WEEKLY ECONOMIC UPDATE AUG. 17, 2026

Stocks were mixed over a sleepy summer week, as cooling inflation lifted markets while sluggish retail sales nipped at investor sentiment.

The Standard & Poor's 500 Index added 0.36 percent, while the Nasdaq Composite Index edged up 0.14 percent. The Dow Jones Industrial Average slid 0.56 percent. The MSCI EAFE Index, which tracks developed overseas stock markets, advanced 0.26 percent.[1,2]

Third Straight for S&P 500

Stocks began the week with mild declines, with megacap tech names under pressure as investors anxiously awaited inflation updates.[3]

But spirits lifted midweek as a July inflation report showed consumer prices increased at a slower pace, leading investors to hope the Fed would not adjust rates at its next meeting.

The AI trade also jumped back into the driver's seat to add momentum. The rebound rally extended into Thursday as investors cheered a cooler-than-expected report that showed wholesale inflation slowed over the prior month. Falling oil prices also gave stocks a boost.[4,5]

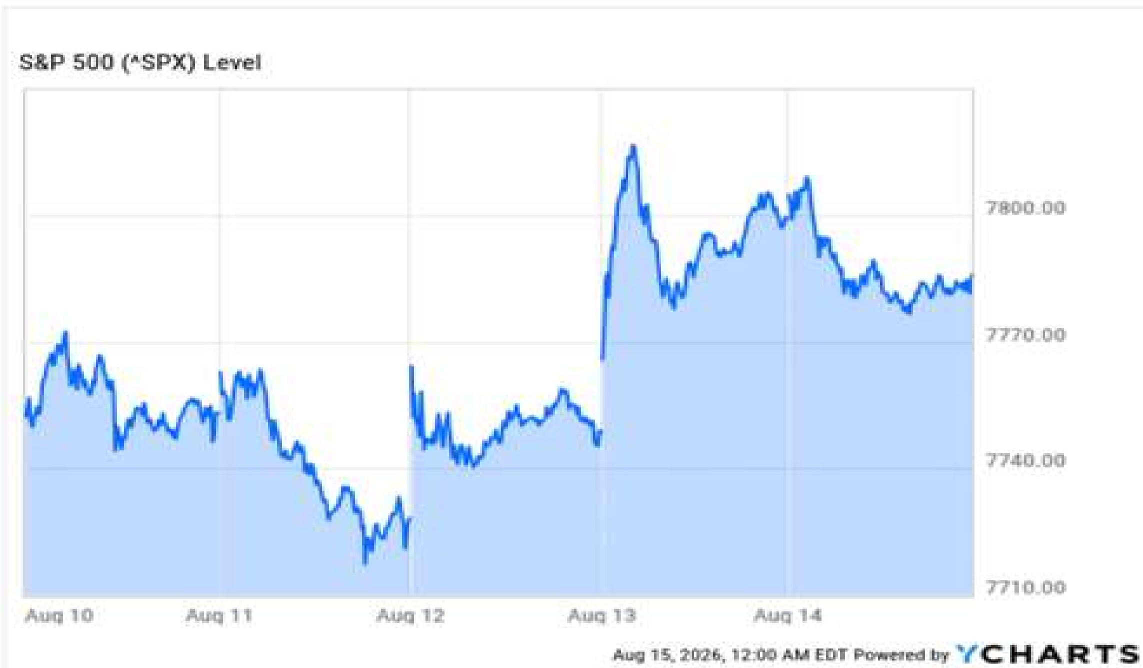
While stocks slipped slightly on Friday, the S&P 500 and Nasdaq each logged their third consecutive winning week.[6]

Weekly Market Insights (WMI)

Major Index Return Summary

Name	1M TR	YTD TR	1Y TR	5Yr TR
MSCI EAFE	4.81%	14.98%	23.01%	60.11%
S&P 500	3.84%	14.72%	22.04%	87.50%
Nasdaq Composite	3.62%	15.72%	24.19%	87.53%
Dow Jones Industrial Average	2.62%	13.05%	21.84%	66.67%

S&P 500 Daily Close



10-Year Note Review

Indicator Name Date	Latest Value	1M Ago 3M Ago 1Y Ago	1M Change 3M Change 1Y Change
10 Year Treasury Rate 08/14/26	4.68%	4.58% 4.47% 4.29%	2.18% ▲ 4.70% ▲ 9.09% ▲

Inflation Cools, Spending Slows

Wednesday's Consumer Price Index (CPI) report showed consumer prices rose 0.1 percent in July over the prior month and 3.4 percent over the prior 12 months. Both figures came in as expected, which was welcomed news for investors.

