Atchison

August 2026

Monthly Market Update

Illuminating
the way forward

Key Events in August 2026

August – Iran conflict dominated the month !

- Nearly every market move in August traced back to the same two forces layered on top of each other: the on-again, off-again Iran conflict (driving oil, gold, bond yields and inflation expectations), and the hawkish pivot under US Federal Reserve (Fed) Chair Warsh late in the month (driving the US dollar's sharp reversal and a broad pullback in risk assets into month-end).

- August was a solid month for the Australian share market, though it was a choppier ride than the headline number suggests. The S&P/ASX 200 gained about +1.5% for the month, its fifth straight monthly advance but the path there involved a swing of more than 2.5% from peak to trough.

- Major global share markets continued to rally in August buoyed by earnings revisions in most regions. The major global share index rose +0.5% unhedged and +2.5% hedged, with the Shanghai Composite up +4% NASDAQ +3.9% and Korean Composite recovering +3.4%.

- The RBA held the cash rate at 4.35% at its August 11 meeting, having already hiked three times earlier in 2026 in response to the Iran-war inflation shock. Governor Michele Bullock left the door open to further hikes if inflation didn't keep cooling.

- The ABS had released July CPI the day before: annual headline inflation slowed to 3.5%, but trimmed-mean inflation held at 3.6%, and the monthly increase was 1.0%. Reuters reported that the result lifted rate-hike concerns and that miners and consumer staples were weak. The timing makes the inflation release relevant context, while the price move also reflected sector and earnings-season influences.

- Australia's housing downturn broadened further in August, with the national monthly decline accelerating and weakness spreading across more markets. Cotality's national Home Value Index fell for a fifth consecutive month, while the share of capital-city suburbs recording a decline through winter more than doubled from autumn. Regional markets remained relatively more resilient, but they also moved further into decline.

- The dominant US story was the Fed under its new Chair, Kevin Warsh reaffirming the 2% PCE inflation target as "firm and fixed" and warning that inflation wasn't slowing fast enough which pushed up market expectations of a possible rate hike (not cut) at the September 15–16 FOMC meeting.

- The S&P 500 returned roughly +2.6% in August 2026, its third straight winning month after a subdued June/July, closing out the month just off its highs following a bumpy final session. US equity markets nonetheless kept grinding higher for most of the month: the S&P 500 and Dow both hit fresh record highs in early August on cooling headline CPI data and falling oil prices, before wobbling later in the month on AI-bubble valuation worries (Bloomberg and others ran pieces questioning whether AI-driven multiples could support a sharp correction).

- European equities also had a positive August, though a much more muted one than earlier in the year, a modest monthly gain (reports converge on roughly +0.3% to +0.9% for the Stoxx 600, the pan-European benchmark), which still extended the index's winning streak to a fifth straight month.

- French political and fiscal instability resurfaced mid-to-late August, hitting French banks and helping drag the CAC 40 to a rare monthly decline (-1.2%) even as Germany's DAX rose ~3% over the same period, a reminder that France's large budget deficit remains a standing vulnerability whenever risk sentiment sours.

- OPEC+ approved its sixth consecutive monthly output increase (188,000 bpd, agreed August 3) for September, completing the full rollback of its 2023 voluntary production cuts, though much of that extra supply was not actually reaching markets because of ongoing Gulf/Russia/Kazakhstan export disruptions tied to the conflict.

- Bloomberg reported (August 24) the US was considering ~7.5% "overcapacity" tariffs on China ahead of the planned Trump-Xi summit, and separate reports surfaced of the administration weighing new semiconductor/tech tariffs.

Asset Class Summary

Table 1: Asset Class Returns – Periods to 31 August 2026

	1 Month %	3 Months %	1 Year %	3 Years % pa	5 Years % pa	10 Years % pa
Australian Shares	1.5	4.5	4.3	11.1	7.7	9.2
Australian Small Companies	5.1	-1.0	-2.2	8.7	1.5	5.9
International Shares (unhedged)	0.5	2.7	10.0	16.3	11.8	13.7
International Shares (Hedged)	2.5	2.7	20.9	19.4	10.9	12.7
Emerging Markets (Unhedged)	1.4	-0.8	26.5	18.5	7.9	8.9
Australian Property Securities	-5.9	0.4	-12.1	7.6	2.9	5.4
Global Property Securities (Hedged)	-3.0	1.9	11.5	8.6	0.0	
Global Listed Infrastructure (Hedged)	-2.2	-0.1	12.6	12.6		
Australian Bonds	-0.2	0.3	0.4	3.2	-0.3	1.4
Global Bonds (hedged)	0.1	-0.4	1.3	3.2	-1.1	
Cash	0.4	1.2	4.1	4.3	3.3	
	Change over the month					
AUD/USD	1.93%	0.7166				

