August Market & Economic Update

September 9, 2026

LVW Advisors

Data as of: August 31st, 2026

For the Exclusive Use of LVW Advisors Clients

LVW Advisors
September 9, 2026

Key Takeaways

- The bull market is now global with several markets up double digits in 2026.
- Stocks are up, but earnings have been so strong that valuations have fallen.
- Record U.S. debt levels may not be as scary as they appear on the surface.

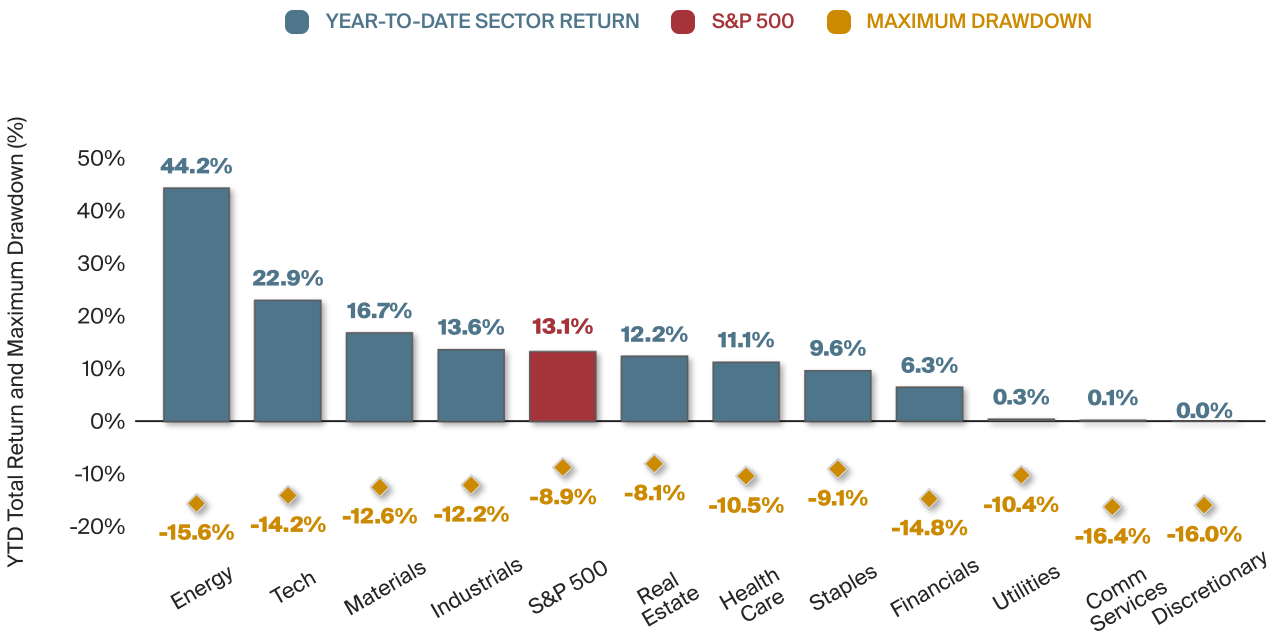
More than half of the sectors in the S&P 500 are up double digits eight months into 2026.

Exhibit A

S&P 500 Sector Performance in 2026

S&P 500 Year-to-Date (YTD) Sector Performance in 2026 (Including Dividends) With Maximum Drawdown

YTD 2026



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This year we're seeing a broadening out of the bull market. For years it felt like technology was the main sector holding up the S&P 500. The tech sector is outperforming the index in 2026, but so are energy, materials, and industrials.

