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Market & Legal Update

August 2026

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MARKET UPDATE | Booming Profits Set New Market Highs but Beware of September

Global equity markets jumped to new records during the month as S&P 500 companies posted a massive 52% year-over-year earnings growth and 15.5% revenue expansion. The global economy continued to be resilient despite continued headwinds of the Iran conflict, a more hawkish tone from the Fed due to lingering inflation concerns and inflated national debt. The Dow Jones Industrial Average returned 1.5% for the month, with the S&P 500 and NASDAQ up 2.7% and 3.9% respectively. International developed markets, as measured by the MSCI EAFE Index, returned 2.0%, while the MSCI Emerging Markets Index was up 3.4% and continues to be the top performing major global equity asset class returning 24.1% YTD. The 10-year treasury bond remained range-bound and relatively unchanged from a month ago. Higher bond yields led to Treasury Secretary Scott Bessent intervening in the bond market by doubling buybacks of 10- to 30-year securities with the goal of helping lower longer-term yields.

Market Return Indexes	Aug 2026	YTD 2026	2025
Dow Jones Industrial Average	1.5%	11.8%	14.9%
S&P 500	2.7%	13.1%	17.9%
NASDAQ (price change)	3.9%	13.5%	20.4%
MSCI Eur. Australasia Far East	2.0%	13.8%	31.2%
MSCI Emerging Markets	3.4%	24.1%	33.6%
Bloomberg High Yield	1.0%	2.7%	8.6%
Bloomberg U.S. Aggregate Bond	0.4%	-0.3%	7.3%
Yield Data (Month End)	**Aug 2026**	**July 2026**	**June 2026**
U.S. 10-Year Treasury Yield	4.76%	4.75%	4.44%

At the beginning of the month, the Bureau of Labor Statistics released the July employment report showing nonfarm payrolls unexpectedly lost 23,000 jobs. Despite the slight loss of jobs, the unemployment rate ticked lower to 4.1% from 4.2%. The unemployment rate edged down due to a decline in labor force participation of 61.4%. Even though unemployment was near the Fed's preferred target of 4%, the participation rate was the lowest since April 2020 (60.2%), while the lowest pre-pandemic low dates to June 1976 at 61.6%.

The labor force participation rate fell to **61.4%**, it's lowest level since April 2020.

On the inflation front, the July Consumer Price Index (CPI) report released in mid-August resulted in higher markets after the announcement. Headline CPI slightly rose 0.1% for the month, which put annual inflation at 3.4%. However, excluding more volatile food and energy prices, the CPI rose at 0.2% and 2.5%, respectively, which is within striking distance of the Fed's preferred level of inflation of 2%. The Federal Reserve's preferred inflation gauge, the Personal Consumption Expenditures (PCE) Price Index, was released at the end of the month showing July's year over increase of 3.7% (Core PCE of 3.3%) which was still well above the 2% target.

The Federal Reserve held its annual Economic Symposium at Jackson Hole, WY where new Fed chairman, Kevin Warsh provided a hawkish shift on interest rates explaining the Fed "has work to do" if underlying inflation does not converge to the 2% target. Further, Warsh seems to have abandoned providing guidance on the path of interest rates, opting to let the bond market react to incoming economic data such as inflation and unemployment figures. Market futures pointed to a coin flip odd of a rate hike prior to the release of the CPI data. Following the CPI release, which showed core inflation was stable, the odds of a September hike shrank to about one in three. But then after Kevin Warsh spoke at the Economic Symposium expressing concern about lingering inflation, the odds of a rate hike at the next September meeting increased to 60%.

The Fed **has work to do** if underlying inflation does not converge to the **2% target**.

