Market Commentary

August 2026

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SNAPSHOT

- US-Iran tensions fuelled volatility in energy markets and inflation expectations.
- Central banks kept interest rates unchanged while signalling further tightening.
- AI investment concerns weighed on technology shares despite resilient global demand.

All percentages below are monthly returns for July-26

EQUITIES

US MARKETS
Soft despite resilient economy

-0.1%
US 500

UK MARKETS
Gained on defensives and energy

3.6%
UK ALL SHARE

EMERGING MARKETS
Hit by tech sell-off

-3.3%
EM

BOND MARKETS

BONDS
Yields climbed on persistent inflationary risks

UK GILTS	-1.5%
US TREASURIES	-1.1%
GLOBAL CORPORATE BONDS	-2.8%
GLOBAL HIGH YIELD BONDS	-2.0%

*Values represent bond index returns

CURRENCIES

CURRENCIES
Sterling gained modest strength

Pound vs Other Currencies

GBP vs USD	GBP vs JPY	GBP vs EUR	GBP vs CNY
1.8%	-1.5%	0.7%	1.2%

KEY INDICATORS

GOLD – XAU/USD
0.6%

OIL – BRENT CRUDE
23.6%

COMMODITIES
11.0%

WHEAT

INFLATION – UK CPI (YOY)
2.6%

DISCLAIMER – The value of investments and the income from them can go down as well as up and past performance is not a guide to future performance. Returns are in local currency unless indicated otherwise. Source: Bloomberg.

GLOBAL MARKETS

Markets navigated volatile energy costs and shifting monetary policy as Middle East tensions flared repeatedly throughout the month.

US MARKETS

Broadly unchanged on mixed economic signals

US equities were broadly unchanged in July despite a strong second-quarter earnings season, as investor focus shifted from earnings beats to the sustainability of AI-driven returns. While 85% of S&P 500 companies exceeded expectations, markets increasingly demanded evidence that elevated AI-related capital expenditure would generate attractive long-term returns. Semiconductor stocks came under significant pressure, contributing to a rotation from growth into value sectors. Earnings growth remained heavily concentrated in the largest technology companies, while resilient economic data and higher energy prices reinforced expectations that interest rates will remain higher for longer.

-0.1%

US 500

UK MARKETS

Ahead of European peers

The UK underwent a major political transition in July 2026 following Keir Starmer's resignation. Andy Burnham secured the Labour leadership on 16 July and assumed office as Prime Minister on 20 July, pledging strict fiscal discipline and economic stabilisation. The FTSE 100 outperformed European peers, hitting multi-month highs on strong weightings in energy and defensive stocks. On 30 July, the Bank of England held the Bank Rate at 3.75% in a 6–3 vote despite headline inflation moderating to 2.6%. Modest gains in manufacturing output were countered by slower retail sales growth amid lingering cost-of-living pressures.

3.6%

UK All Share

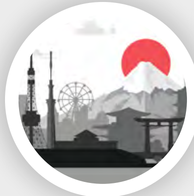
EUROPEAN MARKETS

Edged higher on steady GDP growth

Eurozone equities ended July higher, supported by steady Q2 GDP growth and an industrial output stabilisation led by Germany and Spain. July preliminary Harmonised Index of Consumer Prices (the European Union's standardised measure of inflation) data showed inflation remaining near target, though services inflation remained persistent. The European Central Bank kept its key deposit rate steady, signalling a data-dependent approach for its autumn meetings. Broad European purchasing managers' indices indicated a return to modest growth across the bloc, though volatile natural gas prices continue to pose input-cost risks.

0.2%

Euro 600 Index ex UK



JAPAN MARKETS

Slightly ahead despite currency volatility

Japanese markets were characterized by extreme foreign exchange volatility. The yen touched multi-decade lows near 160 per dollar before direct foreign exchange market interventions and coordinated rate checks by authorities triggered a sharp reversal back into the 155–158 range. The Bank of Japan maintained its hawkish monetary policy trajectory to counter import-driven inflation pressures.
While global demand for AI semiconductors continued to support Japanese technology exports, domestic business sentiment in non-manufacturing sectors remained constrained by elevated import costs.

