continuing standoff between the United States and Iran.

These gains reinforced the diversification potential of real assets, while also illustrating the two-sided impact of higher commodity prices. Energy and metals supported related equities and inflation-sensitive assets, but elevated fuel and input costs remained a risk to consumer spending and profit margins. Private credit continued to offer income potential, with underwriting quality and liquidity discipline remaining essential.

Fixed Income

Income Helps Offset Rate Volatility

Fixed income results were mixed but generally improved from July. The 10-year Treasury yield ended August near 4.75% after considerable intra-month volatility. Broad investment-grade bonds posted a modest gain, supported by coupon income, while longer-duration government bonds remained sensitive to inflation, fiscal borrowing needs, and changing expectations for Federal Reserve policy.

Credit markets were more constructive. U.S. high-yield bonds gained 1.0% as spreads narrowed and corporate earnings remained healthy. Investment-grade corporate bonds also advanced, although heavy issuance limited relative performance. With spreads tight and yields elevated, income remains attractive, but security selection and interest-rate sensitivity continue to matter.

Outlook

Theme #1: Earnings Remain the Market's Foundation
Healthy profits and continued AI-related investment supported equities and helped broaden market leadership in August.

Theme #2: Growth is Resilient but Uneven
Business activity remained firm, while weaker hiring, retail sales, housing, and consumer sentiment signaled areas of moderation.

Theme #3: Inflation is Improving Slowly
Headline and core CPI eased in July, but core PCE inflation and commodity prices kept the Fed focused on its 2% objective.

Theme #4: Higher-for-Longer Rates Remain a Valuation Risk
Elevated Treasury yields and fiscal borrowing needs may continue to pressure duration-sensitive assets and highly valued equities.

Theme #5: Diversification is Providing Multiple Return Drivers
Gains across U.S. equities, emerging markets, high yield, precious metals, and commodities demonstrated the value of differentiated exposures.

Conclusion

August extended the market's 2026 advance. Strong earnings, a widening set of AI beneficiaries, and resilient business activity outweighed softer labor and consumer data. U.S. large cap and emerging market equities posted solid gains, credit markets advanced, and commodities delivered another strong month.

Our outlook remains constructive but more balanced. Inflation is easing only gradually, long-term interest rates remain elevated, and geopolitical developments continue to influence energy markets. Returns may therefore remain uneven and increasingly dependent on earnings quality, valuation, and sensitivity to financing costs. History tells us we likely will see volatility pick up in the short term as we work through the midterm elections. As long as any near-term cash flow needs are managed with this short-term volatility in mind, a disciplined approach centered on strategic asset allocation and thoughtful diversification remains appropriate.

Important Disclosures

Please remember that past performance may not be indicative 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 (including the investments and/or investment strategies recommended or undertaken by MCF), or any non-investment related content, made reference to directly or indirectly in this newsletter will be profitable, equal any corresponding indicated historical performance level(s), be suitable for your portfolio or individual situation, or prove successful. Due to various factors, including changing market conditions and/or applicable laws, the content may no longer be reflective of current opinions or positions. Moreover, you should not assume that any discussion or information contained in this newsletter serves as the receipt of, or as a substitute for, personalized investment advice from MCF. To the extent that a reader has any questions regarding the applicability of any specific issue discussed above to his/her individual situation, he/she is encouraged to consult with the professional advisor of his/her choosing. MCF is neither a law firm nor a certified public accounting firm and no portion of the newsletter content should be construed as legal or accounting advice. A copy of the MCF's current written disclosure statement discussing our advisory services and fees is available upon request. If you are a MCF client, please remember to contact MCF, in writing, if there are any changes in your personal/financial situation or investment objectives for the purpose of reviewing/evaluating/revising our previous recommendations and/or services.
MCF Advisors, LLC ("MCF") is an SEC registered investment adviser. MCF may only transact business in those states in which it is registered, or qualifies for an exemption or exclusion from registration requirements. This brochure is limited to the dissemination of general information pertaining to MCF's advisory services. Accordingly, this brochure should not be construed by any consumer and/or prospective client as MCF's solicitation to effect, or attempt to effect transactions in securities, or the rendering of personalized advice from MCF. Please remember that different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment or investment strategy (including those undertaken or recommended by MCF), will be profitable or equal any historical performance level(s). To the extent that a reader has any questions regarding the applicability of any content discussed herein to his/her individual situation, he/she is encouraged to consult with the professional advisor of his/her choosing. MCF is neither a law firm nor a certified public accounting firm and no portion of the brochure content should be construed as legal or accounting advice. A copy of MCF's current written disclosure statement discussing our advisory services and fees is available upon request.

Market Commentary Disclosure: This is prepared for informational purposes only. It does not address specific investment objectives, or the financial situation and the particular needs of any person who may receive this report.

Index Disclosure: An index is an unmanaged portfolio of specific securities, the performance of which is often used as a benchmark in judging the relative performance of certain asset classes. Investors cannot invest directly in an index. An index does not charge management fees or brokerage expenses, and no such fees or expenses were deducted from the performance shown.

Third Party Source Disclosure: The information herein was obtained from various sources. MCF does not guarantee the accuracy or completeness of information provided by third parties. The information in this report is given as of the date indicated and believed to be reliable. MCF assumes no obligation to update this information, or to advise on further developments relating to it.

