

Why investors may want to ignore some market headlines

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Key takeaways

Oil prices have remained below their April high, energy flows have recovered, and supply chains have adapted — suggesting energy concerns may be more manageable than headlines imply.

A 10-year Treasury yield near 4.75% appeared less alarming alongside 6.6% nominal US economic growth, while modest job gains and contained inflation expectations may limit Fed risks.

Resilient earnings and continued AI investment have remained key supports for markets. Any pullback in profits, hyperscaler spending, or AI financing could be concerning.

If I didn't know any better, I'd have thought the S&P 500 Index was down over the past month or two.¹ It's hard to turn on the TV, listen to a podcast, or scroll through social media without hearing about soaring oil prices,² rising interest rates,³ unsustainable debt levels,⁴ stubborn inflation,⁵ a less communicative Federal Reserve (Fed), and the possibility of additional rate hikes.⁶ The pessimism has shown up in investor sentiment surveys as well. The last reading from the American Association of Individual Investors in August found 44.4% of investors bearish compared to 32.9% bullish, with the remainder neutral.⁷

Honestly, that doesn't bother me much. Bull markets have rarely ended amid widespread skepticism. They end when the conditions that support them begin to deteriorate. We're nowhere near that point in my view. Still, it's worth addressing some of the concerns that have been dominating the conversation.

Concern: Oil prices

Higher oil prices are never ideal. They can act like a tax on consumers and businesses, and energy markets have remained vulnerable to geopolitical developments. It's important to separate headlines from reality; however, oil prices remained below their April 7 high and have been largely flat since the middle of June.⁸ The uncertainty surrounding conflict in the Middle East has been unsettling, but markets and supply chains have proven remarkably adaptable. Alternative pipelines, rerouted tanker traffic, and naval escorts have helped keep energy flowing. By several estimates, energy shipments around the Arabian Peninsula have recovered to roughly 80% of pre-conflict levels.⁹ The situation bears watching, but it's difficult to argue that energy markets have been spiraling out of control.

Concern: Interest rates

Interest rates are the next major concern.

Higher rates can create winners and losers. Rate-sensitive sectors such as utilities, industrials, and, to a lesser extent, real estate, have felt the pressure.¹⁰ Yet context matters. The US economy has been growing at roughly 6.6% in nominal terms.¹¹ Against that backdrop, a 10-year Treasury yield of approximately 4.75% doesn't look particularly alarming to me.¹²

In fact, for much of the 1980s and 1990s, long-term Treasury yields were consistently above the nominal growth rate of the economy.¹³ What we experienced in the years following the 2008 Global Financial Crisis was the exception rather than the rule. Many investors became accustomed to a world in which economic growth exceeded borrowing costs by a wide margin. Viewed through a longer historical lens, today's rate environment appears to me more like a normalization than a crisis. That's why I remain skeptical of the increasingly popular narrative that rising rates represent a debt-driven reckoning for the US. Could debt levels create challenges over time? Perhaps. But positioning portfolios for an imminent US debt comeuppance has been a fool's errand for years in my view. Policymakers possess a substantial arsenal of fiscal, monetary, regulatory, and legislative tools, and history suggests they will not passively observe a disorderly outcome.

Concern: The Fed

Markets rightfully worry that cycles end with funding rates moving higher. That has been true. What's less true is the assumption that one rate hike inevitably becomes many. With inflation expectations relatively contained¹⁴ and job growth modest,¹⁵ the case for an extended series of hikes appears weak to me. I think one hike in September is unlikely to be viewed by markets as a launching point for another major hiking campaign.

Eye on earnings and AI-related spending

Personally, I think many investors may be focused on the wrong things.

The issues commanding headlines today aren't the developments that would make me genuinely nervous. What I'm watching is earnings. Corporate profits have contributed to the foundation of the durable bull market.

I'm also watching the artificial intelligence (AI) investment cycle. The extraordinary spending by hyperscalers has become one of the most important drivers of economic activity and market leadership in my view. If those companies were to pull back aggressively on capital expenditures, I believe that would matter. If financing markets became reluctant to fund AI-related infrastructure, data centers, and associated bond issuance, that would matter too.

Those are risks worth monitoring. The timing is uncertain. But at least for now, I see little evidence that either is occurring. Earnings have remained resilient.¹⁶ Hyperscaler spending plans remained intact.¹⁷ Capital markets continued to fund AI infrastructure projects.¹⁸

So, while the headlines have continued to focus on oil, rates, debt, and the Fed, I remain more interested in the areas that have been powering growth. Until those fundamentals begin to crack, I suspect many investors may be spending too much time worrying about the wrong things.

Gross domestic product (GDP) employment (Q2, final)

GDP (Q2, final) Current account Trade balance (July)

Consumer Price Index (CPI) Producer Price Index (PPI) (Aug.)

Inflation and factory-gate price pressures

PPI (Aug.) Initial jobless claims Wholesale inventories (July, final)

Pipeline inflation, labor market conditions, and business inventories

European Central Bank policy decision and press conference

Policymakers' assessment of inflation, growth, and interest-rate outlook

Inflation trends in the eurozone's largest economy

CPI (Aug.) University of Michigan consumer sentiment (Sep., preliminary)

Consumer inflation and inflation expectations

GDP Industrial production Manufacturing production Trade balance (July)

Economic momentum, factory activity, and external demand

Source: Bloomberg L.P., Sept. 2, 2026, based on the 1.39% and 2.45% returns of the S&P 500 Index over the last one month and two months, respectively.

