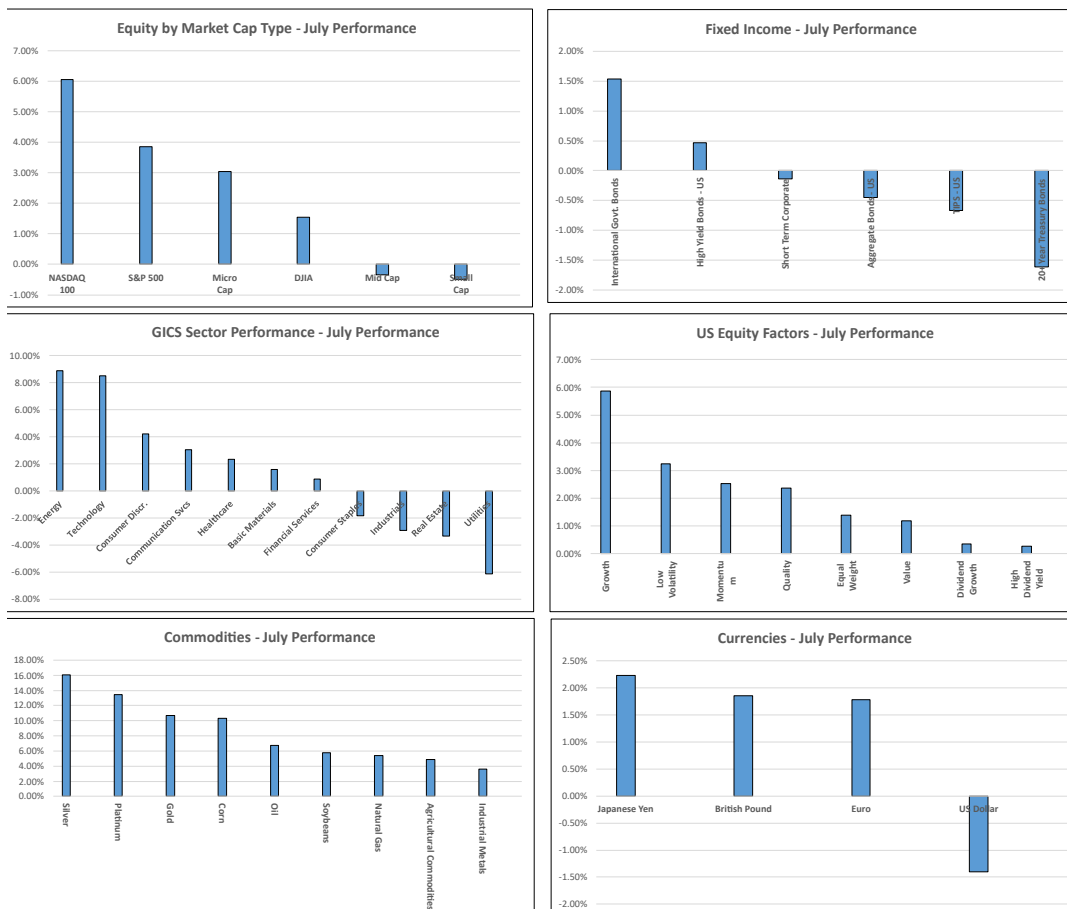


August 2026 - Market Comments

Markets in a Glimpse

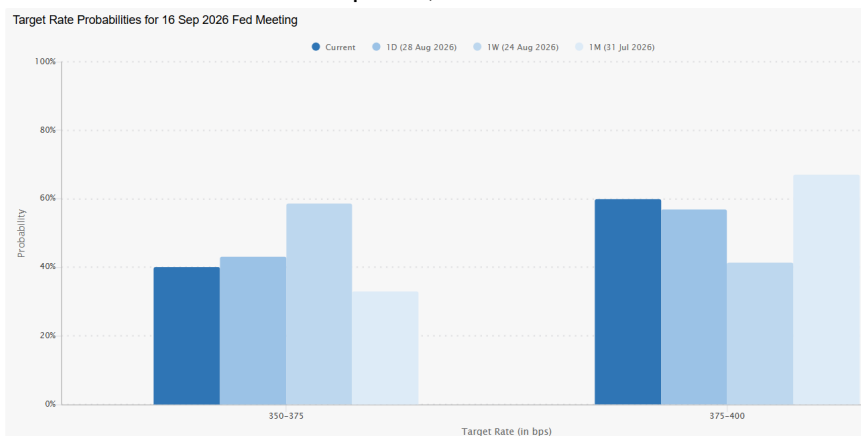
- **Energy volatility as dominant driver:** Early hopes of US-Iran de-escalation briefly pushed oil lower, but persistent disruption around Hormuz and renewed tensions kept Brent elevated. The result was a continued stagflationary impulse through inflation expectations, back-end sovereign yields and policy expectations.
- **Fed's Warsh Hawkish Message:** Sticky inflation data and Kevin Warsh hawkish message at Jackson Hole reversed that move with markets pricing a materially higher probability of further Fed tightening in September's FOMC meeting.
- **Strong earnings insulated equities:** US corporate earnings remained well above expectations, helping equities absorb higher yields and geopolitical risk. However, unusually large investment-related gains at several megacaps overstate the underlying picture.
- **AI remained supportive, but leadership became more fragile:** Technology sector results reinforced confidence in AI infrastructure spending, yet momentum strategies and crowded growth exposures experienced sharper reversals i.e. investors are increasingly discriminating between genuine earnings delivery and valuation-dependent AI enthusiasm.
- **Hard assets broadened as macro hedge:** Gold surged, copper approached record levels and Bitcoin rallied sharply as investors responded to energy risk, fiscal concerns and renewed debate around sovereign-debt liquidity. The move suggested growing demand for assets perceived as hedges against inflation and policy credibility risk..



August 2026 - Market Comments

In-Depth Market Review

- Warsh surprises on the hawkish side:** Contrary to expectations that he would favour aggressive White House-backed easing, Warsh used Jackson Hole to emphasize persistent inflation risks and the potential need for tighter policy. CME FedWatch pricing implies a 59.9% probability of a rate increase on 16 September, versus 40.1% for no change. Before Warsh's speech, the probabilities were reversed. Warsh argues that inflation remains too high and higher rates may be necessary, complicating the administration's ambition to achieve lower borrowing costs without reigniting inflation or unsettling Treasury markets. Monetary policy affects borrowing costs, savings, sovereign financing and asset valuations, shifting the relative attractiveness of equities, bonds and other asset classes.



