Fateful Return of Rate Hikes

Broad Evidence the US Economy is Accelerating

Blake Huber
TIG | Trading & Investing Working Group
September 4, 2026

DISCLAIMER & INVESTMENT RISKS

Investment Risks

All investments involve substantial risk of loss. Consult a professional investment advisor and make independent investigations before acting on information published in this document. Information in this document is derived directly from information published by companies or submitted to governmental agencies on which we believe are reliable but are without our independent verification; therefore, cannot be assumed accurate or complete. We do not in any way whatsoever warrant or guarantee the success of any action you take in reliance on statements or recommendations contained in this document.

Past performance is not necessarily indicative of future results. All investments carry significant risk and any and all investment decisions of an individual remain the specific responsibility of that individual. There is no guarantee or liability assumed by the authors that will result in profits or that actions taken on information contained herein will not result in losses. All investors are advised to fully understand all risks associated with any kind of investing they choose to undertake.

Hypothetical or simulated performance is not indicative of future results. Unless specifically noted otherwise, all return examples provided are based on hypothetical or simulated investing. The authors make no representations or warranties whatsoever that any investor will, or is likely to, achieve profits similar to any shown, because hypothetical or simulated performance is not necessarily indicative of future results.

Invest only after consulting a licensed investment professional. Do not enter any investment without fully understanding the worst-case scenario for losses that may be associated with that investment.

Forward Looking Statements

Various statements contained on this website, including those that express a belief, expectation or intention, as well as those that are not statements of historical fact, are forward-looking statements. These forward-looking statements may include projections and estimates concerning the timing and success of strategies, plans or intentions. Forward-looking statements on the authors' current expectations and assumptions about future events. Investors should not rely on these forward-looking statements without first conducting independent due diligence. The authors undertake no obligation to update any forward-looking statements to conform to actual results or changes in expectations, unless required by applicable law.

No Offer of Securities

Under no circumstances should any material in this document be considered as an offer to sell or a solicitation of any offer to buy an interest in any investment.

PCE Inflation

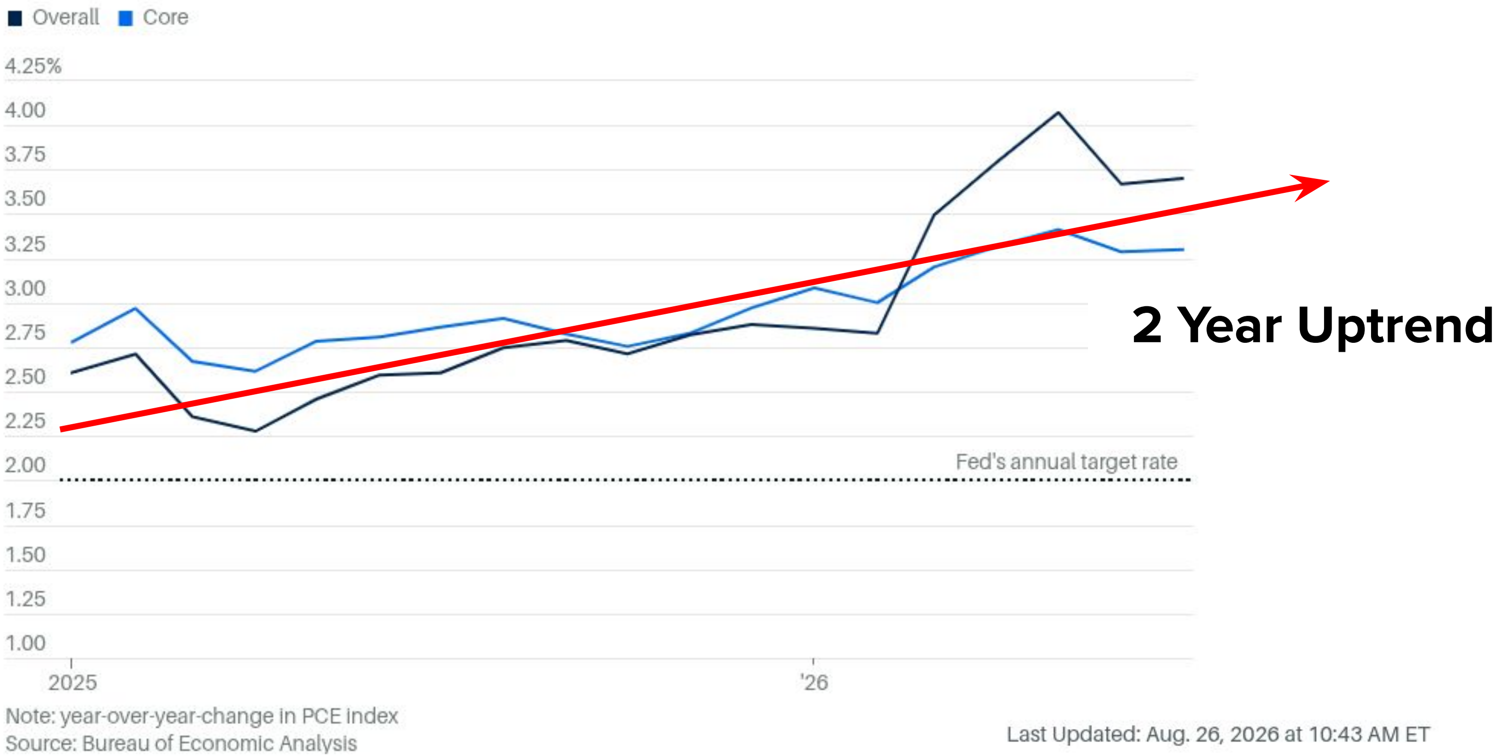
The PCE Inflation Report released in August 2026 destroyed hopes for a continuation of the recent trend of deflationary economic releases. The fact that the PCE Inflation Report is preferred by the Federal Reserve only made things worse as the Fed could not blame the caustic results in the report on the CPI nor any algorithmic seasonal adjustments.

