Weekly Market Report For 17 – 21 August 2026

Overview

- Global equities remained volatile as bond yields and oil prices rose.
- The Fed remains focused on inflation, despite continued resilience in the U.S. economy.
- Europe is showing early signs of recovery, supported by improving economic activity.
- Japan faces pressure from rising inflation and expectations of further rate hikes.
- China's economy continued to slow, while Thailand's growth weakened from the previous quarter.

Market Brief

Global equity markets faced pressure from rising bond yields and oil prices, bringing inflation and the interest rate outlook back into focus. While the U.S. and European economies continued to show resilience, economic momentum in China and Thailand weakened.

U.S.

o U.S. equities declined, with the Nasdaq falling 2.1%, the S&P 500 down 1.4% and the Dow Jones easing 0.9%. Rising long-term bond yields and higher oil prices fueled concerns that inflation could reaccelerate.

o Long-term U.S. Treasury yields rose to their highest level since 2007, amid concerns over the U.S. fiscal position, heavy Treasury issuance and funding needs to support AI-related investment.

o Bond yields recovered in the middle of the week after the U.S. announced increased purchases of Long-Term Bonds. However, markets viewed the measure as insufficient to address the fiscal deficit and rising Treasury supply, prompting yields to rise again toward the end of the week.

o The Fed remained cautious on inflation. The July FOMC meeting minutes indicated that inflation is likely to moderate over the remainder of the year, but uncertainty remains elevated. Should inflation fail to ease as expected, the Fed may need to maintain a more restrictive monetary policy stance.

o The U.S. economy continued to show resilience, with the August PMI rising from 54.5 to 56.0, the highest level since April 2022. Services activity remained particularly strong, while manufacturing continued to expand.

o The labor market also remained resilient, with employment growth accelerating at its fastest pace since January 2025. Meanwhile, selling-price pressures began to ease, although input costs remained elevated due to higher energy prices.

Europe

o European equities were broadly flat, while economic activity showed early signs of improvement. The August Composite PMI edged up to 52.1, above market expectations.

o New orders increased, while new export orders returned to growth for the first time in four and a half years, signaling a gradual recovery in economic activity.

o Germany showed signs of improvement, supported by a recovery in manufacturing, increased government infrastructure spending and relatively resilient exports, which helped offset weakness in the services sector.

Japan

o Japanese equities fell sharply, with the Nikkei 225 declining 3.9% and the TOPIX falling 3.1%, amid concerns over the Middle East, higher oil prices and rising bond yields.

o Japan's economy grew less than expected, with 2Q26 GDP expanding 1.1%, below the 2.0% market estimate and slowing from 1.9% in the previous quarter. Business investment and private consumption weakened, while exports provided some support.

o Inflationary pressures accelerated, with core CPI rising to 1.8% YoY in July from 1.6% in the previous month, leading markets to expect BOJ rate hikes.

o Japan's 10-year government bond yield rose to 2.93%, its highest level in 30 years, before easing slightly to close the week at 2.88%. The move reflected continued market expectations that the BOJ may further tighten monetary policy.

China

o Chinese equities diverged, with Hong Kong-listed Chinese stocks rising more than 3.5%, while mainland Chinese equities declined amid concerns over slowing economic growth.

o China's economy remained under pressure from weak consumption and investment. Industrial production grew 4.5% YoY, below expectations and down from 5.3% in June, while retail sales rose just 0.6%, compared with 1.0% in the previous month.

o Investment remained weak, with fixed-asset investment declining 6.7% in the first seven months of the year. The property sector remained a key drag, with real estate investment falling 19.2%.

Thailand

o The SET Index edged up 0.3%, while foreign investors recorded net selling of approximately THB 3.5 billion. Domestic institutional investors recorded net buying of THB 2.5 billion.

o Thailand's economy slowed, with 2Q26 GDP growth easing to 1.9% from 2.8% in the previous quarter. However, private investment remained a key support, rising 13.4%, while exports grew 17.6%.

o Exports were supported by electronics and technology products, driven by global demand related to AI. Meanwhile, private consumption and government spending slowed.

Should you have any queries, please contact Krungsri Asset Management Company Limited or selling agents or mutual fund sales representatives.

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