RBC Wealth Management

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The Markets

Investors may have a rosier view of the future than consumers do.

In 2026, markets have been volatile with major U.S. stock indexes posting new highs and new lows. "The S&P [Standard & Poor's] 500 posted 30 new highs and one new low; the Nasdaq recorded 155 new highs and 85 new lows," reported Noel Randewich and Avinash P. of Reuters in mid-August.

The ups and downs of the market reflect investor enthusiasm and uncertainty. In general, investors make decisions about what they believe will happen in the future. They weigh the possible effects of geopolitics, artificial intelligence (AI), and other factors on companies and the economy and act on their view.

While investors ponder the future, consumers (people who buy goods and services) think about the here and now. For months, consumer sentiment has hovered near all-time lows. In April 2026, anxiety about the war in Iran left Americans in the worst economic mood in the 50-year history of the University of Michigan's Index of Consumer Sentiment, according to Matt Grossman of the Wall Street Journal.

The mood declined further in May, falling to an all-time low of 44.8, before improving in June and July. In August, sentiment fell again. Since 1952, the historic average for the survey has been 84.5.

2026	August	July	June	May	April
Index of Consumer Sentiment	51.0	55.2	49.5	44.8	49.8
Current Economic Conditions	51.8	54.8	47.7	45.8	52.5
Index of Consumer Expectations	50.6	55.4	50.7	44.1	48.1

Sources: University of Michigan Consumer Sentiment Survey

The last drop in sentiment was driven by the Index for Consumer Expectations. It is a relatively small component of the entire survey that measures how consumers view prospects for:

- Their own financial situation,
- The economy over the near term, and
- The economy over the long term.

"Across all consumers, only 8 percent [of survey participants] expect their income growth to exceed inflation in the year ahead, down from 18 percent in December 2024, a reflection of the belief that high prices will continue to be burdensome" wrote Surveys of Consumers Director Joanne Hsu.

Consumers are worried about their standard of living and whether wages will keep pace with inflation, while investors are focused on what companies and the economy may deliver in the future.

Last week, major U.S. stock indexes finished lower as investors pondered higher bond yields and the government's efforts to bring them lower. "The problem is none of these actions are targeting the root problem: the $40 trillion U.S. national debt. Bessent is temporarily stemming the momentum, but not changing the fundamentals. The other problem is that the economy is strong and is expected to keep humming along—until the Federal Reserve hikes interest rates," reported Karishma Vanjani of Barron's. The yield on the 30-year U.S. Treasury bond ended the week at 5.27 percent.

Data as of 8/21/26	**1-Week**	**YTD**	**1-Year**	**3-Year**	**5-Year**	**10-Year**
Standard & Poor's 500 Index	-1.4%	12.1%	20.5%	20.4%	11.4%	13.4%
Dow Jones Global ex-U.S. Index	-0.1	14.9	23.6	18.0	6.8	6.8
10-year Treasury Note (yield only)	4.7	N/A	4.3	4.3	1.3	1.5
S&P GSCI Gold Index	5.5	7.8	38.4	34.5	21.0	13.3
Bloomberg Commodity Index	3.8	28.1	39.1	10.5	8.6	5.1

S&P 500, Dow Jones Global ex-US, S&P GSCI Gold Index, Bloomberg Commodity Index returns exclude reinvested dividends. The three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.
Sources: Yahoo! Finance; MarketWatch; djindexes.com; U.S. Treasury.
Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

DOES THE STOCK MARKET REFLECT THE WORLD AROUND US? Often, the answer is no. "[T]he stock market aims to capture investors' best collective guess at tomorrow's equity reality. It mirrors today's only when the future is likely to look much like the present," explained The Economist.

Markets don't expect the future to look like the present. In part, that's because of AI. No one is certain what an AI future looks like. "At one extreme is the utopian view that AI will cause runaway economic growth, accelerate scientific research and perhaps make humans immortal. At the other extreme is the dystopian view that AI will cause abrupt, widespread job losses and economic disruption, and perhaps go rogue and wipe out humanity," reported The Economist.

There is a middle ground view, as well, but it "is less dramatic than predictions of an imminent 'fast take-off' or apocalypse, so tends not to receive much attention."

AI stocks have an outsized effect on stock markets right now

Investors are confident AI will have a significant impact on the world economy, even if they don't know what it will be. As a result, a few AI-related stocks are dominating performance in some stock indexes. The Economist explained:

"[T]he S&P 500 and the world's other benchmark indices are no longer the real stock market, either. Rather than mirroring the universe of domestic equities, they increasingly reflect the fortunes of a few corporate giants, which in turn mostly rise and fall with the unstable outlook for the artificial-intelligence revolution. This is making many benchmarks—and, by extension, the stock portfolios and pension pots of investors everywhere—considerably more volatile."

Investors are looking beyond today's economy and trying to put a value on what they believe tomorrow's economy could become. It's an important distinction. A strong stock market does not necessarily mean the economy is thriving, just as a weak stock market does not necessarily mean the economy is struggling. Stock prices reflect expectations and expectations can change, sometimes quickly.

WEEKLY FOCUS – THINK ABOUT IT
"Inflation is when you pay fifteen dollars for the ten-dollar haircut you used to get for five dollars when you had hair.
— *Sam Ewing, Writer and humorist*

Best regards,

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- Government bonds and Treasury Bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.
- Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features.
- The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.
- All indexes referenced are unmanaged. The volatility of indexes could be materially different from that of a client's portfolio. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. You cannot invest directly in an index.
- The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.
- The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.
- Gold represents the 3:00 p.m. (London time) gold price as reported by the London Bullion Market Association and is expressed in U.S. Dollars per fine troy ounce. The source for gold data is Federal Reserve Bank of St. Louis (FRED), https://fred.stlouisfed.org/series/GOLDPMGBD228NLBM.
- The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
- The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.
- The Dow Jones Industrial Average (DJIA), commonly known as "The Dow," is an index representing 30 stock of companies maintained and reviewed by the editors of The Wall Street Journal.
- The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ system.
- International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.
- Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.
- The risk of loss in trading commodities and futures can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. The high degree of leverage is often obtainable in commodity trading and can work against you as well as for you. The use of leverage can lead to large losses as well as gains.
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