July PCE Inflation | Released Wed, Aug 26

Key Details

- **Headline YoY PCE:** +3.7% (unchanged from June)
- **Headline MoM PCE:** +0.2% (up from -0.1% in June)
- **Core YoY PCE (excluding food and energy):** +3.3% (unchanged from June)
- **Core MoM PCE:** +0.2%
- **Personal Income:** Rose 0.4% in July
- **Consumer Spending:** Increased 0.2% in July

PCE Inflation Runs Hotter Than Expected in July



Inflation Remains Elevated as Energy Costs Push on Prices

The Personal Consumption Expenditure index, the Federal Reserve's preferred inflation tracker, held steady in July.

Many households are struggling to manage higher prices. Joe Raedle/Getty Images

Changes in Monthly Consumer Spending
July 2026

Consumer spending increased $36.3 billion

Price of services still climbing after 4 years

U.S. Bureau of Economic Analysis

The Real Economy

Signs the economy is accelerating now appear frequently and at an accelerating cadence.

Aug 26 | 5 of 8 Econ Data > Consensus

Wednesday, Aug. 26		PERIOD	ACTUAL	FORECAST	PREVIOUS
8:30 AM	Durable Goods	Jul.	1.1%	0.5%	0.3%
8:30 AM	2nd estimate GDP	2Q	1.5%	1.5%	1.5%
8:30 AM	Personal Income, M/M%	Jul.	0.4%	0.2%	0.2%
8:30 AM	Consumer Spending, M/M%	Jul.	0.2%	0.1%	0.3%
8:30 AM	PCE Price Idx, M/M%	Jul.	0.2%	0.1%	-0.1%
8:30 AM	PCE Price Idx, Y/Y%	Jul.	3.7%	3.6%	3.7%
8:30 AM	PCE Core Price Idx, M/M%	Jul.	0.2%	0.2%	0.1%
8:30 AM	PCE Core Price Idx, Y/Y%	Jul.	3.3%	3.3%	3.3%
11:45 AM	FRB Richmond President Thomas Barkin participates in Greensboro Chamber of Commerce event	-	-	-	-

:: Stronger Data than Expectation

Sept 3 | Economic Data Above Consensus

Thursday, Sep. 3		PERIOD	ACTUAL	FORECAST	PREVIOUS
8:30 AM	U.S. Trade Balance	Jul.	-88.6B	-90B	-73.3B
8:30 AM	Weekly Jobless Claims	Aug. 29			
8:30 AM	Federal Reserve Governor Christopher Waller speaks at Reuters NEXT Newsmaker Interview	-	-	-	-
9:45 AM	US Services PMI	Aug.	56.5	56.2	54.6
10:00 AM	ISM Report On Business Services PMI	Aug.	55.4	54.1	54.1

ABOVE CONSENSUS

Measure of US Services Sector Activity

Economy is Accelerating

Sept 4 | Economic Data Above Consensus

Friday, Sep. 4		PERIOD	ACTUAL	FORECAST	PREVIOUS
8:30 AM	Employment Report	Aug.	162K	53K	-23K
8:30 AM	Unemployment Rate	Aug.	4.1%	4.1%	4.1%
8:30 AM	Avg Hourly Earnings, M/M%	Aug.	0.3%	0.3%	0.1%
8:30 AM	Avg Hourly Earnings, Y/Y%	Aug.	3.1%	3%	3.1%

