Markets Update - 8/18/26

A look at what happened today impacting US equity, Treasury, and selected commodity markets, and what to watch for tomorrow.

NEIL SETHI
AUG 18, 2026 ∙ PAID

Quick Summary:

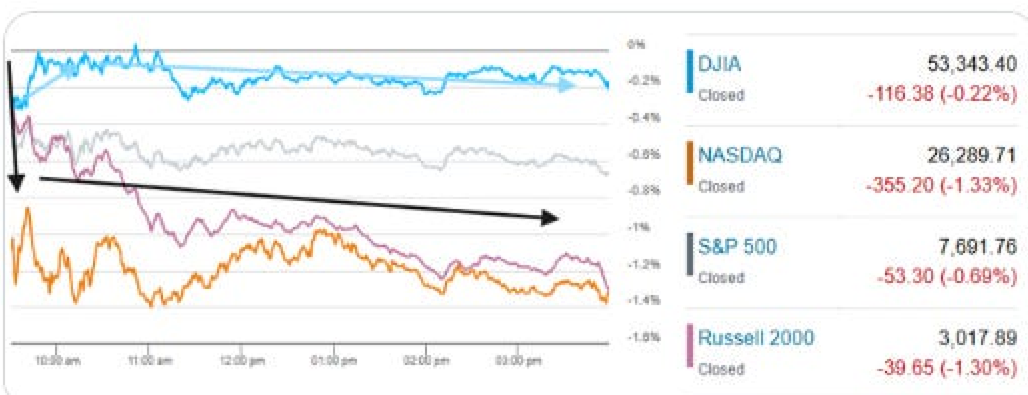
- **US equity indices started Tuesday lower with tech shares leading the declines as global bond yields continued to press higher as discussed in the morning update.**
- **30-year Treasury yields would touch new post-2007 highs and 10-year yields the highest since January of last year. Despite yields later easing back from those levels, equity indices never found much traction, with only the Dow Jones Industrial Average making a serious attempt at positive territory before falling back.**
- **The main drag came from a sharp pullback in semiconductor and AI-infrastructure names, with the PHLX Semiconductor Index tumbling 5.0%, led by losses in memory stocks and optical/electronic manufacturing names.**
- **Oil added to the pressure as hopes for a near-term US-Iran de-escalation continued to fade as also discussed in the morning update. WTI rose another 0.5% to roughly $85.**
- **At day's end, the S&P 500 fell 0.7% for a third consecutive losing session, the Nasdaq Composite lost 1.3%, the Russell 2000 also declined 1.3%, while the less tech heavy Dow Jones Industrial Average held up better with a -0.2% decline.**

- **The rise in rates since the end of June (the 10-year yield is up around 35 basis points) has been unwelcome news for the housing market with a pair of reports today showing the pressures. July housing starts fell back towards their post-Covid lows, and completions dropped to the least since 2020 while units under construction (the "pipeline") also remain just above those levels. Permits though did rise. Pending home sales (contract signings for existing homes) similarly weakened to the second-lowest pace on record (since 2001) in July as mortgage rates climbed to 1-year highs.**
- **Tomorrow attention turns to more earnings reports from consumer names, including Lowe's, Target, and TJX, as well as the Fed minutes in the afternoon.**

US equity indices started the day lower and only the DJIA made a serious attempt at going green, but it still ended -0.2%.

Tech and small caps led declines pressured by rates w/Nasdaq & RUT both -1.3%.

SPX -0.7% helped by Energy, Health Care & Staples all up over 1%.



Some market commentary:

> US equities:

- “You are going to get winners and losers and you’re going to get a lot of wasted capex,” said Justin Onuekwusi, chief investment officer at St. James’s Place. “That, to me, is a huge future challenge.”
- “The Middle East is clearly re-escalating again and long-term interest rates are rising, and these are things that end up corroding the value of equities,” said Emma Moriarty at CG Asset Management. “And in a market where it’s summertime, liquidity is a little bit thinner, it’s a bit more prone to volatility.”
- “The investment hurdle rate is rising again,” said Florian Ielpo at Lombard Odier Investment Managers. “This time through a combination of oil, fiscal supply and long-end term premium rather than a renewed acceleration in short-rate expectations.”
- “The combination of higher energy costs and higher long-term borrowing costs is becoming increasingly uncomfortable,” said Fawad Razaqzada at Forex.com. “Equity investors have finally started to respond by going a bit defensive.”
- “The market is overlooking the challenge on the bond yield side and preferring to focus on the solid earnings and the enhancements in artificial intelligence,” said Bill Fitzpatrick, portfolio manager at Logan Capital Management. “At some point, we’re probably going to be vulnerable to a bit of a sell-off.”
  “The factors that are driving up bond yields are not going to alleviate tomorrow,” he added.
- The supply of debt financing from AI demand and government deficits looks to keep upward pressure on yields, according to veteran strategist Louis Navellier. “Thankfully, with earnings soaring and profit margins at all-time highs, stocks can still be seen as attractive,” he added.

Bonds:

> - “AI-related spending will continue to be a feature of corporate fundraising in the coming months, which will keep longer-dated Treasuries — and highly correlated German bonds and gilts — under pressure. And the longer that yields stay higher, the worse the outlook for equities.” — Ven Ram, cross-asset strategist.
> - For Mohit Kumar at Jefferies, there is “no easy way out” of the Mid-East conflict and “further pain in the near term” for energy costs. “We have stayed away from the long end of the curve and rates duration and instead focus on steepeners,” he wrote. “We see no reason to change our portfolio.”
> - “Because of the strength of the AI trade, stocks haven’t cared about the persistent rise in global bond yields but it’s just a matter of when, not if, if this trend in rates continues, which I think it will as a bear on long duration,” said Peter Boockvar, chief investment officer at One Point BFG Wealth Partners.
> - “Higher interest rates don’t matter until they do,” said Matt Maley at Miller Tabak. “Therefore, the recent further rise in global bond yields is something investors will need to monitor very closely as we move through the rest of August and into the fall months.”
> - “The main factor precipitating this renewed falloff in the global equity space is the bond market, as yields continue on their upward path,” David Rosenberg, founder of Rosenberg Research, said in a Tuesday client note. “The 10-year T-note yield has risen to 4.74%, and any further increase from here would represent a breakout,” he wrote. “The long bond has already done that, tacking on +2 basis points to yesterday’s +5 basis point pop to 5.33%, the highest since June 2007 — which led the peak in the bull market back then by three months.”

In today’s Markets Update:

- **A deeper look at Tuesday's stock and sector breakdown, including Technology's underperformance which spilled over into Industrials weakness, continued Energy leadership, and defensive strength in Health Care and Staples.**
- **A look at Home Depot's earnings report and management's comments on housing and larger discretionary projects.**
- **A review of market breadth and participation, including large individual winners and losers and NYSE 52-week highs versus lows falling further.**
- **A look at selected CNBC after-hours movers and Bloomberg corporate headlines, including Toll Brothers, Keysight Technologies, La-Z-Boy, Mercury Systems, Jack Henry, Meta, Anthropic, Nvidia, Klarna, and Baidu.**
- **Updated technical charts across the SPX, Nasdaq, Russell 2000, and equal-weighted SPX.**
- **A look at the rates and Fed backdrop, including Treasury yields reversing from early highs, the Reuters economist poll on Fed policy, corporate-bond issuance pressure on long-end yields, and US interest payments as a share of GDP.**
- **A look at volatility and market structure, including VIX, VVIX, 1-day VIX, Goldman's dealer gamma update, Goldman's CTA setup, and Goldman on call skew versus put skew.**
- **A review of cross-asset trends, including WTI crude, the dollar, gold, copper, natural gas, and bitcoin.**
- **Yardeni on bond vigilantes and the 10-year yield, BoA's latest Fund Manager Survey, Goldman's Risk Appetite Indicator, and MarketWatch on the S&P 500's strong six-year return stretch.**
- **An update on housing and growth data Goldman's Q3 GDP and July core PCE estimates, Atlanta Fed GDPNow, and ADP's weekly hiring report.**

- **A wrap-up on the AI trade, high gamma, rising bond-yield concerns, low-volume trading, and the setup into the Fed minutes.**
- **A look ahead to Wednesday's calendar, including US economic data, the FOMC minutes, Treasury auctions, SPX earnings, ex-US highlights, and the Canada tariff deadline.**

Stock and sector breakdown (in part from Briefing.com):

Despite the worse index performance SPX sector breadth actually improved a touch Tuesday with Health Care, Staples, and Financials joining Energy, which led again Tuesday, in the green. But Tech (which is nearly 40% of market cap), which was down just -0.2% Monday, led to the downside Tuesday -1.9%. Industrials was also down over 1%.