0.2%

Japan Index

THE WORLD AT A GLANCE

	2021	2022	2023	2024	2025	July 2026	Year To Date
UK CASH	0.0	1.4	4.7	5.2	4.3	0.3	2.2
US DOLLAR INDEX	6.4	8.2	-2.1	7.1	-9.4	-1.3	1.6
UK GILTS	-5.2	-23.8	3.7	-3.3	5.0	-1.5	-1.4
US TREASURIES	-2.3	-12.5	4.1	0.6	6.3	-1.1	-0.8
GLOBAL CORPORATE BONDS	-1.9	-6.8	4.0	2.8	2.6	-2.8	-1.1
GLOBAL HIGH YIELD BONDS	2.0	-2.3	8.2	11.0	4.3	-2.0	1.6
US 500	26.9	-19.4	24.2	23.3	16.4	-0.1	9.4
UK ALL SHARE INDEX	14.5	-3.2	3.8	5.6	19.8	3.6	9.1
EURO 600 INDEX EX UK	22.5	-15.0	14.9	4.5	17.4	0.2	9.0
JAPAN INDEX	10.4	-5.1	25.1	17.7	22.4	0.2	17.4
ASIA EX JAPAN	-3.1	-15.4	6.4	16.2	31.6	-4.6	24.1
EMERGING MARKETS	-4.6	-22.4	7.0	5.1	30.6	-3.3	18.6
COMMODITIES	41.6	41.9	-9.7	11.2	-0.3	11.0	39.6
GOLD	-4.3	-0.7	12.8	26.6	62.5	0.6	-6.8
HEDGE FUNDS	3.7	-4.4	3.1	5.3	7.1	-1.6	3.1

Source: Bloomberg

Total Return – Local Currency

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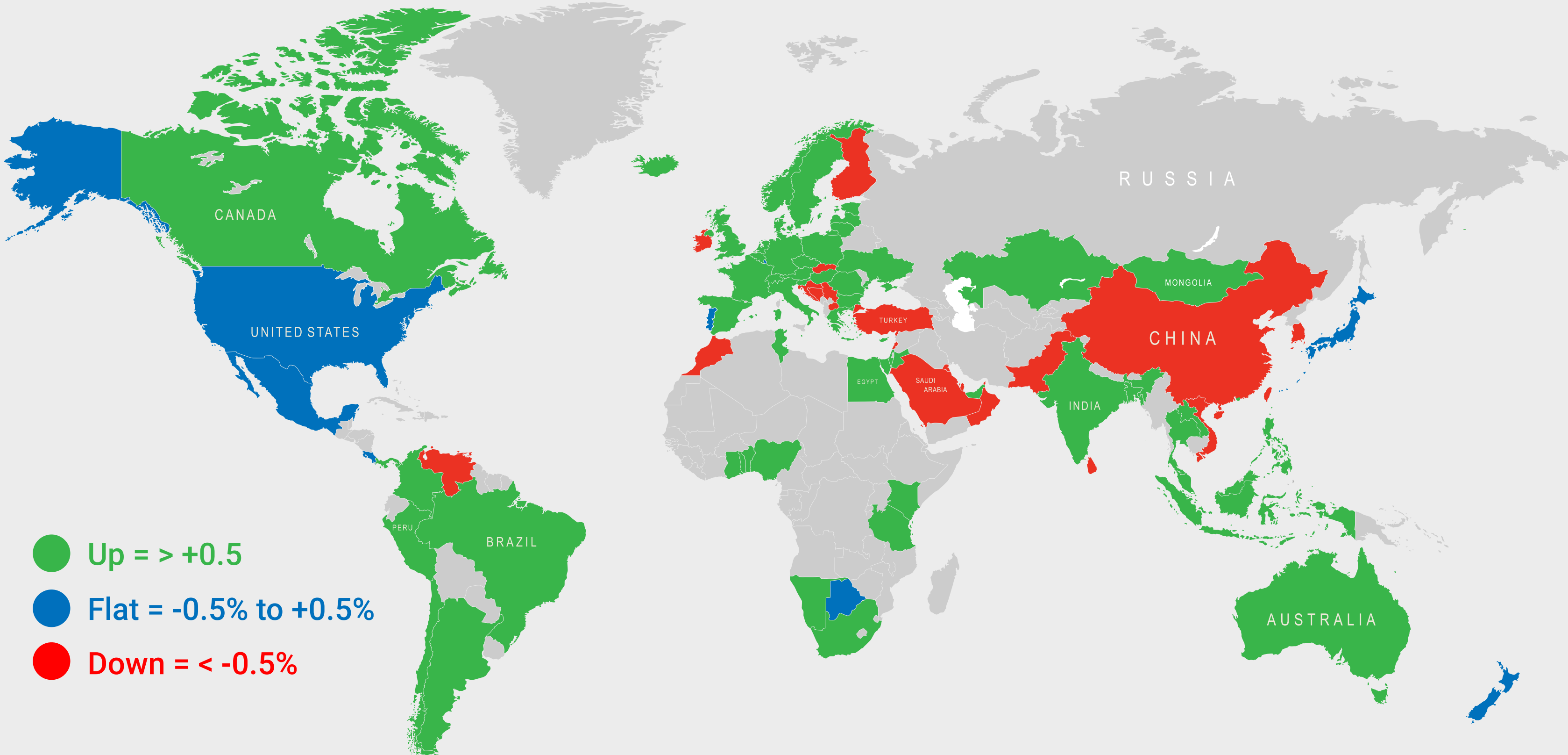
WORLD EQUITY MARKETS



