

SEPTEMBER, 2026

Are We All Digital Hoarders?

In September 1956, IBM introduced the world's first computer with a hard disk drive: the RAMAC 305.¹ It weighed over a ton, stood the size of two refrigerators, and had to be moved by forklift.² Its capacity was roughly five megabytes, less than a single photo taken on today's iPhone. IBM leased the whole system for \$3,200 a month, a sum equivalent to roughly \$39,000 today.³

This month, \$9.99 buys 2,000,000 megabytes of cloud storage.⁴ That's 400,000 times more capacity, for a fraction of the price, delivered instantly to a device in your pocket.

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[1] 1956: First commercial hard disk drive shipped | The Storage Engine | Computer History Museum
 [2] Ibid.
 [3] \$3,200/month in 1956 dollars ≈ \$39,000 in 2026 dollars, standard CPI inflation adjustment.
 [4] Google One and Apple iCloud+ 2TB consumer storage pricing, confirmed mid-2026 (\$9.99/month).

CONTINUED →

That collapse in cost is the explanation for a very modern habit: most of us have become digital hoarders. Duplicate photos. Years of unopened email. Screenshots we'll never look at again, kept "just in case," because for the first time in history, keeping everything costs almost nothing.

What feels like a harmless personal quirk is, in aggregate, part of a much larger economic story — the same collapse in storage costs that filled our phones also allowed businesses and the internet to preserve extraordinary amounts of data.

AI has now made much of that accumulated information newly valuable, helping drive one of the largest industrial buildouts in American history: the modern data center.

A Brief History of Storage

FROM MAGNETIC TAPE TO THE CLOUD

DIFFERENT DEVICES.
A BIGGER WORLD.
THE SAME HUMAN DRIVE
TO KEEP INFORMATION.

STORAGE
BUILDS
A BRIGHTER
TOMORROW

1951
Magnetic tape becomes the first practical computer storage medium: sequential only, no skipping ahead.

1956
IBM's RAMAC introduces the hard disk drive.

1971
IBM's first floppy disk: 8 inches, roughly 80 kilobytes.

1976
The 5.25-inch floppy arrives and becomes the face of early personal computing.

Late 70s–early '80s
Floppy drives remain too expensive for many home buyers; machines like the Commodore 64 and TRS-80 store programs on ordinary cassette tape instead.

1981–85
Sony's 3.5-inch floppy, then the Sony-Philips CD-ROM, push capacity higher still.

1997
A megabyte of hard-drive storage costs roughly ten cents — down from over \$11,000 four decades earlier.^[1]

2000
The USB flash drive arrives: 8 megabytes, no moving parts.^[2]

2006
Amazon launches S3. Storage stops being something you own, and becomes something you rent, instantly, from someone else's building.

PHYSICAL MEDIA ————— More capacity. Lower costs. A more connected world. ————— TO THE CLOUD

SOURCES: [1] Historical hard-drive cost-per-megabyte figures, IBM archives / Computer History Museum. [2] 2000: Portable Personal Storage Devices | The Storage Engine | Computer History Museum.

INFORMATION TODAY.
A BRIGHTER TOMORROW.

Sources (as printed in the exhibit): [1] Historical hard-drive cost-per-megabyte figures, IBM archives / Computer History Museum. [2] 2000: Portable Personal Storage Devices | The Storage Engine | Computer History Museum.

Digital Storage: From Commodity to Industrial Infrastructure

While Amazon was reinventing how storage got sold, Google, a few years earlier, had already reinvented how the buildings holding all of it worked.

Everyone knows Google's first innovation: PageRank, the 1998 algorithm that used the web's link structure as a powerful signal of importance rather than relying primarily on traditional text matching, which made Google's results dramatically better than rivals like AltaVista and Yahoo.⁵

Fewer people know Google's second innovation, which mattered just as much to the business, even though it never made headlines. By 1998–1999, working out of a cramped cage in a Santa Clara colocation facility, Google's engineers built their infrastructure not from expensive, "enterprise-grade" servers, but from ordinary, cheap PC parts.⁶ Instead of engineering hardware that never broke, they wrote software that assumed constant failure and simply routed around it. It worked because search was "loosely coupled" — millions of small, independent tasks, drawing modest power, that was highly parallelizable and unusually tolerant of component failure.

That approach, described in papers like 2003's "The Google File System," went on to win some of computer science's highest honors and directly inspired the open-source tools that ran much of the internet's infrastructure for the next two decades.⁷ It's arguably as important an innovation as PageRank.

Decades of digital hoarding didn't just fill up personal phones — it filled up the internet. Common Crawl, the nonprofit archive that supplies much of the raw material for large language model training, has been crawling and storing the web since 2008 and now holds more than 300 billion pages, growing by billions more each month.⁸ GPT-3, the model that helped kick off the current AI boom, drew a large share of its training data from that same archive, supplemented by digitized books and encyclopedias — a curated slice of decades of accumulated human hoarding.⁹

Large language models, in other words, are not just consumers of cheap storage; they were made possible in part by decades of inexpensive data accumulation. Much of the training data available today simply would not have been preserved at this scale if storage had remained too expensive to justify keeping it.