- The Treasury Twist and its Dubious Macro Impact:** The U.S. Treasury recently took aggressive action by announcing it would double its long-dated bond buyback operations to at least \$4 billion per session through November. This strategic manoeuvre targets older, illiquid "off-the-run" securities to inject vital liquidity into a straining fixed-income market. By repurchasing these 10- to 30-year bonds, the government successfully engineering a temporary, sharp decline in surging benchmark yields. However, this massive debt-shuffling program is funded by increasing short-term T-bill supply, essentially executing a localized "Treasury Twist". While the intervention initially provided broad market relief, bond yields quickly rebounded as structural deficit concerns lingered. Major financial institutions have warned that these operations merely treat symptoms rather than fixing core fiscal imbalances. Furthermore, the aggressive policy signalling has applied downward pressure on the broader U.S. dollar index. Simultaneously, this liquidity injection has acted as an unintended tailwind for alternative safe havens like gold. Ultimately, while the buyback expansion successfully stabilizes market functioning, it exposes deeper friction with the Federal Reserve's restrictive monetary stance (source: Bloomberg).

August 2026 - Market Comments



- Retail Trading Buying the Market But Also Hedging:** Retail investors are buying stocks again, but they are not doing it with full confidence yet. After selling pressure at the end of June, retail flows turned positive again in July and early August. That suggests the cash-equity capitulation impulse has started to fade. Participation is rebuilding, especially around major equity and AI-related themes. But the more important signal is coming from the options market. Retail options premium in semiconductor names reached about \$1.9 billion per day in June. That was roughly 6x the historical average, with around 75% of that premium concentrated in calls (source: Citadel Securities). At the same time, broader options activity remains very elevated with a reported U.S. options average daily volume of 72.8 million contracts in Q2 2026, up more than 19% year over year (source: CBOE). So the message is mixed: retail is re-entering the market, but demand for protection and short-term trading remains high. Markets can move quickly from caution to participation, and from participation to chasing (source: Citadel Securities).

