



MONTHLY MARKET REPORT SUMMARY: AUGUST 2026

August 2026 saw global share markets recover strongly as investors bought back into the technology and AI-related names that had been sold down heavily in July. A second consecutive month of softer than expected US inflation, helped by lower fuel prices, underpinned the rally. June quarter earnings were the strongest in five years, with S&P 500 companies delivering year-on-year earnings growth in excess of 50% and European companies producing their best results since 2022.

Australian shares lagged the global rebound, while listed property was the weakest asset class of the month as long bond yields pushed higher. Recovery in emerging markets were concentrated in the same North Asian technology names that drove the July sell-off. Commodities were strong across the board, with gold the standout, and the Australian dollar firmed as the US dollar weakened.



KEY SECTOR TAKEAWAYS

GLOBAL DEVELOPED SHARES



Unhedged global shares rose 0.5% in AUD terms in August, bringing 12-month returns to 10.0%, while hedged global shares rose 2.5% in August and returned 21.0% over the past 12 months. Markets recovered as investors moved back into the technology and AI-related names sold down heavily in July. Softer than expected US inflation and the strongest quarterly earnings result in five years did the heavy lifting, while a firmer Australian dollar reduced returns for unhedged investors.

AUSTRALIAN SHARES



Australian shares rose 1.5% in August, bringing 12-month returns to 4.4%. The domestic market lagged the global rebound, held back by the major banks, which continued to de-rate as housing credit slows and bad debt expectations rise. Health care and materials led the market, while small and mid-caps were the standout, assisted by gold miners.



KEY SECTOR TAKEAWAYS

EMERGING MARKETS



Emerging market shares rose 1.3% in AUD terms in August, bringing 12-month returns to 27.2%. Recovery in emerging markets were concentrated in the same North Asian technology names that drove the July sell-off as foreign investors returned to semiconductor stocks. A softer US dollar and an improving global economic cycle provided further support, although concentration remains the key risk.

PROPERTY AND INFRASTRUCTURE



Hedged global listed property fell 3.1% in August, bringing 12-month returns to 9.6%. Hedged global listed infrastructure fell 2.0%, bringing 12-month returns to 12.2%. Australian listed property fell 6.7%, bringing 12-month returns to -15.5%. Rate-sensitive sectors were the weak spot in an otherwise strong month for risk assets. Long-duration cash flows are being repriced as investors demand more term premium against a backdrop of higher deficits, sticky inflation and heavy corporate issuance.



KEY SECTOR TAKEAWAYS

GLOBAL FIXED INTEREST



Hedged global bonds returned 0.2% over August and 1.8% over the past 12 months. Global bond markets were mixed, with the US 10-year Treasury yield ending the month unchanged at 4.75%. Shorter dated yields drifted higher, while supply and the debt trajectory kept the long end under pressure.

AUSTRALIAN FIXED INTEREST



Australian bonds fell 0.2% over August and returned 0.6% for the past 12 months. The 10-year yield rose 13 basis points over the month to finish at 5.09%, with domestic yields rising even as global yields were mixed. Within the domestic market, credit outperformed duration.

COMMODITIES



Brent oil finished August at US\$90.76 a barrel, up 0.7% for the month, having fallen below US\$80 early in the month on hopes of a deal to reopen the Strait of Hormuz before Iran set new conditions. Gold was the standout, rising 10.0% to US\$4,448 an ounce, driven by the announcement of US Treasury purchases of government bonds and the softer US dollar.



KEY SECTOR TAKEAWAYS

CURRENCIES

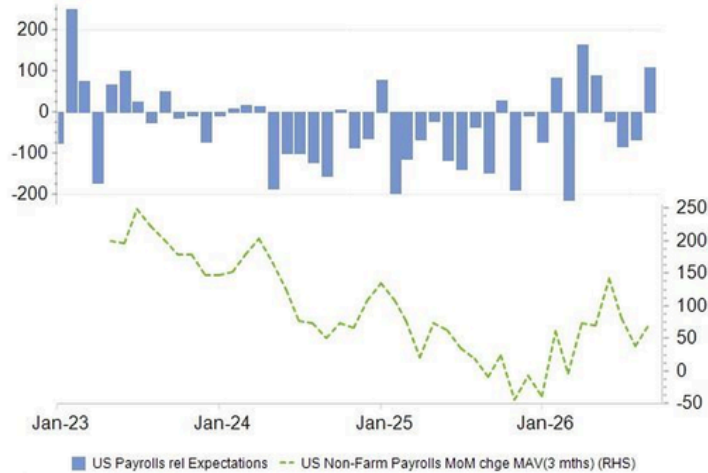


The Australian dollar rose 1.9% against the US dollar in August to US\$0.72, supported by firmer commodity prices and the improvement in global risk appetite. The US dollar weakened as softer than expected inflation and payrolls data reduced the pressure for further Federal Reserve tightening.