The bull market is global

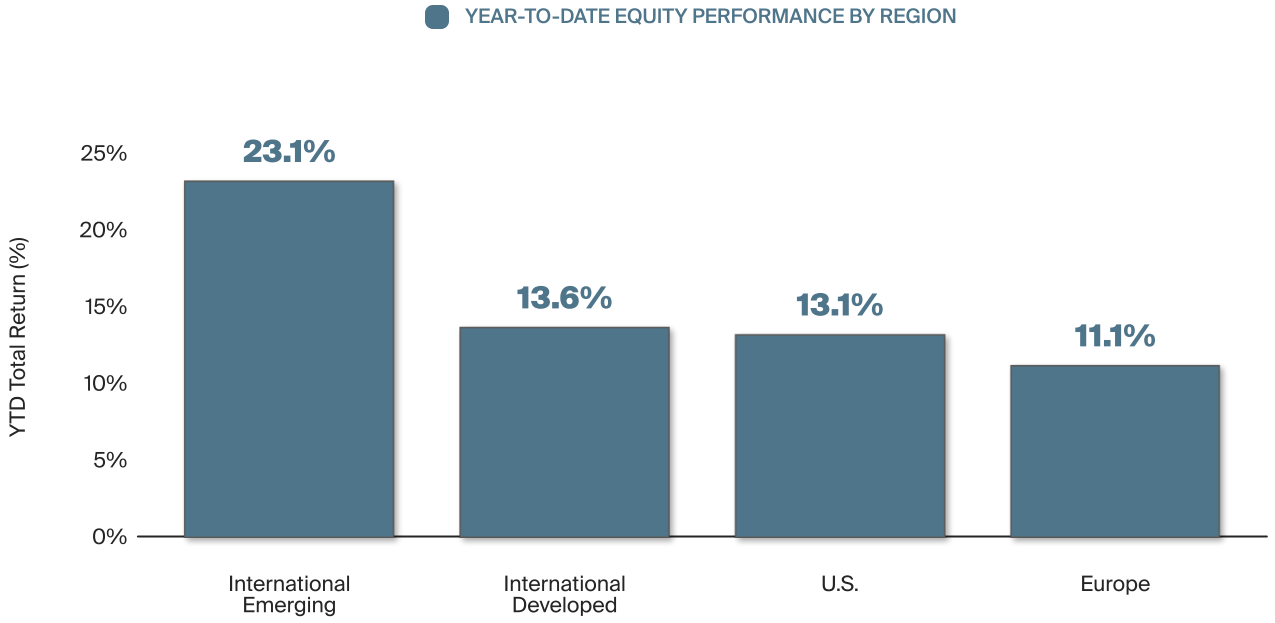
Stock markets all around the world are having a great year. Emerging markets, foreign developed markets, the United States and Europe are all up double digits so far in 2026.

Exhibit B

Regional Equity Performance in 2026

International (Developed & Emerging), U.S., and Europe Year-to-Date (YTD) Equity Total Return (%)

YTD 2026



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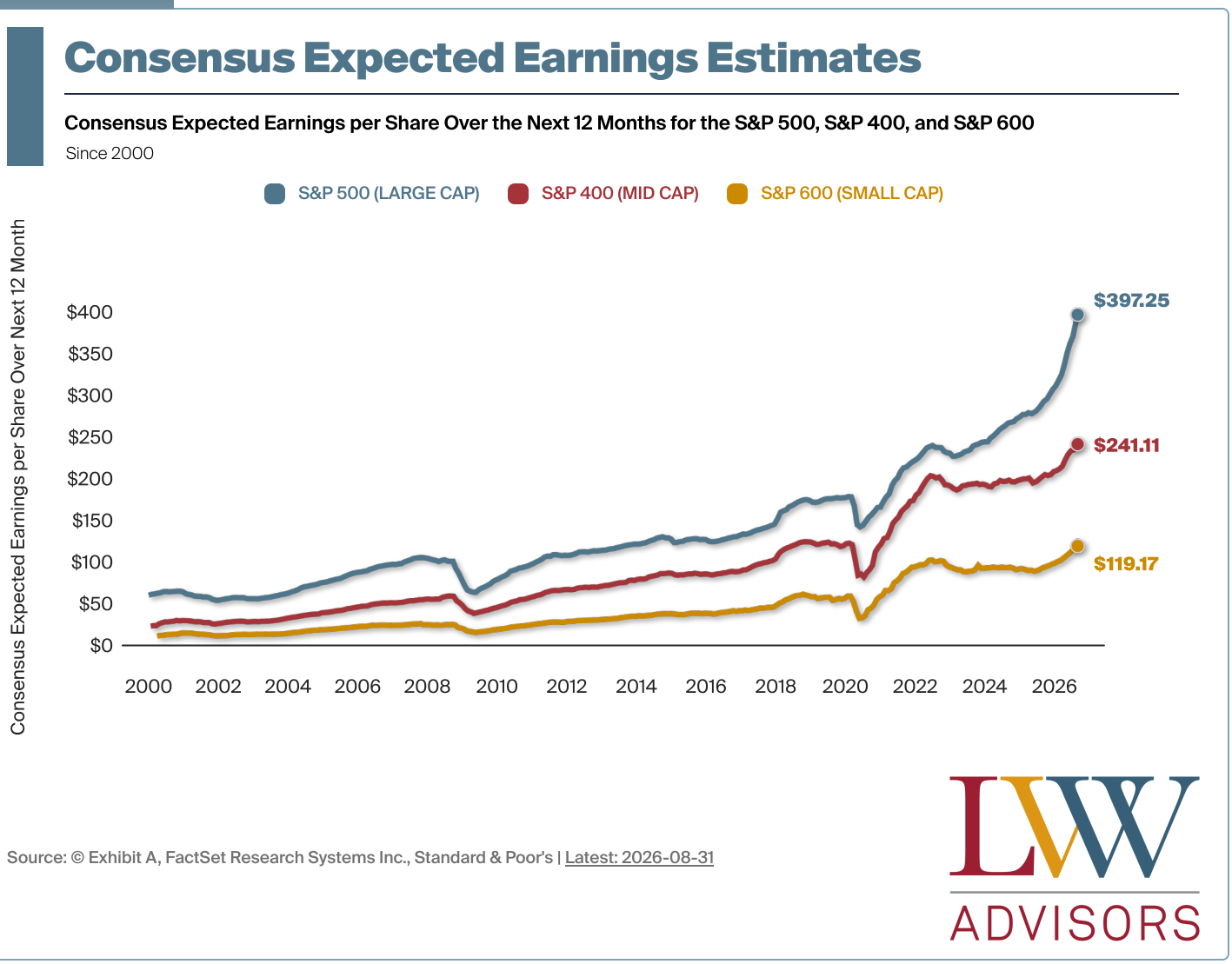
The U.S. stock market outperformed emerging market equities every single year from 2018 through 2024. EM finally broke that streak last year, outperforming the U.S. by nearly 15%. This year EM has a double-digit lead. For diversified investors, we're finally starting to see some mean reversion.

