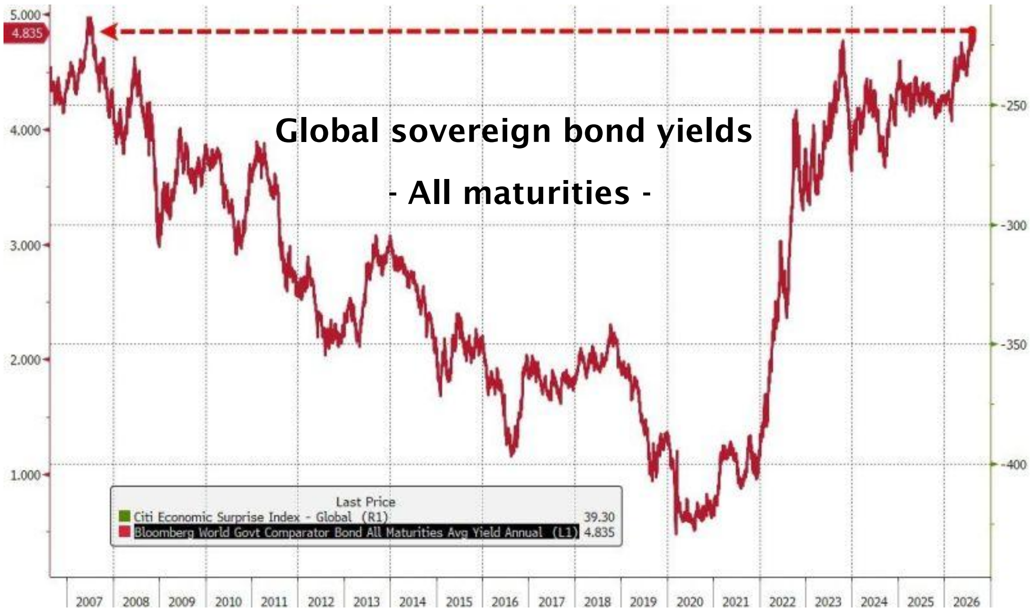
Equity Weekly

Syz Equity Research – week from 28 August to 4 September 2026

The Chart of the Week

Bond yields back to pre-2007 levels



Source: www.zerohedge.com, Bloomberg

What happened last week?

Global markets

Global equities were little changed on aggregate over the past week, with the MSCI ACWI edging up just 0.1%, but the headline figure masks meaningful cross-regional dispersion. The dominant theme was a renewed tightening in the rate outlook, driven by two reinforcing forces: a re-escalation of the US-Iran conflict that pushed West Texas Intermediate above $90 a barrel on renewed strikes around the Strait of Hormuz, and a blowout US August payrolls report on Friday that added 162,000 jobs against a consensus of roughly 55,000, with unemployment steady at 4.1%. The combination sent the two-year Treasury yield to its highest level since January 2025 and lifted the market-implied probability of a September Federal Reserve rate hike sharply over the course of the week.

That repricing hit rate-sensitive sectors hardest, and Europe bore the brunt more than the US: the MSCI Europe index fell 0.8% against a flat S&P 500 (+0.1%), as higher yields and firmer energy costs weighed disproportionately on European autos and industrials. Energy and banks were the clearest global beneficiaries, lifted respectively by the oil rally and by steeper yield curves, while software and consumer discretionary names lagged as investors grew more cautious on rate-sensitive, longer-duration growth exposure. Mega-cap technology added a further layer of dispersion, with notable divergence within the Magnificent Seven driven largely by company-specific news rather than a single macro theme.

Emerging markets were broadly resilient (MSCI EM +0.3%), with Brazil the standout performer, propelled by expectations of further domestic rate cuts and firmer oil prices.

US

US equities held up comparatively well, with the S&P 500 up 0.1%, the Nasdaq 100 gaining 0.4% and the Russell 2000 adding 0.2%, though all three indices gave back some ground on Friday as markets digested the stronger-than-expected jobs report and repriced Fed expectations higher. Energy was the standout US sector, rising 2.2% on the back of the oil rally, while banks advanced 1.4% as steeper yields supported the interest-margin outlook; regional banks performed similarly well. Within technology, the divergence between hardware and software was pronounced: semiconductor exposure (iShares Semiconductor ETF +2.2%) outperformed decisively, while software and cybersecurity names sold off sharply, with the relevant sector ETFs down 4.5% and 3.7% respectively, reflecting ongoing investor scrutiny of AI-related capital spending and its return profile.

That same divergence showed up starkly within the Mag-7, though for company-specific reasons rather than a single theme: Meta (+6.7%) rallied on its Muse Spark AI model launch and the resolution of a major teen-safety settlement, while Nvidia (+5.9%) gained on its acquisition of Hugging Face; Microsoft (-2.7%), Amazon (-3.0%) and Alphabet (-2.3%) all declined amid ongoing scrutiny of AI capital-spending returns. Elsewhere, transportation stocks fell 3.3%, likely reflecting renewed fuel-cost pressure, while consumer discretionary and consumer staples both softened.

Europe

European equities underperformed their US counterparts, with the MSCI Europe index down 0.8%. Germany's DAX was the region's weakest major market, falling 2.0%, with France's CAC 40 down 1.5% and the UK broadly flat. The pressure was concentrated in yield- and energy-cost-sensitive segments: at the STOXX Europe 600 sector level, industrial goods and services fell 3.2%, utilities declined 2.4% and consumer discretionary dropped 2.4%, as the same combination of rising oil prices and higher bond yields that weighed on Wall Street's rate-sensitive names hit German autos and industrials particularly hard. Conversely, banks (+1.8%) and energy (+1.8%) were the clear regional beneficiaries, benefiting respectively from the steeper yield curve and the crude rally, while insurance also posted a modest gain. Technology and financial services both lagged, falling around 2%, consistent with the broader rotation away from growth-oriented and rate-sensitive exposures seen across developed markets during the week.

Rest of the world

Emerging market equities were resilient in aggregate (MSCI EM +0.3%), though performance varied considerably by market. Chinese equities lost ground, with MSCI China down 0.8%, broadly in line with the more cautious tone that prevailed across global risk assets as bond yields rose. Japanese equities were a bright spot, with the MSCI Japan index up 1.5%, supported by continued yen weakness and expectations that the Bank of Japan will remain cautious on further tightening. South Korea and Taiwan both advanced 0.4%, while India lagged modestly, down 0.3%. The standout performer globally was Brazil, where MSCI Brazil surged 7.0% over the week, driven by growing expectations of further Selic rate cuts as domestic economic momentum shows signs of moderating, alongside a firmer oil price that lifted Petrobras and the wider energy complex.

Our view on equities

Equity asset class

We maintain a neutral equity exposure, balancing a constructive earnings outlook against the headwind from higher real rates.

Earnings

The outlook remains constructive, supported by AI-related investment, broadening earnings participation across sectors and regions, near-record margins and resilient management confidence.

Valuation

Valuations remain supported by earnings growth, with forward estimates rising faster than share prices. The S&P 500 trades at 20x forward earnings, while Europe, Japan and Asia remain closer to historical averages.

Risks

The main risk remains a further rise in real yields, increasing discount-rate pressure, although the Treasury’s expanded long-dated buybacks provide some support at the long end.

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