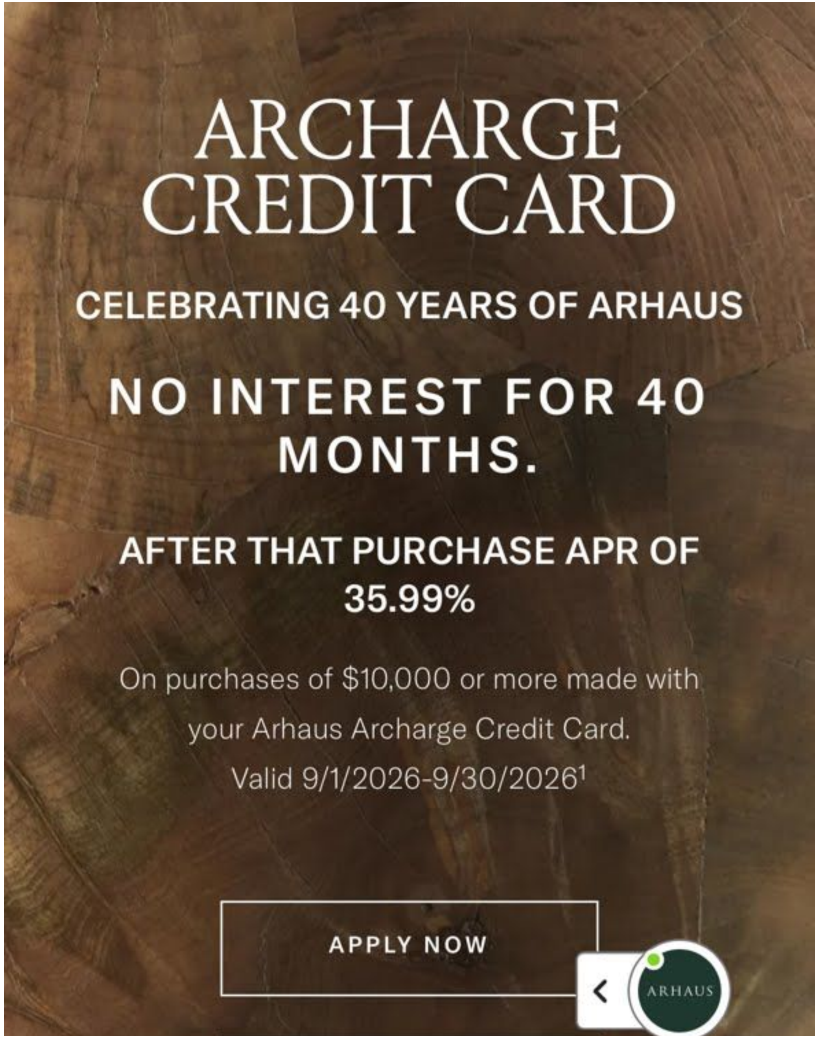
HIRING IS SO STRONG, ACTUAL HIRED IS TRIPLE THE FORECAST

NO DISINFLATION IN AVG HOURLY EARNINGS

Arhaus Promotion this month (September 2026)

This high-end retailer never promotes to this magnitude

- Notable because Arhaus is subsidising the purchase in an amount equal to ~ 20%+
- Could be greater %, depending upon corporate cost of capital

