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Wednesday, August 26, 2026

Market Snapshot

S&P 500: 7,685 futures - -0.1% | Futures were nearly flat before PCE and Nvidia, leaving the index near Tuesday's record zone

Brent Crude: \$85.85 | Down about 3.1% as Iran-Oman talks revived hopes for more Hormuz shipping flows

Gold: \$4,500 area | Easing with oil and yields as the premarket favored inflation relief over a fresh haven bid

Fed Funds Rate: 3.50-3.75% | Held July 29 - Core PCE and Friday's Jackson Hole address frame the September debate

The Lead

Nvidia Owns the Close. Inflation Still Owns the Discount Rate.

S&P 500 futures hovered near 7,685 before a dense 8:30 AM ET data cluster and Nvidia's post-close results, while Brent's slide toward \$85.85 offered rate relief without lowering the extraordinary earnings bar facing the market's largest company.

Wednesday compresses the market's two dominant narratives into one session. July personal consumption expenditures data tests whether inflation is settling enough for the Federal Reserve to remain patient, and Nvidia then tests whether AI earnings can keep growing fast enough to justify the equity market's concentration and valuation. Futures were nearly flat before the bell, a sign that neither catalyst was safely pre-priced.

The overnight cross-asset move offered a modest cushion. Brent fell for a third session to roughly \$85.85 as Iran and Oman resumed talks over managing shipping through the Strait of Hormuz. European shares edged higher and bond yields eased with oil, while the dollar index held near 98.95. Lower energy costs weaken the immediate inflation impulse, but a still-fragile shipping corridor means the relief remains conditional.

The 8:30 AM ET release window is unusually crowded. Consensus centered on core PCE rising 0.2% month over month and 3.3% year over year, headline PCE up 0.1%, second-quarter GDP holding near a 1.5% annualized pace, durable goods excluding transportation gaining about 0.5%, and personal income and spending each advancing around 0.2%. A firm inflation print paired with resilient demand would keep September tightening risk alive even if crude continues to fall.

Nvidia's fiscal second-quarter report carries a different kind of duration risk. Wall Street expects roughly \$92 billion of revenue and adjusted earnings near \$2.09 a share, almost double the year-earlier levels, while options imply a move around 5.4%. With consensus already above the company's \$91 billion guidance midpoint, a conventional beat may not be enough; guidance, data-center demand, supply execution, and hyperscaler spending commentary

will determine the read-through across semiconductors, utilities, networking, and credit.

Foreign exchange underscores the policy tension. EUR/USD near the mid-\$1.16 area and USD/JPY still close to intervention-sensitive territory leave the dollar responsive to rate differentials, while gold near the \$4,500 area is balancing lower energy risk against uncertainty around inflation and central-bank messaging. Natural gas remains a secondary but important cost channel as power demand from data centers keeps energy infrastructure tied to the AI earnings story.

The session does not end with Nvidia. Richmond Fed President Thomas Barkin is scheduled to speak later Wednesday, initial claims and the Jackson Hole symposium arrive Thursday, and Chair Kevin Warsh delivers keynote remarks Friday at 10:00 AM ET. The durable market move will depend on whether softer oil, contained inflation, and credible AI guidance align; a break in any one leg can spread quickly through equities, rates, FX, commodities, credit, and earnings revisions.

Callout

Key insight: Nvidia can validate the earnings numerator, but only inflation and the Fed can stabilize the discount-rate denominator. Today's strongest outcome requires both sides of that valuation equation to cooperate.

What Moves Today

July PCE Inflation, Income and Spending (8:30 AM ET)

High Impact Consensus expects core PCE to rise 0.2% month over month and 3.3% year over year, with headline PCE near 0.1% monthly and income and spending each around 0.2%. A hotter core reading would lift yields and the dollar; an in-line or softer result would let falling oil reinforce the case for patience.

Q2 GDP Revision and July Durable Goods (8:30 AM ET)

High Impact The second GDP estimate is expected to hold near 1.5% annualized, while durable goods excluding transportation are seen rising about 0.5%. Resilient demand supports earnings, but strength alongside sticky inflation would preserve the case for restrictive policy.

Nvidia Fiscal Q2 Earnings (After the close - Call 5:00 PM ET)

Earnings Consensus clusters near \$92 billion of revenue and \$2.09 in adjusted EPS, versus company revenue guidance centered on \$91 billion. Guidance and data-center commentary will matter more than the backward-looking beat and can move the broader AI supply chain, power demand, and index-level risk appetite.

Salesforce and CrowdStrike Earnings (After the close)

Earnings Consensus is near \$11.3 billion of Salesforce revenue and \$1.44 billion for CrowdStrike. Their guidance tests whether enterprise software and cybersecurity budgets are broadening the AI capex cycle beyond accelerators.

Richmond Fed President Thomas Barkin (11:45 AM ET)

Fed Watch Barkin speaks after the inflation release and before Jackson Hole, giving markets a same-day policy interpretation. Emphasis on persistent price pressure would reinforce a higher-for-longer move; confidence in cooling inflation would help contain front-end yields.

Three Signals

Signal 01 - Equities / AI

The earnings bar is now measured in guidance quality, not merely in beats.

Nvidia consensus near \$92 billion already assumes extraordinary growth, while the options market prices a roughly 5.4% move. The decisive signal is whether forward demand can support semiconductors, cloud capex, power infrastructure, and index breadth together.

Signal 02 - Commodities / Rates

Brent's fall removes pressure, but it does not erase the inflation premium.

Crude near \$85.85 is down sharply on renewed Hormuz-flow hopes, helping European equities and bonds. A sustained break below the mid-\$80s would soften inflation expectations; a reversal toward \$90 would quickly restore term-premium and margin pressure.

Signal 03 - FX / Policy

The dollar is waiting for PCE before Jackson Hole sets the policy frame.

The dollar index near 98.95 and EUR/USD around 1.16 show limited conviction before the data, while USD/JPY remains intervention-sensitive. A hotter print would favor the dollar and higher yields; softer inflation would widen the window for a more patient Fed message.

Possible Paths - Wednesday, August 26, 2026

Inflation sets the opening range; Nvidia determines whether leadership broadens or fractures.

Clean alignment: Core PCE meets or undershoots consensus, Brent holds below \$86, Barkin sounds patient, and Nvidia delivers strong guidance with broad demand. Equities widen beyond mega-cap technology, Treasury yields ease, the dollar softens, EUR/USD firms, USD/JPY retreats, gold consolidates, natural gas remains contained, credit spreads stay tight, and earnings estimates rise.

Macro restraint: Inflation runs hot or demand proves too resilient, lifting yields even if Nvidia beats. Equity multiples compress, the curve bear-flattens or bear-steepens with term premium, the dollar strengthens, EUR/USD weakens, USD/JPY tests intervention risk, gold absorbs higher real rates, oil relief limits but does not reverse pressure, credit spreads widen, and earnings guidance is discounted more heavily.

AI disappointment: Inflation behaves and rates settle, but Nvidia guidance or data-center commentary falls short of elevated expectations. Semiconductors and AI infrastructure lead equities lower, Treasury yields decline without producing a growth-stock rally, FX follows policy differentials, gold retains support, energy trades on Hormuz headlines, technology credit softens, and revisions narrow across hardware, power, and enterprise software.

Disclosure

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