

August 2026

Market Review

Risk assets rebounded in August, as resilient economic data and a strong second-quarter earnings season restored investor confidence following July's technology-led weakness. In the U.S., headline CPI fell to 3.4% year-over-year in July, from 3.5% in June, while the unemployment rate ticked down to 4.1%. The U.S. dollar weakened against major currencies, amplifying dollar-denominated returns internationally. Oil prices remained range-bound, with Brent crude oscillating around \$90 per barrel despite ongoing U.S.-Iran tensions.

Fixed income markets were mixed in August as the U.S. yield curve flattened, with hawkish central bank messaging lifting front-end yields. In the U.S., the Federal Reserve remained on hold, though Chair Warsh struck a hawkish tone at the Jackson Hole Symposium, with the 10-year Treasury yield rising 2 bps to 4.75% and the 30-year Treasury yield fell 3 bps to 5.24%. Elsewhere, the U.K. 10-year Gilt yield rose 1 bps to 5.06%, while Germany's 10-year Bund yield rose 12 bps to 3.32% as Euro area inflation jumped to 3.3% from 2.9%, the highest since September 2023. In Japan, the 10-year government bond yield rose 15 bps to 2.96% on firmer inflation and a looser domestic fiscal stance.

Equity markets advanced broadly in August, supported by resilient economic data and renewed technology momentum following July's sell-off. The MSCI World Index rose 2.6% and the S&P 500 advanced 2.7% over the month, while the MSCI Emerging Markets Index returned 3.4%, led by strong gains in Taiwan amid continued strength in AI-related demand. Within credit, U.S. investment grade spreads widened 1 bp to 80 bps while Euro area spreads were unchanged at 77 bps, and U.S. and Euro high yield spreads tightened 22 bps and 5 bps to 263 bps and 272 bps, respectively.

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