Global Markets

Earnings Resilience Supports Broad Market Gains

Global equities rebounded strongly in August, supported by resilient economic activity and a robust second-quarter earnings season. Developed-market equities gained 2.6% in USD terms, while MSCI emerging markets rose 3.4%, helped partly by a weaker US dollar. The S&P 500 advanced 2.7%, Japan's TOPIX gained 3.9%, and Taiwan was a standout performer within emerging Asia as technology momentum recovered. Market breadth also improved, with both growth and value stocks gaining 2.6% and global small caps rising 2.9%, consistent with global PMI data remaining firmly in expansion territory. Global earnings expectations continued to strengthen, with 2026 EPS growth estimates rising to around 34% year-on-year.

AI Momentum Returns as Selectivity Increases

Artificial intelligence remained the dominant equity theme, although August reinforced the increasingly selective nature of the trade. Technology momentum resumed following July's correction, with semiconductor stocks rebounding and software performing particularly well as strong fundamentals helped offset concerns over potential AI disruption. Nvidia gained around 10% following another strong earnings report, while performance among other large technology companies remained more fragmented. The continued strength of the US data-center investment cycle supported technology-sector profits, but investors increasingly differentiated between companies financing substantial AI capital expenditure and those demonstrating a clearer ability to capture revenues and returns from that investment.

Hard Assets Strengthen as Bond Yields Rise

Commodities delivered some of the strongest returns in August as investors increasingly focused on inflation, geopolitical and fiscal risks. Gold rose approximately 10%, while silver and other industrial commodities also advanced, reinforcing demand for real assets amid concerns around fiscal sustainability and currency debasement. Fixed-income performance was more mixed: the Bloomberg Global Aggregate gained 0.5% in USD terms and corporate credit performed well as high-yield spreads narrowed, but government bond yields remained under pressure. The US 10-year Treasury yield approached 4.8%, Germany's 10-year Bund yield reached a fresh cycle high of 3.32%, and Japan's 10-year yield rose to 2.95%. With long-term borrowing costs elevated, the bond market is increasingly becoming the principal constraint on equity valuations and broader risk assets.

Regional Markets

Foreign Ownership Expectations Fuel Saudi Rally

Saudi equities rebounded strongly in August, with the TASI gaining 5.1% to 11,127 points and lifting its year-to-date return to 6.1%. Market participation improved markedly, with total traded value rising 30.6% month-on-month to SAR 112.4 billion and 15 of the 21 sectors recording gains. Diversified Financials led with +9.0%, followed by Consumer Services and Capital Goods at +8.9%, while Banks and Materials gained 7.5% and 8.1%, respectively. The rally was supported in part by growing expectations of policy changes to increase foreign ownership limits, with foreign institutional investors' share of free-float ownership rising to 11.94% from 11.67% in July. Momentum softened towards month-end as US-Iran tensions re-escalated and expectations for higher US interest rates increased.

Domestic Demand Remains Resilient Despite Slower Credit Growth

Saudi Arabia's domestic economy remained resilient, with the non-oil PMI rising to 53.8 in August, its highest level in six months, supported by stronger new orders and improving domestic activity, although export orders remained under pressure from regional geopolitical tensions. Consumer demand also remained firm, with total spending increasing 7.8% year-on-year in July and 11.4% month-on-month. Banking-sector liquidity continued to expand, with deposits rising 8.6% year-on-year, although private-sector credit growth moderated to 5.8%. The oil backdrop also improved: Saudi crude production rose to 8.2 million barrels per day in July, while first-half crude and refined-product export revenues were 11% higher year-on-year as stronger prices offset lower volumes. Together, resilient domestic demand, contained inflation and firmer oil revenues continue to provide a supportive fundamental backdrop despite tighter global financial conditions.

Global Market Indices

Global Data: As End Of:	31-August-26
Saudi Market Data: As End Of:	31-August-26

Region/sector	Index	Quote	MTD (%)	YTD (%)	1Y (%)	2Y (%)	3Y (%)	5Y (%)	10Y (%)	2023 (%)	2024 (%)	2025 (%)
World	DJIM World TR	15,084.30	3.6	15.8	25.2	18.5	20.0	10.0	13.9	27.0	18.0	19.4
Developed	DJIDEV TR	8,663.75	3.5	15.4	24.9	18.1	20.0	10.6	14.4	29.4	18.5	19.2
Emerging Markets	DJIEMG TR	7,654.27	4.9	19.3	29.0	22.5	19.7	4.7	9.3	6.4	13.3	21.8
Saudi	TASI	11,127.08	5.1	6.1	4.0	(4.3)	(1.3)	(0.3)	6.2	14.2	0.6	(12.8)
NAREIT	All REITS TR	3,619.13	(2.9)	9.1	9.7	6.6	10.0	1.3	3.8	9.8	1.6	11.0
GSCI	All Commodities	716.70	4.5	30.7	30.4	15.6	6.6	6.3	7.5	(12.2)	2.6	(0.2)
Currencies	Euro	1.16	0.8	(1.1)	(0.6)	2.5	2.3	(0.3)	0.4	3.1	(6.2)	13.4
	Yen	159.74	(1.5)	(1.9)	(7.9)	(4.3)	(3.1)	(7.2)	(4.3)	(7.0)	(10.3)	0.3
	GBP	1.35	0.5	0.5	0.3	1.6	2.3	2.5	2.0	5.4	(1.7)	7.7