Retail Options – Call/Put Direction Ratio

Weekly, 1-Year Lookback



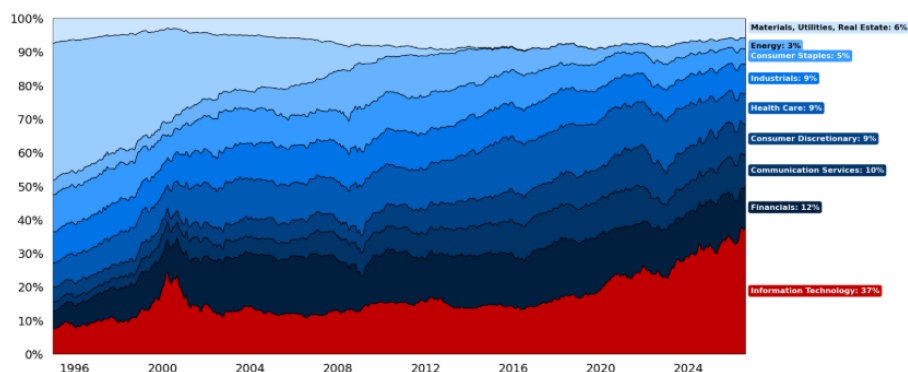
- S&P 500 Is Not The Market:** The hardest part of this market is that the S&P 500 is not the average stock. It is a market-cap-weighted index, so the biggest companies carry far more influence than the typical constituent. That matters because the top 10 stocks recently represented about one third of the index. So when the largest names hold up, the headline index can keep climbing even if many stocks underneath are struggling. That is why the tape can feel messy, narrow, and rotational while SPX still looks resilient. Semiconductors,

August 2026 - Market Comments

software, cyclicals, and defensives can each have sharp reversals without producing the same move in the index. Concentration matters. Passive flows matter. You can have a brutal market under the hood and a resilient headline index at the same time; both can be true.

S&P 500 – Weight by Sector

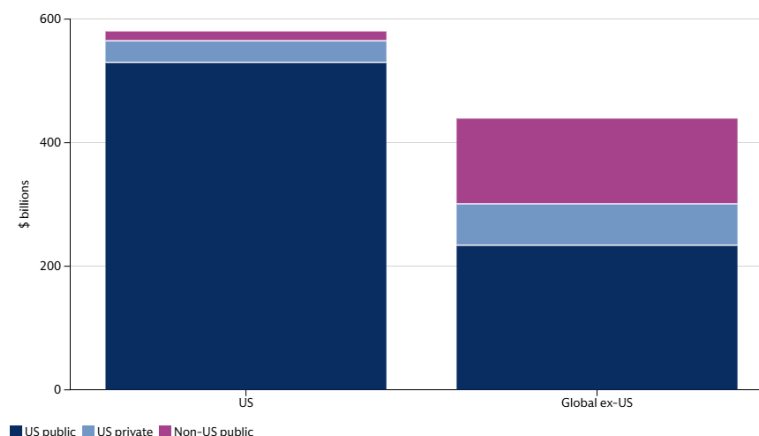
Weekly, 1990–2026



- AI CapEx is Underestimated:** All investment is often measured by how much US hyperscalers are expected to spend, with consensus estimates near \$800 billion this year. But that figure gives an incomplete picture leaving out private companies, non-US firms, and parts of Asia, while also including some hyperscaler spending that may not be directly tied to AI. After adjusting for those gaps, the new estimates global AI-related investment could reach about \$1 trillion in 2026, including roughly \$581 billion in the US. In other words, the common hyperscaler capex estimate may understate global AI investment by about \$200 billion, while overstating US-only AI investment by a similar amount. Looking ahead, AI capex to keep rising as a share of the economy, reaching about 2.8% of US GDP by 2028. While the timing of a slowdown remains uncertain, current leading indicators suggest AI investment growth remains strong in the near term (source: Goldman Sachs).

