Monthly Market Commentary

August was another buoyant month for global equities, led by the US and Asia. Markets looked past both political pressure on US institutions and a soft jobs report, choosing instead to take comfort in a more dovish Fed, a strong earnings season (81% of S&P500 companies that have so far reported have beaten - reduced - estimates), and progress on trade.

Breadth improved as some of the AI leaders gave back ground. Weak results and intensifying competition from China played a role, but selling pressure also followed an MIT report noting that 95% of firms are seeing no return on their generative AI investment. With hundreds of billions of dollars already committed, the question of incremental returns will remain central for those exposed to the sector.

US large-cap indices again set record highs, with the S&P 500 up 1.9% and the NASDAQ up 1.6%. The real standouts, however, were small caps: the S&P 600 Small Cap Index rose 6.9% in August. Asia also performed strongly. China's Shanghai Composite gained 8%, helped by support for domestic technology leaders, easing geopolitical tensions, and flows from both retail investors and state funds. Japan's Nikkei 225 added 4.0% on reduced tariff concerns and a generally constructive corporate outlook.

Europe was the laggard. Political instability in France and scepticism about its fiscal position drove the CAC 40 down 0.9%, alongside a sharp rise in government bond yields. Germany's DAX slipped 0.7%, with its technology exposure also weighing. The UK's FTSE was the relative bright spot, closing 0.6% higher.

By sector, Materials and Health Care led with gains of 7% and 5%, respectively. Consumer Discretionary, Telecommunications, Energy, and Financials also performed well, each rising more than 3% over the month. Information Technology lagged, finishing only 0.4% higher, while Utilities declined 0.8%.

The US Dollar Index (DXY), which measures the dollar against a basket of major currencies, gave up most of last month's gains, falling 2.2% in August amid growing country-specific risks and a softer rate outlook. Yields on US 10-year Treasuries also fell 15bps to 4.23%. Against this backdrop, the AUD rose 2.8% against the USD.

Commodities were mixed, with WTI Oil down 7.6% on rising US crude stocks and weaker demand forecasts, while gold rose 4.8%, helping drive the Bloomberg Commodity Index up 1.6% in August. Reflecting the risk-on tone, the VIX edged lower, closing the month at 15.36, down 1.36 points.

UK-based distributor Bunzl was a key contributor to performance in August. The shares rallied after a well-received H1 2025 result in which management reaffirmed full-year guidance and resumed the buyback. Operational issues are not yet fully behind the group, but early signs are encouraging and the stock continues to enjoy valuation support at around 11.6x EBIT. If management executes successfully, we see scope for the shares to reach roughly £36 over the next few years, implying 34% upside.

In contrast, US-based fertilizer producer CF Industries was the largest detractor. The stock fell after Q2 results missed expectations, largely due to higher SG&A, with weaker farm economics also weighing. Short-term earnings will remain volatile, but the company's strong balance sheet and favourable industry dynamics should support both its next growth phase (BluePoint) and ongoing shareholder returns. With a track record of expanding its cost-advantaged asset base at attractive rates of incremental returns, and trading near 1x EV/Gross Invested Capital, a proxy for replacement cost, we remain comfortable holding the position.