

Discovery Market Review

31 August 2026

Market background

August was a strong month for risk assets, with equities extending their advance as gold surged on renewed fiscal and inflation concerns. Resilient earnings, highlighted by another blowout Nvidia report, drove US and European equities to fresh records, while sharp moves in bond yields kept fixed income markets volatile. Gold jumped 10% as investors sought protection against inflation and financial repression, while emerging markets extended their gains on the back of the AI trade.

United States

US equities rebounded strongly from July's malaise, helped by resilient data and a robust earnings season. The S&P 500 hit a fresh record early in the month, while the Nasdaq outperformed as confidence in AI leaders recovered. Renewed Middle East tensions and a sharp rise in long-dated Treasury yields to multi-year highs kept risk elevated but didn't derail the rally.

Earnings reinforced the AI trade, though July's concerns lingered. Nvidia's results underscored the scale of enterprise AI demand, and Microsoft was another key contributor to tech's strength. Storage names SanDisk and Seagate slipped on AI-infrastructure caution, and Marvell fell despite raising guidance, as investors focused on softer margins.

The 10-year Treasury yield reached 4.75%, its highest since early 2025, and the 30-year approached 5.3%, as growth, inflation and fiscal concerns pushed long yields higher. Fed Chair Warsh reinforced the pressure at Jackson Hole, with markets pricing roughly a two-thirds chance of a September hike. A surprise Treasury announcement to ramp up long-bond buybacks later pulled yields back, easing pressure on rate-sensitive equities.

Energy was August's best-performing sector as firmer oil lifted refiners to fresh highs; utilities sat at the other end, the clearest casualty of rising yields.

South Africa

South African equities delivered a strong month in August, with the FTSE/JSE All Share Index climbing 4.6%, a headline gain carried almost entirely by a resurgent resources sector, even as the rest of the market traded considerably softer. Precious metals and mining shares lifted the resources sector to a robust 23.5% gain. The FTSE/JSE Precious Metals and Mining Total Return Index spiked as high as 38% intra-month, erasing what had been a roughly 20% year-to-date loss in a single month. Gold itself rose nearly 10% for the month, drawing fresh flows into the debasement trade after a surprise US Treasury intervention in the bond market stoked concerns over government debt, deficits and dollar weakness. Industrials and financials, meanwhile, told a different story, closing the month down 5.1% and 1.6% respectively.

Fixed income markets came under pressure. South Africa's 10-year bond yield ended August at around 8.74%, its highest level since mid-month, as a firmer US dollar and hawkish remarks from US Federal Reserve Chair Kevin Warsh reinforced expectations that US rates would stay higher for longer; Warsh argued inflation had not slowed meaningfully even as he reaffirmed his commitment to the Fed's target, while renewed Middle East tensions weighed on risk sentiment and pushed oil prices higher. Long-dated yields pulled back from their August highs after the US Treasury caught markets off guard by announcing a doubling of its buyback operations for longer-dated debt, though much of the move subsequently reversed.



Locally, headline inflation eased to 4.3% year-on-year in July from 5.0% in June, below consensus expectations of 4.5%, but still above the South African Reserve Bank's 3% target. Most of July's disinflation was fuel-driven, as fuel prices slowed, while core inflation edged up slightly to 4.2% from 4.1% the previous month.

The rand strengthened through most of August, trading in the 15.90s range against the US dollar, its strongest level since late February, as broad dollar weakness and rising gold prices (a tailwind for a major gold-producing economy) supported the currency, before Warsh's hawkish Jackson Hole remarks introduced some late-month volatility.

Europe and the United Kingdom

Europe's Stoxx 600 notched a fifth straight monthly gain, though underlying performance underneath was sharply divergent by country. Germany's DAX reached a fresh record, underpinned by its best factory expansion in more than four years, while French equities lagged amid the country's fiscal and political overhang as PM Sébastien Lecornu's minority government prepared to negotiate the 2027 budget. Sector leadership stayed concentrated in AI-linked semiconductor names and European "AI adopter" industrials and banks.

UK equities lagged global peers, though there was considerable disparity within various cohorts. Without a rate decision from the Bank of England during August, markets traded on data and geopolitics. The FTSE 100's heavy weighting in energy and miners meant the weakness in Brent crude tied to Iran-Oman talks over the Strait of Hormuz impacted the oil majors. The FTSE 250, which is far more domestically focused and has minimal energy exposure, was largely insulated from that swing and instead rode a genuine earnings momentum story, breaking above 24,000 for the first time since 2021.

China

Chinese equities delivered a modest positive return, with the MSCI China All Shares Index gaining c.1% in US dollar terms. The month's performance reflected a renewed divergence between onshore and offshore markets: Hong Kong-listed shares ended weaker as the Apple-Qwen-driven rally in July lost momentum, while onshore markets were modestly positive.

