CAPITAL GROUP®

World markets review – August 2026

Equities

Global equities rose, bolstered by resilient economic data, robust corporate earnings and a rebound in technology stocks. The ongoing U.S.-Iran conflict, together with concerns over the outlook for energy prices, nevertheless tempered investor sentiment, while the central banks of the U.S., eurozone and Japan were widely anticipated to raise interest rates at their September meetings. Emerging markets outpaced their developed counterparts, although Chinese stocks eased amid continuing concerns around domestic growth. August CBOE Volatility Index (VIX) futures fell 8.5% month on month to 16.6 (readings below 20 are generally viewed as indicative of market stability).

MSCI All Country World Index (ACWI) sectors were mixed, with materials, information technology and energy notching the strongest gains. In contrast, utilities, real estate and consumer staples trailed the index.

Equity index returns (%)	Aug 2026		YTD 2026	
	U.S. dollar	Local currency	U.S. dollar	Local currency
S&P 500	2.7	2.7	13.1	13.1
MSCI ACWI	2.7	2.3	14.3	14.4
MSCI ACWI ex USA	2.6	1.6	17.0	17.2
MSCI World	2.6	2.4	13.1	13.3
MSCI Emerging Markets	3.4	1.9	24.1	23.5
MSCI EAFE	2.0	1.4	13.8	14.3
MSCI Europe	1.4	0.7	11.1	12.1
MSCI Pacific	3.1	2.8	19.6	19.4

Source: RIMES.

Fixed income

Global bonds posted modest gains in U.S. dollar terms, although most 10-year government bond yields ended higher. U.S. 10-year Treasury yields edged up 2 basis points (bps) to 4.75%, while Japanese government 10-year yields climbed 15 bps to 2.94%. Elsewhere, 10-year German and French government bond yields rose 12 bps to 3.32% and 18 bps to 4.18%, respectively. U.K. 10-year gilt yields closed 1 bp higher at 5.06%. Global corporate bonds advanced, with the high-yield segment outpacing investment-grade credit.

In foreign exchange markets, the U.S. Dollar Index fell 0.5%. The euro and British pound rose 1.0% and 0.7% against the dollar, respectively, while the Japanese yen weakened by 0.3% versus the greenback. Emerging markets currencies were mostly higher versus the dollar.

Fixed income index returns (%)	Aug 2026	YTD 2026
Bloomberg U.S. Aggregate	0.4	-0.3
Bloomberg Global Aggregate	0.5	-0.3
Bloomberg U.S. Corp IG	0.4	-0.4
Bloomberg U.S. Corp HY	1.0	2.7
JPM EMBI Global Diversified	0.9	2.8
JPM GBI-EM Global Diversified	0.9	2.7

Exchange rates (% change vs. USD)	Aug 2026	YTD 2026
Euro	1.0	-1.1
Japanese yen	-0.3	-1.8
British pound	0.7	0.8
Canadian dollar	1.2	-1.1
Australian dollar	2.0	7.5
Swiss franc	0.1	-1.9

Source: RIMES. Returns are in USD.

Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value.

North America

U.S. equities advanced, supported by a rebound in technology stocks and generally strong corporate earnings. Economic data were mixed, with a decline in July nonfarm payrolls pointing to some weakness in the labor market. However, investors continued to anticipate a rate hike at the U.S. Federal Reserve's (Fed) September policy meeting, as inflation remained well above target and the ongoing U.S.-Iran conflict put upward pressure on energy prices. Overall, growth stocks outpaced their value counterparts. The S&P 500 and Nasdaq returned 2.7% and 4.0%, respectively.

