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Multi-Asset Investment Solutions
Weekly Market Review

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Date: 03/08/2026

Market recap – Tech earnings and a calmer Middle East lift markets

Global stock markets advanced over the week, helped by strong US technology earnings and an easing of fears over a wider Middle East conflict. In the US, the **S&P 500 was little changed, adding just 0.1%** (all returns quoted in sterling terms unless stated otherwise), while the technology-heavy **Nasdaq 100 slipped 0.4%**; both indices rose by more than 1% in local dollar terms. The **UK outperformed**, with the **FTSE 100 up 1.2%**, supported by strength in energy and banking stocks. The **MSCI Europe (excluding the UK) index rose 0.7%** on solid earnings. In Japan, the **TOPIX gained 1.7%** in sterling terms, as a sharp rally in the yen more than offset a slight fall in local-currency terms.

Geopolitics – Gulf tensions ease as diplomacy calms energy markets, while a strong earthquake disrupts Japan

Fears of a wider Middle East conflict receded over the week, as renewed **US–Iran** diplomatic engagement helped calm energy markets. Continued disruption to shipping routes through the **Gulf and Red Sea** kept some risk premium (mark-up to reflect market fears around potential supply disruptions) in the oil price, however, even as it fell back from earlier highs. Separately, a strong **earthquake struck Japan's Kumamoto region on Tuesday**, causing some supply chain disruption.

Central banks – Fed keeps rates on hold despite a growing split among policymakers, Bank of Japan leaves door open to a September rise

The **Federal Reserve** left US interest rates unchanged last week, keeping its key rate in a range of 3.50% to 3.75%. Three policymakers dissented, preferring to raise rates instead — a sign of growing concern that inflation is not falling fast enough. In the UK, the **Bank of England kept its base interest rate unchanged at 3.75%**, though it flagged that renewed escalation in the Middle East could keep energy costs volatile. In Japan, the **Bank of Japan held its policy rate at 1%**, having raised it to a three-decade high back in June, and signalled it remains open to a further increase as soon as September.

News – AI spending fears trigger a volatile week for tech and chip stocks before a Microsoft-led rebound

A fresh bout of investor nerves over the vast sums being spent on artificial intelligence (AI) infrastructure triggered a sharp sell-off in semiconductor and other AI-related stocks early in the week. Investors who had borrowed to boost their exposure to Asian technology stocks were forced to sell as prices fell, making for an especially volatile week in South Korea. Sentiment reversed sharply on Thursday after **Microsoft** reported much stronger than expected growth in its cloud computing business, easing concerns over AI spending and sparking a broad rebound in technology and chip stocks.

Economic data – US inflation cools further as growth slows, eurozone surprises to the upside

In the **US**, the Federal Reserve's preferred measure of inflation rose **just 0.1% in June**, less than expected and continuing to cool, though it remains above the Fed's target on an annual basis. Growth also slowed more than expected, with the economy expanding at an annualised rate of **1.5% in the second quarter**, down from 2.1% in the first. In the **eurozone**, growth surprised to the upside, expanding **0.4% in the second quarter**, well ahead of forecasts and led by Spain, even as inflation ticked up slightly to **2.9%.**

Commodities

Oil fell to around $88 a barrel, a weekly decline of around 4%, as easing fears of a wider Middle East conflict reduced the risk premium in the price.

Gold held steady around $4,050 an ounce, edging down about 0.5% over the week, as the pullback in oil prices and a broadly stronger dollar offset some ongoing safe-haven demand.

Week ahead – What to watch

US: ISM manufacturing survey (Mon), a gauge of factory activity; JOLTS job openings (Tue), a measure of labour demand; ISM services survey (Wed); non-farm payrolls and the unemployment rate (Fri), the US's monthly jobs report.

Europe: Germany's trade balance (Fri).

Asia: China's manufacturing PMI (Mon), a survey of factory activity; Australia's trade balance (Thu); China's trade balance (Fri).

Source Marlborough Multi-Asset, Morningstar

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