KFH Capital Monthly Insights

Capital Market Outlook & Updates

July 2026

Capital Market Insights & Outlook

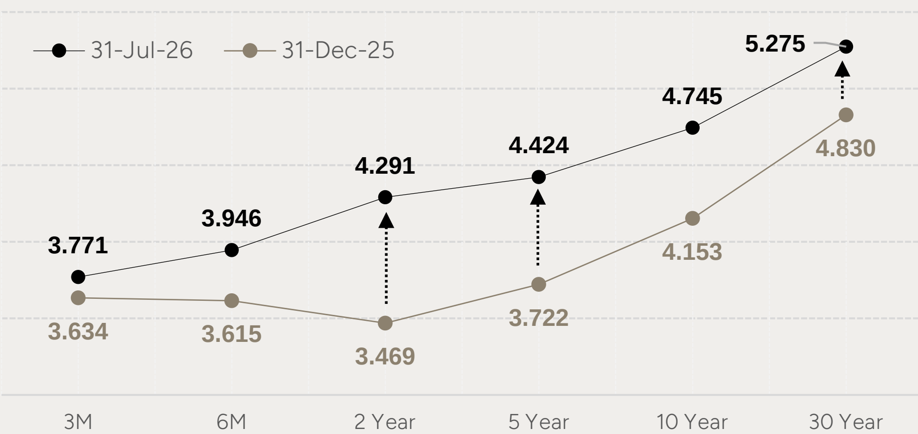
Fixed Income and Forex Markets likely catalysts for Capital Markets volatility

Factor	View	Comments / Notes
Fixed Income	High Risk, High Impact	We believe the Fixed Income Markets are arguably the most likely source of broader market volatility in the short to medium term timeframe (Q32026). With the Long end Yield (USD 30Y) already trading at 5.275%, markets are likely to struggle to absorb a sharp and sustained rise in the risk-free rate. The current yield curve shift is more structural rather than the typical Fed-drive rate cycle, the sharp movement in the long end yields indicate market is less concerned on the monetary policy which continues to remain uncertain and more about persistent higher inflation, government fiscal deficits, widening of the credit spread which can impact corporate investments, CAPEX, increase in cost of funding which impacts corporate earnings. .
Currency	High to Medium Risk	The movement in the US Dollar against the other major currencies can amplify and be the transmission channel for a global risk off event. Higher US Treasury Yields tend to support or strengthen the US Dollar, sustained higher yields will trigger capital inflow in the US Fixed Income markets pushing the USD upwards or strengthening it further. The US Dollar Index which measures the USD against key currencies is up 1.62% on a YTD basis. The USD/JPY movement is another systematic market risk , the sharp appreciation of the yen from nearly ¥164/USD to ¥157/USD reflects a combination of official intervention and forced position unwinding. While the move stabilizes the currency, it raises the risk of a broader unwind in yen-funded carry trades, potentially tightening global liquidity and increasing volatility across bonds, credit, and equity markets. Further, a sustained and strong USD can impact Emerging Markets negatively through capital outflows as US treasuries become attractive. Other factors include higher interest payments for USD denominated debt, significant refinancing at higher rates, current account deficits. All the above can be a catalyst for a financial crisis among emerging markets
Equities	Neutral	From a valuation point the consensus is that the S&P 500 is likely to trade at a forward P/Ex of 22-23x which translates into an Earnings Yield of 4.3-4.5% which when compared to a US 30Y at 5.275% implies a negative equity risk premium which can influence asset reallocation. Further, sustained higher long-term yields makes investor sensitive to earnings and valuations, the above dynamics can result in increased market volatility in the short to medium term

