VIEWS | AUGUST 2026

Monthly market commentary: AI stocks have company in a broader market upturn.

Monthly snapshot

- Global equity markets, as measured by the MSCI ACWI Index, garnered positive returns in August. Investors' optimism regarding relatively strong corporate earnings, which triggered a broader market rally beyond artificial intelligence (AI)-related technology companies, offset concerns that sticky inflation might lead central banks to keep monetary policy restrictive for longer, as well as escalating geopolitical tensions in the Middle East. Emerging markets modestly outperformed developed markets for the month.
- Global fixed-income assets, as represented by the Bloomberg Global Aggregate Bond Index, gained 0.4% for the month. U.S. Treasury yields moved higher in the short- and intermediate-term segments of the curve, while the 10-year yield was flat and 20- and 30-year yields moved marginally lower. (Bond prices move inversely to yields.)
- We favor earnings-supported equities over non-earners, while avoiding excessive reliance on long-duration (rate-sensitive) growth. Emerging-market equities remain interesting given valuations and leverage to economic growth.

Global equity markets, as measured by the MSCI ACWI Index, garnered positive returns in August. Investors' optimism regarding relatively strong corporate earnings, which triggered a broader market rally beyond artificial intelligence (AI)-related technology stocks, offset concerns that sticky inflation might lead central banks to keep monetary policy restrictive for longer, as well as escalating geopolitical tensions in the Middle East. Emerging markets modestly outperformed developed markets in August. Europe and Eastern Europe were the strongest-performing emerging markets for the month due mainly to an upturn in Poland. Europe also benefited from a rally in Greece. In contrast, the Association of Southeast Asian Nations (ASEAN) region was hampered by market declines in the Philippines and Thailand, while Latin America posted a negative return amid weakness in Colombia and Brazil. The Far East led developed markets in August due primarily to strength in Singapore. The Nordic countries were bolstered by market upturns in Norway and Finland. Conversely, Europe's underperformance for the month was attributable to market downturns in France and Switzerland.[1]

Global fixed-income assets, as represented by the Bloomberg Global Aggregate Bond Index, gained 0.4% in August. High-yield bonds led the U.S. fixed-income market, followed by mortgage-backed securities (MBS), investment-grade corporate bonds, and U.S. Treasury securities. U.S. Treasury yields moved higher in the short- and intermediate-term segments of the curve, while 20- and 30-year yields moved marginally lower. (Bond prices move inversely to yields.) Yields on 2-, 3-, and 5-year Treasury notes rose 0.06%, 0.06%, and 0.04%, ending August at 4.34%, 4.40%, and 4.49%, respectively, while the 10-year yield was unchanged at 4.75%. The 10-year to 3-month yield curve narrowed by 8 basis points (0.08%) to +0.84% as of the end of the month.[2]

The yield on the 30-year U.S. Treasury bond reached a 19-year high of 5.34% in intraday trading on August 18, fueled by concerns about inflation and tighter Federal Reserve (Fed) monetary policy, as well as a surge in debt issuance from artificial intelligence (AI)-related companies, which has resulted in increased competition with the U.S. government to attract investors. However, the 30-year yield moved modestly lower after the Department of the Treasury announced a plan to increase buybacks of long-dated securities, which boosted demand for 10-to-30-year bonds. The 30-year yield ended the month down 2 basis points (0.02%) to 5.25%.

Key measures: August 2026

Equity

Dow Jones Industrial Average	1.47%	↑
S&P 500 Index	2.72%	↑
NASDAQ Composite Index	3.99%	↑
MSCI ACWI Index (Net)	2.67%	↑

Bond

Bloomberg Global Aggregate Index	0.45%	↑

Volatility

Chicago Board Options Exchange Volatility Index PRIOR Monthly: 15.99	14.92	↓

Oil

WTI Cushing crude oil prices PRIOR Monthly: $84.67	$85.76	↑

Currencies

Sterling vs. U.S. dollar	$1.36	↑
Euro vs. U.S. dollar	$1.16	↑
U.S. dollar vs. yen	¥159.70	↑

Sources: SEI Data Portal, FactSet, Interactive Data, index providers. Sources: Bloomberg, FactSet, Lipper

