Richard Rose Wealth Management August 17, 2026

WEEKLY COMMENTARY **Richard Rose AIF®**

Good morning,

What's in this week's Report:

- Four Reasons Last Week was Better than it Seemed for Markets
- Weekly Market Preview: Is the Consumer Holding Up and How Hawkish Is the Fed?
- Weekly Economic Cheat Sheet: FOMC Minutes (Wed) and First Look at August Data
- Examining What Was Likely the Most Important Headline Last Week (It'll Surprise You)

Futures are slightly higher following a mostly quiet weekend of news.

Chinese economic data was soft, with Industrial Production (4.5% vs. (E) 5.0%), Retail Sales (0.6% vs. (E) 1.5%), and Fixed Asset Investment (-6.7% vs. (E) -6.1%) all missing estimates.

Geopolitically, there was no progress on U.S./Iran ceasefire talks, but any military escalation remains unlikely.

Today's focus will be on the economy as we get the first look at August data via the Empire Manufacturing Index (10.60). The best case for markets is a Goldilocks number of solid growth (at or slightly above expectations) and, almost as importantly, a continued decline in the price indices (which shows inflation pressures continuing to recede in August). The other notable economic report is the Housing Market Index (E: 33), but that shouldn't move markets.

Market	Level	Change	% Change
S&P 500 Futures	7,809.75	4.75	0.06%
U.S. Dollar (DXY)	99.38	-0.18	-0.18%
Gold	4,438.25	0.95	0.02%
WTI	82.06	0.59	0.72%
10 Year	4.710%	0.014	0.30%

Stocks

Last Week (Needed Context as We Start a New Week)

Stocks were quiet to start last week as investors weighed the impact of deadlocked U.S.-Iran talks against net-positive earnings before a set of "cool" inflation reports and steady labor market data sparked a rally to new record highs in the back half of the week. The S&P 500 rose 0.39% on the week.

Equity markets wavered between morning gains and afternoon losses Monday as a failed Iran-Oman deal to open the Strait of Hormuz rekindled a fear bid in oil and lifted bond yields ahead of the week's critical inflation data releases. Early bullish momentum that carried over from Friday's record close and a bullish year-end S&P 500 price target revision by JPM faded, while AI-funding headlines from INTC ($15B stock sale) and NVDA ($500B raise) weighed on tech. The S&P 500 edged down 0.06%.

The market maintained a heavy tone Tuesday as geopolitical tensions continued to rise after the U.S. Navy fired upon and disabled a Panamanian-flagged cargo ship attempting to "run the blockade" U.S. CENTCOM continues to impose on Iran. A soft Existing Home Sales report sparked a short-lived dovish rally that was later reversed as Iran declared the Strait of Hormuz "closed," adding to geopolitical angst; however, late-session news that U.S.-Iran back-channel talks were making some progress saw the S&P 500 end off the lows, but still down 0.32%.

Stocks were mostly higher Wednesday as blowout AI-industry earnings from SMCI and CRWV (each up ~19%), as well as NBIS (up ~34%), paired with a slightly cooler-than-expected July CPI print, sparked dovish money flows and supported a tech-led rally. News that Iran said "absolutely no progress" towards a ceasefire deal had been made stalled the intraday rally, with the S&P 500 struggling to break beyond technical resistance at 7,770, leaving the index to close higher by just 0.26%.

Last week's most meaningful rally came Thursday, as the release of an equally, if not more, encouraging July PPI report compounded optimism that inflation has peaked, resulting in a dovish market reaction that saw September rate-hike odds plunge from ~80% to ~40% and sparking a broad-based rally in equities. Favorable AI headlines regarding GOOGL's latest Gemini model and Anthropic's IPO helped offset negative geopolitical headlines, leaving the S&P 500 to close up 0.65% at an ATH.

The equity rally took a breather into the weekend Friday as July Retail Sales materially missed estimates, while the preliminary August Consumer Sentiment release offered a fresh whiff of stagflation, with the headline badly missing estimates and 1-Yr ahead inflation expectations surprising to the upside. The dovish reaction in the bond market limited losses, though, with the S&P 500 slipping back just 0.17%.

