August 2026 Market Recap

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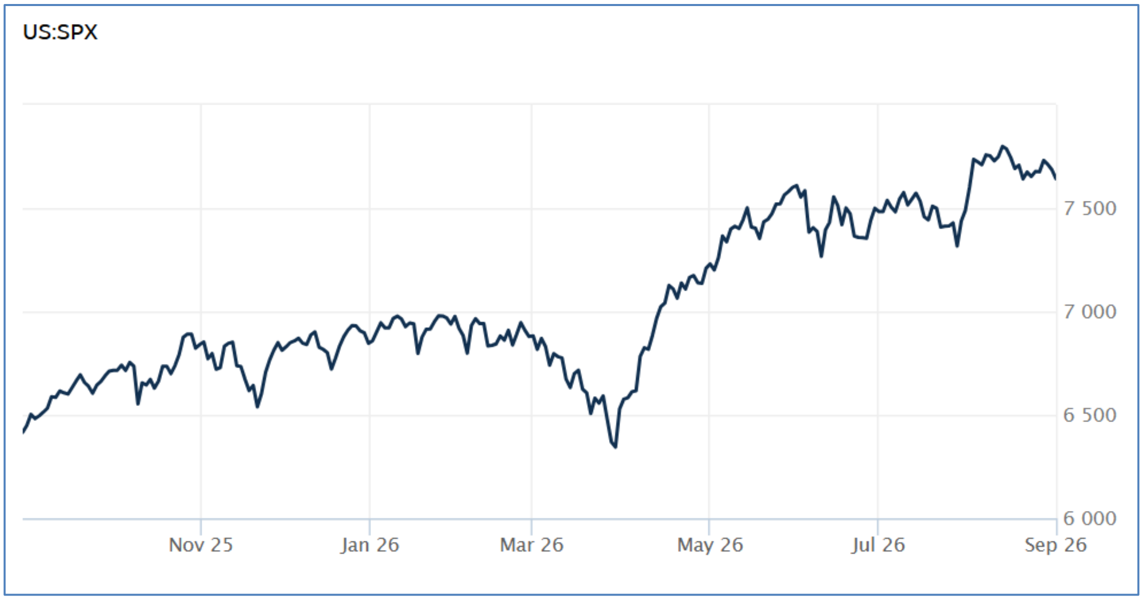
Markets finished higher in August after enduring choppiness that sent some of the major indices in and out of record territory. The Federal Reserve's (Fed) preferred inflation gauge rose again, taking some of the luster from stocks and sending treasury yields to record levels. Minutes from the July Fed meeting indicate that policymakers are very worried about inflation. Many investors now believe that interest rate cuts are off the table and an interest rate hike may come by December. Gas prices returned to record levels as the ongoing war with Iran dragged on.

Choppy August Ends Higher After Stocks Retreat From Record Highs

All the major indices finished higher in August compared to July. The tech-heavy NASDAQ Composite Index (COMP) led the way higher, gaining 3.9% on the month after falling in June and July. The broad market S&P 500® (SPX) also reversed course in August, gaining 2.6%. The popular Dow Jones Industrial Average® (DJIA) rose 1.3% during the month, capping its fifth straight monthly gain. Both the SPX and the COMP recorded record highs during the month before settling lower.

Despite the gains, the major indices were choppy during August. Renewed tensions in Iran contributed to the uncertainty, fueled by new upswings in oil and gas prices. Also contributing to the shaky market are investors' worries over inflation, which tend to make equities less attractive and push yields higher. On the positive side, enthusiasm over AI-driven companies continued to push stocks higher in August.



Source: Wall Street Journal

Fed’s Preferred Inflation Gauge Climbs 3.7% in July

Inflation continued its march higher in July, according to the latest report government data. The personal consumption expenditure price index (PCE) rose 0.2% for the month and 3.7% compared to year-ago. Both results were slightly higher than expectations. PCE has been above the Fed's 2% target for years.

Stripping out the more volatile components of food and energy, core PCE rose 0.2% in July and 3.3% compared to last year. Both core numbers were in line with forecasts. While the Fed inflation target is typically measured against the overall PCE, the policymakers tend to focus on core PCE as a better indicator of rising prices.

