WEEKLY ECONOMIC UPDATE AUG. 24, 2026

Stocks declined last week as global investors fretted about oil-supply-induced inflation.

The Standard & Poor's 500 Index declined 1.43 percent, while the Nasdaq Composite Index slid 2.05 percent. The Dow Jones Industrial Average slipped 0.85 percent. The MSCI EAFE Index, which tracks developed overseas stock markets, lost 0.40 percent.[1,2]

Bond Yields Up, Stocks Under Pressure

Bond yields spiked at the start of the week, putting a squeeze on stock prices. The yield on the 30-year Treasury bond hit a 19-year high.

Markets continued their slide on Tuesday as investors fretted over inflation. Yields on bonds around the world rose to multi-decade highs.[3,4]

Stocks steadied, and bond yields fell midweek as investors responded to the Treasury Department's announcement that it would buy back long-term debt to help stabilize interest rates. However, the Wednesday morning rally petered out as the session progressed into the afternoon.[5,6]

Stocks rebounded to finish a tough week on a positive note despite rising oil prices.[7]

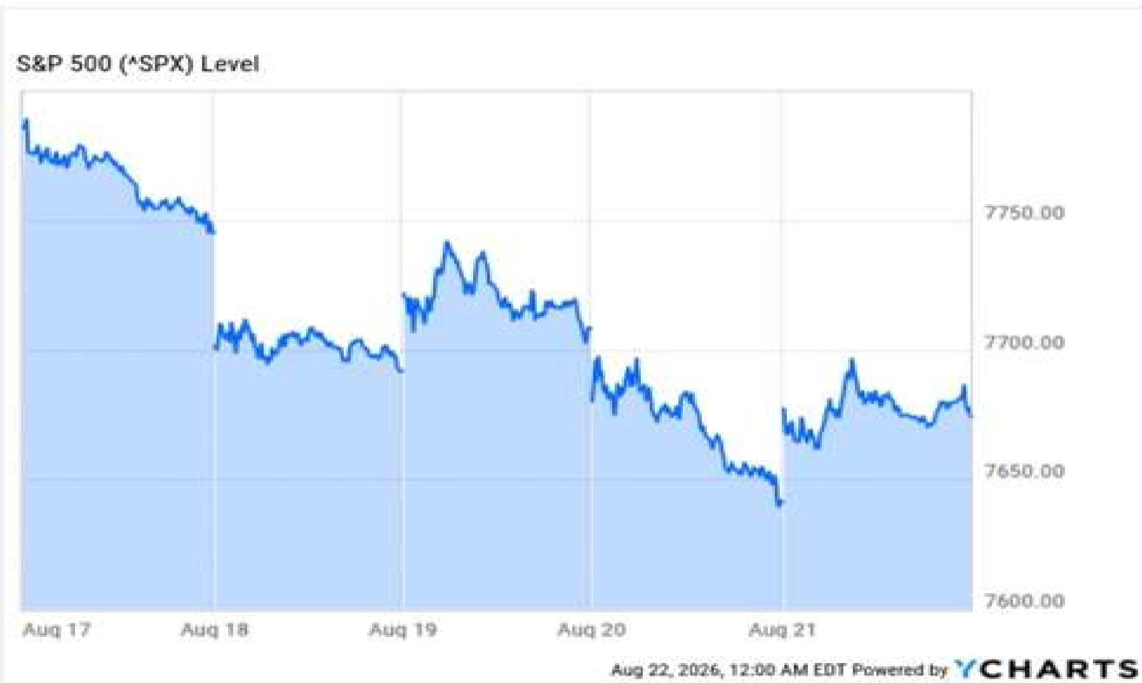
YCHARTS

Weekly Market Insights (WMI)

Major Index Return Summary

Name	1M TR	YTD TR	1Y TR	5Yr TR
MSCI EAFE	4.82%	14.13%	21.18%	63.74%
S&P 500	2.76%	12.45%	20.90%	84.81%
Nasdaq Composite	2.24%	12.57%	23.87%	83.71%
Dow Jones Industrial Average	1.86%	10.82%	19.33%	65.05%

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 08/21/26	4.74%	4.63% 4.57% 4.33%	2.38% ▲ 3.72% ▲ 9.47% ▲

A Bee in the Bonnet

Last week, yields on bonds issued by sovereign governments around the world rose to multi-year highs, including in Japan and throughout Europe.

Investors in these bonds decided they needed higher yields to compensate for ongoing global issues. As a result, the cost to borrow money went up. And because bond prices and yields move in opposite directions, the value of these bonds fell.

