Monthly Market Review

Multi-Asset Class | August 2026

pfm asset management

U.S. Equity

- U.S. equities retreated slightly in July after two months of recovery. The S&P 500 Index declined 0.1%, while the Russell 3000 Index declined 0.5% for the month.[1] Although broad index moves were relatively muted, underlying performance was more varied as investors reassessed technology exposure amid shifting rate expectations and renewed geopolitical uncertainty.
- In July, 7 of the 11 sectors posted positive returns. Energy was the strongest sector, returning 12.6%, buoyed by a sharp rise in crude oil prices as conflict in the Middle East reignited after earlier hopes of a resolution. Financials followed with a gain of 6.2%. Information Technology was the weakest sector, declining 3.4%, while Industrials and Utilities also declined, falling 3.0% and 2.2%, respectively.
- Performance was negative across market capitalizations. Large-caps, (Russell 1000 Index), declined 0.4%, and mid-caps (Russell Midcap Index), declined 0.6% while small-caps (Russell 2000 Index) saw a sharper decline of 3.0%. Value stocks continued to outperform growth stocks across all market capitalizations.
- According to FactSet Earnings Insight as of July 31, 2026, the blended earnings growth estimate for the S&P 500 for Q2 is 47.4%. Eight sectors are reporting double-digit earnings growth or higher, led by Energy (135.3%), Communication Services (109.8%), Consumer Discretionary (90.7%), and Information Technology (69.4%.) Concentration of growth within the index remains relevant as just two companies (Alphabet and Amazon.com) account for 18.6% estimate; however, excluding them, the S&P 500 would still be reporting its second consecutive quarter of YoY earnings growth above 20%.

Non-U.S. Equity

- Non-U.S. equities were mixed in July. The MSCI ACWI ex-U.S. Index returned 0.3% for the month, reflecting the offsetting effect of market dispersion. Developed markets, represented by the MSCI EAFE Index, gained 2.0%. Within developed markets, a larger exposure to financials and industrials helped offset weakness in technology, leading Europe (MSCI Europe Index) to return 1.6%, while Japan (MSCI Japan Index) rose 1.0%.
- Emerging markets declined 3.1% in July, with results sharply divided on a country level. China (MSCI China Index) led the way higher, returning 9.0% for the month. In contrast, Korea (MSCI Korea Index) declined 17.1%, and Taiwan (MSCI Taiwan Index) declined 5.4%, as weakness in the technology sector weighed on these tech-heavy markets.
- Within the MSCI ACWI ex-U.S. Index, 10 of the 11 sectors posted positive returns in July. As in the US, Energy was the leading sector, returning 12.0%. Information Technology, the only sector with a negative return for the month, returned -13.0%, due to steep losses in semiconductors and technology hardware stocks.

Fixed Income

- Treasury yields rose meaningfully across the longer end of the curve in July. Hawkish Federal Reserve (Fed) commentary and a resilient labor market pushed market expectations toward a higher-for-longer rate path. The 2-year yield rose 11 basis points (bps), the 5-year yield rose 22 bps and the 10-year yield rose 27 bps to 4.7%, its highest level since January 2025. At the long end of the curve, the 30-year yield rose 32 bps to 5.3%, a new 19-year high and the sharpest one-month increase since 2024.
- Fixed income returns were broadly negative in July as rising yields weighed on performance. The U.S. Treasury Index and Bloomberg U.S. Aggregate Index declined 1.2% and 1.3%, respectively, for the month. Investment-grade (IG) credit returned -1.6%, while high-yield returned -0.3%. Credit spreads widened modestly, with IG spreads increasing 4 bps and high-yield spreads widening 9 bps.

Listed Real Assets

- Real estate investment trusts (REITs) delivered positive returns in July, with the FTSE NAREIT All Equity REITs Index returning 2.4% for the month. Industrials was the best performing sector, while the residential and data centers REITs declined.
- Listed infrastructure saw modest gains in July, as the FTSE Global Core Infrastructure 50/50 Index returned 0.5%. Rising treasury yields reduced the relative appeal of the utility sector's dividends; however, company earnings reports pointed to strong electricity demand from AI data center buildout.

