Snapshot
August 16, 2026

Soft Inflation Reports Wash Away Rate Hike Bets

Hardika Singh
ECONOMIC STRATEGIST, MARKET INTELLIGENCE

Stocks **inched higher this week**, driven by a **weakening narrative for interest-rate hikes** in September.

The S&P 500 finished the week up 0.36% to 7,785.76 points, **off 0.2% from the fresh record of 7,798.99** hit on Thursday—putting the index on course to add 3.40% this month.

The push higher came after the July consumer-price index report on Wednesday **came in-line with expectations**, rising 0.1% from a month ago and 3.4% from a year ago. Monthly core CPI added 0.2%, while the annual rate was 2.5%. **Producer-price inflation data on Thursday coming in below expectations** further pushed investors away from the **"inflation derangement syndrome,"** which Fundstrat Head of Research Tom Lee has coined in recent days to describe the market's propensity to **latch onto an inflationary environment narrative.**

According to Lee, **there's five reasons why a hike would be worse for Fed credibility:** (1) Inflation's already on "glide path" lower (2) A single hike would be viewed as a rollback of previous cuts (3) A hiking cycle will not slow AI spending, while high 10-year and 30-year Treasury yields already slow housing and durables (4) **Both core PCE and core CPI from a year ago are declining** (5) The Fed would be perceived as capitulating to the pundits.

Lee expects the S&P 500 will **wrap up August between 7,900-8,000 points**, especially because most of the bloodbath in AI stocks is over, according to him.

In corporate news, Nvidia announced a partnership with Apollo, BlackRock, Blackstone, Brookfield, Goldman Sachs, and KKR to **“mobilize” over $500 billion with the goal of providing new sources of capital for AI purchases.** Lee said the deal “brings independent capital to AI.” With the move, “Wall Street is financializing compute, essentially creating an asset class,” he said.

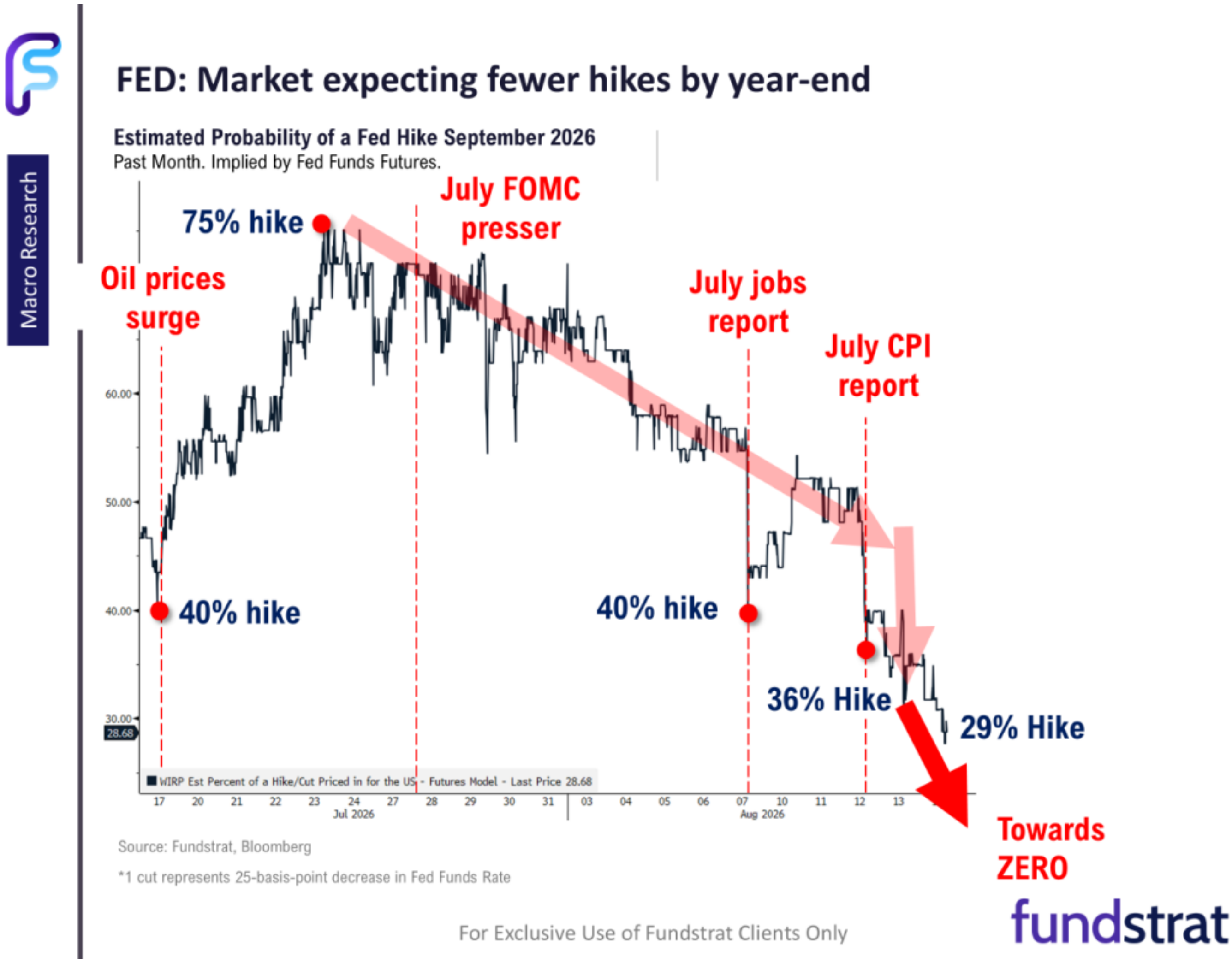
Lee believes the move could **create additional liquidity and transparency for AI financing** and lower the AI cost of funding, which would be a positive for AI stocks and the overall market.

