FORUM
FINANCE

AUGUST 2026

Monthly Newsletter

MARKET REVIEW

Government bond markets adjusted sharply again in August, with yields rising across most major sovereign curves and maturities. The US 10-year Treasury yield moved decisively higher, while German Bunds and other core European markets followed the same trend. This renewed increase in yields reflects a combination of structural and cyclical pressures that investors can no longer ignore.

AI and digital infrastructure remain major structural investment drivers. Large technology platforms and AI hyperscalers are committing to multi-year spending on data centres, high-performance computing and energy infrastructure. This investment wave is supporting overall demand and contributing to higher real rates, making a return to the very low-yield environment seen before the pandemic less likely.

Inflation has fallen from its peaks, but underlying pressures remain persistent. Core inflation is still above the 2% target, while services inflation continues to be supported by tight labour markets and strong wage growth. As a result, markets increasingly expect policy rates to remain restrictive for longer, with further hikes still possible if inflation does not ease sufficiently. This has reinforced upward pressure on bond yields.

Geopolitical tensions have added further uncertainty. Renewed tensions in the Middle East and concerns over key shipping lanes have increased the risk premium in energy markets and pushed oil prices higher. A sustained rise in oil prices could add to inflation pressures and complicate central banks' policy decisions.

Equity markets remained relatively resilient overall, but sector performance was increasingly divided. Rate-sensitive areas such as long-duration growth stocks and real estate came under pressure as discount rates rose, while AI- and semiconductor-related companies continued to benefit from strong investor demand.

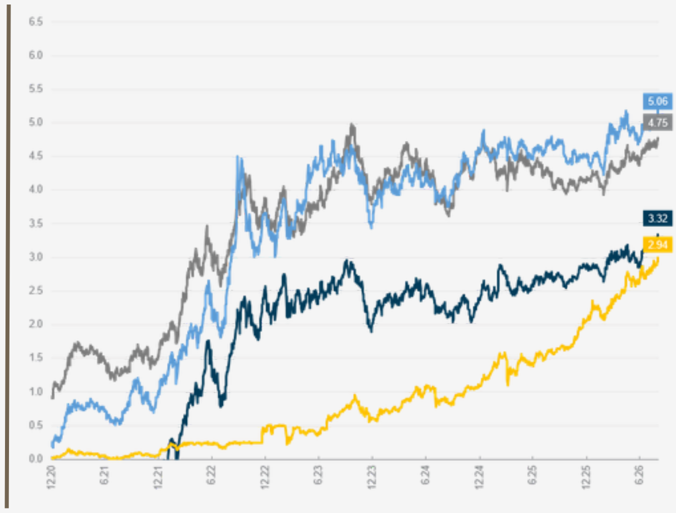
NVIDIA's quarterly results remained a key market focus. The company again reported very strong earnings and guidance, with data-centre revenues and AI demand exceeding already high expectations. This reinforced confidence in the broader AI investment cycle, while also highlighting the increasing concentration of global earnings growth among a small number of large technology companies.

Overall, the month was characterised by higher bond yields, persistent inflation concerns, renewed geopolitical risks and strong but increasingly concentrated equity-market leadership.

Ex 1: U.S. 10 Year Treasury Bond Yield

USGG10YR Index
Source: Bloomberg

Ex 2: Government 10 Year Bond Yield



Japan (GTJPY10Y) – Germany (GTDEM10Y) – United States (USGG10Y) – United Kingdom (GTGBP10Y)
Source: Bloomberg

+9.7%
PERFORMANCE OF GOLD IN US DOLLAR IN AUGUST

Ex 3: Gold Spot

XAU Currency
Source: Bloomberg

Gold and other precious metals corrected, pressured by a stronger dollar and slightly higher real yields, reversing part of the sharp rally seen earlier in the year. Industrial metals were choppy but broadly weaker, consistent with a patchy global industrial cycle and lingering uncertainty around Chinese demand. Copper remained relatively resilient, supported by a structurally tight balance and the electrification/AI narrative, even if prices remain volatile and sensitive to macro headlines.

INVESTMENT STRATEGY

The global economy continues to show resilient growth, with the United States remaining the main engine. US data point to solid consumption, healthy labour markets and ongoing investment, particularly in technology and infrastructure. Other regions are growing more modestly, but the overall picture is one of continued expansion rather than imminent recession, supporting corporate earnings and risk assets.

Inflation, however, remains elevated and sticky. Core inflation in many advanced economies is still above central-bank targets, and disinflation has slowed, especially in services, where tight labour markets and strong demand in areas such as travel and healthcare keep prices and wages firm. This combination of resilient growth and sticky inflation has led markets to revise expectations for monetary policy.

Where investors previously anticipated a gradual sequence of rate cuts, attention has shifted to the risk of renewed rate hikes. The probability that the Federal Reserve and the European Central Bank may need to tighten further has increased, with markets assigning a non-negligible chance of additional hikes as early as September. Central banks emphasise data-dependence and their readiness to act if inflation does not converge towards target in a timely manner.

For asset allocation, higher-for-longer policy rates and the possibility of further tightening argue for caution on duration and a disciplined approach to interest-rate risk. At the same time, resilient growth and expanding earnings support a constructive stance on equities, particularly in markets and sectors with strong structural drivers.