Bottom Line

For the past few weeks, stocks have surged on modestly positive news as investors chased exposure higher following July's pullback. But last week was the opposite: stocks were only fractionally higher, but the news was solidly positive across multiple macroeconomic fronts, strengthening the rally (despite it being somewhat tepid).

Positive #1: More strong AI earnings. CSCO, AMAT, CRWV, and other AI tech companies reported stronger-than-expected earnings and offered positive commentary on continued demand for AI infrastructure (which means the capex spending powering the economy and earnings growth isn't slowing anytime soon).

Positive #2: More capital for AI companies. Last Monday, NVDA announced a financing agreement with major alternative asset managers to provide up to $500 billion in financing for NVDA customers, ensuring they have the capital to keep buying NVDA equipment for AI infrastructure buildout. While this type of agreement raises concerns about the potential impact of the AI bubble if it bursts, for now (in the near/medium term), it ensures more capital to keep AI capex spending going. Since that's powering earnings and economic growth, that's a good thing for the market (for now, anyway).

Positive #3: Demand for SaaS (Software as a Service). Even the most "hated" part of tech got good news last week, as Silver Lake announced it was in talks to acquire Workday (WDAY). That's important because it means one of the biggest private equity firms views SaaS as a value at this point, which means they don't think it's going away. While not the most important part of tech, software stocks stabilizing would be positive for the market.

Positive #4: More evidence inflation has peaked. Both CPI and PPI met or beat expectations, further supporting the idea that inflation pressures peaked in May. As a result, September rate-hike expectations fell to just 33%, while the market now expects just one rate hike for 2026 (and that helped ease Treasury yields modestly).

Not all the news was good, as the conflict in Iran shows no signs of ending anytime soon. But at this point, it's operating like a form of "white noise" for investors/traders. Unless there's material escalation (meaning Brent crude through $90 and moving toward $100), it's unlikely to offset the other positives helping markets.

Bottom line, last week was marked by notably positive headlines that helped to reinforce the gains we've seen in stocks over the past month. And while it didn't spur a material rally, it did solidify and strengthen the gains of the past three weeks.

Economic Data (What You Need to Know in Plain English)

Last Week

Inflation was in focus last week, and the data was positive: both CPI and PPI showed inflation pressures were easing, which lowered rate-hike expectations, pushed Treasury yields lower, and helped support the rally in stocks.

The key print last week was the CPI report, which met expectations, with headline CPI rising 3.4% y/y and Core CPI rising 2.5% y/y. Importantly, both numbers fell from June, with headline CPI down 0.1% and Core CPI down as well. That matters because it tells the Fed that, despite the jump in oil prices in July, inflation metrics didn't rise sharply and that metric largely confirms what we saw in other price data during the month. Bottom line: inflation is still a "problem" because it's too high (remember the target is 2.0% y/y), but it's not getting worse, and there's more evidence that inflation pressures are easing.

Turning to PPI, which can be considered a "loose" indicator of inflation, it was more of the same as PPI rose 4.7% vs. (E) 4.9% while Core PPI rose 4.2% (met expectations) but that Core PPI reading fell moderately from 4.7% y/y in June. The point is, PPI confirmed that inflation pressures eased further in July, which will push back the Fed's hawks who want a rate hike in the near term.

The one notable growth report, Friday's retail sales, was surprisingly soft and gave markets a second straight negative surprise on the growth front (following the negative jobs report of two weeks ago).

Headline retail sales declined (-0.6% vs. (E) 0.1%), but the more important Control group (retail sales less autos, gasoline, and building materials) fell -0.4% vs. (E) 0.3%.

Because the rest of the economic data remains broadly strong, markets viewed this as a "bad-is-good" number, and yields fell on Friday. Frankly, that's probably the right reaction at this point, because while the jobs report and retail sales were soft, the rest of the economic data remains solid, and it'll take more deterioration across metrics (including this week's flash PMIs) to raise concerns about growth.