Past performance is not a reliable indicator of future performance.
Source: iShares Core S&P/ASX 200 ETF, iShares S&P/ASX Small Ordinaries ETF, Vanguard International Shares Index, Vanguard MSCI Index Intl Shrs (H) ETF, iShares MSCI Emerging Markets ETF, VanEck Australian Property ETF, VanEck FTSE Intl Prop Hdg ETF, iShares Core FTSE Global Infrastructure (AUD Hedged), iShares Core Composite Bond ETF, Vanguard Global Aggregate Bd Hdg ETF, iShares Core Cash ETF

Australian markets

The S&P/ASX 200 gained about +1.5% for the month, its fifth straight monthly advance, but the path there involved a swing of more than 2.5% from peak to trough. The index hit a record closing high of 9,271.60 on August 6, riding a broad rally on the back of strong earnings, a positive lead from Wall Street's record run, and firmer commodity prices (particularly gold and copper). It then pulled back through the second half of the month, bottoming around 9,038.20 on August 27, a roughly 2.5% drawdown from the peak before recovering slightly to close the month near 9,076. The largest daily increase, 1.40% on 4 August, extended a broad rally that lifted the index to a five-month high.

For the year to 31 August 2026, the Australian share market is only up around +4.3% compared to global share market (ex-Australia) unhedged which returned +10%.

The RBA's August 11 decision to hold the cash rate at 4.35% (while flagging it could still hike further) added some uncertainty early on, but the bigger jolt came late in the month: the July CPI print on August 26 showed trimmed-mean inflation at 3.6%, reigniting rate-hike fears and hitting rate-sensitive sectors and miners hard around August 26–27.

Reporting season was the other big swing factor, as it usually is for Australian shares in August. Bapcor (ASX:BAP) was the standout of the month by a wide margin, the auto parts retailer's shares more than doubled, from around $0.43 to $0.875, after its FY26 result beat even management's own downgraded guidance (underlying EBITDA of $152.5m), alongside a sharp reduction in net debt (from $364.8m to $135.0m).

Other strong reporting-season winners included Zip Co (+18.2%), which beat targets with strong US buy-now-pay-later growth and guided to 26% cash earnings growth for FY27; CSL (+17.3%), which cleared expectations with FY27 guidance pointing to a recovery in its plasma business; Judo Capital (+16.9%), the challenger bank, on 34% profit growth and 18% loan book expansion; and Super Retail Group (+15.8%) on record $4.2bn sales and positive early FY27 trading.

Global markets

August 2026 played out against the backdrop of the 2026 Iran war and its ceasefire, which kept inflation and oil supply risk as the dominant theme across almost every economy, even as the immediate shooting largely stopped in spring.

The S&P 500 rose 85.64 points from the first August close to 7,686.14 on 31 August. Its conventional month-end gain was +2.6%, more than twice the Australian result. The month’s decisive early move was 4 August, when the index rose +1.8%, its largest daily advance. Reuters linked the record-setting rally to upbeat AI-related forecasts from Caterpillar and Palantir, alongside hopes for a Middle East agreement. The reported connection is stronger than simple date coincidence, although the index was also responding to a broad earnings and policy backdrop.

Eurozone was the laggard among developed markets: the Stoxx 600 gained only about +0.9% for the month (versus the US's +2.6%), a much softer result than its strong first-half-of-2026 run. J.P. Morgan attributed this to rising bond yields across the curve (German Bund yields hit a fresh cycle high of ~3.32%), which weighed on valuations even as earnings stayed strong (Stoxx 600 companies posted their best earnings growth in about four years) and AI-adjacent industrials/banks kept performing

UK, a more mixed, commodity-tilted picture: the FTSE 100 hit fresh record highs in the first week of August closing around +1.2% for the month, helped by its heavy weighting to miners, gold producers and oil majors during the period when commodity prices were rallying.