Technology was at the center of the retreat. The information technology sector (-1.9%) finished at the bottom of the sector standings as the PHLX Semiconductor Index tumbled 5.0%, erasing yesterday's advance and then some. Memory stocks were among the weakest areas after rallying Monday, while pronounced selling across optical and electronic manufacturing names added to the pressure.

Fabrinet (FN 482.52, -116.06, -19.39%) plunged despite reporting better-than-expected Q4 results and issuing above-consensus Q1 guidance. Although Fabrinet is not an S&P 500 component, related names Lumentum (LITE 873.31, -95.59, -9.87%), Coherent (COHR 306.12, -45.10, -12.84%), and Teradyne (TER 404.29, -38.85, -8.77%) were among the index's worst performers, adding to the weakness across the semiconductor-related trade.

The selloff also spilled into industrial names tied to the semiconductor and AI infrastructure buildout, helping push the industrials sector (-1.5%) firmly lower. Separately, Caterpillar (CAT 840.83, -40.82, -4.63%) was another notable laggard after posting a solid gain yesterday.

Weakness among the market's largest growth stocks added to the pressure, with the Vanguard Mega Cap Growth ETF falling 1.1%. Meta Platforms (META 543.67, -25.30, -4.45%) was a notable laggard and weighed on the communication services sector (-0.6%) as opening arguments began in a child social-media addiction case.

There were still meaningful pockets of strength. The health care (+1.6%) and consumer staples (+1.1%) sectors benefited from the rotation toward defensive stocks, helping the DJIA avoid the steeper losses seen elsewhere. Johnson & Johnson (JNJ 271.12, +8.75, +3.33%) and Coca-Cola (KO 88.82, +1.84, +2.12%) were among the positive contributors, while Amgen (AMGN 425.28, +5.90, +1.41%) rose to a fresh all-time high, extending its advance since the company's Q2 beat-and-raise earlier this month.

On the earnings front, Home Depot (HD 337.67, -0.21, -0.06%) gave up a firm gain following a solid Q2 report in which adjusted earnings, revenue, total comparable sales, and U.S. comps topped expectations. The company nevertheless maintained its FY27 outlook as management continued to point to challenging housing conditions and weakness in larger discretionary projects.

The energy sector (+1.8%) topped the sector standings as crude oil continued its recent climb amid renewed geopolitical uncertainty. WTI crude approached $85 per barrel as the market digested an overnight strike on a cargo ship in the Strait of Hormuz and President Trump's acknowledgment that another ceasefire with Iran is not being pursued. Crude ultimately settled $0.42 higher (+0.5%) at $84.88 per barrel.

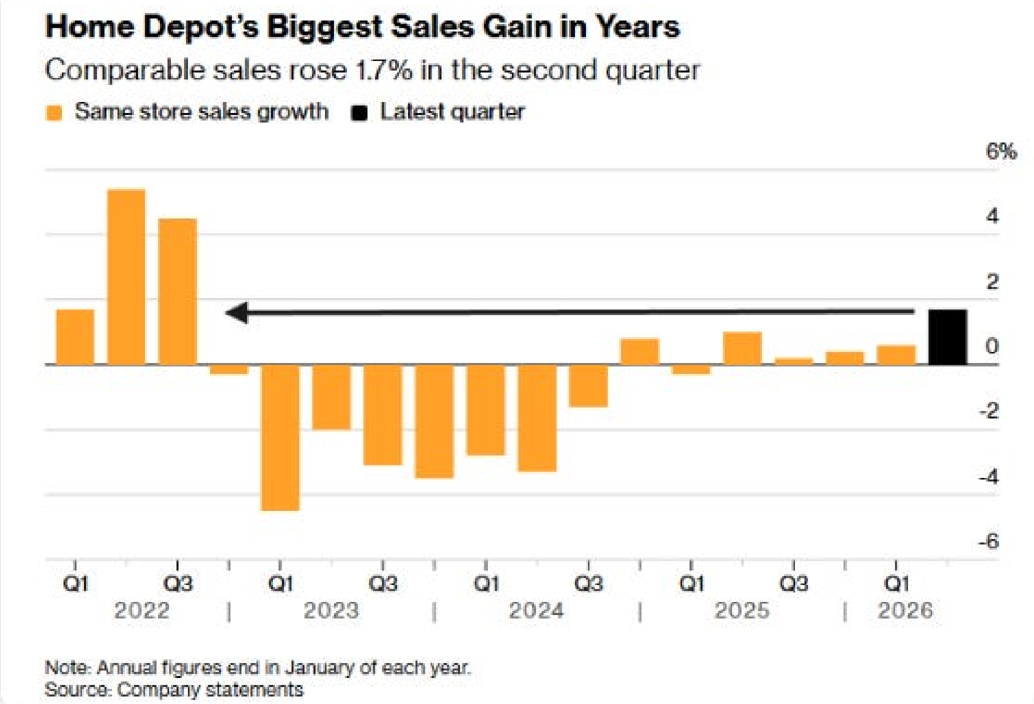
[Note: % changes above may differ from chart as chart uses futures.]

$HD was one positive today with **its best comp store (stores open at least a year) sales growth since 2022 at +1.7%.**

According to the CFO the firm saw healthy demand across the US and product departments. Live plants, patio products and grills sold well among everyday shoppers while demand for plumbing and electrical supplies and hand tools was strong among professional contractors. A heat wave in July boosted sales of air conditioners and fans.

However he said **"frozen conditions" persist for large home improvement projects.** "Our customer's message to us has been consistent with respect to what they're seeing in their world" with more uncertainty and worries over inflation and fuel costs, he said.

The Atlanta-based company **maintained its full-year guidance**, noting that tariff refunds are expected to partially offset "unplanned fuel, energy, and other product input costs" during the current fiscal year.



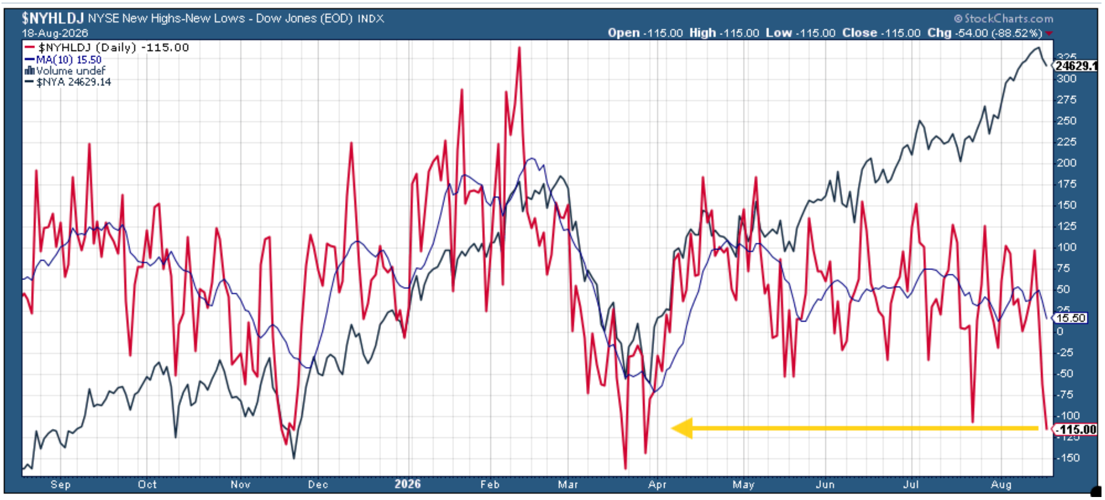
Bloomberg @business · 9h

Home Depot's results beat estimates in the latest quarter, a sign that spending on improvement projects is holding up despite high borrowing and housing costs bloomberg.com/news/articles/...