Global commodity prices, as represented by the Bloomberg Commodity Index, gained 7.4% in August. Oil prices moved higher as investors priced in the risk of supply disruptions and reduced tanker traffic through the Strait of Hormuz. Additionally, late in the month, the intensified U.S. attacks on Iran raised fears that the conflict could broaden and threaten regional energy infrastructure. The West Texas Intermediate (WTI) and Brent crude oil prices rose 1.3% and 2.9%, respectively, during the month. The gold price climbed 9.1% in August due to a weakening U.S. dollar (the gold price tends to move inversely to the dollar), uncertainty surrounding the conflict in the Middle East, and growing concerns about rising U.S. government debt. The New York Mercantile Exchange (NYMEX) natural gas price was up 6.8% for the month as persistent summer heat boosted cooling-related demand, and investors expected smaller-than-normal additions to storage inventories, reducing concerns about oversupply and improving the supply-demand outlook. The 21.1% surge in the wheat price during the month was in response to attacks on Black Sea shipping routes, ports, and grain-export infrastructure, which fanned concerns about disruptions to global supplies from Russia and Ukraine, two of the world's largest wheat exporters.

The Middle East war took several wide turns in August. Early in the month, the focus of U.S.-Iran diplomacy was on a potential agreement to reopen the Strait of Hormuz. Reports indicated that Iran and Oman were finalizing a draft arrangement that would establish designated shipping lanes through the waterway and could pave the way for broader negotiations involving sanctions relief and Iran's nuclear program. However, U.S. officials have continued to oppose any arrangement that would grant Tehran control over maritime traffic, while Gulf nations have expressed concerns that even a temporary agreement could increase Iran's leverage over a global energy corridor.

Efforts to pressure Iran subsequently shifted toward an economic campaign as the administration of U.S. President Donald Trump launched Operation Economic Outcast, a sanctions initiative targeting entities and networks that facilitate Iranian oil sales, technology procurement, cyber activity, and financial transactions. The initiative followed the expiration of the 60-day negotiating window established under the June memorandum of understanding (MOU) and expanded the economic component of the administration's broader pressure campaign. However, the measures stopped short of directly targeting major Chinese financial institutions, underscoring the challenges involved in severing Iran's largest remaining economic lifeline. Meanwhile, Iran continued negotiations with Oman over maritime access through the Strait, while Qatar renewed efforts to facilitate broader de-escalation talks.

On August 30, the U.S. military conducted strikes on two Iranian rocket launchers on Larak Island in the Strait—the first direct U.S. attack on Iranian assets in several weeks and raising concerns about renewed escalation of the conflict in the Middle East. According to U.S. Central Command, the launchers were preparing to fire rockets loaded with sea mines into the Strait weeks after U.S. forces had cleared mines from international shipping routes. The situation intensified shortly afterward when Iran launched missiles toward Jordan; the Jordanian government reported that that its military intercepted eight missiles that entered the nation's airspace.

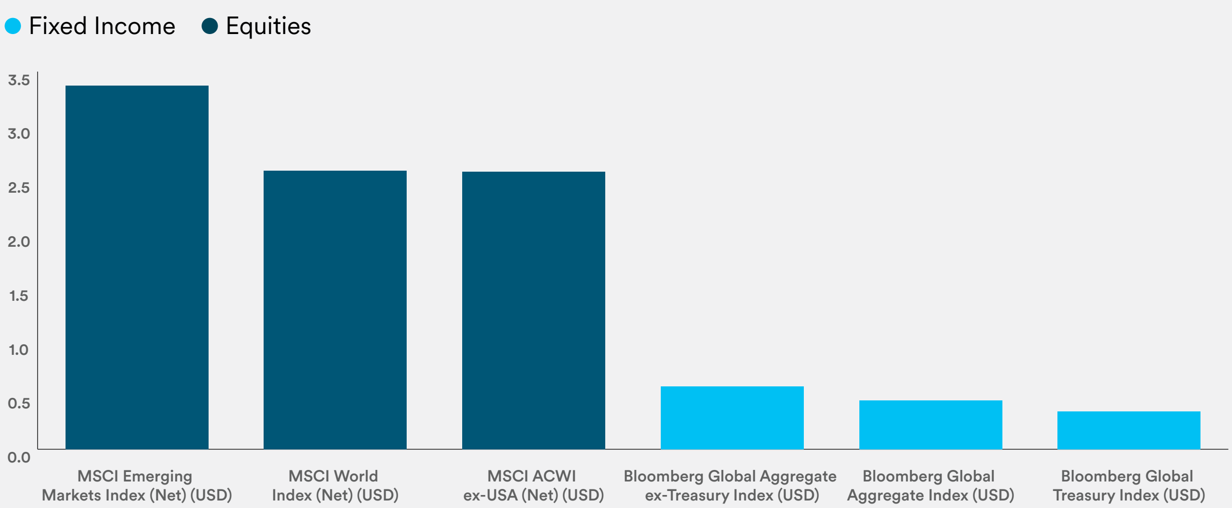
U.S. trade policy returned to the geopolitical spotlight late in the month. After U.S.-Canada trade negotiations broke down on August 21, the Trump administration imposed 50% tariffs on roughly $20 billion in Canadian imports, including wine, cement and hockey sticks, with the new duties taking effect the following day. The tariffs represent a significant escalation in the trade conflict between the two countries. Trump also announced that levies on Canadian cars, trucks, auto parts, and steel will double to 50% beginning January 1, 2027, unless production is moved to the U.S. Canadian Prime Minister Mark Carney responded by pledging "dollar-for-dollar" retaliatory tariffs on U.S. goods, setting the stage for a broader North American trade war that could increase costs for manufacturers and consumers on both sides of the border.

