



Global Markets Rally Amid Policy Shifts and Trade Tensions

Global markets posted strong gains in August as investors balanced optimism over potential US rate cuts with lingering geopolitical uncertainties. The MSCI All-Country World Index rose 2.5%, supported by resilient corporate earnings and improving sentiment. Bonds also advanced, with the Bloomberg Global Aggregate Bond Index up 1.5%, as falling Treasury yields reflected growing expectations for monetary easing. Fed Chair Jerome Powell's remarks at the Jackson Hole symposium marked a notable shift in tone, signaling that the balance of risks has moved from inflation to slowing employment, opening the door for a 25bps rate cut in September. Markets now price in a 90% probability of this move, which would be the first step toward a more accommodative policy stance.

On the geopolitical front, trade tensions eased slightly after the US and China extended their trade truce until November, boosting sentiment in Chinese equity markets. However, the US simultaneously raised tariffs to 50% on Indian imports linked to Russian oil, a move aimed at reducing Russia's access to global capital while pressuring India to diversify its energy sources. Commodities reflected these crosscurrents: oil and natural gas prices declined, signaling softer near-term demand, while gold prices rose, underscoring continued demand for safe-haven assets amid uncertainty.

Equities Surge as Small Caps Lead, Bonds Gain on Rate Expectations

Equity markets advanced across most regions, with small-cap stocks leading the rally. The Russell 2000 climbed 7.1%, benefiting from expectations of lower borrowing costs, while the S&P 500 rose 2.0%. Japan's TOPIX jumped 7.0%, buoyed by strong earnings and the newly signed U.S.-Japan trade agreement. In Europe, equities gained modestly (+1.2%), though French markets lagged as political tensions intensified ahead of a no-confidence vote. Emerging markets rose 1.5%, supported by strength in Chinese technology companies, while Indian markets underperformed due to the tariff announcement. Sector-wise, value stocks outpaced growth by 1.9 percentage points, as investors rotated toward higher-yielding, dividend-paying companies amid uncertainty over Al-driven tech earnings.

Fixed income markets also strengthened as falling yields boosted returns across government bonds and credit. Anticipation of Fed rate cuts and steady inflation supported demand for higher-quality fixed income, while a softer US dollar and improving risk sentiment benefited emerging market debt. The decline in the 10-year Treasury yield, from 4.37% to 4.23%, reflected investor positioning ahead of the September Fed meeting, signaling confidence in a near-term pivot toward easing monetary policy.

Energy Markets at the Center of Global Geopolitics

Energy markets remain a focal point for global economic stability and inflation risks. Despite the US imposing steep tariffs on India's purchases of Russian oil, India continues to import substantial volumes, prioritizing energy security geopolitical pressure. Russia, for its part, has chosen to limit discounts rather than repeat the deep price cuts of 2022, while strategically redirecting its oil exports to other regions, including China and Southeast Asia. This highlights the fragile balance of energy markets, where disruptions could quickly reignite inflation and weigh on growth. As trade and energy patterns realign, volatility commodities is set to ripple through currencies, inflation expectations, and broader asset classes, reinforcing the need for diversified portfolios and active risk management.



Regional Markets

Saudi market: Foreign investors step in amid bargain valuations

Saudi Arabia's stock market is drawing increasing attention from foreign investors as valuations reach multi-year lows and oil prices show signs of stabilizing. In the week ending August 28, foreign investors accounted for 41% of total Saudi equities buying, one of the highest levels on record, according to data from the Saudi stock exchange. This surge reflects the success of reforms aimed at opening the market to international investors. Despite this, the Tadawul All Share Index remains down 11% year-to-date, weighed down by weak oil prices and domestic investor retreat, with Brent crude trading near \$68 per barrel, while the Kingdom recorded a fiscal deficit of SAR 34.5 billion in Q2 2025.

Market Activity Moderates Amid Mixed Regional Performance

Saudi equities saw a modest decline in August, with the TASI index dropping 2.05% to close at 10,697 points, driven by weakness in the Insurance and Media sectors. Total value traded fell to SAR 91.0 billion, down 15.4% from July, reflecting lower investor activity during the summer period. While foreign investor participation slightly increased, domestic institutions recorded net outflows of SAR 0.86 billion. Regionally, markets were mixed, with Oman, Egypt, and Kuwait posting gains, while Abu Dhabi, Dubai, and Qatar saw declines. The continued divergence highlights the impact of varying fiscal policies and progress in economic diversification across the Gulf Cooperation Council.







Global Data: As End Of: 29-Aug-25 Saudi Market Data: As End Of: 31-Aug-25

Region/sector	Index	Quote	MTD (%)	YTD (%)	1Y (%)	2Y (%)	3Y (%)	5Y (%)	10Y (%)	2022 (%)	2023 (%)	2024 (%)
World	DJIM World TR	12,045.42	2.0	10.4	13.1	17.7	16.5	10.4	12.3	(24.2)	27.0	18.0
Developed	DJIDEV TR	6,939.20	2.0	10.2	12.7	18.0	17.3	11.4	12.8	(24.2)	29.4	18.5
Emerging Markets	DJIEMG TR	5,935.68	2.0	12.7	17.1	15.1	8.9	1.7	8.0	(24.2)	6.4	13.3
Saudi	TASI	10,696.89	(2.0)	(11.1)	(11.9)	(3.9)	(4.5)	6.1	3.6	(6.4)	14.2	0.6
NAREIT	All REITS (EM Inc) TR	3,297.77	4.3	10.4	4.6	10.2	4.8	4.7	4.4	(23.6)	9.8	1.6
GSCI	All Commodities	549.71	(0.8)	0.0	1.0	(3.2)	(7.8)	8.8	4.2	8.7	(12.2)	2.6
Currencies	Euro	1.17	2.4	12.9	5.5	3.6	5.3	(0.4)	0.4	(5.8)	3.1	(6.2)
	Yen	147.05	2.5	6.9	(1.4)	(0.4)	(1.9)	(6.4)	(1.9)	(12.2)	(7.0)	(10.3)
	GBP	1.35	2.2	7.9	2.6	3.3	4.9	2.5	1.9	(10.7)	5.4	(1.7)

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