WEEEKLY MARKET COMMENTS – AUGUST 10, 2026 – EXTERNAL

The market rose again this past week, as the Dow gained 3% to a record high close of 54,038 while the S&P also ended at its best level of 7757 for an advance of 3.6%. The Nasdaq did the best of all with a 5.2% gain as some of the4 beaten-up technology stocks did really well and this group included PLTR after earnings, in addition to MU, NVDA ahead of its report next week, MSFT, META and AVGO.

While the S&P is higher by 22% over the past year, with the price/earnings ratio down from 22 to 20 as the earnings gains have been outstanding with 86% beating estimates compared to a historical average of 78% while the growth from a year ago is 50.4%.

AI spenders like AMZN and GOOG have been able to produce strong revenues from their cloud businesses, and this has accounted for tech's rally off of the July lows.

Also helping was the fact that the July job report showed a decline of 23,000 positions, and this pushed back the probability of rate hikes at the next meeting in September.

Gold has also been moving higher in the past couple of weeks which a research paper said that gold and inflation only has a .07 percent positive correlation, so it is just that long-held belief that there is something corresponding between the two items.

This week sees the following earnings reports with Wednesday – CSCO and Thursday – Applied Materials.

Economic reports could become more interesting with the following: Wednesday – July C.P.I. at 3.4% while the core item is projected to be 2.5%; Thursday sees the July P.P. I. while on Thursday there is July retail sales. Friday sees the U. of Michigan Consumer Sentiment Survey which is supposed to show a slight decline from 54.1 in June.

The Federal Reserve held interest rates steady in its latest meeting. But another important power in the financial world raised them. That's the bond market, where thousands of traders make moment-by-moment decisions that can add up collectively to crucial policy shifts for the world economy.

The bond market is a global giant, with more than $58 trillion in assets in the United States alone. It doesn't command headlines the way the stock market does, but when the bond market talks, people need to listen, in finance and beyond.

What the bond market has been saying lately is that risks are rising: risks of increased inflation; wars and tariffs and other geopolitical dislocations; questionable use of vast sums of capital to build artificial intelligence; an uncertain direction for the Fed under new leadership; mounting national debt; and broad political dysfunction.

Most crucially, these concerns mean that if you want to borrow money, you have to pay more for it. How high bond yields — or interest rates — will ultimately go is a critical question. The implications are broad and deep.

Higher yields are, inescapably, a hardship for prospective home buyers because mortgage rates are closely linked to 10-year Treasury yields. Where yields go, mortgage rates follow. Higher rates are tough for people carrying credit card debt and student loans. They are a burden, too, for companies with big capital needs, like the tech giants constructing A.I. data centers with borrowed money. And while the stock market has largely shrugged off rising yields, that entire market could be hit hard if rates were to rise much further.

On the positive side, higher yields can be a boon for retirees who want to lock in safe income by buying individual bonds or fixed annuities with a richer guaranteed income stream.

In the long run, higher yields benefit people who own bond funds, too, but buying these funds can be tricky. That’s because yields and bond prices move in opposite directions, and when yields steepen rapidly, bond prices fall. As a result, bond funds can decline in value.

Sharp shifts in fund returns have been occurring this year. The iShares Core U.S. Aggregate Bond Fund ETF, which tracks the investment-grade benchmark Bloomberg US Aggregate Bond Index, was in positive territory through June but the rise in bond yields in July — along with the decline in the prices of the underlying bonds in the fund — wiped out those gains.

On Thursday, according to FactSet, the fund was down slightly for 2026. If yields rise further, expect short-term losses. Over longer periods, if yields settle at a higher level, they will churn out better returns for long-term fund holders. (If you own actual bonds, and not bond funds, their value will fluctuate too, but you needn’t experience this directly if you hold them to maturity.)

While bond yields fell this week, along with the price of oil, on news that President Trump had backed down from his latest threat to escalate the war with Iran, yields remain elevated. They hover near their highest levels in 20 years, reached on July 31. On that day, according to the U.S. Treasury, the 10-year Treasury yield closed at 4.75 percent and the 30-year at 5.27 percent.

Some comparisons are revealing: Both 10- and 30-year Treasury yields were roughly three-quarters of a point lower last autumn — and they were below 2 percent in 2022. The run-up has already been substantial.

On a historical basis, yields are not crushingly high — not yet, anyway. Consider that the benchmark 10-year Treasury yield exceeded 15 percent in 1981, a year of runaway inflation, and averaged more than 6 percent in the 1990s.

But if yields jump further, watch out. The bond market’s ability to inflict sudden pain on a broad swath of the economy (while rewarding lenders handsomely) is awesome, and politicians know it.

James Carville, the Democratic strategist, who during the Bill Clinton administration that if he were reincarnated, “I would like to come back as the bond market. You can intimidate everybody.”

The bond market seems to have cowed Mr. Trump. A run-up in bond yields apparently caused him to pause a round of tariffs in April 2025. “I was watching the bond market which is very tricky.”

The president has been more supportive of the man he picked to be Mr. Powell’s successor, the Fed’s new chairman, Kevin M. Warsh, but these are early days. If the Fed doesn’t lower short-term rates soon — or, even worse, if it raises them, as some sectors of financial markets expect, Mr. Trump’s self-restraint may not last.

The Fed’s traditional sphere didn’t include the bond market. It can intervene there, but has been loath to do so lately. Mr. Warsh criticized the unorthodox monetary policy adopted by the Fed during the financial crisis that began in 2008. That policy included “quantitative easing,” involving huge bond purchases that lowered longer-term interest rates. Mr. Warsh has said that he wants the Fed’s bond market footprint to shrink.

But the Fed can't stay out of the bond market entirely. It still holds more than $6 trillion in bonds and similar securities. It could easily be pulled in deeper.

This is complex stuff. Even the Treasury Department's unusual intervention last week to prop up the value of the Japanese yen could be seen as a way to prevent U.S. yields from rising further. Japan is a major holder of Treasuries, and if it had to sell a large amount of the debt to prop up its spiraling currency, it could push up U.S. rates.

Simply put, the Trump administration doesn't want domestic interest rates to rise further. To the contrary, it would like lower rates, which might stimulate economic growth.

Mr. Warsh hasn't commented publicly about the Treasury intervention. But helping Japan might help the United States, where yields are high enough already to be causing pain.

Ordinary people may not study the bond market's arcane corners, but interest rates set there affect everyone nonetheless.

It’s not just mortgage rates, student loans, credit cards, car loans and host of other widely borne borrowing costs that people need to worry about.

Rising bond yields are a hurdle for stocks, too. At higher rates, investors with money to spare can get a better return when they put it into bonds, particularly safe Treasuries. For the risk-averse, and especially in times of stress, higher yields may tip the balance in the trade-off between stocks and bonds, making bonds more appealing than riskier stocks.

Most investors aren’t there yet: There’s enough enthusiasm for equities to lift the stock market to further highs. But the stock market’s increasing dependence on big bets on A.I., running on data centers built with borrowed money, makes that market especially vulnerable. If the cost of borrowing keeps rising — and if bond yields rise, it will — the A.I. trade will become more obviously problematic for some companies. Investors might become disenchanted with A.I. stocks.

For the moment, the overall stock market is shrugging off this issue in the apparent belief that rich corporate earnings will propel share prices ever higher.

Bond yields haven’t necessarily peaked. If inflation rises further — and with tariffs and wars in the Middle East and Ukraine, that could easily happen — yields are likely to steepen, too.

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