August 24, 2026

Weekly Investment Insights

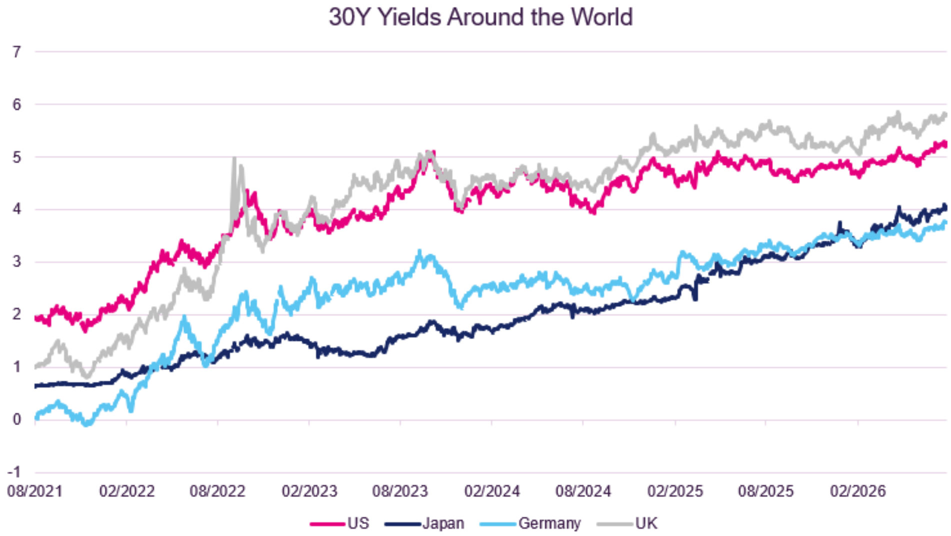
US gross national debt has climbed above **$40 trillion**, underscoring the growing fiscal challenges facing the world's largest economy. The increase reflects years of persistent budget deficits, elevated government spending, and rising interest costs as investors demand greater compensation to absorb expanding government borrowing needs.

The US is currently running a fiscal deficit of approximately 6% of GDP, significantly above historical norms despite a relatively healthy economy. Treasury Secretary Scott Bessent has previously highlighted a medium-term objective of reducing it to **3% of GDP**, but achieving this target will be challenging.

The consequences of rising debt levels are most visible in the bond market. Large fiscal deficits, increased Treasury issuance, and lingering inflation concerns have contributed to upward pressure on government bond yields, particularly at the long end of the curve. Higher long-term yields increase the cost of financing for the US government and can tighten financial conditions across the broader economy.

In response to bond market volatility, the US Treasury announced that it would **at least double** its purchases of longer-dated securities beginning 9th September. The operation targets Treasury securities with maturities of **10-20 years and 20-30 years**, with purchase sizes increasing from approximately **$2 billion to at least $4 billion**. The announcement provided only temporary support for longer-dated government bonds, while gold prices also moved higher. However, the scale of the programme remains modest when viewed against a Treasury market of more than $30 trillion, suggesting that its impact on the overall direction of yields is likely to be limited.

Yields on 3- and 6-month Treasury bills, however, moved modestly higher on expectations of additional supply. Investors seemed to be anticipating that the Treasury would continue its strategy to shift a larger share of government financing towards shorter maturities.



Source: Bloomberg, BIL

Looking ahead, a meaningful decline in long-term yields may prove difficult. Persistent fiscal deficits, resilient economic growth, high government borrowing requirements, geopolitical uncertainty, and above-target inflation are all likely to keep upward pressure on rates. In addition, growing capital requirements associated with AI-related investment and infrastructure spending could increase competition for funding across financial markets. At the same time, rising Japanese government bond yields may reduce a historically important source of foreign demand for US Treasuries.

Higher bond yields act as a tightening force across financial markets because they increase the risk-free rate against which other assets are valued. As US Treasury yields serve as the global benchmark for many financial assets, developments in the bond market could have significant implications for borrowing costs, asset valuations and portfolio returns worldwide.

In a further attempt to console bond markets, US Treasury Secretary Scott Bessent has stated that he has a "large toolkit" available to help lower yields and has indicated that additional measures aimed at addressing fiscal concerns could be announced in the coming days.

