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Market Snapshot

Published 14 August 2026

The S&P 500 closed at a record high on Thursday, while the FTSE 100 is trading close to its own all-time peak after reaching a fresh intra-day record on 31 July. The UK blue-chip index has been supported by growing hopes that interest rates in the US and UK may fall over the coming months, alongside a run of solid corporate earnings that suggest demand remains resilient across sectors including insurance, infrastructure, travel and commodities. The FTSE 100 has also benefited from its heavy exposure to overseas earners, miners, banks and energy companies, which are supported by a weaker pound, firm commodity prices and improving sentiment towards the global economy.

The most significant economic data this week came from the US, where inflation figures reinforced the view that price pressures are easing. The consumer price index showed inflation continuing to moderate, strengthening expectations that the Federal Reserve will be able to cut interest rates and providing further support for equity markets.

Meanwhile, although fears of a major disruption to global oil supplies have receded, the conflict in the Middle East continues to influence energy prices, shipping costs and inflation expectations. Shipping giant Maersk said geopolitical tensions remain a factor for global trade, although port congestion and supply-chain bottlenecks have become the main drivers of elevated freight rates.

Corporate results also painted a broadly encouraging picture of the global economy. Aviva, Balfour Beatty, Ferguson, Antofagasta and InterContinental Hotels all reported strong performances and either upgraded guidance or expressed confidence in their outlooks. By contrast, Frasers Group's £2.3bn pursuit of Hugo Boss remains uncertain, with the bidder struggling to win over a significant proportion of the German fashion group's shareholders.

The FTSE 100 was down 1.3% over the week by mid-session on Friday, with the more UK-focused FTSE 250 trading up 0.1%.

Middle East

The US and Iran remain engaged in a fragile diplomatic process aimed at reaching a peace agreement, but significant differences remain. US president Donald Trump has again insisted that the US has "total control" over the Strait of Hormuz, the strategically important waterway through which around one-fifth of global energy supplies transits. Tehran, meanwhile, has maintained a defiant stance, pledging to continue its resistance against the US and keep pressure on shipping routes until its demands are met. Iranian officials have also suggested the country's strategy could be to prolong the confrontation to demonstrate that military action against Iran carries long-term consequences.

Despite the geopolitical uncertainty, equity markets in both the US and UK continue to trade close to record highs following a generally reassuring corporate earnings season. This suggests investors believe the Iran-US conflict is unlikely to inflict lasting damage on global growth or company profits and the spike in the oil price is temporary not structural.

Economics

The most significant piece of data this week was on US inflation. The figures broadly reinforced the view that price pressures are easing, supporting expectations that the Federal Reserve will be able to cut interest rates. Wednesday's consumer price index (CPI) report showed inflation rose just 0.1% in July, with the annual rate slipping to 3.4% from 3.5% and core inflation easing to 2.5%, its lowest level in more than five years. Falling energy prices helped offset ongoing increases in housing and services costs, while markets took comfort from signs that the inflation shock linked to Middle East tensions is fading.

The subsequent producer price index (PPI) data on Thursday added to that narrative by indicating limited inflation pressure at the wholesale level, suggesting companies are facing less need to pass higher costs on to consumers. Combined with last week's weak US payrolls report, the inflation releases strengthened investor expectations that the Fed is moving closer to monetary easing rather than tightening, helping underpin equity markets and reducing pressure on bond yields.

Last Friday's US non-farm payrolls report delivered a major shock to markets, showing that the world's largest economy unexpectedly lost 23,000 jobs in July, compared with expectations for an increase of around 80,000 jobs. The data was made worse by sizeable downward revisions to the previous two months, which cut a combined 103,000 jobs from earlier estimates, suggesting the labour market had been weakening for longer than realised.

The UK economy is not proving as dynamic as the US, but the growth data wasn't awful. The UK economy expanded by 0.4% in the second quarter of 2026, slowing from 0.6% growth in the first quarter. Growth was driven primarily by the services sector, which grew 0.5%, while construction also contributed positively and industrial production was broadly flat. Monthly data showed GDP rose 0.3% in June, beating expectations, with the Office for National Statistics saying some businesses benefited from the football World Cup and unusually warm weather, which boosted hospitality, food, advertising and leisure-related activity. Annual growth reached 1.2%, suggesting the economy is still expanding at a reasonable pace.

The BRC-KPMG Retail Sales Monitor for July painted a mixed picture of the UK retail sector, showing that consumers continued to spend but remained highly selective. Total retail sales rose 1.3% year-on-year, supported by strong food sales, which increased 3.8%, helped by hot weather and a boost from England's run in the World Cup. However, non-food sales fell 0.7% as the heatwave kept shoppers away from high streets and shopping centres, with retailers reporting weaker demand for bigger-ticket items such as furniture and technology. Clothing proved a relative bright spot thanks to demand for summer essentials, while online sales modestly outperformed physical stores. Overall, the figures suggest that while consumers are still spending, pressure on household finances and fragile confidence are encouraging shoppers to prioritise everyday purchases and small treats over discretionary larger purchases.