Goods actually fell for the month, off 0.1%, helped by a 2.7% decrease in gasoline and other energy-related goods as well as a 0.9% pullback in furnishings and long-lasting household equipment. Services rose 0.3%, driven by 1.2% jump in financial services and insurance.

PCE is the Fed's preferred inflation gauge because it covers a broad range of consumer spending and better reflects what consumers are actually spending. The persistently high inflation numbers are likely to be a big factor during the Fed's next policy meeting in September. CNBC

Fed Signals Rate Hikes May Be Needed to Tame Inflation

Following its July meeting, The US central bank kept interest rates unchanged, maintaining the federal funds rate in the 3.5% to 3.75% range. But minutes of the meeting revealed that the Fed is now leaning toward raising rates. The Fed hasn't changed interest rates since December 2025 when policymakers lowered rates by 0.25%.

While the minutes don't reveal specifics on how many of the 19 Fed policymakers support higher rates, inflation continues to be the major price-focused concern of the Fed. "Participants judged that their inflation outlooks were highly uncertain and that inflation risks were skewed to the upside," the minutes said. "Many participants assessed that (higher rates) would likely be necessary if inflation did not decline."

Fed chairman Kevn Warsh reiterated that outlook during the Jackson Hole Economic Policy Symposium in Wyoming. He made clear that the Fed remains committed to its longstanding policy of using interest rates to manage inflation. Those comments appeared to put to rest any ambiguity that the Fed isn't fully aware that inflation has been above its target 2% level for over five years.

According to Warsh, "here is my standard: We must be confident that underlying inflation is moving to our objective, clearly and at sufficient speed. Otherwise, we have work to do. That's our job, our mandate, and our charge to keep." Many now believe the Fed will keep interest rates unchanged following its next meeting in September but raise them by the December meeting. Axios

High Gas Prices Prompt Trump Meeting With US Refiners

The national average for a gallon of regular gasoline was $4.10 a gallon at the close of August, according to AAA. That's just slightly less than the average price one month ago but significantly above the year-ago price of $3.21. For the first time ever, the national average price in August has been above $4.00 per gallon every day.

Due to the war with Iran and disruption of oil flows through the Strait of Hormuz, crude oil prices remain in the $80 per barrel range. Those high oil prices and uncertainty surrounding future supply disruptions have consistently driven gas prices higher. The Strait accounts for 20% of the global oil flow.

President Trump is expected to meet with US refiners and fuel retailers during the first week in September to discuss rising gas prices, according to sources. Attendees at the meeting are expected to be Valero Energy Corp, Marathon Petroleum Corporation, and Chevron Corp. The meeting is expected to include 10 fuel makers and distributors.

The biggest US oil companies and refiners reported strong second quarter results as the Iran war have curtailed supplies and disrupted global energy markets. That has caused fuel prices to soar, which has benefited oil companies and refiners. Those positive results have drawn criticism from Trump, who has argued that oil companies should do more to bring prices down. The president has publicly pressured major producers and refiners to cut prices. AAA, Yahoo Finance

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The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. It is a market value weighted index with each stock's weight in the index proportionate to its market value.

The Nasdaq Composite Index is a market-capitalization weighted index of the more than 3,000 common equities listed on the Nasdaq stock exchange. The types of securities in the index include American depositary receipts, common stocks, real estate investment trusts (REITs) and tracking stocks. The index includes all Nasdaq listed stocks that are not derivatives, preferred shares, funds, exchange-traded funds (ETFs) or debentures.

The Dow Jones Industrial Average (DJIA) is a price-weighted average of 30 actively traded "blue chip" stocks, primarily industrials, but includes financials and other service-oriented companies. The components, which change from time to time, represent between 15% and 20% of the market value of NYSE stocks.

The Conference Board creates the Present Situation Index (PSI) from survey data of approximately 5000 households across the United States to gauge public opinion about the US economy. When the index is positive, people feel good about the current economic situation. When negative, people are less optimistic. The (PSI) along with the Expectations Index are used by The Conference Board to create the Consumer Confidence Index (CCI) which tells us how optimistic (or not) people are about the future of the economy.

The Expectations Index is a component of the Consumer Confidence Index® (CCI), which is published each month by the Conference Board. The CCI reflects consumers' short-term—that is, six-month—outlook for, and sentiment about, the performance of the overall economy as it effects them. The Expectations Index is made up of the average of the CCI components that deal with six-month outlooks for business, employment, and income.

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