GLOBAL INSTITUTIONAL ADVISORS

Weekly Market Wrap

Key Market Developments

The rise in long-term US Treasury yields was the main market development this week. The gross federal debt crossed $40 trillion on 18 August, made up of $32.3 trillion held by the public and $7.8 trillion of intragovernmental holdings, reached roughly five months after the $39 trillion mark in March. The 10-year Treasury yield returned to around 4.70% and the 30-year to roughly 5.25%, despite Treasury's announcement that it would double its long-end buyback programme to at least $4 billion per operation from 9 September; the announcement briefly pulled the 30-year yield down, but the move reversed within days.

- The increase occurred despite a weak July payrolls report and moderating inflation, conditions that would ordinarily put downward pressure on yields, pointing to investors requiring more compensation for holding long-dated debt given heavier government borrowing and reduced Fed forward guidance under new Chair Kevin Warsh.

The S&P 500 fell 1.4% and the NASDAQ 2.5%, as the bond market rather than earnings set the tone, even with S&P 500 earnings on pace to grow more than 48% year on year in the second quarter. Developed equity markets outside the US also declined, with the Nikkei down almost 4% and the Stoxx 600 posting its largest weekly decline since early July, both weighed down by higher global yields and a more than 5% rise in oil prices. Indian equities held up better, with the Sensex down 0.6%, as domestic liquidity offset cautious foreign flows even as higher crude added to inflation and current-account concerns.

- Two moves ran against this trend: the Hang Seng gained 3.6% on a rally in Asian memory-chip and AI-linked names, and MSCI EM rose 1.2% even as developed markets fell, consistent with a dollar index that weakened roughly 0.9% and eased pressure on EM currencies.

Commodities outperformed, with Gold rising more than 5% to a three-month high above $4,600 on the weaker dollar and fiscal concerns revived the "debasement" trade, while Brent-linked crude gained more than 5% to around $94 a barrel on the deadlock over Iran and the Strait of Hormuz, adding oil-price pressure on top of higher long yields for duration-sensitive equities and energy importers. The combination of higher oil and higher long yields is a challenging mix for duration-sensitive equities and imported-energy economies.

What We Are Watching – Week Starting 24th August

- **30-year Treasury yield:** Markets are testing whether yields near 5.25-5.30% lead to a fiscal response beyond liquidity measures such as the expanded buyback programme, which improve market functioning but do not reduce the deficit or debt stock.
- **Debt composition and auction demand:** Debt held by the public, roughly $32 trillion, is the more relevant measure for term premium and crowding-out risk. We are watching auction results and foreign participation as the dollar continues to weaken.
- **Gold and real yields:** Gold's advance alongside rising nominal yields suggests fiscal and currency-hedging demand is offsetting the usual real-yield headwind. Further gains would likely require a softer dollar, persistent policy uncertainty, or renewed inflation risk.
- **Oil and the Strait of Hormuz:** Brent near $94 keeps disinflation at risk and adds to pressure on the long end of the curve. A resolution to the standoff would ease pressure on both bonds and rate-sensitive equities.
- **Jackson Hole and Nvidia:** Kevin Warsh gives his first Jackson Hole keynote as Fed Chair on 28 August, two days after Nvidia reports alongside Q2 GDP and July core PCE. These events test the Fed's policy path and continued AI earnings delivery.

GIA View

Equities:

- Retain Neutral to OW stance: focus on quality and rotation out of volatile Tech/AI focused stocks. Individual stock volatility in this space will continue to be high and we recommend a quality and value bias. Earnings growth remains supportive but the margin for error particularly in the technology trade is very thin.
- Diversify: The case for geographic diversification is strong. We recommend looking at dividend paying companies outside the US or even long-term structural cases such as India which. Consumer discretionary in the US and highly leveraged businesses merit an underweight given the uncertainties surrounding job growth in the US and rates volatility.

