GLOBAL MARKET SQUARE
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Warsh's Inflation Warning Pressures Wall Street, but Major Indexes Still Finish the Week Higher

August 28, 2026

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The U.S. and European stock markets ended mostly higher Friday. However, Wall Street retreated after Federal Reserve Chairman Kevin Warsh used his Jackson Hole address to reinforce concerns that inflation remains too persistent to declare victory. The S&P 500 fell 0.25%, and the Nasdaq Composite declined 0.52% as semiconductor shares came under pressure, while the Dow Jones Industrial Average finished virtually unchanged.

Warsh acknowledged that recent CPI and PCE readings had improved but emphasized that the data had not convinced him that underlying inflation trends were moving decisively enough toward the Federal Reserve's objective. His remarks pushed expectations for a September rate increase sharply higher, with fed funds futures pricing in a probability of approximately 57%, up from 35.4% on Thursday.

Despite Friday's pullback, Wall Street completed another positive week. The S&P 500 and Dow each gained approximately 0.5%. In comparison, the Nasdaq advanced 0.9%, underscoring the continued resilience of equities even as investors confront a Federal Reserve that appears prepared to maintain restrictive monetary policy.

U.S. Markets

Wall Street ended Friday modestly lower as investors reassessed the path of monetary policy following Chairman Kevin Warsh's Jackson Hole remarks.

The S&P 500 declined 0.25% to 7,711.76, while the Nasdaq Composite fell 0.52% to 26,402.42, pressured by weakness in semiconductor stocks, including NVIDIA and Intel. The Dow Jones Industrial Average slipped just 9.45 points, or 0.02%, to close at 53,559.99.

Warsh's message was distinctly cautious on inflation. While recognizing that summer CPI and PCE readings had been better than anticipated, he argued that the improvement was insufficient evidence that underlying inflation had returned to a sustainable path toward the Fed's target. The remarks reinforced the possibility that policymakers could tighten monetary policy further if inflation fails to moderate convincingly.

Markets responded by sharply repricing September expectations. The probability of a rate increase rose to approximately 57% from 35.4% a day earlier. Short-term Treasury yields rose as investors adjusted expectations for the federal funds rate, while longer-term yields remained relatively stable.

Corporate earnings also influenced Friday's trading. Gap surged nearly 13% despite mixed quarterly results after announcing new leadership for its Old Navy division. Marvell Technology fell by approximately 10% after its current-quarter non-GAAP gross margin guidance disappointed investors.

Friday's decline did not erase the week's gains. The S&P 500 advanced approximately 0.5% for the week, the Nasdaq gained 0.9%, and the Dow rose 0.5%, recording its first positive week in three. The performance highlighted an important tension for investors: corporate earnings and the AI investment cycle continue to support equities, but persistent inflation and the prospect of additional Federal Reserve tightening remain significant constraints on valuations.

European Markets

European markets closed higher Friday, ending the week on a positive note as investors welcomed an improvement in Eurozone economic sentiment while assessing Federal Reserve Chairman Kevin Warsh's Jackson Hole remarks and their implications for global monetary policy.

The Stoxx 600 advanced 0.51%, or 3.31 points, to close at 655.16, with gains across several major sectors. Germany's DAX delivered the strongest performance among the major European benchmarks, rising 0.77%, or 202.75 points, to 26,569.99. In the United Kingdom, the FTSE 100 gained 0.29%, or 31.72 points, to finish at 10,824.26.

The broadly positive session reflected improving economic sentiment across the Eurozone, although investors remained attentive to elevated global bond yields and the prospect that U.S. monetary policy could remain restrictive for longer. Warsh's Jackson Hole message reinforced the likelihood that uncertainty surrounding the Federal Reserve's next move will remain an important influence on European equities, currencies, and sovereign bond markets through year-end.

Energy Markets

Crude oil prices moved modestly lower Friday morning, with WTI trading near $83 per barrel.

Oil markets remain caught between competing forces. Geopolitical developments surrounding the Middle East and the Strait of Hormuz continue to support a risk premium. At the same time, concerns about global demand and the possibility of persistently restrictive monetary policy have limited additional upside.

With energy prices remaining elevated relative to earlier this year, crude oil continues to be an important factor in inflation expectations and, consequently, in the Federal Reserve's policy calculations.

Economic & Policy Outlook

Despite the traditional seasonal headwinds associated with late summer, U.S. equities have navigated August remarkably well. The S&P 500 was up more than 3% for the month through Thursday's close, extending what has already been a strong year for U.S. stocks.

