NEXADVISORS

September 2026

NEX NEWS

Keen monthly insights on both the economy and the markets

THE ECONOMY

The US economy continued to chug along in August, with reports showing solid data. The ISM Manufacturing Index moved from 53.3 in June to 55.6 in July, while inflation (as measured by CPI) gradually eased from 3.5% annual rate in June, to 3.4% in July. While not huge improvement, most definitely movement in the right direction.

The main difference over the past few months, has been with expectations. In June we showed the Citi Economic Surprise Index, which was at 63 at the time. Now at 21, it suggests professional economists are now 'catching up to the data'. That's important, as it means this group has collectively raised its expectations – and may be set up for a disappointment or two.

THE MARKETS

The markets are reflecting the robust growth reported in the economic data, particularly commodity prices and interest rates.

For starters, the Bloomberg Commodity Index is now up roughly 40% over the last 12-mo. While some of this rise is due to oil prices and military operations against Iran, the strength is fairly broad-based, which is a worry.

These inflationary pressures have pushed longer-term interest rates higher – all around the globe. The yield on the 10-yr US Treasury Note is now at 4¾% and based on its 'breakout' from consolidation, likely headed higher.

So far, none of this has bothered stocks. The uptrend in the S&P remains intact, and market internals are flashing no warning signs. Until that changes, it's best to assume the bulls are still in charge.

Mike Hurley, CMT
Chief Investment Officer

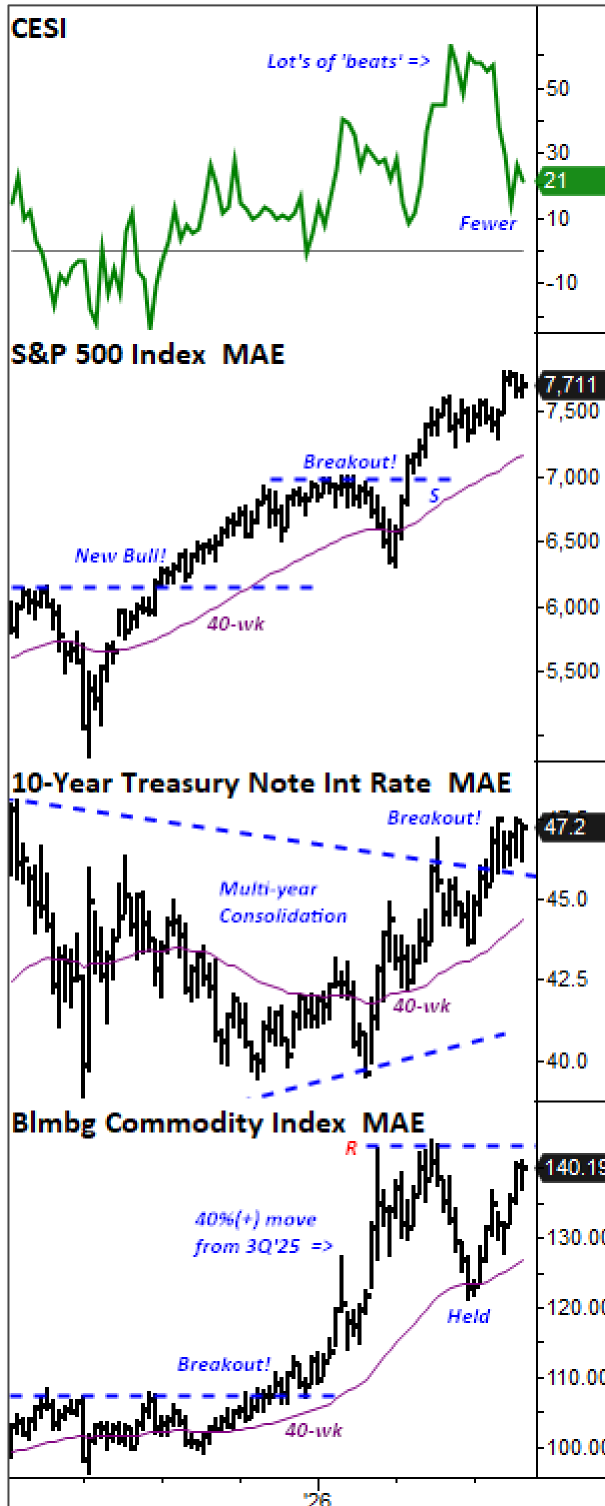

Chart courtesy of TradeStation – as of August 28, 2026

NEXADVISORS
www.nexadvisors.com

300 Crescent Ct., Suite 700
Dallas, Texas 75201
214-550-8350
info@nexadvisors.com

Traditional Strategies

We start our process with traditional, modern portfolio theory models, then adjust them based on our outlook. Specifically, we seek to:

1) Maintain higher cash levels when we're expecting a cyclical downturn, or 'bear' market
2) Add gold to portfolios during periods of inflation
3) Tilt fixed income positions based on credit conditions and the trends in interest rates

We offer Conservative, Moderate and Aggressive models, which use stock/bond ratios of 40/60, 60/40 & 80/20, as their starting points, respectively.

Adaptive Strategy

Our 'adaptive' model breaks from modern portfolio theory, based on the observation that markets typically become highly correlated when under stress.

This strategy applies momentum and risk parity to a universe of 10 ETFs, selecting a portfolio of 5. The portfolio is rebalanced monthly using the 60-day volatility to weight the top 5 ETFs. The goal being, to provide stock like returns with lower volatility.

About NexAdvisors

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The S&P 500 is a market-capitalization-weighted index that tracks the market performance of the 500 largest U.S. publicly traded companies. The Bloomberg Economic Surprise Index shows the degree to which economic analysts under- or over-estimate the trends in the business cycle. The surprise element is defined as the percentage (or percentage point) difference between analyst forecasts and the published value of economic data releases.

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