WEEKLY MARKET OUTLOOK

August 17, 2026 | D+A STRATEGIES | Research Team

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EXECUTIVE SUMMARY

Markets closed the week mixed, with large-cap indices diverging from a stronger small-cap tape. The S&P and Nasdaq eked out modest gains, notching a third straight positive week, while the Dow slipped on weakness in healthcare and industrials; small-caps outperformed broadly, extending a multi-day run to fresh highs. Inflation data came in largely as expected, which pared back expectations for a Fed rate move next month even as long-end Treasury yields drifted modestly higher on the week. Energy moved the other way from rates: renewed U.S. pressure on Iran over Strait of Hormuz shipping pushed oil higher, leaving crude firmly ahead on the week despite easing earlier in the month. Europe closed little changed, with earlier strength in earnings giving way to a softer finish across the major benchmarks. Asia was uneven, with Japanese and Korean tech-linked names extending gains while Chinese equities lagged on soft domestic demand signals. The dollar eased alongside the shift in rate expectations, and gold held broadly steady.

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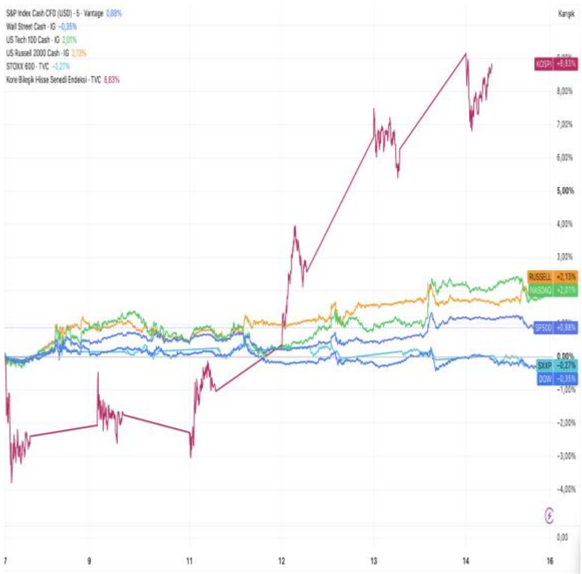
WEEK IN REVIEW

In the U.S., the S&P 500 and Nasdaq notched a third straight weekly gain, while the Dow slipped 0.6%, underperforming the broader market. The Russell 2000 surged, and the VIX closed near its lowest level of the year. Earnings stayed supportive, with most reporting S&P 500 names beating estimates, though soft consumer sentiment and weaker-than-expected July retail sales left the week on a cautious note.

Europe closed little changed. The STOXX 600 was roughly flat, while the DAX, CAC, and FTSE slipped modestly on mining and energy weakness.

Asia was mixed. Japan and Korea extended gains on semiconductor and AI demand, while China lagged on soft domestic demand and weak credit data. Hong Kong, Australia, and India also finished lower, pressured by elevated crude.



Korean equities separated entirely from the pack, surging in sharp overnight jumps that dwarfed the rest of the chart. The Russell and Nasdaq ran together at the front among the U.S. and European lines, with the S&P and Dow holding a tighter band beneath them. The STOXX 600 drifted sideways around the flatline throughout.

Rates, currencies, and commodities again carried the week's main story. In-line CPI and PPI prints pulled September rate-hike odds lower, but long-end Treasury yields still finished the week modestly higher as renewed U.S. pressure on Iran over the Strait of Hormuz kept energy risk elevated; the 10-year rose to just under its recent highs, while the 2-year eased for a third straight week on the softer near-term rate path. The dollar slid to a one-week low as hike expectations faded. Crude was the standout mover, with Brent gaining more than 5% on the week on tightening supply-deficit forecasts and the unresolved Hormuz standoff. Gold held roughly flat.

Brent staged the sharpest move on the chart, spiking at midweek before fading into a choppy retreat and grinding back toward its highs into the close. Gold tracked a similar shape at a smaller scale. The dollar was little changed against the euro, while it firmed modestly against the yen. Bitcoin was the outlier, drifting lower for most of the period.

The week closed with the same tension that has carried through the summer: equity strength broadening beyond large-cap tech even as the energy backdrop stays unresolved, and a bond market still weighing cooler inflation data against renewed inflation and geopolitical risk premia.