ECONOMIC HIGHLIGHTS

US Payrolls rel Expectations

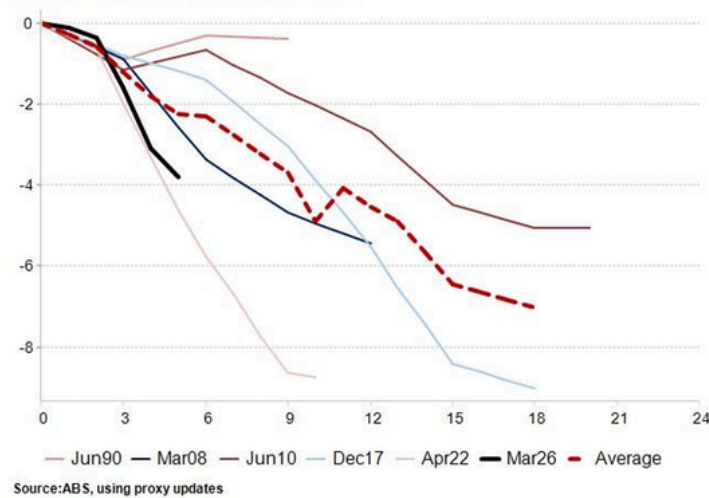


UNITED STATES: SOFTER INFLATION AND A RESILIENT LABOUR MARKET

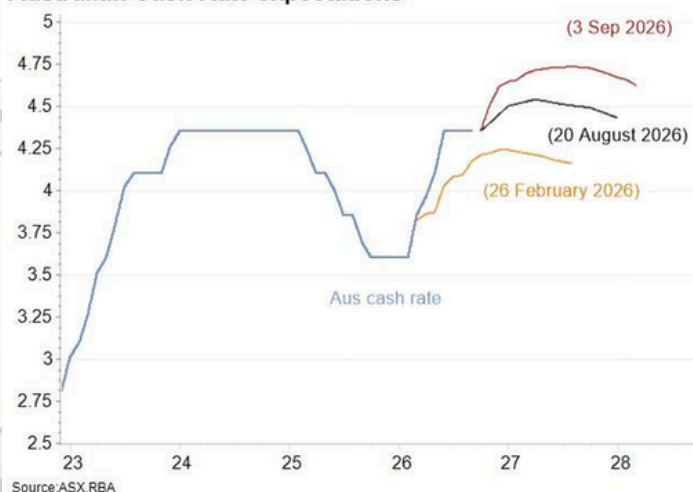
The July CPI showed headline inflation easing to 3.4% and core inflation slipping to 2.5% from 2.6%, the second consecutive month of improvement, helped by lower petrol and fuel prices. The labour market proved more resilient than expected, with August payrolls up 162,000 against expectations of a 55,000 lift and upward revisions of 21,000 to previous months, while the unemployment rate held at 4.1% and wages growth slowed to 3.2%. The federal funds rate was unchanged at 3.50% to 3.75%, and markets expect rates to rise 25 to 50 basis points over the year ahead.

ECONOMIC HIGHLIGHTS

House Price declines since 1990



Australian Cash Rate expectations



AUSTRALIA: EASING HEADLINE INFLATION AND A SOFTENING HOUSING MARKET

The July CPI showed inflation easing to 3.5% from 3.7% in June and the peak of 4.5% in March, although core inflation was steady at 3.6% and higher than expected. The Reserve Bank left the cash rate at 4.35% at its August meeting, following the unanimous hold in June and three hikes earlier in the year. House prices continue to decline and are now 4.0% below their March peak, applications for new mortgages have fallen and business conditions have deteriorated. As at the end of August, the market was barely pricing one further hike in 2026 and had begun to factor in easing during 2027, although higher than expected July inflation data subsequently lifted cash rate expectations.

ASSET CLASS RETURNS

	Month Return (%)	1 Year Return (%)	3 Year Return (p.a %)	5 Year Return (p.a %)
Australian Cash	0.4	4.0	4.2	3.3
Australian Bonds	-0.2	0.6	3.3	-0.1
Global Bonds (Hedged)	0.2	1.8	3.5	-0.4
Australian Shares	1.5	4.4	11.2	7.8
Global Shares (Unhedged)	0.5	10.0	16.2	11.7
Global Shares (Hedged)	2.5	21.0	19.4	10.9
Emerging Markets	1.3	27.2	19.2	8.6
Global Infrastructure (Hedged)	-2.0	12.2	12.3	6.2
Australian Listed Property	-6.7	-15.5	6.9	2.9
Global Listed Property (Hedged)	-3.1	9.6	8.6	0.5
AUD / USD	1.9	9.6	3.4	-0.5

GLOBAL SECTOR RETURNS

	Month Return (%)	1 Year Return (%)	3 Year Return (p.a %)	5 Year Return (p.a %)
Consumer Staples	-1.2	6.4	7.2	4.5
Consumer Discretionary	0.1	2.6	11.0	4.4
Energy	4.5	41.9	17.0	22.7
Financials	1.2	18.5	26.5	14.3
Health Care	3.7	19.7	8.4	4.5
Industrials	-0.5	17.5	20.0	11.5
Information Tech	6.1	34.7	30.5	18.1
Materials	9.7	28.9	15.5	8.2
Telecom	-0.1	9.7	23.8	8.5
Utilities	-3.2	9.8	15.1	7.7



AUSTRALIAN SECTOR RETURNS

	Return (%)	Return (%)	Return (p.a %)	Return (p.a %)
Consumer Staples	0.1	9.9	4.9	1.6
Consumer Discretionary	-7.3	-17.6	6.9	2.7
Energy	4.2	21.4	3.2	14.2
Financials	-5.3	-1.0	17.7	11.3
Health Care	18.1	-18.7	-6.3	-6.6
Industrials	-1.7	-1.3	11.3	8.3
Information Tech	5.6	-35.4	0.4	-4.2
Materials	12.3	48.8	17.6	14.0
Telecom	-1.2	-13.7	5.0	4.2
Utilities	7.4	7.6	11.9	17.4



CONCLUSION

- Global share markets recovered strongly as investors bought back into the technology and AI-related names sold down in July.
- Softer than expected US inflation and the strongest June quarter earnings in five years underpinned the rally.
- Australian shares lagged the global rebound, held back by the major banks, while small and mid-caps outperformed.
- The rebound in emerging markets were driven by North Asian technology names and supported by a softer US dollar.
- Rate-sensitive sectors lagged as long bond yields pushed higher, with Australian listed property the weakest asset class.
- Commodities were strong across the board, with gold rising 10.0%, while the Australian dollar firmed to US\$0.72.

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