On the monetary policy front, the minutes from the Federal Reserve's July meeting offered few major surprises. Policymakers appeared increasingly attentive to inflation risks, with several members expressing a willingness to raise interest rates further and many indicating that additional policy tightening could be warranted if inflation fails to move sustainably back towards the Fed's 2% target. Markets, however, remain sceptical that a rate increase will be delivered at the September meeting, particularly after cooler inflation data and signs of moderation in the labour market. However, the possibility of a further hike later this year remains under consideration.

Attention will now turn to the **Jackson Hole Symposium**, where Federal Reserve Chair Kevin Warsh is scheduled to speak on Friday. Investors will be closely watching for clues on the future path of monetary policy and, in particular, whether the Fed believes current bond market yields are already doing some of the tightening that would otherwise need to come from interest rate increases.

MARKET SNAPSHOT

	Friday Close	5 Day Percentage Change	MTD Percentage Change	YTD Percentage Change
S&P 500	7674,37	-1,43	2,47	12,11
Nasdaq Composite	26180,46	-2,05	3,18	12,64
EuroStoxx 50	6462,22	-1,05	1,63	11,57
CAC40	8484,43	-1,09	-0,27	4,13
DAX	26136,56	-0,75	2,00	6,74
CSI 300	4618,895	-3,75	-0,55	-1,44
US 10 Year Yield (%)	4,7339	-0,38	-0,65	12,89
Germany 10 Year Yield (%)	3,258	0,68	1,15	13,59
Gold Spot ($/Oz)	4603,07	5,10	14,71	7,45

Source: Bloomberg, BIL

MACRO SNAPSHOT

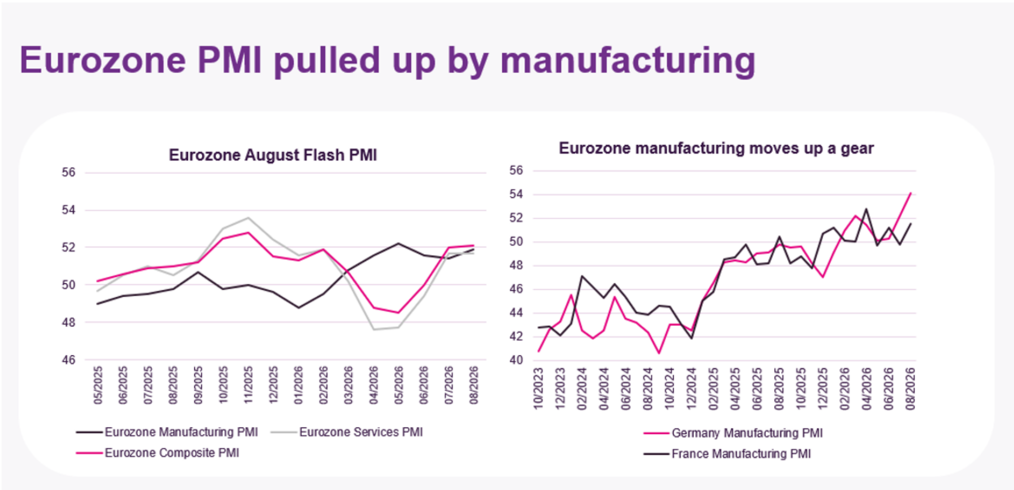
An increasingly optimistic outlook in the Eurozone

The Eurozone flash Composite PMI rose to 52.1 in August, marking a nine-month high and beating consensus expectations of 51.7. The manufacturing sector was the standout performer, with its PMI climbing to 52.8, its strongest reading since May 2022. Much of the improvement was driven by Germany, where factory output expanded at the fastest pace since January 2022.

Encouragingly, growth was supported by a recovery in demand rather than inventory rebuilding alone. New orders increased during the month, while export orders returned to growth for the first time in over four years, pointing to an improving global demand backdrop.

Businesses responded to the stronger activity environment by increasing headcount, reinforcing signs of resilience across the Eurozone economy. At the same time, input costs and selling price pressures continued to moderate, suggesting that while economic momentum is improving, underlying inflationary pressures remain relatively contained.

Overall, the latest PMI data paint a more constructive picture for the Eurozone economy, with manufacturing showing signs of a sustained recovery.