Despite the better sector breadth, the number of large SPX winners (up over 3%) remained at just 16, while large losers (down over 3%) remained at ~60.

[chart from finviz.com]

Which saw **new 52-week highs minus lows fall further on the NYSE to the least since March.**



Biggest after-hours movers from CNBC (links are to CNBC tickers):

- Toll Brothers — Shares of the luxury homebuilder dipped 0.3%. Toll Brothers said it sees fourth quarter deliveries ranging from 3,450 to 3,550 versus the StreetAccount consensus estimate of 3,508. The company reported third quarter earnings of $2.97 per share on revenues of $2.65 billion. Analysts polled by LSEG had expected per-share earnings of $2.93 on revenues of $2.61 billion.
- Keysight Technologies — The electronic test and measurement company rose 2% after posting third quarter results that exceeded expectations on the top and bottom lines. Keysight posted earnings of $3.07 per share, excluding items, more than the $2.48 per share expected by analysts polled by FactSet. Revenue of $1.85 billion beat the $1.75 billion consensus estimate.
- La-Z-Boy — The manufacturer of recliners tanked 17%. First quarter earnings came in at 43 cents per share on an adjusted basis, down 9% from the year-ago period. Adjusted operating income dropped 20% from a year earlier, landing at $18.7 million. La-Z-Boy said current quarter revenue would range from $500 million to $520 million, missing the FactSet consensus of $536.8 million.

- Mercury Systems — The maker of defense and aerospace electronics slid more than 10%. Mercury Systems said that revenue for the fiscal year ending June 2027 would approach about $1.1 billion, versus the FactSet consensus estimate of $1.05 billion. Adjusted earnings of 37 cents in the fourth quarter missed the FactSet consensus call by one cent.
- Jack Henry & Associates — The financial technology company servicing community and regional banks gained 3% after posting fourth quarter earnings. Jack Henry posted earnings of $1.57 on revenue of $644 million. Analysts polled by FactSet anticipated earnings of $1.47 per share on revenue of $631.6 million.

Some other corporate news from BBG:

- Meta Platforms Inc. has deceived the public for years by targeting children on Facebook and Instagram with technology designed to turn them into compulsive users and drive up advertising revenue, a lawyer at the California attorney general's office told a jury.
- Anthropic PBC's revolving credit facility is set to rise above its roughly $10 billion target, according to people familiar with the matter, as the artificial-intelligence firm prepares for a highly anticipated initial public offering.
- Nvidia Corp. could be trading at a discount of as much as 50%, as investors overstate risks related to the leader in AI chips, according to Bank of America Corp.
- Klarna Group Plc cut expectations for how much revenue it will generate this year on the heels of foreign exchange pressures and weakening consumer spending in Germany, and announced plans for a new chief financial officer.
- Baidu Inc.'s revenue fell for a fifth consecutive quarter, reflecting a weakening position in ads as well as AI development against rivals like Moonshot.

> Note on all charts the colored lines are moving averages (the average price over the lookback period (days on the daily charts, weeks on the weekly charts)):
> 20 = green
> 50 = purple
> 100 = blue
> 200 = brown
>
> Exception is monthly charts where blue is 10-month moving average and brown is 20-month moving average.
>
> MACD = Moving average convergence/divergence line, a measure of momentum that compares longer term and shorter term momentum to gauge if a move is strengthening or weakening. This is probably my favorite individual indicator (it’s also the favorite of Katie Stockton, a very fine technician).
>
> RSI = Relative Strength Index (basically what it sounds like) = measures the strength of the move comparing gains to losses over the given lookback window (I use the standard 14 periods).

Turning to the charts, **the SPX eased back further from its all-time high, but still remains above even its first support level of the 20-DMA.**

All four indices are seeing their technicals rolling over but none have yet crossed more negative.

Nasdaq similar to the SPX except hasn't yet gotten to its all-time high (I still think a test seems likely, although perhaps now after touching some support).

TradingView

The Russell 2000 (RUT) also fell back further from Friday’s all-time high.

While the equal-weighted SPX also edges back after just missing an ATH Friday.

Interestingly despite all of the headlines about rising yields today, they reversed from early gains across the curve Tuesday:

Two-year Treasury yields edged back a basis point to 4.17%. They remain 26 basis points below the peak close July 23rd, which was the highest since February of last year.

They are ~51 basis points above the Effective Fed Funds rate (red line), continuing to call for rate hikes.

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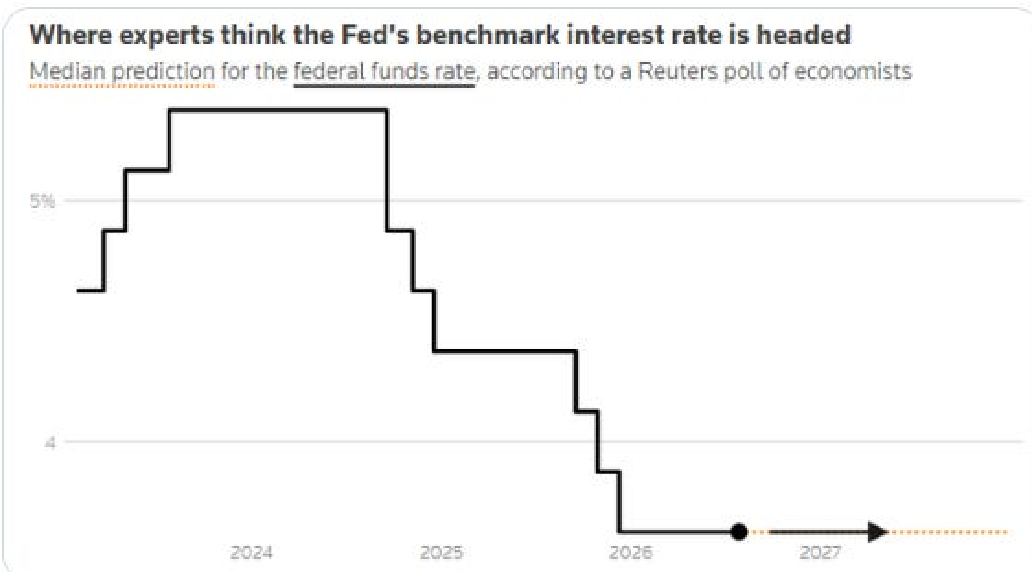
From @C_Barraud's packed (as usual) morning Brief a Reuters story on their economist poll:

"**The Federal Reserve will keep its key interest rate unchanged next month and through year-end, according to most economists in a Reuters poll**, a view they have held for the past several months."

"**A near-80% majority, 80 respondents, expected no change in rates through year-end,** broadly steady over the last three months. **The 22 economists forecasting at least one rate increase this year far outnumber the two expecting cuts.**"

"Economists in the poll forecast PCE inflation to average 3.5% this year, unchanged from last month. They expect it to remain above the Fed's target at least until 2028, poll medians showed."



10-year yields down two basis points to 4.70% from the post-Jan 2025 closing high Monday.

30-year yields down two basis points to 5.29% from the highest level since 2007 earlier in the session.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%
United States 30 Year Government Bonds Yield · 1D · TVC O5.310% H5.337% L5.280% C5.286% −0.025 (−0.47%) −0.025 (−0.47%)
5.350%
5.300%
5.286%
47:11
US30Y
5.250%
5.200%
5.150%
5.100%
5.050%
5.000%
4.950%
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4.600%
4.550%
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In evidence that the surge in corporate bond debt is having an impact on sovereign bond yields, BBG notes that "according to Morningstar Inc., **bond funds that are limited to investment-grade US debt dialed back their Treasury holdings this year and increased their average allocations to corporate bonds to 30%, a three-year high**.