[5] "Milestones: PageRank and the Birth of Google, 1996–1998," IEEE Engineering and Technology History Wiki.

[6] Data Center Knowledge, "Looking Back: Google's First Data Center."

[7] Ghemawat, Gobioff, and Leung, "The Google File System," SOSP 2003 — recipient of the ACM SIGOPS Hall of Fame Award.

[8] Common Crawl Foundation; academic analyses of large language model pre-training corpora (arXiv).

[9] Brown et al., "Language Models are Few-Shot Learners" (GPT-3), 2020; subsequent published analyses of GPT-3's training data composition.

AI changed the economics of that playbook on several critical fronts. Training a large model isn't loosely coupled, it's thousands of chips synchronizing constantly, closer to one giant machine than many small ones. Those chips don't sit mostly idle the way an ordinary processor does; they run at near-full power continuously, generating heat few buildings were designed to remove. And they need data fed to them faster than most storage and networking gear was built to deliver.

Three problems that used to be solved separately — power and heat, data-feed speed, and data volume — now have to be solved together, in the same room. The evidence is physical: a traditional data center rack draws roughly 7.6 kilowatts; a single rack of Nvidia's current AI chips draws over 120 kilowatts — fifteen to twenty times more, in the same footprint, requiring direct liquid cooling.¹⁰

Tellingly, Google's own answer to this new problem wasn't more cheap parts, it was proprietary chips of its own, the TPU, introduced in 2016 specifically for AI workloads.¹¹ The company that once furnished its data centers from an electronics store now designs its own silicon. That's the honest scale of what changed.

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Are We Overbuilding, or Just Catching Up?

U.S. hyperscaler capital spending is on pace to reach roughly \$700–800 billion in 2026, about six times 2022 levels — with a further nearly \$1 trillion projected for 2027.¹² Increasingly, that spending is debt-financed rather than cash-financed: analysts project the technology sector will need to issue roughly \$1.5 trillion in new debt to finance part of an estimated \$5.3 trillion AI/data-center investment spend over the next several years.¹³ Ratings agency Moody's has also flagged a less visible number worth knowing: hyperscalers are sitting on an estimated \$662 billion in signed data center lease commitments that haven't even started yet — obligations that don't show up in the capital expenditure figures that most investors watch.¹⁴

[10] Uptime Institute, 2025 global data center rack power density survey; Nvidia / HPE technical specifications, GB200 NVL72 rack system.

[11] Google Cloud, Tensor Processing Unit (TPU) announcement, 2016.

[12] Moody's: Hyperscaler capex forecasts marked up by \$85bn, to close in on \$1trn by 2027 — DCD; J.P. Morgan, "Financing AI Infrastructure and U.S. Data Centers."

[13] Morgan Stanley and J.P. Morgan debt-issuance projections, as reported across 2026 industry and financial press coverage.

[14] Moody's Ratings, data center lease commitment disclosures, 2026. Moody's: Hyperscalers understating risks of short-term AI DC lease agreements, leaving investors in the dark — DCD

This is precisely why the question, “are we overbuilding,” doesn’t yet have a clean answer as serious, well-capitalized people disagree. And this disagreement is already showing up in markets, with hyperscalers largely viewing underinvestment in AI as the existential risk, while a growing number of investors worry the spending itself is the risk, a divide already visible in widening bond spreads and softer equity multiples for some of the largest spenders.

The case for “we’re actually behind” has real evidence too. Vacancy across North America’s primary data center markets sits at a record-low 1.4%, while more than 80% of capacity currently under construction has already been preleased.¹⁵ Power availability has become one of the biggest constraints on new supply, with grid interconnection timelines in some regions stretching as long as seven years. Goldman Sachs estimates that only 50–60% of the data center capacity scheduled to come online over the next one to two years will actually arrive on time due to power, supply-chain, labor and other construction constraints.¹⁶ In other words, even with an enormous amount of capital chasing the opportunity, physical infrastructure cannot necessarily be built as quickly as demand can grow.

Prominent technology investors also point to real-world usage data as evidence that demand may still be underestimated. Gavin Baker of Atreides Management recently noted that his own firm’s AI token consumption increased roughly 100-fold between March and August 2026. He has also cited payback periods of roughly nine to ten months for certain highly utilized AI compute infrastructure.¹⁷ These are specific examples rather than industry-wide economics, and the returns depend heavily on utilization and customer contracts, but they illustrate the bull case: if AI usage continues to compound while compute remains constrained, well-positioned infrastructure can generate unusually attractive economics.

