KFH Capital Monthly Insights

Capital Market Outlook & Updates

August 2026

Capital Market Insights & Outlook

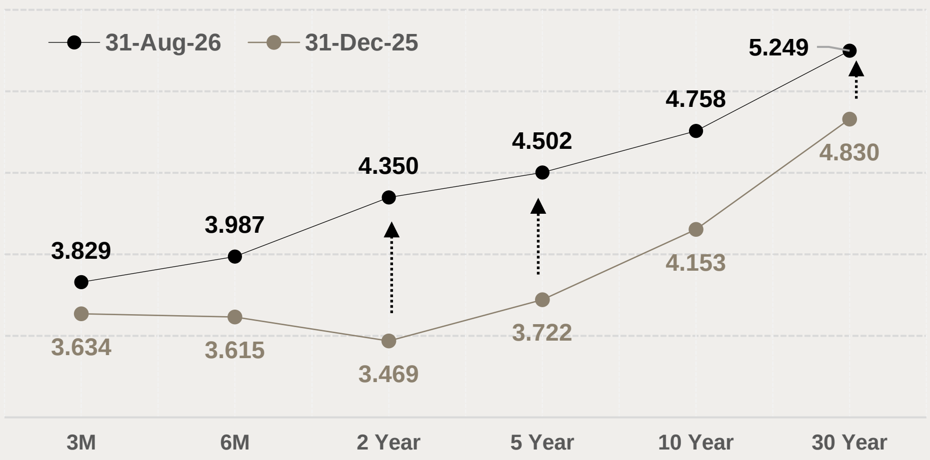
Inflation Remains the key theme and Dominant Risk as it Impacts Monetary Policy and Financial Markets.

Factor	View	Comments / Notes
Inflation	High Risk, High Impact	We believe there is potential upside in inflation readings for the month of August and would remain elevated in the near to medium term. Key drivers being higher energy prices and add to it the recent rise in Agri based commodities which can push food prices higher. Staple commodities have witnessed strong price increases; with Sugar gaining 20% on a Year-to-Date basis while Wheat prices were up by more than 30% during the same period. As we write the Eurozone inflation for the month of August stood at 3.3% up from previous month 2.9%; key driver being higher energy prices. The average price for Brent was up 4.6% during August; compared to a 0.55% decline witnessed during July. Inflation risks often prompt central banks to adopt a hawkish monetary policy stance, leading higher for longer interest rates and tighter financial conditions.
Macroeconomic Policy	Medium to High Risk	With the inflation risks skewed to the upside monetary policy outlook remains from Neutral to Hawkish with expectations of possible rate hike during the remainder of 2026. With key Central Banks scheduled to meet during September we expect a hold in rates as the central bankers focus on the forward-looking inflation and employment data. While in the case if Europe; the recent rise in inflation in the Eurozone makes a case for 25bps hike by the European Central Bank (ECB) as the labor market remains steady. On the flip side if the geopolitical situation improves one can expect a neutral to supportive monetary policy which can have a positive impact at the macro level
Capital Markets	Neutral to Negative	A hawkish macroeconomic policy coupled with persistent inflation and geopolitical backdrop combined, support higher bond yields. If the above situation remains which we believe will continue in the near to medium term investors can expect higher yields for longer. Thus, one can expect sustained period of elevated yields in the near to medium term. In the case of equities; we believe though the primary uptrend remains intact one can expect increased volatility with periods of decline. Key drivers would be attractive yields which can induce asset reallocation in institutional portfolios. Further; higher for longer rates can impact earnings through higher cost of debt; decline in consumer spending and Investments, impact on valuations.

Global Benchmark Yields

Benchmark Yields to remain higher supported by higher inflation; duration premiums and fiscal concerns.

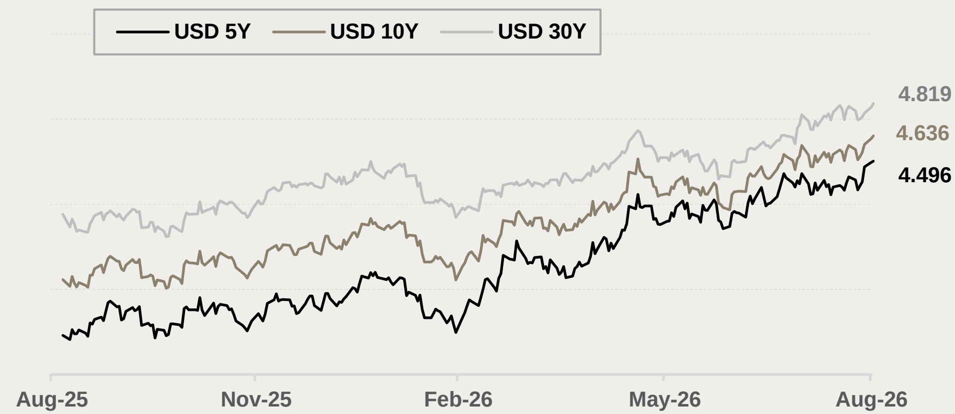
US Treasury Yield Curve (%)



