VIEWS SEPTEMBER 4, 2026

Weekly market update: Rate-hike worries resurface despite what the Fed said.

The market and economy

- Major U.S. equity market indexes saw mixed performance during the week ending September 4. Investors' concerns about higher oil prices and a stronger-than-expected employment report—which fanned speculation that the Federal Reserve (Fed) could implement an interest-rate hike later this month—were offset by surprisingly dovish comments from a Fed governor, as well another rally in shares of artificial intelligence (AI)-related companies. The tech-heavy Nasdaq Composite Index gained ground for the week, while the broader-market S&P 500 Index was virtually flat and the Dow Jones Industrial Average moved modestly lower. On Thursday (a day before the release of robust labor market data), Fed Governor Christopher Waller said that he would support keeping interest rates unchanged at the central bank's September 15-16 meeting if upcoming August inflation data continue to show progress toward the Fed's 2% inflation target.
- There was notable economic news during the week. The Department of Labor announced that U.S. nonfarm payrolls increased by 162,000 jobs in August—well above expectations and a substantial improvement from the 21,000 positions added in July, which represented an upward adjustment of 44,000 from the government's initial tally of a loss of 23,000 jobs. The unemployment rate was unchanged at 4.1%. The food services and drinking places, local government education, and manufacturing sectors posted job gains of 59,000, 42,000, and 16,000, respectively, in August, while jobs in the information sector declined by 23,000. Average hourly earnings rose 0.3% in August, exceeding the 0.1% uptick in July, and advanced 3.1% year-over-year, down marginally from the 3.2% increase in July.
- According to the Department of Labor's Job Openings and Labor Turnover Survey (JOLTS), open positions in the U.S. increased by 89,000 (+1.2%) month-over-month in July (the most recent reporting period) to 7,271,000, slightly below expectations. Job openings rose by 182,000 (+2.6%) from the 7,089,000 open positions a year earlier. There were sizable month-over-month upturns in open positions in
- healthcare and social assistance, wholesale trade, and construction. In contrast, there were substantial declines in job openings in the transportation, warehousing, and utilities sector, as well as state and local government (excluding education). The number of hires fell by 278,000 (-5.2%) month-over-month to 5,054,000.
- The Institute for Supply Management's (ISM) Manufacturing Purchasing Managers' Index (PMI) dipped 1.0 percentage point in August to 54.6%, but indicated expansion in the U.S. manufacturing sector for the eighth consecutive month. (A PMI reading above 50% denotes an increase in manufacturing activity.) The Employment Index was down 1.6 percentage points to 51.2%, remaining in expansion territory for the second straight month. The New Orders Index decreased 3.0 percentage points to 53.7% in August, but registered its eighth consecutive month of expansion. The ISM Services PMI gained 1.3 percentage points to 55.4% in August, denoting expansion in the U.S. services sector for the 26th month in a row. (A PMI reading above 50% denotes expansion in services-sector activity.) The Business Activity Index rose 2.6 percentage points to 61.7% in August, while the Employment Index ticked up 0.4 percentage point to 47.8%, but remained in contraction territory for the second consecutive month.
- In the Middle East, the Trump administration's "Operation Economic Outcast" campaign against Iran increasingly overlapped with renewed military activity after U.S. forces struck Iranian rocket launchers reportedly preparing to deploy sea mines in the Strait of Hormuz. Iran responded with missile launches toward Jordan, while both Iranian and Israeli officials escalated rhetoric, highlighting the risk of a broader regional confrontation.
- Brent crude and West Texas Intermediate crude oil prices climbed to six-week highs in intraday trading on Thursday as military operations around the Strait heightened supply disruption concerns. Attacks on oil tankers, concerns about additional mine-laying activity, and reduced shipping traffic through the waterway reinforced those fears, with preliminary data showing only six commodity vessels transited the Strait on Wednesday, down from 11 on Tuesday, and below the recent 10-day average of approximately 13 vessels per day. Oil prices reversed direction on Friday in response to the U.S. employment report. Stronger-than-expected U.S. economic data can pressure oil prices when investors believe that the Fed may keep interest rates higher for longer, potentially slowing future economic activity and demand for oil.

Stocks

- Global equities were virtually flat for the week. Developed markets outperformed emerging markets.
- U.S. stocks ended mixed for the week. Energy and information technology were the top-performing sectors, while consumer discretionary and materials were the primary market laggards.
- Growth stocks outperformed value stocks, while large caps performed in line with small caps.

Bonds

- The 10-year U.S. Treasury note yield rose to 4.78% during the week.
- The U.S. bond market declined modestly for the week.
- High-yield bonds led the market, followed by government bonds and investment-grade corporate bonds.

As of September 4, 2026				
Global Equity Indexes				
MSCI ACWI ($)	0.1%	13.8%	21.0%	1154.7
MSCI EAFE ($)	-0.2%	12.0%	20.0%	3239.0
MSCI Emerging Mkts ($)	-1.1%	21.3%	35.0%	1703.4
US & Canadian Equities				
Dow Jones Industrials ($)	-0.3%	11.1%	17.1%	53413.6
S&P 500 ($)	0.1%	12.7%	18.7%	7716.9
NASDAQ ($)	0.4%	14.0%	22.1%	26507.0
S&P/ TSX Composite (C$)	-0.1%	15.2%	26.3%	36521.7
UK & European Equities				
FTSE All-Share (£)	-0.1%	9.1%	17.1%	5836.0
MSCI Europe ex UK (€)	-1.1%	9.8%	17.8%	2254.8
Asian Equities				
Topix (¥)	-1.0%	20.4%	33.2%	4103.2
Hong Kong Hang Seng ($)	0.3%	0.1%	2.4%	25650.9
MSCI Asia Pac. Ex-Japan ($)	-1.4%	21.7%	32.7%	878.9
Latin American Equities				
MSCI EMF Latin America ($)	4.8%	17.3%	32.1%	3177.3
Mexican Bolsa (peso)	-1.0%	0.8%	8.3%	64844.8
Brazilian Bovespa (real)	5.3%	14.8%	31.2%	184926.2
Commodities ($)				
West Texas Intermediate Spot	9.5%	59.0%	43.8%	91.3
Gold Spot Price	-1.0%	2.6%	24.9%	4436.3
Bond Indices ($)				
Bloomberg U.S. Aggregate	-0.2%	-0.4%	1.4%	2340.2
Bloomberg Global Aggregate	0.0%	-0.2%	0.9%	500.5
JPMorgan Emerging Mkt Bond	-0.2%	2.1%	6.6%	1039.7
10-Year Yield Change (basis points*)				
US Treasury	6	61	62	4.78%
UK Gilt	7	66	41	5.13%
German Bund	6	48	62	3.34%
Japan Govt Bond	-1	85	132	2.92%
Canada Govt Bond	5	35	43	3.78%
Currency Returns**				
US$ per euro	0.3%	-1.1%	-0.3%	1.162
Yen per US$	-2.4%	-0.3%	5.2%	156.24
US$ per £	-0.1%	0.3%	0.6%	1.352
C$ per US$	-0.5%	0.8%	0.1%	1.383

Source: Bloomberg. Equity index returns are price only; others are total returns. *100 basis points = 1 percentage point. **Increases in U.S. dollars (USD) per euro or pound indicate a decline in the value of the USD; increases in yen or Canadian dollars per USD indicate an increase in the value of the USD.

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