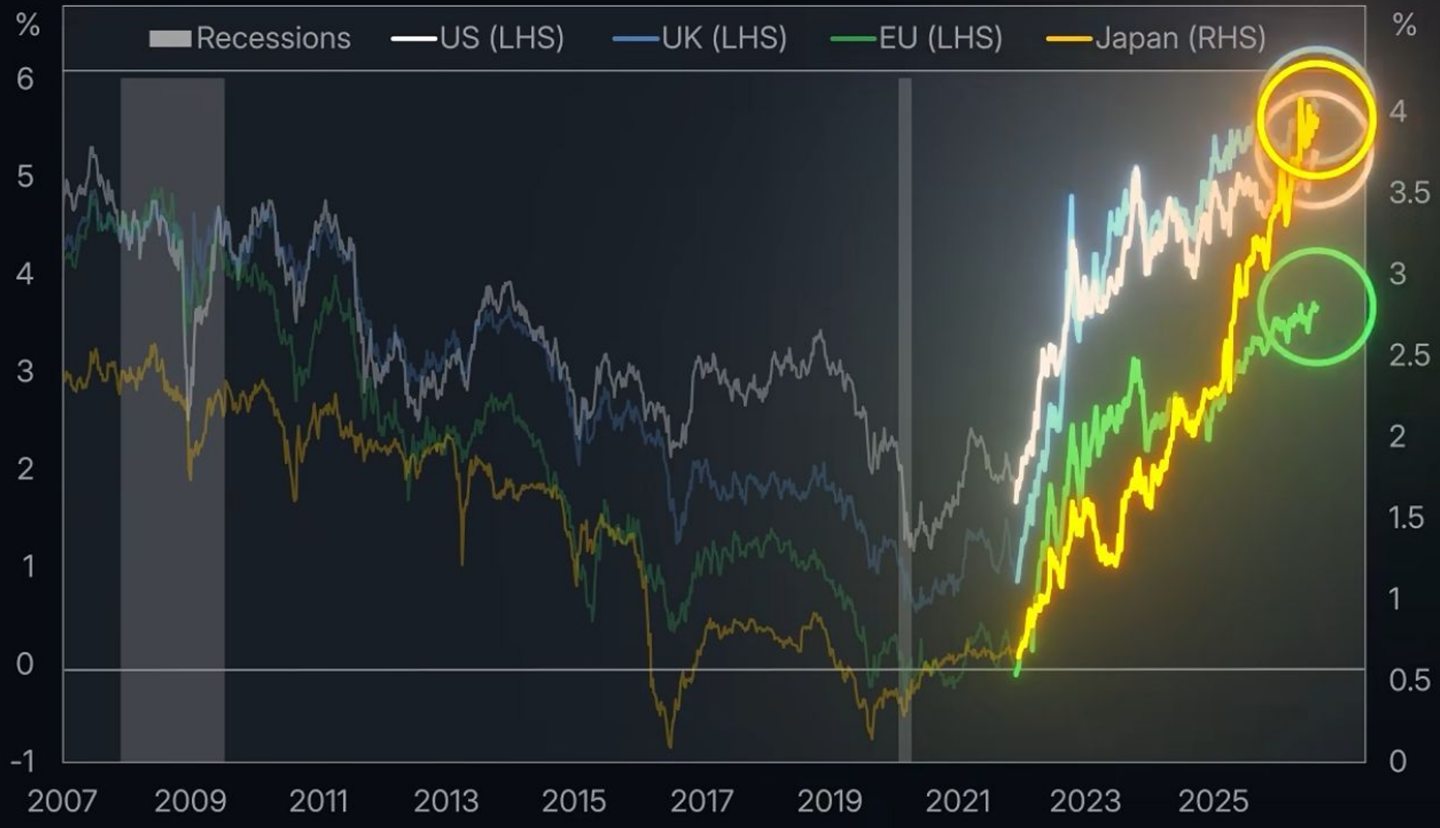


International Rates

Most developed countries in Europe and Australia completed rate cutting cycles last year, but are now either tightening again or have put rate cuts on hold.

Government Bond Yields By Country

US, UK, EU and Japan 30-Year Government Bond Yield



Date: 2007 Through 11th August 2026.
Source: Bloomberg Finance L.P., National Bureau of Economic Research, Bravos Research.