For recent quarterly results, companies overall reported financial results that far exceeded analyst expectations, although performance for July-August for the period ending June 30, was far below the performance results of April-May when companies also far exceeding analyst expectations for the period ending March 31. More importantly, forward guidance for Q3 and Q4 remains strong with analysts projecting earnings growth rates of 28% and 26%, respectively. In perspective, analysts had projected 15% earnings growth for 2026. Strong earnings and revenue growth has been across industries and not just in the technology sector. While overall earnings growth for the S&P 500 was particularly fueled by Google and Amazon, if the two stocks were excluded, the second quarter results still marked the strongest quarter since the fall of 2021. Nvidia, which is considered a bellwether for technology and growth stocks, reported its latest fiscal second quarter results on August 26, with revenues of $96.2 billion (up 18% from the prior quarter and 106% increase year-over-year which far exceeded analyst expectations, but more importantly alleviated concerns over AI capital spending by forecasting a 70% increase in revenue for the upcoming fiscal cycle. The news propelled the company above the $5 trillion threshold as companies of Nvidia's size typically don't exhibit growth of that magnitude.

Although earnings figures were impressive, markets advanced modestly overall in August as headwinds from the Iran conflict and growing likelihood of a rate increase next month. The U.S. has taken a more passive stance with Iran, switching tactics to choking the Iran economy rather than tit-for-tat military strikes. However, on August 30, the U.S. struck Iranian rocket launchers in the Strait of Hormuz while Iran retaliated with strikes on U.S. forces in Jordan and the United Arab Emirates, the first attacks in more than a month. Overall, oil prices have not spiked despite the reduced supply of global oil since China has consumed much less oil recently due to excess stocks of reserved oil supplies.

While earnings for the next few quarters look strong, market headwinds remain heading into September with the possibility of a rate hike at the next Federal Open Market Committee meeting during the month as well as growing national debt of nearly $40 trillion. Secretary Bessent introduced an aggressive bond buyback to put downward pressure on soaring long-term yields. The government would double the size of repurchases of longer-term debt to at least $4 billion starting in September. The Fed will closely watch the unemployment and CPI figures for August, to be released during early and mid-September, respectively, to make their decision on whether to possibly increase the Fed funds rates by 0.25%. Finally, September historically has been the weakest month for the stock market (S&P 500) with returns averaging –0.6% and positive about 45% of the time. One factor contributing to this is mutual fund fiscal year end typically wraps up at the end of September, and therefore mutual fund managers may sell underperforming positions which can contribute to weaker market performance.

LEGAL UPDATE | IRS Issues Proposed Rules on Employer Contributions to Trump Accounts

Although Trump Accounts are not retirement plan benefits, they are a newly available employee benefit that may be of interest to some employers seeking to enhance their benefits offerings. Given the recent release of Internal Revenue Service (IRS) and Department of Labor (DOL) guidance, we wanted to make employers aware of these developments and the issues they should consider before implementing a Trump Account Contribution Program (TACP).

On August 11, 2026, the IRS released proposed regulations providing long-awaited guidance for employers interested in making contributions to Trump Accounts through employer-sponsored TACPs. The proposal also addresses how nondiscrimination testing rules apply to these programs. Separately, the DOL issued guidance confirming that most TACPs generally will not be subject to ERISA.

Background

Trump Accounts were created under the One Big Beautiful Bill Act (OBBBA) through new Internal Revenue Code Section 530A. These accounts are traditional IRAs established for eligible children under age 18, with contributions permitted beginning July 4, 2026. The law also added Code Section 128, allowing employers to contribute up to $2,500 annually on a tax-favored basis to an employee's Trump Account or to the Trump Account of the employee's dependent through a TACP.

Key Proposed Requirements for Employers

The proposed regulations outline several requirements for employers wishing to sponsor a TACP, including:

- Maintaining a written plan document describing eligibility, contribution provisions, administrative procedures and correction methods.
- Providing employees with notice regarding the availability and terms of the program.
- Reporting contributions to employees, generally through Form W-2 reporting.
- Establishing procedures to certify that contributions are being made to eligible Trump Accounts.
- Complying with nondiscrimination requirements intended to prevent the program from disproportionately benefiting highly compensated employees (HCEs).

Important Clarifications

Among the most notable provisions, the proposed rule confirms:

- The $2,500 annual contribution limit applies on a per-employee basis, not per dependent.
- Sole proprietors, partners, more-than-2% S corporation shareholders and certain directors are not eligible to participate.
- Employer contributions remain subject to FICA and FUTA taxes even though they are generally excluded from employees' taxable income.
- Employers may not restrict contributions to Trump Accounts held by specific trustees.