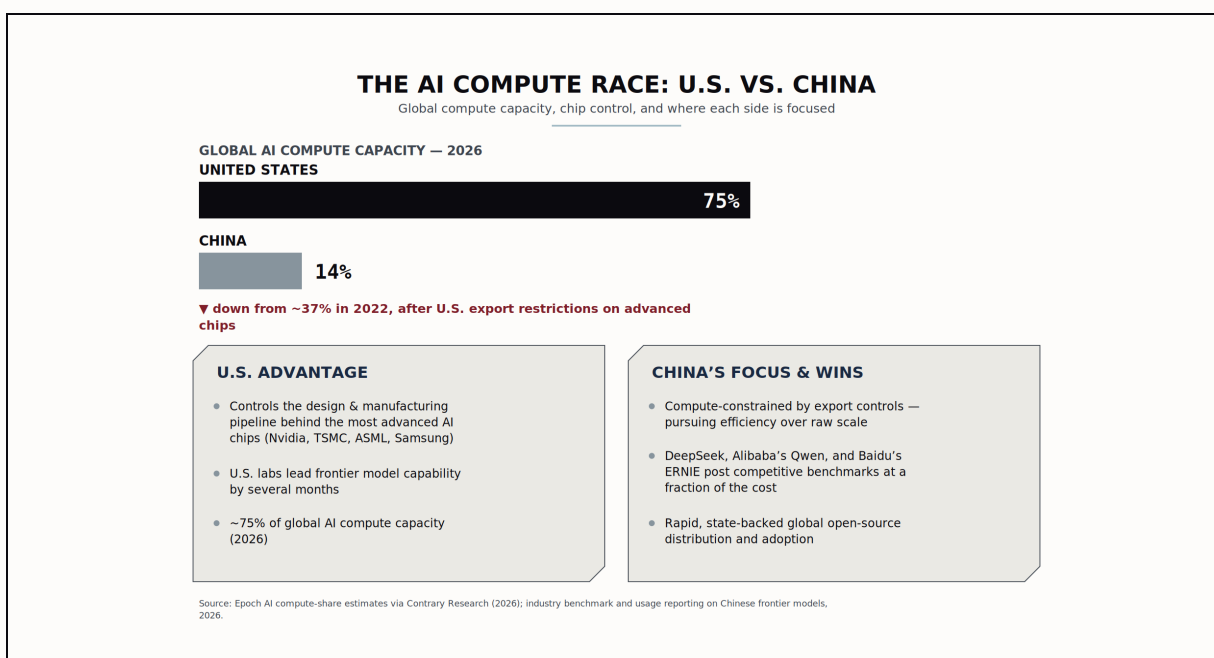
Layered on top of both arguments is the obsolescence question: as chip refresh cycles compress toward 18–36 months, a growing share of this capex looks less like one-time construction and more like recurring replacement spend — a very different, and riskier, thing to finance with 15-year debt.

[15] CBRE, North America Data Center Trends H1 2026 — primary-market vacancy of 1.4%; 80.4% of under-construction capacity preleased.

[16] Goldman Sachs Research, US Data Center Power Demand Projected to Double by 2027 and The Outlook for Data Center Power Demand as AI Token Use Grows — only approximately 50–60% of scheduled near-term capacity expected to arrive on time; grid interconnection delays can extend to seven years.

[17] Gavin Baker, Atreides Management, public commentary as reported in 2026 financial press.

There's a bigger stake in this buildout than any single company's balance sheet: it is also a contest between countries. The U.S. currently holds a significant advantage in available AI compute and, together with key allies, controls much of the ecosystem behind the most advanced chips. China, constrained by U.S. export restrictions, has responded by emphasizing efficiency, domestic alternatives, and lower-cost models such as DeepSeek. The race, in other words, may not be decided simply by who has the most compute, but also by who uses that compute most effectively. That makes the physical constraints discussed above — chips, power, cooling, memory and networking — strategic assets as well as commercial ones.



Source (as printed in the exhibit): Epoch AI compute-share estimates via Contrary Research (2026); industry benchmark and usage reporting on Chinese frontier models, 2026.

Here is where we'd point clients toward the less obvious opportunity closer to home.

The obvious race of whose model is smartest gets the headlines, the same way PageRank got Google all the attention in 1998. But Google's other innovation, the unglamorous one nobody talks about, turned out to matter just as much to who actually made money.

The same pattern may be repeating now: the quieter, arguably more durable opportunity may not be in picking the eventual AI model winner at all, but in whoever solves the physical constraints — heat, power delivery, and memory bandwidth — standing between today's ambition and tomorrow's capacity.

Conclusion

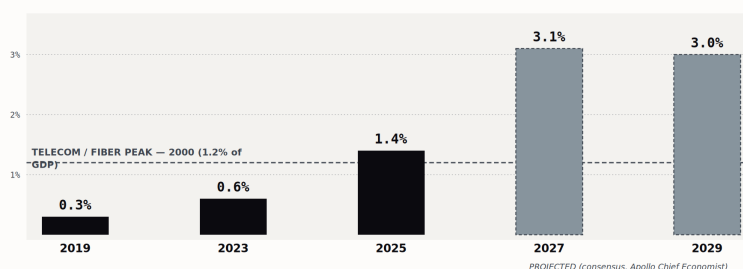
Every major infrastructure buildout like this has followed a familiar arc: railroads in the 1880s, telecommunications and fiber in the late 1990s, and now data centers and AI.

Exuberance arrives first, capital floods in faster than demand can absorb it, and a correction eventually follows, clearing out the weakest projects and the most aggressive financing along with them. And yet, in every prior case, the technology itself proved out over the long run: the railroads that survived a decade of overbuilding and bankruptcy went on to knit together a continent, and the fiber laid down in the excesses of the dot-com era became the backbone the internet still runs on today. We'd expect this cycle to rhyme with those, not repeat them exactly — but the pattern is worth holding onto as headlines swing between AI euphoria and AI bubble warnings in the months ahead.

