GLOBAL INSTITUTIONAL ADVISORS

Weekly Market Wrap

Key Market Developments

Global risk assets consolidated near record highs as softer-than-expected July inflation data reduced the near-term case for Fed tightening, while renewed Middle East tensions pushed oil sharply higher. The S&P 500 gained 0.4% and the Nasdaq added 1.1%, while the Dow declined by 0.6%. July headline CPI eased to 3.4% from 3.5%, producer prices were changed on the month (still 4.7% year-on-year), and retail sales fell 0.6%, the first decline in nine months. This pushed September hike odds down to roughly 32% by Friday, per CME FedWatch, but also raised a different concern: markets may be shifting from inflation anxiety toward doubts about household demand. Oil moved the other way, with WTI rising 5.4% to $82.40 as tanker attacks and stalled U.S.-Iran talks restored the geopolitical risk premium. The 10-year Treasury yield closed near 4.69%, still sensitive to energy-driven inflation risk.

In the global markets, the Nikkei rallied 4.7% on strong technology earnings and a weaker yen, while the Bank of Japan's July summary of opinions signalled policymakers see room for further rate hikes, with one member suggesting the pace could accelerate. The yen drifted back toward 159-160 against the dollar, giving back roughly half the gains from the unprecedented joint U.S.-Japan intervention earlier in the month, as the underlying pressures of wide rate differentials and heavy energy import costs reasserted themselves. Hang Seng fell 2.1% on weakness in internet heavyweights, while MSCI EM gained 2.6%. The Nifty 50 snapped a two-week streak, down 0.83%, while the SENSEX fell 0.6%, as West Asia tensions weighed on sentiment even as bank deposits hit a record high. European equities were flat to lower, with the Stoxx 600 down 0.4% on the same Middle East uncertainty.

What We Are Watching – Week Starting 17th August

- **Oil versus disinflation:** July's cooler U.S. inflation print was driven largely by easing energy pressure, but August's crude rebound threatens to reverse part of that improvement. The persistence of the oil move, not the spot price alone, is the key variable for inflation expectations and term premia in the weeks ahead.
- **The Fed's reaction function:** Softer payrolls, CPI, PPI and retail sales argue for a September hold, but July's 9-3 FOMC vote showed a meaningful hawkish bloc. The minutes due August 19 should clarify whether that dissent is about timing or a more fundamental split.
- **AI breadth versus technology fund outflows:** Earnings remain strong, yet U.S. technology funds recorded significant redemptions even as broader growth funds attracted inflows, pointing to rotation within risk assets rather than wholesale de-risking. Monetisation, margins and funding intensity are increasingly decisive for which names hold up.
- **Japan's policy repricing:** A possible September BoJ hike would support the yen and could tighten global liquidity at the margin. The joint U.S.-Japan intervention has only partially held, with USD/JPY back near 160; the question is whether this stays idiosyncratic or triggers broader carry-trade deleveraging.
- **GCC markets:** Higher oil supports regional fiscal capacity and upstream cash flows, but a prolonged Strait of Hormuz disruption raises freight, insurance and financing costs elsewhere. The net effect diverges sharply across energy, logistics, aviation, tourism and real estate, and GCC equities have been essentially flat since the conflict began.

GIA View

Equities:

- Stay invested, but raise the quality threshold. Strong earnings and broad fund inflows argue against broad de-risking, but weak retail sales and a mature valuation cycle favour businesses with recurring demand, pricing power and strong free-cash-flow conversion.
- The bar for continued tech outperformance is high: Cisco fell 8.4% on August 13 despite beating estimates, on margin concerns, while Applied Materials fell roughly 7.5% over two sessions on elevated expectations despite a record quarter. Remain selective on consumer cyclicals, favouring higher-income over lower-income, highly financed demand.