Nondiscrimination Testing

The proposed regulations apply three nondiscrimination tests similar to those used for dependent care assistance programs:

1. Contribution and Benefits Test
2. Eligibility Test
3. 55% Average Benefits Test

The proposal also includes a special safe harbor that permits employers to match the initial federal government contribution to eligible dependent Trump Accounts without failing nondiscrimination testing, provided the matching contribution is made on the same terms and conditions for all eligible employees.

DOL Guidance: Most TACPs Not Subject to ERISA

In Technical Release 2026-02, the DOL clarified that employer contributions to a dependent's Trump Account generally do not create an ERISA-covered plan. Contributions made to an employee's own Trump Account may also avoid ERISA coverage if participation is completely voluntary and the employer does not exercise control over the account or investments.

Employer Considerations

Employers evaluating whether to implement a TACP should carefully review the proposed regulations, assess workforce interest, determine contribution strategies and coordinate with payroll, recordkeeping and nondiscrimination testing providers. Employers should also be prepared to adopt required plan documents and administrative procedures if they choose to move forward.

Looking Ahead

Importantly, these regulations are only proposed at this time and are not yet final. IRS may revise the rules before issuing final regulations. However, the proposal states that employers may generally rely on the proposed rules for plan years beginning before final regulations are published. Employers considering a TACP should continue monitoring developments and evaluate their compliance obligations as additional guidance becomes available

Retirement Resources for You

USI's team of experts is happy to assist employers with all retirement plan compliance matters and changes in the market, including those discussed here, to help you mitigate risk and financial impact to your organization.

To learn more, please contact your USI retirement representative, visit our Contact Us page or reach out to us at information@usicg.com.

Find the address and telephone number of your local USI office here.

For previous market and legal commentaries please click here.

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An index is a measure of value changes in a representative grouping of stocks, bonds, or other securities. Indexes are used primarily for comparative performance measurement and as a gauge of movements in financial markets. You cannot invest directly in an index and, for comparative purposes; they do not reflect the effect of the various fees inherent in actual investment vehicles.

The S&P 500 Index is a market value weighted index showing the change in the aggregate market value of 500 U.S. stocks. It is a commonly used measure of stock market total return performance.

The Dow Jones Industrial Average is a price weighted index comprised of 30 actively traded blue chip stocks; primarily industrial companies, but including some service oriented firms.

The NASDAQ Composite Index is a market-value weighted index that measures all domestic and non-U.S. based securities listed on the NASDAQ Stock Market.

Gross Domestic Product (GDP) is the market value of the goods and services produced by labor and property in the U.S. It is comprised of consumer and government purchases, net exports of goods and services and private domestic investments. The Commerce Department releases figures for GDP on a quarterly basis. Inflation adjusted GDP (or real GDP) is used to measure growth of the U.S. economy.

The MSCI Europe and Australasia, Far East Equity Index (EAFE) is a market capitalization weighted unmanaged index developed by Morgan Stanley Capital International to measure approximately 1,100 securities in 21 major overseas stock markets. It is a commonly used measure for foreign stock market performance.

The Barclays Capital U.S. Aggregate Index covers the U.S. Dollar denominated investment grade, fixed-rate, taxable bond market of SEC-registered securities.

The Barclays Capital U.S. Corporate High Yield Index covers the U.S. Dollar denominated, non-investment grade, fixed income, taxable corporate bond market. Securities are classified as high-yield if the middle rating of Moody's Fitch and S&P is Ba1/BB+/BB+ or below.

The MSCI Emerging Markets Index (EM) is a free-float-adjusted market-capitalization index developed by Morgan Stanley Capital International. It is designed to measure the equity market performance of 26 emerging market countries.

The 10-Year Treasury Yield is the interest rate the U.S. government pays to borrow money for a 10-year period. In addition to influencing how much the government pays to borrow over this time-frame, the 10-year Treasury Yields also determines how much investors earn by investing in this debt and it is a good indicator of investor sentiment.

The higher the yield, the better the economic outlook.

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