The Treasury Department stepped in on Wednesday to say that it would double the size of its current repurchases of longer-term (10- to 30-year) Treasury debt. It's uncertain how the move could influence markets.[8]

This Week: Key Economic Data

Tuesday: S&P Cotality Case-Shiller Home Price Index. New Home Sales. Consumer Confidence (Conference Board).

Wednesday: Durable Goods. Gross Domestic Product (GDP), 2nd estimate. Personal Consumption Expenditures (PCE) Index.

Thursday: Weekly Jobless Claims. Trade Balance in Goods. Wholesale Inventories. Retail Inventories.

Friday: Consumer Sentiment (U. Michigan).

Quote of the Week

"Inflation is a hidden tax, a transfer from the creditor to the largest debtor, the state. In the end, the state repays its creditors with debased money."

– Thomas Kolbe

Of Note

Between the market's reaction to Warsh's recent no-rate-hike announcement and the current disaster unfolding with the Japanese yen, the set-up for near-term "Uh-Oh" in stocks and bonds in general–and the longer-term wisdom in precious metals in particular– couldn't be more obvious.

Antoine de St. Exupery famously (and wisely) wrote that the "essential is invisible".

In philosophical matters pertaining to the art of living, this phrase has great depth.

But in matters pertaining to market risk and economic forecasting, it will come as no surprise to anyone familiar with our views that the "essential lies in the bond market."

As bonds fall in trust, demand and hence price, their yields then rise.

And these yields (the highest in decades) represent the true cost of sovereign debt, which we all know is beyond sustainability.

At $40T in comical, mismanaged and criminally negligent public debt, the last thing the USA needs today are rising yields at the long end of its sovereign bond market, especially with over $8T of those bonds facing a re-fi (at a much higher rate) in the next 12 months.

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.

The collision of these rising yields and rising debt levels mathematically means more currency debasement will be engaged to inflate away Uncle Sam's increasingly grotesque bar tab.

This also means gold's anti-fiat role as a store of real rather than fiat value/money is just beginning to stretch its legs.

So, how do we know what's coming for gold in such a global monetary sea-change?
That's easy. In fact, Japan's yen and the Fed's Warsh just told us so.

As for the yen, it just reached its weakest levels against the USD in four decades.

This Japanese currency fall is the direct result of decades of extreme money printing, repressed interest rates and a debt/GDP ratio that waters the eyes.

(Sound familiar?)

Japan's latest finance minister (they come and go like melting snowflakes) tried to save their yen with $73B worth of currency support (thanks to a massive Japanese sale of USTs).
But that strategy clearly failed.

Equally unsuccessful was Tokyo's attempt to raise interest rates to a whopping 1% in June (the highest levels seen since the 1990's).

This was pathetic, especially given the fact that for my entire market career, Tokyo ran zero to even negative rates.

Of course, at zero to negative rates, Japan became THE go-to lender for the global shadow banking and corporate elites, who would happily borrow yen for nothing and then convert those yen into trillions of dollars for massive leverage in the S&P and NASDAQ.

The fancy lads called this the Japanese "carry trade." It was an absolute boon for American stocks.

But folks, the Japanese banks are now cutting off that free money spigot.

The carry trade (which saw its first hiccups in August of 2024) is now over, and the ripple effects are swelling into tidal waves racing toward your 401Ks.

If you haven't already noticed, the NASDAQ just saw its worst July in decades, which had a lot to do with all the selling of tech stocks by Japanese firms, which are now bringing their money home in order to desperately yet realistically exploit the biggest currency arbitrage in decades.

After all, when the yen is at historical lows, what better time than now for Japan to cash in on stronger dollar-based stocks?

Unfortunately, the timing couldn't be worse for American stocks and bonds, as Japan's actions don't exist in a vacuum.

When the BoJ raises rates and the carry trade ends in a backdrop of hedge funds closing their levered stock positions, those same masters of the Wall Street universe have no choice but to buy back yen to close their credit obligations.

In order to get this cash, those same fund managers (and many large corporate C-suites) must also sell a whole lot of U.S. stocks and USTs.

We are talking lots and lots of them.

This translates to a perfect storm of Japanese and global hedge funds simultaneously selling risk assets at the apex of an undeniable market bubble.

This is serious.

Not only will criminally negligent and AI-over-exposed tech stocks feel the selling pain, but an equally massive sell-off in US Treasuries is converging this summer.

This means falling bond prices and yes, you guessed it: Spiking yields.