Earnings expectations have continued moving higher

One of the most surprising things to happen to the stock market this year is the runaway earnings growth. Most pundits and analysts did not expect earnings growth to be this strong. In fact, forward 12-month earnings estimates for the S&P 500 are nearly 30% higher today than they were at the start of the year. That's because companies have continued to deliver strong fundamental growth in their earnings reports. It has left analysts with no choice but to continue raising their expectations for profits over the next year.

Exhibit C



You can see from the chart how earnings expectations have accelerated higher for not only large cap, but also mid and small cap stocks as well.

Valuations have fallen

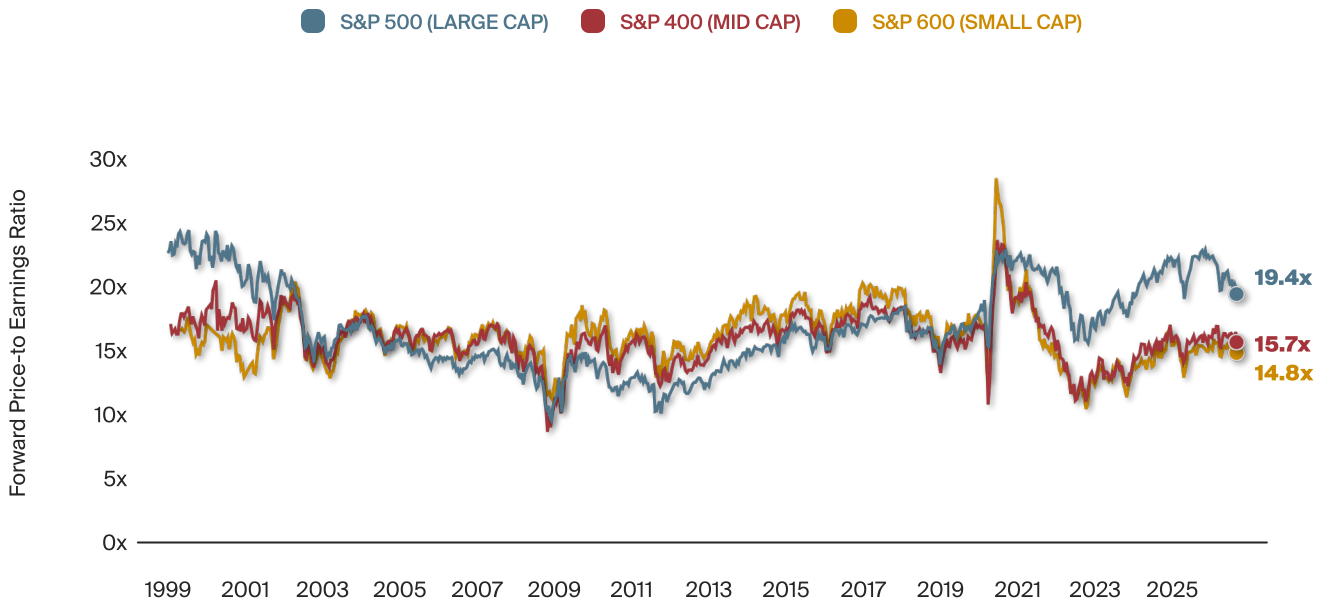
Earnings growth has outpaced stock market returns this year. So despite the fact that the S&P 500 is up double digits in 2026, valuations on a forward PE basis have actually fallen.