Exuberance arrives first, capital floods in faster than demand can absorb it, and a correction eventually follows, clearing out the weakest projects and the most aggressive financing along with them.

THE AI CAPEX SURGE: DWARFING THE LAST TELECOM BOOM

Hyperscaler capital spending as a share of U.S. GDP, 2019-2029



NEARLY 6X FASTER THAN THE DOT-COM ERA

AI capex is climbing as a share of GDP at roughly 0.85 percentage points a year — versus about 0.15 points a year during the late-1990s telecom and fiber buildout. A cycle that builds this fast can unwind at a similar pace: the telecom bust that eventually followed its own boom contributed to the mildest post-war recession. Today's hyperscalers have far stronger balance sheets than the telecom carriers of 2000 — but the speed of the buildout, not just its size, is what makes this cycle historically unusual.

Source: Torsten Slok, Chief Economist, Apollo Global Management, "The AI Capex Boom Is Building Twice as Fast as the Housing Boom" (Aug. 2026), analysis of FactSet, Bloomberg, and World Bank data.

Source (as printed in the exhibit): Torsten Slok, Chief Economist, Apollo Global Management, "The AI Capex Boom Is Building Twice as Fast as the Housing Boom" (Aug. 2026), analysis of FactSet, Bloomberg, and World Bank data.

Which brings us back to where we started.

The instinct to hoard, enabled by storage cheap enough that none of us think twice about it, scaled from a phone full of unopened screenshots into an internet containing an almost unimaginable amount of accumulated information.

AI has now given us powerful new ways to use that information, helping fuel one of the largest industrial buildouts in American history. Whether the current pace of construction turns out to be prescient or premature, the underlying appetite for data, and the compute needed to make sense of it, isn't going away. As always, we'd encourage clients to separate the durability of a theme from the fate of any single company or facility riding it, and to make sure any exposure fits within a properly diversified plan built around your own goals.

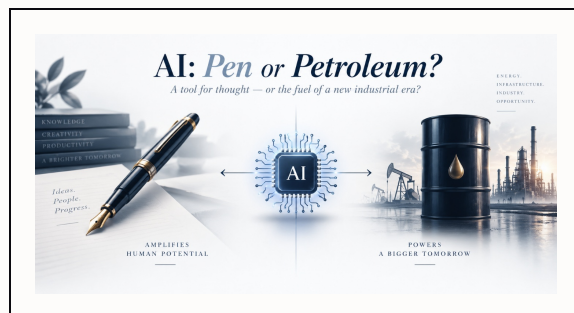
Deep Thought: Is AI the Ballpoint or Petroleum?

Ballpoint pens cost the equivalent of \$230 in today's dollars when they launched in 1945. The premium had nothing to do with scarce materials — it reflected how hard reliable ink-flow engineering was to pull off, and for a few years almost nobody else could do it. Once the know-how spread, competition erased the premium entirely; pens now sell for pennies. Oil never followed that path. Its premium survives because no amount of competition can manufacture more oil-bearing geology. An interesting framework we picked up in our reading this month:¹⁸ as trillions pour into AI infrastructure, which kind of scarcity is actually being priced in?

Today's AI premium, in both the algorithms and the chips, looks more like the pen story: a production-difficulty rent, earned by whoever currently knows how to do something genuinely hard. History says that kind of edge diffuses. But unlike pens, AI's frontier keeps moving, and pushing it further runs into real physical

constraints — fabrication precision, energy, materials — that don't simply diffuse away. The likely outcome may be a bifurcation: yesterday's cutting edge commoditizes into an ordinary input, while a genuine frontier, bound by physics rather than know-how, keeps commanding a premium.

If that's right, the capital pouring in today is a bet that the whole stack stays scarce forever. How much of it is actually chasing the moving frontier — and how much will be caught holding pens?



[18] *Is AI like Petroleum, or like Pens?*, Progress and Poverty (August 2026).

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RECENT EPISODES

ADVISOR WARS • AUGUST 2026

Tax Alpha or Marketing Hype? The Truth About Direct Indexing

Guest: Dave Nadig, President and Director of Research at ETF.com

Dave Nadig joins Bob Huebscher and Joe Halpern to separate direct indexing's substance from its marketing — the 2020 acquisition wave that built a \$1.5 trillion market, what separately managed accounts actually solve, why the 1–5% “tax alpha” is real but typically exhausted within three to five years, and how direct indexing compares with exchange funds and Section 351 exchanges for concentrated positions.

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INVESTMENT WARS • EP. 40

Digital Assets: The Tokenization of Everything

Guest: Chris Solarz, CIO of Digital Assets at Amitis Capital

Joe Halpern sits down with Chris Solarz to look past Bitcoin and meme coins to the tokenization of real-world assets — how blockchain could change ownership, trading, settlement, and collateral, what a global 24/7 marketplace would mean, and how to tell legitimate assets from speculative tokens as digital-asset markets mature.