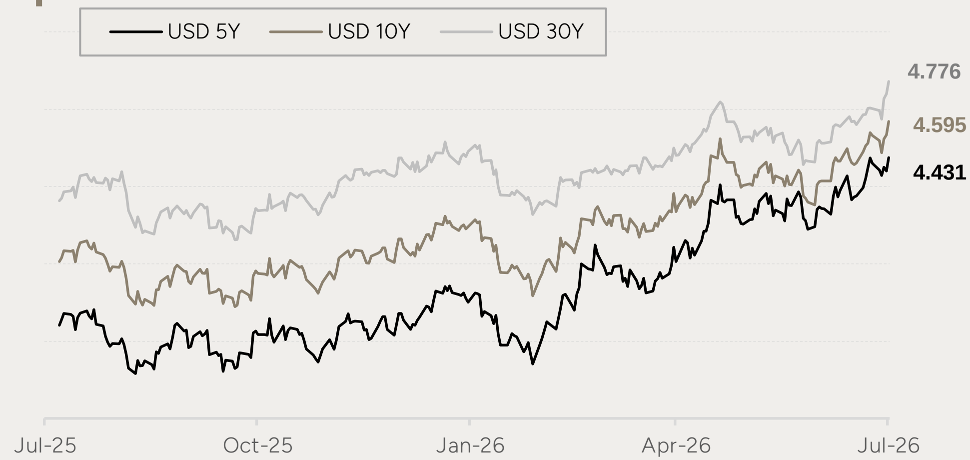
Global Benchmark Yields

The Bearish Steepening movement of the Yield Curve indicate higher inflation; fiscal concerns and stronger USD.

US Treasury Yield Curve (%)

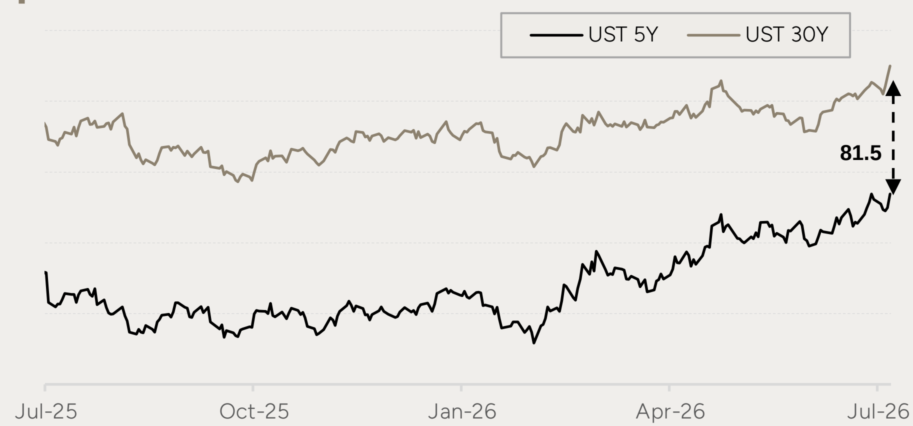


US Mid-Swaps Yield (%)



- The US 30Y Treasury Yield moved sharply to close at 5.275% up 44.5bps on a YTD basis, while on a monthly basis it was up 37.2bps. The 10Y Yields were up by 59.2bps to close at 4.745% during the same period
- Comparatively the short tenor yields like the 3M US bills were up 14.3bps on a YTD basis to close at 3.771%. While the 6M bills were up 33.3bps during the same period. However, on monthly basis there has been a decline of 5bps and 2bps respectively.

30Y-5Y Spread (bps)



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

Equity Markets Update

Global Equity markets remained mixed amid Q2FY2026 Earnings, AI Capex boom and the ongoing conflict.

Q2FY2026 Earnings Remain Strong

The S&P500 Index earnings forecasts for Q22026 are of over 20% as per Refinitiv data which is much higher when compared to Q22025 actual earnings growth of 14%. There has been earnings growth across sectors, find below key sectors

The Technology sector (Software & IT Services) reported a ballpark 17% growth in revenues coupled with similar growth in earnings as well. The forecast for AI related CAPEX is USD 785 billion for 2026, and it is projected to reach USD 960 billion by 2027, as per recent Fitch reports.

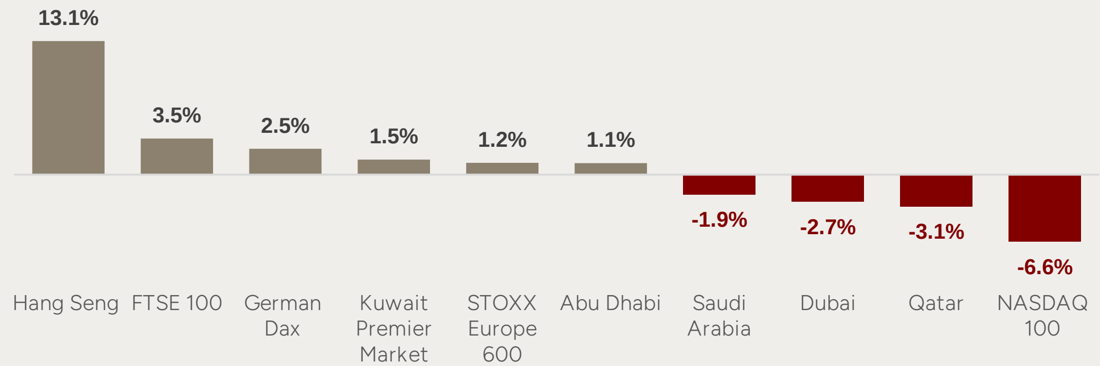
Financial Services sector reported double digit growth in lending (10%) with steady Net Financing Margins in the 2.5-3.0% range and strong Non-Operating Income which includes Fees & Commission; Asset Under Management (AUM) etc.