Company news

InterContinental Hotels Group delivered a good set of interim results, underlining the resilience of global travel demand despite an uneven economic backdrop. The Holiday Inn and Crowne Plaza was boosted by a 4.1% increase in revenue per available room (RevPAR), with growth across the Americas, Europe and China. The company, which has an asset-light model, also recorded a record level of hotel openings and signings and is expanding its development pipeline. The group raised its interim dividend by 10% and said it remains on track to return more than $1.2bn to shareholders this year.

Aviva reported a strong set of interim results, with first-half operating profit rising 24% to £1.33bn as the insurer benefited from growth in general insurance and early gains from its acquisition of Direct Line. Chief executive Amanda Blanc said the integration of Direct Line was progressing well, with profitability improving and sales through price comparison websites increasing, keeping Aviva on track to deliver the expected benefits from the deal. The company said it remains confident of meeting its three-year targets to 2028 and highlighted a number of growth opportunities.

Contractor **Balfour Beatty** reported a strong set of interim results, driven by higher demand for US building projects and UK electricity transmission infrastructure. Revenue increased as the company benefited from a recovery in its US construction operations and robust growth in its support services division. Backed by a £22.9bn order book and growing demand for infrastructure investment on both sides of the Atlantic, Balfour Beatty said it now expects full-year profit growth to be slightly ahead of previous guidance.

Spirax Group delivered a solid set of interim results that showed the industrial engineering company continuing to outperform its underlying markets despite a mixed global economic backdrop. Management reiterated its full-year guidance, citing strong order books and continued momentum in key growth areas such as semiconductors and biopharmaceuticals. However, investors focused on the lack of an outlook upgrade, sending the shares lower despite the broadly positive results, as the market had hoped the strong first-half performance would lead to more ambitious forecasts.

Frasers Group's pursuit of **Hugo Boss** has developed into a high-profile takeover battle, with the Sports Direct and Flannels owner offering €38 a share in cash for the German fashion group after building a stake of more than 30% and becoming its largest shareholder. The bid is now unconditional after securing EU competition approval, but Hugo Boss's management and supervisory boards have urged investors to reject the offer, arguing that it significantly undervalues the company's long-term prospects. So far, shareholders have shown limited enthusiasm. The offer, which values Hugo Boss at about €2.7bn, remains open until 13 August.

Antofagasta delivered a strong set of interim results as higher copper prices and strict cost control boosted profits despite operational disruptions at one of its mines. Management said the recent weather-related shutdown at its Los Pelambres mine had only a limited impact on production, although full-year copper output guidance was trimmed. Antofagasta also highlighted progress on major expansion projects that are expected to increase copper production by around 30% from 2027.

Shipping group **Maersk** delivered a much stronger-than-expected second quarter, benefiting from resilient global trade, higher freight rates and severe port congestion that has tightened shipping capacity worldwide. The Danish shipping giant raised its full-year earnings guidance for the second time this year. The impact on trade volumes was more than offset by strong demand, particularly from Chinese exports, and by sharply higher container freight rates. Importantly, management argued that current rate strength is being driven less by Middle East disruption and more by congestion and bottlenecks at major ports, including Shanghai and across Europe.

Tencent, the Chinese technology company, delivered a robust set of second-quarter results, showing that its core businesses are benefiting from both a recovery in gaming and a push into artificial intelligence. The owner of WeChat also reported rising demand for its cloud computing services as businesses adopt AI tools. However, the results were overshadowed by a sharp increase in spending, with capital expenditure surging 176% from a year earlier as Tencent invests heavily in data centres and AI infrastructure. Management argued that the spending spree would position the company for long-term growth, even as investors weigh the short-term impact on cash flow and margins.

TUI Group reported a weaker third quarter as geopolitical tensions in the Middle East, higher fuel costs and more cautious consumer spending weighed on bookings. Nevertheless, Europe's largest tour operator said demand for holidays remains resilient. Revenue fell 5.6% to about €5.8bn, missing market expectations, with the company pointing to disruption linked to the Iran conflict and a trend towards customers booking trips later than usual. Management cited a recent pickup in booking momentum and the strength of its integrated business model, which includes airlines, hotels and cruises.

Ferguson, the plumbing, heating and building products distributor that was founded in the UK and known as Wolseley before it moved its main listing to New York, reported a strong second quarter. Growth was driven by robust demand from non-residential construction projects, while the company also returned to growth in its residential business despite a challenging housing market. The strength of the performance prompted Ferguson to raise its full-year sales guidance, while continuing its acquisition strategy, including a deal to buy flow-control specialist FloWorks

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