Historically, August and September have been among the more challenging months for equities. Since 1970, August has generated an average return of approximately 0.16%, with positive returns 57.1% of the time, while September has averaged a 0.82% decline and produced gains only 44.6% of the time. By comparison, the other ten months have averaged gains of approximately 0.96%, with positive returns in about 62.5% of months.

After the market's strong advance during the first eight months of 2026, some consolidation would therefore be neither unusual nor necessarily unhealthy. September's historically weaker seasonal pattern, elevated Treasury yields, geopolitical risks, and the approaching U.S. midterm elections could lead to periods of heightened volatility.

Nevertheless, the fundamental backdrop remains constructive. Corporate profit growth has remained robust, economic activity continues to demonstrate resilience, and the AI-driven capital expenditure cycle has provided an important source of earnings momentum. Those factors should continue to provide support even if higher interest rates periodically challenge valuations.

The Final Word

Jackson Hole delivers less clarity, not more — earnings remain the market's anchor Chairman Kevin Warsh used his Jackson Hole address to double down on the same strategy that has defined his chairmanship since May: withholding forward guidance and declining to spell out a reaction function, leaving markets to read incoming data on their own. Rather than the clarity investors had hoped for, Warsh reinforced his view that market participants should not be indulged in "a regime in which they are looking primarily to the Fed for their next trade." On inflation, he struck a notably hawkish tone, noting that while summer readings were better than expected, they do not signal that underlying price trends have meaningfully improved — with core PCE having risen 3.3% in July, still

well above target. He also opened the door to further tightening if progress on prices stalls.
With Treasury yields already elevated, inflation still requiring vigilance, and now confirmation that the Fed chair intends to keep markets guessing rather than guiding, investors should expect monetary policy uncertainty to remain a defining — and arguably deepening — market variable through year-end.
Yet the equity market has continued to demonstrate resilience. Strong corporate earnings, sustained investment in artificial intelligence, and healthy economic activity have allowed the S&P 500 to advance more than 3% during a historically difficult month.
The next challenge is September. Seasonal weakness, elevated yields, a Fed chair unwilling to commit to a clear path, and political uncertainty could produce consolidation, but absent a material deterioration in earnings or economic growth, volatility should be viewed within the context of a fundamentally healthy bull market rather than automatically interpreted as the beginning of a broader reversal.

Economic Update:

- **Index of Consumer Sentiment:** fell to 51.70, down from 55.20 last month, a change of -6.34%.
- **Canada Real GDP QoQ:** rose to 0.33% last quarter and -0.97% last year.
- **Japan Unemployment Rate:** fell to 2.40%, down from 2.50% last month.

Eurozone Summary:

- **Stoxx 600:** closed at 655.16, up 3.31 points or 0.51%.
- **FTSE 100:** closed at 10,824.26, up 31.72 points or 0.29%.
- **DAX Index:** closed at 26,569.99, up 202.75 points or 0.77%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 53,559.99, down 9.45 points or 0.02%
- **S&P 500:** closed at 7,711.76, down 19.23 points or 0.25%
- **Nasdaq Composite:** closed at 26,402.42, down 138.92 points or 0.52%
- **Birling Capital Puerto Rico Stock Index:** closed at 5,013.81, down 23.84 points or 0.47%
- **Birling Capital U.S. Bank Index:** closed at 10,315.31, down 49.90 points or 0.48%
- **U.S. Treasury 10-year note:** closed at 4.73%.
- **U.S. Treasury 2-year note:** closed at 4.34%.

U.S. index of consumer sentiment

University of Michigan survey, monthly readings, January 2025 – August 2026

Source: University of Michigan Surveys of Consumers | Birling Capital Advisors

Eurozone Markets Close

August 28, 2026

Stoxx 600	FTSE 100	DAX Index
Closing Price	Closing Price	Closing Price
655.16	**10,824.26**	**26,569.99**
▲ +3.31 pts	▲ +31.72 pts	▲ +202.75 pts
+0.51%	+0.29%	+0.77%

Source: Birling Capital Global Market Square

birlingcapital.com

VAL
Dow Jones Industrial Average Level 53559.99
53559.99
50000.00
Jan '26
Feb '26
Mar '26
Apr '26
May '26
Jun '26
Jul '26
Aug '26
VAL
S&P 500 Level 7711.76
7711.76
7000.00
Jan '26
Feb '26
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Apr '26
May '26
Jun '26
Jul '26
Aug '26
VAL
Nasdaq Composite Level 26402.42
26402.42
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Jul '26
Aug '26
VAL
Birling Capital Puerto Rico Stock Index Level 5013.81
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