Mainland markets continued to benefit from investor support for technology and AI-adjacent names, a theme that has supported mainland returns through the year. China's push for tech self-sufficiency likewise remained a key structural support for onshore markets. Offshore equities, meanwhile, faced a more challenging environment. Following July's sharp rally, driven by catalysts including Apple Intelligence's approval of Alibaba's Qwen model, Hong Kong-listed equities lacked a comparably powerful trigger in August and slipped into a period of consolidation.

Activity on factory floors picked up in August as output and new orders accelerated. The official manufacturing PMI rose to 49.8 from 49.2 in July, although it remained in contractionary territory. Soft domestic demand and prolonged weakness in the property sector continued to weigh on overall growth. Retail sales and industrial output both slowed in July, while growth in industrial profits also cooled. Exports have been one of the few pillars propping up growth this year, as the global boom in AI infrastructure spending lifts demand for Chinese-made high-tech goods. China's exports rose 23.9% year-on-year in July, with high-tech demand a key driver.

Global equities

Global equities advanced in August, reversing July's rotation away from the AI trade, amid resilient growth and a strong earnings season, capped by another blockbuster Nvidia report. Composite PMIs stayed comfortably in expansion territory across major economies, keeping the broader tone risk-on despite renewed hostilities in the Middle East. The S&P 500 marked fresh records, while the Nasdaq outperformed as tech momentum resumed. European equities lagged the broader advance but still posted a fifth straight monthly gain, albeit weaker than July's showing, as rising bund yields, driven by surging natural gas prices and renewed inflation fears, weighed on sentiment more than they did on the other side of the Atlantic. In the US, the yield curve flattened after a hawkish Fed Chair



Warsh speech at Jackson Hole and an unexpected Treasury announcement to ramp up bond buybacks. Hong Kong lagged on profit-taking, weak Chinese data, and property weakness.

Commodities and gold reflected the month's underlying anxiety. Oil swung on Iran negotiations before renewed strikes pushed Brent back above US\$90, and agricultural prices surged on fears over the closure of the Strait of Hormuz. Gold added 10% as investors sought protection against inflation and the growing risk of financial repression. Materials led equity-sector performance, with energy also outperforming.

Indices	August 2026 net return (USD)
S&P 500	2.7%
Nasdaq Composite	4.0%
MSCI ACWI	2.7%
Nikkei 225	3.1%
EuroStoxx 600	0.3%
FTSE 100	0.2%
Hang Seng Index	-1.0%
SSE Composite	4.0%

Indices	August 2026 net return (ZAR)
FTSE/JSE All Share Index	4.6%
FTSE/JSE Financials Index	-1.6%
FTSE/JSE Industrials Index	-5.1%
FTSE/JSE Resources Index	23.5%
FTSE/JSE ALBI	0.7%
STEFI	0.6%

Source: Bloomberg, as at 31 August 2026.

Global fixed income

US

US Treasury yields ended August marginally higher, though the small move masked considerable volatility. Long-dated bonds sold off through the first half of the month on concerns over the fiscal deficit and heavy Treasury issuance, with the 30-year yield touching its highest level in almost two decades, above 5.33%. The Treasury's decision to expand its long-bond buyback programme briefly steadied the long end, though relief was short-lived amid doubts it could offset the underlying supply backdrop. The sharpest repricing took place in shorter maturities after Fed Chair Warsh's hawkish Jackson Hole address, which reaffirmed the 2% inflation target and signalled more tightening may be needed; short-dated yields rose and markets priced in over 50% odds of a September rate hike. The curve flattened over the month as a result.

Europe

European sovereign yields rose through August to fresh multi-year highs, driven by persistently high oil prices and a hawkish ECB. The 10-year bund yield reached a post-2011 high near 3.32%, while French government bond (OAT) yields climbed to their highest level since 2008 amid political uncertainties ahead of France's April 2027 presidential election. European Central Bank Executive Board member Isabel Schnabel reinforced the hawkish tone mid-month,



arguing "further tightening will be necessary"; markets ended the month pricing a September hike. Data offered little pushback: the composite euro area PMI rose to a nine-month high in August, underlining the region's resilience to the energy shock.

UK

UK gilt yields were broadly flat over August, with the 10-year closing the month at 5.06%, its highest close in over a decade. Higher oil prices and a July inflation print that rose to 2.9% kept investors focused on domestic price pressures. Long-dated gilt yields, meanwhile, remained elevated in line with long-dated yields elsewhere as fiscal deficit and issuance concerns spread; the 30-year traded close to its highest levels in nearly three decades. Markets responded by pricing in a rate hike by December. This was reinforced by Fed Chair Warsh's hawkish Jackson Hole address on the month's final trading day, pushing yields to fresh multi-year highs heading into September.

