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September Market Update

August saw inflation hold above the Federal Reserve's target, bond yields stay elevated, and oil swing sharply on geopolitical tensions. Retail and housing trends, meanwhile, pointed to a slowing economy and a wary consumer.

The economy wasn't faltering, just running at two speeds, as demonstrated by strong performance from the services sector, which was offset by a marked pullback in the manufacturing sector. That divide, layered on top of a low-hire, low-fire labor environment and persistent inflation, complicates the outlook for both growth and Fed policy.

Against that backdrop, here's where the benchmarks landed:

Major U.S. Stock Indexes

1. U.S. stocks hovered near record highs in August, led by technology and AI-related names even as underlying economic data painted a conflicting picture. Nvidia's blowout earnings late in the month eased concerns that AI spending had peaked.
 - The S&P 500 [rose](#) 2.62%.
 - The Nasdaq 100 [surged](#) 4.18%.
 - The Dow Jones Industrial Average [edged up](#) 1.34%.

What Drove the Numbers

Labor market downshifts, but doesn't stall. July hiring fell well short of expectations, and prior months were revised lower still, a further sign of the labor market's weakness. Yet the unemployment rate actually [ticked down to 4.1%](#), partly because fewer people were out looking for work, while layoffs stayed rare.

Consumers turn more selective. Retail sales data released in August showed a [0.6% dip in July](#), the sharpest monthly drop in over a year. Major retailers including Walmart and Home Depot described shoppers as

increasingly cautious. For investors, employment trends, real wage growth, and holiday-season sales guidance are now the key gauges of consumer health to watch.

Housing stays the weak link. Elevated mortgage rates kept weighing on the housing market through August, with [new construction](#) and sales sliding to some of their softest levels in years and prices continuing to drift lower. A modest uptick in building permits offered a rare bright spot, but rates stayed high enough to restrain broader activity. Of all the major sectors, housing most clearly shows how today's rate environment is shaping everyday financial decisions.

Inflation keeps policymakers on edge. The Fed's preferred inflation [gauge showed little improvement](#), keeping a rate hike on the table even as the labor market slows and the war with Iran continues to factor heavily into the inflation conversation. Several officials already favored raising rates, and Fed Chair Kevin Warsh's late-month remarks made clear that inflation, not growth, remains the priority. Markets took the hint, nudging up the odds of a September move.

What to Watch

[September's jobs and inflation data](#) should show how the economy has continued to develop as the third quarter starts to wrap up. The bigger risk of contraction may be borrowing costs, which could squeeze housing and pressure growth-stock valuations.

AI bellwether Nvidia confirmed that infrastructure spending remains robust, but the real test ahead is whether those earnings and cash-flow benefits broaden to software, industrials, utilities, networking, and power infrastructure, or stay concentrated in a handful of names.

As always, if any of this raises questions about your own portfolio, your advisor is just a call or email away.

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One email will be sent to accounts that have not elected eDelivery at any point.

Another separate email will be sent to those that have elected eDelivery as some but not all available options.*

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