Germany was one of Europe’s top performers in August, a gain of around +3% for the month. Drivers were the same ones lifting the broader Stoxx 600 early in the month, falling oil prices, strong corporate earnings (Bayer, Infineon, BP among the standouts), and AI/tech-adjacent enthusiasm plus a late-month boost specifically from Fed Chair Warsh's hawkish Jackson Hole comments.

China, essentially treading water in August after a stronger run earlier in the year: J.P. Morgan's review noted "the previous month's stock bounce proved short-lived", as fresh activity data showed ongoing domestic demand weakness.

Emerging markets were among the best performers globally: the MSCI EM Asia Index rose about +3.4% in US dollar terms (roughly +1.4% in local currency terms, with the gap reflecting broad EM currency strength against a weak dollar for most of the month). Taiwan's AI-heavy index was the standout outperformer.

Interest rates and bonds

August was a weak month for Australian bonds, yields rose across the curve, meaning bond prices (and therefore total returns for bond holders) fell for a fifth-ish straight month of pressure in what's been a rough year for fixed income.

The 10-year Australian government bond yield climbed about 17 basis points over August to roughly 5.09% (having briefly touched levels above 5% intramonth, versus around 4.93% at end-July), it's highest since 2011. The more RBA-sensitive 3-year yield also rose 17bp, to about 4.66%. Since bond prices move inversely to yields, this rise translated into negative capital returns for composite bond indices over the month, extending a run of losses that's been building for most of 2026.

Inflation was the dominant force driving the bond market, July's headline CPI printed at 3.5% year-on-year and trimmed-mean (core) inflation held steady at a sticky 3.6% y/y, both above forecasts and well outside the RBA's 2%–3% target band. That data (released August 26) prompted the bond market to move to fully pricing in another RBA rate hike by year-end.

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Both US and European markets sold off in August, global government bonds had a rough month as the Iran conflict reflared and central banks turned hawkish rather than dovish, extending a bond bear market that's been running through most of 2026.

US Treasuries were volatile but ended the month roughly flat to modestly weaker at the benchmark 10-year level, while the front end and the long end moved more:

- 10-year yield: ~4.75% (July 31) → ~4.73% (August 28), essentially unchanged but that masks a lot of intramonth movement.
- 2-year yield: ~4.28% → ~4.34%, up modestly as the market repriced for a hawkish Fed.
- 30-year yield: spiked to around 5.2% intramonth, its highest level since 2007

Key drivers: inflation stayed "stubbornly above 3%," pressured by both tariffs and the Iran conflict's disruption of oil shipments through the Strait of Hormuz.

European sovereign bonds sold off harder than US Treasuries, with yields at multi-year or multi-decade highs by mid-to-late August: Drivers were similar in flavour to the US but with an extra fiscal edge, especially in the UK: the breakdown of US-Iran talks and renewed conflict pushed Brent crude toward $91-93/barrel, which markets read as keeping inflation elevated for longer.

Currencies and commodity markets AUS/USD

For most of August the US dollar was on the back foot: the DXY dollar index sagged to roughly 3.5-month lows (holding below 99.00 through much of the month) on soft US data, including a weak July payrolls print. That dollar softness was actually the main reason AUD/USD, EUR/USD and other majors drifted higher mid-month even when their own domestic data was mixed, the Aussie, for instance, rose about +1.93% to a ten-week high near 0.7166 despite a disappointing July jobs report, "not because of Australian strength" but because of broad USD weakness, with the RBA's hold-but-hawkish tone providing extra support.

Commodities were mostly strong in August, WTI crude oil rose 5.24% and gasoline/distillate crack spreads jumped 14-15%, driven by escalating US-Iran tensions and the periodic flare-ups around the Strait of Hormuz.

Gold had its best month since January, up +9.7% for the month (State Street's Gold Monitor) to push above $4,700/oz, driven by dollar weakness for most of the month, a rush back into gold ETFs (US-listed gold ETF inflows of $7.9bn in August alone), and broader "debasement trade" interest alongside silver (+14.7%) and Bitcoin (+20%). That bullish momentum for gold reversed somewhat into month-end once Warsh's hawkish tone lifted rate-hike odds and the dollar.

Industrial/bulk commodities were the laggards: copper was roughly flat (-0.1%) as winter storms in Chile disrupted supply but rising COMEX inventories capped gains, while iron ore fell further, dropping to $99.6/tonne, its first full month below $100 since mid-2025, weighed down by abundant seaborne supply (Australia, Brazil, and the ramping Simandou project in Guinea) and weak Chinese steel demand.

