August 31, 2026

Weekly Investment Insights

Strong earnings from a leading AI company lifted tech firms, and helped both the Nasdaq and the S&P 500 close the week higher, but smaller-cap stocks underperformed. European equities were broadly unchanged overall. Within the region, Germany's DAX gained more than 1.6%, while French equities fell amid political uncertainty and concerns over economic growth, which stalled in Q2.

The focal point of the week was the Federal Reserve's Annual Economic Policy Symposium in Jackson Hole. Fed Chair Kevin Warsh adopted a relatively hawkish stance, emphasizing that the central bank's "predominant focus" should remain on tackling inflation. He noted that "the responsibility for 65 months of sustained, elevated inflation sits squarely with the central bank."

Warsh stressed the need for confidence that underlying inflation is moving clearly and rapidly enough towards the Fed's target. "*We must be confident that underlying inflation is moving to our objective, clearly and at sufficient speed. Otherwise, we have work to do. That's our job . . . our mandate . . . and our charge to keep*," he said. He added that current inflation indicators continue to tell a consistent story, with price pressures remaining above the Fed's 2% target.

Before the meeting, we wondered if he would revisit the topic that higher bond yields were doing some of the Fed's work for it. However, he did not allude to this. Rather he said "on balance, I would be hard pressed to describe broad financial conditions as restrictive." Following his remarks, markets increased their expectations of a September rate hike, with futures pricing in roughly a 60% probability.

Geopolitical tensions also intensified during the week. The US military struck Iranian rocket launchers on an island in the Strait of Hormuz, marking the first direct American attack on Iranian forces in more than a month. Iran responded by launching missiles towards Jordan. The escalation pushed oil prices above $90 per barrel as investors assessed the potential impact of renewed hostilities on energy supplies.

With the US Midterm elections approaching, and many Americans disenchanted with the President's handling of the economy, the US has struck a deal with Venezuela to control more than 65 billion barrels of its proven oil reserves. President Trump wrote that the agreement would more than double American oil reserves and "substantially lower Gas Prices for all Americans". Inflation remains a pivotal issue in the US, especially among lower income households, and is most acutely being felt through higher gasoline prices, with the national average above $4.82/gallon – about 37% higher than it was before the war in Iran broke out.

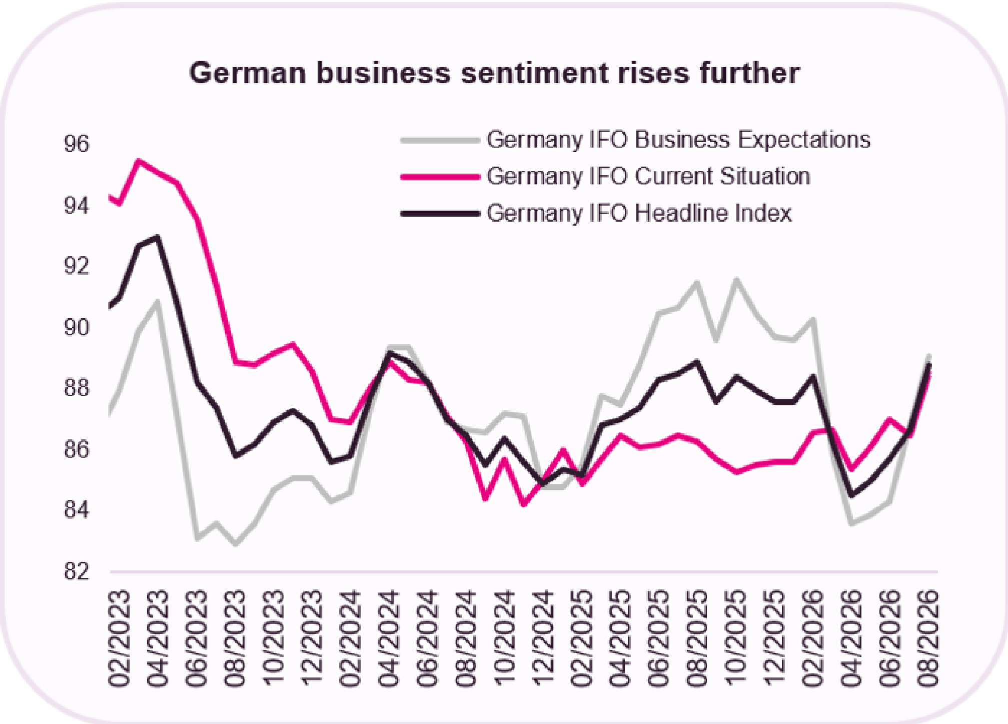
Relief will not come immediately, however. The US-Venezuela deal calls for the development of 17 strategic oil fields with a proven potential of 65 billion barrels, and is unlikely to have a material impact on global oil supplies in the next months or even the next year. Another sticking point is that Venezuela's oil reserves largely constitute "heavy, sour" oil, which is harder to refine and used for making diesel and asphalt. Trump has asked US oil firms to invest at least $100bn to restore the country's oil industry.