Among the GCC Indices Kuwait Outperformed

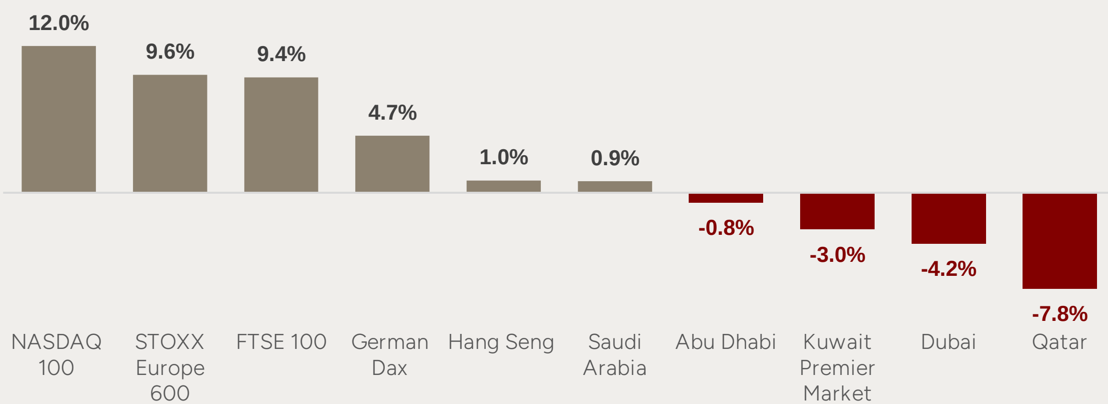
Among the GCC majority of banks have reported earnings with strong loan growth. In the case of Kuwait, Saudi and Qatar lending growth was in the 10-12% range. While the UAE reported strong loan growth of over 20%.

As we write Saudi Aramco reported 33.97% increase in Earnings for 1H2026. Key drivers being higher prices as volumes decline. Average realized crude oil price for the first half stood at USD 90 per barrel up from USD 72 during 1H2025.

Global Equity Markets Performance – Month to Date (MTD)



