Monthly Investment Perspectives

A Review of August Market and Economic Activity
September 2026 Edition

OUR FAMILY OFFICE

Welcome to the inaugural edition of our monthly investment and economic update, created to share timely perspectives on the forces shaping markets, portfolios and family wealth. Our commitment is to refine and improve with each publication.

EXECUTIVE SUMMARY

- **Equity markets advanced again, but leadership narrowed and reversed late in the month.** Global equities gained ground through mid-August before giving back part of the advance in the final week as the interest rate outlook shifted.
- **The Federal Reserve has turned decisively more hawkish.** Inflation has stopped improving, and Chair Kevin Warsh used his first Jackson Hole address to signal that rate increases are now genuinely on the table. Markets repriced within hours.
- **Canada's economic upside surprise may prove temporary.** Second-quarter growth of 3.3% erased the technical recession, but the figure is entirely pre-tariff and inflation has climbed back to the top of the Bank of Canada's control range.
- **Energy remains the transmission mechanism for geopolitical risk.** Brent traded across a $10 range in August as Hormuz reopening talks advanced and then were interrupted by renewed military activity. The strait remains materially constrained.
- **The AI trade is beginning to discriminate.** Nvidia's results confirmed that demand remains exceptional, yet the market rewarded and punished companies with far greater selectivity than in prior quarters.

August offered investors a study in how quickly consensus can change. For three weeks, softer inflation prints and a strong corporate earnings season carried equity markets to successive record highs. In the final week, a firm inflation reading and a single central bank speech reversed the interest rate narrative that markets had spent the summer building.

THE FED: THE PATIENCE HAS RUN OUT

The month's most consequential development came in its final days. The Federal Reserve's preferred inflation measure gave no ground in July: headline Personal Consumption Expenditure (PCE) printed at 3.7% year over year, slightly above forecast. Two days later, in his first Jackson Hole address, Chair Kevin Warsh said the Fed would "have work to do" if policymakers were not confident that underlying inflation was returning to the Fed's 2% target — the closest he has come to acknowledging that rate increases may be required.[1]

Markets repriced immediately. The implied odds of a September rate increase rose from roughly 35% before the speech to about 60% afterward, while the two-year Treasury yield climbed 11 basis points to 4.34%; the ten-year ended at 4.72% and the thirty-year at 5.21%. Warsh's approach signals a regime

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shift: less forward guidance, no clear reaction function and greater sensitivity to each scheduled Fed communication.

The gap between stubborn inflation and re-acceleration is narrow. We would avoid positioning strongly toward either outcome. The key takeaway is that central banks may no longer cushion every disappointment; the data make a September cut unlikely, but not a hike inevitable.

CANADA: A STRONG QUARTER THAT IS ALREADY OUT OF DATE

Statistics Canada reported on 28 August that real GDP expanded at an annualized rate of 3.3% in the second quarter, comfortably ahead of the Bank of Canada's own July forecast of 2.5% and the strongest pace in nearly two years. The agency also revised the first quarter from −0.1% to +0.3%, erasing the technical recession that had shaped Canadian economic commentary for two quarters.[2]

Growth was led by the largest quarterly advance in exports since early 2023, together with household consumption supported by federal transfers to lower- and middle-income households. Every component is a pre-tariff observation. Independent estimates suggest tariff escalation could reduce growth from around 2% to closer to 1% annualized in the coming quarters.

Inflation, meanwhile, is moving in the wrong direction. Consumer price inflation rose to 3.0% in July from 2.8% in June, at the top of the Bank's 1–3% control range, with counter-tariffs on appliances, electronics and food representing a direct upward push on prices. The Bank has now held its policy rate at 2.25% through six consecutive decisions and the debate among forecasters has quietly shifted from when the next cut arrives to whether the next move is an increase.

For Canadian families, the practical implications are most visible in mortgage renewals, imported goods and currency movements. The weaker Canadian dollar has helped lift CAD-denominated portfolio returns this year by increasing the value of foreign currency assets when translated back into Canadian dollars. However, it also reduces purchasing power when Canadians spend south of the border.