Index returns shown are total-return (TR), which reflect the inclusion of dividends and other earnings. Index returns obtained from Morningstar and Bloomberg. Investors cannot invest in an index. Indexes are unmanaged and do not reflect the deduction of any fees or expenses, which would reduce returns.

In the event that there has been a change in a client's investment objectives or financial situation, he/she is encouraged to advise MCF immediately. Different types of investments and/or investment strategies involve varying levels of risk, and there can be no assurance that any specific investment or investment strategy (including the investments purchased and/or investment strategies devised or undertaken by MCF) will be either suitable or profitable for a client's or prospective client's portfolio. No part of this letter is considered to be tax advice; please consult a tax advisor or accountant for tax advice. A copy of MCF's current written disclosure statement discussing its advisory services and fees is available upon request. ANY QUESTIONS: MCF's Chief Compliance Officer, Timothy A. Gavin, remains available to address any questions that you may have.

US Broad Market Equities: The S&P Composite 1500® combines three leading indices, the S&P 500®, the S&P MidCap 400®, and the S&P SmallCap 600®, to cover approximately 90% of U.S. market capitalization. It is designed for investors seeking to replicate the performance of the U.S. equity market or benchmark against a representative universe of tradable stocks.

Large Cap Equities: The S&P 500 Composite Index is a market capitalization-weighted index of 500 widely held stocks often used as a proxy for the stock market. It measures the movement of the largest issues. Standard and Poor's chooses the member companies for the 500 based on market size, liquidity and industry group representation. Included are the stocks of industrial, financial, utility, and transportation companies.

Mid Cap Equities: Standard and Poor's Midcap 400 Index is a capitalization-weighted index which measures the performance of the mid-range sector of the U.S. stock market. The index was developed with a base level of 100 as of December 31, 1990.
Small Cap Equities: The Standard & Poor's Smallcap 600 Index is a capitalization-weighted index that measures the performance of selected U.S. stocks with a small market capitalization. The index was developed with a base value of 100 as of December31, 1993.
International Developed Equities: The MSCI World ex-USA IMI NR USD Index measures the performance of the large, mid, and small cap segments of world, excluding US equity securities. It is free float-adjusted market-capitalization weighted. The index consists of the following 22 developed market country indexes: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom. The index is presented as net total return, which includes the reinvestment of dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

EM Equities: The MSCI Emerging Markets IMI NR USD Index is a free float-adjusted market capitalization index (includes large, mid, and small cap) that is designed to measure equity market performance of emerging markets. The MSCI Emerging Markets Index consists of the following 23 emerging market country indexes: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey* and United Arab Emirates. The index is presented as net total return, which includes the reinvestment of dividends after the deduction of withholding taxes, using (for international indexes) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

Commodities: The Bloomberg Commodity TR USD Index measures the performance of future contracts on physical commodities which traded on US exchanges and London Metal Exchange. The commodity weightings are based on production and liquidity, subject to weighting restrictions applied annually.

High Yield Bonds: The Bloomberg US Corporate High-Yield TR USD Index measures the market of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below, excluding emerging market debt.

Global/International Bonds: The Bloomberg Global Agg ex USD TR USD Index measures the performance of global investment grade fixed-rate debt markets that excludes USD-dominated securities.

Core/Agg Bonds: The Bloomberg US Aggregate Bond TR USD Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-through), ABS and CMBS (agency and non-agency). Provided the necessary inclusion rules are met, US Aggregate eligible securities also contribute to the multi-currency Global Aggregate Index and the US Universal Index, which includes high yield and emerging markets debt.

Muni Bonds: The Bloomberg US Municipal TR USD Index covers the USD-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and prerefunded bonds.
TIPS Bonds: The Bloomberg US Treasury Inflation-Protected Securities (TIPS) TR USD Index is a rules-based, market value-weighted index that tracks inflation-protected securities issued by the U.S. Treasury. The U.S. TIPS Index is a subset of the Global Inflation-Linked Index, with a 38.5% market value weight in the index (as of December 31, 2010), but is not eligible for other nominal Treasury or Aggregate indices. To prevent the erosion of purchasing power, TIPS are indexed to the non-seasonally adjusted Consumer Price Index for All Urban Consumers, or the CPI-U (CPI).

Short-Term Bonds: The Bloomberg US Government/Credit 1-3 Year TR USD Index measures the performance of non-securitized component of the U.S. Aggregate Index with maturities of 1-3 years, including Treasuries, government-related issues and corporates. It is a subset of the U.S. Aggregate Index.

Cash: The prefunded Bloomberg US Treasury Bellwethers 3-Month TR USD Index measures the performance of six on-the-run U.S. Treasuries that reflect the most recently issued 3m securities. It follows Barclays Capital's index monthly rebalancing conventions.

Inflation: The Consumer Price Index for All Urban Consumers (CPI-U), calculated by BLS, provides a measure of the average change in the prices paid by urban consumers for a fixed market basket of goods and services relative to the price of that basket during the 1982-1984 period. The U.S. index is based on the prices of goods and services, including food and beverages, housing, apparel, transportation, medical care, recreation, education, and communication, that people buy for day-to-day living in urban areas across the country. U.S. data are published in the monthly BLS news release, Consumer Price Index. The index is seasonally adjusted.