On The Margin

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August 2026 Recap

Joe Nitting, Director of Research, Retirement & Investment Solutions

PRELUDE

This August, my older daughter and my oldest niece (pictured) started preschool. For many other families here in the Midwest, the August back-to-school season represents a return to more structure, discipline, and renewed focus after several months of summer vacation. Just as students, teachers, and parents begin a new academic year with fresh objectives and excitement, financial markets benefitted from investors' general optimism around economic fundamentals, corporate earnings, and long-term growth opportunities related to artificial intelligence. At month's end, global asset classes finished with broadly positive results. Emerging market stocks led the way higher, followed by U.S. large cap, international developed, and U.S. small cap stocks. Fixed income also generated positive returns in August but remain in negative territory on a year-to-date basis.

GLOBAL EQUITY

Following mixed results in July, U.S. equities generated strong returns in August as several widely followed market indexes reached new all-time highs and generated returns between +1.0% and +3.7%, cumulatively. A combination of easing inflation concerns, announcement of unexpectedly accommodative fiscal plans, and another generally positive corporate earnings season drove U.S. equities broadly higher. First, the July Consumer Price Index (CPI) report came out during August and showed that price pressures continued to cool, with headline inflation rising just 0.1% in July.

TABLE 1: GLOBAL EQUITY	AUG	QTD	YTD	1 YR
Dow Jones Industrial Average	1.47	1.85	11.79	18.62
S&P 500 Index	2.72	2.66	13.14	20.38
Russell 2000	0.98	-2.08	20.01	26.46
Russell 1000 Growth	3.73	-1.21	4.06	10.82
Russell 1000 Value	2.03	5.93	23.12	29.72
MSCI ACWI USD	2.67	2.75	14.31	22.35
MSCI EAFE USD	1.99	3.99	13.81	21.62
MSCI EM USD	3.37	0.19	24.08	39.25
MSCI ACWI ex US USD	2.57	2.92	17.01	27.35

Source: Morningstar, as of 8/31/2026. Past performance does not guarantee future returns.

Later in the month, investors reacted positively to U.S. Treasury Secretary Scott Bessent announcing plans to increase the purchase of government bonds to try and tame rising long-term bond yields. Finally, renewed optimism surrounding certain companies' growth trajectories related to artificial intelligence drove a largely positive corporate earnings season during August. Continued evidence of strong demand for AI infrastructure and semiconductors became more apparent to investors, particularly after an especially strong earnings report from NVIDIA.

International markets also generated positive returns in August amid a generally weakening U.S. dollar vs. several other major currencies during the month. Developed international markets, as represented by the MSCI EAFE Index, returned +2.0% for the month. Japanese equities were among the biggest contributors in August amid a better-than-expected corporate earnings season and ongoing optimism surrounding corporate governance reforms that are encouraging companies to improve capital efficiency, increase return on equity, and focus more directly on shareholder value. Emerging markets reversed course during August and moved higher as well, as the MSCI EM Index returned +3.4%. Taiwanese equities were among the leading contributors to performance, led by local smartphone chip designer MediaTek. Shares of MediaTek rallied +12.5% during August after NVIDIA announced a $3.5 billion investment in the company at the end of the month. While MediaTek does not typically garner the same headlines as its local peer, Taiwan Semiconductor Manufacturing Co, the company is still the sixth largest holding in the MSCI EM Index with a roughly 1.4% weighting.

FIXED INCOME

U.S. fixed income returns found their footing and were largely positive during August, as the Bloomberg Aggregate returned +0.4%. Compared to sharp rises in July, Treasury yield stabilized somewhat during August. Investor sentiment around Treasuries improved during the month as Treasury Secretary Scott Bessent expanded government bond buyback efforts aimed at improving liquidity and easing pressure on longer-maturity bonds. The announcement helped to stabilize the Treasury market somewhat after yields reached multi-year highs earlier in the month. Investment grade and high yield corporate bonds generally outperformed Treasuries during August as credit spreads remained relatively tight, supported strong corporate earnings and continued demand for income-producing assets despite elevated interest rates. Emerging market bonds also posted gains, benefitting from the same investor demand for income-producing assets, as well as a weaker U.S. dollar.

TABLE 2: FIXED INCOME	AUG	QTD	YTD	1 YR
Bloomberg US Aggregate	0.39	-0.92	-0.31	1.89
Bloomberg 1-3 Yr Gov/Credit	0.26	0.41	1.18	2.69
Bloomberg Treasury 5-7 Yr	0.08	-0.76	-0.92	0.47
Bloomberg Investment Grade Corp	0.43	-1.18	-0.34	1.98
Bloomberg High Yield Corp	0.97	0.72	2.69	4.88
JPMorgan EMBI Global Diversified	0.74	-0.57	1.45	5.03

Source: Morningstar, as of 8/31/2026. Past performance does not guarantee future returns.

POSTLUDE

In multiple prior editions of On The Margin, I have mentioned that we find the systematic rebalancing of our clients' portfolios valuable, but I have never explained why. While we are only two thirds of the way through 2026, this year has highlighted the benefits of rebalancing amid several swift market rotations, shifting interest-rate expectations, and elevated volatility. Rebalancing helps keep a client's portfolio aligned with an intended risk profile by preventing strong-performing asset classes from becoming outsized portions of the portfolio. It also imposes a "sell high, buy low" discipline by trimming positions that have grown significantly and adding to areas that have lagged. During volatile environments with distinct but ever-changing winners and losers like 2026, portfolio allocations can drift quickly, exposing investors to more risk than they originally intended without realizing it. In our view, a consistent rebalancing protocol helps maintain diversification, manage risk, and improve the likelihood that a portfolio remains aligned with a client's financial goals, which is why we expect to continue executing such an approach on behalf of our clients.

Joe Nitting serves as the Director of Research for the centralized investment research function of the Retirement & Investment Solutions practice at CBIZ, Inc. Joe conducts investment research in both traditional and alternative asset classes, and he assists in the portfolio construction process for the firm's centralized investment research function. Joe has a B.S. in both Finance and Accounting from the University of Dayton. He began his career in investments at a boutique registered investment advisory firm in the greater Chicago area, focusing on traditional investments. He also served as an analyst for a registered investment advisory firm in the Cleveland area, where he specialized in alternative investments. Joe plays an important role in fostering a culture of collaboration and creativity within CBIZ while offering unique insights based on his experience across a wide spectrum of investment types.

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