Thursday's Producer Price Index (PPI) showed that the pace of wholesale inflation also slowed more than expected.[7]

But the inflation update was somewhat countered by news that consumers spent less in July. Economists expected a 0.1 percent increase in July retail sales over the prior month, but they actually fell 0.6 percent month-over-month.[8]

This Week: Key Economic Data

Monday: NAHB Housing Market Index.

Tuesday: Housing Starts. Import Prices. Industrial Production. Capacity Utilization. Pending Home Sales.

Wednesday: Fed Meeting Minutes from July published.

Thursday: Weekly Jobless Claims. Leading Indicators.

Friday: Purchasing Managers Index (PMI)—Manufacturing. PMI—Services.

"Right now, America pays $3B per day on just the interest expense of its public debt. Spiking yields and hence spiking debt

costs are like shark fins to policy makers drowning in a debt-storm of their own doing."

–Mathew Piepenburg

Of Note

Around two and a half years ago, as the Biden administration was entering what we now know was its final year, the then-president's re-election campaign was growing frustrated.

According to nearly all the big economic indicators and aggregates, the economy was doing quite well, especially considering the historic shutdown governments had forced on the global economy a few years before.

However, at the same time, the American public as a whole felt very negatively about that same economy. And that negativity was persistent.

That diversion appeared to genuinely baffle some media figures and political strategists who seemed to believe everything you could ever need to know about the health of the economy could be gleaned entirely from GDP and the unemployment rate. But, more urgently, it forced the president's team to make a decision.

On one hand, they could find some politically useful scapegoat for the public's economic discomfort and run a campaign on addressing it. That would allow them to meet voters where they were, but it would force them to tone down their aggressive celebrations of all the nominally strong economic data drops.

On the other hand, they could continue to celebrate the “strong” economy and give themselves credit for rescuing the country from the dark days of covid with “daring” legislation like the Inflation Reduction Act and the CHIPS and Science Acts.

Clearly, the team of presumably seasoned political strategists on Biden and later Harris’ campaign chose to pursue the latter. It went terribly.

In one of the most unsurprising developments in modern American politics, it turned out that people who were struggling to navigate the aftermath of the government’s destructive economic shutdowns and keep up with rising prices did not like being told by establishment-approved economic “experts” that they were essentially stupid if they didn’t understand how excellent the economy actually was.

And the establishment really did try. The media loudly credited Biden and the big spending bills he helped move through Congress whenever a good jobs report came out and then all but ignored the later revisions that revealed virtually all that job growth wasn’t real. Establishment-friendly economists kept the public laser-focused on GDP as the one and only indicator of the economy’s strength while leaving out how much government spending was propping the number up. And an effort was made to falsely frame all negative economic sentiment as a dishonest ploy by Biden’s political opponents to tank the president’s re-election bid.

None of it worked. The majority of the American public, including a sufficient number of independent voters, could tell that something was deeply wrong with the American economy. And that, worse than merely doing nothing about it, the people in power were trying to gaslight them into thinking everything was fine.

Trump won, in large part, because he focused on confronting this mounting "affordability crisis" as it was quickly coming to be called. But now, as the midterms approach and he and his party are the ones in charge, the Republicans are faced with the exact same choice the Democrats had been faced with before 2024. And, notably, they have decided to adopt the same strategy that helped torpedo the Democrats last time around.

That was made very clear on social media last week after an X post about the price of burritos ignited a firestorm on the right. Trump-aligned figures lambasted the younger generations especially for continuing to espouse the very sentiment that helped propel Trump back to the White House. Again, the disaffected public was told to shut up, accept what the president was saying about how this was the strongest economy ever, continue to vote Republican, and scrounge together cheaper food if they didn't like how much burritos cost nowadays.

