MARKET COMMENTARY

NEPC Investment Team

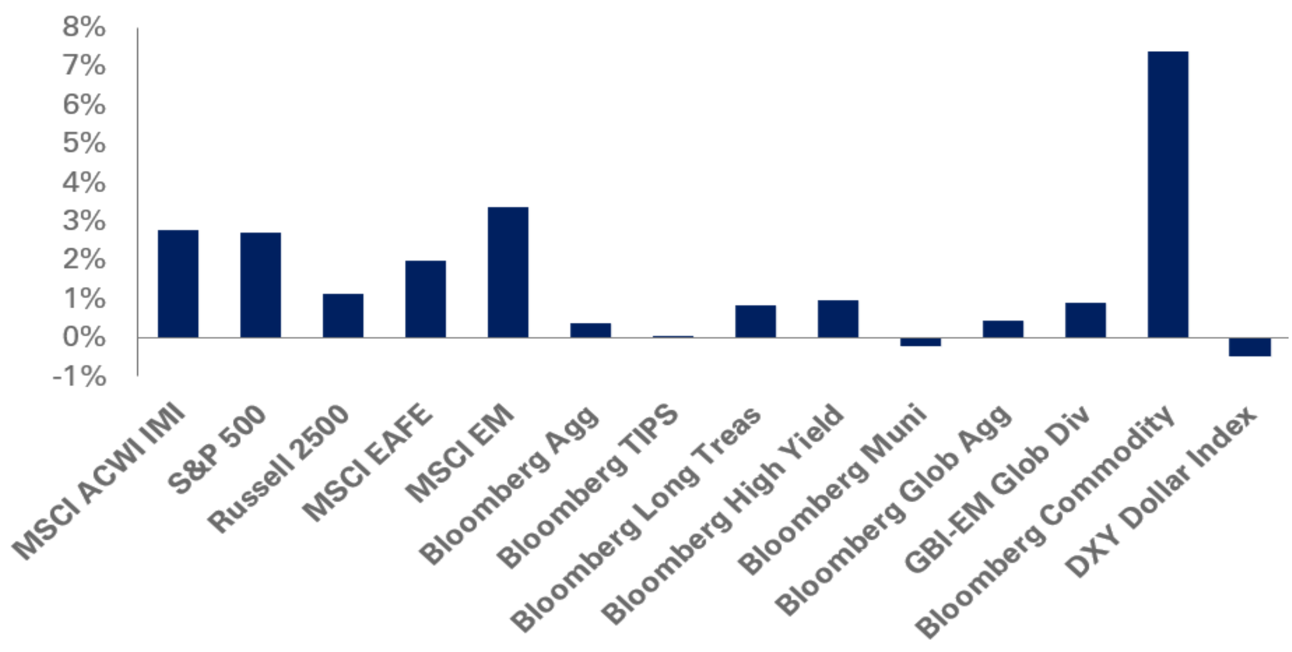
August 2026

Global equities were in the black in August, bolstered by strong corporate earnings. During this period, technology names led the way, fueling gains of around 4% and 2.7%, respectively, for the NASDAQ 100 and the S&P 500 indexes. Growth stocks outperformed value equities by 170 basis points; smaller-cap companies, pressured by market expectations for tighter monetary policy, lagged. Outside the U.S., the MSCI Emerging Markets Index returned 3.4% in August, supported by outsized exposure to technology and AI-related sectors in Taiwan and Korea.

Meanwhile, fixed-income assets turned in a relatively modest performance last month, as the Treasury curve flattened with the two-year Treasury yield rising by nearly 10 basis points. Federal Reserve Chair Kevin Warsh, in his highly anticipated keynote address at the Jackson Hole Symposium, reaffirmed the central bank's commitment to its 2% target for personal consumption expenditures (PCE), a key economic measure tracking overall consumer spending and inflation in the United States; he cautioned that further rate hikes remain on the table if inflation fails to move toward this target "clearly and at sufficient speed." In response to the perceived hawkish stance, markets pushed the probability of a rate hike in September to over 55%.

Elsewhere, despite the simmering tensions between the U.S. and Iran, spot WTI crude oil was mostly flat last month. That said, the situation in the Middle East remains fragile and we anticipate continued volatility in energy prices as European natural gas prices pushed higher, climbing over 15% as supply levels remain below pre-conflict levels.

Monthly Returns for 07/31/2026-08/31/2026



As of 8/31/2026, Source: S&P, Russell, MSCI, JPM, Bloomberg, Factset

The Bloomberg Commodity Index rose 7.4% in August, supported by a rally in precious metals with gold up 10%.

We encourage investors to utilize the portfolio risk budget. We also recommend maintaining an overweight to U.S. stocks within public equity allocations, given the supportive macroeconomic backdrop and earnings strength across the U.S. market. We advocate investors hold high-quality, liquid assets, and suggest maintaining safe-haven fixed-income securities at strategic target levels to support portfolio liquidity. We also advise avoiding liquid segments of lower-quality credit given tight spread levels and market sentiment.

As of 8/31/2026, Source: S&P, Russell, MSCI, JPM, Bloomberg, Factset

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