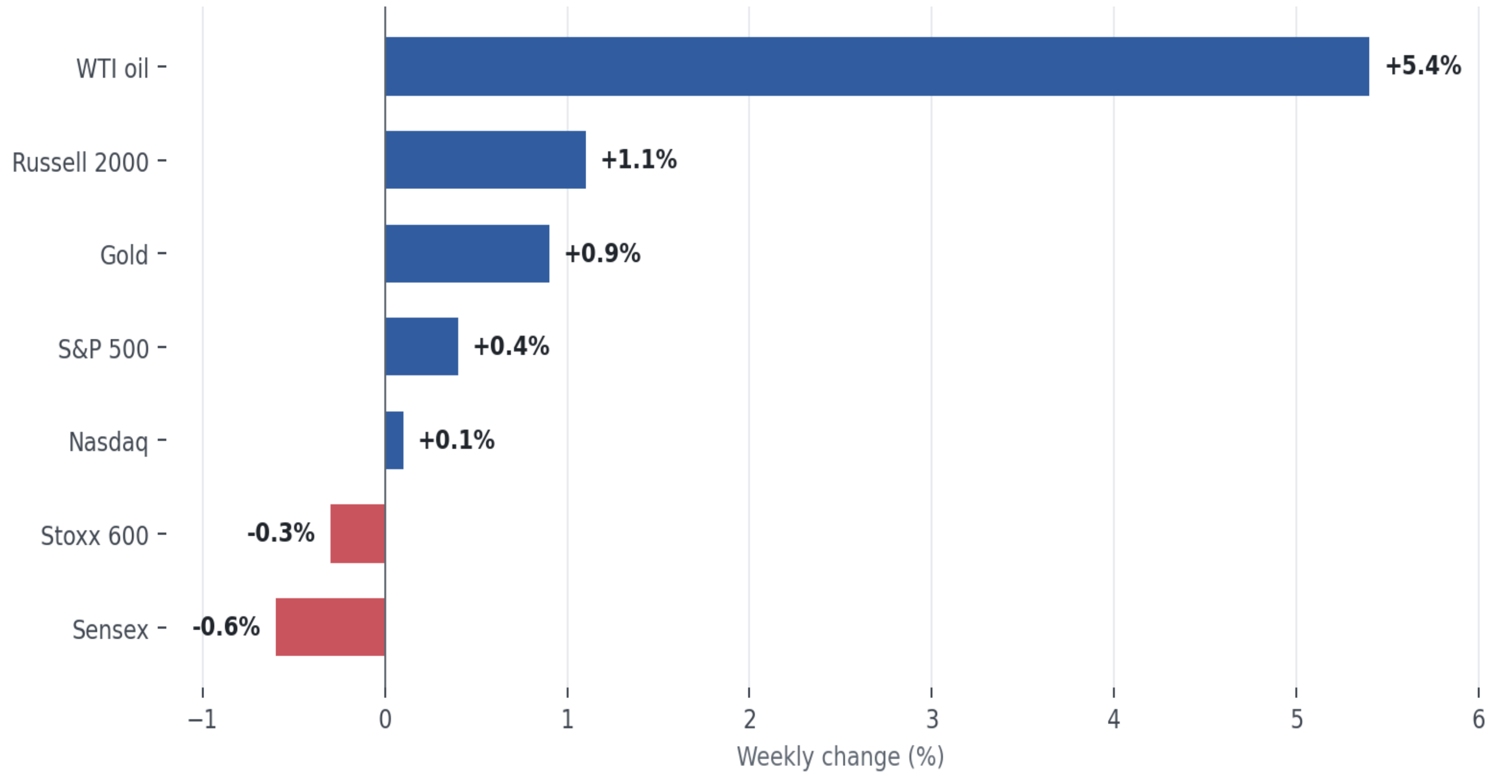
Rates:

- High-quality carry remains attractive: short-to-intermediate investment-grade credit continues to offer useful income and lower duration volatility.
- Treat long duration as tactical, not strategic. Softer growth supports duration, but higher oil prices and fiscal supply can keep the term premium elevated; avoid complacency in lower-quality credit, where a consumption slowdown matters more for highly levered issuers than for sovereign yields.

Commodities:

- Gold remains a strategic hedge, gaining 0.9% on the week on the geopolitical risk premium and reduced tightening expectations, though a renewed rise in real yields could introduce volatility. Oil is tactical, not a strategic chase: this week's 5.4% rebound in WTI demonstrates the asymmetry of unresolved shipping risk, and position sizing should allow for both a further supply shock and a rapid reversal if diplomacy produces a lasting agreement.