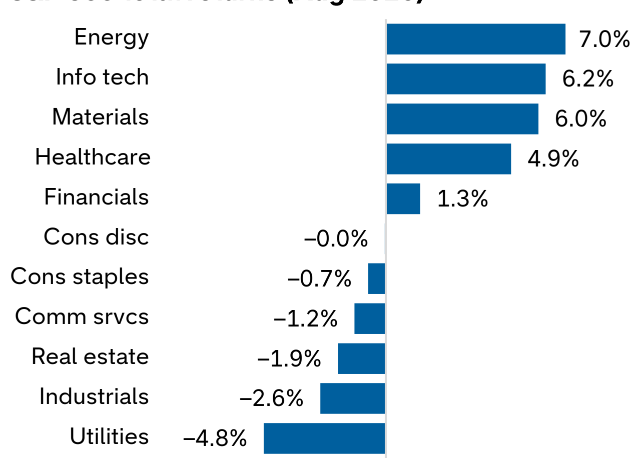
S&P 500 sector returns were mixed, with energy, information technology and materials registering the largest gains. Shares of NVIDIA rallied following better-than-anticipated second-quarter results and upbeat third-quarter revenue guidance, as strong demand for AI-related infrastructure continued to drive growth. In contrast, utilities, industrials and real estate lagged. Shares of GE Aerospace fell following a strong earlier rally.

Fed Chair Kevin Warsh struck a hawkish tone at the Jackson Hole symposium, warning interest rates may need to rise if underlying inflation does not show more convincing progress towards the 2% target. His remarks kept the possibility of a rate hike at the upcoming September policy meeting firmly in focus. Minutes from the July meeting also highlighted worries among U.S. rate setters over persistently elevated inflation. Separately, the U.S. Treasury announced plans to increase its purchases of Treasury bonds amid concerns over elevated yields and high government borrowing costs. U.S. headline Consumer Price Index inflation edged down to 3.4% in July from 3.5% in June, slowing for a second consecutive month. However, the core personal consumer expenditure (PCE) price index, the Fed's preferred inflation gauge, held at 3.3% in July, unchanged from June.

The U.S. labor market weakened in July, with nonfarm payrolls unexpectedly declining by 23,000 versus economists' forecasts of an 80,000 gain. The Bureau of Labor Statistics also revised employment figures for May and June lower. Separately, its preliminary annual benchmark revision indicated that payroll employment in March 2026 was 79,000 lower than previously estimated. The University of Michigan's consumer sentiment index eased to 51.7 in August from 55.2 in July amid uncertainty around the U.S.-Iran conflict and inflation worries. However, survey data suggested private sector activity accelerated in August, with the U.S. S&P Global Composite Purchasing Managers' Index (PMI) reaching a preliminary 56.0, its highest level since April 2022, driven by strengthening services-sector momentum.

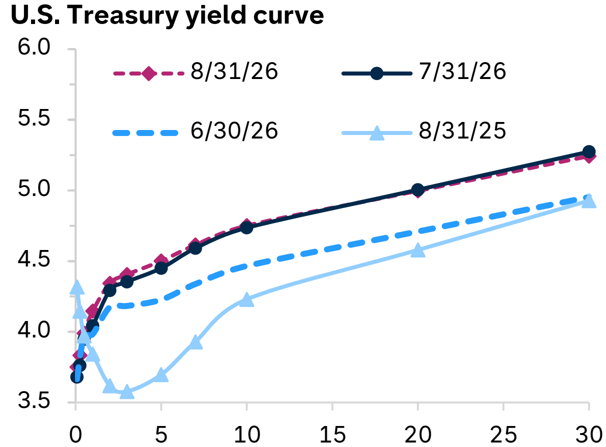
U.S. bonds rose modestly, with the Bloomberg U.S. Aggregate Index returning 0.39%. 10-year yields firmed 2 bps to 4.75%, while 2-year yields closed 5 bps higher at 4.34%. However, 30-year yields eased 3 bps to 5.24%. U.S. corporate bonds advanced, with high yield outpacing investment-grade (rated BBB/Baa and above). Spreads to Treasuries were unchanged for investment-grade but narrowed by 18 bps for high yield.

S&P 500 total returns (Aug 2026)



Source: RIMES. Data labels reflect rounded figures.

U.S. Treasury yield curve



Source: Bloomberg. The x-axis represents Treasury maturities (years). The y-axis represents the U.S. Treasury yield (%).

Europe

European stocks rose but lagged global equities. While resilient economic data and robust corporate earnings supported sentiment, concerns over the U.S.-Iran conflict and the outlook for energy prices were a drag. Minutes from the European Central Bank's (ECB) July meeting highlighted upside inflation risks, contributing to market expectations that the central bank could raise rates in September. French assets came under pressure from renewed political and fiscal concerns as investors fretted about the country's high deficit and the ability of the government to pass its 2027 budget.