Exhibit D

A Look at Forward Valuations

Forward Price-to-Earnings Ratio Using Consensus Expected Earnings per Share Over Next 12 Months for S&P 500, S&P 400, and S&P 600

Since 1999



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That means in the midst of a bull market we have a situation where stocks are getting cheaper relative to their earnings expectations. Small caps and mid caps are also up double digits this year, but valuations are falling for those segments of the market too.

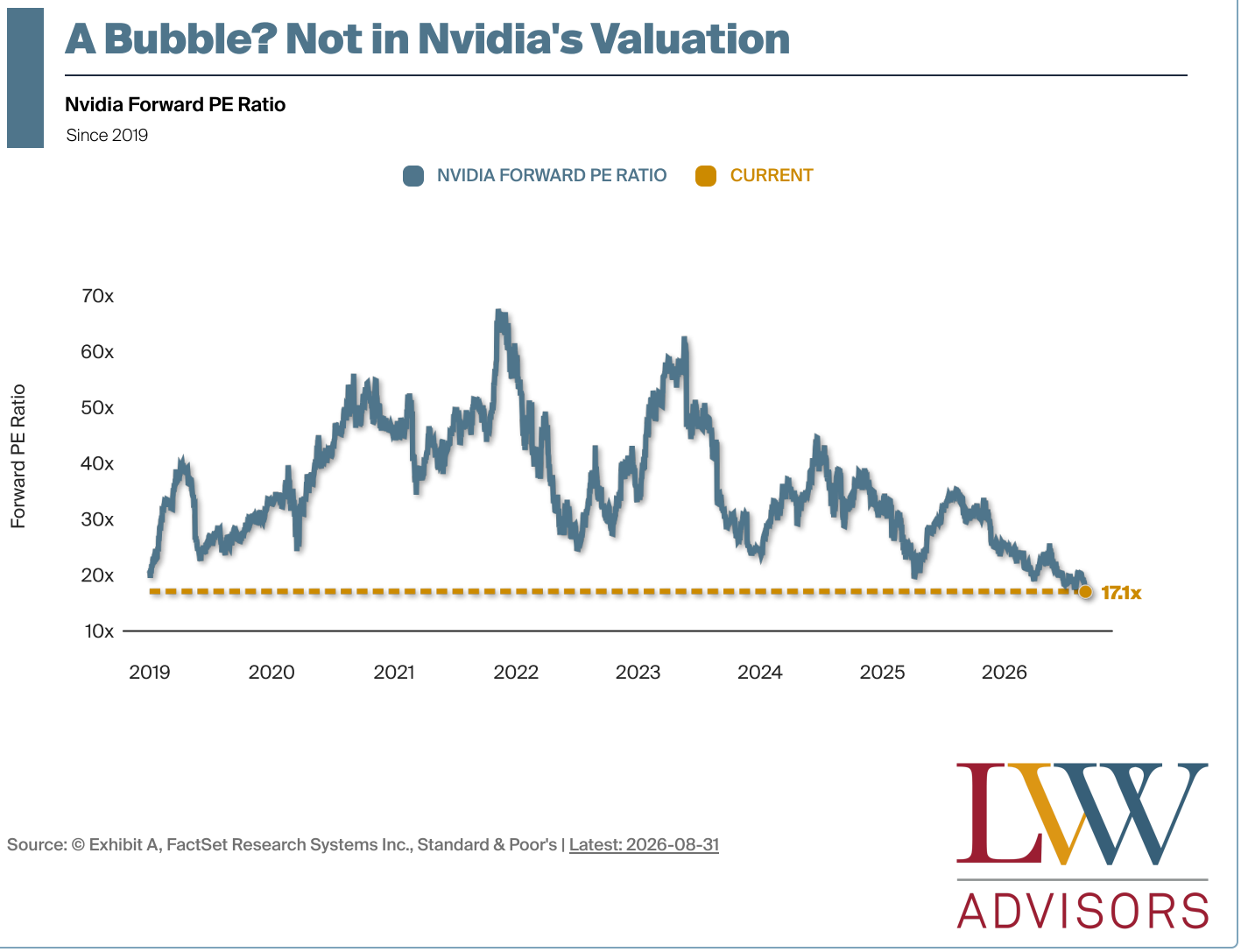
It's a reminder that fundamental strength has been the primary driver of stock market returns in this bull market cycle. It is not multiple expansion (rising valuations) that has driven stocks higher.