ENERGY: A CORRIDOR, NOT A RESOLUTION

The US–Iran conflict entered its sixth month and continued to set the tone for energy markets. Brent crude reached $94.24 a barrel on 21 August, its highest level since July, after Washington announced an expanded program of secondary sanctions against Tehran. It then fell nearly $9 over the following week as Iran and Oman resumed discussions on a joint temporary navigational corridor through the Strait of Hormuz and a joint mine-clearing effort, closing at $86.28 on 26 August. The relief proved short-lived: US strikes on Iran's Larak Island and Iranian retaliation against two air bases in Jordan pushed Brent back to $89.87 by month-end.

Beneath the headline volatility, physical recovery has been meaningful but incomplete. Gulf exports have rebounded from roughly 4 million barrels a day in mid-July to close to 9 million by late August, largely by routing around the threat through ship-to-ship transfers in the Gulf of Oman rather than by neutralizing it.

The energy system has again demonstrated more adaptability than the disruption implied, but the buffers are thinner than they were. The workaround that has restored flows could be one tanker strike away from reversing, and current prices reflect a fragile equilibrium rather than a settled one. We continue to view recurring volatility, rather than a decisive energy shock, as the central case — while recognizing that this is a risk we cannot forecast and must therefore diversify against.

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ARTIFICIAL INTELLIGENCE: THE MARKET BEGINS TO DISCRIMINATE

Nvidia's results on 26 August removed any doubt about the strength of near-term demand. Second-quarter revenue reached $96.2 billion, up 106% from a year earlier, with data center revenue of $89.0 billion, up 117%. Management guided third-quarter revenue to approximately $108 billion. The shares rose 8.7% the following day, their largest single-day gain since April 2025.[3]

What made the month instructive was the market's response elsewhere. Marvell Technology fell sharply despite a strong report of its own. Alphabet has shed roughly 15% from its May high on concerns about the scale of its infrastructure commitments and the departure of senior AI personnel. Software, hammered for much of 2026 on fears of disruption, recovered strongly as investors distinguished between businesses being displaced by AI and businesses accelerating because of it.

A market that rewards and punishes companies on their individual merits is a healthier market than one that rewards a theme. We retain broad equity market exposure through passive investing primarily, which captures both essential enablers of the AI build-out and the AI adopters — businesses in healthcare, financial services and industry that can apply increasingly capable and cheaper models to proprietary data and established customer relationships without financing the race themselves.

SUMMARY AND OUTLOOK

August is a useful case study in the limits of forecasting. Markets spent weeks pricing one path for interest rates and repriced it in the space of a single speech. Some investors positioned for a specific outcome were forced to reverse course at less favorable prices. Investors positioned for a range of outcomes were not.

That is the argument for how we construct portfolios. Our all-weather approach draws returns from genuinely distinct sources — high-quality fixed income, private credit and mortgages, multi-strategy absolute return, private equity, venture capital, real assets and public equities — so that no single macroeconomic judgement determines the result. We diversify across sources of return, rebalance where market movements create opportunity, and monitor continuously.

The backdrop entering the autumn is neither benign nor alarming. Inflation is proving stickier than hoped, central banks have less room to be accommodating, geopolitical risk remains unresolved and equity valuations embed considerable optimism. Against that, corporate earnings are strong, the consumer continues to spend and the productivity case for AI is becoming more evidence-based and less speculative.

We remain invested across risk factors and investment strategies, globally diversified and deliberately less reliant on any single forecast. As always, we welcome the opportunity to discuss how these developments relate to your own circumstances and long-term objectives.

[1] Source: Bureau of Economic Analysis; Federal Reserve, Jackson Hole Economic Policy Symposium, 28 August 2026
[2] Source: Statistics Canada, 28 August 2026
[3] Source: NVIDIA Corporation second quarter fiscal 2027 results, 26 August 2026

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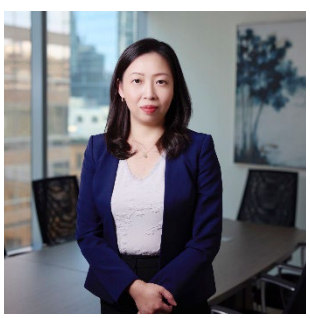

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