ECB minutes reinforced expectations of a September rate hike. The July meeting minutes revealed a distinctly hawkish debate, with some policymakers favoring an immediate rate increase and arguing that rates were not yet restrictive enough. Officials highlighted upside inflation risks and persistent energy-price pressures, while signaling that the tightening cycle may not be over. Eurozone headline inflation accelerated to 2.9% in July from 2.8% in June, driven by higher energy prices. Core inflation rose to 2.5% from 2.4% the prior month.

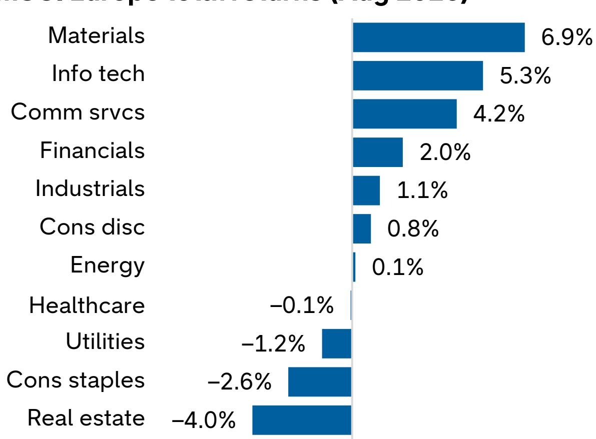
Private-sector activity expanded for a second consecutive month, with the eurozone composite PMI firming to a preliminary 52.1 in August from 52.0 in July. Manufacturing strengthened as new orders increased at their fastest pace in four-and-a-half years amid a substantial improvement in Germany's manufacturing sector. Firms responded to increased demand by raising employment levels. Meanwhile, conditions in services remained broadly stable, with the sector continuing to grow at a moderate pace. Nevertheless, the survey pointed to an overall deterioration in business confidence due to continuing uncertainty around the economic outlook.

Germany's ZEW Indicator of Economic Sentiment rose 7.9 points to 34.2 in August, surpassing market forecasts, marking the best reading since February. Sentiment improved across all sectors, especially the automotive industry, supported by robust exports and government infrastructure spending.

U.K. equities closed higher in U.S. dollar terms. The U.K. economy grew 0.4% in the second quarter, slowing from the prior quarter's 0.6% pace. U.K. inflation accelerated to 2.9% in July from 2.6% in June, driven by an increase in the energy price cap.

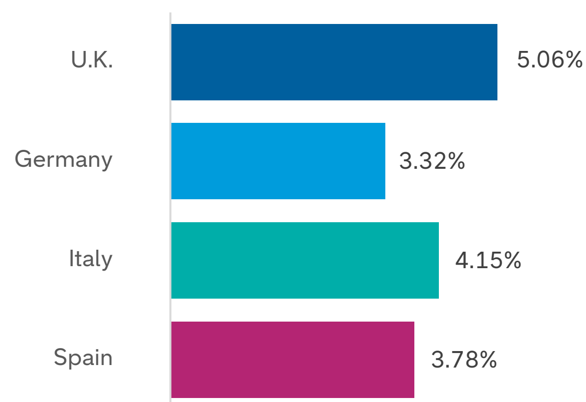
European bonds rose in U.S. dollar terms despite a general increase in yields. German and French 10-year government bond yields climbed 12 bps to 3.32% and 18 bps to 4.18%, respectively. U.K. 10-year gilt yields firmed 1 bp to 5.06%. Elsewhere, Spanish and Italian 10-year government yields rose 12 bps to 3.78% and 13 bps to 4.15%, respectively.

MSCI Europe total returns (Aug 2026)



Source: RIMES. Returns are in USD. Data labels reflect rounded figures.

10-year government bond yields



Source: Bloomberg. As of August 31, 2026.

Asia-Pacific

Japanese equities posted strong gains, supported by resilient economic data and buoyant corporate earnings. Survey data highlighted strengthening momentum in both the manufacturing and services sectors during August. Investors widely anticipated that the Bank of Japan (BoJ) would raise interest rates at its September policy meeting. Japanese inflation for July accelerated, while BoJ officials largely struck a hawkish tone in the summary of opinions from the central bank's July meeting. In terms of sectors, utilities, communication services and energy led, while real estate lagged by a wide margin. The yen fell 0.3% against the dollar.