Nvidia's valuation has also fallen

Nvidia is the largest company in the S&P 500 with a market cap north of $5 trillion. It's likely the most foundational company in terms of providing compute infrastructure in the AI buildout.

Despite this fact, Nvidia's valuation is now at its lowest point of the decade. The forward PE ratio for the company is down substantially since the release of ChatGPT in 2022. This is good news for those who are concerned about a potential AI bubble forming.

Exhibit E



It's impossible to know if there's a bubble forming in the AI space. But in some ways, seeing Nvidia's valuation falling as AI headlines rage on shows that the market is being disciplined and not letting things get out of hand.

Government bond yields are rising

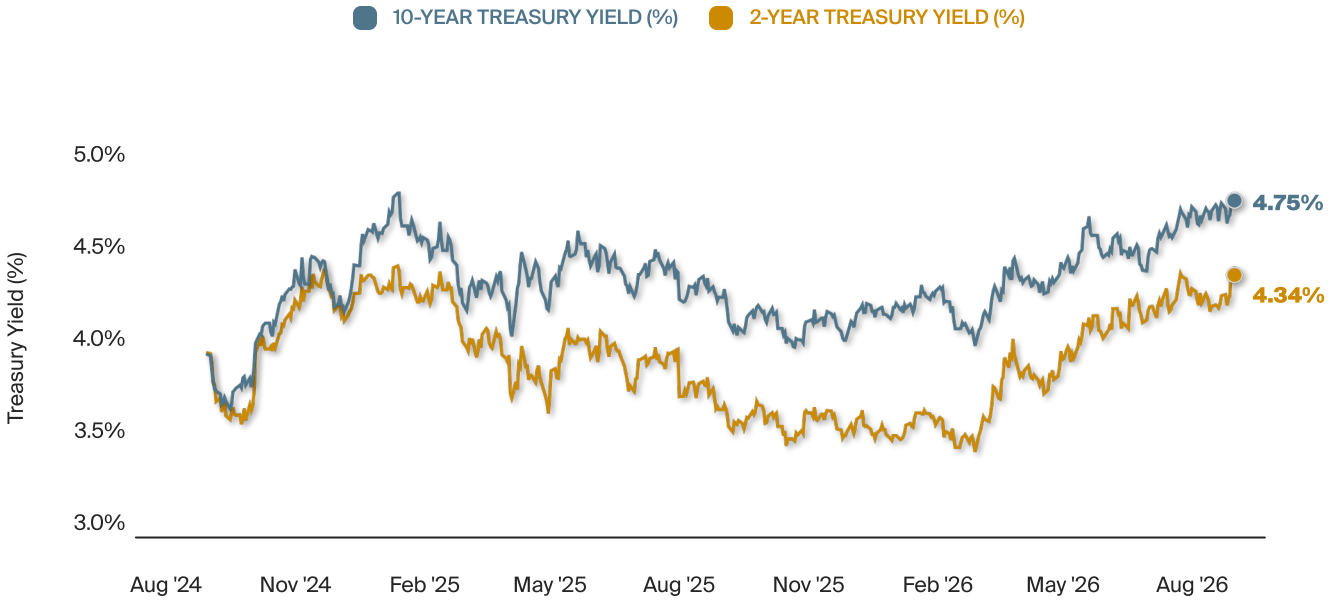
U.S. Treasury yields have been rising steadily over the course of 2026. That's what the chart below shows.

Exhibit F

A Short-Term View of U.S. Treasury Yields

2-Year and 10-Year U.S. Treasury Yields Over the Short-Term

Past 2 Years



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There are pros and cons to rising interest rates. On the downside, it becomes more expensive to borrow. Higher yields also typically occur because inflation is higher, which can make it painful for fixed income investors. On the bright side, inflation and interest rates typically move up when economic growth is stronger and investors are more positive about the outlook for growth.