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

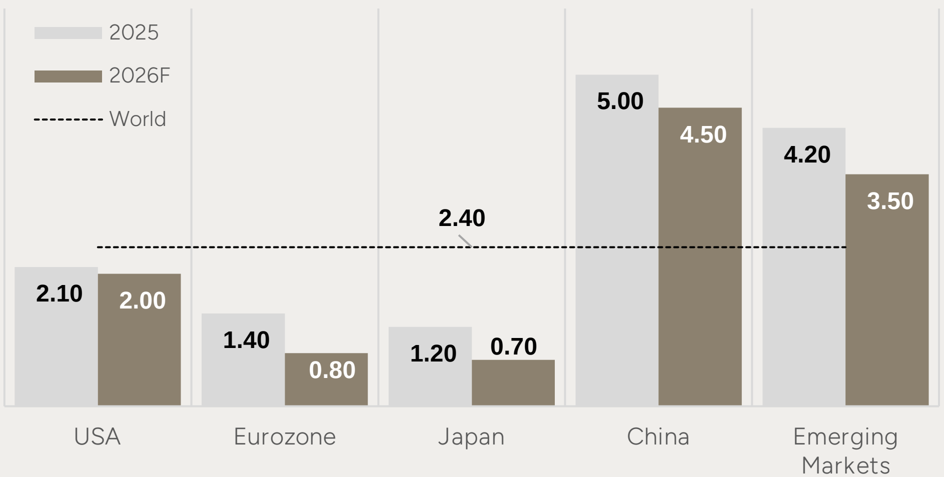


Source: Refinitiv; *Index Closing as of July 31, 2026

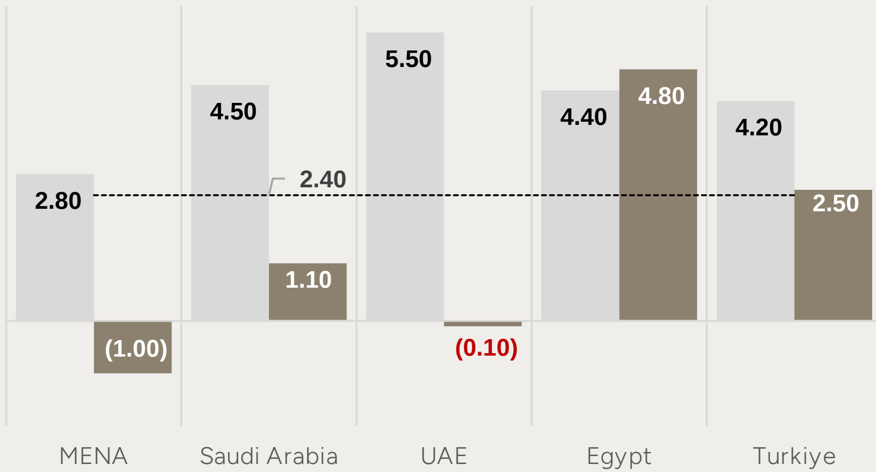
Macroeconomic Overview

The re-escalation of the US-Iran conflict increase downside risks to global growth, forecasts indicate sluggish growth and higher inflation.

Real GDP Growth (%) - Global



Real GDP Growth (%) – MENA Region



- Recent macroeconomic forecasts from Fitch for global economic growth remained unchanged at 2.4% for 2026. However, the balance of risk are tilted towards slower growth and higher inflation scenario for the remaining of the year. The key driver being the recent re-escalation of the US-Iran conflict. Sustained escalation in the conflict will result in significant downside risks to GDP growth forecasts
- The most impacted is the MENA region with overall increased downside risks to the regional macroeconomic forecasts amid the delay and uncertainty in the US-Iran negotiations which is likely to prolong the disruption in the Strait of Hormuz.

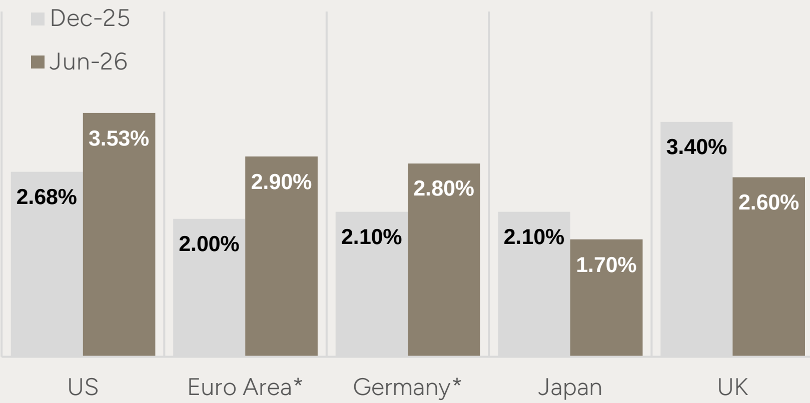
- In the case of GCC region, as we write there have been revisions to the downside in key economies in the region. For instance, Fitch has revised its 2026 real GDP growth for Saudi Arabia to a contraction of 1.3% compared to the 1.1% growth shown in the graph. Longer-lasting disruption to the shipping route through the Strait to impact Oil exports.
- The GCC non-oil economic segment is likely to be impacted due to downward pressure on consumer spending, declining tourism and sensitivity to price increase shifting spending pattern towards essential goods.

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

Consumer Price Inflation & Central Banks' Rates Monitor

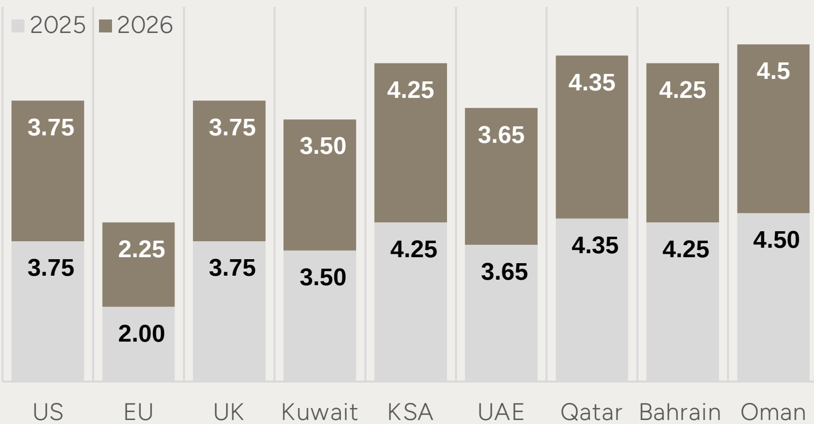
Inflation continues to remain elevated driven by higher energy prices as key Central Banks hold interest rates.

