Weekly Economic Brief

Collaboration with The Investing Group (TIG)

by Saied Toossi | Week of August 24, 2026

Last week provided deeper insights into central bank policy and supply-side activity, against a backdrop of heightened geopolitical and bond market volatility.

The FOMC voted to hold interest rates steady in July, but the release of the meeting minutes revealed a hawkish policy debate. Although only three voting members opted to hike rates, others emphasized the need for tightening if inflation fails to cool toward the 2% target, while some non-voting members likely would have joined the three dissenters. The bond market reacted unfavorably to Chair Kevin Warsh's post-meeting press conference, and yields on longer-term government bonds have been rising since. Corporate debt issuance and the Trump Administration's fiscal, trade, and foreign policies, and the associated uncertainty, have also propelled the surge in yields.

On the fiscal front, the national debt has crossed $40 trillion while this year's federal budget deficit is nearing $2 trillion. Trade volatility persists as the collapse of negotiations with Canada sets the stage for another trade war. Geopolitically, the war with Iran is primed for escalation with the threat of secondary sanctions on that country's trading partners.

The rise in bond yields has also pushed mortgage rates higher. Higher operating costs for developers and monthly payments for prospective buyers continue to put pressure on the housing market. July housing starts dropped 12.4% month-over-month and 13.5% year-over-year as builder sentiment remains weak. Pending home sales also declined. In contrast, industrial production continues to expand, with the New York Fed's Empire State Manufacturing Index, the Philadelphia Fed Index, and S&P Global PMI pointing to continued growth even as firms report elevated input costs.

Week ahead for economic data: The July Personal Income and Outlays report will provide an update on personal income and spending as well as the Federal Reserve's preferred core PCE inflation metric. The week will also provide a second estimate of second-quarter GDP and the Bureau of Labor Statistics' annual benchmark payroll revisions through March 2026 for a clearer view of economic momentum and the labor market. The Jackson Hole Economic Policy Symposium, where Chair Kevin Warsh will deliver a keynote address that will be closely watched for his views on financial conditions, rounds out the week. Also important will be how Iran's trading partners respond to the threat of secondary sanctions, particularly China.
