Weekly Market Wrap

Key Market Developments

The US equities extended their advance for a second straight week, with NVIDIA's fiscal second-quarter results reinforcing that the AI investment cycle remains intact: revenue of USD 96.2 billion, guidance of USD 108 billion for the current quarter, and a roughly 70% growth outlook for fiscal 2028. The result helped the S&P 500 and Nasdaq add about 0.5% and 0.4% respectively, even as the week saw the largest US equity fund outflow since March. Inflation, not growth, drove the week's policy repricing: July headline PCE held at 3.7% and core PCE at 3.3% and the real consumer spending was flat, and Q2 GDP was confirmed at 1.5% even as corporate profits rose sharply, pointing to moderate real growth accompanied by persistent price pressure rather than recession risk. Fed Chair Kevin Warsh's Jackson Hole address added a hawkish twist to the curve, reaffirming that the Fed still has work to do unless inflation clearly returns to the 2% target; the 2-year yield rose to 4.36% while the 10- and 30-year ended near 4.73% and 5.21%, compressing the 2s30s spread by about 18 basis points over the week.

Elsewhere, the moves that dominated the prior week partly reversed: Brent crude fell more than 5% to USD 89.31 as Hormuz flows improved unevenly and deal rumors resurfaced, while gold futures lost 3.25% as the dollar and short-end yields rose, easing near-term overextension without displacing gold's strategic case tied to fiscal and geopolitical risk. The pullback in oil supported sentiment across Europe and Asia, where the Stoxx 600 was relatively flat (0.1%) and Germany's GDP and Ifo readings pointed to continued recovery from stagnation, even as France's growth stalled and inflation accelerated to 2.4%. Japanese equities advanced as the yen weakened toward 160 against the dollar and the 10-year JGB yield rose on growing expectations of further Bank of Japan tightening, while in China mainland indices proved more resilient than Hong Kong (-1.6%), where Alibaba's HKD 80 billion placement weighed on the index before AI-linked names recovered on NVIDIA's results. In India, SENSEX declined 0.4% on the week (Nifty 50 down 0.31%) in a defensive rotation that favored IT, metals and pharma over FMCG, oil and gas, and autos.

What We Are Watching – Week Starting 31st August

- **Payrolls as the tie-breaker.** The US August jobs report, due Friday, September 4, will decide whether persistent inflation calls for tighter policy or weak hiring restrains the Fed. Wages and revisions matter as much as the headline job count; futures markets already price close to 60% odds of a September hike, up from about 35% before Jackson Hole, so a soft print would be a meaningful repricing catalyst.
- **The front end versus the long end.** If the 30-year yield climbs back above 5.25%-5.30%, it would signal that concerns about government debt and bond supply are outweighing the credibility boost from Warsh's speech.
- **AI breadth and monetisation.** NVIDIA's guidance of roughly 70% growth for the coming year, well above the near-46% analyst consensus, with customer demand forecasts implying closer to 100%, confirms that chip supply, not demand, remains the bottleneck. That says nothing yet about whether hyperscalers' capex is generating adequate returns, which is a separate question that will show up in software pricing, cloud utilisation, and whether earnings leadership broadens beyond semiconductors.
- **Hormuz flows and the $90 oil pivot.** A sustained reopening would ease inflation and support duration-sensitive assets; renewed disruption would quickly reprice freight and regional growth.
- **Yen instability.** USD/JPY returned near 160 after July's intervention. Disorderly weakness could trigger another response and forced unwinds in leveraged carry positions.

GIA View

Equities:

- Neutral to moderately overweight; raise the quality threshold. Retain proven AI leaders but cap concentration; prefer free cash flow, low leverage and pricing power. Large-cap quality remains preferable to rate-sensitive small caps.
- Broaden selectively. Add healthcare, industrial automation, defence, infrastructure and selected energy. Underweight leveraged real estate, speculative growth and weaker consumer cyclicals.

Rates:

- Bonds: overweight high-quality 2-7 year carry, but phase entry. Keep long duration neutral/tactical and add only on yield spikes; retain measured TIPS exposure.

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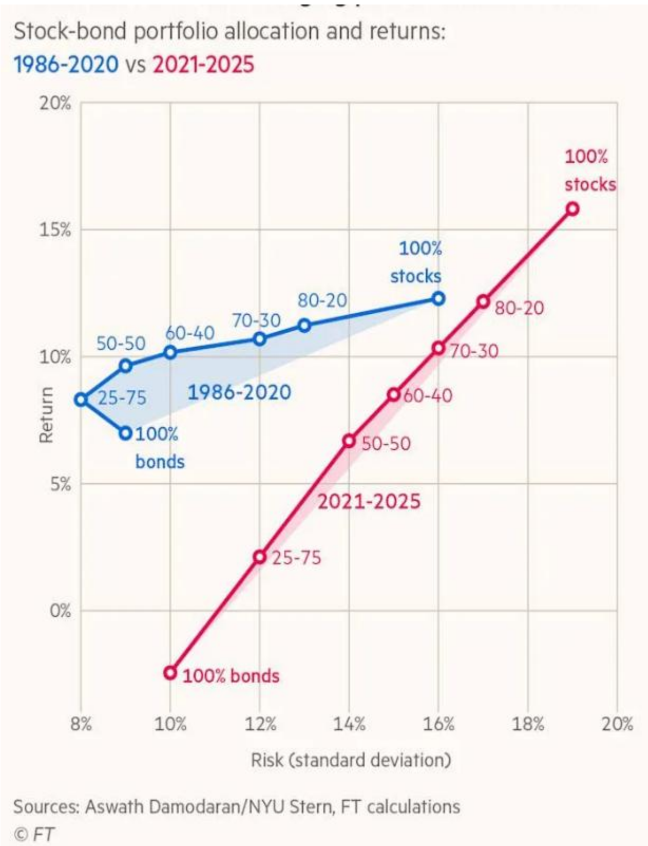
Commodities:

