ResourceTrust
A DEPARTMENT OF RESOURCE BANK, N.A.

Weekly Insight

September 4, 2026

Fed Chair Warsh Delivers Hawkish Message at Jackson Hole

Key Takeaways

- Markets hold up amid negative headlines.
- Warsh signals the potential for rate hikes.
- Global yields continue to push higher.

The S&P 500 finished the week down by just 0.1%. The NASDAQ fared the best with gains of 0.3%, while the recent underperformance in small caps picked up pace. The Russell 2000 was down 1.7% for the week. Foreign equities underperformed on the week with both emerging markets and foreign developed falling around 1%. Core bonds lost 0.7% as 10-year Treasury yields hit their highest level of the year.

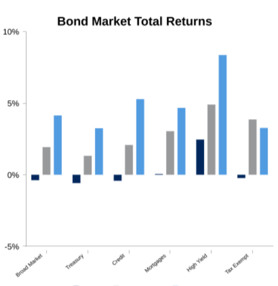
Escalation in the Middle East pushed up oil prices and thereby bond yields. Oil prices pushed back above $90 per barrel. The Energy sector had a strong week with gains of 4.3%, while refiners continued to lead among energy sub-industries. The S&P 500 Oil and Gas Refining Sub Industry is up 123% for the year. The Iran war has depleted refined products globally, which drives up margins domestically and fuels strong earnings growth. Of more than 130 sub-industries in the S&P 500, only one has fared better, and just barely. The Computer Hardware and Storage sub-industry is up 130%, driven by rising memory prices amid surging demand.

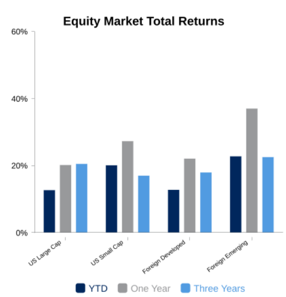
Warsh Pivots Fed Toward Rate Hikes

Kevin Warsh presented at the Jackson Hole Symposium and made some noteworthy comments. The message was quite different than his predecessor, who viewed monetary policy as restrictive. Warsh emphasized a 2% inflation target and a desire to follow a policy that would achieve such a target. He said the economy was not restrictive and appeared to have strengthened.

The hawkish message would help lift yields on the week. Despite the strong tone toward future hikes, the market is not fully expecting action to mirror the rhetoric. Implied odds of a hike at the Federal Open Market Committee (FOMC) meeting in two weeks is just 50%. There continues to be just enough voices from the committee that want to be patient before committing to any action.

The rising yield story continues to be a global phenomenon, and Japan remains a key piece. Japan has been suffering with a weakening currency, and failure to follow the Fed would likely lead to further weakness. Thus, Japanese 2-year yields hit a 31-year high this week and ultimately forced the Bank of Japan to signal at least the potential for an interest rate hike at its upcoming meeting in mid-September.





Interest Rates (%)	Current	12M Ago	3YR Ago
Fed Funds Rate (Upper b	3.75	4.50	5.50
3-Month T-Bill	3.86	4.12	5.41
10-Year Treasury	4.78	4.22	4.18
30-Year Treasury	5.26	4.90	4.29
10-Year Corporate AA	5.58	4.96	5.28
10-Year High Yield Corp.	6.73	6.23	7.24
Commodity Prices ($)	**Current**	**12M Ago**	**3YR Ago**
Gold ($/oz.)	4,382	3,559	1,940
Oil (WTI, $/barrel)	91.01	63.97	85.55
Currencies	**Current**	**12M Ago**	**3YR Ago**
USD (Dollar Index Spot)	99.60	98.14	104.24
USD/EUR	0.86	0.86	0.93
USD/JPY	158.71	148.10	146.22

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