Economic data

U.S.

The Department of Labor reported that the consumer-price index (CPI) ticked up 0.1% in July, an increase from the 0.4% decline in June but slightly below expectations. Costs for utility gas service rose 0.7% in July, while gasoline and fuel oil prices were down by corresponding margins of 2.9% and 1.7%. The CPI advanced at a lower-than-expected rate of 3.4% year-over-year, edging down from the 3.5% annual increase in June. Fuel oil and gasoline prices surged 39.1% and 24.6%, respectively, over the previous 12-month period. Core inflation, as measured by the CPI for all items less food and energy, was up 2.5% year-over-year in July, down marginally from the 2.6% increase in June. Apparel and shelter costs rose 3.9% and 3.2%, respectively, over the previous 12-month period. Conversely, prices for used cars and trucks declined 1.9% year-over-year. .

Major Index Performance in August 2026 (Percent Return)



Sources: SEI Data Portal, index providers.

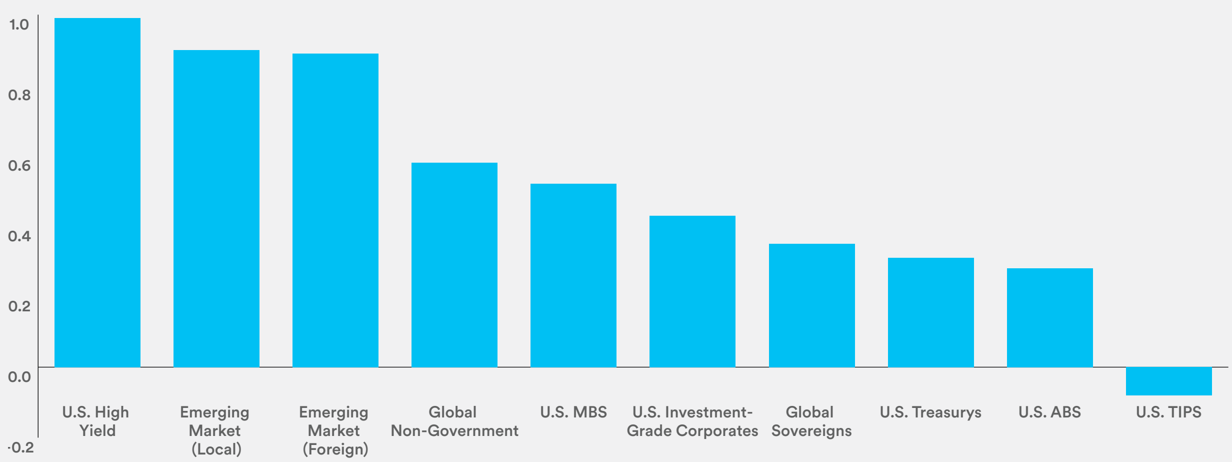
According to the second estimate from the Department of Commerce, U.S. gross domestic product (GDP) grew at an annual rate of 1.5% for the second quarter of 2026, down from the 2.1% growth rate in the first quarter of the year. The upturn in GDP for the second quarter was attributable to increases in consumer spending, exports, and investment. There was a decline in government spending and an increase in imports, which are a subtraction in the calculation of GDP. The relatively lower economic growth rate compared to the first quarter was attributable to downturns in government spending, investment, and exports, which offset a rise in consumer spending.