Japanese inflation accelerated to 1.9% in July from 1.6% the previous month, the highest level since December 2025. While the increase was partly due to the scaling back of state energy subsidies, the core-core measure, which excludes fresh food and energy prices, rose to 1.9% from 1.7%, as higher oil prices fed through to consumer prices. Official data also showed real wages rose for the sixth successive month in June. Renewed weakness in the yen over August, despite the recent joint intervention in currency markets with the U.S., was additionally viewed as putting increased pressure on the BoJ to hike interest rates in September. The summary of opinions from the BoJ's July meeting was largely hawkish, flagging upside inflation risks and concerns about the impact of yen weakness.

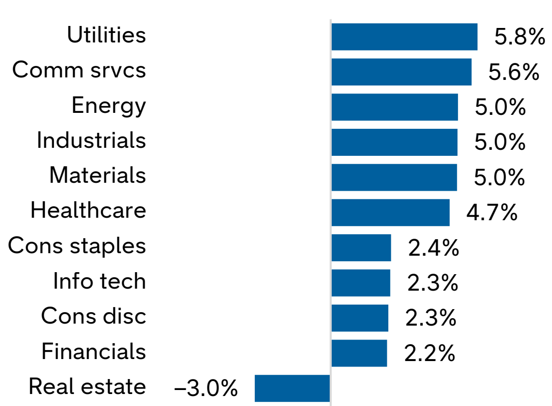
Japanese private-sector activity strengthened in August, with Japan's S&P Global Composite PMI reaching a preliminary 53.4 from 52.7 in the prior month, the best reading since February. Momentum improved in both manufacturing and services, while new orders grew at the fastest pace in six months. Meanwhile, the Reuters Tankan Index for Japanese manufacturers also showed improvement in August, with particular strength in semiconductor-related industries. Separately, retail sales grew ahead of market forecasts in July, rising 4% year on year, well ahead of the 0.6% increase of the prior month.

Hong Kong equities closed modestly lower. The economy contracted 0.6% in the second quarter on a quarter-on-quarter basis, following the prior quarter's 2.9% expansion. Separately, the S&P Global Hong Kong SAR PMI eased to 51.0 in July from 52.0 in June, as private-sector momentum was pressured by weaker overseas demand.

Singapore equities made gains. Private-sector activity accelerated to its strongest since February, with the S&P Global Singapore PMI hitting 59.2 in July from 57.4 in June amid robust growth in output and new orders.

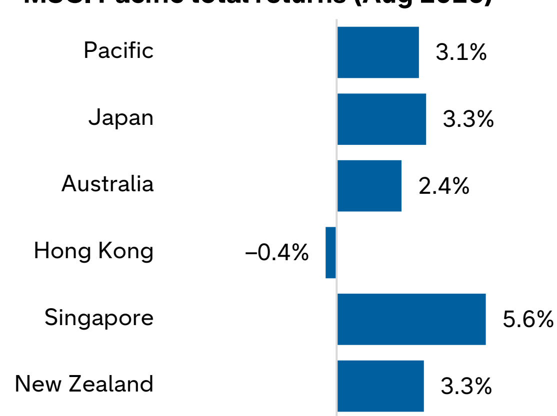
Australian stocks ended higher. Australia's private-sector activity slowed in August as services-sector momentum moderated, preliminary data showed. The Reserve Bank of Australia left interest rates on hold at 4.35%.

MSCI Japan total returns (Aug 2026)



Source: RIMES. Returns are in USD. Data labels reflect rounded figures.

MSCI Pacific total returns (Aug 2026)



Source: RIMES. Returns are in USD. Data labels reflect rounded figures.

Emerging markets

Emerging market (EM) equities rose, benefiting from a rebound in Korean and Taiwanese stocks following last month's sell-off. Nevertheless, Chinese equities ended slightly lower amid ongoing weakness for the domestic economy. Meanwhile, Indian equities fell on concerns about the outlook for energy prices due to the U.S.-Iran conflict. Brazilian stocks were also down in U.S. dollar terms, pressured by political and economic worries, although they were slightly higher on a local-currency basis.

