



August 2026

Market Commentary

Global equity markets showed increased volatility over the month of July, notably in the technology sector again on concerns over the substantial level of spending on AI despite robust profits. Renewed attacks in the Middle East prompted a rise in the oil price and concerns that interest rates would need to rise given the likelihood of a high rate of inflation over time, which contributed to higher yields in bond markets.

The ceasefire in the war in Iran faltered while the conflict between Saudi Arabia and the Houthi rebels in Yemen resumed. Concerns over restrictions to shipping in the Strait of Hormuz and the wider region led to a spike in the price of Brent crude futures, the usual benchmark, which rose over the month from \$74 to \$90 per barrel, having briefly passed \$100 when President Trump threatened a massive attack. Strategic and commercial reserves have been drawn down which has added to concerns. The US economy was reported to have grown at an annualised rate of 1.5% in the second quarter of the year, softer than in the first and shy of expectations; domestic demand appeared resilient although the labour market lost momentum with a modest 57,000 new jobs created in June, the lowest number in four months. The eurozone economy expanded by 0.4% in the second quarter, with Spain doing best of the major economies at 0.7%, while the UK also saw an expansion of 0.7% by May. The Chinese economy grew at a reported rate of 4.3%, the lowest level since the 1990s aside from the pandemic; the domestic situation remained subdued although exports rose 27% in June. Trade tensions continued with the US considering an extensive 10% tariff regime and menacing Canada with a 50% levy on goods. A succession of heatwaves since May meant that Europe experienced a flash drought with low river levels hitting farming, transport and nuclear facilities.

The earlier truce over Iran had seen lower energy prices. In the US the consumer price index (CPI) rose by a more modest 3.5% in June compared to May's 4.2%, while lower fuel costs also contributed to the producer price index rising by its smallest amount in fourteen months. In the UK the CPI was down to 2.6% in June from 2.8% in May, the lowest reading for fifteen months. In the eurozone the rate of inflation fell back to 2.8% in June from 3.2% in May although in Japan it increased further from 1.5% to 1.7%.

The US Federal Reserve maintained its interest rate in the range of 3.5-3.75% although three out of twelve on the committee voted for a rise; the removal of forward guidance under its new chair Kevin Warsh and his hawkish comments on securing price stability were factors in yields rising on longer-term debt, with that on the 30-year Treasuries moving above 5.2%, the highest level since 2007.

The Bureau of Economic Analysis looked to revise the basis for calculating the Fed's other, preferred inflation measure, for personal consumption expenditure, which was expected to lower the core reading for the index by 0.2 percentage points – it was at 3.7% in June, well above the 2% target if down on the 4.1% the prior month. The Bank of England held rates at 3.75% by a majority of six votes to three, with concerns again over the renewed rise in energy prices. The European Central Bank held its deposit rate at 2.25% as widely expected, after the previous increase, with a further rise likely in September. The Bank of Japan chose to hold its rate at 1% despite pressure to increase it further, with bond yields nearing 3% for the first time this century and with the yen weakening to below Y163:US\$ for the first time since 1986, prompting a concerted intervention.

There was considerable volatility in the technology sector. The South Korean market, which is dominated by the semiconductor chip companies Samsung and SK Hynix, has fallen by 40% from its peak if still being up 30% since the start of the year; the country's regulator finally moved to limit leveraged funds which have contributed to the index gyrations and probably impoverished many speculators. Investors remained concerned over the massive spending on AI and competitive threats; any reduction in expected demand would feed into excess capacity so lower prices and margins – US growth might falter given the contribution of capital expenditure and the wealth effect from strong markets. Corporate earnings have been robust still in the US, starting with the banks, although they may be vulnerable to economic pressures. The UK market reached an all-time high in July; the value of takeover bids has been running at a level 27x higher than the limited proceeds from new issues. Electric car sales recovered sharply in the second quarter, rising 35% on the prior period despite a 5% decline in overall global car sales.

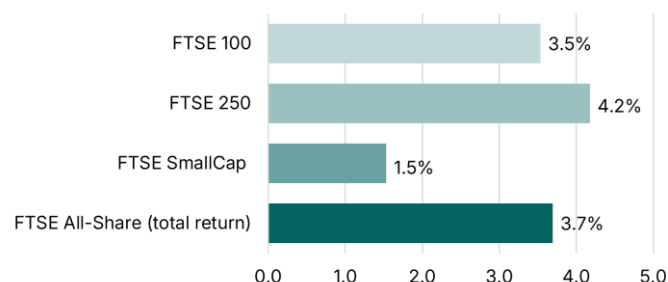
Andy Burnham marked his appointment as the UK's latest prime minister with a series of policy announcements and an ambition for fiscal discipline alongside John Healey as the new Chancellor of the Exchequer. A ruling in the highest French court meant that Marine Le Pen would be able to contest the presidential election in 2027. The protests of the Cockroach Janta Party in India achieved their primary aim with the resignation of the education minister in a rare concession by the prime minister Narendra Modi. The build-up to the November mid-term elections in the US continued.



United Kingdom

The FTSE 100 index was up by 3.5% over the month to 10,868 while the FTSE 250 index of mid-sized companies and the FTSE SmallCap index were up by 4.2% and 1.5% respectively.

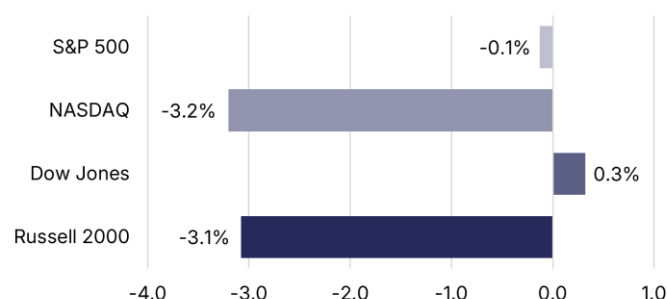
The total return for the FTSE All-Share index, including income, was 3.7% in the period.



