Purple Patch

AUGUST 2026

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In the news: AI for good

City traders are on holiday, the UK parliament has its summer recess and trading volumes fall. It is summertime and the living is easy. Except it is anything but.

During the month, US and European equity markets bounced back to hit record highs, Bitcoin rallied some 20%, US earnings were strong and Goldman Sachs predicted global AI investment would reach $1tr this year. AI spending at these levels is beginning to rival (in terms of % of GDP) some of the great historical investment booms in canals, railroads, electrification and telecoms. The corollary is that whilst they changed lives for good, history tells us investors were not always rewarded.

At the same time the cost of borrowing is going up. 30-year government bond yields in the UK and Japan are close to 30-year highs while the US and France are close to 20-year highs. This means that borrowing to invest in anything requires outsized returns to make the economics worth it.

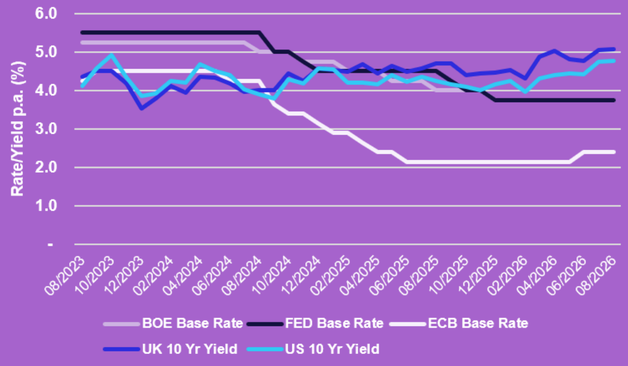
The US Treasury recognises this issue. US Treasury Secretary, Scott Bessent, announced a doubling of its buying of Treasuries to $4bn, targeting the longer end of the curve. That will not touch the sides of the $30tr-plus market and such intervention is historically littered with failure. However, it does send a message. That message will make awkward reading for Fed Chair, Kevin Warsh, who has openly stated his desire to shrink the Fed balance sheet. The last thing the US needs is the Fed and the Treasury apparently pulling in different directions, further muddying already murky waters.

Meanwhile, US-Canada trade talks broke down resulting in the US imposing a 50% tariff on a range of goods and Mark Carney stating he would match Donald Trump's tariffs dollar for dollar. Trump then signed an executive order to change the 400-year-old name of Lake Ontario to Lake America!

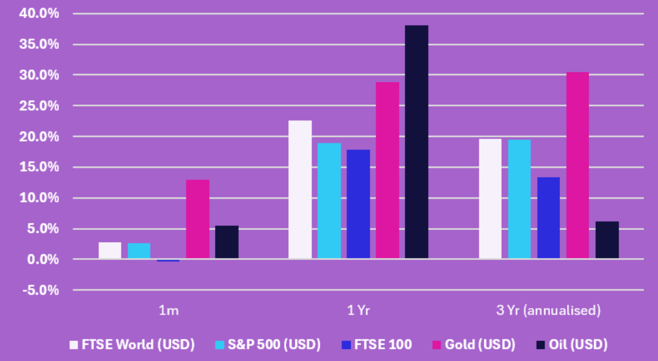
Finally, Merck & Co and Moderna have developed a personalised vaccine that significantly reduces the risk of skin cancer returning, sending the shares up nearly 140%. The process uses AI to analyse genetic information from a patient's tumour and blood, identify their unique cancer mutations, and select up to 34 targets most likely to trigger their immune system to attack it. As more patients are treated, AI can learn from the results and potentially become better at choosing the most effective targets. Now that is using AI for good, although it is still anything but easy.

Market Stats

Bond Yields and Rates



Equities, Gold and Oil



Source: Investing.com, global-rates.com. FTSE 100 and S&P 500 are price indices. Gold is an ETC (BULL) and Oil a proxy index (BCOMCO3).

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Sports news

Football: Arsenal beat Manchester City 3-0 in Cardiff to win Premier League's Charity Shield curtain raiser.

Athletics: the European Championships took place in Birmingham, with Italy topping the table, beating Britain by a single gold.

Athletics: at the above event, Britain's Amy Hunt became the first athlete to win four gold medals at a single Championships, while Dina Asher-Smith became the most decorated athlete in the competition's history, with eleven medals.

Horse racing: on 9 August, four little-fancied horses linked to Maryland's Fair Hill Training Center came from nowhere to win, with another finishing second. Dubbed the "Fair Hill Five", coordinated betting across London reportedly generated huge payouts, raising questions over how punters had identified the unlikely performers and prompting a US investigation.

A good news story

Although famous for its "13 months of sunshine" and its droughts, Ethiopia has rich water resources in its highlands and millions of acres of irrigable land below. However, traditional diesel and petrol-powered pumps used to shift the water to where it is needed are expensive, unreliable and contribute to greenhouse gases.

The not-for-profit Farm Africa has therefore introduced solar power to irrigate the land. Immediate benefits have included increased food production, lower costs and a much greener process.

Quote for the Month

"I always just thought that if you see someone without a smile, give 'em yours."

Dolly Parton, 1946 - 2026

Stat of the Month

86

Percentage of US large-cap funds that underperformed the S&P 500 index over 10 years.

Source: S&P Global's SPIVA report to 31 December 2025