Highland ReCAP

A Review of Capital Markets

Highland
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August 2026

Summary

Stocks and bonds advanced in August despite revived commodity pressure in the wake of the expiration of the US/Iran ceasefire. Oil rallied, gold bounced back, and interest rates shifted higher, buoyed by more hawkish rhetoric from the Federal Reserve. Inflation concerns tied to rebounding energy prices drove global markets to price in policy tightening across major markets. Corporate earnings remained resilient and the technology sector rallied to push equity returns into positive territory against macroeconomic headwinds.

Equities

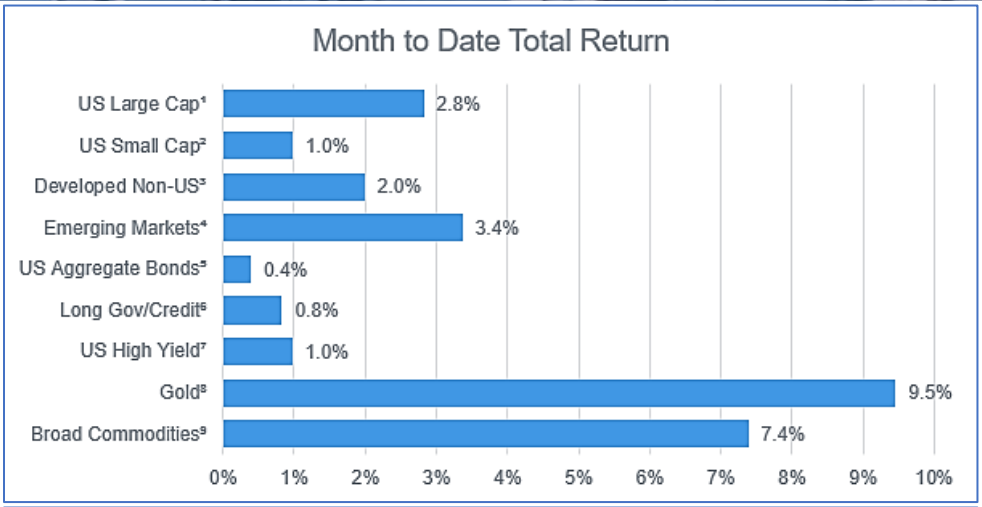
Global stocks generated positive returns in August against a challenging macro backdrop, with a major assist from tech stocks. Emerging markets led the way with a return of 3.7%, while a reignited AI rally helped US large cap stocks generate a 2.8% gain for the month. Small caps lagged and developed ex-US equities posted a modest 2% return despite rising geopolitical tensions and energy prices putting a damper on an early-month rally. Stocks continue to defy gravity in 2026 with global markets generating double digit returns year-to-date, completely shrugging off rising interest rates, inflationary pressures, and intensifying global conflicts for the first two thirds of the year.

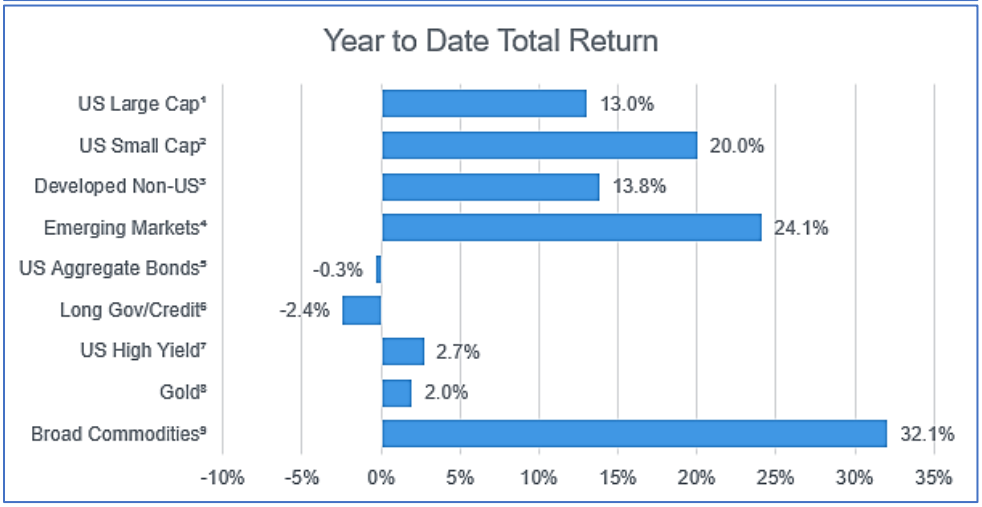
Fixed Income

US interest rate policy remained under the microscope as markets continue to adapt to new Fed Chair Kevin Warsh's scaled back version of forward guidance. Soft economic and inflation data allowed bonds to breathe momentarily mid-month, but renewed strikes against Iran brought higher oil prices and potential rate hikes back into the picture as the calendar moved toward September. Treasury yields moved higher across the curve in August, but bond income offset price pressures to provide investors with a positive return for the month.

Market Trends

As of August 31, 2026





	1M	3M	YTD	1Y	3Y	5Y	10Y
US Large Cap[1]	2.8%	1.9%	13.0%	19.8%	20.8%	12.1%	15.1%
US Small Cap[2]	1.0%	1.6%	20.0%	26.5%	17.5%	6.8%	10.6%
Developed Non-US[3]	2.0%	4.1%	13.8%	21.6%	18.3%	9.4%	9.5%
Emerging Markets[4]	3.4%	-1.2%	24.1%	39.2%	23.2%	8.2%	9.3%
US Aggregate Bonds[5]	0.4%	-0.7%	-0.3%	1.9%	4.1%	-0.3%	1.4%
Long Gov/Credit[6]	0.8%	-2.5%	-2.4%	0.6%	1.9%	-4.9%	0.1%
US High Yield[7]	1.0%	1.0%	2.7%	4.9%	8.5%	4.1%	5.4%
Gold[8]	9.5%	-2.9%	2.0%	26.5%	30.6%	18.7%	11.9%
Broad Commodities[9]	7.4%	5.6%	32.1%	42.8%	15.1%	12.2%	8.1%

1 – Russell 1000, 2 – Russell 2000, 3 – MSCI EAFE, 4 – MSCI Emerging Markets, 5 – Bloomberg US Agg, 6 – Bloomberg US Long Gov/Credit
7 – Bloomberg US Corporate High Yield, 8 – Bloomberg Gold Subindex, 9 – Bloomberg Commodity

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Disclosure Statements

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FTSE Russell

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