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WEEKLY UPDATE

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MUSINGS

"The secret of getting ahead is getting started."

MARK TWAIN

LAST WEEK IN THE MARKETS

Name	Closing Level	Weekly Change	YTD Change
S&P 500	**7,786** ▲	0.37% ▲	**13.74%** ▲
Nasdaq Composite	**26,729** ▲	0.15% ▲	**15.00%** ▲
10Y UST Yield	**4.692** ▲	0.92% ▲	**12.71%** ▲
Crude oil	**82.39** ▲	**6.90%** ▲	**43.54%** ▲
Gold	4,377 ▲	0.81% ▲	1.37% ▲
DXY	99.636 ▲	0.03% ▲	1.38% ▲
USD/INR	**95.415** ▲	0.23% ▲	**6.21%** ▲
Bitcoin	**62,976** ▼	**-2.93%** ▼	**-28.02%** ▼
Euro STOXX 50	**6,550** ▲	0.17% ▲	**12.68%** ▲
India (Nifty)	**24,366** ▼	-0.83% ▼	**-6.75%** ▼
Japan (Nikkei)	**68,698** ▲	**4.71%** ▲	**36.47%** ▲
China (CSI 300)	4,666 ▼	-0.60% ▼	0.66% ▲
Saudi (TASI)	10,824 ▲	0.12% ▲	3.17% ▲
Abu Dhabi (ADX)	10,047 ▼	-0.47% ▼	0.54% ▲
Dubai (DFM)	5,885 ▼	-0.99% ▼	-2.68% ▼

NEWS FROM THE MARKETS

Macro & Central Banks

Soft July data continued to reshape the near-term policy outlook. This week's inflation prints reinforced the message of cooling pressures. **Headline CPI rose 0.1% month-on-month and 3.4% year-on-year; core CPI increased 0.2% and 2.5% respectively, the lowest core annual rate in several months.** Energy prices provided further relief, while shelter inflation continued to moderate.

Retail sales, however, disappointed, falling 0.6% in July against expectations of a modest rise. The decline was broad enough to include control-group measures, though some of the weakness reflected timing effects around

Amazon Prime Day and softer auto and gasoline categories. **Taken together, the data point to a labour market that is no longer tightening and inflation that is no longer accelerating, even as underlying demand shows signs of fatigue.**

Markets responded by further reducing the probability of a September Federal Reserve hike. The combination of weaker employment, contained core inflation and softer spending reduces the urgency for additional tightening, though the Fed remains data-dependent and three members had already dissented in favour of a hike at the July meeting. Growth risks are rising relative to inflation risks, which is supportive for risk assets in the short term, provided oil does not re-accelerate sharply.

US Equities

The S&P 500 advanced 0.36-.44% on the week to close near 7,786, logging a third consecutive weekly gain and briefly setting a fresh record high. The Nasdaq eked out a smaller advance of roughly 0.1--0.2%, while the Dow lagged and finished lower by about 0.6%. Russell 2000 outperformed modestly.

Leadership remained concentrated in technology and AI-related names, though the advance was uneven. Broadcom suffered a sharp pullback of nearly 6%, the worst performance among mega-caps, while memory stocks and certain semiconductor names extended gains.

On August 10, Nvidia signed memoranda of understanding with six major institutions - Apollo, BlackRock, Blackstone, Brookfield, Goldman Sachs and KKR - to mobilize over $500bn of third-party capital for AI infrastructure, aiming to keep the debt off Nvidia's own balance sheet. The structure lets customers (hyperscalers, AI labs, enterprises) finance GPU purchases and data centres through dedicated lending pools rather than their own balance sheets; Huang said Nvidia could still backstop up to 25% of a given deal. CEO Huang framed chips as a new "investable asset class," while BlackRock's Fink compared the effort to the birth of mortgage-backed securities.

Mega-cap technology overall was mixed after recent strength; the market continues to price robust AI capital expenditure and cloud demand, but individual names are being scrutinised more carefully for execution and valuation. Financials and energy were more subdued amid the yield and oil moves.

Investors appear to be balancing two narratives: resilient corporate earnings and AI momentum on one side, and a softening growth backdrop that may keep the Fed on hold on the other. The third weekly advance suggests risk appetite remains constructive, yet the Friday pullback after the retail sales miss shows sensitivity to any evidence of consumer fatigue.

International Equities

European equities finished the week higher in local currency, with the STOXX Europe 600 advancing roughly 1- 2% and larger gains in Germany and Italy. Resilient services PMIs and solid earnings provided support, though geopolitical uncertainty limited upside.

Asia delivered stronger relative performance. Japan's Nikkei and TOPIX posted solid weekly gains, helped by a weaker yen and semiconductor strength. South Korea's KOSPI rebounded sharply, driven by memory and chipmakers, reversing a multi-week losing streak. Mainland China indices were mixed to modestly higher, while Hong Kong lagged on policy and consumer concerns.

Relative attractiveness versus the US remains mixed. **Lower valuations and potential policy support in parts of Asia and Europe offer diversification, but the US continues to command a premium on earnings momentum and AI exposure.** Currency moves, particularly yen weakness, remain an important swing factor for unhedged investors.