Chinese equities fell slightly amid continuing signs of weakness in the domestic economy. Survey data continued to point to contraction in China's factory sector during August, although the National Bureau of Statistics Manufacturing PMI edged up to 49.8 from 49.2 in July, with some improvement in output and new orders. The survey signalled caution among Chinese firms about the near-term outlook, with business sentiment declining to a five-month low. Separate official data showed industrial production growth slowed to 4.5% year-on-year in July from 5.3% in June. Retail sales rose by just 0.6% year-on-year in July compared with 1.0% in the prior month. Chinese inflation decelerated to 0.5% in July from 1.0% in June amid declines in food prices and weaker non-food inflation.

Indian stocks fell modestly amid concerns about the outlook for energy prices and inflation due to the ongoing U.S.-Iran conflict. However, the economy continued to grow strongly in the June quarter, with GDP expanding 7.8% year-on-year, matching the previous quarter's pace. The Reserve Bank of India left its key repo rate on hold at 5.25%.

Latin American stocks ended lower. Brazilian equities fell in U.S. dollar terms but rose slightly on a local-currency basis. Private-sector activity contracted in July, with the S&P Global Composite PMI for Brazil easing to 48.8 from 50.7 in June. Brazil's central bank cut its policy rate by 25 bps to 14.0%. Alongside domestic growth concerns, political uncertainty ahead of October's presidential election also weighed on sentiment.

Emerging market debt (EMD) delivered positive returns, with both hard-currency EMD and local-currency EMD (returns in U.S. dollars) closing higher. South African bonds gained after inflation undershot market estimates, declining to 4.3% in July from 5.0% in the prior month. Similarly, Turkish debt benefited as inflation fell to 31.8% in July from 32.1% in June. In contrast, Brazilian bonds lagged amid political and economic worries. Brazil's inflation eased to 4.4% in July from 4.6% in June, while the central bank reduced the Selic rate by 25 bps to 14.0%, in line with market forecasts. Poland was another area of weakness amid concerns on its fiscal outlook.

August 2026 total returns (%)

Equity indexes	(USD)
MSCI Emerging Markets	3.4
MSCI South Africa	11.4
MSCI Taiwan	6.4
MSCI Saudi Arabia	6.0
MSCI Korea	5.9
MSCI Mexico	-0.1
MSCI India	-0.3
MSCI China	-0.3
MSCI Brazil	-1.4
MSCI Thailand	-2.0

Fixed income / currency	USD debt (USD)	Local debt (USD)	Local debt (Local)	Exchange rate (vs. USD)
JPM EMBI Global Div	0.9	---	---	---
JPM GBI-EM Global Div	---	0.9	0.2	---
Brazil	0.6	-1.0	1.0	-1.9
China	0.2	0.6	0.2	0.4
Indonesia	1.0	3.7	2.1	1.6
Malaysia	0.5	1.0	-0.5	1.5
Mexico	1.3	2.3	0.4	1.9
Poland	0.3	-0.1	-0.5	0.4
South Africa	1.9	3.3	0.6	2.6
Turkey	1.3	3.8	5.4	-1.5

Source: RIMES

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Certain market indexes are unmanaged and, therefore, have no expenses. Investors cannot invest directly in an index.

Unless otherwise noted, all returns are in U.S. dollars and assume the reinvestment of dividends. Country stock returns are based on MSCI indexes.

Bond ratings, which typically range from AAA/Aaa (highest) to D (lowest), are assigned by credit rating agencies such as Standard & Poor's, Moody's and/or Fitch, as an indication of an issuer's creditworthiness.

Bloomberg indexes are unmanaged, and results include reinvested dividends and/or distributions but do not reflect the effect of sales charges, commissions, account fees, expenses or U.S. federal income taxes. **Bloomberg U.S. Aggregate Index** represents the U.S. investment-grade fixed-rate bond market. **Bloomberg Global Aggregate Index** represents the global investment-grade fixed income markets. **Bloomberg U.S. Corporate Investment Grade Index** represents the universe of investment grade, publicly issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity and quality requirements. The **Bloomberg U.S. Corporate High Yield Bond Index** measures the U.S. dollar-denominated, high yield, fixed-rate corporate bond market.