	Friday Close	5 Day Percentage Change	MTD Percentage Change	YTD Percentage Change
S&P 500	7711,76	0,49	2,96	12,65
Nasdaq Composite	26402,42	0,85	4,05	13,60
EuroStoxx 50	6485,67	0,36	1,78	11,74
CAC40	8401,18	-0,54	-1,20	3,17
DAX	26569,99	1,15	3,03	7,82
CSI 300	4609,176	1,36	0,80	-0,10
US 10 Year Yield (%)	4,718	0,30	-0,52	13,03
Germany 10 Year Yield (%)	3,279	1,05	2,53	15,13
Gold Spot ($/Oz)	4455,11	-4,68	9,60	2,67

Source: Bloomberg, BIL as of 31/8/26

German growth surprises on the upside, despite geopolitics and extreme heat

For a few months, we have been writing about the ongoing improvement in soft data coming out of Germany. Last week brought more of the same, with the IFO Business Climate Index rising to 88.8 in August, its highest level in a year. The reading comfortably exceeded economist expectations of 87.2, and suggests a long-awaited recovery is in fact on the cards, despite a renewed increase in energy costs and heatwave-related disruptions.

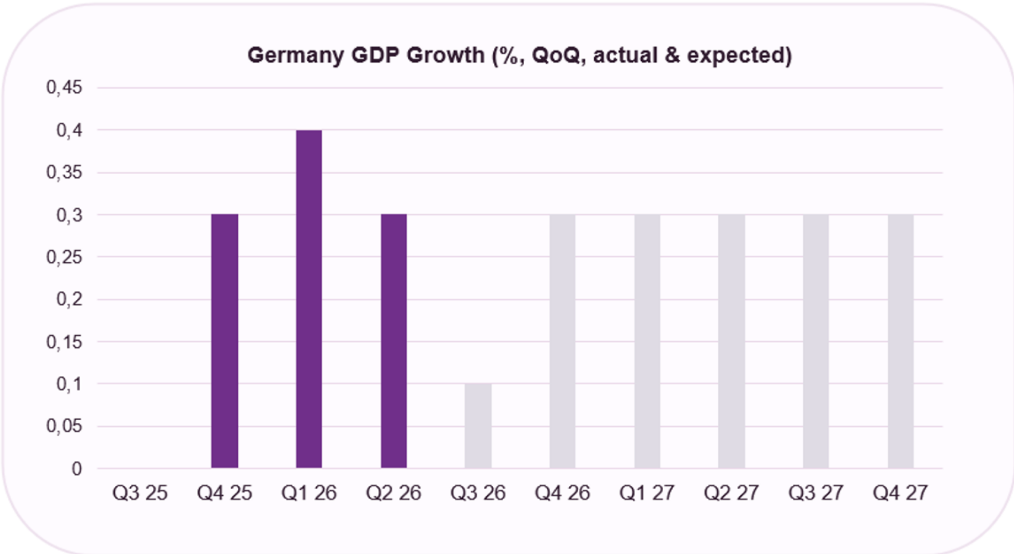


Source: Bloomberg, BIL

Even German consumers started to share in the optimism. The GFK consumer climate gauge rose to -26.6, up from -29.4, and the best reading since March. The improvement was driven primarily by stronger income expectations, which rose by 16.2 points to 1.7, the highest level in six months. Economic expectations also improved for a fourth month, though they remain subdued by historical standards. The willingness to buy, however, was essentially unchanged, remaining around the -10-point mark, where it has been for roughly four years, indicating continued reluctance to make major purchases.

While the surveys and sentiment indicators have been encouraging, we have maintained a note of caution, given that hard data (based on observed economic activity), was yet to confirm the brighter mood. Last week, the revised Q2 GDP print brought some reassurance. Underpinned by fiscal support and a recovery in the vast manufacturing sector, the economy grew by 0.3%, putting Germany on track for its strongest annual growth since 2022. While Germany is not home to any AI behemoth, it is also worth noting that it is quite well positioned to benefit from the industrial investment cycle that accompanies AI adoption.