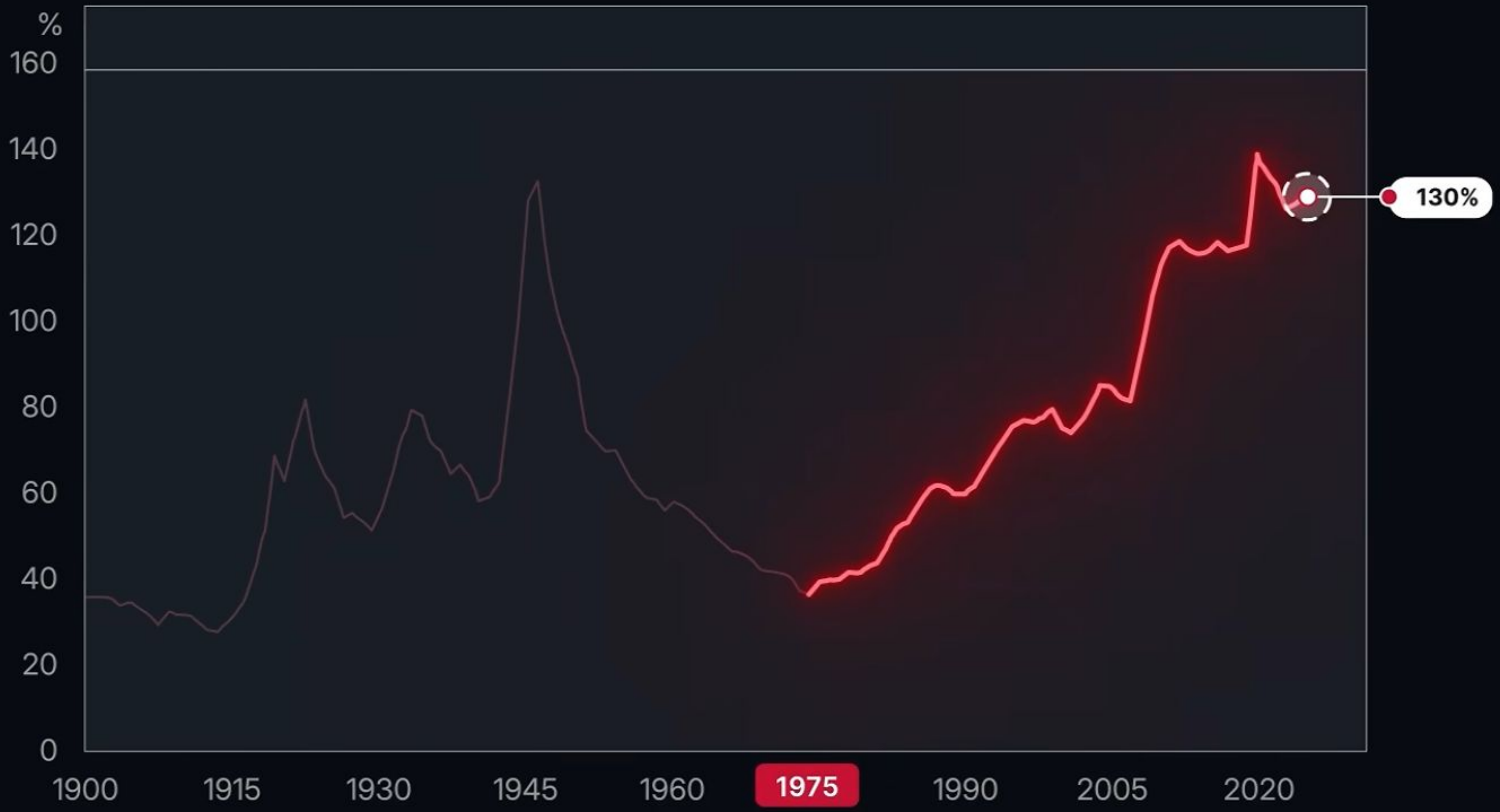
Government Bond Yields By Country

Japan 30-Year Government Bond Yield

Date: 2007 Through 11th August 2026.
Source: Bloomberg Finance L.P., National Bureau of Economic Research, Bravos Research.

G7 Government Debt to GDP

G7 Countries Government Debt (As a Share of GDP)



Date: 1900 Through 2025.

