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Monthly Market Update

August 2026

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"July saw investors turn towards energy and financials as confidence in the pace of future growth in AI companies eased."

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July 2026 Commentary

Global equities fell modestly in July as investors became more cautious towards some of the technology and AI companies that had driven markets higher earlier in the year. Attention shifted towards areas such as financials and energy, where valuations appeared more attractive and company results remained encouraging. Better-than-expected earnings helped ease concerns about a slowdown in economic growth. Meanwhile, renewed tensions involving Iran pushed oil prices higher, adding to inflation concerns and weighing on bond markets. Overall, markets remained relatively resilient, although there was a clear move towards more attractively valued areas.

United Kingdom

FTSE All Share: 3.69%

UK equities performed strongly in July and outperformed most other major regions. The UK's relatively low exposure to technology and AI companies was helpful as these areas came under pressure elsewhere. Energy stocks also benefited from higher oil prices, while financial companies were supported by encouraging earnings. Mid-sized companies performed particularly well. The Bank of England left interest rates unchanged, while inflation eased in June. At 2.8%, inflation remained above the Bank's 2% target, but the fall from the previous month provided some reassurance that price pressures were continuing to ease.

United States

S&P 500: -1.46%

US equities fell in July as investors took a closer look at some of the companies that had driven the market's gains earlier in the year. Technology stocks were among the weaker areas, with concerns that high share prices had begun to reflect very optimistic expectations for future AI growth. This did not appear to signal a loss of confidence in AI itself, but rather greater caution over how much investors were paying for that growth. Energy stocks performed well as oil prices increased, while financial companies also benefited from solid earnings and a resilient economy.

Europe

FTSE Developed Europe ex UK: -0.52%

European equities were slightly weaker in July, despite signs that the region's economy was gaining some momentum. Eurozone GDP grew in the second quarter after no growth in the first three months of the year, but inflation remained above the European Central Bank's target. Rising oil prices added to concerns that inflation could prove more persistent. The European Central Bank kept interest rates unchanged, although the possibility of higher rates was discussed. Energy companies performed well as oil prices rose, while financials were supported by encouraging results from several banks. Technology stocks were weaker, partly due to growing competition from Chinese companies.

China

CSI 300: -8.17%

Chinese equities fell in July as concerns over the wider economy continued to weigh on sentiment. The property market remained a particular area of concern, alongside questions over the strength of consumer spending. There were some more positive developments, with expectations of further government support helping selected areas of the market. Banks and internet companies also benefited as investors moved away from weaker technology markets elsewhere in Asia. However, confidence remained fragile, with investors looking for clearer evidence that government support would translate into stronger economic activity and a more sustained recovery.

Japan

MSCI Japan: -0.36%

Japanese equities were slightly weaker in July, although there was a noticeable shift in which parts of the market performed best. Technology and semiconductor companies came under pressure as investors reassessed

Discrete Quarterly Performance as at 31/07/2026

the high valuations attached to AI-related businesses and questioned the potential returns from large investments in AI infrastructure. This benefited more traditional areas of the Japanese market, including financials, resource companies, trading houses and car manufacturers. Financial stocks were also supported by higher interest rates, which can improve banks' lending profits. The month highlighted the growing interest in companies that had previously lagged the technology-led market rally.

Emerging Markets

MSCI Emerging Markets: -4.41%

Emerging market equities fell in July, with Korea and Taiwan among the weaker markets. Both have large technology and semiconductor industries, leaving them particularly exposed to the change in sentiment towards AI-related companies. Concerns over the amount being spent by major technology companies, together with increasing competition from China, added to the pressure. Elsewhere, Brazil and India held up better as investors looked towards areas less dependent on the technology sector. A weaker US dollar provided some support, although this was offset by renewed tensions in the Middle East and higher oil prices, which created additional challenges for some emerging economies.

Global Bonds

Bloomberg Barclays Global Agg: -1.9%

Global bonds had a difficult month as rising oil prices increased concerns about inflation. Government bond yields moved higher, which caused bond prices to fall, particularly for longer-term bonds. In the US, longer-term yields reached their highest level in many years as investors questioned how firmly policymakers would respond if inflation remained elevated. European bond markets faced similar pressures as higher energy prices reduced expectations of lower interest rates. UK government bonds initially weakened amid concerns over government finances, before recovering as confidence improved. Corporate bonds remained relatively resilient, although technology-related concerns and geopolitical tensions led to more mixed performance.

All investment involves risk. It is important you understand that past performance is not a guarantee of future performance. The value of investments and any income derived from them may go down as well as up and you might not get back the full amount you invested.

Cumulative Performance and Annualised Volatility as at 31/07/2026

	5 Years %	3 Years %	1 Year %	Volatility %
Global Bonds	-6.20	4.45	-0.09	5.03
UK Equities	73.15	54.69	21.57	10.47
US Equities	85.14	60.49	17.15	12.93
European Equities	54.64	46.22	20.17	12.21
Japan Equities	66.35	55.97	30.08	12.75
Asia Equities	108.21	106.74	63.23	20.62
China Equities	6.76	25.09	20.67	19.15
Emerging Market Equities	51.98	62.44	34.17	15.59
Global Equities	75.59	57.64	18.41	11.61

Data source FE Analytics 31.07.2026. Indices used: Global Bonds: Bloomberg Barclays Global Aggregate, UK Equities: FTSE All Share, US Equities S&P500, European Equities: FTSE Developed Europe (Ex UK), Japan Equities: MSCI Japan, Asia Equities: FTSE World Asia Pacific (Ex Japan), China: CSI 300, Emerging Markets Equities: MSCI Emerging Markets, Global Equities: MSCI World. Volatility annualised over 5 years.