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Advisor Wars is hosted by Bob Huebscher and Joe Halpern; Investment Wars is hosted by Joe Halpern, Managing Partner and CIO of Obsidian CIO. New episodes drop regularly — subscribe on Apple Podcasts or Spotify so you never miss a conversation.

Talking Points – August 2026

MONTHLY MARKET RECAP

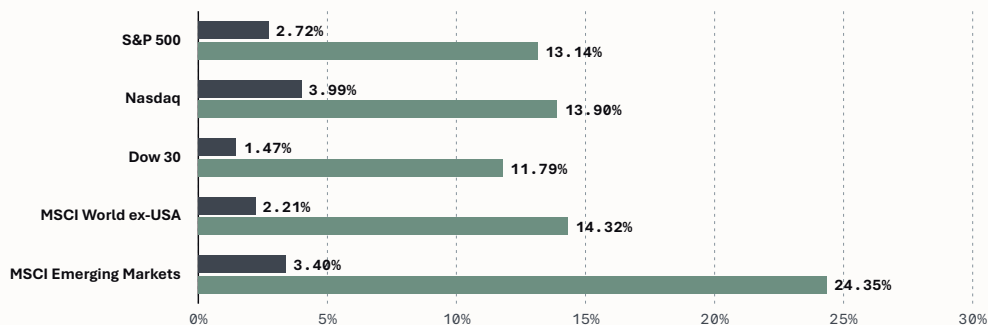
Equity markets rose broadly in August, with the Nasdaq outperforming the S&P 500 and the Dow as growth-oriented stocks regained some momentum. Treasury yields were mixed: front- and intermediate-term yields generally climbed, while the longest maturities ended near where they began after rising sharply during the month. Performance was shaped once again by the U.S.-Iran conflict, shifts in AI sentiment, and changing expectations for inflation and Fed policy. The Middle East conflict was a net negative contributor, as early optimism about a possible agreement faded. AI was a net positive contributor as several strong earnings reports, capped by Nvidia, outweighed weaker results early in the month. Inflation and interest rate expectations were more mixed: the data itself was reassuring enough to avoid a renewed inflation scare, but the Fed's July meeting minutes and Chairman Kevin Warsh's Jackson Hole remarks reinforced the risk that rates could rise sooner than investors expected.

Sentiment around the U.S.-Iran conflict briefly improved at the start of August after President Trump said the parameters of a potential agreement had been reached and that Iran and other countries in the region had asked the U.S. to delay planned attacks. Treasury Secretary Scott Bessent added to the optimism by suggesting an agreement to reopen the Strait of Hormuz could be announced within days, though details remained uncertain. Iran then outlined several conditions for reopening the Strait, including retaining some control over vessel traffic, the withdrawal of U.S. troops from the region, an end to economic sanctions, and reparations from the U.S. and its allies. Those demands quickly tempered optimism, and tensions rose again after reports that Iran had seized another vessel attempting to navigate the Strait. Later in the month, the U.S. shifted its strategy toward economic pressure, with Bessent announcing an "economic D-Day" campaign targeting countries and entities that continued to do business with Iran. Markets questioned how effective the strategy would be without greater clarity on how it would apply to China, Iran's largest trading partner and oil buyer. Overall, the lack of durable progress kept the conflict a negative contributor to market sentiment.

AI sentiment moved in the opposite direction, improving as August progressed. AI and semiconductor-related stocks weakened early in the month after SanDisk and Western Digital reported earnings that fell short of investors' elevated expectations following strong rallies earlier in the year. Sentiment improved mid-month after CoreWeave and Super Micro Computer delivered better-than-expected results. The biggest boost came late in the month, when Nvidia reported revenue and earnings well above forecasts and paired those results with a very bullish outlook. Nvidia's report helped lift broader equity markets and gave investors fresh evidence that demand for AI infrastructure remained strong. Despite recurring questions about valuations and elevated capital spending, AI was a positive contributor to performance for the month.

Expectations for Fed policy shifted repeatedly throughout August. The July jobs report initially reduced expectations for a near-term rate hike after the number of jobs added fell short of forecasts for the second consecutive month, even as the unemployment rate declined. Those expectations eased further after July CPI and Core CPI matched forecasts and declined from June, while PPI surprised to the downside. The improvement in inflation data was later offset by the Fed's July meeting minutes, which showed increased concern among policymakers about elevated inflation and continued upward pressure on prices from high energy costs related to the Middle East conflict. Long-term yields also rose sharply during the middle/end of the month after trading lower to start, with the 30-year Treasury yield reaching 5.3% for the first time since 2007. The Treasury Department tried to improve liquidity by announcing it would at least double the size of its longer-term debt buybacks. Equities and bonds initially responded favorably, but the reaction was short-lived as yields resumed their climb. Late in the month, July PCE and Core PCE were unchanged from June on a year-over-year basis, while headline PCE came in slightly above forecasts and prompted a muted market response. Warsh then used his first Jackson Hole speech as Fed Chair to emphasize that inflation remained too high and that the Fed's focus should remain on restoring price stability. Although he stopped short of committing to a specific decision, markets interpreted his remarks as increasing the likelihood of a rate hike sooner rather than later, making a 25-basis-point increase at the September meeting the base case as the month drew to a close.

