藍石財富管理
BS Wealth Management

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Monthly Global Market Watch

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Global Market Watch

U.S.

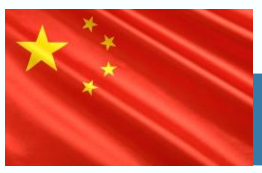
Over the past month, the S&P 500 index followed a "rise followed by consolidation" pattern. At the beginning of the month, buoyed by robust corporate earnings and continued expansion in AI infrastructure-related capital spending, the index briefly hit a new all-time high. Moderate inflation data released during the same period led the market to widely expect the Fed to keep interest rates unchanged in September, which also supported rising risk appetite. However, starting in the middle of the month, long-term U.S. Treasury yields surged to their highest levels since 2007. The market began to focus on the widening fiscal deficit and the sustainability of sovereign debt. Coupled with the lack of significant easing in Middle Eastern geopolitical tensions, inflation concerns were reignited, causing the index's upward momentum to slow and leading to a consolidation phase. Overall, performance during the month was primarily driven by a tug-of-war between earnings support and concerns over interest rates and fiscal policy.

Looking ahead, the Fed's monetary policy path remains a key variable; if it cuts rates as expected in September or maintains a dovish stance, this will help the already highly valued U.S. stock market continue its upward trend. However, the market must also note that historically, August through October is typically a seasonally weaker period for the S&P 500. Second, AI-related capital expenditures and corporate earnings growth remain the core drivers supporting broad-market valuations, but market concerns about concentration risk are mounting. In terms of portfolio strategy, we recommend maintaining a core allocation to U.S. equities while moderately diversifying into value and defensive sectors. At the same time, reduce interest rate sensitivity by shortening portfolio duration or increasing holdings of floating-rate instruments, and retain a portion of cash to mitigate the risk of short-term pullbacks caused by seasonal volatility and fiscal policy uncertainty.

Europe & Japan

The European STOXX 600 Index experienced volatility in July but ended the month with a modest gain, having hit record highs on multiple occasions. This was primarily driven by better-than-expected corporate earnings and gains in technology stocks; however, toward the end of the month, the index was weighed down by geopolitical tensions between the U.S. and Iran, inflation concerns, and sector-specific news such as Novo Nordisk's failed drug trial. After raising interest rates in June, the ECB kept rates unchanged at its July meeting; however, the market still expects one more rate hike this year. Inflation data rebounded slightly in July, supporting continued expectations for a rate hike. Japan's Nikkei 225 Index, meanwhile, significantly underperformed its European and U.S. counterparts, plunging 8.14% for the month. This was primarily due to a global sell-off in AI-related stocks, which weighed on technology heavyweights, while the yen's exchange rate and uncertainty surrounding the BoJ's policy also put pressure on the market.

Looking ahead, European corporate earnings momentum continues to exceed expectations, and the ECB's policy path is becoming increasingly clear, providing support for the stock market. However, geopolitical risks remain a tail risk that cannot be ignored. Furthermore, the Japanese market faces a higher risk of a correction in the AI narrative, and combined with uncertainty surrounding the yen's movement and central bank policy, short-term volatility may intensify. Third, the valuation gap between Europe and Japan, along with corporate governance reforms, remains a structural positive factor over the medium to long term. In terms of portfolio strategy, we recommend maintaining a core allocation to high-quality, high-dividend, defensive sectors in Europe, while adopting a more cautious stance toward the Japanese market. Investors should focus on sectors with independent structural reform momentum and moderately hedge against yen exchange rate risk.



China

The CSI 300 Index posted a weak performance in July, falling approximately 7.9% for the month, primarily dragged down by a global sell-off in AI-related stocks; technology stocks fell more sharply by 24%. Although the July Politburo meeting reaffirmed its commitment to deepening capital-market reforms and boosting investor confidence, and the "national team" bought approximately $8.9 billion worth of stocks mid-month, these measures failed to reverse the overall downtrend, underscoring lingering market concerns about policy effectiveness and foreign-capital outflows. In contrast, the Hang Seng Index significantly outperformed, rising approximately 13.1%, driven primarily by technology and financial stocks. Southbound net inflows exceeded HK$80 billion, the third consecutive month above HK$50 billion, demonstrating strong mainland support for Hong Kong equities.

Mainland markets will remain pressured in the short term by the AI pullback and weak confidence among foreign investors, although the policy bottom appears to have been reached; medium- to long-term upside depends on subsequent stimulus measures. The Hong Kong market benefits from sustained southbound capital inflows and financial-sector valuation recovery, signaling regional capital reallocation; its valuation discount to A-shares remains attractive. The divergence reflects investor preference for offshore markets. We favor Hong Kong, increasing exposure to high-dividend, reasonably valued financials and insurers while monitoring southbound flows. For A-shares, remain cautious until policy stimulus and foreign confidence clearly improve before adding technology exposure.

Emerging Markets

The MSCI Emerging Markets Index posted a weak performance in July, falling approximately 4.5% for the month, primarily dragged down by a broad-based correction in global AI and technology-related stocks, and underperforming developed markets. The underperformance was mainly driven by Asian countries in the technology supply chain; for example, South Korea's KOSPI Index fell about 34% from its high, while Taiwanese stocks, impacted by the cooling of the global AI narrative and profit-taking, dropped approximately 13.4%. In addition, the strength of the U.S. dollar and escalating geopolitical tensions (in the Middle East) also dampened risk appetite in emerging markets, driving capital flows toward relatively defensive assets.