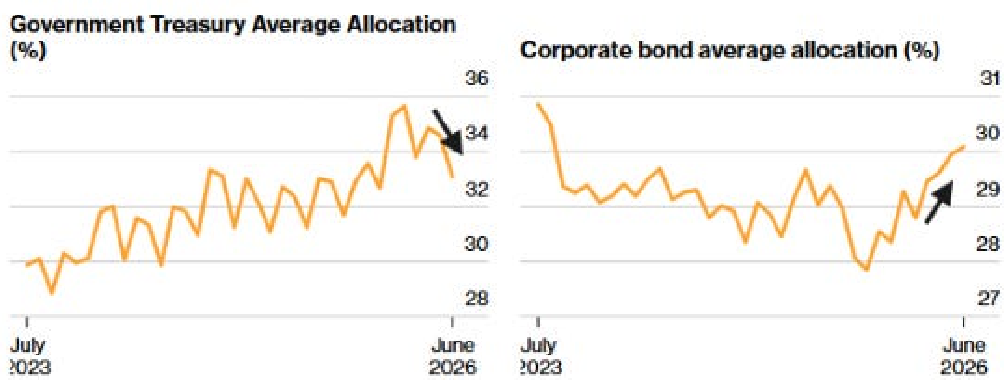
"A similar shift has been seen among overseas investors, long a key source of funding for the federal government."

In a note to clients on Friday, Bank of America Corp.'s economists said the AI borrowing is "potentially crowding out long-end Treasury demand" and has played a major role in the rise of bond yields. **They estimated that the surge in corporate-debt sales — along with a rise in issuance of mortgage-backed securities — pushed up 10-year rates by about 0.3 percentage point this year.**

"Hyperscaler debt is far smaller than Treasury issuance in terms of face value, but **its heavier concentration in long maturities makes it much richer in duration per dollar. That supply burden piles additional upward pressure on long-end yields** that are already being propped up by the government borrowing outlook." — Alyce Andres, Macro Strategist, Markets Live.

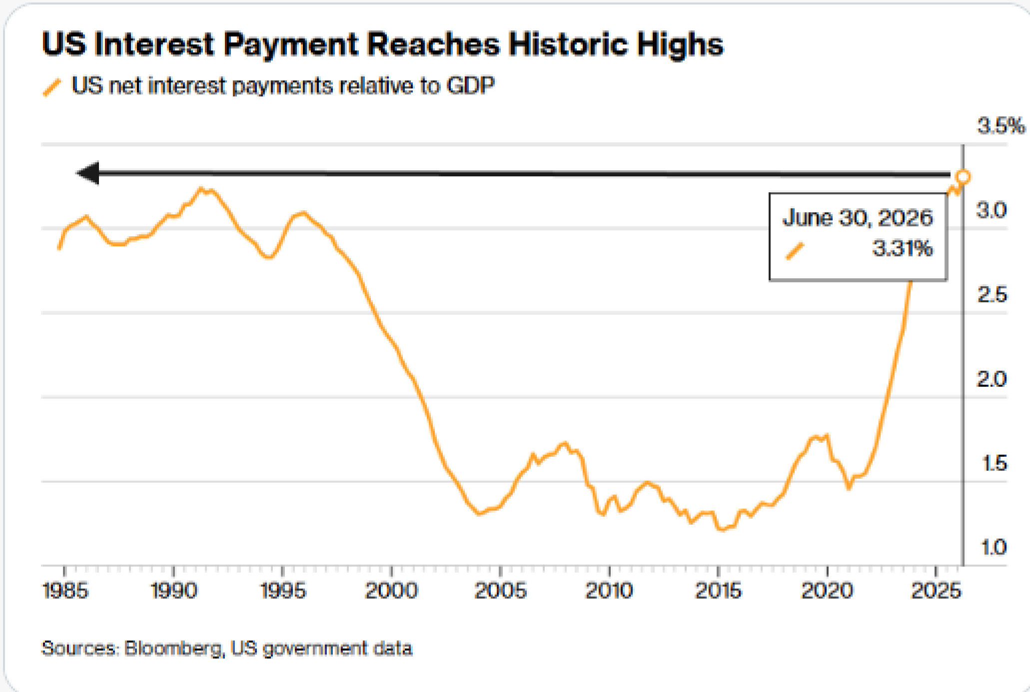
Bond Funds Buy More Corporate Bonds, Trim Treasuries

Bond funds have trimmed their Treasury exposure this year and added corporate bonds



Note: Average monthly exposure (%) of US Intermediate Core Bond funds to Treasuries and corporate bonds
Source: Morningstar data

BBG: US interest payments as a percentage of GDP have now exceeded their peak in the early 90's.

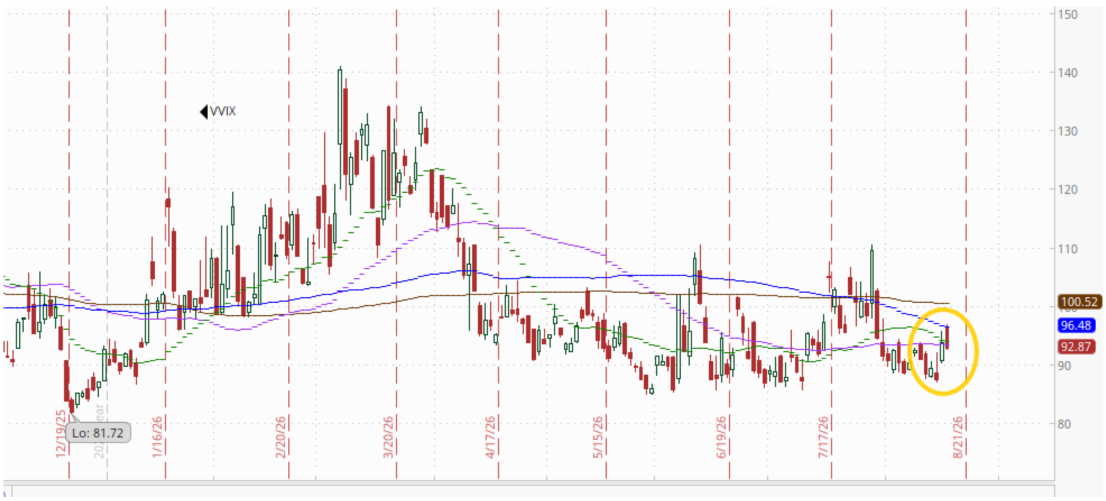


VIX up for a second session from the lows of the year now to 15.8.

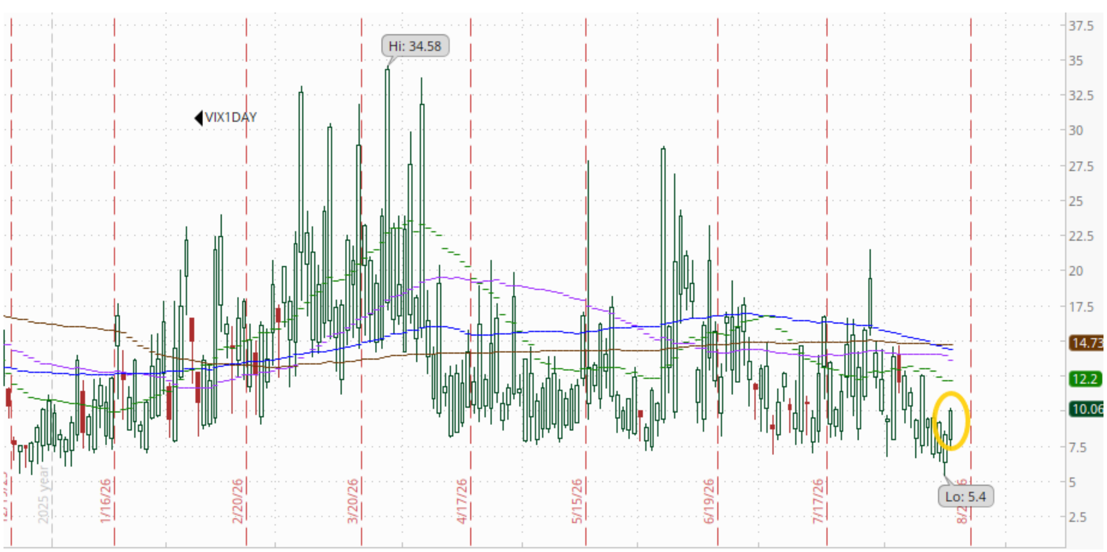
The indicator remains at the bottom of its “normal” range post-GFC, consistent with ~0.98% average daily moves in the SPX over the next 30 days.

