GPS EMEA Investment Strategy

Market wrap

August 2026

Key takeaways:

- Geopolitical uncertainty in the Middle East remains elevated as the conflict draws in more regional actors, although diplomatic efforts are continuing. In the UK, Andy Burnham has taken office as Prime Minister.
- Tech, financials, healthcare and energy have been among the sectors reporting the strongest revenues and profits in the latest earnings season. New AI models added to the debate around AI competition and tech spending.
- Investors will likely continue to monitor developments in the Middle East and their potential second-round effects on energy prices, inflation and interest rate policy.

Geopolitical uncertainty continues

Geopolitical uncertainty in the Middle East remains elevated as US-Iran tensions continue to contribute to regional instability. Periods of diplomatic progress have been followed by renewed escalation, while attacks by the Yemen-based Houthis have increased the risk of disruption to shipping through the Red Sea and other key trade routes.

Oil prices have remained sensitive to these developments, and traffic through the Strait of Hormuz remains below pre-crisis levels.[1] Even so, financial markets have remained relatively resilient, helped in part by stronger-than-expected company earnings.

Major developed market central banks continue to monitor the impact of geopolitical developments and energy prices on inflation, while stressing that future interest rate decisions will remain guided by incoming economic data. In the UK, Andy Burnham's arrival as Prime Minister was broadly well received, supported by expectations of continued restraint around the government's budget and borrowing levels.

Tech stays in the spotlight

One notable development was the launch of Moonshot AI's Kimi K3 model, which added to the debate over whether increasingly capable, lower-cost models could intensify competition among today's industry leaders. This could have potentially contributed to volatility across semiconductor shares. More broadly, technology companies continue to face scrutiny, particularly where investor expectations for growth and returns on AI spending are already high.

However, appetite remains strong for advanced memory chips used in AI infrastructure – particularly high-bandwidth memory (HBM), which can help to reduce data bottlenecks, making it increasingly important for demanding AI workloads. Forecasts estimate HBM demand could grow at a compound annual rate of around 40% through 2030, compared with about 21% for standard dynamic random-access memory (DRAM) chips.[2]

More broadly, earnings season – when companies report their latest profits and outlooks – has highlighted the importance of profitability and cash generation, with investors generally punishing weaker-than-expected results more heavily than they've rewarded positive surprises. Even so, US technology companies delivered strong results overall, while financials, healthcare and energy were also among the stronger-performing sectors across the US and Europe.[3]

Events on our radar

Looking ahead, we continue to monitor developments in the Middle East and how central banks assess any second-round inflation effects, particularly whether higher energy prices begin to feed into wages, services and broader price pressures.

1 Source: World Trade Organization, as of 5 August 2026. **2** Source: Deutsche Bank Research Institute, as of 18 June 2026. **3** Source: Bloomberg, as of 5 August 2026.

Inside the **market**

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Performance of financial markets, 2021–2026 YTD

	2021	2022	2023	2024	2025	2026 YTD
Semiconductors (Global semiconductors)	43.54%	-34.71%	64.68%	14.17%	53.90%	77.77%
World stocks (MSCI World Index)	21.82%	-18.14%	23.79%	18.67%	21.09%	13.15%
Broad technology (S&P Information Technology Sector Total Return Index)	34.17%	-28.41%	57.41%	36.33%	23.82%	22.36%
Healthcare (MSCI World Health Care Index)	18.30%	-6.63%	2.38%	-0.14%	13.21%	3.41%
Financials (MSCI World Financials Index)	25.10%	-12.36%	13.08%	23.75%	26.06%	10.84%
Energy (MSCI World Energy Index)	35.09%	41.05%	-0.72%	-0.37%	9.81%	28.44%

The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results. Index performance returns do not reflect any management fees, transaction costs or expenses. Indices are unmanaged and one cannot invest directly in an index. Source: Bloomberg, as of 31 July 2026.

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