# INVESTMENT INSIGHTS

AUGUST 2026

Mackay Private Wealth

# OVERVIEW

### SEMICONDUCTOR SELLOFF AND OIL SHOCK TEST MARKETS

Financial markets turned more volatile in July as renewed tensions in the Middle East pushed oil prices sharply higher, reigniting concerns around inflation and interest rates. At the same time, technology and semiconductor shares came under pressure as investors reassessed whether substantial artificial intelligence investment will translate into sustainable profits. Despite the sell-off, broader equity markets remained resilient, with the MSCI World Index gaining 0.5% in US dollar terms.

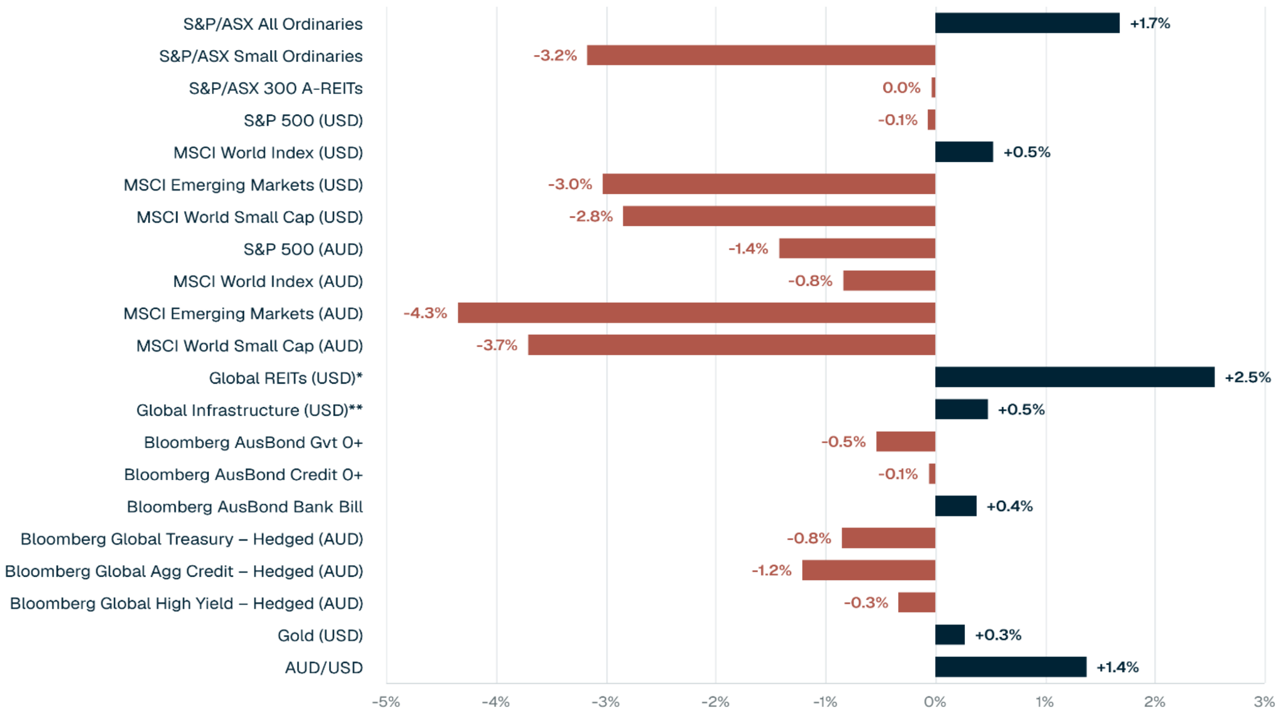
Australia was a relative bright spot, with the All Ordinaries rising 1.7%, supported by strong gains in energy (+12.2%) and financials (+5.8%). Softer inflation and a steady labour market have reduced, but not eliminated, the pressure for further rate rises, while weak housing, cost-of-living pressures and low confidence continue to weigh on growth.

Looking ahead, markets remain caught between two competing forces. A sustained easing in Middle East tensions could relieve energy prices and inflation pressures, while renewed conflict would keep oil and bond yields elevated. Meanwhile, strong results from major US cloud providers suggest the AI investment cycle remains intact, although investors will continue to demand evidence of attractive returns.

We remain constructive on global equities, while cautious on bonds and interest-rate-sensitive sectors in a higher-for-longer rate environment.

**Market Returns**

Total returns by asset class, July 2026 (%)




Source: Bloomberg, Mackay Private Wealth. Returns in local currency unless AUD noted. *FTSE EPRA/NAREIT Developed. **FTSE Global Core Infrastructure 50/50 Index.

# KEY MARKET DEVELOPMENTS

## Global Equities

Global equities were mixed in July, with the MSCI World Index rising 0.5% (USD), led by the UK and Europe, while US equities were broadly flat. AI-related weakness weighed on Japan (-8.1%) and Emerging Markets (-4.4%), with semiconductor stocks including TSMC, Samsung and SK Hynix under pressure.

## Australian Equities

The local market rose 1.7%, led by Energy (+12.2%) and Financials (+5.8%) as investors rotated towards quality and defensive sectors. Materials lagged on softer metals prices, while the ASX Small Companies declined 3.2%.