Roundhill Memory ETF **DRAM0.76%**, for example, has surged 13.3% this week.

Head of Technical Strategy Mark Newton **isn’t convinced that memory and storage stocks are back just yet**. Though he is impressed by their “meaningful push off the lows,” in the longer term, he still thinks that momentum rolled over pretty sharply over the span of 10 weeks. He **expects to see some backing and filling before a bigger move up.**

“This took us 10 weeks, **so it’s not something where over the next three months**, I expect this to move up into those highs,” he said.

Chart of the Week



Naturally, after the inflation reports, investors started expecting fewer hikes by the year-end. Odds of a September rate-hike, for example, were at 32.6% on Friday, compared to 44% a week ago, according to the CME's FedWatch tool, and also as seen in our Chart of the Week.

Recent ⚡ Flash *Insights*

Tom Lee, CFA, CFA_ AC
Head of Research

The latest U Mich consumer survey released and inflation expectations anchored and latest example that economists have "inflation derangement syndrome"

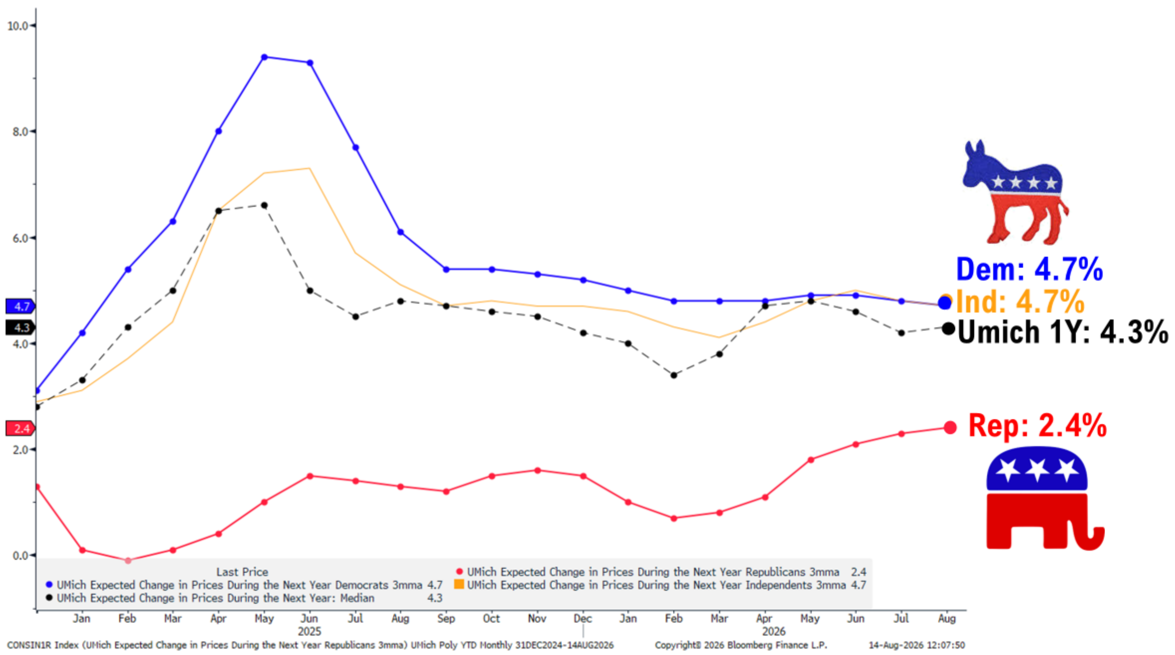
- U Mich 1-yr inflation political affiliation shows Dems are the ones seeing "high inflation"
- 5-yr inflation expectations at 3.3%, basically at the 50-yr survey avg of 3.2%

Does it make sense for pundits to call for Fed to raise rates? Nope

Macro Strategy

INFLATION: Primarily "problem" for opposing voters

Median 1-year inflation by party 3M MA
Since Start of 2025



Source: Fundstrat, Bloomberg, University of Michigan

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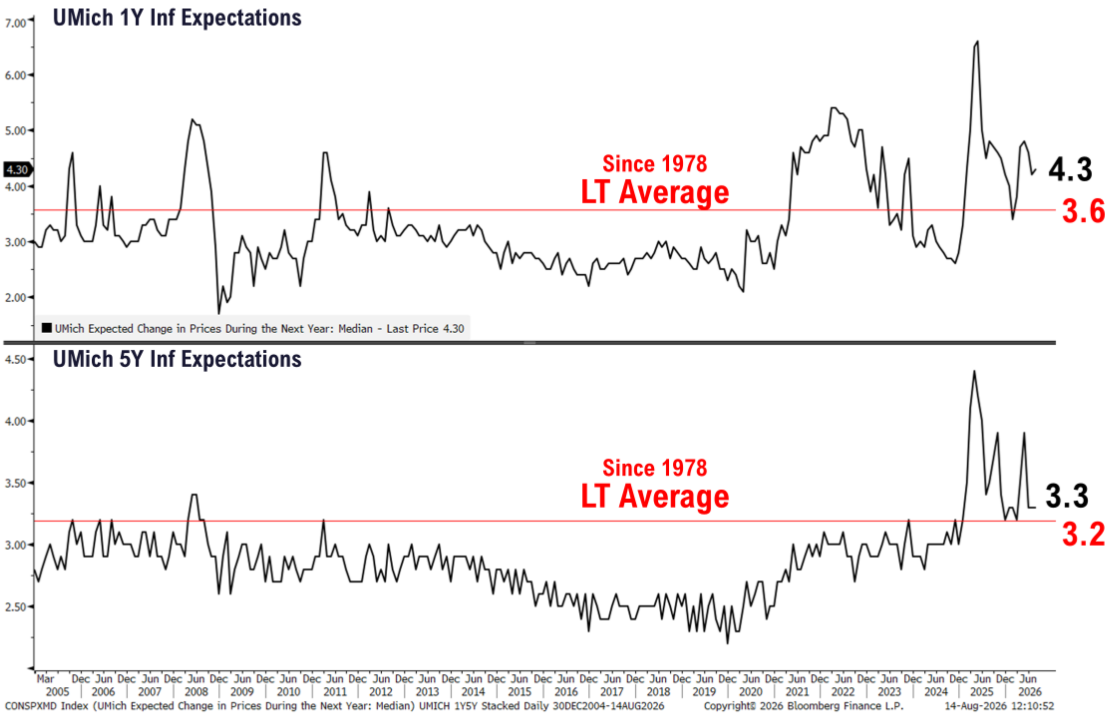
Macro Strategy