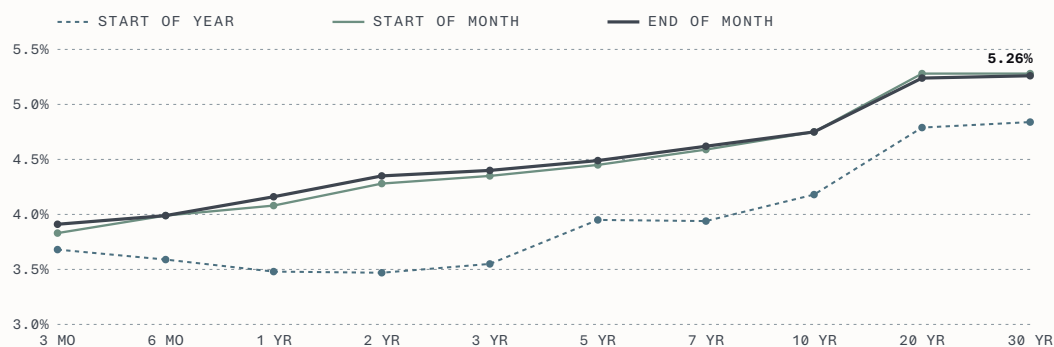
EQUITY INDICES: AUGUST 2026 RETURNS



	S&P 500	NASDAQ	DOW 30	MSCI WORLD EX-USA	MSCI EMERGING MARKETS
■ Monthly returns	2.72%	3.99%	1.47%	2.21%	3.40%
■ YTD returns	13.14%	13.90%	11.79%	14.32%	24.35%

Index returns through August 31, 2026. Source: Obsidian CIO, August 2026.

TREASURY YIELDS: AUGUST 2026



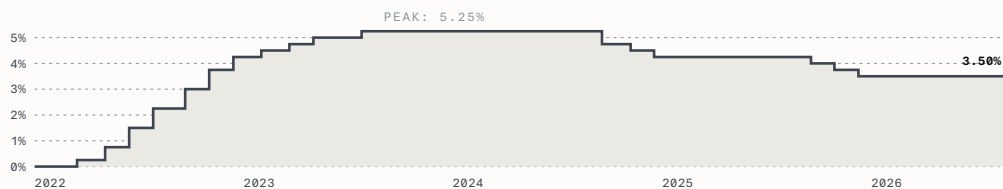
Start-of-year, start-of-month, and end-of-month yields. Source: Obsidian CIO, August 2026. End-of-month values read from the source chart ($\pm 0.02\%$).

FED INTEREST RATE DECISIONS: SINCE START OF HIKING CYCLE

MEETING	HIKE/CUT	TARGET RANGE	MEETING	HIKE/CUT	TARGET RANGE
Start of 2022	–	0.00% – 0.25%	6/12/2024	0.00%	5.25% – 5.50%
3/16/2022	+0.25%	0.25% – 0.50%	7/31/2024	0.00%	5.25% – 5.50%
5/4/2022	+0.50%	0.75% – 1.00%	9/18/2024	–0.50%	4.75% – 5.00%
6/15/2022	+0.75%	1.50% – 1.75%	11/7/2024	–0.25%	4.50% – 4.75%
7/27/2022	+0.75%	2.25% – 2.50%	12/18/2024	–0.25%	4.25% – 4.50%
9/21/2022	+0.75%	3.00% – 3.25%	1/29/2025	0.00%	4.25% – 4.50%
11/2/2022	+0.75%	3.75% – 4.00%	3/19/2025	0.00%	4.25% – 4.50%
12/14/2022	+0.50%	4.25% – 4.50%	5/7/2025	0.00%	4.25% – 4.50%
2/1/2023	+0.25%	4.50% – 4.75%	6/18/2025	0.00%	4.25% – 4.50%
3/22/2023	+0.25%	4.75% – 5.00%	7/30/2025	0.00%	4.25% – 4.50%
5/3/2023	+0.25%	5.00% – 5.25%	9/18/2025	–0.25%	4.00% – 4.25%
6/14/2023	0.00%	5.00% – 5.25%	10/29/2025	–0.25%	3.75% – 4.00%
7/26/2023	+0.25%	5.25% – 5.50%	12/10/2025	–0.25%	3.50% – 3.75%
9/20/2023	0.00%	5.25% – 5.50%	1/28/2026	0.00%	3.50% – 3.75%
11/1/2023	0.00%	5.25% – 5.50%	3/18/2026	0.00%	3.50% – 3.75%
12/13/2023	0.00%	5.25% – 5.50%	4/29/2026	0.00%	3.50% – 3.75%
1/31/2024	0.00%	5.25% – 5.50%	6/17/2026	0.00%	3.50% – 3.75%
3/20/2024	0.00%	5.25% – 5.50%	7/29/2026	0.00%	3.50% – 3.75%
5/1/2024	0.00%	5.25% – 5.50%			

Cuts shown in the negative color. Source: Federal Reserve (FOMC statements); compiled by Obsidian CIO.