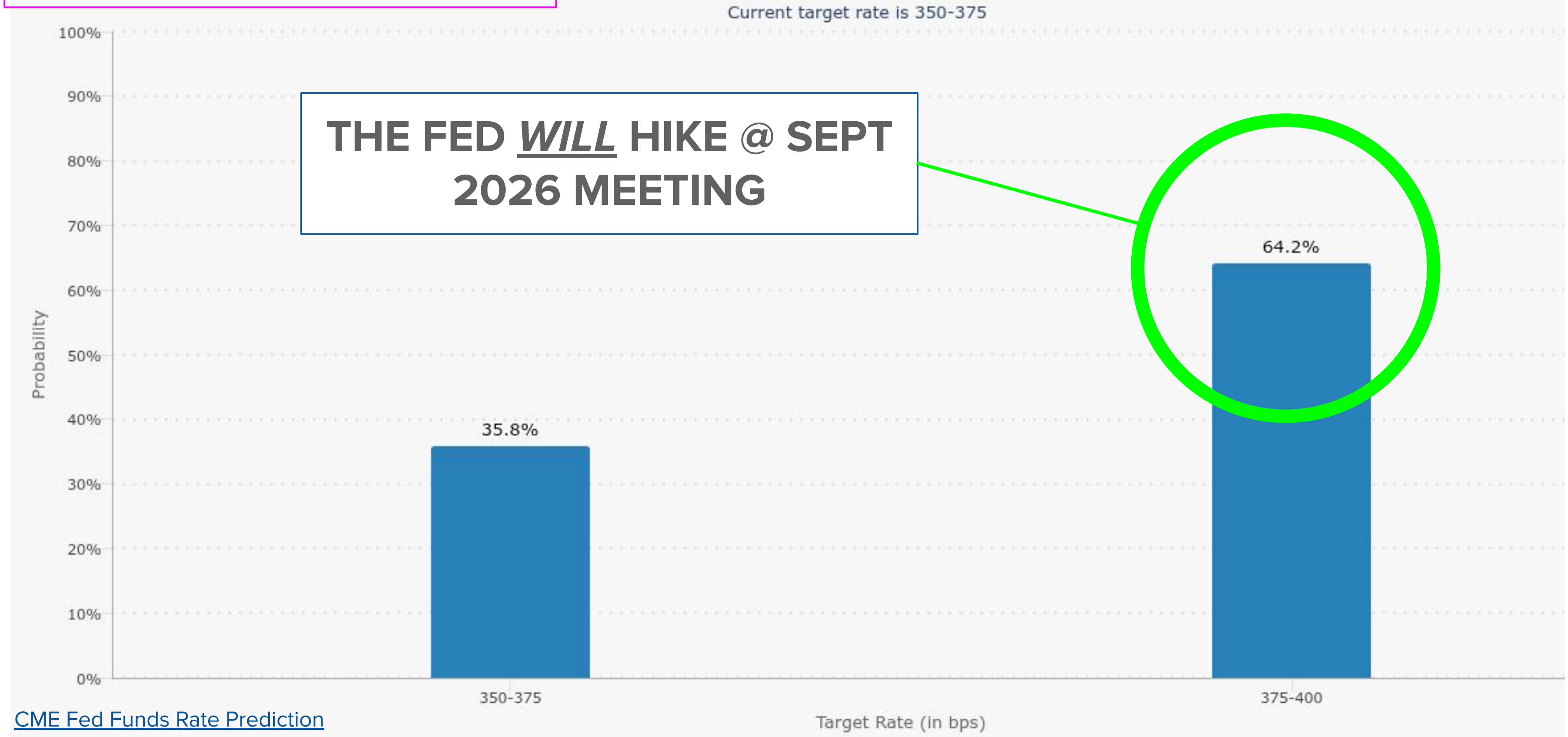
Path of US Rates

The CME Fed Funds rate prediction market shows an exceptionally clear path for higher rates in the US this year.

Ironically, this matches most developed countries in Europe and Australia, which completed rate cutting cycles last year.

MEETING INFORMATION						PROBABILITIES	
MEETING DATE	CONTRACT	EXPIRES	MID PRICE	PRIOR VOLUME	PRIOR OI	EASE	NO CHANGE
16 Sep 2026	ZQU6	30 Sep 2026	96.2963	0	0	0.0 %	35.8 %

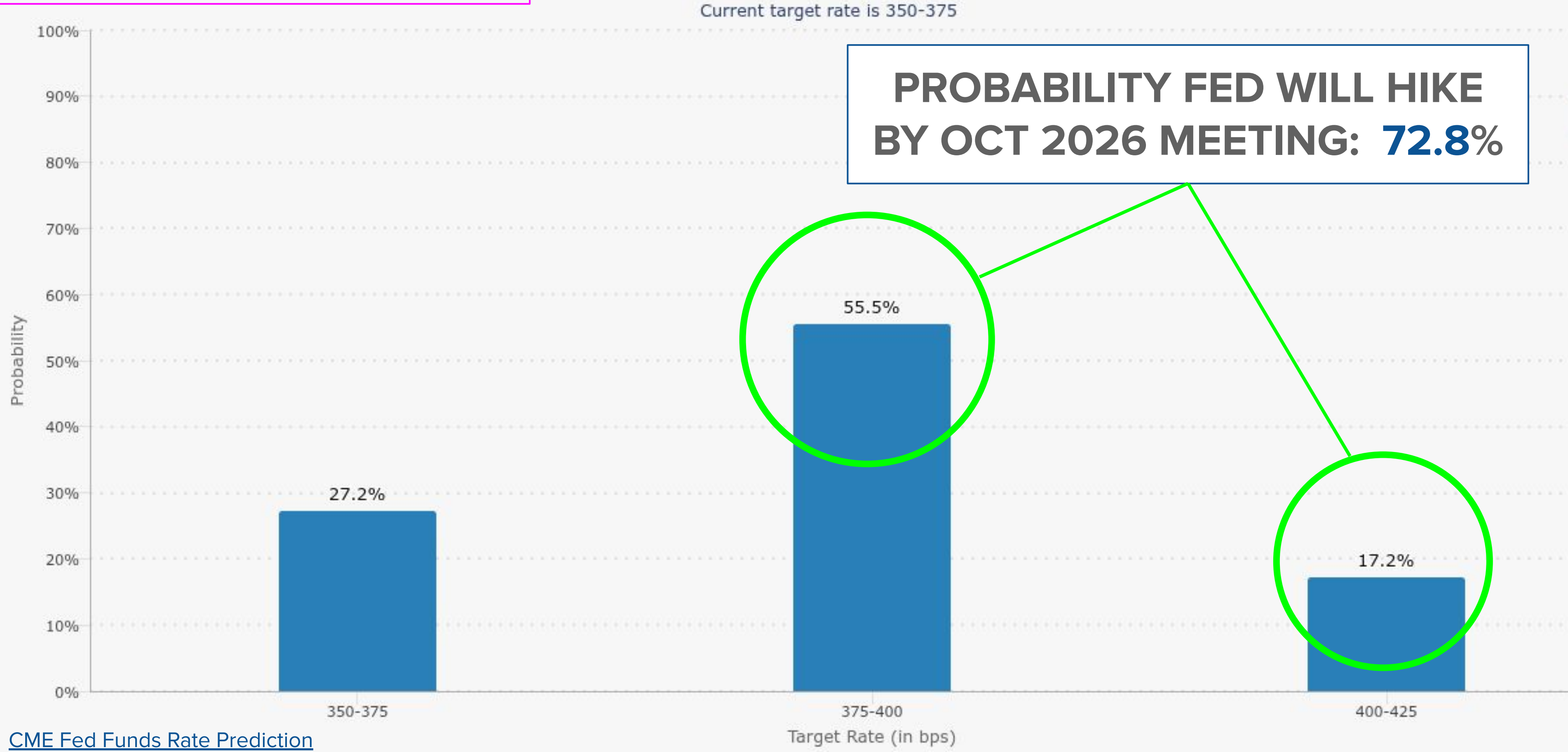
Target Rate Probabilities for 16 Sep 2026 Fed Meeting