Source: Bloomberg – National benchmark indices in local currency

-0.1%
USA

0.2%
EUROPE

0.2%
JAPAN

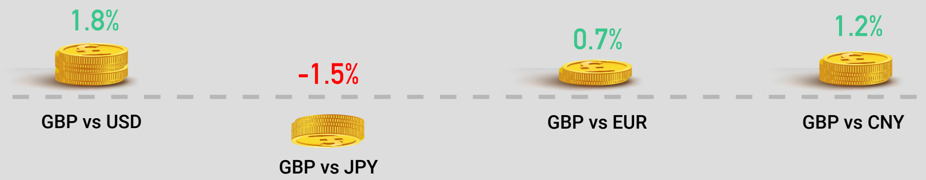
3.6%
UK

-3.3%
EMERGING MARKETS

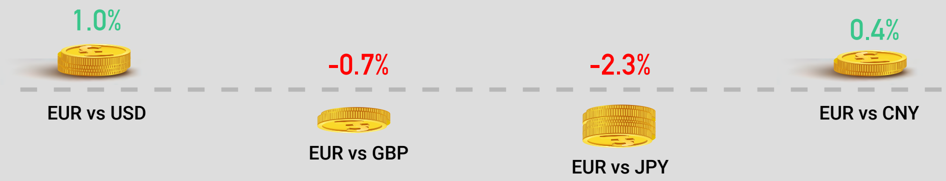
Key Points

- Despite strong second-quarter earnings, S&P 500 Index returns were flat as investors questioned AI investment returns. Earnings growth remained heavily concentrated in technology and communication services, led by the Magnificent Seven.
- Chinese equity markets were mixed in July: broad benchmarks such as the Shanghai Composite and CSI 300 posted their worst monthly declines of the year amid weak manufacturing data and a broader AI-related selloff, even as pockets of strength persisted in AI and technology-related names - including Hong Kong-listed internet companies and domestic semiconductor firms - supported by continued optimism around targeted policy support.
- The STOXX 600 recorded strong weekly gains during July as resilient second-quarter corporate earnings across energy, industrial, and defensive sectors largely cushioned European equities against persistent services inflation and broader macroeconomic headwinds.
- Japanese equities were mixed in July as investors weighed uncertainty following the Kyushu earthquake, speculation over yen intervention, and caution after the Bank of Japan kept interest rates unchanged while signalling further tightening. Slowing retail sales also raised concerns about the strength of domestic demand.

