Market Watch

August 2026

Positioning Portfolios for a Changing Rate Environment

Global equities posted a strong 2.4% gain in August in local currency terms; however, the appreciation of the Australian dollar reduced returns for unhedged Australian investors to 0.6%. US equities reached record highs, supported by optimism surrounding artificial intelligence (AI), robust corporate earnings, and significant AI-related investment from major technology companies such as Alphabet, Amazon, Microsoft, and Nvidia. US companies delivered annual profit growth of more than 52% in the June quarter supporting investor sentiment, although the US Federal Reserve has indicated that further interest rate increases may be required due to elevated inflation. Across Asia, market performance was mixed, with Japan, Korea, and Taiwan recording strong gains driven by AI-related enthusiasm, while Chinese equities weakened amid continued softness in consumer spending and a weak housing market.

Australian equities delivered a solid return of 1.6% in August, supported by strength in the Health Care and Resources sectors. Health Care stocks benefited from a recovery in the share prices of CSL and Cochlear, while the Resources sector was supported by broad strength of commodity prices. The Energy sector also performed well, with supported by higher oil and gas prices due to escalating tensions in the Middle East. In contrast, the Financials and Real Estate sectors lagged, as renewed concerns over the potential for further interest rate increases by the Reserve Bank of Australia (RBA) weighed on investor sentiment. Small Australian Stocks benefited from a strong earnings season and small resource company, especially smaller gold miners.

Despite the August weakness in the Global REITs and infrastructure markets, the sectors remain supported by high quality assets and strong structural demand. Global property markets are gradually recovering, with logistics, residential and prime commercial assets offering selective opportunities, while data centres continue to benefit from accelerating AI and digitalisation trends. Infrastructure presents a particularly attractive long-term theme, supported by growing investment in electricity generation and grids, digital networks, energy security and the renewal of ageing infrastructure. However, elevated financing costs, interest-rate uncertainty and geopolitical risks remain key considerations.

The Global Bond market had a rough August 2026. Yields rose sharply across almost every major developed market — US, UK, Germany, Japan, France, Italy, Canada, Australia — hitting multi-year or multi-decade highs, driven by worries about government deficits, sticky inflation, heavy bond issuance and geopolitical tension. The 30-year US Treasury yield hit its highest level since 2007 (~5.34%). Corporate credit and emerging-market debt held up well, with high yield outperforming investment grade and Emerging Market bonds benefited from a weaker dollar and tight spreads.

The Australian bond market continues to offer an attractive level of yield; however the short-term outlook remains challenged by persistent inflationary pressures and elevated global bond-market volatility. While headline inflation has moderated, underlying inflation remains above the RBAs target range, limiting the scope for any monetary policy easing in the near term.

The AUD traded around USD $0.70 to USD $0.71 in August, underpinned by Australia's comparatively high interest rates and uncertainty around global monetary policy.

Economics:

U.S.

- The U.S. unemployment rate unchanged at 4.1% in August, in line with market expectations.
- Interest rates remained unchanged at a target range of 3.50% to 3.75% as the Federal Reserve did not hold a scheduled policy meeting during the month.

Domestic

- Australia's headline inflationary rate slowed to 3.5% over the year to July. The Reserve Bank of Australia (RBA) maintained the cash rate at 4.35% in August meeting.
- In July, Australia's seasonally adjusted unemployment rate increased to 4.5%, surpassing market expectations.

Major Asset Class Performance

Asset classes	1 Mth %	1 Yr %	3 Yrs (p.a.) %	5 Yrs (p.a.) %
Australian Shares	1.5%	4.4%	11.2%	7.8%
Australian Small Companies	5.2%	-1.2%	9.8%	2.2%
Global Shares (unhedged)	0.6%	11.9%	16.6%	11.4%
Global Shares (hedged)	2.4%	22.9%	19.8%	10.6%
Global Small Companies (unhedged)	1.7%	12.3%	13.7%	8.2%
Global Emerging Markets (unhedged)	1.3%	27.2%	19.2%	8.6%
Global Listed Property (hedged)	-3.0%	11.6%	9.0%	0.7%
Listed Infrastructure (hedged)	-2.0%	12.2%	12.3%	6.2%
Australian Fixed Income	-0.2%	0.6%	3.3%	-0.1%
International Fixed Income	0.2%	1.8%	3.5%	-0.4%
Cash	0.4%	4.0%	4.2%	3.3%

Source: Lonsec iRate, Rhombus Advisory, 31 August 2026.

Indices used: Australian Shares: S&P/ASX 200 Accumulation Index, Australian small companies: S&P/ASX Small Ordinaries Accumulation Index, Global shares (unhedged): MSCI World ex Australia Net Total Return (in AUD), Global shares (hedged): MSCI World ex Australia Hedged AUD Net Total Return Index; Global small companies (unhedged): MSCI World Small Cap Net Total Return USD Index (in AUD); Global emerging markets (unhedged): MSCI Emerging Markets EM Net Total Return AUD Index; Global listed property (hedged): FTSE EPRA/NAREIT Developed Index Hedged in AUD Net Total Return; Listed Infrastructure (hedged): FTSE Global Core Infrastructure 50/50 NR Index (AUD Hedged) Cash: Bloomberg AusBond Bank Bill Index; Australian fixed income: Bloomberg AusBond Composite 0+ Yr Index; International fixed income: Bloomberg Barclays Global Aggregate Total Return Index Hedged AUD

Please note: Past performance is not indicative of future performance.

Currency markets

Exchange rates	At close on 31/8	1 Mth change %	1 Yr change %	3 Yrs change %
AUD/USD	0.7166	1.93%	9.61%	10.50%
AUD/GBP	0.5290	1.17%	9.23%	3.75%
AUD/Euro	0.6182	1.18%	10.35%	4.07%
AUD/Yen	114.54	1.45%	19.16%	21.04%

Source: Reserve Bank of Australia, Lonsec iRate, Rhombus Advisory, 31 August 2026.
Please note: Past performance is not indicative of future performance.