Ouch.

Once again (and as seen in March of 2020, fiscal year 2022, or Liberation Day of 2025), stocks and bonds are falling together rather than hedging each other's risk.

As warned for years, the classic 60-40 stock-bond portfolio couldn't be more useless as a modern risk hedge.

This is because bonds are no longer a safe haven in the backdrop of such an unprecedented and unsustainable sovereign debt profile.

This profile, of course, poses a problem for wordsmiths at the Fed, and Kevin Warsh's words are worth translating from spin to reality.

Unlike the Volcker era where U.S. public debt was measured in billions rather than trillions, Warsh, like Powell, can never fight inflation via rate hikes for the simple reason that DC's bar tab can't afford higher rates.

Any rate hikes to allegedly "fight" openly misreported inflation eventually just forces the Fed to expand/print more debased and mouse-clicked dollars to pay down the rate hike.

This is a nation within a fiscal dominance trap which renders any so-called anti-inflationary rate-hike policy inherently, well: Inflationary.

The parabolic rise in U.S. M2 money supply speaks for itself. It was thus hardly any nail-biter that no rate hike was announced in July.

What Warsh didn't say at a recent press conference is: 1) that inflation far outpaces the Fed Funds Rate; 2) the "impressive resilience" of our economy ignores record credit card delinquencies and car-loan repossessions which outpace the Great Financial Crisis of 2008, or the lowest reported reading ever measured at the University of Michigan's Consumer Sentiment Index; and 3) that we've seen over 15 months of consecutive downward revisions of his so called "job gains."

In short, and with the calm (and haircut) of a media prompt-reader, Warsh managed to say three fictions in less than 30 seconds without changing expression.

This spin is nothing new at all to those familiar with Fed-speak.

By itself, it cannot explain why the DOW then fell by 1000 points and yields on the long end of the curve went moon-bound following the Warsh press conference.

Such open and violent market reaction came from something else which Marsh said, and it's worth repeating here because it amounts to a subtle confession of what we've been warning with blunt consistency, namely that the Fed will eventually lose control of the bond market.

Specifically, and at the beginning of the Warsh press conference, Warsh was directly asked why nine FOMC members (Warsh among them) did not vote to raise rates.

His response was nothing short of astounding when one reads between the lines: "Rates are higher today than they were 42 days ago. Markets have made decisions because we stepped back in part from trying to influence those. Market judgements have moved up on what nominal rates are across the Treasury curve… Markets are reacting in real time. Monetary policy matters not by just what we say, or even what we do…These prices we see in financial markets is one of the many ways in which [monetary policy] effects the real economy".

Translated into real-speak, what Marsh really said boils down to this: "Rates are rising without the Fed having to raise them because the markets no longer trust our IOUs and are setting a risk premium of their own, which is outside our control."

This is scary. But it's also no surprise at all.

Eventually, the bond market itself (and not the Fed's rate or balance sheet policies) will determine bond yields and hence debt pricing.

And that pricing (as measured by boring things like bond yields) is ripping fatally and uncontrollably north.

This rising cost of debt, driven by distrust of weaponized and over-indebted IOUs, in conjunction with massive waves of more sellers (think Japan above) than buyers of Uncle Sam's debt, will only get worse.

This also means that stocks supported by cheap debt will tank, and bonds unloved by the world will do the same.

Unless, of course, the Fed steps in to control those yields with trillions of direct or indirect QE to purchase these objectively unloved bonds.

But this inevitable and essential "solution" for our openly dying bond market comes with a fatal cost—namely continued currency debasement as Uncle Sam sacrifices (debases) his ever-expanding dollar to save (pay for) his ugly IOUs.

This sacrificing of paper money to save over-stretched bonds is the oldest and most desperate trick in a long history of once-great nations facing a debt crisis and hegemonic turning point.

The bond market is indeed everything, and what it is telling you far more honestly than the American Fed or Japanese BoJ is that your fiat money is consistently losing absolute purchasing power in plain sight.

This explains why a deliberate fire-sale in precious metals was unleashed early in 2026 to allow the whales to accumulate real money (gold) while the masses stare at their tech positions (and losses).

As usual, Main Street is the last to get the memo on gold. They got shaken out with price manipulations and price headlines while the smiling whales bought the world’s most important asset at a discount.

This also means that if you measure your wealth in paper currencies rather than physical gold, you are being robbed in equally plain sight The Whales, of course, don’t care, and they don’t want you to know.[10]

Footnotes And Sources

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