CURRENCIES



GBP VS OTHER CURRENCIES



EUR VS OTHER CURRENCIES

USD VS OTHER CURRENCIES

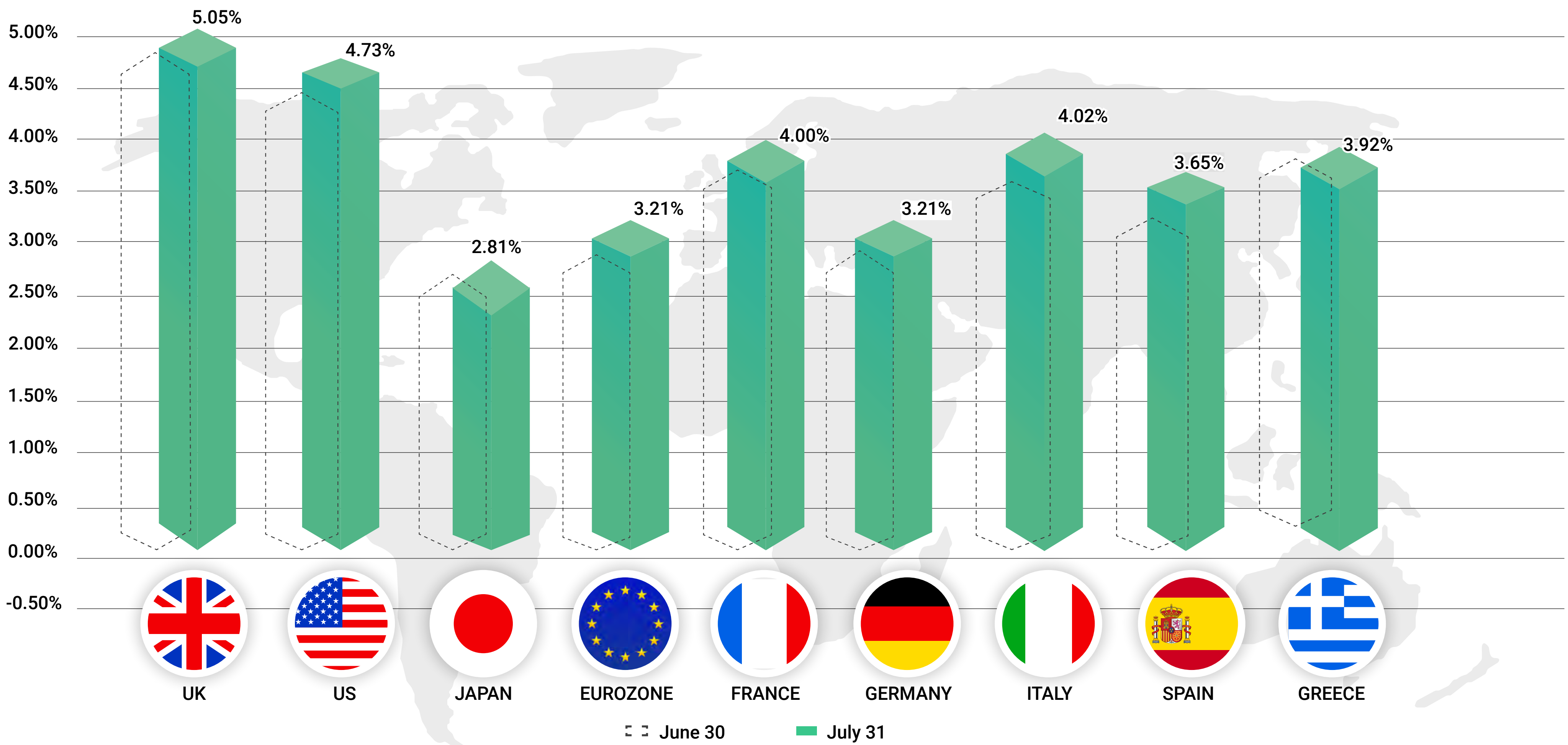
JPY VS OTHER CURRENCIES

Key Points

- The US Dollar Index traded in the 100–101 range through July, supported by firm US economic data and expectations of higher-for-longer Federal Reserve policy.
- Japanese yen – USD/JPY traded mostly between 162–164 during July, leaving the yen close to multi-decade lows. The currency strengthened sharply at month-end following official foreign exchange intervention, briefly pushing the exchange rate back into the high-150s.
- Sterling gained against the US dollar during July, supported by broad US dollar weakness, easing domestic political uncertainty and expectations that UK interest rates would remain relatively high.
- The Chinese yuan strengthened during July, supported by firmer People's Bank of China midpoint guidance and broad US dollar weakness, remaining close to its strongest levels in more than three years.

GENERIC 10-YEAR YIELDS*

*A Generic bond is a theoretical bond that always has the specified tenor, unlike a Benchmark bond, which is a physical bond, with a decreasing tenor.



Key Points

- The US 10-year Treasury yield rose above 4.7%, reaching its highest level since January 2025, as higher oil prices and persistent inflation concerns reduced expectations for near-term Federal Reserve easing.
- UK 10-year gilt yields remained elevated, reflecting persistent inflation concerns and expectations that the Bank Rate would remain higher for longer.
- Germany's 10-year Bund yield rose above 3.1% during July, reaching its highest level in several years as higher oil prices and expectations of further ECB tightening weighed on bond markets.
- Australian government bond yields moved higher during July, tracking the global rise in sovereign yields as renewed Middle East tensions lifted oil prices and inflation expectations.

GLOSSARY OF TERMS

BoE	Bank of England – central bank of the United Kingdom
BoJ	Bank of Japan – central bank of Japan
Capex	Capital Expenditure is money a business spends to acquire, upgrade, or maintain long-term physical assets—such as property, buildings, equipment, or technology—that provide value for more than one year. It is considered an investment in the productive capacity and future growth of the company.
