GLOBAL MARKET INTELLIGENCE

The World in 5 Minutes

"Hormuz remains unsigned ahead of the August 17 deadline: Brent rises 5% and markets hold in an uneasy calm"

The week turned on the August 17 deadline: the 60-day memorandum of understanding between the U.S. and Iran expires that Monday, and Oman and Iran got "very close" to fixing the transit coordinates through Hormuz, but without a signed joint statement. Two questions remain open: who controls the strait and whether Iran can charge vessels a toll. Full reopening, moreover, depends on Washington honoring the commitments of the June memorandum, which Tehran considers unmet.

The week's other big data point was July CPI, released Wednesday the 12th: it rose 3.4% year over year (from 3.5% in June) and core inflation fell to 2.5%. It's a mild reading: traders cut the probability of a September rate hike to 42%, without quite reopening the door to cuts. Shelter remained the stickiest component, accounting for two-thirds of the monthly increase.

Oil reflected the lack of a deal: Brent rose 5% to $92.02, reversing part of the prior week's decline. The Baltic Dry Index moved the other way: it fell 7.3% to 2.863 points on weak capesize and panamax rates, unrelated to the conflict.

Equities held up in an uneasy calm. The S&P 500 closed almost flat (+0.36%, to 7,785.76) after two down sessions early in the week dragged by technology, and volatility eased both broadly (VIX 14.25) and in tech (VXN 20.72). In rates, the 10-year rose three basis points to 4.68% and the 2-year fell two to 4.17%: the curve barely moved despite the geopolitical noise.

Credit confirmed the calm: HY tightened three basis points to 267 and IG rose two to 80, both near decade lows. Gold added 1.9% to $4,387.62, with the largest inflow into gold funds since January ($6.300M, per BofA).

BofA Global Research's fund flows were broad-based: money market funds (+$25.400M), bonds (+$23.800M) and global equities (+$16.100M) took in inflows, with Europe logging its best week since February (+$1.200M). The exception was China, with its largest outflow since May (-$14.500M), and technology, with its worst week in seven (-$1.200M).

RESEARCH TEAM VIEW

What to watch in the days ahead

- Monday, August 17: the 60-day memorandum of understanding between the U.S. and Iran expires. It is the most important deadline of the quarter for Hormuz and for Brent.
- Hormuz still has no signed joint statement; the two open questions —control of the strait and vessel tolls— could either be resolved or break the negotiation after August 17.
- Jackson Hole, August 27-29: with July CPI mild, the market is starting to look to the Fed's opening speech as the next relevant event.
- Red Sea: the Houthi blockade on Saudi ports has been active since July 20; any new incident would add to the Hormuz tension.
- Russia-Ukraine: the Trump-Putin summit in Alaska did not bring a ceasefire; Russia intensified strikes on Odesa, key to Ukrainian grain and steel exports.

QUANTITATIVE MODEL

Knightford Global Risk Index · as of 2026-08-28

Global risk stabilizes in the neutral range, ahead of August 17

WEEK
-1.2

4 WEEKS
-5.3

INTERNAL DISPERSION
57%

CONFIDENCE SCORE
72/100

Why this reading this week?

The KGRI falls 1.2 points to 51,5, practically unchanged on the week but 5.3 points below four weeks ago. Two blocks pull in opposite directions: market reaction improves to 56.7 out of 100 on the favorable scale after the post-CPI calm, and financial stability to 22.8 with the VIX at recent lows; credit offsets it, easing to 20.4 without confirming the tension, and the geopolitical block, which the team keeps practically unchanged at 77.7 awaiting the August 17 deadline. Monetary policy remains, unchanged, the most restrictive block in the model.

Technical note: weighted average of the eight sub-indexes with VSMRI inverted · confidence 72/100 reflecting indicators without a free data source.

What is the KGRI? A 0-100 index that summarizes global market risk by combining eight Visual Sigma® "thermometers" (liquidity, monetary policy, activity, inflation, credit, financial stability, geopolitics and markets), weighted by relative importance and compared with their own history.