Higher yields mean higher expected returns

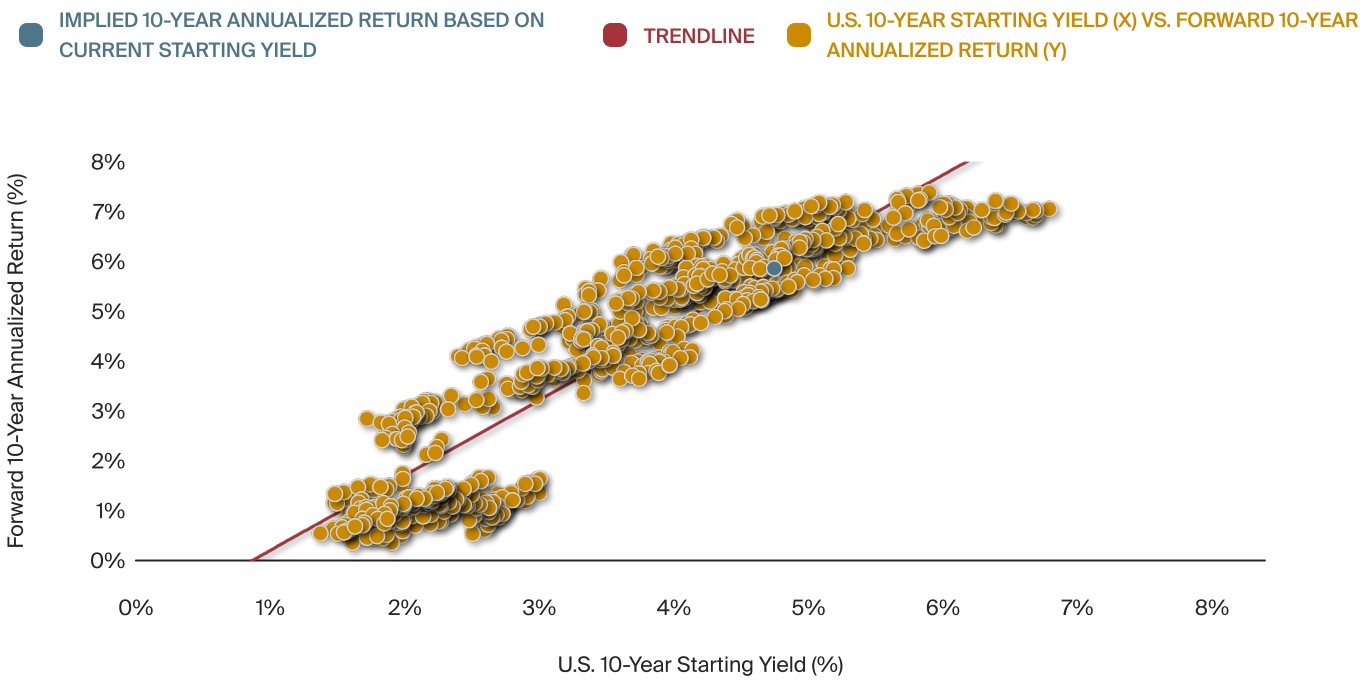
Bond yields and prices have an inverse relationship. When interest rates rise, prices fall. When interest rates fall, prices rise. But these are short-term dynamics. The bad news for fixed income investors when rates are rising is that it will lead to some short-term pain as prices adjust to the new level of yields. But once that pain is over, what you're left with is higher yields which lead to higher expected returns.

Exhibit G

Bond Yields Are Historically Linked With Forward Returns

U.S. 10-Year Starting Yield (X) vs. Forward 10-Year Annualized Return (Y)

Since 1999



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In fact, the starting yield is by far the best predictor of forward returns for bonds.