The VVIX (VIX of the VIX) though little changed at 92.9.

The current level is **consistent with "moderate" daily moves in the VIX** over the next 30 days (historically, normal is 80-100, but we've been above 90 most of the time since July '24). Above 100 is the level flagged by Charlie McElligott as indicating higher stress.



But the 1-day VIX jumped to 10.1 from the lowest close since Jan 6th, still though consistent with a move of just 0.77% in the SPX next session.



WTI edged up to the highest close of the month.

The DXY dollar index (which is fixed weighted with a heavy (57%) weighting vs the euro) edged up from a 2-month low.

The daily MACD as noted three weeks ago flipped to quite negative while the RSI was under 40 (and is again). As I said then, "clearly consolidating, but too early to call it a downtrend. But if it resumes its decline, that might be enough for me." And Monday "going to give it the benefit of the 200-DMA but under that and it seems the uptrend is broken."

Gold futures (/GC) again tested the key 200-DMA and failed, now the fifth test in the past six trading sessions. Seems one of these times it's going to get through? As noted last Thursday "still has a good technical setup with positive daily MACD and RSI." I would add to my position on a break above.

US copper futures (/HG) back to trading with the AI names dropping sharply although finishing off the lows after bouncing from the 50-DMA. But the “supportive technicals” I’ve been harping on for the last month have now flipped negative. If we fall under that uptrend line, I’ll likely exit my copper position.

US natural gas futures (/NG) higher as they chop back and forth in the same range over the past two weeks. The daily MACD as noted a week ago has flipped to more bullish and the RSI close to pushing above 50. That said, has layers and layers of resistance above.

Bitcoin futures continue to trade in their range over the past month+, also at the same levels they were at in early June, although they managed to "trade around" the downtrend line from their all-time high (as well as the 20 & 50-DMAs). Daily technicals remain relatively neutral. As I have said for two weeks "I would still be a buyer if they saw a strong move above $67,500."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Bitcoin CME Futures · 1D · CME O64,495 H65,190 L64,070 C64,675 +265 (+0.41%) +265 (+0.41%)
Daily Lines 64,303 63,569 69,077 76,367
MACD (close, 12, 26, 9) 19 −147 −166
RSI (14; close) 51.96 48.85
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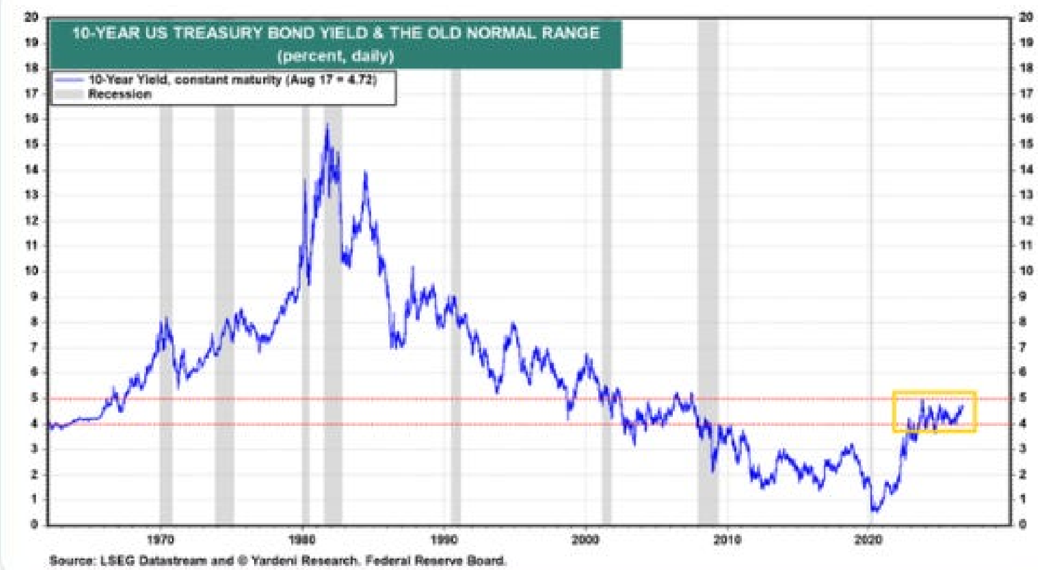
Misc:

Yardeni: If yields rise to levels that increase the odds of a recession, the downside for the stock market would be greater. That's not our base-case scenario. **Our subjective probability for our Roaring 2020s scenario is currently 80%, with 20% including all the bad stuff that could happen, including much higher bond yields.**

In our base-case scenario, the 10-year yield remains in the 4.00%-5.00% range, which was the norm in the years before the GFC and before the Great Inflation of the 1970s (chart).

"Nevertheless, now that the yield is approaching the top of this range, we are monitori**ng the activities of the bond vigilantes more closely. We aren't pushing the panic button. However, we are closely monitoring whether the bond vigilantes might do so.**"



BofA Global Fund Manager Survey:

"August FMS is 3rd most bullish survey of investor sentiment since '22; cash level down to uber-low 3.5% [6th lowest level in FMS history (since '98)], and [US] equity allocation...highest since '24 (net 27% OW)" with global equity overweight the highest since Nov '21 (14th consecutive month of overweight).

"...positioning continues to recommend investors retreat or rotate within risk assets rather than reload."

August FMS: buoyant sentiment, uber-low 3.5% cash, and a heavy equity overweight

BofA Global Fund Manager Survey — the composite sentiment gauge and two of its allocation drivers, 1999–Aug 2026

Composite sentiment near the top of its range

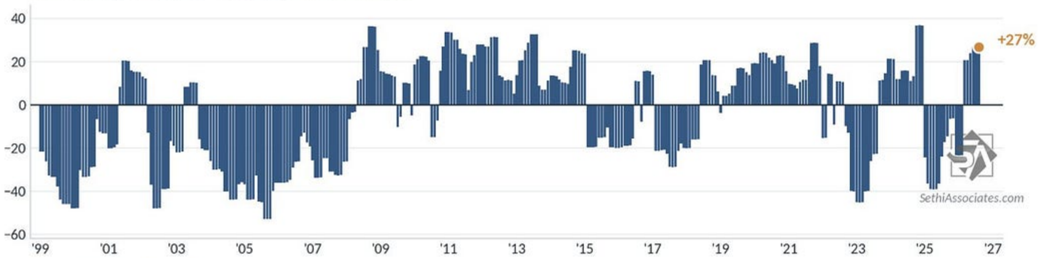
Percentile rank of growth expectations + cash + equity allocation (scale 1–10) · BofA's 3rd-most-bullish reading since 2022

Cash fell to 3.5% — 6th-lowest reading in survey history

Average cash level (% of AUM) · BofA Cash Rule 'sell' signal triggered (cash ≤ 4.0%)

