UOB

Weekly Investment Insights

17 August 2026

Key Market Highlights

- United States (US) July consumer price index (CPI) and producer price index (PPI) moderated further, suggesting the March-May inflation spike has likely peaked.
- 2-year US Treasury bond yields fell as inflation data eased concerns over an imminent Federal Reserve (Fed) rate hike, but longer-maturity yields remained elevated amid concerns over sticky inflation expectations and a widening US budget deficit.
- Asian equities outperformed global peers after strong earnings from artificial intelligence (AI)-related companies in the US reignited optimism over global AI demand, with South Korea's KOSPI index surging almost 33% from its 29 July intraday low and entering a technical bull market.
- However, broader gains in risk assets were capped by signs of weaker US consumer spending, with July retail sales recording their largest decline since May 2025, while an increase in oil prices amid a hardened stance from both the US and Iran tempered hopes of a near-term reopening of the Strait of Hormuz.

Topics of the Week:

2Q 2026 US earnings clear the high bar

- With the second quarter (2Q) 2026 earnings season drawing to a close, S&P 500 earnings growth is expected to reach 50.4%, the strongest pace since 2Q 2021.
- The headline growth rate has been partly boosted by large unrealised gains on equity investments in private companies recorded by several mega-cap technology companies.
    - Excluding two mega-cap technology companies with significant investment gains, S&P 500 earnings growth would ease to 32.0%, but this would still mark the second consecutive quarter of above 25% growth.
- Strong earnings growth is being supported by both rising revenue and expanding profitability, pointing to improving underlying operating performance.
    - Revenue growth accelerated by close to 5 percentage points to 15.3% in 2Q, while operating margins expanded at their fastest pace outside COVID-19 and the 2007 global financial crisis.
- S&P 500 companies that have reported so far delivered earnings per share (EPS) that are 7.6% above analysts' expectations, with the strongest surprises coming from financials and energy.
- Notably, non-technology companies are delivering stronger earnings surprises than technology companies, suggesting that positive earnings momentum is becoming more broad-based.
    - This points to less reliance on a handful of mega-cap technology companies to drive overall earnings growth.

The next earnings opportunities

- Strong 2Q results have prompted analysts to raise earnings expectations for the remainder of 2026 and 2027.

- o Since early July, second-half 2026 and full-year 2027 S&P 500 earnings estimates have increased by 0.8% and 1.6%, respectively.
- This contrasts with the historical pattern, with the past five years showing EPS estimates declining by an average of 2.0% from the start to the end of each quarter.
- This signals greater confidence in the earnings outlook right now.
- Importantly, upward earnings revisions are increasingly concentrated outside mega-cap technology, led by banks, transportation, technology hardware and capital goods.
  - o However, stock prices for several of these sectors have underperformed the broader market despite improving earnings expectations, highlighting a disconnect between earnings momentum and share price performance.
- While improving earnings momentum does not guarantee outperformance, it could provide opportunities to diversify beyond mega-cap technology and capture additional sources of equity return.

Investment Strategy

- The strong 2Q earnings season reinforces our constructive view on equities, with technology and AI-related stocks remaining a key structural earnings driver.
  - o While volatility may remain elevated in technology and AI-related names, continued AI investment should support earnings growth.
  - o Accumulate quality AI-related names on dips, focusing on companies with clear monetisation pathways and beneficiaries across the hardware ecosystem and supply chain.
- Nonetheless, it is still prudent to diversify across sectors and regions to reduce concentration risks.
  - o As earnings momentum broadens beyond mega-cap technology, selectively add exposure to financials and industrials, where earnings prospects are improving.
  - o Beyond the US, favour Emerging Asia, particularly South Korea, Taiwan, onshore China and Singapore to capture structural growth opportunities and enhance portfolio diversification.

Asset Class Performance

Equities	Current	Performance (%)			
		1 Week	1 Month	3 Months	Year-To-Date
S&P 500 (USD)	7785.76	0.36	2.82	5.09	13.74
Dow Jones (USD)	53732.41	-0.56	2.04	8.49	11.80
NASDAQ 100 (USD)	30046.14	1.09	1.84	3.16	19.00
FTSE 100 (GBP)	10750.11	-1.38	2.23	5.44	8.24
S&P/ASX 200 (AUD)	9115.215	-1.60	3.10	5.61	4.60
DAX (EUR)	26440.31	0.46	5.76	10.40	7.96
Swiss Market Index (CHF)	14390.67	-1.06	0.58	8.85	8.47
HSCEI Index (HKD)	8340.83	-2.24	1.91	-4.03	-6.43
Hang Seng Index (HKD)	25116.85	-2.15	1.77	-3.26	-2.00
Nikkei 225 (JPY)	68713.8	4.74	-0.05	11.89	36.50
Commodities & Currencies	**Current**	**1 Week**	**1 Month**	**3 Months**	**Year-To-Date**
Brent Crude (USD)	88.52	5.95	6.05	-8.31	47.12
Gold (USD)	4376.4	0.80	7.78	-3.61	1.32
EURUSD	1.157	0.10	0.93	-0.47	-1.50
GBPUSD	1.3538	0.35	-0.01	1.59	0.47
USDJPY	159.32	0.99	-1.77	0.37	1.67
Bonds	**Current (%)**	**Basis points Change**			
		1 Week	**1 Month**	**3 Months**	**Year-To-Date**
US 10-year Treasury yield	4.692	0.047	0.145	0.099	0.525
German 10-year Bund yield	3.204	0.072	0.082	0.037	0.349
UK 10-year Gilts yield	5.037	0.116	0.100	-0.135	0.558
Japan 10-year bond yield	2.892	0.087	0.197	0.175	0.826

1 week for the period 07-Aug-2026 to 14-Aug-2026
1 month for the period 15-Jul-2026 to 14-Aug-2026
3 months for the period 15-May-2026 to 14-Aug-2026
Year-to-date for the period 31-Dec-2025 to 14-Aug-2026
Source: Bloomberg (last update: Sat, 15 August 2026 10:04 AM SGT)

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