Headwinds do, however, remain and economists expect the economy to pause for breath in Q3. Reasons for this include a slowdown in orders after front-loading in the first half of the year, geopolitical uncertainty, higher energy costs, higher bond yields, and still-subdued consumer momentum.



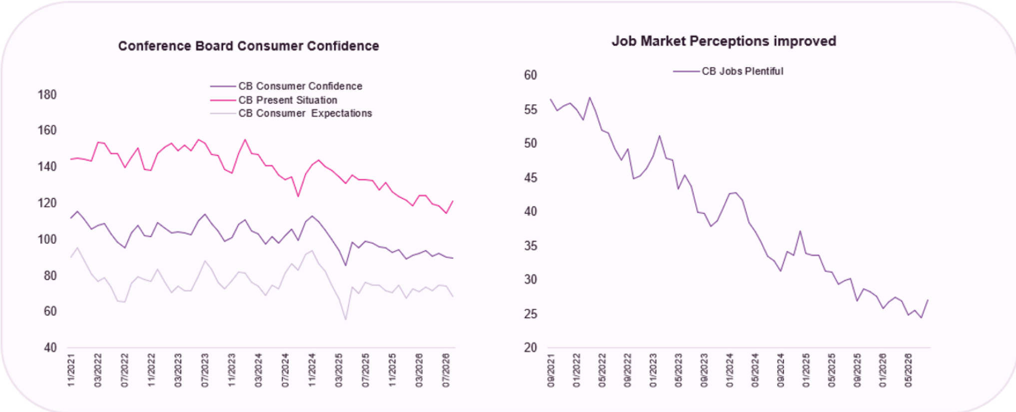
Source: Bloomberg consensus expectations as of 25/8/26, BIL

US Consumer Confidence hits a seven-month low

According to the latest survey conducted by the Conference Board, US consumer confidence fell to 89.4 in August, below the 90.2 expected by economists. While perceptions of the labour market and the current situation improved, households are growing more pessimistic about the future.

Many low income households continue to be squeezed by higher prices. The ongoing war in Iran is putting upward pressure on gasoline prices, as well as costs for other essential categories such as food. Due to a combination of trade tariffs and geopolitics, farmers have been grappling with elevated input costs for things like fertiliser and diesel to operate their machinery. The cost of food consumed at home in the US has risen by almost 30% since 2020, and for this reason, many consumers still feel inflation remains high even though the annual CPI rate has come down significantly.

Respondents were also more sceptical about future business conditions and income prospects. In a further sign of labour market stabilisation, perceptions of job availability improved.



Source: Bloomberg, BIL

Eurozone inflation heats up on higher energy costs

France and Spain were among the first Eurozone countries to report August inflation data on Friday. French inflation accelerated from 2.1% to 2.4%, driven by a sharp acceleration in energy inflation, which rose to 16.7% from 12.6%, particularly for petroleum products.

Spain recorded its hottest inflation print since February 2023: 4.3%, up from 3.6% in July and slightly above market expectations of 4.2%. This was, again, largely driven by energy costs. Core inflation, which excludes volatile components such as unprocessed food and energy, inched down to 2.9%

Incoming data suggests that the ECB will not meet its 2% inflation target in the coming months, and the market is almost fully pricing in another 25 basis point rate hike at the upcoming monetary policy meeting on 9-10 September.

Monday – Japan Industrial Production and Retail Sales. China NBS PMI. Germany Inflation (Preliminary, August).

Tuesday – US, China, Eurozone, UK, Japan Manufacturing PMI. Germany Retail Sales. Spain Tourist Arrivals (July). Italy GDP Growth (Final, Q2) and Unemployment Rate. Eurozone Inflation (Flash, August). **US ISM Manufacturing PMI, JOLTs Job Openings**.

Wednesday – France Budget Balance. US Factory Orders, Fed Beige Book.

Thursday – Eurozone, US, UK, Japan, China Services PMI (Final, August). Eurozone PPI. US Challenger Job Cuts, Balance of Trade, Weekly Jobless Claims, Nonfarm Productivity, ISM Services PMI.

Friday – Germany Factory Orders. Italy Retail Sales. Eurozone Retail Sales. US Nonfarm Payrolls, Unemployment Rate, Average Hourly Earnings

Sunday - OPEC and non-OPEC Ministerial Meeting

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