POSITIONING FRAMEWORK

Research team view: what to do at each KGRI range, reviewed weekly

0-20	Very low	Overweight risk, maximum exposure to equities and cyclicals, minimal hedging.	
20-40	Low	Maintain full exposure, favor quality, no additional hedging needed.	
40-60	Neutral	Neutral exposure with quality selectivity; partial tactical hedging against surprises.	◂ we are here (51.5)
60-80	Elevated	Reduce beta, add quality and duration, activate hedges (options, gold).	
80-100	Extreme	Defensive mode, maximum cash and hedging, minimize risk exposure.	

THE EIGHT VISUAL SIGMA® · KGRI COMPONENTS

Level 0-100 and weight in the KGRI. Color follows the direction of risk.

VSLI · 18%
Visual Sigma® Liquidity Index

51.2

Neutral

Fed net liquidity improves slightly: the balance sheet rises to $6,760 trillion (Aug. 12) and bank reserves fall to $2,944 trillion. The ON RRP remains nearly empty; the block rises 1.8 points.

Conf. 100 = 0.0

VSMPI · 10%
Visual Sigma® Monetary Policy Index

70.9

High

Unchanged: Fed at 3.75% and ECB at 2.25%, with no major central bank meeting. Still the most restrictive block in the model.

Conf. 100 = 0.0

VSEAI · 14%
Visual Sigma® Economic Activity Index

59.4

Neutral

No monthly activity releases this week; the relevant data point was CPI, which isn't part of this block. The indicator holds steady ahead of the data due before Jackson Hole.

Conf. 72 ▲ 0.2

VSIPI · 6%
Visual Sigma® Inflation Pressure Index

64.3

High

Rises one point: July CPI fell to 3.4% year over year and core to 2.5%, a mild reading that doesn't accelerate pressure despite the prior week's Brent surge.

Conf. 80 ▼ 2.6

VSCCI · 8%
Visual Sigma® Credit Conditions Index

20.4

Low

The block that rises most (+4.6 points): HY tightens to 267 bps and IG rises to 80, both near decade lows. Credit still isn't confirming the geopolitical tension.

Conf. 54 ▼ 6.2

VSFSI · 12%
Visual Sigma® Financial Stability Index

22.8

Low

The block that improves most (-3.6 points of tension): the VIX falls to 14.25 and the VXN to 20.72; the NFCI, STLFSI4 and KCFSI remain accommodative and the 2s10s slope stays positive.

Conf. 76 ▲ 0.2

VSGRI · 14%
Visual Sigma® Geopolitical Risk Index

77.7

High

Hormuz still has no signed joint statement ahead of the August 17 deadline; two open questions persist — control of the strait and vessel tolls. Team-scored block, practically unchanged.

Conf. 30 ⚠ ▲ 0.9

VSMRI · 18%
Visual Sigma® Market Reaction Index

56.7

Constructive

▲ alto = favorable (único invertido). Mejora 3.8 puntos: el S&P 500 cierra casi plano tras el susto tecnológico de inicio de semana y la volatilidad general y técnica se relaja con fuerza.

Conf. 66 ▲ 3.7

What do these numbers mean? Every indicator runs from 0 to 100 on actual data; in the seven risk blocks a high number is bad news, but in market reaction it is the reverse, so always read the color, not just the figure. Confidence shows how much of the block is covered by free official sources: paid indicators (CDX, MOVE, Citi, Conference Board, ISM) are not estimated, they are deducted from confidence.

RESEARCH TEAM VIEW · QUALITATIVE

Not model output; analyst judgment, reviewed weekly

BASE CASE — 50%

The August 17 deadline passes without a break or a formal deal: Iran and Oman keep negotiating, Washington doesn't immediately impose new sanctions and Hormuz stays depressed without closing. Brent trades between $85 and $98 and the KGRI ranges between 48 and 58.