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MACRO OUTLOOK

Macro Outlook					August 2026 – Calendar Week 34
	Monday	Tuesday	Wednesday	Thursday	Friday
Eurozone/UK	-	UK Unemployment Rate (June)	UK CPI (July); Eurozone CPI (July, Final)	-	UK Retail Sales (July)
US/Canada	Canada CPI (July)	Housing Starts/Building Permits (July)	FOMC Minutes (July 28–29 Meeting)	Initial Jobless Claims	US Services & Manufacturing PMI (August, Flash)
Asia	Japan Q2 GDP (Preliminary); China Retail Sales/Industrial Production (July)	-	-	PBoC Rate Decision; Australia Employment (July)	Japan National CPI (July)

What we're watching & why

Wednesday's FOMC minutes are the event of the week. The July 28–29 meeting predates last week's data, so the minutes should show how split the Committee was before core CPI cooled to its lowest pace since early 2021. September hike odds sit near a third, with room to move on any hawkish framing.

Retail earnings carry the other half of the signal. Home Depot reports Tuesday, Lowe's, Target and TJX follow Wednesday, and Walmart, Alibaba and Ross Stores close the week Thursday, the first read on consumer health since July retail sales posted their weakest print in over a year.

Overseas data adds a cross-check: Japan's Q2 GDP and Friday's national CPI test the BoJ's normalization case after Tokyo inflation's jump, while UK CPI lands against a softening labor market. With energy still elevated and Hormuz unresolved, the inflation question stays open on both sides of the Atlantic heading into Jackson Hole.

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SECTOR COMMENTARY

Financials	+0.9%	Modest gain despite the backdrop, with yields drifting higher through the week offering only limited support and no clear conviction either way.
Industrials	+0.5%	In line with the broader tape, a steady but unremarkable week with no standout catalyst on either side.
Health Care	+1.9%	Second-strongest sector, with UnitedHealth among the notable gainers as a defensive bid found some traction even in a risk-on week.
Information Technology	+0.4%	Lagged the broader advance, weighed down by softness in Salesforce and Cisco even as select large-caps held up.
Energy	+7.1%	The standout sector by a wide margin, tracking Brent's sharp weekly advance as renewed pressure on Iran over the Strait of Hormuz kept crude firmly bid.
Materials	+0.0%	Essentially flat, failing to catch a bid from either the commodity move in energy or the broader risk tone.
Communication Services	-0.8	The weakest sector, with a Friday bounce in Disney not enough to offset softness elsewhere in the group.

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MARKET SOLUTIONS

Investment Backdrop	Short-to-Medium Term Tactical Solutions: Base Case	Key Risks
Macro	▪ The Fed held with three dissents for a hike and no forward guidance. Friday's print is the next test of a September call markets price as a hike.	▪ A firm print confirms the hike and pressures duration and multiples together. A soft print removes it but signals labor cooling faster than earnings assume.
Fixed Income	▪ Keep duration light. Yields sit near multi-year highs after the Fed's hold, with little in the setup to argue for a sustained rally.	▪ A weak flash-PMI print could pull yields down, catching short-duration positioning offside. ▪
Equities	▪ Stay selective rather than broad. Energy led decisively, while small caps outperformed and mega-cap technology produced only modest index-level gains.	▪ The tape leans more heavily on Friday's data, raising the risk of a sharper reaction either way.
Alternatives	▪ Oil remains the cleaner risk expression, but the premium is two-sided. Monday's gap showed how fast de-escalation unwinds it.	▪ Hormuz transit is the swing factor. A durable reopening removes what is left of the premium. A renewed closure retakes the highs.
FX	▪ Reduce dollar length. The dollar finished the weakest major, pressured by the Fed's refusal to guide.	▪ A firm jobs print restores rate support quickly. Intervention effects may fade without further official action.

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REFERENCES AND SOURCES

CNBC, Yahoo Finance, and Trading Economics market wraps; Yahoo Finance historical index quotes; Trading Economics Treasury yield, Brent, WTI, and gold data; Investrade Market Review Treasury yield and index coverage; Charles Schwab market commentary; STL.News Overseas Stock Market Update; XTB weekly market analysis; Trading Economics STOXX 600, DAX, CAC, FTSE, and Nikkei coverage; TradingView S&P sector performance data; IG, Stockopedia, Yardeni QuickTakes, Newsquawk, and LiteFinance economic calendars; Scotiabank Calendar of Economic Release Dates, TradingView for the graphs

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