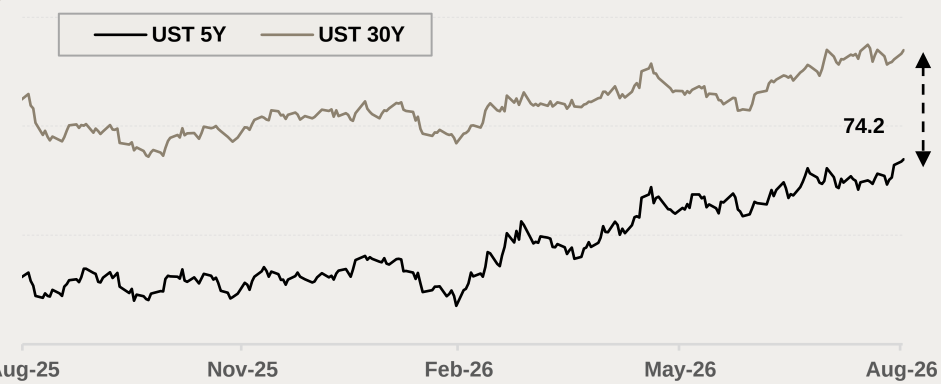
- On a month-on-month basis the yields remained steady largely due to supportive macroeconomic data i.e. week jobs data coupled with lower inflation prints for the month of July. The key driver for lower inflation was the decline in energy prices; during July, the average price for brent was down 0.55% on monthly basis.
- Inflation is likely to move upwards as energy prices during August have moved up. The average prices for August were up 4.86%. Thus, supporting the theory that yields are likely to remain elevated for a sustained period.

Source: Refinitiv, Year-to-Date (YTD) as of August 31, 2026

US Mid-Swaps Yield (%)



30Y-5Y Spread (bps)



Equity Markets Update

Global Equities perform well on a monthly basis; on outlook one can expect increased volatility with near term headwinds.

Global Equities: Primary Uptrend intact

We believe the primary trend continues to remain upwards; however, one can expect declines in the near to medium term. Key triggers include; the rise in bond yields. If there is sustain period of elevated levels of the US Treasury Yields it can result in market volatility caused by sector re-allocation among portfolios.

Currently the US 30Y trades well over 5% while the US 10Y yield is in the 4.75-4.80% range. When compared to forward earnings the consensus forward P/E for the S&P500 is in the 21-22x range which translates into an Earnings Yield of 4.7-4.8%. Thus, earnings provide little to no headroom for the equity risk premium

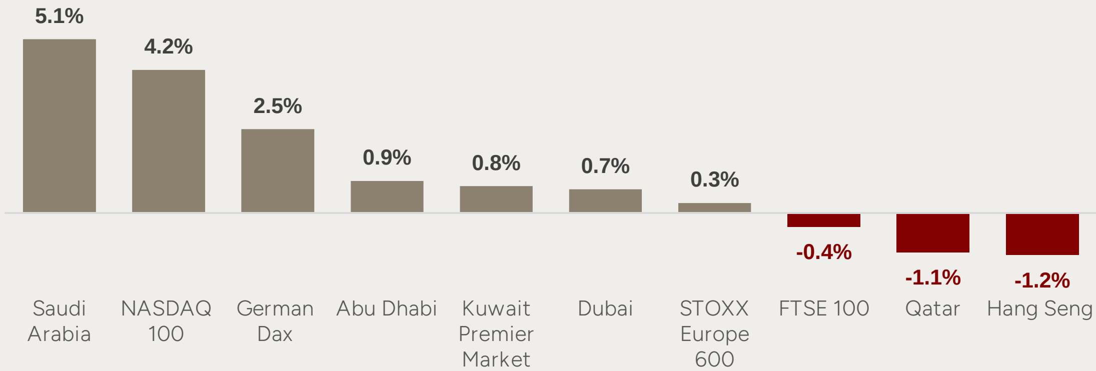
Further; with higher energy prices; higher interest costs, corporate earnings growth is likely to remain under pressure. An earnings repricing can impact equities negatively

