Market Pulse

August 2026

Equity Market Outlook

The FTSE MPF All World Index ended the month of July flat despite heightened market volatility. Strong corporate earnings and continued artificial intelligence-related investment remained supportive for risk assets, although market leadership broadened beyond the technology sector. Investors increasingly focused on companies demonstrating tangible earnings delivery, while sectors such as Financials and Industrials benefited from the ongoing market rotation, helping support overall market resilience.

North America

In July, the Dow Jones Industrial Average gained 0.3%, outperforming the tech-heavy Nasdaq Composite Index which lost 3.2%. Emerging risks include geopolitical tensions in the Middle East and profit-taking pressures on technology companies. Investors started to shift their focus to companies beyond technology sector.

High frequency economic statistics in the United States were mixed. June's purchasing managers' indices complied by the Institute of Supply Management were lower than the previous month's levels but July's University of Michigan consumer sentiment index rebounded.

Japan

The Tokyo Stock Price Index ended the month of July with a mild 0.2% gain. However, the Nikkei 225 index plummeted by 8.1% due to the corrections of semiconductor and artificial intelligence-related companies because technology sector represents more than one-third of the index.

The Japanese Yen at one stage weakened to a multi-decade low of 163 against the greenback. The government vowed to promote economic growth through expansionary fiscal policy, raising currency traders' concern about the country's fiscal soundness. Nonetheless, the Japanese Yen rebounded sharply and climbed back to 160 level at the end of July after joint intervention by the authorities of Japan and the United States.

China & HK

Investors rotated out of the developed markets and redirected their capital to the laggards, causing the Hang Seng Index rebounding by 13.1% in July. The financials, property as well as commerce and industrial sub-indices registered more than 10% monthly gain. The China Daily reported in July that the Ministry of Commerce was working closely with its counterpart in the United States on arrangement of reciprocal tariff reduction framework covering USD 30 billion worth of products on each side.

Dragging down by the sharp correction in technology sector, the CSI 300 Index went down by 7.9% in July. Chinese economy is still on a sub-trend path. The yearly real gross domestic product growth decelerated to 4.3% in the second quarter from 5.0% a quarter ago. Nonetheless, high frequency indicators for the month of June, including exports, industrial production and retail sales, showed signs of improvement.

Bond Market Outlook

The FTSE MPF World Government Bond Index was mildly down by 0.5% in July. Although the Federal Reserve, the European Central Bank and the Bank of Japan kept the policy interest rates unchanged at their respectively policy meetings in July, bond markets came under pressure as yields moved higher. Moderating economic growth was not sufficient to outweigh concerns around sticky inflation, prompting investors to reassess the outlook for monetary policy.

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