HYMANS ROBERTSON

Monthly Market Brief

AUGUST 2026

JULY HIGHLIGHTS

- Global equities fell 0.3% in July, as higher oil prices and concerns about AI-related valuations and capital expenditure weighed on markets.
- Sovereign bond yields rose across most major advanced economies, reflecting higher oil prices, rising inflation expectations and resilient economic data.
- Brent crude oil briefly exceeded $100 per barrel before ending the month at $88, up 24% over July and 48% over the year to date. Gold was broadly unchanged.
- The Nominal Broad US Dollar Index fell 1%, after the Federal Reserve (Fed) held rates steady and the US Treasury and Japan's Ministry of Finance jointly intervened to support the yen.

Market performance to 31 July 2026

UK	July	Q2	YTD
EQUITIES	3.7	4.7	11.2
BONDS			
Conventional gilts	-1.5	2.0	-1.4
Index-linked gilts	-1.9	-1.1	-1.7
Credit	-1.2	2.9	-0.3
PROPERTY*	n/a	1.1	2.6
STERLING			
v US dollar	1.4	0.7	0.1
v euro	0.8	1.4	2.1
v Japanese yen	-0.7	2.8	1.6

GLOBAL	July	Q2	YTD
EQUITIES	-0.3	15.2	12.0
North America	0.0	15.0	10.1
Europe ex UK	0.4	14.1	12.2
Japan	-1.2	15.9	18.4
Dev Asia Pacific ex Japan	-10.7	37.0	34.1
Emerging markets	1.3	11.7	12.0
GOVERNMENT BONDS	-1.3	0.7	-1.1
High yield	-0.2	2.5	2.0
Gold	0.3	-12.7	-6.4
Oil	23.5	-38.4	48.1

*Percentage returns in local currency ($ for gold and oil). All returns to 31/07/2026, *apart from property, which is to 30/06/2026. Source: LSEG Datastream and Bloomberg. FTSE Indices shown: All-Share, All-World, North America, AW Developed Europe ex-UK, Japan, Developed Asia Pacific ex Japan, Emerging, Fixed Gilts All Stocks, Index-Linked Gilts All Maturities, iBoxx Corporates, Crude Oil BFO, Bloomberg High Yield, Gold Bullion LBM and Bloomberg Global Aggregate Government.*

Fixed income markets

Sovereign yields rose across the major advanced economies, with core European bonds underperforming

Sovereign bond yields rose across most major advanced economies, driven by higher oil prices, rising inflation expectations and resilient economic data.

UK 10-year gilt yields rose 0.3% pa, to 5.1% pa. Bank of England (BoE) Governor Andrew Bailey signalled that rate cuts are unlikely in the near term amid persistent inflation risks.

US 10-year Treasury yields also rose 0.3% pa, to 4.7% pa, as Federal Open Market Committee minutes reinforced expectations that policy may need to remain restrictive for longer, given resilient growth and continued inflationary pressures.

French and German 10-year government bond yields both rose 0.4% pa, to 4.0% pa and 3.2% pa, respectively, as higher energy prices renewed concerns about inflation.

Japan's 10-year government bond yield rose a more modest 0.1% pa, to 2.8% pa, initially increasing following the announcement of additional fiscal stimulus before retracing some of the move later in the month.

Credit spreads generally saw modest widening

Despite heightened US-Iran tensions, credit spreads widened only slightly over the month. Global and sterling investment-grade spreads edged higher, both remaining at around 0.8% pa. US speculative-grade spreads rose 0.1% pa, to 2.8% pa, while equivalent European spreads fell 0.1% pa, to 2.6% pa. Overall, both investment- and speculative-grade spreads remain well below long-term averages.

Rising Treasury yields impacted hard-currency emerging market debt; local currency supported by foreign exchange

Hard-currency emerging market debt fell 1.4% over July, weighed down by rising Treasury yields. Local-currency emerging market debt returned 0.3%, with currency gains against the US dollar more than offsetting higher local-currency yields.

Global equities

Global equities edged lower amid wide regional and sectoral dispersion

Global equities fell 0.3% during the month. Higher oil prices and concerns over AI valuations and the scale of AI-related capital expenditure weighed on sentiment.