Goldman Sachs Research estimates companies will invest \$1.019 trillion globally in AI this year

Total global AI-exposed hyperscaler capex

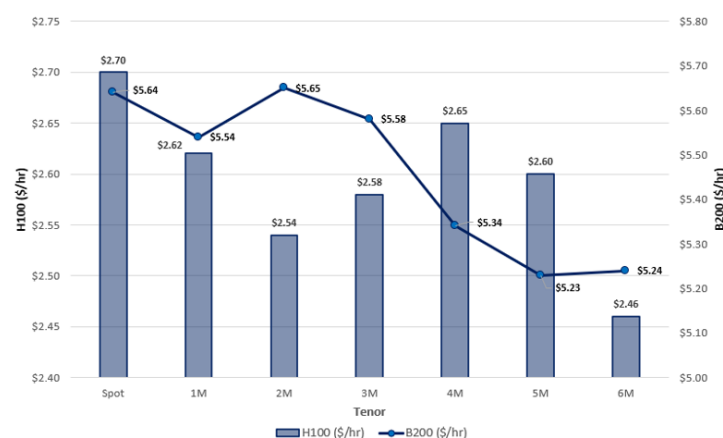


- GPU Forward Curves AKA Financializing AI Compute:** AI compute is rapidly evolving from a technology expense into a financial asset class, with more than \$176 billion of GPU-backed infrastructure reportedly sitting on hyperscaler and neocloud balance sheets. Yet the market still lacks a standardized forward curve for pricing future GPU rental rates, complicating

August 2026 - Market Comments

lending, investment and risk management. A savvy solution is to derive forward GPU prices from observable term rental contracts using established no-arbitrage principles, rather than relying on subjective forecasts. The resulting curve indicate whether future rental markets are in contango, backwardation or temporary imbalance, providing insight into expected compute supply and demand. This could materially improve underwriting of GPU-backed loans by replacing borrower assumptions with market-implied rental rates. It would also allow AI infrastructure operators and investors to hedge future compute-price exposure more systematically. Differences across GPU models, locations and contract structures are manageable through standardized normalization, much as commodity markets handle heterogeneous underlying assets with a dataset reportedly covering 95% of neocloud providers and all major hyperscalers. A credible forward curve could ultimately underpin GPU rental swaps, insurance products, structured credit, options and basis trades. For investors, the development represents another step toward treating AI compute infrastructure as a mature, price-transparent and potentially tradeable financial market (source: Silicon Data).

Compute Forward Curves



- Economic D-Day Campaign:** The U.S. Treasury has dramatically escalated its geopolitical pressure campaign, officially launching a global economic offensive dubbed “Operation Economic Outcast.” This aggressive policy framework explicitly shifts Washington’s strategy away from direct military strikes toward total financial isolation. By expanding secondary sanctions across five core sectors—including digital assets, gold, and shipping—the administration aims to entirely sever Tehran's remaining global lifelines. Crucially, the policy presents global trading partners with an ultimatum to either halt all commerce with Iran or face complete exclusion from the U.S. dollar system. While the United Arab Emirates complied by cutting off trade, major powers like China and Russia are actively resisting the unilateral restrictions. In response to the widening banking embargo, Tehran has threatened severe retaliation, including a complete halt to all oil exports transiting the vital Strait of Hormuz. Iran’s security leadership warned that any foreign compliance with the American sanctions regime would be treated as an explicit act of war. Consequently, the rippling effects of this economic D-Day have pushed Iran's domestic currency to historic lows against

