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Multi-Asset Investment Solutions

Weekly Market Review

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Date: 24/08/2026

Market recap – bond yields spike and tech stocks slide, but FTSE bucks the trend

Global stock markets were broadly weaker last week, as rising bond yields*, renewed US-Iran tensions and a sell-off in semiconductor and artificial intelligence (AI) related shares weighed on investor sentiment. In the US, the **S&P 500 fell 2.0%** (returns quoted are in sterling terms, unless otherwise stated) and the tech-heavy **Nasdaq 100 dropped 3.0%**, while the **Dow Jones held up better, down 1.4%**. Japan was hit hardest, with the **Nikkei 225 down 4.4%** and the **TOPIX down 3.6%**. The **FTSE 100 bucked the trend, adding 0.7%**, and the **MSCI Europe (excluding the UK) index dipped just 0.6%. The MSCI China index rose 2.8%** (in local currency terms), led by Hong Kong.

**Yield is the income paid by bonds (or other investments). It is usually stated as a percentage of the value of the investment.*

Geopolitics – renewed US-Iran tensions push oil price higher

Renewed tensions between the **US and Iran**, and continued uncertainty over shipping through the **Strait of Hormuz**, pushed oil prices higher and added to inflation concerns, contributing to the sell-off in bonds and other assets. **WTI crude oil rose back above $85 a barrel**, having fallen below $70 in early July.

Central banks – long-term bond yields hit multi-decade highs in the US and Japan

Long-term bond yields rose sharply across major markets. The yield on **30-year Treasuries** (US government bonds) **hit its highest level since 2007** on heavy debt issuance and fiscal concerns. The US Treasury announced larger bond buybacks in response, though the relief proved short-lived. US Federal Reserve (the Fed) meeting minutes showed policymakers see a risk of inflation rising. In Japan, the yield on **10-year government bonds briefly hit a 30-year high of 2.93%** before easing to around 2.88%, as investors weighed a likely Bank of Japan rate rise.

News – broad sell-off in semiconductor and AI-related shares weighs on global markets

The week's biggest story was a broad sell-off in **semiconductor and AI-related shares**, dragging major stock market indices lower, even as several companies posted strong earnings. Declines were most pronounced in the US and Japan, where technology-heavy indices led losses, while mixed updates from US retailers added to the cautious mood.

Economic data – business activity accelerates in US and eurozone, while Japan and China weaken

US business activity accelerated sharply in August, with one measure reaching its highest level since April 2022, even as the housing market remained weak. Eurozone business activity improved too. However, **UK inflation rose to 2.9%** and **unemployment held at 4.9%**. Japan's economy grew just **1.1% annualised** in the second quarter, well below the 2.0% expected, while **China's July economic activity data was broadly weaker**.

Commodities

Oil rose further, up around 7% in local currency terms, as the US-Iran standoff continued to support prices.

Gold also advanced, up around 5.6% in local currency terms, as wider market volatility boosted demand for 'safe havens'.

Week ahead – what to watch

US: Treasury Secretary Scott Bessent speaks (Mon); core Personal Consumption Expenditures (PCE) inflation and second-quarter economic growth (as measured by gross domestic product or GDP) estimate (Wed); Fed Chair Kevin Warsh speaks and payrolls revision (Fri).

Europe: Germany's Ifo business climate index data (Tue); France's preliminary inflation figures for August (Fri).

Asia-Pacific: Reserve Bank of Australia minutes (Tue); Japan's consumer confidence data (Fri).

Other: Canada's second-quarter GDP (Fri).

Source: Marlborough Multi-Asset, Morningstar.

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