Among the GCC Indices Saudi Arabia Outperformed

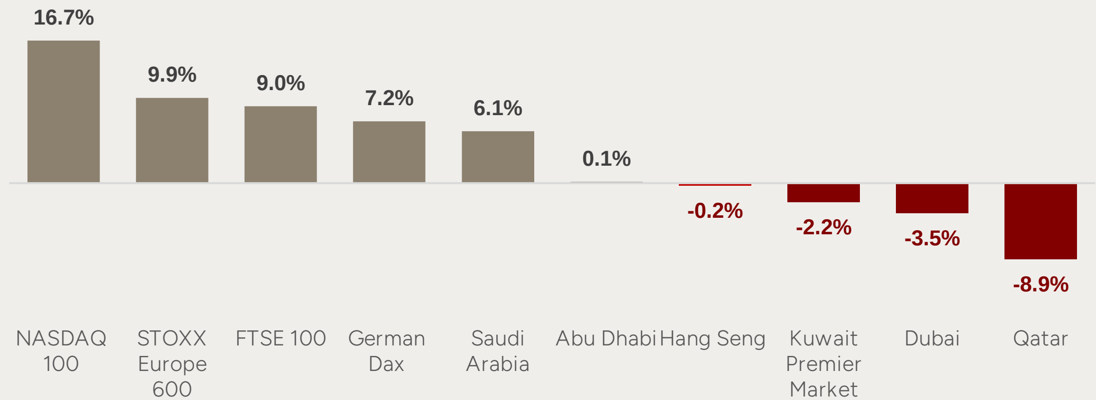
Fundamentally strong and resilient earnings have been the driving factor for GCC equities. In the case of Banking sector, the Saudi; Kuwait and UAE banks so far have reported high single digit growth in earnings on the back of higher non-operating income; high to mid teens lending growth.

However, corporates have indicated a soft outlook for 2H2026 given the recent economic backdrop

Global Equity Markets Performance – Month to Date (MTD)