U.K.

The Office for National Statistics (ONS) reported that inflation in the U.K., as measured by the CPI, rose 0.3% in July, up from the 0.1% increase in June. Costs for housing and household services, and healthcare increased 2.3% and 0.5%, respectively for the month, while prices for clothing and footwear, and furniture and household goods fell by corresponding margins of 0.9% and 0.4%. The CPI advanced at an annual rate of 2.9% in July, higher than the 2.6% advance in June. Education, communication, and Furniture and household goods posted the largest price gains for the month, rising by corresponding margins of 5.1%, 5.0%, and 4.6%, respectively.[3]

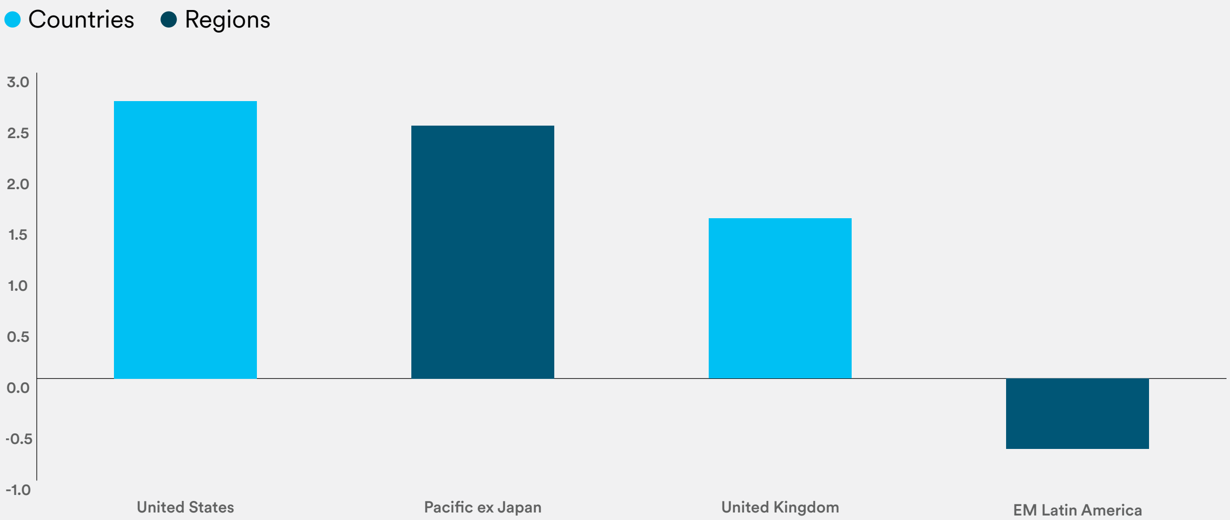
The ONS also announced that U.K. GDP edged up 0.3% in June (the most recent reporting period), an improvement from the flat reading in May. Output in the services sector rose 0.4% in June, while the construction and production sectors dipped 0.1% and 0.2%, respectively. GDP grew 0.4% for the three-month period ending June 30, 2026, down slightly from the 0.6% growth rate for the previous three-month period (January 1 to March 31, 2026). Output in the services and construction sectors rose 0.5% and 0.3% for the period, while production output was flat.[4]

Fixed-Income Performance in August 2026 (Percent Return)



Sources: SEI Data Portal, index providers.

Regional Equity Performance in August 2026 (Percent Return)



Sources: SEI Data Portal, index providers.

