CHARLOTTE SQUARE
INVESTMENT MANAGERS

A VIEW FROM THE SQUARE AUGUST 2026

Summer Sunshine

The past quarter has been good for global markets, and for UK holidaymakers astonished at the record sunshine these past several months. Perhaps it's the inherent caution of an investment manager finding it hard to believe that these sunny days are occurring in the UK, and that they might not last, that influences market thinking. Could the ensuing drought in Europe with the devastating wildfires and water shortages be reflected in pressure on stockmarkets?

A change in sentiment has occurred in the US and UK from the 2025 expectation that rates would be cut this year. In fact, at the latest Fed meeting a minority voted for a quarter point increase. Some commentators believe that inflationary pressures will see that increase arrive before the end of the year. President Trump may feel he had nuclear security issues to contend with, but his actions against Iran have come at serious economic cost in the Strait of Hormuz. Frustratingly this headwind feels unnecessary and with Iranian resilience underestimated, a number of further negatives are emerging. Not least amongst these is harsh repression in Tehran, and passage tariffs where none applied before.

A sign of the times is a switch from central banks who are now deploying more reserves in Gold than the US$. This structural change has significant implications as it suggests that the US currency is overvalued, and in the past capital flows have been significant when the dam of belief bursts. This comes at a time when the US market is beginning to show signs of indigestion, particularly in the tech market, which has been resilient to date. Elon Musk's SpaceX has lost all its initial IPO premium, and other large issues such as Anthropic have been postponed.

It is therefore not surprising that analysts are turning to Value as much as Growth in these conditions, particularly for senior investors, who may not have enough flexibility to escape a major negative slide to maintain the income they require. On the other hand, investors with longer term horizons actually lay foundations for significant capital gains when markets fall while retaining sufficient liquidity to take advantage of the lower prices that emerge in such conditions.

This is where active management can make a difference as the overexuberant Japanese market of the last century demonstrates. In 1989 it represented over 40% of global stockmarkets' value and greater than all US markets combined, and then over a multi year period fell 80%. Recovery was slow, taking 34 years till 2024. Ironically, the US now accounts for over 50% of global market value. Subconsciously or not, we are now underweight US markets and overweight Japanese markets.

William Forsyth
Executive Chairman & CIO

18 August 2026

Important Information

Opinions constitute our judgement as of this date and are subject to change without warning. Neither CS Managers Ltd, Charlotte Square Investment Managers nor any connected company accepts responsibility for any direct or indirect or consequential loss suffered by you or any other person as a result of your acting, or deciding not to act, in reliance upon any information contained in this document. Charlotte Square Investment Managers is a trading name of CS Managers Ltd, 43 Charlotte Square, Edinburgh EH2 4HQ. CS Managers Ltd is authorised and regulated by the Financial Conduct Authority CSFP20 0826

43 Charlotte Square
Edinburgh EH2 4HQ

T. 0131 624 7709
investments@csmanagers.com