United States

In the US the S&P 500 index was down by 0.1% in the month, while the equal-weighted version rose 0.9%; the technology-oriented NASDAQ index fell by 3.2% and the Dow Jones Industrials index returned 0.3%.

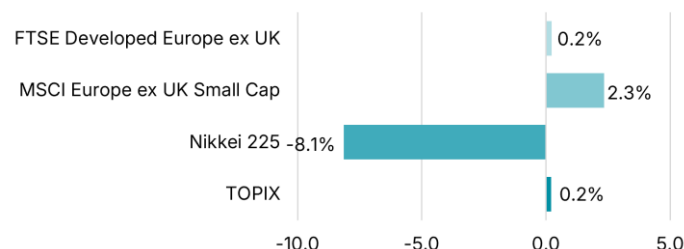
The Russell 2000 index of smaller companies was down by 3.1%.



Europe & Japan

The FTSE Developed Europe ex UK index was up by 0.2% over the month. All the major markets made gains, with the German market having the highest return at 2.5%. The MSCI Europe ex UK Small Cap Index including income rose by 2.3%.

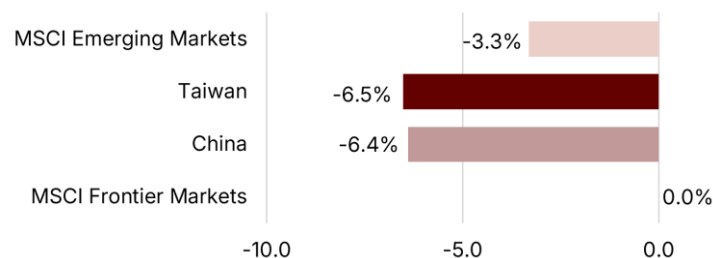
In Japan the Nikkei 225 index fell by 8.1% and the more representative TOPIX index rose by 0.2% in the period.



Emerging Markets

The MSCI Emerging Markets index in US\$ was down by 3.3% in the month; there was a loss of 6.5% in Taiwan and a gain of 2.1% in India, while the Brazilian market rose by 3.5%. The Korean market saw a significant loss at 22.2%. The Shanghai index was down by 6.4% and the Hang Seng index in Hong Kong was up by 13.1%.

The MSCI Frontier Markets index was flat for the month while the Vietnamese market fell 6.7%.

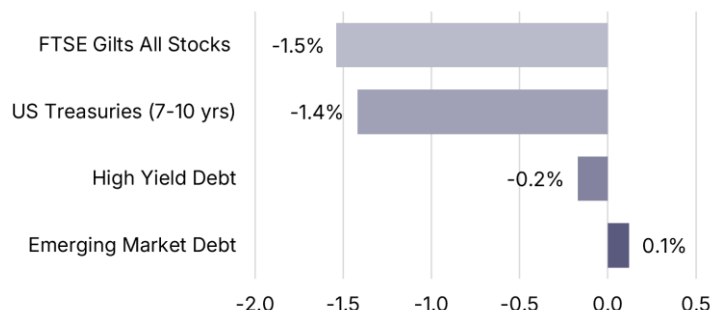




Bond Markets

The UK 10-year gilt yield increased from 4.76% to 5.05% and the total return for the FTSE Gilts All Stocks index in the month was a negative 1.5%. In Germany the 10-year bund yield moved from 2.86% to 3.21% and in the US the 10-year yield was higher at 4.73% from 4.47%.

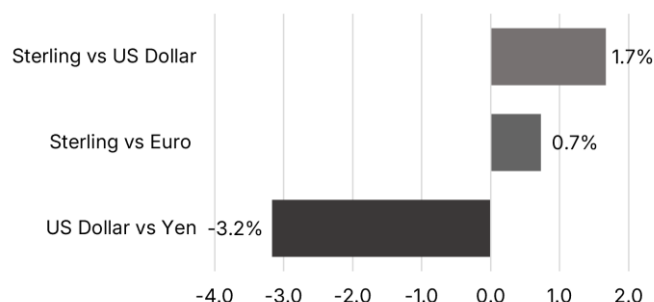
There were declines in most of the major bond markets, although the Emerging Market local debt index saw a small positive return.



Currencies

Sterling was up by 1.7% against the US\$ in the month, ending at a rate of \$1.35:£, while against the euro it was 0.7% higher to end at a rate of €1.17:£.

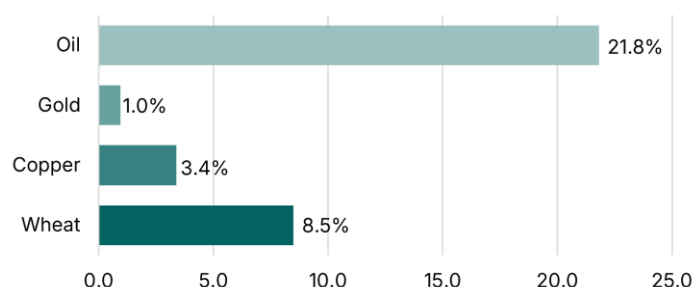
The US\$ was down by 3.2% at ¥157:\$ against the Japanese Yen after official intervention.



Commodities

The price of Brent crude oil ended the month up by 21.8% at a level of \$90 per barrel. Gold was up by 1% to close at \$4046 per troy ounce.

The main metals had positive returns in the month, with copper up by 3.4%, and the main agricultural commodities were also higher, with wheat rising by 8.5%.



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