Important Economic Data This Week

This week's focus turns back to economic growth as we get three separate reports offering the "first looks" at August economic activity, and markets will want these reports to be Goldilocks and show solid growth with stable prices.

Of the three August economic reports this week, the last one is the most important via Friday's flash Composite PMIs. That is the most important because it's the first national economic report of the month and will update us on the general state of the economy (which everyone expects will be solid).

The August composite flash PMI follows the Empire Manufacturing Survey (today) and the Philly Fed Manufacturing Index (Thursday). In sum, the three reports will tell us, at least initially, if growth has stayed consistent so far in August.

Importantly, as we view these reports, we must remember that the price index will be as important (if not more so) than the headline index. The best-case scenario is headline indices that meet expectations and stay comfortably positive but don't show any dramatic increase in the price indices, further implying that inflation pressures are stable (and ideally receding).

The other potentially important event this week is Wednesday's FOMC minutes, which will take on more importance given Fed Chair Warsh's reversion to Greenspan-era communications (meaning basically none). So, analysts will comb the minutes to determine how much of the FOMC is leaning towards a rate hike. For reference, a September rate hike remains close to a 50/50 proposition, so if the minutes reveal more "hawks" than expected or more "doves," it could move rate hike expectations and markets.

Bottom line, Goldilocks economic data has been an important but unsung part of this rally. With rate hike expectations in flux, more Goldilocks growth and price data will help further support this market.

Special Reports and Editorial

Examining What Was Likely the Most Important Headline Last Week (It'll Surprise You)

Late last Monday, after the markets closed, various financial firms confirmed Nvidia's announcement of a $500 billion capital pool to help customers buy more Nvidia chips and processors. And like most NVDA-related headlines, markets welcomed the news.

While it hasn't received as much coverage as Iran or CPI, this headline is likely more important than the others because AI earnings (and capex spend) are driving this bull market. The NVDA deal can be viewed as a positive, or another stark warning sign of a bubble.

For clarity on what occurred, NVDA announced a $500 billion lending partnership with major U.S. money management firms Apollo, BlackRock, Blackstone, Goldman, KKR, and others. Essentially, NVDA will work with these companies to provide financing to NVDA customers to buy NVDA equipment. So, the financial firms provide the capital (from their clients), and NVDA gives that capital to the clients, with the money secured by the NVDA equipment.

As mentioned, there is a positive way to view this and a negative way to view this. First, the positive view. This is positive for the markets broadly because AI capex spend is driving the bull market and, increasingly, the broader economy. So, this ensures more "fuel to the fire" by ensuring the supply of capital for tech companies to spend on continued AI buildout. For NVDA specifically, this is bullish for two reasons.

First, it reduces pressure on NVDA to use its own cash for vendor finance (meaning giving money to customers to buy its chips) and instead uses financial firms' clients to take the risk. Second, it makes buying NVDA chips more compelling because they can offer financing (think of choosing a car brand because they offer the lowest interest rates). The positive view rests mainly on NVDA ensuring more capital is available for tech companies to continue the AI buildout.

The negative view is that this is a big alarm bell on the lack of AI investment providing a timely ROI. Building out AI infrastructure is demanding so much capital, yet providing so little in return, that NVDA is having to go to all corners of the market to find money for its customers to spend to buy its chips and processors. And as has happened so many other times in bubbles, financial firms are rewriting the rules to meet demand and chase returns, because they will lend money to NVDA customers and the collateral for these loans will be chips and servers. The problem, of course, is that if the loans go bad, it'll be because no one needs the chips or servers, so their value will plummet, as will the value of the collateral, resulting in loan losses. Bottom line: this isn't just vendor financing anymore; it's spreading because capital needs are so intense, and it is spreading the risk of an AI bubble further across the economy.

My view is that, for now, the bull case is right because the money will fuel further AI spend, which is good for the entire economy. But the negative view is not unreasonable, and this is the type of thing that we look back on in a bubble burst and say, "What were they thinking?" Semiconductors and processing power were commodities before this AI boom, so using them as collateral for loans from non-tech investors is the kind of thing that makes a bubble burst spread beyond the industry. So, it should not be ignored.

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