Equity allocation net 27% overweight — highest since Dec '24

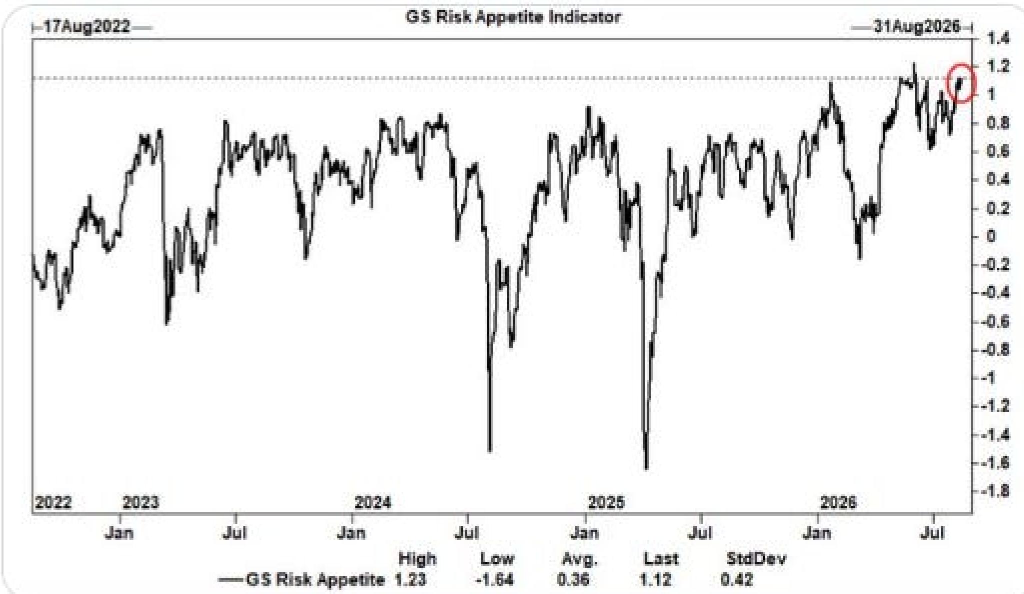
Net % overweight US equities · a 14th straight month overweight



Source: BofA Global Research

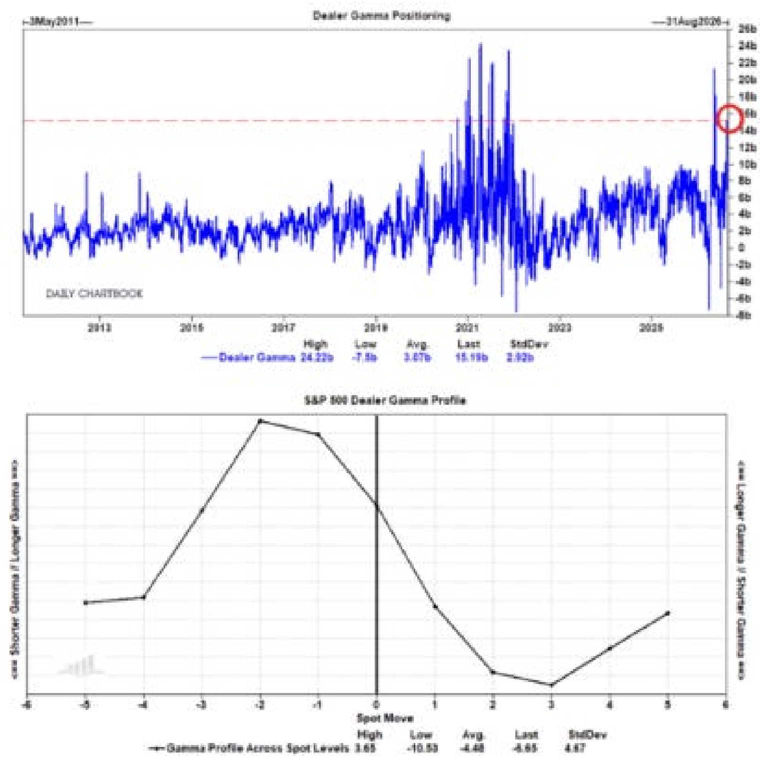
Note: the source's Chart 3 is captioned as global equities (net 56% OW); the series plotted there is BofA's net % OW US equities (≈27%, matching Charts 17 & 43), reproduced here as plotted.

Goldman's Risk Appetite Indicator has pushed up to the 99th percentile over the last three years.



Goldman though sees even higher gamma at the 99th percentile (of all readings) per the @dailychartbook nightly email (sub here: dailychartbook.com) which should keep volatility subdued (particularly to the downside where it continues to build higher).

12. Dealer gamma. "As of Friday's close, a third-party source (squeezemetrics) has dealers long $15bn of gamma... that's in the 99th percentile of all readings."



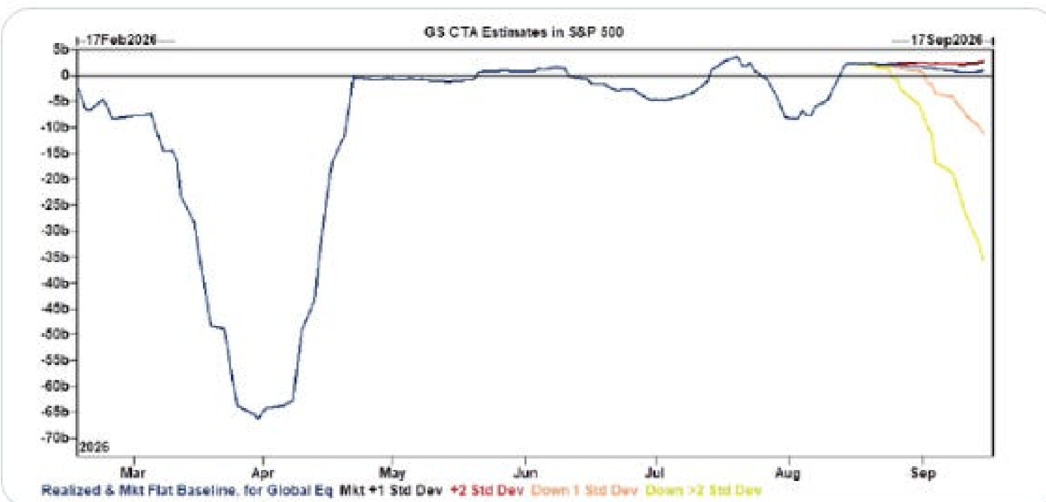
Robbie Stankard - Goldman Sachs

Goldman sees a less favorable setup for CTAs in the SPX this week with selling in all scenarios (although mostly mild) and buying over the next month just in an up scenario.

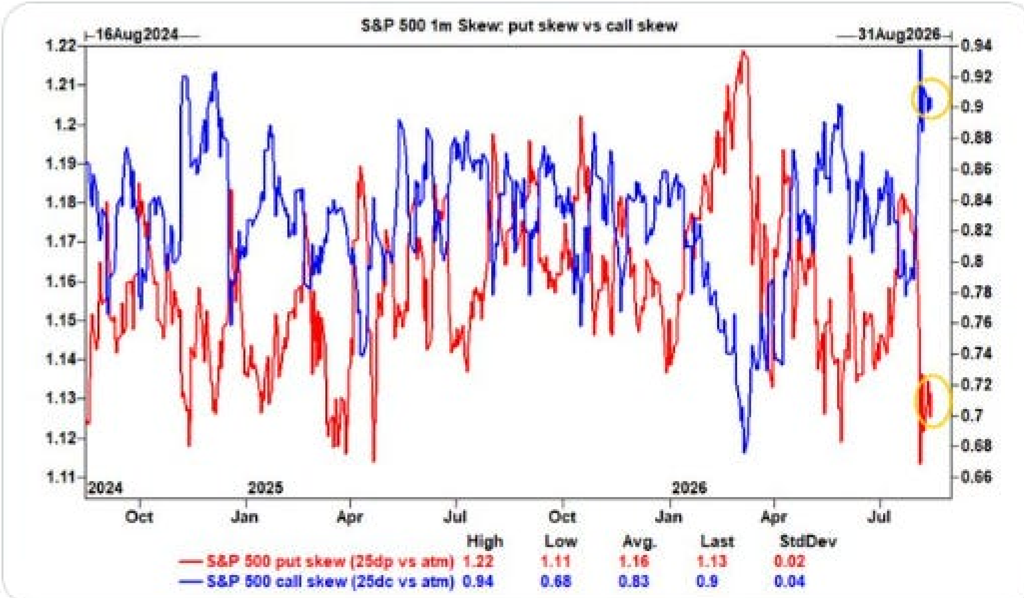
"All quiet on the CTA front this week. We anticipate the cohort is long around $140B of global equities of which $36B is SPX. **With respect to flow forecasts,we anticipate baseline demand will be low.**"

Over the next 1 week...
Flat tape: Sellers $0.04B out of the SPX
Up tape: Sellers $0.7B out of the SPX
Down tape: Sellers $7.1B out of the SPX