Bonds:

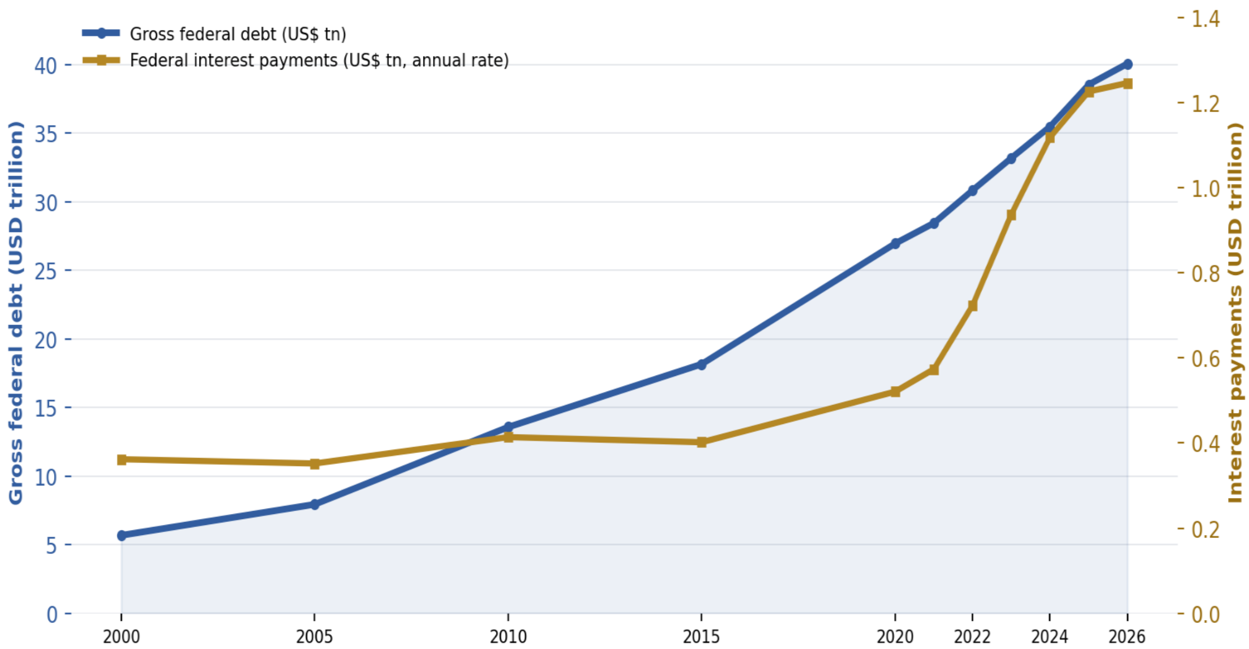
- OW low to mid-duration paper & UW long-duration paper: The mid-duration segment offers attractive carry with materially less sensitivity to fiscal term-premium shocks than the 20–30-year sector, with preference to treasuries, agencies and strong investment-grade issuers. At 30-year yields around 5.25%, prospective returns are improving, but supply and inflation risks argue against a full strategic overweight. Add duration tactically, only if yields overshoot - not a strategic shift.

- Retain inflation protection: Use a measured TIPS allocation or explicit inflation hedges. The debt burden does not mechanically create inflation, but fiscal dominance risk and oil shocks increase the value of protection.
- Avoid reaching for spread: High sovereign yields reduce the need to own weak high-yield borrowers. Favour credit quality, shorter refinancing walls and strong interest coverage.

Gold:

- Maintain a strategic allocation of approximately 5%: For diversified institutional portfolios, use the lower end when real assets and inflation-linked bonds are already meaningful; use the upper end when USD concentration and geopolitical exposure are high.
- Treat gold as hedge, not a trade: The case rests on fiscal uncertainty, currency debasement, reserve diversification and geopolitical hedging. Gold has no contractual cash flow and can correct if real yields rise or the dollar regains credibility.