Items to Watch

- Tariffs remain a significant component of U.S. trade policy, as the Trump administration enacted a new set of tariffs under Section 301 of the Trade Act of 1974. These measures effectively replaced the temporary duties enacted under Section 122, with the new duties taking effect as the previous duties expired. The new framework allows the administration to maintain a tariff floor on U.S. imports while including numerous product exemptions. Overall, the new tariffs are estimated to increase the average effective tariff rate by 10 bps to 10.7%, according to Bloomberg Economics.
- Manufacturing continued to rebound in July, as the ISM Manufacturing PMI increased to 55.6, marking the highest reading in four years. New orders ticked up to 56.7 from 56.0, while employment returned to expansion territory, improving to 52.8 from 49.7. The Prices Paid Index reading remained elevated and relatively unchanged at 71.1.
- The Federal Open Market Committee (FOMC) remained on hold in July, voting to maintain the target range at 3.5%–3.75%. The statement emphasized that economic activity remains solid, the labor market is broadly stable, while inflation remains "elevated". With Chair Kevin Warsh offering limited forward guidance and three policymakers favoring a rate hike, investors now see a meaningful chance of higher rates later in 2026. Upcoming inflation and labor market data will remain key drivers of expectations for the September Fed meeting.

Sources

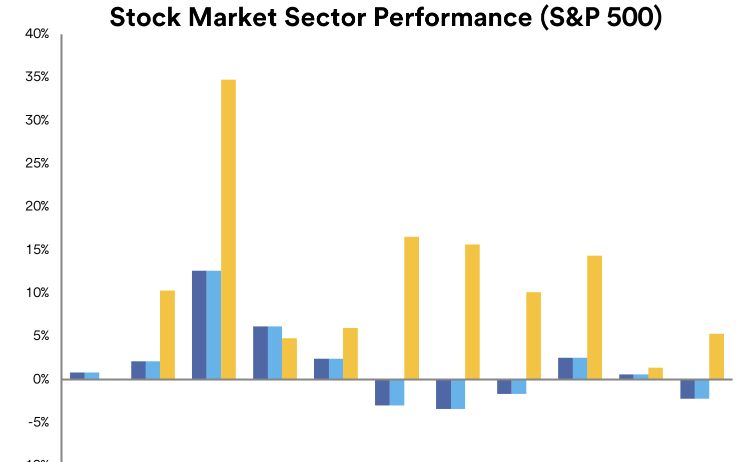
- Bloomberg
- FactSet

1 - All returns are expressed as total returns (price returns net of dividends).

Total Return of Major Indices				
Domestic Equity	**MTD**	**QTD**	**YTD**	**1 YR**
S&P 500	-0.1%	-0.1%	10.1%	19.5%
Russell 3000	-0.5%	-0.5%	10.3%	19.6%
Russell 2000	-3.0%	-3.0%	19.0%	34.3%
Russell 1000	-0.4%	-0.4%	9.9%	18.9%
International Equity	**MTD**	**QTD**	**YTD**	**1 YR**
MSCI ACWI ex-U.S.	0.3%	0.3%	14.1%	28.5%
MSCI EAFE	2.0%	2.0%	11.6%	24.3%
MSCI Emerging Markets	-3.1%	-3.1%	20.0%	36.4%
Fixed Income	**MTD**	**QTD**	**YTD**	**1 YR**
Bloomberg U.S. Agg	-1.3%	-1.3%	-0.7%	2.7%
Bloomberg Global Agg	-0.5%	-0.5%	-0.7%	1.6%
ICE BofA U.S. HY	-0.3%	-0.3%	1.6%	5.0%
Listed Real Assets	**MTD**	**QTD**	**YTD**	**1 YR**
MSCI U.S. REIT	2.3%	2.3%	19.5%	23.4%
FTSE NAREIT All Equity REITs	2.4%	2.4%	17.7%	19.5%
MSCI World Core Infrastructure	1.8%	1.8%	10.9%	13.7%
FTSE Global Core Infrastructure 50/50	0.5%	0.5%	11.3%	16.0%