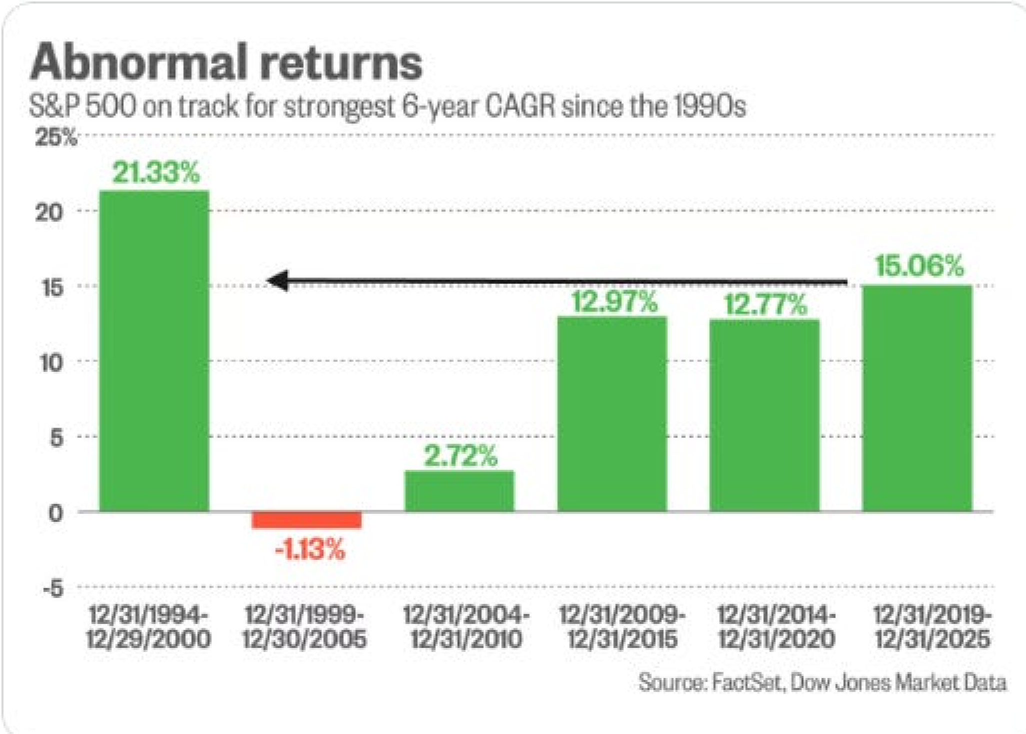
Over the next 1 month...
Flat tape: Sellers $1.4B out of the SPX
Up tape: Buyers $0.6B into the SPX
Down tape: Sellers $37.8B out of the SPX



And Goldman with a dramatic chart showing how call skew has shot higher while put skew has dropped sharply.



MarketWatch: The S&P 500 is on track for the strongest six-year stretch since the one that began in 1994, just as the dot-com craze was beginning to take shape. It is also well above the historical CAGR of 11.3% going back to Jan. 4, 1988.



After this morning's data, Goldman leaves Q3 GDP tracking at +2.3% Q/Q SAAR and July core PCE estimate at +0.20% m/m.

BOTTOM LINE: Housing starts fell 12.4% in July, well below expectations, while housing permits increased 5.0% and to the highest level since February. Single-family housing starts—the component relevant for GDP tracking—fell 9.9% to the lowest level since November 2022. Industrial production increased by slightly less than expected in July, while prior month was revised up. We left our Q3 GDP tracking estimate unchanged at +2.3% (quarter-over-quarter annualized). Core import prices rose 0.3% in July, above expectations. The international airfares component of import prices, which is the source data for the foreign travel component of core PCE, decreased 0.7% (SA by GS). We estimate that the core PCE price index rose 0.20% in July (unchanged from our forecast prior to today's import prices report), corresponding to a year-over-year rate of +3.24%. Additionally, we expect that the headline PCE price index increased 0.12% in July, or increased 3.61% from a year earlier.

The Atlanta Fed's Q3 real GDP tracker continues to ease back from elevated levels falling to +4.03% as of August 18th, down from +4.31% on August 14th and +5.83% on August 6th, with the bulk of the decline since the last update **driven by the contribution from residential investment turning negative (-0.22%** from +0.04%) following the housing starts data, along with small pullbacks in consumption and inventories.

This is consistent with my caveat that **both Q1 and Q2 started very strong before falling sharply** as we approached those actual GDP reads.

The reading for now **remains above the blue chip consensus* of** ~**+2.25%**, though that has been rising while the Atlanta Fed measure has been falling.

Here's the breakdown of the components as of August 18th and changes from my last update August 14th:

Inventories = +1.73% (-0.02%)

Consumption = +1.69% (-0.02%)

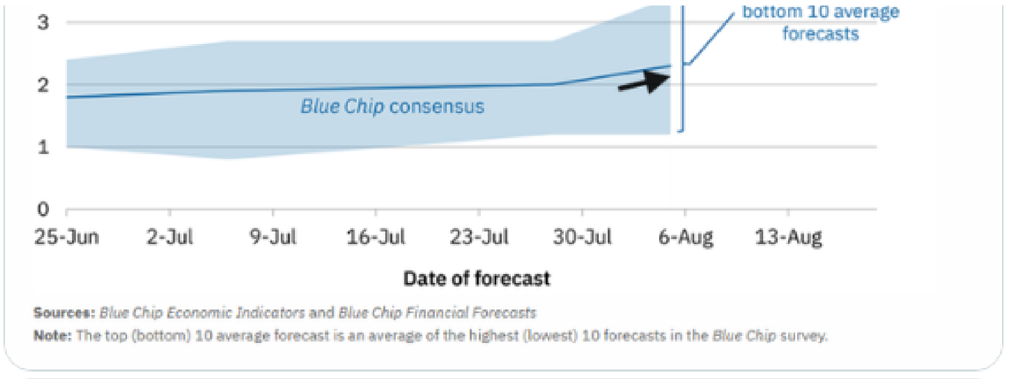
Nonresidential fixed investment (biz spending) = +0.83% (+0.04%)

Gov't = +0.19% (0.00%)

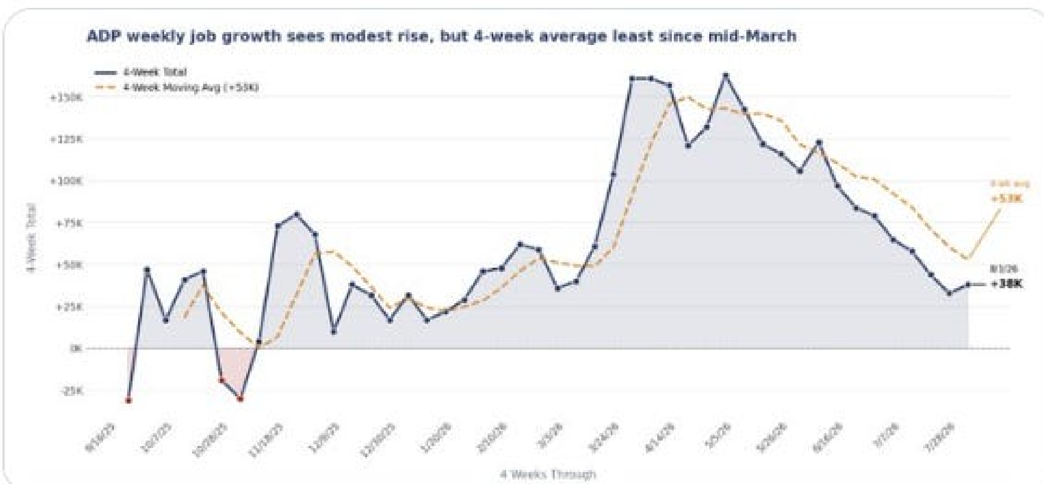
Net exports = -0.19% (-0.02%)

Residential investment = -0.22% (-0.26%)

GDPNow Forecast: +4.03% (-0.28%)



Preliminary weekly NER Pulse hiring report from ADP for the four weeks ending August 1st rose for the first time in eight weeks (and 2nd in 13) but very modestly to 38k (+9.5k/wk) from +33k (+8.25k/wk) the prior week, which was the slowest week since January (it peaked at +163k May 2nd), but the **4-week moving average fell to +52.8k, the least since March 14th.**



Link to X posts - [Neil Sethi (@neilsethinew) / X]() for full posts/access to charts.