TARGET FED FUNDS RATE: LOWER BOUND

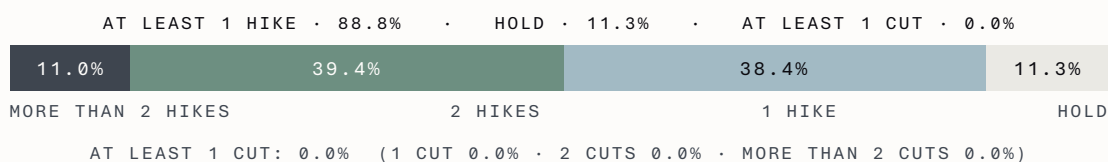


Lower bound of the target range, 2022–2026. Source: Federal Reserve; compiled by Obsidian CIO.

FED RATE PROBABILITIES: AUGUST 2026

AS OF	HIKE	HOLD	CUT	HIKE 50BPS	HIKE 25BPS	CUT 25BPS	CUT 50BPS
8/7/2026	41.90%	58.10%	0.00%	0.00%	41.90%	0.00%	0.00%
8/14/2026	32.60%	67.40%	0.00%	0.00%	32.60%	0.00%	0.00%
8/21/2026	40.40%	59.60%	0.00%	0.00%	40.40%	0.00%	0.00%
8/28/2026	57.00%	43.00%	0.00%	0.00%	57.00%	0.00%	0.00%

FULL-YEAR 2026 FORECAST



Market-implied probabilities for the September 16 FOMC meeting, weekly through 8/28/2026, and the full-year 2026 path. Source: Obsidian CIO, August 2026.

JULY INFLATION: CPI AND PCE, YEAR OVER YEAR

CPI (Y/Y)	JULY	VS. EXPECTED	VS. JUNE	PCE (Y/Y)	JULY	VS. EXPECTED	VS. JUNE
CPI	3.4%	3.4%	3.5%	PCE	3.7%	3.6%	3.7%
Core CPI	2.5%	2.5%	2.6%	Core PCE	3.3%	3.3%	3.3%

July readings against consensus expectations and the June print. Source: Obsidian CIO, August 2026.

Obsidian Sentiment Summary 2026

2026	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG
Fed	Mildly Bearish	Neutral	Neutral	Neutral	Neutral	Mildly Bearish	Bearish	Bearish
Interest Rate Decisions	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral
Commentary	Mildly Bearish	Neutral	Mildly Bearish	Mildly Bearish	Neutral	Bearish	Bearish	Bearish
Fed Independence	Mildly Bearish	Neutral	Neutral	Neutral	Neutral	Neutral	Mildly Bearish	Neutral
Economic Data	Mildly Bullish	Mildly Bullish	Mildly Bearish	Mildly Bearish	Mildly Bearish	Mildly Bearish	Mildly Bearish	Mildly Bullish
Inflation	Bullish	Mildly Bullish	Neutral	Mildly Bearish	Bearish	Mildly Bearish	Bullish	Mildly Bullish
Employment/Labor Market	Neutral	Mildly Bullish	Bearish	Neutral	Bullish	Bearish	Mildly Bearish	Bullish
GDP	Neutral	Neutral	Neutral	Neutral	Mildly Bearish	Bearish	Neutral	Neutral
Consumer Spending	Neutral	Mildly Bearish	Neutral	Neutral	Mildly Bearish	Neutral	Mildly Bearish	Neutral
Consumer Sentiment	Neutral	Neutral	Mildly Bearish	Bearish	Bearish	Mildly Bearish	Neutral	Neutral
Housing/Real Estate	Neutral	Mildly Bullish	Mildly Bullish	Neutral	Neutral	Neutral	Mildly Bearish	Neutral
Global Events/News	Mildly Bearish	Mildly Bearish	Bearish	Bullish	Mildly Bullish	Neutral	Bearish	Bearish
China	Neutral	Neutral	Mildly Bearish	Neutral	Mildly Bullish	Neutral	Bearish	Mildly Bearish
Middle East	Bearish	Bearish	Bearish	Bullish	Bullish	Mildly Bullish	Bearish	Bearish
Russia	Neutral	Neutral	Mildly Bearish	Neutral	Neutral	Neutral	Neutral	Neutral
South America	Mildly Bullish	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral
Europe	Mildly Bearish	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral
Japan	Neutral	Neutral	Neutral	Neutral	Neutral	Mildly Bearish	Mildly Bearish	Neutral
US Politics/Government	Mildly Bearish	Mildly Bullish	Neutral	Neutral	Neutral	Mildly Bearish	Mildly Bearish	Mildly Bearish
Tariffs	Mildly Bearish	Bullish	Mildly Bearish	Neutral	Mildly Bearish	Mildly Bearish	Mildly Bearish	Mildly Bearish
Economic Policy	Mildly Bearish	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral
Market Trends	Mildly Bearish	Bearish	Mildly Bearish	Neutral	Mildly Bullish	Mildly Bearish	Mildly Bearish	Mildly Bullish
Earnings	Mildly Bearish	Neutral	Neutral	Mildly Bullish	Bullish	Mildly Bearish	Mildly Bullish	Mildly Bullish
AI/Chips	Mildly Bearish	Bearish	Neutral	Mildly Bullish	Bullish	Mildly Bearish	Bearish	Bullish
Private Credit	Bearish	Bearish	Bearish	Mildly Bearish	Neutral	Bearish	Neutral	Mildly Bearish
Energy Prices	Mildly Bearish	Bearish	Bearish	Mildly Bearish	Mildly Bearish	Mildly Bullish	Bearish	Bearish
Metals/Critical Minerals	Mildly Bullish	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral
Crypto	Mildly Bearish	Neutral	Mildly Bearish	Neutral	Neutral	Bearish	Neutral	Bullish

Monthly read of the drivers behind market sentiment, January through August 2026. Source: Obsidian CIO, August 2026.