Global Equity Markets Performance – Year to Date (YTD)*

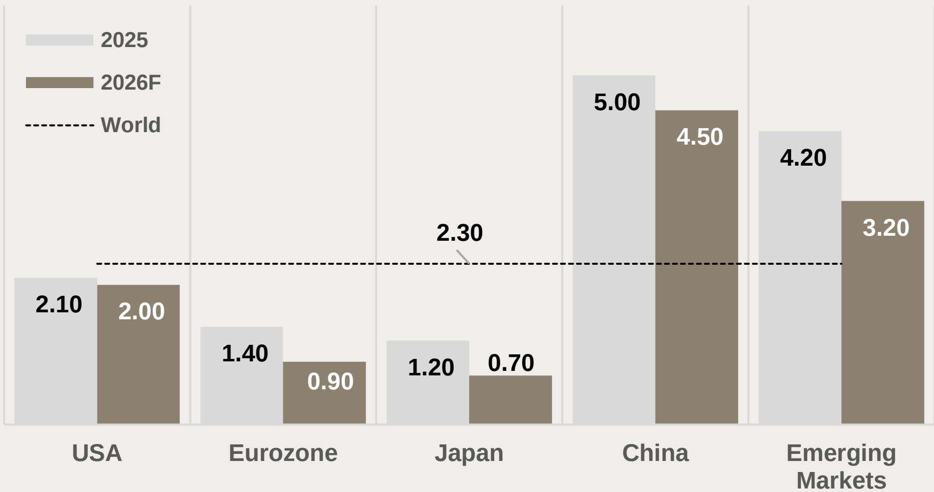


Source: Refinitiv; *Index Closing as of August 31, 2026

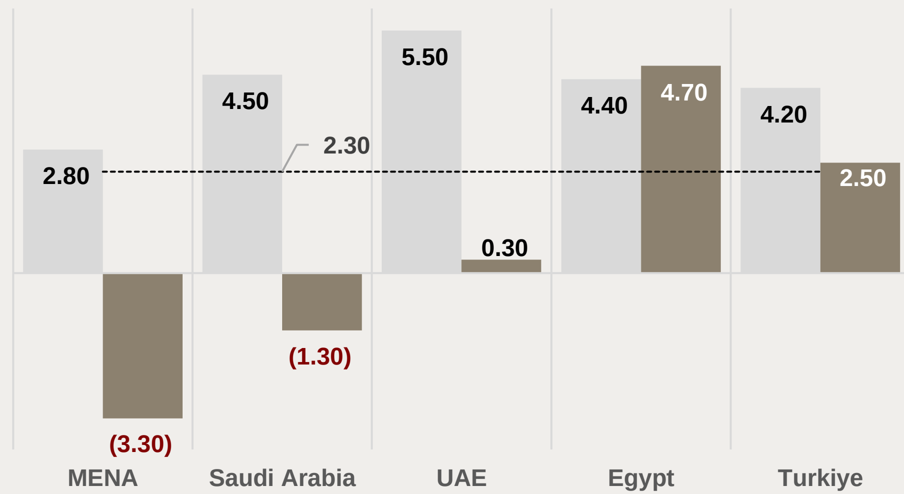
Macroeconomic Overview

Global growth continues to be resilient at 2.3% for 2026. Risk to growth remains balanced.

Real GDP Growth (%) - Global



Real GDP Growth (%) – MENA Region



- Risk to growth remain balanced; any further escalation in the conflict means higher oil prices leading to higher inflation and rate hikes impacting business investments and consumption. While on the other end improved sentiments on the political side can support growth to the upside; through macroeconomic policy channel which can be neutral to supportive.
- On a regional basis MENA region is expected to witness a further contraction of 3.3% for earlier expected 1.1% for 2026 as per recent Fitch forecasts.

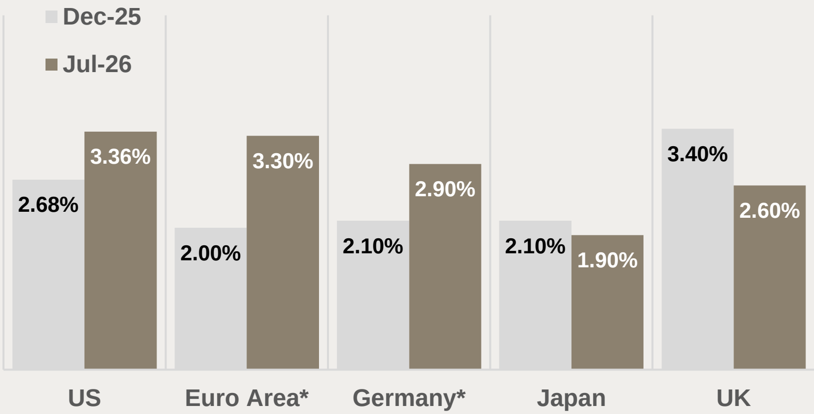
- Among the GCC Saudi Arabia is expected to record a contraction of 1.3% in GDP for 2026, the forecasts reflect the prolonged supply disruptions, higher for longer geopolitical risks.
- The UAE is expected to record a marginal 0.3% growth mainly driven by relatively more resilient non-oil economic activity; sustained partial oil exports flow compared to other regional peers. Oman is the only country among regional peers that is likely to report a meaningful 2.9% growth in GDP.

Source: Fitch Solutions, f=forecasted, e=expected

Consumer Price Inflation & Central Banks' Rates Monitor

Inflation risks continue to remain to the upside driven by higher energy prices; While the macroeconomic policy to remain hawkish.

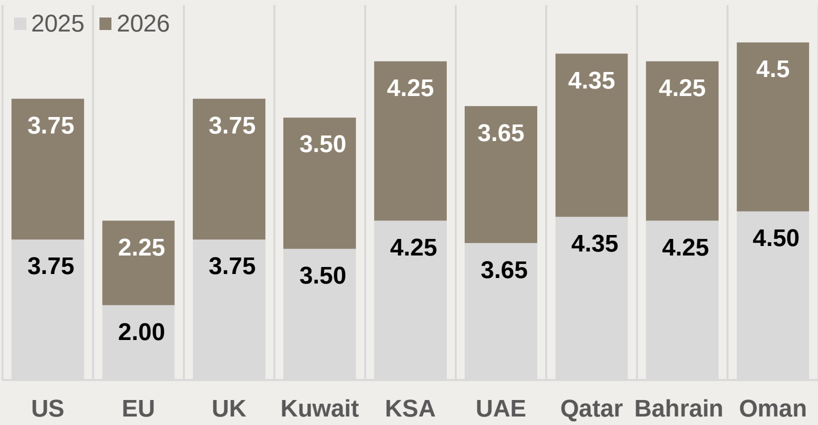
Consumer Price Index (CPI)