Japan

Japanese government bond yields extended their climb through August, with the 10-year reaching a post-1996 high of around 2.97% mid-month before breaching 3% on the first day of September. The move reflected growing expectations of a Bank of Japan (BoJ) rate hike at the September meeting, reinforced by a broader global sell-off. Q2 GDP growth slowed sharply to 1.1% year-on-year, well below the 2.0% expected, as business investment fell and private consumption stagnated, though this did little to dent hike expectations given still-elevated inflation. The yen remained the standout story, weakening back towards 160 against the dollar by month-end, as the initial bounce from the coordinated Japanese-US intervention seen in late July faded.

Indices	August 2026 total return in local currency
Bloomberg US Treasury Index	0.3%
Bloomberg Global-Aggregate Total Return	0.5%
Bloomberg EuroAgg Index	-0.5%

Source: Bloomberg, as at 31 August 2026.

Commodity markets

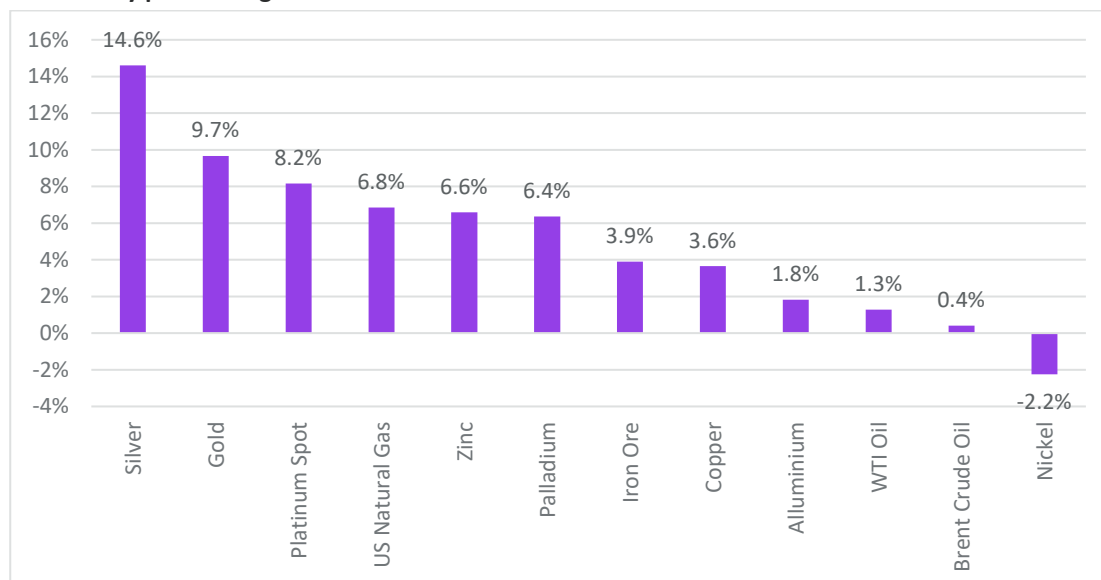
Gold moved up sharply after the US Treasury signalled plans to at least double its purchases of long-dated government debt, pushing yields and the US dollar lower. The precious metal ended August at US\$4,437/oz, about 10% higher. Middle East tensions and persistent inflation added further support. The shares of gold producers outperformed gold, with the NYSE Arca Gold Miners index rising about 33%. Gold equities typically trade in the same direction as gold but with amplified moves. Silver was also strong, its price rising 15% to US\$66/oz. Among industrial metals, copper hit a record high as the potential for US import tariffs fuelled demand from purchasers seeking to bring the metal into the country ahead of any additional charges. The metal ended August 4% higher at US\$14,294/ton. Iron ore delivered a similar gain, supported by Chinese demand.

Oil was volatile, with the price of a barrel of Brent crude ranging from below US\$80 to more than US\$94, as hopes of an easing of tensions between the US and Iran waxed and waned. Brent ended August at US\$90/barrel, little changed over the month. Crack spreads – the difference between the prices of crude oil and refined products such as gasoline and aviation fuel – remained unusually wide, a consequence of Ukrainian attacks on Russian refineries and continued disruption to refining in the Middle East. High temperatures (which drove electricity demand to power air conditioning) and tight global supply saw US natural gas prices rise 7%.

In agriculture, grain prices climbed on supply concerns, partly due to damage to Black Sea port infrastructure and disruption to regional shipping as a consequence of the Ukraine war. Corn and wheat saw double-digit price increases in August. The blockage of the Strait of Hormuz and low water levels in the Danube, both of which are hampering shipments of grain and crucial farm inputs like fertilisers, added to upward pressure on prices.



Commodity price changes



Source: Bloomberg, as at 31 August 2026.