Agricultural commodities also rallied hard on the same Strait of Hormuz/Black Sea disruption theme, cocoa (+22.3%), sugar (+21.5%), wheat (+17.7%), corn (+15.9%) and cotton (+13.9%) all posted double-digit gains, largely on fertiliser-supply disruption fears and uncertainty around Russian/Ukrainian grain exports

In summary, almost everything in August traced back to the same two forces, the on-again, off-again Iran conflict (driving oil, gold, and agricultural commodities) and the hawkish pivot under new US Fed Chair Warsh late in the month (driving the dollar rally and reversing some of the earlier currency and gold gains).

Outlook for Investment Markets

The picture heading into September is one of resilient markets running on strong earnings and AI-driven momentum but sitting on top of a genuinely dangerous set of macro and geopolitical risks that were actively crystallising as August turned into September. Several strategists described it as one of the most "consequential" stretches in recent memory.

The dominant macro driver is the interplay between the reignited Iran conflict and a hawkish pivot at the US Fed under new Chair Kevin Warsh. The ECB, BOE and BOJ are all leaning the same hawkish direction, and Japan's 10-year JGB yield pushed above 3% for the first time since 1996 in early September. The IMF has cut its 2026 global growth forecast to 3.0% (from 3.1%) and lifted its global inflation forecast to 4.7%,

The key near risk is the continued Strait of Hormuz stand-off. The single biggest swing factor: renewed US-Iran strikes over the Hormuz shipping lanes has pushed Brent up sharply (+7% in the space of days around month- end/early September), and briefly halted commercial transit, removing a meaningful chunk of Gulf oil supply. Prolonged closure is the tail risk that could push inflation and rates higher across every major economy simultaneously. Sitting alongside that: a synchronised global government-bond sell-off (US 10-year near 4.80%, German Bunds at 3.37%, UK 30-year gilts at their highest since 1998) reflecting both inflation risk and structural fiscal-sustainability concerns.

The upcoming Trump–Xi summit (September 24) is being flagged as the next major catalyst either way, covering trade, tariffs, rare earths and AI governance. Layered on top is a growing "AI bubble" debate: extreme concentration of equity gains in a small number of AI/semiconductor names, and increasing commentary (Bloomberg, Man Group, and others) that AI infrastructure financing is starting to look like a credit bubble, hyperscalers and data-centre operators increasingly funding capex with debt rather than cash flow, a dynamic several strategists compare to dot-com-era or subprime-style credit build-up if monetisation doesn't catch up to spending. US midterm elections later in the year add a further layer of political and fiscal-policy uncertainty.

What does all this mean for asset classes in the short term?
Nothing has really changed from our previous short-term outlooks.

- **Equities:** earnings and AI capex remain the support, but valuations are stretched and vulnerable to a hawkish-rate/rising-bond-yield shock; expect continued high volatility with market direction hinging on the Iran/Hormuz situation and the September Fed decision specifically.
- **Bonds**: the global yield backdrop is unfavourable, a synchronised sell-off driven by inflation risk and fiscal/issuance concerns, with duration risk elevated across US, European, UK and Japanese sovereigns; short-duration positioning is advised.
- **Currencies:** the US dollar's direction is highly sensitive to Fed messaging, it fell for much of August on soft data before snapping back hard on Warsh's hawkish tone, and that whipsaw pattern is likely to continue into the September meeting.
- **Commodities:** oil and gold remain the two assets most directly geared to the Iran conflict, both likely to stay elevated and volatile until there's clarity on Hormuz; gold additionally benefits from the "debasement trade" (the "debasement trade" is buying gold and sometimes Bitcoin, silver, or other scarce assets, specifically as a hedge against currency erosion), that's driven heavy ETF inflows.
- **Private credit** deal activity accelerated sharply in August. The same macro risks hitting public markets, persistent inflation, elevated-for-longer rates, and geopolitical/regulatory uncertainty are also cited as the main dampeners on private-market.

Basically short-term markets are being pulled in two directions: genuinely strong corporate earnings and private-market dealmaking momentum on one side, against a hawkish central-bank pivot, a live Middle East conflict with direct commodity/inflation transmission, a stretched bond market, and simmering AI-financing bubble concerns on the other.

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