BULL CASE — 25%

Iran and Oman sign the joint statement before or shortly after August 17; transits start to normalize. Brent falls below $85 and the KGRI drops below 45.

BEAR CASE — 25%

The deadline expires without a deal and Washington imposes new sanctions or explicit threats; Iran responds by escalating its rhetoric on closing the strait. Brent tops $100 and the KGRI climbs above 65.

GLOBAL GEOPOLITICAL RISK MAP

Research team view. List curated manually each week; not VSGRI output (see next page).

Very high · High · Medium

Middle East · Strait of Hormuz — VERY HIGH

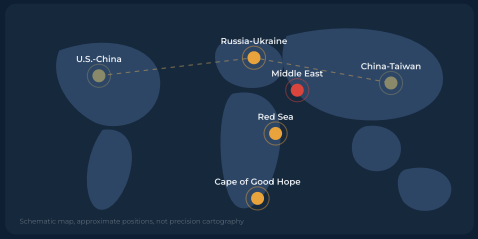
Iran and Oman got "very close" to fixing the transit coordinates, but without a signed joint statement. Two open questions persist —control of the strait and vessel tolls— and full reopening depends on the U.S. honoring the June memorandum. The 60-day deadline expires Monday, August 17.

Red Sea · Bab el-Mandeb — HIGH

The Houthi blockade on Saudi ports, in place since July 20, remains active. No new verified incidents this week; Saudi Arabia continues preparing its naval coalition.

Routing · Cape of Good Hope — HIGH

With Hormuz not reopened and Bab el-Mandeb blocked, the detour remains the norm, with higher freight costs and 8 to 12 extra days of transit.



China-Taiwan — MEDIUM

No verified escalation this week; market focus stays on the Middle East and U.S. CPI.

Russia-Ukraine — HIGH

The Trump-Putin summit in Alaska did not bring a ceasefire: Putin demands the cession of Donetsk. Russia intensified strikes on the port of Odesa, key to Ukrainian grain and steel exports.

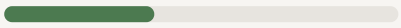
U.S.-China trade — MEDIUM

No verified tariff developments; the agreed 20% ceiling holds. Chinese equities logged their largest fund outflow since May (-$14.500M).

Context for the week under review, updated manually by the team. Not VSGRI output (see the quantitative breakdown on the next page).

QUANTITATIVE MODEL

VSGRI, breakdown of its six components (as of 2026-08-28)

SCON 24%	Intensity of international geopolitical conflict		93 · Very high
SGEO 20%	Global geoeconomic fragmentation		79 · High
SENE 18%	Energy and strategic commodity risk		72 · High
SSUP 14%	Global supply chain risk		93 · Very high
SSOV 12%	Sovereign risk and international sanctions regime		38 · Low
SUNC 12%	Structural geopolitical uncertainty		75 · High

0-100 scale; a higher value means greater risk pressure. The percentage shows its relative weight. Block scored by the team from verified facts of the week: with no freely available quantitative source, its confidence is 30/100.

OUR READ · RESEARCH TEAM VIEW

"The week brought neither a deal nor a break, and yet CPI did more to calm the market than any progress on Hormuz: with inflation falling to 3.4% year over year, traders cut the probability of a September rate hike to 42% without the strait being resolved. Gold remains the asset that best sums up the week: it rises 1.9% and captures the largest fund inflow since January, proof the market is buying protection even without a new headline. We're holding the position ahead of Monday's deadline."

MARKET DATA · WEEKLY CLOSE

Live from FRED, the ECB Data Portal and Japan's Ministry of Finance, with no analyst intervention.

S&P 500
7,785.76
▲ +0.36%
Closes almost flat after the tech scare early in the week; U.S. equity benchmark.

STOXX EUROPE 600
660.4 (e)
≈ plano
Hovers near the prior week's record (52-week high on August 11); exact Friday close unconfirmed.