Wrap-up

As I wrote Sunday:

> *From last Sunday:*

> ***will the now "on again" AI trade continue? The evidence is there****, with momentum building, expected earnings continuing to ratchet higher, and positioning not yet "extreme" according to DB.*
>
> ***And the overall setup remains favorable*** *as well, with systematics biased to buy according to BofA, discretionary and hedge fund positioning light according to DB and Goldman, buybacks almost back to full strength, retail re-engaging, the economy remaining resilient even if pay growth continues to ease — something we'll need to keep an eye on — and earnings growth spectacular.*
>
> *Sentiment is not really a tailwind but not yet a headwind — "it takes bulls to have a bull market" — seasonality is not great, and rates are pushing up toward levels that may cause some indigestion, but* ***none of those are yet at levels that I would consider "red flags."***
>
> ***And as discussed at the top, it appears from the most recent indications that President Trump has no appetite for dialing things up militarily*** *at this point, which means it's likely things will drag on with little change through the midterms unless or until Iran decides it wants to reopen the Strait*
>
> And for the most part that all remains the case for the upcoming week. We even get seasonality turning a bit more favorable.
>
> And with the seemingly never ending catalysts this summer, **we didn't get to a more typical low volume summer drift until the end of last week. Perhaps we will see that continue for this week given the dearth of major catalysts** (as noted Friday, Bank of America designed their forward looking US Economic report to cover all the way through the end of the month if that gives you an idea).
>
> **I said two Sundays ago that I was becoming more constructive, and that remains the case heading into the coming week.**

And while we did get another “low volume drift” Monday, I mentioned previously that low volumes can also mean we get bigger moves. So while the high gamma likely kept today’s decline in check somewhat, clearly traders were looking to take some chips off the table. As I mentioned yesterday “with the high gamma though I don’t expect a big selloff but we could very well continue to see indices drift lower (or higher) as bond yields head higher (or lower).”

So whether it was all the headlines on the high bond yields or perhaps traders looking to protect gains as they head out of town (today’s volumes were still well under the 30-day average) remains to be seen, but could definitely continue. That said, that could just as easily mean we see a big reversal tomorrow.

Our main scheduled event of the day is not until 2.30pm ET tomorrow with the Fed minutes. Will be interesting to see what the takeaways are from that and how the market reacts.

The Day Ahead

As noted in the Week Ahead, it’s a relatively light week for US economic data with the exception of today’s rush, and **Wednesday we get just weekly mortgage applications and EIA petroleum inventories.**

In terms of Fed speakers as noted none on the schedule for this week, but more importantly we’ll get **the minutes from the July meeting**.

We’ll also get a US Treasury auction Wednesday in the **out-of-favor 20-year maturity** so don’t read anything into the results one way or the other.

In terms of SPX Q2 earnings we’re very much in the windup phase (at least until the end of the month with Nvidia) with **six SPX components reporting Wednesday. We get though three >$100B reporting in ADI, TJX, LOW**, plus TGT (Target) which has been garnering a lot of headlines of late**.**

Ex-US highlights include UK CPI and PPI and a policy decision from Indonesia. ECB President Christine Lagarde will also be appearing at the World Economic Forum's International Business Council (IBC) meeting in Geneva with some speculation that she may tip an early exit.

Also, **midnight marks the deadline for threatened 50% US tariffs on some Canadian goods** over what President Trump has has described as Canada's unfair treatment of U.S. alcohol, cars and dairy. We'll see if that comes through. Newsflow is that negotiators are feverishly working to come up with a deal or extension.

The Day Ahead

Wed · Aug 19, 2026

FOMC minutes are the highlight

No major data — attention turns to the 2:00pm minutes of the July 28–29 meeting, which drew three hawkish dissents · August 19, 2026

Key: FOMC Fed minutes UST Treasury auction

Time (ET)	Event		Prev	Cons.	BofA	JPM	GS
7:00a	MBA Mortgage Applications *w/e 8/14*		+3.6%	—	—	—	—
10:30a	EIA Petroleum Inventories *w/e 8/14*		+17.4M	—	—	—	—
1:00p	20-Year Bond auction · $16bn	UST	—	—	—	—	—
2:00p	**FOMC Minutes — July 28–29 meeting**	FOMC	—	—	—	—	—

Source: Federal Reserve; U.S. Treasury; MBA; EIA. Calendar per BofA, J.P. Morgan and Goldman Sachs research.

MBA applications and EIA crude-oil inventories show prior only — not forecast by BofA/JPM/GS. A dash (—) = no published estimate; times Eastern.

The 20-year bond is a $16bn reopening; the minutes cover the July 28–29 FOMC meeting.

SethiAssociates.com

Takeaways by Bloomberg AI Hide

- Canada is racing to strike a deal with the Trump administration to avoid a 50% tariff on billions of dollars worth of exports to the US.
- Canadian officials and US counterparts are negotiating to remove the tariff threat, with a key hang-up being the duty on US automotive imports, currently set at 25% of the value excluding American-made components.
- If officials fail to reach a deal by Tuesday night, the new 50% tariff would hit at 12:01 a.m. Washington time on Wednesday, applying to an estimated $20 billion worth of US imports from Canada.

Wednesday August 19

Data: UK July CPI, RPI, PPI, June house price index, Japan June core machine orders, Italy June current account balance, ECB June current account, Eurozone Q2 labour costs
Central banks: FOMC minutes, ECB's Lagarde speaks
Earnings: Analog Devices, TJX, Target, Lowe's, Estee Lauder
Auctions: US 20-yr Bonds ($16bn)

From Christophe Barraud:

Wednesday

🇨🇳 World Robot Conference is held in Beijing through Aug. 23 – Bloomberg ⚠

🇰🇷 AI Summit Seoul & Expo takes place and runs through Aug. 21 – Bloomberg

🇨🇳 🇰🇷 Chinese Foreign Minister Wang Yi is reportedly expected to visit South Korea for talks with officials. Through Aug. 20 – Bloomberg

🇦🇺 Australia Q2 wage price index ⚠

🇯🇵 Japan June machinery orders

🇮🇩 Indonesia rate decision

🇦🇺 RBA Deputy Governor Andrew Hauser speaks at the Queensland Futures Institute Annual Regions Summit in Brisbane – Bloomberg

🇭🇺 Hungarian President-elect Andras Baka takes office after his election by parliament, succeeding the Viktor Orban-allied predecessor, who was ousted less than halfway through his five-year term – Bloomberg

🇪🇺 Eurozone July final CPI

🇬🇧 U.K. July CPI and PPI ⚠

🇪🇺 Participation by Christine Lagarde in panel discussion titled « Global Economic Outlook » at the World Economic Forum's International Business Council (IBC) meeting in Geneva, Switzerland. The text will be made available on the ECB's website – Bloomberg ⚠

🇺🇸 U.S. FOMC meeting minutes ⚠

🇺🇸 🇨🇦 Washington is set to impose a fresh 50% tariff on some Canadian goods over what it said was unfair treatment of U.S. alcohol, cars and dairy ⚠

🇺🇸 Target, Lowe's earnings ⚠

Ticker	Name	Next Earnings Date	↓ Market Cap
ADI	Analog Devices, Inc.	Aug 19, 2026	190.10B
TJX	The TJX Companies, Inc.	Aug 19, 2026	166.64B
LOW	Lowe's Companies, Inc.	Aug 19, 2026	121.07B
TGT	Target Corporation	Aug 19, 2026	68.59B
EL	Estee Lauder Companies, Inc. (T	Aug 19, 2026	31.15B
NDSN	Nordson Corporation	Aug 19, 2026	17.26B

Link to X posts - Neil Sethi (@neilsethinew) / X for full posts/access to charts.

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