The figures and specific talking points may differ, but the formula remains the same.

First, voters can tell that the economy is not only weaker than the official metrics are letting on, but that, somehow, it is rigged against them.

They then vote for the party or candidates who are closest to echoing this sentiment and who promise to make sweeping changes in the name of addressing this economic pain.
Then, when that sense that something in the economy is off persists after those politicians get into office, anyone who points that out is called either a liar, lazy, or bad at managing their money by the very people who they had once voted for and supported.

This kind of cyclical economic gaslighting is infuriating. But it isn't surprising.

The cause of this so-called affordability crisis is not a mystery. It is, primarily, the result of the government inflating the money supply. When the Federal Reserve creates new money out of thin air to buy financial assets, the purchasing power of all dollars goes down—something we all experience as a general rise in prices. But it does not happen instantaneously across the whole economy. The people who get their hands on the new dollars first get to use that new money to buy things at old prices. And, on the other side of the spectrum, the people who get the new money last have to first pay higher prices before they ever get access to the new money that helped bid those prices up.

This is called the Cantillon effect, and it is, in every way, a forced wealth transfer from the bulk of the population to the small, typically well-connected group who gets the money first. However, what makes this form of redistribution especially damaging is that, even though economic theory is very clear that it is inevitable with the kinds of monetary operations the Fed is doing, it is not easy to identify. There is evidence if you know where to look and what to look for. But for most everyday people, this institutionalized theft is only ever experienced as this vague sense that things are getting less affordable.

That difficulty in detecting the true cause of this impoverishing policy gives the monetary authorities and all the people in government and well-connected industries who benefit from it a lot more room to operate than they typically get with more visible measures of taking our wealth, like taxes and government borrowing.

So, money printing has become one of the primary ways the political class both transfers our wealth to themselves and, because the Fed also loans many of the dollars it creates directly to the Treasury Department, funds their extremely expensive government programs. That's been true for decades. But the levels of theft through money printing hit historic levels during the pandemic. The Fed printed trillions of new dollars and injected most of them straight into the economy.

That is the reason we're dealing with this so-called "affordability crisis" and, further, why there is such a visceral sense among the public that something is deeply wrong with the economy. That, somehow, they're being ripped off. And they are right.

However, this isn't ever talked about in the establishment media or genuinely taken on by politicians in either party because solving the problems caused by the Fed's money printing is not in the interest of those in power. What is in their interest is using the money spigot for their own ends while obfuscating the issue in public and redirecting people's righteous anger towards some useful scapegoat.

The Trump administration is facing no pressure to address the true cause of this problem and—with the expensive war they launched and their complete disinterest in doing anything but increasing federal spending—every reason to keep it going.

That puts them in a hard electoral position, but the truth is, with the massive increase in social spending most democrats are calling for, the other party will—once again—be in the same boat once they win back some power.

In other words, unless and until people wake up to the political class's scheme or, at least, grow used to the jump in prices caused by the government's historic monetary expansion during covid, the gaslighting will continue.[10]

Footnotes And Sources

1. WSJ.com, August 14, 2026
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3. CNBC.com, August 11, 2026
4. CNBC.com, August 12, 2026
5. CNBC.com, August 13, 2026
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9. Healthline.com, April 14, 2026
10. zerohedge.com/political/return-economic-gaslighting

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The Dow Jones Industrial Average is an unmanaged index that is generally considered representative of large-capitalization companies on the U.S. stock market. The Nasdaq Composite is an index of the common stocks and similar securities listed on the Nasdaq stock market and considered a broad indicator of the performance of stocks of technology and growth companies. The MSCI EAFE Index was created by Morgan Stanley Capital International (MSCI) and serves as a benchmark of the performance of major international equity markets, as represented by 21 major MSCI indexes from Europe, Australia, and Southeast Asia. The S&P 500 Composite Index is an unmanaged group of securities that are considered to be representative of the stock market in general.

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