Consumer Price Index (CPI)



- For the month of June, on a month-on-month basis inflation prints moved downwards driven by steady and declining energy prices. The monthly average price for the Brent Crude during June 2026 stood at USD 84.43 per barre down 18.59% from the monthly average prices for the month of May of USD 103.71 per barrel
- US Inflation stood at 3.53% down from June levels of 4.2%; the Energy Index was down 4.9% on a monthly basis. Similarly in the case of UK as well the Inflation was down to 2.6% from earlier month levels of 2.8%.
- However; in the case of Eurozone which has announced the July 2026 inflation data has indicated of higher inflation prints citing higher impact of higher energy prices. With the escalation of the conflict, one can expect higher inflation in coming months.

Central Banks Rates



Economic Calendar

August 2026						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
26	27	28	29	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	31					

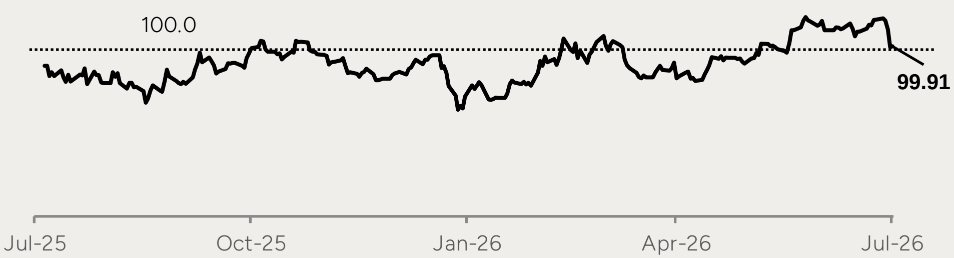
Aug 07: Non-Farm Payroll - US
Aug 09: Consumer Price Inflation - China
Aug 12: Consumer Price Inflation - US
Aug 19: Consumer Price Inflation - UK
Aug 19: Consumer Price Inflation - Eurozone
Aug 21: Consumer Price Inflation - Japan

Commodities and Forex Overview

The Commodities continue to report mixed performance on a monthly basis driven by supply demand dynamics.

- The Crude continues to remain the top performer on a monthly basis primarily supply driven. With the re-escalation of the US-Iran conflict the energy complex recorded higher prices amid supply issues with the closure of the Strait again
- On the demand side, as per Refinitiv data the demand forecasted for the month of August 2026 is 104.39 million barrels per day (mbpd) while supply during the same period is 101.45mbpd which is a short fall of 2.94mbpd to the demand.
- With increased uncertainty on the conflict as the negotiations get chaotic the average price for the Brent is likely to be in the USD 80-95 per barrel range supported by supply side issues as demand remains steady.
- Among precious metals though Gold reported a gain of 0.65% in price on monthly basis the average month price continues to remain muted with a decline of 3.84% during July.

US Dollar Index is down 1.62% on a Year-to-Date basis



Oil & Gas	Last	MTD	3M	YTD
NYMEX (USD Per Barrel)	84.67	21.83%	-19.42%	47.46%
Brent Crude (USD Per Barrel)	90.12	23.59%	-20.95%	48.10%
DME Oman Crude (USD Per Barrel)	166.34	158.94%	53.25%	170.78%
Natural Gas (USD MMBTU)	2.75	-16.12%	-0.72%	-25.47%
LNG - ASIA (USD MMBTU)	21.35	39.09%	27.84%	122.40%
Precious Metals	**Last**	**MTD**	**3M**	**YTD**
Gold (USD Ozs)	4,049.10	0.65%	-12.26%	-6.39%
Silver (USD Ozs)	57.59	-3.17%	-21.68%	-17.88%
Base Metals	**Last**	**MTD**	**3M**	**YTD**
Aluminum (USD/Tonne)	3,184.0	3.19%	-8.35%	6.29%
Alu Alloy (USD/Tonne)	3,200.0	-8.83%	0.79%	27.54%
Copper (USD/Tonne)	13,791.0	3.11%	6.19%	11.01%
Tin (USD/Tonne)	55,268.0	7.17%	12.30%	36.28%
Zinc (USD/Tonne)	3,643.0	2.58%	8.39%	16.86%
Lead (USD/Tonne)	1,877.5	0.13%	-3.99%	-6.64%
Nickel (USD/Tonne)	17,249.0	5.91%	-11.40%	3.62%
Rolled Steel (CNY/Tonne)	2,950.3	-1.03%	-3.87%	-4.69%

Source: Refinitiv, YTD as of July 31, 2026

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