Chart of the week: Oil separates from risk assets



Source: Bloomberg.

The divergence between oil and broader risk assets this week reflects a market pricing two problems at once. Equities barely moved as the disinflation story stayed intact at the index level, consistent with reduced near-term Fed tightening risk. Oil's 5.4% jump reflected a supply-side risk premium unrelated to domestic demand, which is why it decoupled from equities. Gold's parallel gain suggests investors were pricing geopolitical risk and rate-cut hopes simultaneously, leaving both paths more dependent on the Strait of Hormuz situation than on next week's data.

Asset Class Performance – Week Ending 14th August 2026

	Week ending >>>				
	07-Aug-26	14-Aug-26	YTD Δ	MTD Δ	Weekly Δ
Equity Indices					
S&P 500 (USD)	7,757.6	7,785.8	13.5%	4.0%	0.4%
NASDAQ (USD)	29,722.3	30,046.1	19.2%	6.3%	1.1%
Dow Jones (USD)	54,036.9	53,732.4	11.1%	2.4%	(0.6%)
MSCI EM Index (USD)	1,657.8	1,701.2	19.0%	2.1%	2.6%
SENSEX (INR)	78,499.2	78,009.3	(9.0%)	(0.1%)	(0.6%)
Stoxx 600 (EUR)	660.3	657.9	10.4%	1.3%	(0.4%)
Nikkei (JPY)	65,606.7	68,713.8	36.5%	6.8%	4.7%
Hang Seng (HKD)	25,668.0	25,116.9	(4.6%)	(3.0%)	(2.1%)

	07-Aug-26	14-Aug-26	YTD Δ	MTD Δ	Weekly Δ
Commodities					
Gold (USD per troy ounce)	4,341.6	4,376.4	1.0%	8.2%	0.8%
Silver (USD per troy ounce)	63.6	64.7	(11.2%)	12.3%	1.8%
Oil (USD per barrel)	78.2	82.4	43.8%	(2.7%)	5.4%
Natural Gas (Henry Hub)	2.7	2.7	(24.5%)	(0.5%)	2.7%
Currencies					
EUR/USD	1.1559	1.1570	(1.3%)	0.4%	0.1%
GBP/USD	1.3491	1.3538	0.6%	0.4%	0.3%
USD/INR	95.2112	95.4350	5.8%	0.0%	0.2%
CHF/USD	1.2378	1.2296	(2.6%)	(0.7%)	(0.7%)
USD/JPY	157.7600	159.3200	1.6%	1.2%	1.0%
Credit Markets					
US Treasury 10Y Yield (%)	4.65	4.69	50.15	4.68	4.68
German Bund 10Y	3.13	3.20	30.40	7.20	7.20
UK Gilt 10Y	4.921	5.037	50.05	11.60	11.60
Japan JGB 10Y	2.773	2.873	80.70	10.00	10.00
India G-Sec 10Y	6.765	6.758	15.18	(0.70)	(0.70)
China CGB 10Y	1.706	1.684	(17.10)	(2.20)	(2.20)
S&P BDC Index	50.824	50.560	(8.4%)	8.1%	(0.5%)
Policy Rates					
Fed Funds Rate (US)	3.750	3.750	-	-	-
BoE Bank Rate	3.750	3.750	-	-	-
BoJ Policy Rate	1.000	1.000	25.00	-	-
RBI Repo Rate	5.250	5.250	-	-	-

Key Economic Events – Week of 17–21 August

Date	Country/Region	Event	Period	Survey (Median)	Prior
Mon, 17 Aug	Japan	GDP Annualized SA QoQ (Preliminary)	2Q	2.00%	1.80%
Mon, 17 Aug	China	Retail Sales YoY	Jul	1.50%	1.00%
Tue, 18 Aug	US	Housing Starts	Jul	1,350k	1,427k
Tue, 18 Aug	US	Industrial Production MoM	Jul	0.30%	0.10%
Wed, 19 Aug	UK	CPI YoY	Jul	2.90%	2.60%
Wed, 19 Aug	Eurozone	CPI YoY (Final)	Jul	2.90%	2.90%
Thu, 20 Aug	Japan	Trade Balance	Jul	-¥618.1b	-¥406.9b

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