

Investment market update: August 2026

After months of volatility, markets were relatively calm in August, though economic data was mixed. Discover what factors may have affected your investment portfolio throughout August 2026.

When markets opened on 3 August, it was a good start to the month. Falling oil prices led to the Stoxx Europe 600 index, which provides a broad measure of the European market, being up 0.5%. Similarly, US markets rose when they opened, with the S&P 500 index up 0.5%.

However, the FTSE 100 remained flat, with oil giants BP and Shell dropping 2.8% and 2% respectively on the back of falling oil prices.

The positive performance in Europe continued on 4 August, when the Stoxx Europe 600 was up 0.62% thanks to rising corporate earnings, led by the industrial sector. London's mid-cap index, the FTSE 250, also reached a record high.

Throughout June and July, technology stocks experienced sharp falls amid concerns that AI companies were overvalued. On 5 August, technology stocks boomed, which could suggest some of the fears have eased.

Asian markets in particular benefited from a jump in technology stocks, with Japan's main index, the Nikkei, up 3.6% and South Korea's Kospi rising 4.1%.

UK pharmaceutical company AstraZeneca saw shares rise 4% on 5 August after the company reported there were no discussions about a tie-up with US rival Bristol Myers Squibb (BMS). In contrast, SpaceX, which completed its initial public offering (IPO) in June, saw shares fall by around 12% after it revealed higher-than-expected capital expenditure.

Despite the US posting poor jobs data on 7 August, New York markets opened higher due to an interest rate hike now being less likely. The S&P 500 index was up 0.33%, while the technology-focused index, the Nasdaq, increased by 0.7%.

The middle of August was relatively calm, with markets remaining largely flat. On 24 August, ahead of sanctions being placed on Iran, Wall Street opened lower, including the Nasdaq declining 0.4%.

After years of speculation, Shein's IPO announcement was made on 24 August and was underwhelming. The company will list in Hong Kong with a valuation of \$27 billion (£19.8 billion), almost half the amount that was speculated.

Once again, technology stocks lifted markets on 25 August. The Nasdaq index was up 0.7% thanks to US inflation data and AI giant Nvidia.

In Europe, markets were mixed. The FTSE 100 was down 0.15%, and Germany's DAX increased by 0.65%. However, the main indices in Spain dropped and France remained flat.

UK

The UK government will deliver the Budget in October. It will be John Healey's first Budget as chancellor and economic data could affect his decisions.

Figures from the Office for National Statistics (ONS) show GDP grew by 0.4% in the second quarter of 2026 thanks to the World Cup and good weather encouraging people to spend more. It follows growth of 0.6% in the first quarter of the year and represents a strong first half of 2026.

However, professional services firm EY warned that the UK economy could fall into a recession if the Strait of Hormuz remains closed. The firm suggests GDP could fall to 0.5% in 2026 before contracting by 0.2% in 2027.

Further data from the ONS also wasn't positive. First, inflation was 2.9% in the 12 months to July 2026, compared to 2.6% in June, and above the Bank of England's 2% target.

In addition, the UK had a larger-than-expected deficit of £1.8 billion in July, which could signal some difficult decisions for the chancellor.

That being said, S&P Global's Purchasing Managers' Indices (PMI), which measure economic health, could suggest the economy is strengthening. In July, the readings revealed that:

- Business activity increased for the first time in three months, suggesting firms are more optimistic.
- The construction sector stabilised, with the PMI going from 34.4 in June to 44.7 in July. While the reading is still below the 50 mark that represents growth, it indicates a strong improvement.
- The UK service sector grew by more than expected, with a reading of 52.8 that was linked to sunny weather and technology investment.

Europe

There was positive news for the eurozone economy. In the second quarter of 2026, GDP grew by 0.4%.

Germany's statistics office revealed that factory orders rose faster than expected. Economists had anticipated a rise of 0.3%, but orders were up 3.1% in June when compared to the previous month.

The Sentix sentiment index, which measures eurozone investor sentiment, unexpectedly moved into positive territory in August.

The latest PMI readings could provide an insight into what's boosting investor outlook.

Eurozone activity hit an eight-month high with a reading of 52 in July. While the construction sector is still contracting, with a reading of 44.3, it is moving in the right direction.

US

US inflation increased in line with estimates at 3.4% in the 12 months to July 2026, though it remains above the 2% target.

Other economic indicators could also signal challenges ahead. Retail spending fell by 0.6% month-on-month in July, which could indicate that consumers aren't feeling optimistic.

In addition, economists had predicted that 80,000 new jobs would be created in July. But official data show the economy lost 23,000 roles. The dip could suggest that businesses aren't feeling confident about the future and it means the Federal Reserve is less likely to raise its base interest rate to try and reduce inflation.

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