VIX
14.25
▼ -0.65
Falls to recent lows; the market isn't confirming the lack of a Hormuz deal.

UST 10-YEAR
4.68%
▲ +0.03
Barely moves despite Wednesday's CPI; the curve digests a mild inflation reading.

EURO AAA CURVE, 10-YEAR
3.20% (e)
▲ +0.05 *(e)*
ECB data portal without stable access this week; level and change estimated.

HY CORPORATE SPREAD
267 bps
▼ -3 bps
Tightens; still near decade lows, not confirming the geopolitical tension.

DOLLAR (FED BROAD INDEX)
118.90
▼ -0.1% week over week
The DTWEXBGS barely moves on the week.

EUR/USD
1.1581
▲ +0.2% week over week
The euro strengthens slightly against the dollar.

GOLD (SPOT)
$4,387.62
▲ +1.9% week over week
Largest inflow into gold funds since January ($6.300M, per BofA).

BRENT
$92.02
▲ +5.0% week over week
Rises as the Iran-Oman deal remains unsigned ahead of the August 17 deadline.

JGB 10-YEAR
2.88%
= +0.00
Japan's Ministry of Finance; at multi-decade highs, practically unchanged.

BALTIC DRY INDEX
2,863
▼ -7.3% week over week
Snaps a winning streak; weakness in capesize and panamax, unrelated to the conflict.

"Dollar" uses the DTWEXBGS. The 10-year JGB is official data from Japan's MOF; the ECB Data Portal and the UK Debt Management Office had no stable access this week, so the euro AAA curve and the gilt curve are estimated (e).

MONETARY POLICY AND LIQUIDITY

FED	BCE	BOE	BOJ
3.75%	2.25%	3.75%	1.00%
target rate, upper bound	deposit facility	bank rate	policy rate
unchanged; next meeting September 17	unchanged this week	unchanged; next meeting September 19	holds rates this week

Fed balance sheet: $6,760 trillion (Aug. 12); Treasury General Account at $963,950M and reverse repo nearly empty.

WHERE DID THE MONEY GO THIS WEEK?

Week through August 12 (BofA Global Research, The Flow Show).

INFLOWS

Money market funds	**+$25,400M**
Bonds	**+$23,800M**
Global equities	**+$16,100M**
Gold and metals	**+$6,300M**
Europe	**+$1,200M**

OUTFLOWS

Technology	**-$1,200M**
Chinese equities	**-$14,500M**

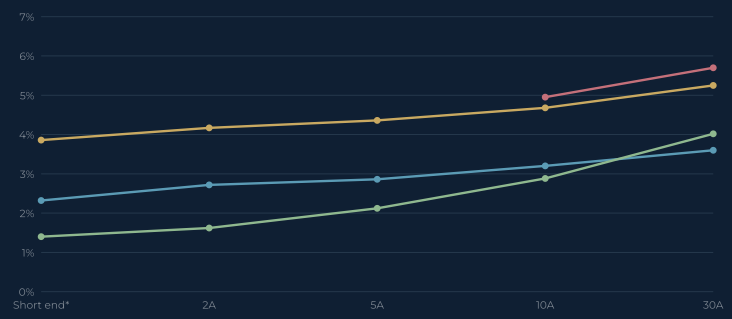
A week of broad-based inflows —money market funds, bonds, global equities and gold— with two exceptions: China, with its largest outflow since May, and technology, with its worst week in seven.

YIELD CURVES, CROSS-COUNTRY COMPARISON

United States, euro area, United Kingdom and Japan; official data from each treasury or central bank.

Full curve · U.S., euro area, U.K. and Japan

Yield (%) by maturity



- United States (Treasury): 3.86 · 4.17 · 4.36 · 4.68 · 5.25%
- Euro area (ECB, AAA curve): 2.32 · 2.72 · 2.86 · 3.20 · 3.60%
- United Kingdom (gilts): 4.95 · 5.70%
- Japan (Ministry of Finance): 1.40 · 1.62 · 2.12 · 2.88 · 4.02%

*The short end is not the same maturity across the four regions; from two years onward the tenors are identical. For the United Kingdom only the two points verified this week are shown: the full gilt curve has no free machine-readable source.