[CME Fed Funds Rate Prediction]

MEETING DATE	CONTRACT	EXPIRES	MID PRICE	PRIOR VOLUME	PRIOR OI	EASE	NO CHANGE
28 Oct 2026	ZQV6	30 Oct 2026	96.2075	132,953	614,628	0.0 %	27.2 %

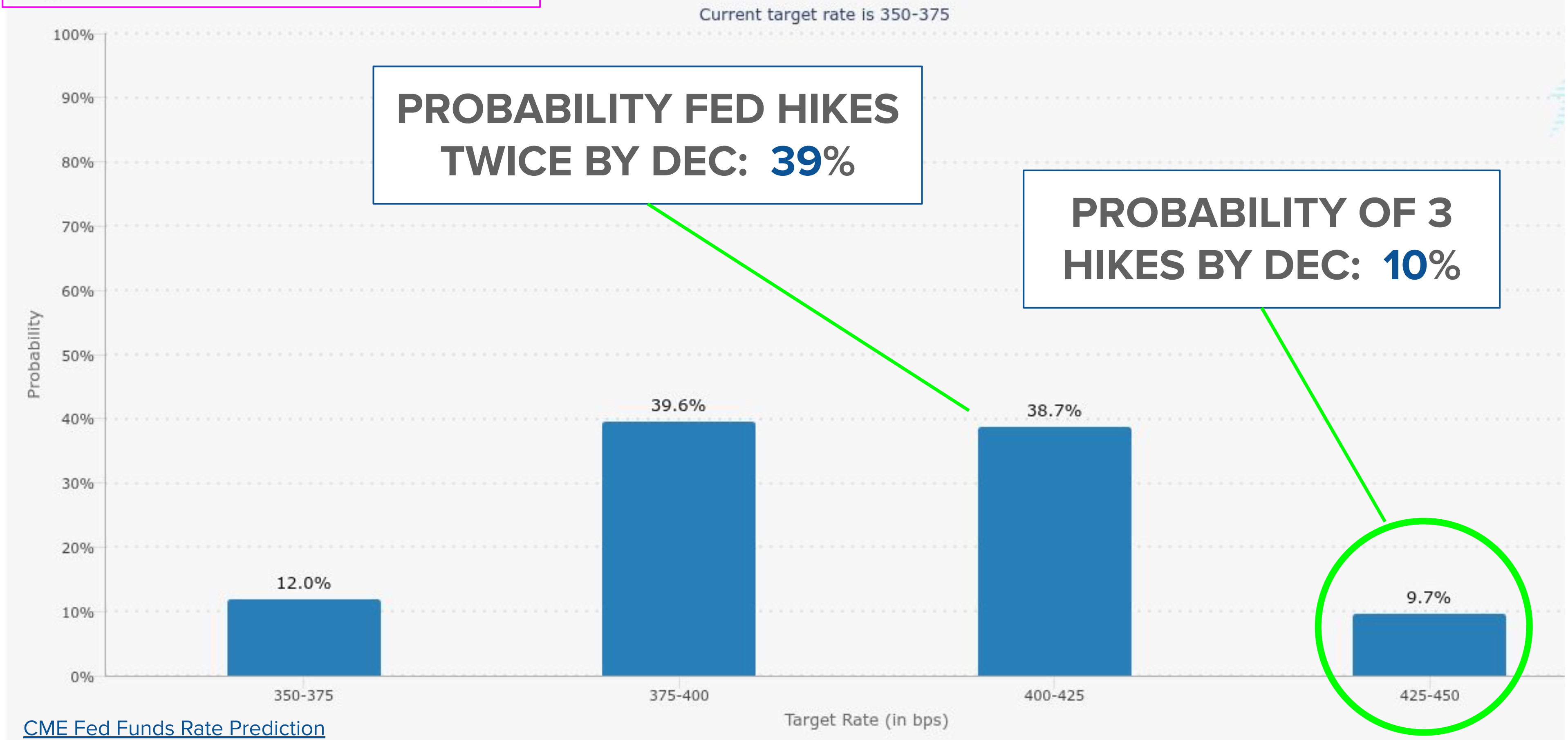
Target Rate Probabilities for 28 Oct 2026 Fed Meeting



