Abacus® FINANCE

MONTHLY ECONOMIC BRIEFING

Aug 2026

US Economy

The first estimate of second quarter GDP was +1.5%, lower than both the +2.1% estimate and the +2.1% registered in the first quarter. Higher imports, lower inventories, and lower government spending were the primary causes of the miss. More encouraging was the +3.9% increase in final sales to domestic purchasers which included solid growth in both consumer spending and capex investment.

Monetary Policy

The Federal Open Market Committee (FOMC) kept its benchmark interest rate steady at 3.50-3.75%. Three dissents favored a 0.25% increase, underscoring a hawkish tilt amid stubborn inflation. The statement was little changed from June. Federal Reserve Chair Kevin Warsh's press conference leaned more on process than policy signals and he reaffirmed the 2% target. He praised the economy's impressive resilience and said the labor market appears fine.

Bond Markets

After the Fed announcement and press conference, the 10-year Treasury yield rose through 4.70% with a notable bear steepening of the yield curve at the long end. Market participants at the long end may be expressing disappointment that the Warsh Fed has yet to follow through with the inflation fighting measures that match the verbiage. Bond markets aren't necessarily doubting the credibility of the Fed. Rather, given the removal of information, they want a little more compensation for the uncertainty introduced.

Equity Markets

Earnings overshadowed macro data and geopolitical developments in driving US equities higher. With roughly 90% of the S&P 500 stocks having reported Q2 earnings, the growth rate of sales and EPS has greatly surpassed expectations. Management guidance on the accompanying earnings calls has led to positive revisions to Q3 and Q4 quarter forecasts. This current bull market has been largely earnings driven as opposed to valuation driven with current multiples reasonable considering the interest rate and earnings growth environments.

LBO Market Commentary

In August, U.S. leveraged buyout activity extends its tentative reacceleration as sponsors re-engage on quality assets following sustained larger-cap sponsor M&A activity in July, driven by steady deal flow even as AI-related software reassessment weighs on credit quality. The Fed's hawkish tone under Chair Warsh sustains uncertainty around H2 2026 borrowing costs ahead of September, keeping sponsors disciplined on leverage. Competition for high-quality buyout targets remains firm, particularly in resilient sectors such as energy, infrastructure, and healthcare, but lenders are capitalizing on the lender-friendly reset, with direct-lending spreads widening, and underwriting standards facing heightened scrutiny.

Forecast Provided by Cerity Partners

	Current
Fed Funds Rate	3.63%
US 10-Year Treasury Yield	4.71%
S&P 500 Index	7,490
HY Fixed Income Spread**	295 bps

	2025	2026 est.
World GDP Growth Rate	3.25%	3.00%
US GDP Growth Rate	2.25%	2.20%

**Source: Factset*
***High Yield Spread is the BofA Merrill Lynch High Yield Master II relative to the US 10-Year Treasury Bond.*

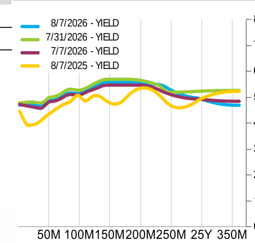
Rate Environment

Treasury Statistics/Rates

	Current	YTD %	Historical 52- Wk HI	Historical 52-Wk LO
US Treasury 2yr	4.27%	0.79%	4.35%	3.39%
US Treasury 5yr	4.42%	0.70%	4.46%	3.52%
US Treasury 10yr	4.71%	0.54%	4.71%	3.95%
US Treasury 30yr	5.25%	0.41%	5.25%	4.54%
SOFR - 3 Month	3.76%	0.11%	4.33%	3.63%
SOFR - 6 Month	3.90%	0.33%	4.27%	3.56%
SOFR - 12 Month	4.07%	0.65%	4.08%	3.40%

Treasury Statistics and SOFR Curve provided by Factset

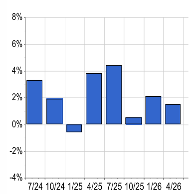
SOFR Curve



Key Economic Data

REAL GDP

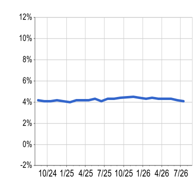
Change from previous quarter



Source: Department of Commerce

UNEMPLOYMENT RATE

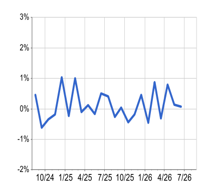
Monthly seasonally adjusted rate



Source: Bureau of Labor Statistics

INDUSTRIAL PRODUCTION

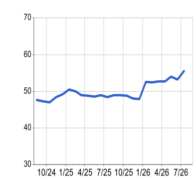
Change from previous month



Source: Federal Reserve

PMI

Reading above 50 indicates expansion in mfg. activity



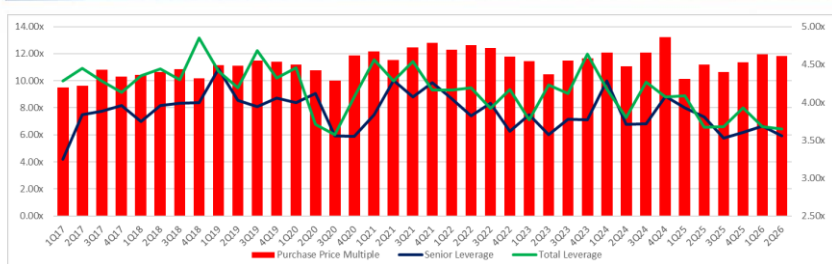
Source: Institute for Supply Mgmt.

Equity Market Performance

Index	Current	% Change Last Week	% Change YTD	% Change 52 Week	52 Week HI	52 Week LO	Trailing P/E	Forward P/E	Current Yield
DOW	52,485	4.04%	10.17%	20.91%	44,130.98	44,130.98	21.16	19.44	0.00%
S&P 500	7,490	0.41%	10.14%	19.56%	6,339.39	6,339.39	22.94	19.71	1.07%
NASDAQ	25,374	-4.00%	12.38%	22.58%	21,122.45	21,122.45	28.62	22.16	0.00%
R2000	2,931	2.37%	18.85%	34.18%	2,211.65	2,211.65	34.46	24.98	0.00%
VIX (S&P)	16	-4.25%	6.96%	-4.37%	16.72	16.72	N/A	N/A	N/A

**Source: Factset*

LBO Market Performance



LBO Market Data was provided by Refinitiv LPC