U.S. government debt worries

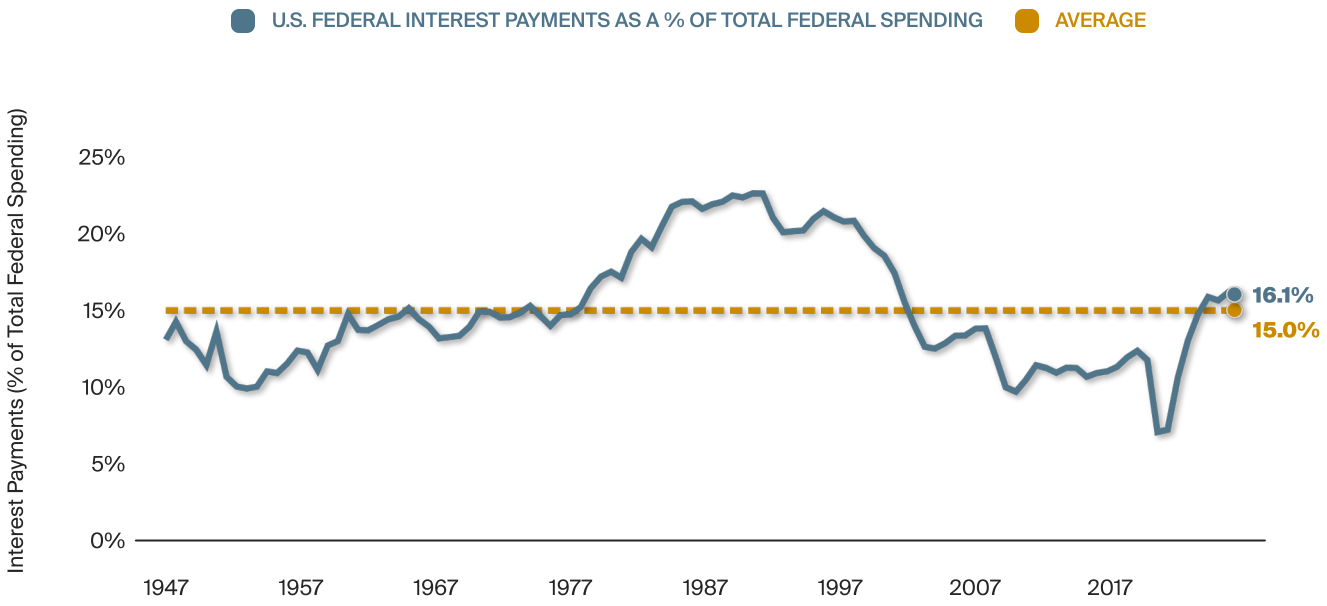
Ten years ago the U.S. government was in debt to the tune of almost $20 trillion. This year the U.S. just passed $40 trillion in debt. As interest rates rise that means more and more of the government's budget is going to pay interest expenses. Government debt at these levels are concerning for a lot of people. The good news is that interest payments as a percentage of total federal spending are in line with historical averages.

Exhibit H

Record U.S. Debt, but Interest Costs Are In Line With History

U.S. Federal Interest Payments as a % of Total Federal Spending

Since 1947



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The overall numbers can look scary, but it's important to put these figures in context to avoid denominator blindness. Record U.S. debt levels may not be as scary as they appear.

As always, if you have any questions about any of this, please don't hesitate to reach out.

Chart Disclosures

Exhibit A: S&P 500 Year-to-Date (YTD) Sector Performance in 2026 (Including Dividends) With Maximum Drawdown: The S&P 500 tracks the performance of 500 large-cap U.S. companies, serving as a benchmark for the U.S. stock market. The index is weighted by market capitalization. The 11 S&P 500 Sectors represent the 11 distinct categories of companies within the S&P 500 index, each reflecting a specific area of the economy. The chart shows the S&P 500 and its sector index total returns year-to-date with maximum drawdowns as diamonds. Total returns include dividends. Dividends are payments made by companies to shareholders, typically from profits, as a return on investment. The chart is sorted highest to lowest by year-to-date return. The maximum drawdown measures the largest decline in the value of each sector index, calculated as the difference between the peak and the trough within the year.

Exhibit B: International (Developed & Emerging), U.S., and Europe Year-to-Date (YTD) Equity Total Return (%): The S&P 500 Index tracks the performance of 500 large-cap U.S. companies and serves as a benchmark for the U.S. stock market. The index is market-cap weighted. Returns shown represent year-to-date total return performance as of the current date. The following tickers are used as proxies for international equity markets: EFA (International Developed), EEM (Emerging Markets), and IEV (Europe). Total return includes dividends.

Exhibit C: Consensus Expected Earnings per Share Over the Next 12 Months for the S&P 500, S&P 400, and S&P 600: The S&P 500 tracks the performance of 500 large-cap U.S. companies, serving as a benchmark for the U.S. stock market. The index is weighted by market capitalization. The Consensus Expected Earnings Estimates ($) for an index represents the average earnings forecast for the companies within that index over the next 12 months. These estimates are aggregated from analyst projections, such as those from FactSet, and provide insight into expected profitability trends for the index as a whole.