Research team read

The curve barely moved this week, in contrast to the swings of prior weeks: the U.S. 10-year rose three basis points to 4.68% and the 2-year fell two to 4.17%, with Wednesday's mild CPI as the main reference. Japan remains at multi-decade highs (2.88%), pressured by its own normalization process, unrelated to the Fed's cycle. Europe and the UK had no stable access to official portals this week, so their levels are estimated. The team reads the calm as a pause, not a resolution: with the August 17 deadline ahead, the rates market is waiting, not pricing a specific outcome.

What is the yield curve? The interest government debt pays by maturity. Normally the long end pays more than the short end (a positive slope); when it inverts, the market is usually pricing a slowdown.

RESEARCH TEAM VIEW · QUALITATIVE

Recommendation, idea selection and scenario probability; analyst judgment

Current KGRI range. Neutral (40-60), at 51,5. The recommendations below develop the page 1 positioning framework for this range, for equities and fixed income.

Equities

Neutral, awaiting August 17

We keep the neutral stance. Mild CPI eases the pressure for a rate hike without opening the door to cuts, and the S&P 500's calm (+0.36% on the week) contrasts with the real uncertainty around Monday's deadline. Keep European defense and aerospace; no change in weighting until we see how the memorandum is resolved.

Fixed income and credit

Duration unchanged, awaiting the outcome

This week's calm in the curve isn't a sign the geopolitical risk has cleared, but that the market is waiting for Monday. We keep the average duration started weeks ago unchanged. In credit, HY at 267 basis points still doesn't pay enough for the latent risk: we keep our preference for investment grade.

TRADE OF THE WEEK

Gold · maintain the defensive hedge

With July CPI mild and the August 17 deadline ahead, the team keeps the gold position opened in prior weeks: the largest fund inflow since January ($6.300M, per BofA) confirms the market keeps buying protection despite the surface calm in equities. It's the position best positioned to withstand either an adverse Hormuz outcome or an August inflation surprise. No change in position size; revisit once the memorandum's outcome is known Monday.

Note on this edition. This edition covers the week of August 10-16, market close Friday the 14th. The ECB Data Portal and the UK Debt Management Office had no stable access this week; the euro AAA curve and the gilt curve are flagged (e). Fund flows are from BofA Global Research (The Flow Show), week through August 12.

Sources. Federal Reserve Bank of St. Louis (FRED): policy rates, Treasury curve, VIX, ICE BofA spreads, financial conditions indexes, monetary aggregates, S&P 500 and the broad dollar index. Japan's Ministry of Finance: JGB curve, 10-year data verified. European Central Bank Data Portal and UK Debt Management Office: no stable access this week; euro AAA and gilt curves estimated and flagged (e). BofA Global Research (The Flow Show): weekly fund flows, week through August 12. Baltic Exchange: freight index. U.S. Bureau of Labor Statistics: July CPI. Al Jazeera, CNN, NBC News, CNBC: Iran-Oman-U.S. negotiations. ABC News and Al Jazeera: Russia-Ukraine and the Trump-Putin summit in Alaska. Visual Sigma® engine (KGRI and the eight sub-indexes), computed under the methodological catalog (Volume II) using ten-year historical percentiles. Catalog indicators without a free public source (CDX IG and HY, MOVE index, Citi Economic Surprise, Conference Board LEI, ISM) are neither estimated nor interpolated: they reduce the confidence level of the corresponding block, as the methodology requires. Figures flagged with (e) are team estimates pending confirmation from an official source.

The views expressed herein are based on data collected from sources believed to be reliable; neither the analyst nor the firm is responsible for their accuracy. This report is for informational purposes only and does not constitute investment advice or a personalized investment recommendation.

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