August 2026 - Market Comments

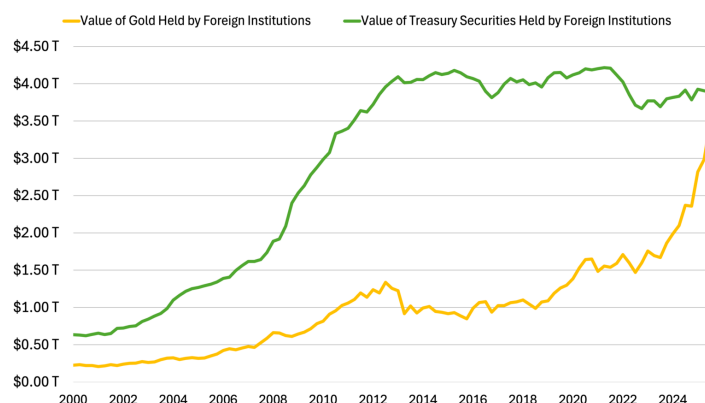
the dollar. Ultimately, this intense round of financial warfare has sharply injected a structural geopolitical risk premium into the global energy sector. Moving forward, cross-asset investors must closely track the enforcement of these penalties, as any direct targeting of Chinese financial institutions could severely disrupt international supply chains. That said, past historical episodes like this show that sanctions rarely wins a war by themselves and only can be deployed as tactical weapon to weaken an opponent.

Five Major Cases Since World War I

Case	Economic pressure	Result without military victory	Military force
Germany, 1914–18	Allied naval blockade	Weakened Germany, but no surrender	Decisive: Allied offensive + collapse of allies
Japan, 1940–45	Oil embargo + blockade	Did not force withdrawal from China or surrender	Decisive: Naval/air war + Soviet entry + atomic attacks
Iraq, 1990–2003	UN embargo + oil restrictions	Saddam survived 13 years	Decisive: U.S. invasion removed regime
Iran, 2010–26	Sanctions + "maximum pressure"	Major economic damage, but no surrender	No standalone victory: JCPOA required diplomacy; current war remains unresolved
Russia, 2022–present	Financial sanctions + export controls	Russia adapted and continued war	No victory yet: sanctions have constrained, not compelled, Moscow

- Gold As Fiscal Hedge rather than an Inflation Hedge:** The global gold market has experienced a profound structural regime shift, increasingly behaving as a critical fiscal hedge rather than a traditional inflation shelter. While consumer price indices have stabilized, the precious metal has surged to historic highs as a warning shot against unsustainable sovereign debt trajectories. Investors are aggressively accumulating hard assets to safeguard capital against trillion-dollar government deficits and compounding debt-servicing costs. This unprecedented rally has completely decoupled from historical relationships, climbing relentlessly even in the face of restrictive real interest rates. The traditional playbook has broken down because market participants are no longer just insuring against rising everyday prices. Instead, they are actively hedging against the long-term debasement of fiat currency and the creeping fragility of Western bond markets. This structural demand shift is heavily reinforced by global central banks, which continue to aggressively diversify their reserves away from treasuries (source: Fred).

Central Bank Reserves: Treasuries vs. Gold



August 2026 - Market Comments

MG's Message to Investors

- Earnings Resilience Met Renewed Stagflation and Policy Risks: August was shaped by the tension between resilient corporate fundamentals and a deteriorating macro-policy backdrop. Early hopes of US-Iran de-escalation briefly reduced the energy risk premium, but persistent disruption around the Strait of Hormuz and renewed tensions later in the month reinforced inflation concerns. US labour data weakened sharply, initially supporting expectations for a more dovish Fed, but sticky inflation data and a hawkish message by new Fed chairman Kevin Warsh at Jackson Hole reversed that move and pushed markets toward a higher probability of further tightening. Equity markets nevertheless remained resilient as a strong earnings season, led by continued AI and data-centre demand, offset pressure from higher yields and geopolitical uncertainty. Leadership became more selective, however, as investors differentiated between companies delivering durable earnings and free-cash-flow growth and more valuation-dependent AI exposures, while crowded momentum trades experienced sharper reversals. Gold, copper and Bitcoin strengthened as hard assets benefited from macroeconomic uncertainty, with renewed crypto ETF inflows pointing to stronger institutional participation than in prior months. Japan also emerged as an important global pressure point as JGB yields rose to multi-decade highs while the yen remained weak, highlighting rising fiscal and inflation risk premia. Overall, August reinforced a more complex late-cycle regime in which strong earnings continued to support risk assets, but higher energy prices, persistent inflation and reduced central-bank flexibility increasingly constrained the durability of the broader risk-on environment.
- As August kicks off, MG highlights the following tactical views for the short term:
 - o Equities: Neutral allocation with a cautious stance with risk below benchmark. The model remains modestly overweight U.S., although Large Cap Growth and Value exposure has been reduced as narrower market leadership, higher yields, and hawkish Fed communication increase valuation sensitivity. International developed markets remain underweight, while emerging markets are supported by attractive valuations and potentially softer U.S. rate expectations. Japanese equities remain underweight given oil-dependency risk.
 - o Fixed Income: Overweight allocation, with exposure increased across all bond categories. The model favours high-quality sovereign and agency-backed duration, including MBS and intermediate- and long-term bonds, given attractive carry and potential upside if growth softens or rate expectations turn more dovish.
 - o Alternatives: Neutral allocation, with tactical overweights to Real Estate and IPOs. REIT exposure has increased following recent weakness, with potential for a recovery if long-term yields stabilise. Commodities and Gold remain underweight as their near-term risk-reward appears less attractive following recent volatility and strength.
 - o Outlook and Strategy: Positioning has become more defensive within equities while shifting toward fixed income and selective rate-sensitive alternatives. These tactical allocations will be reassessed as macroeconomic and geopolitical risks evolve.