Source: Bloomberg L.P., Sept. 3, 2026, based on West Texas Intermediate crude oil.

Source: Bloomberg L.P., Sept. 2, 2026, based on the 10-year US Treasury rate.

Source: US Treasury, June 2026, based on US government debt as a percentage of gross domestic product (GDP).

Source: US Bureau of Labor Statistics, July 2026, based on the US Consumer Price Index (CPI).

Source: Bloomberg, L.P., Sep. 3, 2026, based on fed funds implied rates.

Source: American Association of Individual Investors, Aug. 26, 2026

Source: Bloomberg L.P., Sept. 3, 2026, based on West Texas Intermediate crude oil, which peaked on April 7 at \$110 a barrel and was at \$91 on Sept. 3, 2026.

Sources: Windward, International Energy Agency, Reuters, and CNBC, as of Aug. 25, 2026

Source: Bloomberg L.P., Sept. 2, 2026, based on the two-month total returns of the following select S&P 500 Index sectors: Utilities (-6.79%), industrials (-6.08%), and real estate (-1.76%).

Source: US Bureau of Economic Analysis, June 2026, based on the year-over-year percentage change in US nominal GDP.

Source: Bloomberg L.P., Sept. 2, 2026, based on the 10-year US Treasury rate.

Sources: US Bureau of Economic Analysis and Bloomberg L.P., Sept. 2, 2026, based on US nominal GDP and the 10-year US Treasury rate from 1980 through 1999.

Source: Bloomberg L.P., Sept. 2, 2026, based on the 5-year US Treasury inflation breakeven rate. Breakeven inflation is the difference in yield between a nominal Treasury security and a Treasury Inflation-Protected Security of the same maturity.

Source: US Bureau of Labor Statistics, July 2026, based on the monthly change in US nonfarm payrolls.

Source: Bloomberg L.P., June 2026, based on the 45% advance in operating earnings of companies in the S&P 500 Index in Q2-2026.

Source: PWC, "Global investment in AI infrastructure to hit US\$31.6 trillion through 2050," Sep. 2, 2026.

Source: Bloomberg L.P., Sept. 2, 2026, based on the average initial issuance coverage ratio for US investment-grade corporate bonds.

- August 31, 2026
- August 24, 2026
- August 21, 2026
- August 19, 2026

All investing involves risk, including the risk of loss.

Past performance does not guarantee future results.

Investments cannot be made directly in an index.

This does not constitute a recommendation of any investment strategy or product for a particular investor. Investors should consult a financial professional before making any investment decisions.

The American Association of Individual Investors (AAII) Investor Sentiment Survey offers insight into the opinions of individual investors by asking them their thoughts on where the market is heading in the next six months.

Artificial intelligence (AI) technology companies are sensitive to specific risks such as small markets, business cycle changes, economic growth, technological progress, obsolescence, and regulation. These companies may have limited products, markets, resources, or personnel, making their securities more volatile, especially for smaller start-ups. Rapid technological changes can adversely affect their results. AI companies often rely on patents, copyrights, trademarks, and trade secrets to protect their technology, but there's no guarantee these protections will be sufficient. Significant research and development (R&D) spending doesn't ensure product or service success.

A bull market is an environment in which stock prices are rising or are expected to rise.

The Consumer Price Index (CPI) measures the change in consumer prices and is a commonly cited measure of inflation.

Earnings per share (EPS) refers to a company's total earnings divided by the number of outstanding shares.

The fed funds implied rate is the difference between the spot rate and the futures rate, which is an interest rate that can be calculated for any security with a futures contract.

Fixed income investments are subject to credit risk of the issuer and the effects of changing interest rates. Interest rate risk refers to the risk that bond prices generally fall as interest rates rise and vice versa. An issuer may be unable to meet interest and/or principal payments, thereby causing its instruments to decrease in value and lowering the issuer's credit rating.

Hyperscalers are large cloud service providers that can provide services such as computing and storage at enterprise scale.

The International Energy Agency (IEA) focuses on areas including data and statistics, training, innovation, and international cooperation.

In general, stock values fluctuate, sometimes widely, in response to activities specific to the company as well as general market, economic, and political conditions.

Inflation is the rate at which the general price level for goods and services is increasing.

Investments focused on a particular industry or sector are subject to greater risk and can be more impacted by market volatility than more diversified investments.

Investments in real estate-related instruments may be affected by economic, legal, or environmental factors that affect property values, rents, or occupancies of real estate. Real estate companies, including REITs or similar structures, tend to be small and mid-cap companies, and their shares may be more volatile and less liquid.

Many products and services offered in technology-related industries are subject to rapid obsolescence, which may lower the value of the issuers.

Nominal GDP is the market value of all final goods and services produced in a geographical region, usually a country.

The Producer Price Index (PPI) program measures the average change over time in the selling prices received by domestic producers for their output. The prices included in the PPI are from the first commercial transaction for many products and some services.

The S&P 500® Index is an unmanaged index considered representative of the US stock market.

Treasury Inflation-Protected Securities (TIPS) are US Treasury securities that are indexed to inflation.

West Texas Intermediate (WTI) is a type of light, sweet crude oil that comes from the US.

The opinions referenced above are those of the author as of Sep. 4, 2026. These comments should not be construed as recommendations, but as an illustration of broader themes. Forward-looking statements are not guarantees of future results. They involve risks, uncertainties, and assumptions; there can be no assurance that actual results will not differ materially from expectations.

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