Performance varied significantly across sectors. Energy stocks outperformed as Middle East tensions escalated, and oil prices rose. Telecom and technology stocks lagged as investors questioned whether substantial investment in AI infrastructure will ultimately generate sufficient returns. Despite strong earnings from major tech companies, announcements of further increases in AI spending sharpened the debate around AI monetisation. The launch of Moonshot's Kimi K3 model also added to concerns that increasingly capable AI models could become more commoditised over time, potentially limiting returns on investment.

Asia-Pacific ex Japan lagged; the UK outperformed

Regional performance disparities were driven in part by differences in sector composition. Developed Asia-Pacific ex Japan underperformed (-10.7%), reflecting its significant exposure to South Korean memory-chip manufacturers Samsung and SK Hynix.

North American equities were broadly flat over the month, supported by continued strength in corporate earnings. Japanese equities fell modestly, with weakness in tech stocks partly offset by stronger performance from financials and industrials.

The UK was the strongest-performing region, benefiting from its relatively high exposure to energy stocks and limited exposure to technology.

Value equities (2.7%) significantly outperformed growth equities (-3.2%), as investors reassessed the long-term prospects of some of the market's most highly valued growth companies.

Currencies and commodities

The relative détente achieved following the interim US-Iran ceasefire at the end of June proved short-lived, as Middle East tensions re-escalated in early July. Attacks on vessels transiting the Strait of Hormuz disrupted shipping and renewed concerns over global energy supplies. Brent crude oil rose above $100 per barrel before retreating to $88 by month-end, still leaving it up 24% over the month and 48% since the start of the year. Natural gas prices followed a similar pattern, with European gas prices ending the month 35% higher.

Gold was broadly unchanged over the month. Continued safe-haven demand was largely offset by the reduced attractiveness of non-yielding assets as real bond yields moved higher. Gold prices remain 6% lower over the year to date.

In currency markets, the Nominal Broad US Dollar Index fell 1%. Weakness was concentrated in the final days of the month following the Fed's decision to hold rates steady and coordinated efforts to support the yen.

The global economy

The advance estimate of US GDP showed annualised growth slowing to 1.5% in Q2, reflecting weaker export growth and government spending. PMI data remained consistent with expansion; services rose to 54 (the highest reading of the year), while manufacturing eased slightly to 54 following strong inventory accumulation in May and June.

US inflation eased more than expected in June. Headline inflation fell to 3.5% year-on-year as energy prices declined, while core inflation slowed to 2.6%, below expectations, driven by moderation in shelter, apparel and medical costs. The Fed left rates unchanged in July. Markets currently price an 83% probability of at least one further 0.25% pa rate increase before year-end.

Flash estimates indicate eurozone GDP grew at an annualised 0.4% in Q2, its strongest pace since Q1 2025. Growth was supported by investment and government spending despite elevated input costs. The composite PMI rose to 52 in July, exceeding expectations, with both services and manufacturing improving. Inflation rose to 2.9% year-on-year, driven primarily by higher energy costs. The European Central Bank left rates unchanged at 2.25% pa while warning that the impact of higher energy prices may not yet be fully reflected in inflation data. Expectations of a September rate increase strengthened over the month.

The UK economy grew 0.1% month-on-month in May, rebounding from April's contraction. Growth was supported by services output, research and development, and advertising activity. July PMI data pointed to continued expansion, with services returning to growth and manufacturing reaching its highest level since September 2024. Inflation eased to 2.6% in June, while core inflation was unchanged at 2.6%. The BoE held rates at 3.75% pa. Although three Monetary Policy Committee members voted for a rate increase, policymakers cited easing inflation pressures, higher market borrowing costs and moderating wage growth as reasons to remain on hold. Markets continue to price at least one further rate increase by year-end.

China's economy grew 4.3% year-on-year in Q2, its weakest pace since Q4 2022. Stronger export growth was outweighed by weak domestic demand and subdued private investment. In Japan, inflation rose to 1.7% and the Bank of Japan left policy rates unchanged at 1%.

For and on behalf of Hymans Robertson LLP

Certified B Corporation

Matt Firth

Investment Research Associate Consultant

matt.firth@hymans.co.uk
020 7082 6108

Chris Arcari

Head of Capital Markets

chris.arcari@hymans.co.uk
0141 566 7986

London | Birmingham | Glasgow | Edinburgh

T 020 7082 6000 | www.hymans.co.uk

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