INFLATION: Umich 1Y Expectations Falling Rapidly

UMich 1Y & 5Y Inflation Expectations
Past 20 years



Source: Fundstrat, Bloomberg, University of Michigan

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Aug 14 • 2:18 PM

Mark L. Newton, CMT AC
Head of Technical Strategy

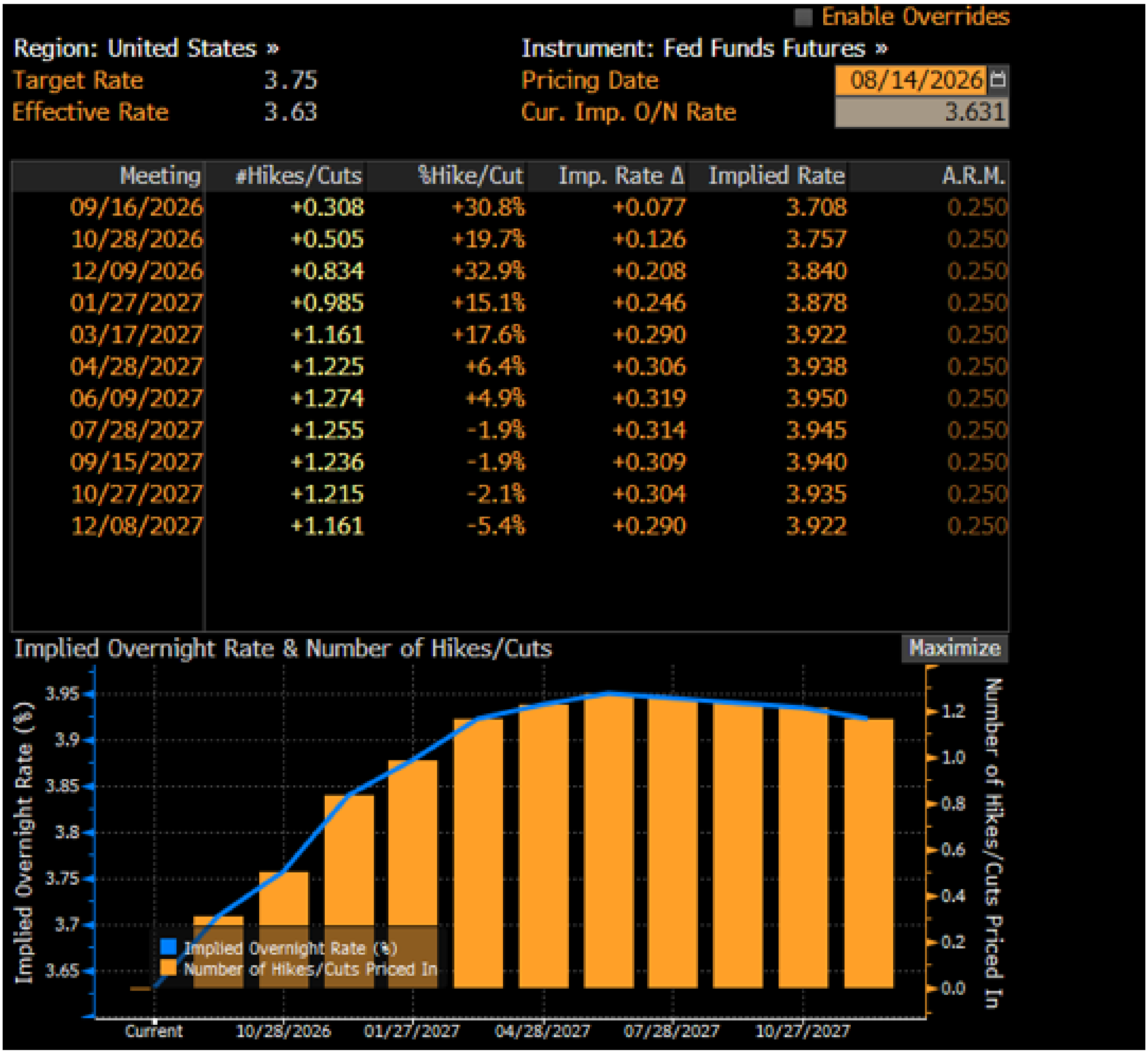
Fractional loss in US equities on this Summer Friday and not much conclusion to draw from this weakness. S&P down-0.25% while Nasdaq (As shown here by Nasdaq 100 E-mini Futures) are lower by -0.44%. Yet prices are now falling into what should be an important area of support. Similar to many days when trending morning moves can reverse near Europe's close, my thinking is that the area at 30,000-40 for NQ_F should provide support to this Friday decline, result in stabilization and cause a bounce this afternoon. As hourly charts show this area marks minor trendline support for this week's rally along with the pivot area of the breakout in the Nasdaq from yesterday's surge. Thus, this looks to be important (a similar level for SPX would occur near 7767 up to 7775. There are some signs of weakness in the bond market this am, despite the poor retail sales number and WTI Crude is fractionally higher. However, if my analysis is correct, there could be a "final" push higher in Equities into early next week which would help QQQ and Nasdaq get near prior highs as breadth wanes a bit before any meaningful late Summer drawdown. As always it's important to keep a close eye on rates.