CME Fed Funds Rate Prediction

MEETING DATE	CONTRACT	EXPIRES	MID PRICE	PRIOR VOLUME	PRIOR OI	EASE	NO CHANGE	H
9 Dec 2026	ZQZ6	31 Dec 2026	95.9900	30,295	213,527	0.0 %	12.0 %	

Target Rate Probabilities for 9 Dec 2026 Fed Meeting



CME Fed Funds Rate Prediction

Market Dynamics

Historically, bonds would rally during a sell off in risk assets.
This long standing phenomenon is no longer true.

Time honored, long standing correlations are breaking everywhere.

September 1, 2026

Stocks Down

Crude Oil Up

General View

Symbol	Last	Chg	Chg%
AUDJPY	114.519	0.066	0.06%
AUDUSD	0.71467	-0.00194	-0.27%
CADJPY	115.296	0.040	0.03%
DJI	52,789.27	-402.06	-0.76%
DXY	99.687	0.274	0.28%
ES1!	7,641.75	-57.25	-0.74%
ES2!	7,710.75	-56.00	-0.72%
SPX	7,631.79	-54.35	-0.71%
EURUSD	1.15893	-0.00277	-0.24%
GBPUSD	1.35134	-0.00341	-0.25%
NZDUSD	0.58918	-0.00243	-0.41%
NZDJPY	94.412	-0.085	-0.09%
GC1!	4,388.0	-93.5	-2.09%
GLD	398.06	-10.36	-2.54%
NQ1!	29,105.50	-407.50	-1.38%
NQ2!	29,405.50	-403.00	-1.35%
NDX D	29,071.24	-385.73	-1.31%
RTY1!	2,925.1	-33.6	-1.14%
SI1!	65.085	-1.905	-2.84%
SLV	58.29	-1.84	-3.06%
UKOIL	94.540	3.829	4.22%
USOIL	90.094	3.810	4.42%
CL1!	90.08	4.32	5.04%
VIX D	16.01	1.09	7.31%
YM1!	52,844	-396	-0.74%
YM2!	53,259	-396	-0.74%

Bonds Down

Yields Up

Fixed Income

Symbol	Last	Chg	Chg%
US02	99'16'1	-0'02'5	-0.08%
US05	99'07'7	-0'06'0	-0.19%
US10	98'23'0	-0'08'5	-0.27%
US30	97'31'1	-0'06'1	-0.19%
ZF1!	105'17'0	-0'05'5	-0.16%
ZN1!	107'13'5	-0'07'5	-0.22%
ZN2!	107'08'5	-0'06'5	-0.19%
TWE1!	125'16	0'00	0.00%
ZB1!	108'11	-0'09	-0.26%
ZB2!	107'30	-0'09	-0.26%
TLT	81.92	-0.60	-0.73%
FVX.P D	45.48	0.41	0.91%
TYX.P D	52.63	0.14	0.27%
US03M	3.78	0.03	0.85%
US06M	3.90	0.04	1.05%
US01Y	4.157	0.013	0.31%
US02Y	4.387	0.041	0.94%
US05Y	4.546	0.042	0.93%
US10Y	4.788	0.034	0.72%
US30Y	5.260	0.013	0.25%

Conclusions

Important Takeaways and Actions to Consider

Conclusions

- **<u>Rate Rise: Global Phenomenon</u>**. After troughing last year (2025), rates in most developed countries begin a slow march upward.
- **<u>Reasons</u>** for this are myriad:
  - War in Iran and the increase in crude oil prices
  - Nearshoring
  - A.I. and the retraining of large portions of the workforce.
- **<u>When, Not If</u>**. In the United States, it is a question of *when not if*, rate hikes are coming.

Conclusions

- **<u>Already Priced In</u>**. The market is now pricing in not one, but two or more rate hikes this in 2026 & 1H 2027.
- **<u>Beware the Danger of Expectations</u>**. If the Fed fails to follow-thru on the Fed Funds prediction, 50-75 bps of loosening will be immediately priced into the market if/when hikes are postponed.

APPENDIX

Additional Information

END

PRESENTATION