U.S. Dollar Index is a market index benchmark used to measure the value of the U.S. dollar relative to other widely traded international currencies.

The CBOE Volatility Index is a calculation designed to produce a measure of constant, 30-day expected volatility of the U.S. stock market, derived from real-time mid-quote prices of S&P 500 Index call and put options.

The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. Widely used as a measure of inflation, the CPI is computed by the U.S. Department of Labor, Bureau of Labor Statistics.

The Core Personal Consumption Expenditures (PCE) Price Index is a measure of prices paid for U.S. goods and services, excluding food and energy.

The Michigan Consumer Sentiment Index is a monthly survey designed to measure consumer confidence in the United States.

The Reuters Tankan Index is a monthly survey of leading Japanese companies to provide early indications of the BOJ's quarterly tankan.

S&P Global purchasing manager indexes (PMIs) track business trends across both manufacturing and service sectors for various countries. The indexes are based on data collected from companies and follow variables such as sales, new orders, employment, inventories and prices. The **S&P Global U.S. Composite PMI, S&P Global Brazil Composite PMI, S&P Global Hong Kong SAR PMI and S&P Global Singapore PMI** provide similar information for the United States, Brazil, Hong Kong and Singapore, respectively. The **S&P Global Japan Composite PMI** provides similar information about Japan. The **S&P Global Eurozone Composite PMI** measures private sector economic activity in the euro area, based on a survey of companies in the euro area manufacturing and service sectors.

The **National Bureau of Statistics Manufacturing Purchasing Manager Index** measures the performance of China's manufacturing sector and is derived from a survey of state-owned companies.

The ZEW Indicator of Economic Sentiment measures the level of optimism that analysts have about the expected economic developments in Germany over the next six months.

J.P. Morgan Emerging Markets Bond Index (EMBI) Global Diversified and related country-specific indexes track total returns for U.S. dollar-denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, eurobonds. **J.P. Morgan Government Bond Index – Emerging Markets (GBI-EM) Global Diversified** and related country-specific indexes cover the universe of regularly traded, liquid fixed-rate, domestic currency emerging market government bonds to which international investors can gain exposure.

MSCI indexes are free float-adjusted, market capitalization-weighted indexes. Developed market index results reflect dividends net of withholding taxes. Emerging market index results reflect dividends gross of withholding taxes through December 31, 2000, and dividends net of withholding taxes thereafter. Each index is unmanaged, and its results include reinvested dividends and/or distributions but do not reflect the effect of sales charges, commissions, account fees, expenses or U.S. federal income taxes. **MSCI All Country World Index (ACWI)** is designed to measure results of more than 40 developed and emerging equity markets. **MSCI All Country World (ACWI) ex USA Index** is designed to measure equity market results in the global developed and emerging markets, excluding the United States. **MSCI EAFE® (Europe, Australasia, Far East) Index** is designed to measure developed equity market results, excluding the United States and Canada. **MSCI Emerging Markets Index** is a free float-adjusted market capitalization-weighted index designed to measure equity market results in more than 20 global emerging markets. Individual emerging markets listed herein represent a subset of the MSCI Emerging Markets Index. **MSCI Europe Index** is designed to measure developed equity market results across 15 developed countries in Europe. **MSCI Pacific Index** is designed to measure the equity market performance of the developed markets in the Pacific region. It consists of Japan, Australia, Hong Kong, New Zealand and Singapore. **MSCI World Index** is designed to measure equity market results of developed markets. The index consists of more than 20 developed market country indexes, including the United States. **MSCI Japan Index** is designed to measure equity market performance in Japan.

Nasdaq Composite Index is a broad-based market capitalization-weighted index that measures all domestic and international-based common- type stocks listed on The Nasdaq Stock Market.

S&P 500 Index is a market capitalization-weighted index based on the results of 500 widely held common stocks. This index is unmanaged, and its results include reinvested dividends and/or distributions but do not reflect the effect of sales charges, commissions, account fees, expenses or U.S. federal income taxes.

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