Market dynamics remain broadly constructive: credit spreads are near the lower end of historical ranges, equity indices are close to their highs and volatility is contained. Yet there are signs of fatigue after a strong run in risk assets. Positioning in popular themes such as large-cap US technology and AI beneficiaries is crowded, and valuations leave limited room for disappointment.

Seasonality also argues for prudence. Historically, the period from Labour Day to mid-October has often been more challenging for equity markets, especially the S&P 500, with higher volatility and, in some years, meaningful drawdowns as liquidity conditions change after the summer and investors reassess risk ahead of year-end. While past patterns are no guarantee of future outcomes, they reinforce the case for a cautious stance into the autumn.

In this environment, our investment strategy remains constructive but selective. We continue to favour equities over bonds from a strategic perspective, given resilient growth and still-attractive earnings prospects. Within equities, we emphasise companies with visible earnings growth, strong balance sheets and pricing power, especially in the US, where the macro backdrop is most supportive. We maintain exposure to structural themes such as digitalisation, AI and the energy transition, while being mindful of valuation and concentration risks.

On the fixed-income side, we keep duration contained and focus on segments offering attractive carry relative to interest-rate and credit risk. We remain cautious on long-dated government bonds, given upward pressure on yields from deficits, issuance and inflation, and manage credit exposure carefully with a preference for higher-quality issuers and diversified structures.

We also maintain a meaningful allocation to diversifying assets and strategies, including alternatives, to help mitigate the risks associated with higher yields, sticky inflation and geopolitical uncertainty. We see scope for markets to remain supported in the near term, but remain attentive to signs of fatigue and the potential for a more volatile phase as we move through the autumn.

PORTFOLIO ACTIVITY

Portfolio activity has been relatively limited since early August. We used market conditions to increase equity exposure slightly, reflecting our constructive view on global equity markets despite higher bond yields and a more challenging policy backdrop. This adjustment was incremental, in line with our preference for gradual portfolio changes rather than large tactical swings.

Our asset allocation remains favourable to risk assets, with a particular emphasis on equities as the main source of long-term return in a world where nominal growth is supported by investment in technology, infrastructure and the energy transition. The resilience of corporate earnings, especially in the US and in selected global sectors, reinforces this view.

Within equities, we are constructive on the overall market but increasingly attentive to regional and sectoral relative value. We are contemplating a gradual shift of part of our European equity exposure in favour of US equities. Historically, US equities have tended to perform well around US mid-term election periods, both in absolute terms and relative to Europe. The combination of resilient US growth, strong corporate profitability and this supportive historical pattern argues for a somewhat higher strategic weight in US equities.

Any such shift would be implemented in a measured way, taking into account valuation differentials, currency considerations and the evolving macro backdrop in both regions. Europe still offers attractive opportunities in selected sectors, particularly industrials, energy and high-quality financials, but the growth impulse is weaker and the earnings cycle more uneven than in the US. By contrast, the US market benefits from a deeper pool of high-growth, high-margin companies, especially in technology and healthcare, and from a more dynamic domestic demand environment.

In fixed income, we maintain a cautious stance on interest-rate exposure, keeping overall duration at a moderate level. Government-bond holdings are focused on maturities and markets where we see a reasonable balance between yield and interest-rate risk. In credit, we retain diversified exposure across investment-grade and selected high-yield issuers, with an emphasis on solid balance sheets and robust cash-flow generation. With spreads tight by historical standards, security selection and risk management are key.

Alternatives and diversifying strategies continue to play an important role. Allocations to strategies such as trend-following, macro and multi-strategy funds and, where appropriate, gold, are designed to provide diversification and reduce reliance on the traditional equity-bond correlation. In an environment where both bonds and equities can be challenged simultaneously by higher inflation or policy surprises, these exposures are an important source of resilience.

Overall, our portfolios remain positioned to participate in a constructive market backdrop, while acknowledging the risks associated with higher yields, sticky inflation, geopolitical tensions and the seasonally more volatile autumn period. We will continue to adjust exposures opportunistically as new information emerges, focusing on attractive risk premia and maintaining sufficient flexibility to respond to changing market conditions.

	31/12/2024	31/12/2025	31/08/2026	Month-to-Date	Year-to-Date
Yields (%)				Δ In basis points	Δ In basis points
US 3-Month	4.31	3.63	3.83	7	20
German 3-Month	2.49	1.99	2.36	8	36
US 2-Year	4.24	3.47	4.34	5	87
German 2-Year	2.08	2.12	2.93	12	81
US 10-Year	4.57	4.17	4.75	2	58
German 10- Year	2.36	2.85	3.32	12	47
Currencies				Δ In %	Δ In %
EUR/USD	1.0354	1.1746	1.1618	0.8	(1.1)
USD/CHF	0.9074	0.7926	0.8084	0.1	2.0
EUR/CHF	0.9401	0.9307	0.9391	0.9	0.9
GBP/USD	1.2516	1.3475	1.3549	0.5	0.5
Commodities				Δ In %	Δ In %
Oil (WTI)	$71.7	$57.4	$85.8	1.3	49.4
Copper	$402.7	$568.2	$659.4	2.0	16.0
Gold	$2,625	$4,319	$4'437	9.7	2.7