First, emerging market performance is highly concentrated in sectors related to the technology supply chain, meaning the sustainability of the AI narrative will be a key determinant of short-term trends in emerging markets. Second, trends in the U.S. dollar and U.S. interest rates remain key determinants of capital flows in emerging markets; if U.S. interest rates remain elevated, the momentum for valuation recovery in emerging market assets will be limited. Third, there is significant divergence within emerging markets; some non-tech-dominated markets (such as those benefiting from raw materials or domestic demand growth) have shown relative resilience, highlighting the growing importance of stock selection and country allocation. In terms of portfolio strategy, we recommend reducing concentration risk in individual countries within the technology supply chain, adopting a more diversified regional allocation, and prioritizing markets with sound fundamentals, significant room for valuation recovery, and those benefiting from domestic demand or commodity cycles, while managing overall beta exposure to emerging markets.

Crypto Assets & Commodities

Bitcoin staged a strong rebound in July, rising approximately 7.4% for the month and briefly surpassing $66,000, reversing June's sharp decline of over 20%. This was primarily driven by a resurgence in market risk appetite and renewed capital inflows into digital assets. As for gold, it rose by about 0.5% in July, ending four consecutive months of declines. This was driven by softer U.S. inflation data, which reinforced market expectations that the Federal Reserve would slow the pace of interest rate hikes in the future, as well as increased safe-haven demand amid escalating geopolitical tensions in the Middle East. The marked divergence in the performance of these two assets reflects how market capital is shifting between risk assets and safe-haven assets in search of investment opportunities.

Bitcoin's rebound has coincided with the overall recovery in risk appetite. If volatility in tech stocks and the AI narrative persists, the high-beta nature of crypto assets suggests their prices may experience more pronounced fluctuations. Gold has benefited from geopolitical uncertainty and expectations that real interest rates have peaked; should the Fed's policy stance shift further toward neutrality or even easing, gold's safe-haven and anti-inflationary attributes will continue to be supported. High long-term U.S. Treasury yields and the strength of the U.S. dollar remain the key macroeconomic factors determining the relative performance of Bitcoin and gold; both can be viewed as complementary allocation tools within a portfolio under different risk scenarios. In terms of portfolio strategy, we recommend positioning gold as the core safe-haven and hedging instrument within the portfolio, maintaining a certain allocation to mitigate geopolitical and inflation risks; Bitcoin, on the other hand, can serve as a satellite allocation, with investors participating in the potential excess returns from its high volatility at a smaller proportion, depending on their individual risk tolerance.

Fixed Income

The global corporate bond market came under pressure in July, primarily due to a significant rise in long-term Treasury yields. The yield on the 10-year U.S. Treasury note rose 31 basis points to 4.75%, while the 30-year yield rose 36 basis points to 5.28%, hitting its highest level since 2007. Under the leadership of its new chair, the Federal Reserve kept interest rates unchanged but shifted its stance from "accommodative" to "neutral." Combined with the large-scale bond issuance by AI-related companies to raise capital, this increased supply pressure and caused spreads to widen slightly, causing investment-grade corporate bonds to underperform high-yield bonds. Overall, the global corporate bond index fell by approximately 1.3% for the month, with investment-grade bonds experiencing a more significant decline than high-yield bonds.

Looking ahead, persistently high long-term bond yields reflect ongoing market concerns about fiscal supply and AI-related capital expenditures. If this trend continues, pressure for valuation adjustments in corporate bonds will persist for some time. Furthermore, the Fed's shift toward a neutral policy stance—rather than further easing—means the market must reassess the future path and timing of rate cuts, weakening the short-term upward momentum for bond prices. Third, although credit spreads have widened slightly, they remain tight by historical standards, indicating that credit risk premiums do not yet fully reflect supply pressures and macroeconomic uncertainties. In terms of portfolio strategy, we recommend shortening the overall duration of the portfolio to reduce interest rate risk and prioritizing allocations to high-quality, short- to medium-term investment-grade corporate bonds, while carefully assessing whether the credit risk premiums on high-yield bonds are sufficient to compensate for potential volatility.

Performance of major market indices (in Local Currency)

Market Indices	1m (%)	3m (%)	6m (%)	1yr (%)	3yr (%)	5yr (%)
MSCI World Index	0.2	4.6	8.0	19.0	58.1	62.9
MSCI Emerging Markets Index	-4.5	4.2	10.2	36.5	66.7	45.9
US S&P 500 Index	-0.1	3.9	7.9	18.2	63.2	70.4
Europe STOXX 600 Index	1.2	6.2	6.3	18.9	37.7	40.6
Japan NIKKEI 225 Index	-8.1	8.6	20.7	56.7	94.0	135.9
Hong Kong Hang Seng Index	13.1	0.4	-5.5	4.5	28.9	-0.3
MSCI China Index	-7.9	-4.6	-2.5	12.6	14.3	-4.6
LBMA Gold Price PM Index	0.0	-12.7	-19.2	22.1	104.3	120.5
S&P GSCI Crude Oil Index	21.8	-19.4	29.8	22.3	3.5	14.5
iShare Bitcoin ETF	7.4	-17.7	-25.0	-46.4	-	-

Source : FE Analytics, Data as of 31-7-2026

BS Investment Management Services

Active Portfolio *Balanced Portfolio* *Maverick Portfolio*

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