Eurozone

Eurostat pegged inflation for the eurozone at 2.9% for the 12-month period ending in July, marginally higher than the 2.8% annual increase in June. Energy prices surged 10.3% year-over-year in July due to the ongoing blockade in the Strait of Hormuz, affecting a significant amount of global oil capacity, and costs for services rose 3.3% compared to the same period in 2025.[5]

According to Eurostat, eurozone GDP grew 0.4% in the second quarter of 2026, improving from the flat reading for the first quarter of the year and unchanged from the flash estimate (a preliminary measure of economic growth) released in late July. The upturn in GDP for the second quarter was attributable largely to the economies of Ireland, Lithuania, and Sweden, which expanded by corresponding margins of 3.9%, 1.7%, and 1.4%. Belgium and Austria saw flat GDP growth over the quarter.[6]

SEI's view

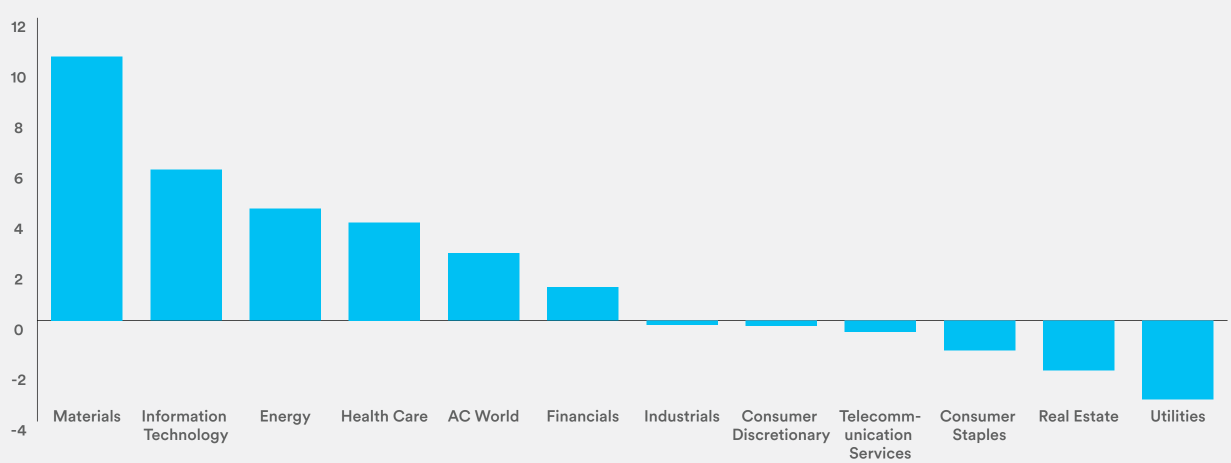
We remain constructive overall on the global economy and risk assets, but we are more selective. The market cycle is becoming more inflation-sensitive, more rate-volatility-sensitive, and more dependent on physical bottlenecks than on pure financial liquidity. The correct framing is not recession versus expansion; it is whether growth remains strong enough to support earnings without forcing real yields, term premia, and the U.S. dollar high enough to compress valuations. U.S. economic growth remains resilient, but that is a double-edged sword. Manufacturing activity, labor-market momentum, macro surprise indicators, and earnings revisions do not point to an imminent recession.

In remarks at the Fed's annual Jackson Hole Economic Symposium in Wyoming on August 28, Fed Chair Kevin Warsh provided little explicit guidance about the future path of interest rates, reiterating his preference for a restrained approach to Fed communications. Warsh emphasized that monetary policy decisions should be based on current economic conditions and broader economic trends rather than isolated data points or mechanical forecasts. While describing economic growth and labor-market conditions as resilient, Warsh argued that inflation remains too high and said that the central bank must be confident that underlying inflation is moving toward its 2% objective at a sufficient pace. SEI and avid Fed watchers alike will be closely parsing public comments from central bank officials for clues as to whether this groundswell of support for tighter policy continues to build. While short-term market-implied inflation expectations haven't budged, the fundamental drivers of inflation—including economic strength, ongoing geopolitical tensions, and continued onshoring and near-shoring of supply chains—remain intact.

Elsewhere, both the European Central Bank and the Bank of England have adopted a cautiously hawkish tone as higher energy prices threaten to place upward pressure on inflation, particularly in economies that remain vulnerable to oil-price shocks. Unlike the U.S., where inflation has been supported by relatively resilient economic growth and domestic demand, inflation risks in Europe and the U.K. are more closely tied to supply-side factors, particularly energy costs and their potential spillover effects across the broader economy.

We favor earnings-supported equities over non-earners, while avoiding excessive reliance on long-duration (rate-sensitive) growth.

Global Equity Sector Performance in August 2026 (Percent Return)



Source: MSCI.