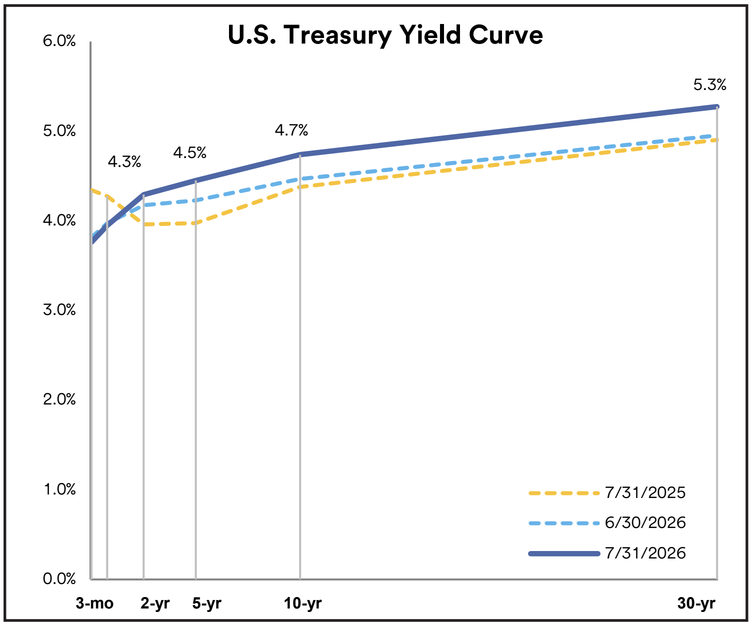
Economic Indicators		
Domestic	**Current**	**Previous Month**
Unemployment Rate (%)	4.2%	4.3%
Initial Jobless Claims (four week average)	202.8 K	207.8 K
CB Leading Economic Indicators	-0.2	0.1
Capacity Utilization	76.1%	76.1%
GDP (annualized growth rate)	1.5%	2.1%
University of Michigan Consumer Confidence	55.2	49.5
New Home Starts	628 K	618 K
Existing Home Sales	4.1 MM	4.2 MM
Retail Sales (YoY)	6.7%	7.3%
U.S. Durable Goods (MoM)	0.3%	-4.0%
Consumer Price Index (YoY)	3.5%	4.2%
Producer Price Index (MoM)	-1.4%	2.4%
Developed International*		
EAFE GDP (annualized growth rate)	0.8%	1.1%
EAFE Unemployment	4.7%	4.7%
EAFE Inflation	2.5%	2.7%

Stock Market Sector Performance (S&P 500)

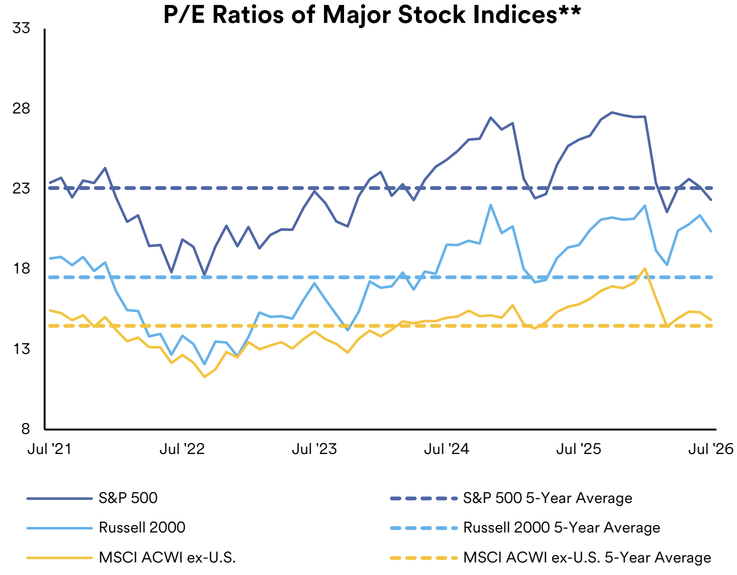


	Cons. Disc.	Cons. Staples	Energy	Financial	H'lthcare	Industrial	Info. Tech	Materials	Real Estate	Telecom	Utilities
MTD	0.8%	2.1%	12.6%	6.2%	2.4%	-3.0%	-3.4%	-1.7%	2.5%	0.6%	-2.2%
QTD	0.8%	2.1%	12.6%	6.2%	2.4%	-3.0%	-3.4%	-1.7%	2.5%	0.6%	-2.2%
YTD	0.0%	10.3%	34.7%	4.8%	6.0%	16.5%	15.7%	10.1%	14.3%	1.4%	5.3%

U.S. Treasury Yield Curve



P/E Ratios of Major Stock Indices**



Source: Bloomberg, FactSet. Data as of July 31, 2026, unless otherwise noted.

**Developed market data excluding the U.S. and Canada. Aggregate figure calculated by FactSet Economics.*

***P/E ratios are calculated based on one-year-forward estimates and adjusted to include only positive earning results for consistency.*

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