US Fixed Income & Credit

Treasury yields declined over the week. The 2-year yield fell approximately 3 basis points to finish near 4.17%, while the 10-year ended around 4.65 - 4.69%. The curve remained modestly steep. Softer inflation and employment data drove the rally, outweighing any residual concerns about fiscal supply or oil-driven inflation risks.

Credit spreads were relatively stable, consistent with still-elevated risk appetite. **The move in yields supports duration in high-quality fixed income relative to cash, particularly if the Fed remains on hold into September.** Credit remains constructive as long as recession risks stay contained; any further deterioration in labour-market or spending data would begin to test that view.

Gold

Gold finished the week higher by roughly 0.9%, with Comex futures settling near $4,380. The metal extended its recent recovery, supported by lower real yields, reduced odds of imminent Fed tightening, and residual geopolitical premium linked to the Middle East. Central-bank demand and positioning remain constructive.

The advance represents a continuation of the rebound from July lows rather than a decisive regime shift. Gold continues to benefit from any combination of softer growth data and geopolitical uncertainty; a sustained rise in real yields or a clean resolution of Hormuz risks would be the main headwinds.

Oil

Oil reversed earlier weakness and posted solid weekly gains. WTI finished near $82 and Brent around $88, reflecting stalled progress on reopening the Strait of Hormuz and renewed supply concerns. Early-week hopes of a diplomatic breakthrough faded as positions hardened.

The price action keeps a geopolitical premium embedded. **Higher oil supports energy equities and certain emerging markets but complicates the disinflation narrative and raises the stakes for any further escalation.** Demand indicators remain mixed; China and global growth data will be critical to determining whether the premium can persist without broader economic damage.

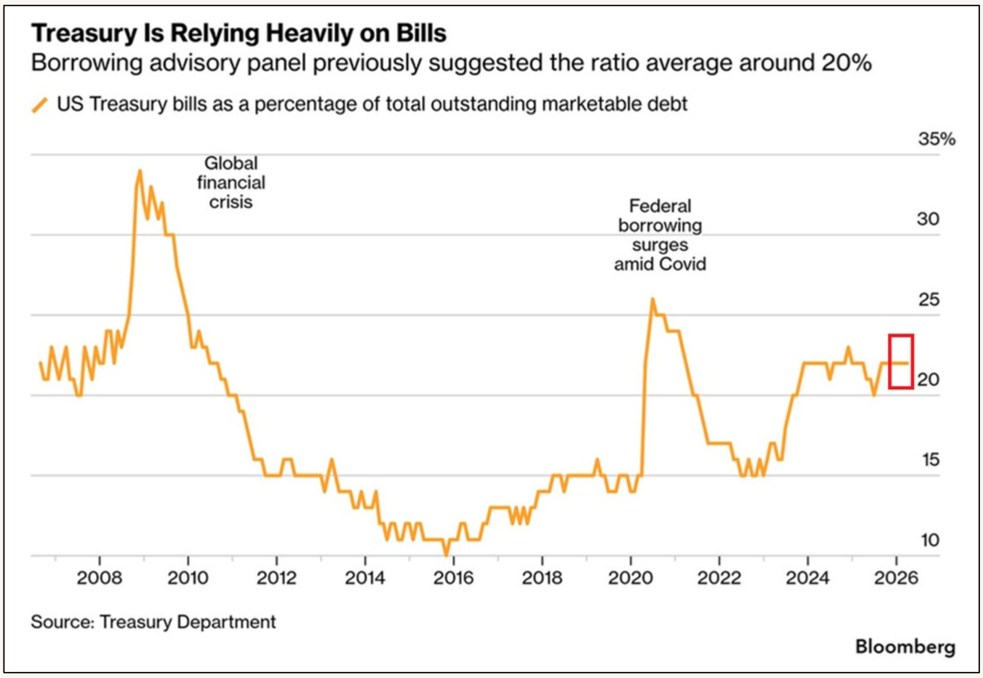
The Week Ahead

Attention turns to the Federal Reserve's July meeting minutes (Wednesday), which will shed light on the 9 -- 3 decision to hold rates and the strength of the hawkish dissents. Housing data (starts, permits, pending sales) and industrial production arrive Tuesday. Retail earnings from Home Depot, Target, Lowe's and Walmart will test the consumer narrative after the weak July sales print. Flash PMIs later in the week and continued Middle East developments remain secondary but relevant catalysts.

The dominant market narrative is one of cooling labour and inflation data that reduces the near-term probability of further Fed tightening, while AI and earnings momentum continue to support equities. The key risks that could challenge this view over the next 1- 3 months are a re-acceleration in oil prices, clearer evidence of consumer retrenchment, or a shift in Fed communication that reintroduces tightening risk. **Portfolio implications favour selective equity exposure with an emphasis on quality and AI-related growth, moderate duration in fixed income, and continued allocation to gold as a geopolitical and policy hedge.**

August 17th	• Japan GDP Data (Q2) • China Industrial Production Data (July)
August 18th	• US Housing Starts Data • Home Depot, Baidu, Klarna earnings
August 19th	• US FOMC Minutes • Target, Lowe's, Analog Devices earnings
August 20th	• Walmart, Alibaba earnings
August 21st	–

CHART OF THE WEEK



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