Monthly newsletter

Commentary August 2026

Top, Summer Slowdown, Pause Before Higher.

We could start off this commentary with topics that have remained in front burner for media channels lately; Red Cards, escalations in critical waterways, wildfire tariffs, etc... In a normal world most of these topics don't even happen, nor could anyone guess the potential outcomes or events without being way off the mark.

However, here we are. We wanted to get that off our chest and set the tone!

More critically, we are looking at markets and wondering about the current outcomes and the slowdown we are seeing in some parts and the increases we are seeing in others. One could suggest we have normal markets right now, but in a historical sense, the opposite argument could be true.

Let's start with looking at some truths that are undeniable world facts. First, as referenced in the chart below, the supply of money is increasing.

Why is this important?

When the money supply increases, borrowing becomes cheaper and spending rises, which stimulates economic growth in the short term. However, if the supply grows faster than the production of goods and services, it ultimately causes inflation, which decreases the purchasing power of your money.

The effects of a growing money supply unfold in specific stages:

1. **Lower interest rates:** As banks have more reserves to lend out, the cost of borrowing drops. This encourages businesses to take out loans for expansion and consumers to finance big-ticket items like homes and automobiles.
2. **Increased aggregate demand:** With easier access to cash, consumers spend more and businesses ramp up production to meet the new demand. This generally boosts employment.
3. **Rising prices (inflation):** If money creation outpaces the economy's ability to produce goods and services, "too much money is chasing too few goods". Sellers respond by raising prices.
4. **Decreased purchasing power:** As prices inflate, each unit of currency buys less than it did before, which erodes the real value of savings and wages.

Based on the above, you could infer that increased demand in the markets also leads to a sense of scarcity (supply).

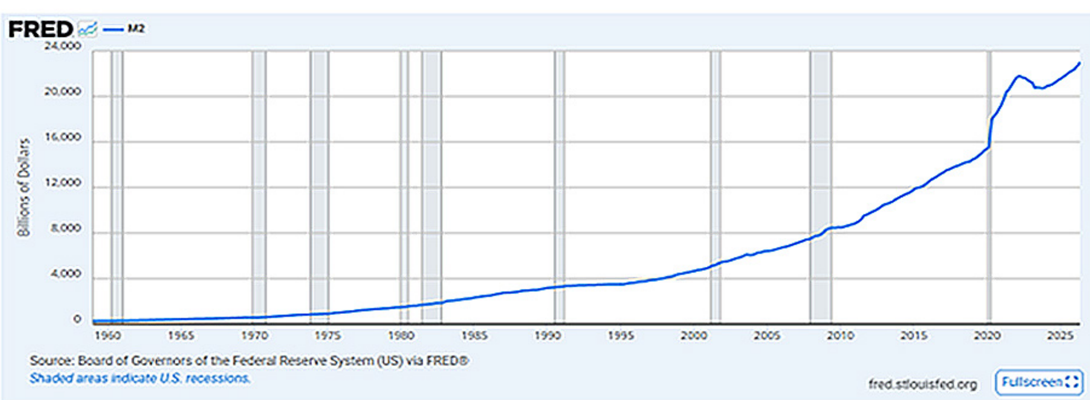
When demand outpaces supply the price of goods (Stocks) increases; multiples expand and can remain elevated.

Can this go on forever?

Some would argue, maybe...

This takes us to our second assessment as illustrated in the chart below – debt.

If one had a credit card that had no limit and no payment date, one might feel that they are able to continuously spend to their little heart's content. The second world fact is that this is exactly what is happening in the world today. The chart below shows the current U.S. public debt. The most notable observation is that, while in certain points of history public debt has flattened, it ultimately has never gone down. Each successive President in the White House has spent more with little-to-no concern of managing debt.



Source: Board of Governors of the Federal Reserve System (US)

Where does this get us?

In simple terms, if you were running a store and the buyer showed up every day and purchased goods, regardless of price it is likely you would raise prices over-and-over again (higher multiples). Depending on the sale of different products, this fuels success in different parts of your store. There may be times when higher priced items don't sell. The result doesn't change. The buyer still shows up and spends money in perpetuity. If that buyer runs out of money they simply print more. These are the facts outlined in the two charts above.

What happens if the buyer stops printing money and starts to pay down the credit card?

Our guess is that they stop showing up at the store.

However, in our example the buyer has never done this, nor as the U.S. There have been times (once) when the supply of money shrank. Despite this, the fact remains that there has been a continuous positive upward trajectory in both the U.S. money supply and national debt over the past 60 years.

Source: Board of Governors of the Federal Reserve System (US)

This does not mean that the road ahead will not have speedbumps, corrections, price adjustments, recessions, credit events, etc... It suggests that this will happen because of the perceived excess that can get built in due to the never-ending buyer.

It also suggests that this cannot happen because if it does the house of cards likely crumbles. However, as the past 60 years have shown, no one in their right mind would do this.

Final Thought

Yes, this time in our lives remain somewhat confusing. Mostly because the world has gotten a bit crazy (thank you Captain Obvious and global leadership). We don't like it, but it is the world we live in. We are happy to be healthy and live in a good place where missiles and drones are not part of our daily lives. We have our wildfires that are displacing communities, but we are hopeful that weather will change soon enough. Here's hoping there are changes in the geopolitical sphere as well.

Enjoy the remaining summer days!

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