- As we write the Eurozone inflation prints were out and stood at 3.3% for the month of August an increase over previous month levels of 2.9%, driven by higher energy prices. One can expect similar outcomes across key economies like the US; UK etc.
- Add to it the subtle price increase in broader food related commodities. The escalation in the Ukraine and Russia have increased supply chain risks pushing wheat and corn prices. Prices of agricultural commodities are up in the range of 15-35% on a YTD basis.
- Based on the above the monetary policy is likely to be neutral to hawkish. The rise in eurozone inflation makes a case for a probable hike of 25bps by the European Central Bank (ECB) during its scheduled meeting end of next week

*Source: Refinitiv; CPI: Consumer Price Inflation; *for the month of August 2026;*

Central Banks Rates



Economic Calendar

September 2026

Sun	Mon	Tue	Wed	Thu	Fri	Sat
30	31	1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	1	2	3

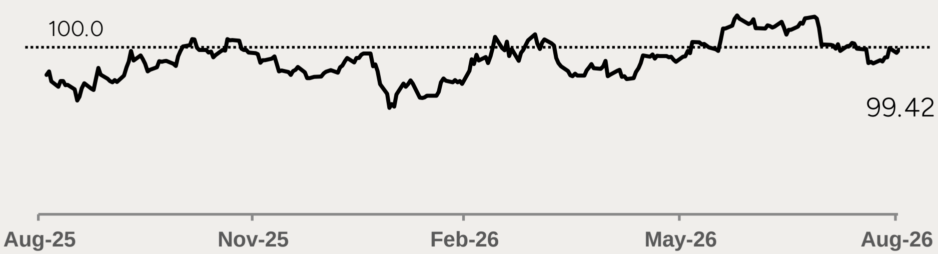
Sep 01: Consumer Price Inflation - Eurozone
Sep 03: Consumer Price Inflation – Türkiye
Sep 04: Non – Farm Payrolls - US
Sep 10: European Central Bank Meeting
Sep 11: Consumer Price Inflation - US
Sep 16: Consumer Price Inflation - UK
Sep 16: Federal Reserve Meeting - US
Sep 17: Bank of England Meeting
Sep 18: Bak of Japan Meeting

Commodities and Forex Overview

There have been gains across the broad commodities complex which includes Energy; Precious and Base Metals; Agri commodities etc.

- The prices for brent are likely to remain elevated primarily due to supply side risks as demand remains steady. The demand forecasts for the month of September is 104.6 million barrels per day (mbpd) while supply during the same period stands at 99.68mbpd which is a deficit 5mbpd.
- Gold prices are on the rise as they recorded 9.43% gains on a monthly basis; driven by factors like depreciation of the US Dollar; safe haven; inflation risks; purchase by portfolios and central banks to protect downside risks or hedge.
- Agricultural commodities have outperformed during the month of August in particular Sugar and Cotton commodities. Sugar prices are up 20% on a Year to Date (YTD) basis while Cotton prices are up over 30% during the same period. While grains like Wheat are also up over 30% as supply risks increase due to the escalation of the Russia – Ukraine war

US Dollar Index is down 1.12% on a Year-to-Date basis



Oil & Gas	Last	MTD	3M	YTD
NYMEX (USD Per Barrel)	85.76	1.29%	-1.83%	49.36%
Brent Crude (USD Per Barrel)	90.49	0.41%	-1.69%	48.71%
DME Oman Crude (USD Per Barrel)	104.72	21.75%	1.16%	70.47%
Natural Gas (USD MMBTU)	2.94	6.84%	-10.79%	-20.37%
LNG - ASIA (USD MMBTU)	23.20	8.67%	27.47%	141.67%
Precious Metals	**Last**	**MTD**	**3M**	**YTD**
Gold (USD Ozs)	4,431.10	9.43%	-2.84%	2.44%
Silver (USD Ozs)	66.22	14.98%	-12.42%	-5.58%
Base Metals	**Last**	**MTD**	**3M**	**YTD**
Aluminum (USD/Tonne)	3,242.0	1.82%	-11.58%	8.23%
Alu Alloy (USD/Tonne)	3,200.0	0.00%	-3.76%	27.54%
Copper (USD/Tonne)	14,294.0	3.65%	4.83%	15.06%
Tin (USD/Tonne)	55,223.0	-0.08%	-0.35%	36.16%
Zinc (USD/Tonne)	3,883.0	6.59%	9.69%	24.55%
Lead (USD/Tonne)	1,905.5	1.49%	-5.48%	-5.25%
Nickel (USD/Tonne)	16,861.0	-2.25%	-11.55%	1.29%
Rolled Steel (CNY/Tonne)	2,967.8	0.59%	-2.65%	-4.12%

Source: Refinitiv, YTD as of August 31, 2026

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