- Gold & Precious metals: maintain a strategic 5%-10% allocation. Rebalance or add in tranches; do not use leverage or treat the fiscal hedge as a one-way momentum trade.

Chart of the week: Bonds have lost their hedging power under inflation



Source: Financial Times, Aswath Damodaran/NYU Stern

The chart illustrates a structural shift in the classic 60/40 diversification model rather than a short-term trading signal. Between 1986 and 2020, adding bonds to an all-equity portfolio reduced volatility for a modest cost in return, the standard justification for a fixed allocation to duration. Across 2021-2025, every point on the corresponding frontier sits at both higher risk and lower return than its earlier counterpart, meaning government bonds no longer offset equity drawdowns when inflation itself is the source of volatility. This is consistent with the week just ended, where a hawkish Jackson Hole message pushed front-end yields higher without offering equities the usual ballast, reinforcing a preference for phased entry into duration rather than a static allocation, and for retaining a strategic allocation to gold as an alternative hedge against fiscal and inflation risk.

Asset Class Performance – Week Ending 28th August 2026

	Week ending >>>				
	21-Aug-26	28-Aug-26	YTD Δ	MTD Δ	Weekly Δ
Equity Indices					
S&P 500 (USD)	7,674.4	7,711.8	12.4%	3.0%	0.5%
NASDAQ (USD)	29,308.9	29,433.4	16.8%	4.1%	0.4%
Dow Jones (USD)	53,277.0	53,560.0	10.7%	2.0%	0.5%
MSCI EM Index (USD)	1,721.9	1,722.1	20.5%	3.4%	0.0%
SENSEX (INR)	77,540.8	77,264.5	(9.9%)	(1.1%)	(0.4%)
Stoxx 600 (EUR)	654.2	655.2	9.9%	0.9%	0.1%
Nikkei (JPY)	66,016.4	66,405.6	31.9%	3.2%	0.6%
Hang Seng (HKD)	26,009.5	25,584.8	(2.9%)	(1.2%)	(1.6%)

	21-Aug-26	28-Aug-26	YTD Δ	MTD Δ	Weekly Δ
Commodities					
Gold (USD per troy ounce)	4,603.1	4,455.1	2.8%	10.1%	(3.2%)
Silver (USD per troy ounce)	69.0	66.4	(8.8%)	15.3%	(3.8%)
Oil (USD per barrel)	87.1	83.4	45.5%	(1.5%)	(4.2%)
Natural Gas (Henry Hub)	2.8	2.9	(20.2%)	5.1%	4.1%
Currencies					
EUR/USD	1.1679	1.1585	(1.1%)	0.5%	(0.8%)
GBP/USD	1.3644	1.3538	0.6%	0.4%	(0.8%)
USD/INR	95.7050	95.3850	5.8%	(0.0%)	(0.3%)
CHF/USD	1.2481	1.2360	(2.1%)	(0.2%)	(1.0%)
USD/JPY	158.9500	160.0900	2.1%	1.7%	0.7%
Credit Markets					
US Treasury 10Y Yield (%)	4.73	4.72	52.73	(1.59)	(1.59)
German Bund 10Y	3.26	3.28	37.90	2.10	2.10
UK Gilt 10Y	5.060	5.063	52.65	0.30	0.30
Japan JGB 10Y	2.854	2.897	83.10	4.30	4.30
India G-Sec 10Y	6.850	6.911	30.48	6.10	6.10
China CGB 10Y	1.697	1.696	(15.90)	(0.10)	(0.10)
S&P BDC Index	50.047	50.373	(8.8%)	7.7%	0.7%
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 31 Aug–4 Sep

Date	Country/Region	Event	Period	Survey (Median)	Prior
Mon, 31 Aug	Germany	CPI (Preliminary, YoY)	Aug	3.00%	2.80%
Mon, 31 Aug	India	GDP YoY	2Q	7.30%	7.80%
Tue, 1 Sep	China	Manufacturing PMI	Aug	51.0	50.9
Tue, 1 Sep	Eurozone	CPI (Flash, YoY)	Aug	3.30%	2.90%
Tue, 1 Sep	India	Manufacturing PMI (Final)	Aug	--	52.9
Tue, 1 Sep	US	ISM Manufacturing	Aug	55.2	55.6
Tue, 1 Sep	US	JOLTS Job Openings	Jul	7,313k	7,359k

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