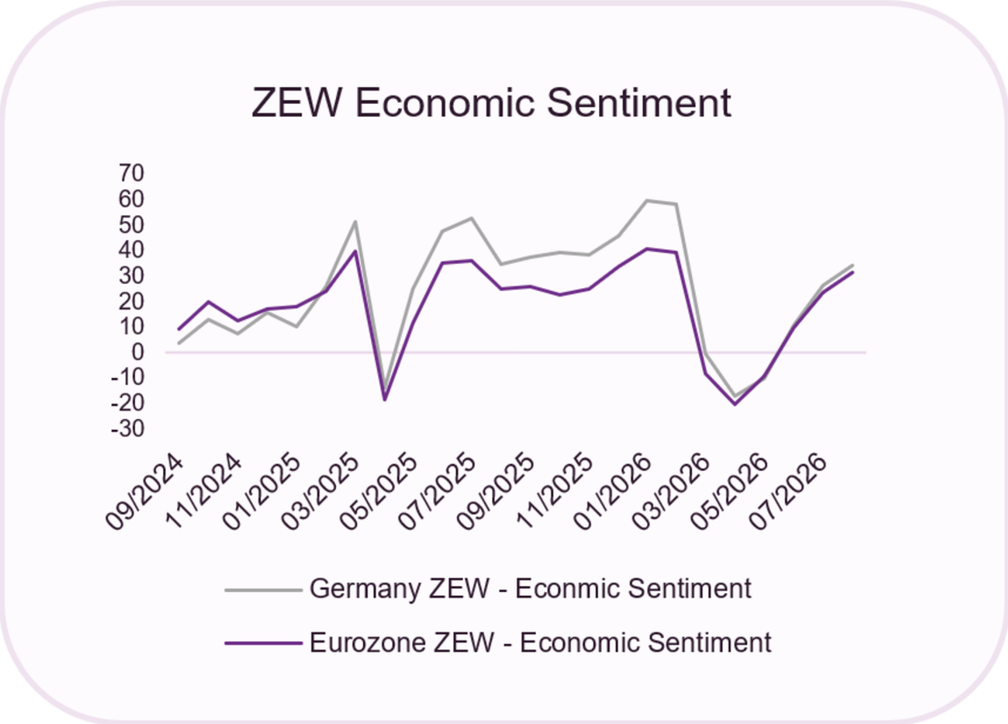


Source: Bloomberg, BIL

The **ZEW Indicators of Economic Sentiment** for both Germany and the Eurozone also continued to rise through August.

For the Eurozone as a whole, 57% of analysts expected no change in economic activity, while 37.2% anticipated an improvement and 5.8% expected deterioration. The assessment of the current situation also improved, with the index surging 16.2 points to -21.5, while inflation expectations declined 8 points to 2.4.

Zooming in on Germany, the index reached its highest level since February, suggesting that confidence in the German economy is strengthening despite ongoing geopolitical risks. 44% of respondents anticipate an economic improvement over the coming months, compared with just 9.8% expecting deterioration. Sentiment strengthened across all major sectors, notably the automotive industry. Various factors underpin the brighter outlook including robust corporate earnings, exports and fiscal spending.



Source: Bloomberg, BIL. The ZEW Index is a monthly financial market survey conducted by the Centre for European Economic Research, which measures the economic outlook and confidence of up to 350 institutional investors and analysts.

Chinese data disappoints at the start of 2H

China's slate of economic indicators for July undershot expectations, highlighting a loss of momentum at the onset of the second half. The underlying issue remains weak domestic demand, which is only being partially offset by resilience in exports and high-tech manufacturing.

Fixed asset investment contracted 6.7% YoY in the January-July period, marking the weakest reading since April 2020. The property sector was the key source of weakness, with real estate investment down 19.2%.

Industrial production growth slowed to 4.5% YoY, down from 5.3% in June. Nevertheless, activity in high-tech manufacturing remained comparatively robust, with computers, communications equipment, railways, shipbuilding and aerospace continuing to outperform.

Retail sales rose just 0.6% YoY, down from 1.0% in June and below market expectations. Consumer sentiment remains subdued in the wake of the prolonged property downturn, with declining house prices continuing to weigh on household confidence and spending intentions.

Residential property prices have now been falling for 37 months, and were down by another 3.2% in July.