## Bond Markets

Sticky inflation pushed bond yields higher. The US 10-year yield peaked at 4.71%, while Australia's 10-year yield reached 5.10% before ending the month at 4.75%.

## Commodities

Oil was the key focus, surging 22.1% as renewed US-Iran military activity pushed prices as much as 37% higher intra-month, before easing to around US$85 a barrel. Gold was broadly flat, rising 0.3%.

## Monetary Policy

Australian CPI eased to 3.8%, while unemployment held at 4.4%, reducing but not eliminating pressure for further rate rises. The US Federal Reserve held rates at 3.50%-3.75% on 29 July, despite three members dissenting in favour of a hike.

# WHAT'S CAUGHT OUR EYE

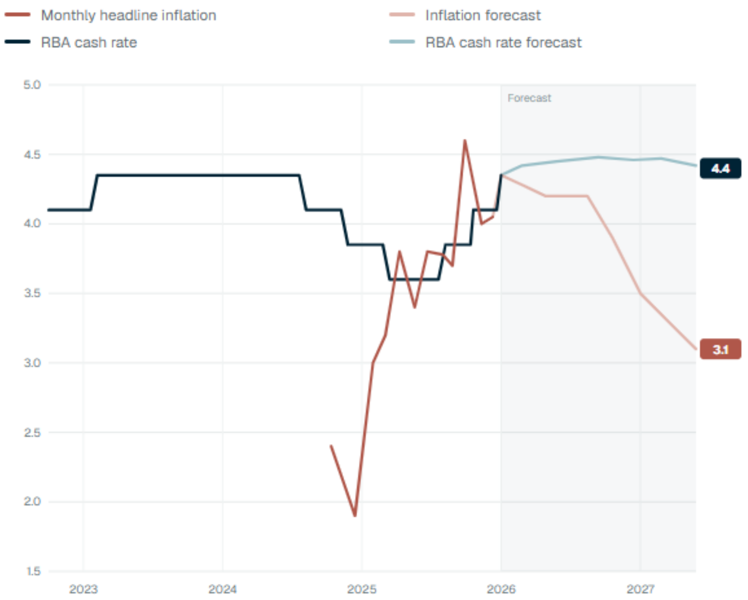
## Australia: Slower Growth, Higher-for-Longer Rates

Australia's economy is slowing, but a recession is not our base case. The RBA appears close to the peak of its rate cycle, with cooling growth, a softer labour market and moderating inflation reducing the need for further hikes. The key risk remains energy prices, which could keep inflation elevated.

For investors, the message is clear: higher-for-longer rates will continue to challenge Australian company earnings, reinforcing our preference for global equities over Australian shares. At the same time, attractive yields and moderating inflation are making Australian bonds, cash and credit increasingly compelling.

**Inflation Forecast to Fall, Cash Rate to Stay Elevated**

Australian headline inflation and the RBA cash rate, with forecasts (%)




Source: LSEG, Quilla Consulting, Bloomberg Consensus. Inflation on the ABS new monthly methodology.

## Space Economy Takes Off

Space is moving from science fiction to investable reality.

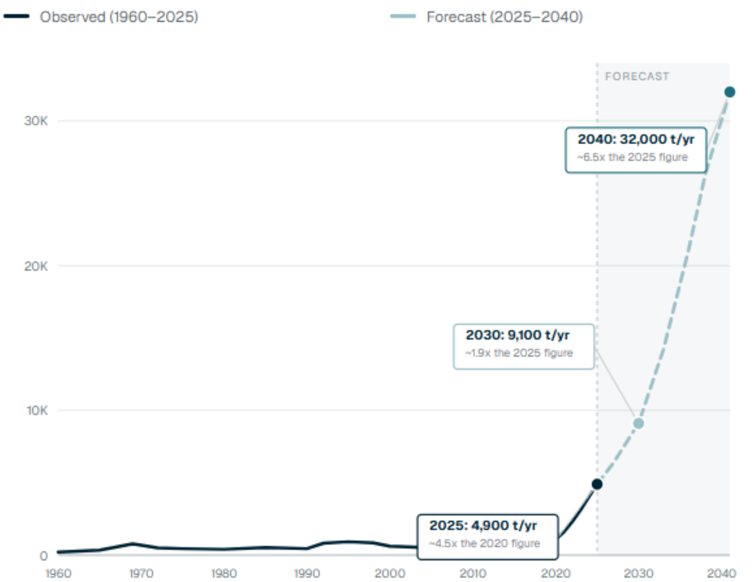
Falling launch costs, advances in technology and growing demand for satellite connectivity are opening the door to a much broader space economy spanning communications, data, AI infrastructure, defence and in-space manufacturing.

JPMorgan estimates the global space economy could reach $1–2 trillion by the mid-2030s, with more than 95% of the opportunity extending beyond rocket launches.

For investors, the bigger opportunity may not be the rockets themselves, but the infrastructure and technologies that space enables back on Earth.

**The New Space Boom**

Mass launched to space each year, historical and projected (tonnes per year)




Source: University of Cambridge, Terzi & Nicoli. Data as of 2026.

**Important Information**