Correlation	The degree to which the returns of financial assets or instruments move in relation to each other
CNY	Chinese renminbi (yuan) – currency of the People's Republic of China
CPI	Consumer Price Index – a measure of inflation in which a basket of goods and services is calculated over different time periods
Dovish	The approach in which central banks are likely to keep monetary policy "loose" or accommodative
ECB	European Central Bank – the central bank of the European Union countries which have adopted the euro
EUR	Euro, the official currency of the European Union for the 20 of 27 member states that have adopted this currency
The 'Fed'	or the US Federal Reserve System – the central banking system of the United States of America, which includes the Federal Reserve Board and the twelve regional Federal Reserve Banks

GBP	British Pound – sometimes referred to as 'sterling'
GDP	Gross Domestic Product – a monetary measure of the market value of all goods and services produced in a specific time period by a country or countries
Growth Stocks	Stocks which display specific characteristics – high price-to-earnings (P/E), high price-to-book (P/B), low to no dividend yield – which typically demonstrate revenue growth and tend to reinvest earnings rather than distribute them as dividends
Hawkish	The approach in which central banks are likely to keep monetary policy "tight" or restrictive
JPY	Japanese Yen – currency of Japan
PMI	Purchasing Managers' Index – an economic indicator used to measure the activity of the manufacturing/service sectors of the economy
USD	US Dollar – currency of the United States of America
Value Stocks	Stocks which may trade at lower prices relative to their intrinsic value, as defined by traditional fundamental analysis, and typically include evaluation metrics such as lower price-to-earnings (P/E) and price-to-book (P/B) ratios, and higher dividend yields, compared to Growth stocks.
Yield Curve	a graph (line) which depicts how the yields on debt instruments – such as bonds – vary as a function of their years remaining to maturity
YoY	Year over year

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Sources: Collidr, Bloomberg. Indices: Barclays, FTSE, Bloomberg, STOXX, Japan Exchange Group, MSCI, S&P, New York Mercantile Exchange, Chicago Mercantile Exchange, Bureau of Labour Statistics, US and Office for National Statistics, UK