Aug 14 • 12:11 PM

Mark L. Newton, CMT AC

Head of Technical Strategy

Retail sales disappointment this morning of -0.2% vs. 0.3% expected (Ex Auto and Gas) has caused traders to completely price out any likelihood of a rate hike this year. Fed fund futures pricing shows the first hike now not expected until January 2027 and just a 30% chance of a hike now next month. Most of the data in the last two weeks has certainly justified the Fed's Inaction at this past month's meeting. Rates are largely unchanged this am, while Stock futures higher by +0.25% in Nasdaq, +0.10% in S&P, while US Dollar index lower by -0.30% as USDJPY looks to be beginning another slide and is trading 159.03



Enable Overrides

Region: United States »
Target Rate 3.75
Effective Rate 3.63

Instrument: Fed Funds Futures »
Pricing Date 08/14/2026
Cur. Imp. O/N Rate 3.631

Meeting	#Hikes/Cuts	%Hike/Cut	Imp. Rate Δ	Implied Rate	A.R.M.
09/16/2026	+0.308	+30.8%	+0.077	3.708	0.250
10/28/2026	+0.505	+19.7%	+0.126	3.757	0.250
12/09/2026	+0.834	+32.9%	+0.208	3.840	0.250
01/27/2027	+0.985	+15.1%	+0.246	3.878	0.250
03/17/2027	+1.161	+17.6%	+0.290	3.922	0.250
04/28/2027	+1.225	+6.4%	+0.306	3.938	0.250
06/09/2027	+1.274	+4.9%	+0.319	3.950	0.250
07/28/2027	+1.255	-1.9%	+0.314	3.945	0.250
09/15/2027	+1.236	-1.9%	+0.309	3.940	0.250
10/27/2027	+1.215	-2.1%	+0.304	3.935	0.250
12/08/2027	+1.161	-5.4%	+0.290	3.922	0.250