Chart of the week: US debt and interest costs rise together



Source: U.S. Treasury Fiscal Data, FRED, Bloomberg

Gross federal debt has risen more than sevenfold since 2000, from under $6 trillion to just above $40 trillion, while annualised federal interest payments have climbed from roughly $360 billion to above $1.2 trillion over the same period, with the sharpest acceleration since 2022 as low-coupon debt issued during the near-zero rate era has rolled into a materially higher rate environment. The relationship is non-linear: a given increase in the debt level now costs more to service than the same increase did a decade ago, because the average coupon on outstanding debt has risen alongside gross issuance. Crossing $40 trillion is not, by itself, a solvency signal, since the US borrows in its own currency and retains the deepest capital markets globally, but the trajectory raises the likelihood of continued term-premium volatility on long-dated Treasuries and of liquidity-focused policy responses, such as the expanded Treasury buyback programme, that manage market functioning without addressing the underlying deficit.

Asset Class Performance – Week Ending 21st August 2026

	Week ending >>>				
	14-Aug-26	21-Aug-26	YTD Δ	MTD Δ	Weekly Δ
Equity Indices					
S&P 500 (USD)	7,785.8	7,674.4	11.9%	2.5%	(1.4%)
NASDAQ (USD)	30,046.1	29,308.9	16.3%	3.7%	(2.5%)
Dow Jones (USD)	53,732.4	53,277.0	10.1%	1.5%	(0.8%)
MSCI EM Index (USD)	1,701.2	1,721.9	20.5%	3.4%	1.2%
SENSEX (INR)	78,009.3	77,540.8	(9.6%)	(0.7%)	(0.6%)
Stoxx 600 (EUR)	657.9	654.2	9.7%	0.8%	(0.6%)
Nikkei (JPY)	68,713.8	66,016.4	31.1%	2.6%	(3.9%)

Hang Seng (HKD)	25,116.9	26,009.5	(1.2%)	0.5%	3.6%

	14-Aug-26	21-Aug-26	YTD Δ	MTD Δ	Weekly Δ
Commodities					
Gold (USD per troy ounce)	4,376.4	4,603.1	1.0%	8.2%	5.2%
Silver (USD per troy ounce)	64.7	69.0	(11.2%)	12.3%	6.7%
Oil (USD per barrel)	82.4	87.1	43.8%	(2.7%)	5.7%
Natural Gas (Henry Hub)	2.7	2.8	(24.5%)	(0.5%)	1.5%
Currencies					
EUR/USD	1.1570	1.1679	(1.3%)	0.4%	0.9%
GBP/USD	1.3538	1.3644	0.6%	0.4%	0.8%
USD/INR	95.4350	95.7050	5.8%	0.0%	0.3%
CHF/USD	1.2296	1.2481	(2.6%)	(0.7%)	1.5%
USD/JPY	159.3200	158.9500	1.6%	1.2%	(0.2%)
Credit Markets					
US Treasury 10Y Yield (%)	4.69	4.73	50.15	4.68	4.17
German Bund 10Y	3.20	3.26	30.40	7.20	5.40
UK Gilt 10Y	5.037	5.060	50.05	11.60	2.30
Japan JGB 10Y	2.873	2.854	80.70	10.00	(1.90)
India G-Sec 10Y	6.758	6.850	15.18	(0.70)	9.20
China CGB 10Y	1.684	1.697	(17.10)	(2.20)	1.30
S&P BDC Index	50.560	50.047	(8.4%)	8.1%	(1.0%)
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 24–28 August

Date	Country/Region	Event	Period	Survey (Median)	Prior
Tue, 25 Aug	Germany	IFO Business Climate	Aug	87.2	86.6
Wed, 26 Aug	Australia	CPI YoY	Jul	3.30%	3.80%
Wed, 26 Aug	US	Core PCE Price Index YoY; Durable Goods Orders; GDP Annualized QoQ	Jul / Jul / 2Q S	3.30% / 0.50% / 1.50%	3.30% / 0.50% / 1.50%
Thu, 27 Aug	US	Initial Jobless Claims	22-Aug	208k	206k
Fri, 28 Aug	Japan	Tokyo CPI YoY; Jobless Rate	Aug / Jul	1.90% / 2.50%	2.00% / 2.50%

Disclaimer

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