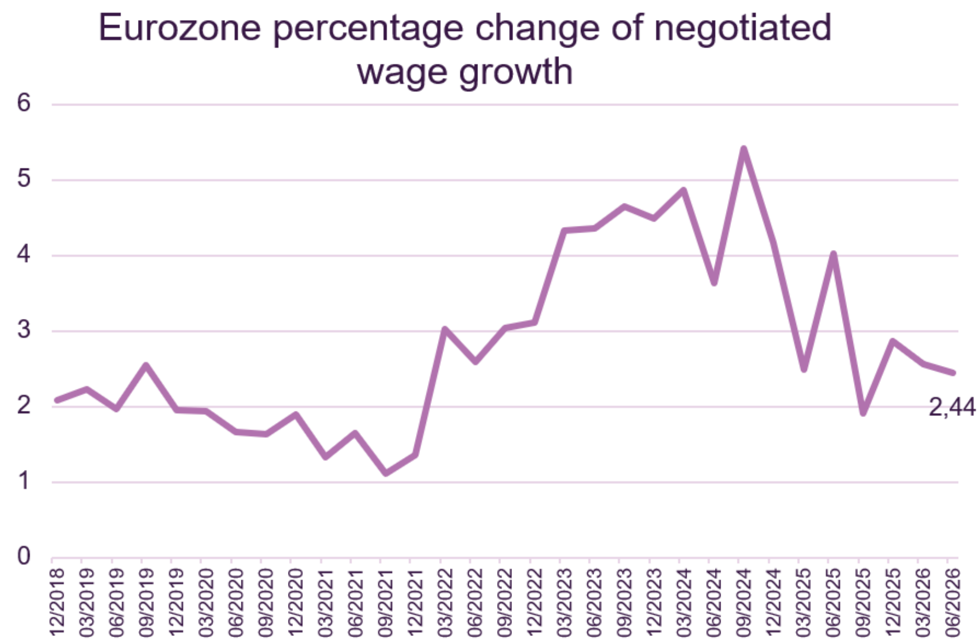
Overall, it is worth nothing that some of July's weakness may have been amplified by extreme weather disruptions. Looking ahead, additional policy support may be forthcoming. The July Politburo meeting signalled a desire to accelerate fiscal spending and increase the pace of bond-proceeds deployment in an effort to stabilise growth.

For now, however, policy resources remain focused on strategic and high-tech industries, suggesting that the technology race continues to take precedence over measures aimed directly at lathering up household consumption.

Eurozone wage growth continues its downtrend

Negotiated wage growth across the Eurozone continued to ease in Q2 2026, rising 2.44% YoY, down from 2.56%, and significantly below the 5.55% peak reached in 2024.

Although Eurozone inflation accelerated to 2.9% in July, remaining above the ECB's 2% target, the continued moderation in wage growth will be welcomed by the ECB as it assesses whether recent increases in energy prices, driven by geopolitical tensions, could spill over into broader inflationary pressures.



Source: Bloomberg, BIL

In other matters, the European Central Bank has opened its survey for the public to vote for the design of the next generation of euro banknotes.

CALENDAR FOR THE WEEK AHEAD

Tuesday – Germany GDP Growth (Final, Q2), IFO Business Climate Indicator. US **Conference Board Consumer Confidence**, New Home Sales, House Price Index

Wednesday – **US PCE Inflation**, Durable Goods Orders, Personal Income and Spending, GDP Growth (2nd estimate, Q2)

Thursday – China Industrial Profits. Germany Gfk Consumer Confidence. Eurozone M3 Money Supply. France Unemployment data. US Goods Trades Balance (advanced, July), Weekly Jobless Claims, **Jackson Hole Monetary Policy Symposium**

Friday – Japan Unemployment Rate, Consumer Confidence. UK House Price Index. **France Inflation (Preliminary, August)**, GDP Growth (Final, Q2). Spain Inflation (Preliminary, August) and Retail Sales. Germany Unemployment data (August). Italy Industrial Sales, Business and Consumer Confidence. Eurozone Economic Sentiment, Consumer Confidence, Consumer Inflation Expectations. **US Nonfarm Payrolls Annual Revisions** (Preliminary), Michigan Consumer Sentiment (Final, August), **Jackson Hole Monetary Policy Symposium**

Saturday - **Jackson Hole Monetary Policy Symposium**

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