Aug 14 • 9:30 AM

FS Insight Video: Weekly Highlight

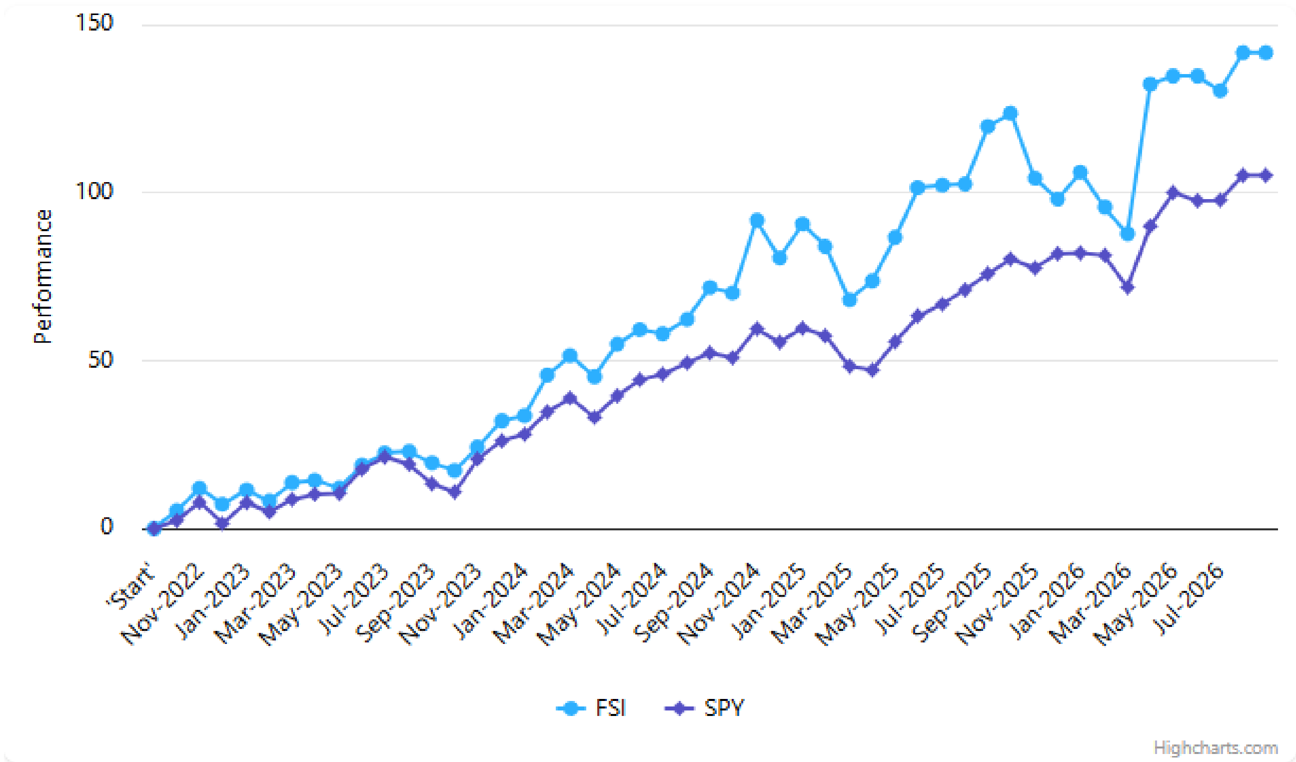
Key incoming data

- ~~8/11 6:00 AM ET: Jul Small Business Optimism Survey~~ **Tame**
- ~~8/11 10:00 AM ET: Jul Existing Home Sales~~ **Tame**
- ~~8/12 8:30 AM ET: Jul CPI~~ **Tame**
- ~~8/13 8:30 AM ET: Jul PPI~~ **Tame**
- ~~8/14 8:30 AM ET: Jul Retail Sales Data~~ **Tame**
- ~~8/14 10:00 AM ET: Aug P U. Mich. Sentiment and Inflation Expectation~~ **Tame**
- 8/17 8:30 AM ET: Aug Empire Manufacturing Survey
- 8/17 10:00 AM ET: Aug NAHB Housing Market Index
- 8/17 4:00 PM ET: Jun Net TIC Flows
- 8/19 2:00 PM ET: Jul FOMC Meeting Minutes
- 8/20 8:30 AM ET: Aug Philly Fed Business Outlook

- 8/21 9:45 AM ET: Aug P S&P Global Services PMI
- 8/21 9:45 AM ET: Aug P S&P Global Manufacturing PMI

Stock List Performance

Upticks vs SPY (Inception to Date)



Performance period: October 5, 2022 through August 14, 2026

In the News

Canada tariffs, rising oil prices stoke the flames of inflation risks

Jul 22, 2026

Iran Peace Deal, Oil, and the Fed

Jun 15, 2026

CNBC

Should You Invest in the SpaceX IPO?

Jun 11, 2026

CNBC

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