Performance in equities and fixed income continues to be driven by shifts in sentiment surrounding AI, the conflict in the Middle East, and expectations for interest rate decisions (Fed commentary, inflation/labor market data, etc.).

Key Topics/Items for August

BEARISH

- Iran outlining several conditions for reopening the Strait of Hormuz, including retaining some control over which vessels could navigate the waterway, the withdrawal of U.S. troops, an end to sanctions, and reparations from the U.S. and its allies
- The 30-year Treasury yield reaching 5.3% for the first time since 2007 as long-term yields continued to rise across U.S. and global bond markets
- The yield on 10-year Japanese government bonds rising above 2.9% to its highest level since 1996 as markets priced in a greater likelihood of a near-term Bank of Japan rate hike
- Energy prices rising after Iran seized another vessel attempting to navigate the Strait of Hormuz despite ongoing efforts to negotiate an end to the conflict
- Fed Chairman Kevin Warsh using his first Jackson Hole speech to emphasize that inflation remained too high and that the Fed still had work to do, offering little support to hopes that it would avoid raising rates this year
- Treasury Secretary Scott Bessent announcing plans for an “economic D-Day” against Iran by targeting countries and entities that continue to do business with it (questions remain over whether the U.S. would target China — Iran’s largest trading partner and oil buyer)

MILDLY BEARISH

- AI memory-storage companies SanDisk and Western Digital reporting earnings that fell short of markets’ lofty expectations after both stocks had rallied materially throughout 2026
- Walmart reporting its weakest quarterly sales growth in more than six years and warning that consumer demand was beginning to decline
- Minutes from the Fed’s July meeting showing increased concern among policymakers about elevated inflation and continued upward pressure on prices from high energy costs related to the conflict in the Middle East

- A new PitchBook report warning that reported private credit default rates may understate the risks facing the asset class despite a material increase in troubled loans during the first half of 2026
- Trade tensions between the U.S. and Canada escalating after negotiations deteriorated, with the U.S. announcing tariffs of up to 50% on certain Canadian goods and Canada countering with planned tariffs of 15%–50% on a range of U.S. products

NEUTRAL

- The U.S. government, working jointly with the Japanese government, announcing that it would be buying yen to support the currency after it had weakened materially in recent weeks
- July retail sales coming in below expectations
- University of Michigan's Consumer Sentiment Index declining by more than expected in August
- The Japanese yen continuing to weaken despite the recent intervention from the U.S. and Japanese governments as traders continued to take advantage of the popular yen carry trade
- July PCE and Core PCE remaining unchanged from the prior month on a year-over-year basis, although headline PCE came in slightly above expectations

MILDLY BULLISH

- July CPI and Core CPI coming in line with expectations and lower than the month prior
- July PPI surprising to the downside
- CoreWeave and Super Micro Computer reporting stronger-than-expected quarterly earnings results

- More than 40 S&P 500 companies reporting that they had received at least a portion of their tariff refunds following the Supreme Court's ruling against the Trump administration's tariffs, providing a material but one-time boost to earnings
- The U.S. Treasury Department announcing that it would "at least double" the size of its buyback operations for longer-term government debt in an effort to improve liquidity in the bond market

BULLISH

- President Trump stating that Iran/other Middle Eastern countries had asked the U.S. to hold off on planned attack because the "parameters of a deal" had been agreed to (exact details uncertain)
- Treasury Secretary Scott Bessent suggesting an agreement to reopen the Strait of Hormuz could be announced "within days" after Trump said that the parameters of a deal had been agreed to (exact details uncertain)
- July's jobs report showing that U.S. jobs added fell short of expectations for the second consecutive month, even as the unemployment rate declined — suggesting that the labor market may be weaker than previously thought and reducing expectations for a near-term rate hike
- Bitcoin and other cryptocurrencies rallying despite weakness across traditional asset classes after President Trump backed industry-friendly legislation
- Nvidia reporting quarterly revenue and earnings that exceeded even the most bullish analyst forecasts and providing a very bullish outlook for the coming quarter

IMPORTANT DISCLOSURE: The information contained in this report is informational and intended solely to provide educational content that we find relevant and interesting to clients of Obsidian. All shared thoughts represent our opinions and are based on sources we believe to be reliable, including AI-generated content that we then review and refine. Therefore, nothing in this letter should be construed as investment advice; we provide advice on an individualized basis only after understanding your circumstances and needs.



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