Exhibit D: Forward Price-to-Earnings Ratio Using Consensus Expected Earnings per Share Over Next 12 Months for S&P 500, S&P 400, and S&P 600: The S&P 500 tracks the performance of 500 large-cap U.S. companies, serving as a benchmark for the U.S. stock market. The S&P 400 measures the performance of 400 mid-sized U.S. companies, representing the mid-cap segment of the market. The S&P 600 tracks the performance of 600 small-cap U.S. companies, representing the small-cap segment of the market. The Forward Price-to-Earnings (P/E) Ratio for an index measures its current price relative to expected earnings of the companies within the index over the next 12 months. It's calculated using consensus EPS estimates from FactSet and helps assess whether the index is overvalued or undervalued vs. history based on future earnings expectations. The chart shows this metric for the S&P 400, S&P 500, and S&P 600.

Chart Disclosures

Exhibit E: Nvidia Forward PE Ratio: The forward price-to-earnings (P/E) ratio is calculated by dividing Nvidia's share price by the consensus analyst estimate of earnings per share for the next twelve months (NTM), sourced from FactSet. The chart shows observations since 2019, with the current value reflecting data through the latest date shown. Forward earnings estimates are projections and are not guaranteed to be achieved.

Exhibit F: 2-Year and 10-Year U.S. Treasury Yields Over the Short-Term: The 10-Year Treasury Yield measures the return on U.S. Treasury bonds maturing in ten years, frequently used as a benchmark for long-term interest rates and a gauge of economic growth expectations. The 2-Year Treasury Yield measures the return on U.S. Treasury bonds maturing in two years, often used as an indicator of short-term interest rates and market expectations for economic conditions. The chart shows the path of both the 2-year and 10-year treasury yields over the past 2 years.

Exhibit G: U.S. 10-Year Starting Yield (X) vs. Forward 10-Year Annualized Return (Y): This chart plots the U.S. 10-Year Treasury starting yield against the subsequent 10-year annualized return using monthly observations since 1999. The starting yield is the yield to maturity on the benchmark 10-Year Treasury note. The forward return reflects the annualized total return realized over the following 10 years, including price changes and reinvested coupons; because this requires a full decade of forward data, the most recent plottable point ends 10 years prior to the latest date shown. The trendline is a best-fit linear regression describing the historical relationship and is not a forecast. The implied return is a single point estimate derived by applying the current starting yield to that historical relationship, shown for illustration only and not a prediction or guarantee.

Exhibit H: U.S. Federal Interest Payments as a % of Total Federal Spending: This chart divides U.S. federal government current expenditures for interest payments by total U.S. federal government current expenditures, both sourced from the U.S. Bureau of Economic Analysis via FRED and reported quarterly at seasonally adjusted annual rates beginning in 1947. Current expenditures exclude gross investment. Interest is shown on a gross basis and does not subtract interest income received by the federal government, so figures may differ from net interest measures reported elsewhere. The average line reflects all quarterly observations over the period shown, and the labeled value reflects the most recent quarter available. Figures are subject to revision.

Definitions

The S&P 500 tracks the performance of 500 large-cap U.S. companies, serving as a benchmark for the U.S. stock market. The index is weighted by market capitalization. Indices are unmanaged and investors cannot invest directly into them.

The 11 S&P 500 Sectors represent the 11 distinct categories of companies within the S&P 500 index, each reflecting a specific area of the economy. The sectors are listed in the chart along the x axis. Each sector groups companies with similar business activities.

The 10-Year Treasury Yield measures the return on U.S. Treasury bonds maturing in ten years, frequently used as a benchmark for long-term interest rates and a gauge of economic growth expectations.

The 2-Year Treasury Yield measures the return on U.S. Treasury bonds maturing in two years, often used as an indicator of short-term interest rates and market expectations for economic conditions.

The S&P 400 measures the performance of 400 mid-sized U.S. companies, representing the mid-cap segment of the market. It is used as a benchmark for mid-cap stock performance. Indices are unmanaged and investors cannot invest directly into them.

The S&P 600 tracks the performance of 600 small-cap U.S. companies, representing the small-cap segment of the market. It is commonly used to gauge small-cap stock performance. Indices are unmanaged and investors cannot invest directly into them.

The Forward Price-to-Earnings (P/E) Ratio for an index measures its current price relative to expected earnings of the companies within the index over the next 12 months. It's calculated using consensus EPS estimates from FactSet and helps assess whether the index is overvalued or undervalued vs. history based on future earnings expectations.

The Consensus Expected Earnings Estimates (%) for an index represents the average earnings growth forecast for the companies within that index over the next 12 months. These estimates are aggregated from analyst projections, such as those from FactSet, and provide insight into expected profitability trends for the index as a whole.

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