August 2026 - Market Comments

- MG reminds its investors about the importance of disciplined risk management, reaffirming the necessity of adopting a cautious, data-driven methodology focused on achieving long-term performance objectives. In this way, MG remains steadfast in its commitment to diligently monitor financial markets and actively adjust risk exposures in alignment with shifting market dynamics. The primary recommendation emphasises the preservation of a fully diversified portfolio, ensuring its structural integrity by refraining from imprudent exposure to risks or opportunities that may appear excessively favourable or unsustainable.

MG Investment Solutions Taxonomy

MG Solution	Short	Asset Class	Description
MG Asset Allocation ETF	<i>MGAA</i>	Multi-Asset Class	Multi-asset class diversified mandates employing a quantitative asset allocation framework that dynamically adjusts portfolio exposures in response to evolving market conditions and the distinct risk profile of each mandate, with the objective of effectively navigating the prevailing environment of uncertainty.
MG High Income ETF	<i>MGHI</i>	Fixed Income	A diversified ETF portfolio designed as an alternative investment vehicle for investors seeking short-duration, highly liquid exposure with the objective of generating monthly income. The strategy targets a mid-single digit yield and is recommended for investors with a minimum investment horizon of two years
MG Sector ETF	<i>MGS</i>	Equity	An actively managed ETF strategy designed to deliver high-single-digit annualized returns over the long term through a concentrated sector rotation approach. The portfolio invests exclusively in liquid, U.S.-listed ETFs that provide targeted exposure to GICS sectors, and using a dynamic, machine-learning-based quantitative model developed to address the limitations of traditional factor strategies.
MG Opp	<i>MGOP</i>	Equity	An equity portfolio managed through a quantamental investment process, selecting U.S. stocks with a higher likelihood of outperformance over the medium to long term. The portfolio maintains a strategic bias toward large-cap growth companies
MG Opp Dividend	<i>MGOD</i>	Equity	An equity portfolio constructed through a quantamental investment process, focused on the selection of U.S. stocks that prioritize a dividend yield approximately three to four times higher than that of the broad U.S. equity market. The portfolio emphasizes companies with high-quality balance sheet, aiming to enhance the likelihood of outperformance over the medium to long term, with a strategic bias toward mid-cap value and quality-oriented stocks.
MG Emerging Tech	<i>MGET</i>	Equity	A Tax-efficient, annually rebalanced portfolio designed to target double-digit annualized returns over the long term by allocating capital to high-growth transformative thematic opportunities such as Artificial Intelligence, Cybersecurity, Robotics, Biotechnology, Blockchain, and Quantum Computing.
MG Blockchain	<i>MGBLOCK</i>	Equity & Crypto ETF	A tax-efficient, annually rebalanced portfolio designed to target double-digit annualized returns over the long term by offering investors diversified access to the cryptocurrency sector. The strategy employs a combination of direct exposure to cryptocurrency-linked, fiat currency-denominated ETFs (focused on Bitcoin and Ether) alongside indirect exposure to publicly traded companies demonstrating high sensitivity to the blockchain ecosystem.