Corporate earnings are still a source of support for global equity markets. Forward earnings growth and revisions remain positive, and earnings breadth is healthier than return concentration suggests, particularly in the U.S. and Japan, as well as across the global manufacturing and AI supply-chain cycle. Valuation discipline matters more now. The U.S. and parts of Asia look expensive, while Europe, the U.K., and selected value-oriented segments appear more reasonably priced. Markets can continue to work, but the margin of safety is thinner. Investment opportunities are broadening beyond mega-cap growth stocks. AI remains an important theme; however, the next phase increasingly depends on chips, power, grids, cooling, data centers, energy, materials, and industrial capacity. The beneficiaries may shift from software narratives toward infrastructure and old-economy enablers. Active management remains a key call this year with positive exposures to global value, quality, and momentum factors, with value as the primary emphasis. We favor earnings-supported equities over non-earners, while avoiding excessive reliance on long-duration (rate-sensitive) growth.

Within the fixed-income universe, bonds are less reliable as a hedge. Elevated stock-bond correlations, higher inflation volatility, and rising term premia mean that Treasurys are likely to trade more like risk assets than they have in recent cycles. We believe inflation-linked exposure is more attractive than nominal bonds as breakeven rates are still underpricing persistent inflation pressure.

[1] All equity market performance statements are based on the MSCI ACWI Index.

[2] According to the U.S. Department of the Treasury. As of 31 August 2026.

[3] According to the ONS. August 19, 2026.

[4] According to the ONS. August 13, 2026.

[5] According to Eurostat. 19 August 2026.

[6] According to Eurostat. August 14, 2026.

Corresponding Indexes for Fixed-Income Performance Exhibit

U.S. High Yield	ICE BofA U.S. High Yield Constrained Index
Global Sovereigns	Bloomberg Global Treasury Index
Global Non-Government	Bloomberg Global Aggregate ex-Treasury Index
Emerging Markets (Local)	JPMorgan GBI-EM Global Diversified Index
Emerging Markets (External)	JPMorgan EMBI Global Diversified Index
U.S. Mortgage-Backed Securities (MBS)	Bloomberg US Mortgage Backed Securities Index
U.S. Asset-Backed Securities (ABS)	Bloomberg US Asset Backed Securities Index
U.S. Treasurys	Bloomberg US Treasury Index
U.S. Treasury Inflation-Protected Securities (TIPS)	Bloomberg 1-10 Year US TIPS Index
U.S. Investment-Grade Corporates	Bloomberg US Corporate Bond Index

Corresponding Indexes for Regional Equity Performance Exhibit

United States	S&P 500 Index
United Kingdom	FTSE All-Share Index
Pacific ex Japan	MSCI Pacific ex Japan Index (Net)
Japan	TOPIX, also known as the Tokyo Stock Price Index
Europe ex U.K.	MSCI Europe ex UK Index (Net)
EM Latin America	MSCI Emerging Markets Latin America Index (Net)

GLOSSARY AND INDEX DEFINITIONS

For financial term and index definitions, please see: seic.com/ent/imu-communications-financial-glossary

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Endnotes

Corresponding Indexes for Fixed-Income Performance Exhibit

U.S. High Yield	ICE BofA U.S. High Yield Constrained Index
Global Sovereigns	Bloomberg Global Treasury Index
Global Non-Government	Bloomberg Global Aggregate ex-Treasury Index
Emerging Markets (Local)	JPMorgan GBI-EM Global Diversified Index
Emerging Markets (External)	JPMorgan EMBI Global Diversified Index
U.S. Mortgage-Backed Securities (MBS)	Bloomberg US Mortgage Backed Securities Index
U.S. Asset-Backed Securities (ABS)	Bloomberg US Asset Backed Securities Index
U.S. Treasurys	Bloomberg US Treasury Index
U.S. Treasury Inflation-Protected Securities (TIPS)	Bloomberg 1-10 Year US TIPS Index
U.S. Investment-Grade Corporates	Bloomberg US Corporate Bond Index

Corresponding Indexes for Regional Equity Performance Exhibit

United States	S&P 500 Index
United Kingdom	FTSE All-Share Index
Pacific ex Japan	MSCI Pacific ex Japan Index (Net)
Japan	TOPIX, also known as the Tokyo Stock Price Index
Europe ex U.K.	MSCI Europe ex UK Index (Net)
EM Latin America	MSCI Emerging Markets Latin America Index (Net)

ABOUT SEI

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