Why market headlines may miss the bigger picture

Invesco · 2026-08-10 · English original

Key takeaways

Oil, inflation, Fed uncertainty, tech consolidation, and Japan headlines have grabbed attention, but markets have handled these disruptions with limited stress.

The broader market backdrop remained constructive, with solid job growth, resilient earnings, easing inflation pressures, and limited signs of financial stress.

Not every market disruption changes the outcome. Investors may be better served by staying focused, rather than being drawn to dramatic headlines.

I shadowed an Associated Press photographer once during a college football game. It was a fascinating experience, not necessarily because of what I learned about photography, but because I learned something about perspective, which has stayed with me as a global market strategist watching the stock markets. Here's why. At one point, a player went down with an injury. As trainers rushed onto the field, a cluster of photographers sprinted toward the scene to get a shot of the injured player lying in pain.

The photographer I was shadowing didn't move. He just looked at the others with disdain. He explained that they were chasing a photograph that only mattered if the injury turned out to be catastrophic and involved a prominent player. If that happened, the picture would be splashed across newspapers everywhere. But most injuries don't change the outcomes of games or warrant the front page of newspapers. Most are simply interruptions in a much bigger story. "I'd rather be in position for the next play," he said. That's the lesson that has stayed with me.

I've thought about it often over the past several months with all the dramatic headlines about the markets.

Look beyond dramatic headlines

There has been no shortage of reasons in the global economy and financial markets to focus on "injuries." War in the Middle East. Higher oil prices.1 Concerns about headline inflation.2 A Federal Reserve (Fed) that has been less communicative than many investors would like. A consolidation in technology stocks after a remarkable advance.3 Intervention in the Japanese yen market.4

Each of these developments has generated dramatic headlines and confident predictions of trouble ahead. And to be fair, if I focused on those risks, made a sufficiently negative call, and happened to be right, perhaps I'd get my picture in the paper too. But I'd rather focus on the bigger game.

Insight on oil, tech, and Japan headlines

Consider oil prices. The spike that had many investors worried peaked back in early April.5 Inflation? Market-based inflation expectations have been moving lower rather than higher.6 Concerns about a more hawkish Fed? Markets have already digested the equivalent of roughly two additional rate hikes with surprisingly little stress showing up in credit markets7 or even in the S&P 500 Index Equal Weight Index.8 In fact, given where inflation expectations have fallen, I'd still take the under on two additional hikes.

What about technology stocks? Yes, there has been some consolidation,9 but it's occurring against a backdrop of strong earnings growth and extraordinary demand for AI-related services.10 The major hyperscalers continue to report backlogs that suggest demand remains ahead of available capacity.

And then there's Japan. Much attention has been paid to the yen and the possibility of additional Bank of Japan rate hikes. Yet markets appear to be absorbing those expectations without significant disruption. The Nikkei 225 Index, after all, has been strong year to date.11

Meanwhile, the broader "game" continues to look quite favorable. This week's economic data offered another reminder. Jobless claims remained low by historical standards.12 Productivity growth surprised to the upside.13 While the payroll report came in weaker than expected, it likely lowers the probability of rate hikes.14 None of this suggests an economy on the verge of rolling over in my view.

Too often, investors are drawn toward the dramatic headline, the temporary disruption, or the latest source of anxiety. Like those photographers running toward the injured player, they can risk losing sight of the field itself. The headlines may be compelling, but the larger story appears to remain intact. Economic growth continued. Corporate earnings have held up. Inflation pressures have been easing more than accelerating. Financial markets have been adjusting to policy changes largely without obvious signs of stress. That's why I'm not rushing toward the "injury," the dramatic headlines regarding the markets, and focusing on the bigger picture instead.

Shows housing demand and rate sensitivity

UK gross domestic product (GDP), industrial production, and trade balance

Retail sales University of Michigan Consumer Sentiment

Manufacturing shipments and wholesale trade

Source: Bloomberg, L.P., Aug. 5, 2026, based on US West Texas Intermediate Crude Sweet Oil.

Source: US Bureau of Labor Statistics, June 2026, based on the US Consumer Price Index.

Source: Bloomberg, L.P., Aug. 5, 2026, based on the Philadelphia Semiconductor Index, which has declined 16.78% from the June 22, 2026 high.

Source: CNBC, "Why the U.S. stepped in after decades to prop up Japan's yen — and what's at stake," Aug. 3, 2026.

Source: Bloomberg, L.P., Aug. 5, 2026, based on the price per barrel of US West Texas Intermediate Crude Sweet Oil, which peaked on April 7, 2026.

Source: Bloomberg, L.P., Aug. 5, 2026, based on the 5-year US Treasury inflation breakeven, which peaked this year on May 4 at 2.74% and closed on Aug. 5 at 2.20%.

Source: Bloomberg, L.P., Aug. 5, 2026, based on the option-adjusted spread of the Bloomberg US Corporate Bond Index.

Source: Bloomberg, L.P., Aug. 5, 2026, based on the 15.82% year-to-date return of the S&P 500 Equal Weight Index.

Source: Bloomberg, L.P., Aug. 5, 2026, based on the Philadelphia Semiconductor Index, which has declined 16.78% from the June 22, 2026 high.

Source: Yahoo Finance, ”Big Tech’s cloud backlog just hit $2.3 trillion — and it’s feeding AI capex plans, Aug. 3, 2026.

Source: Bloomberg, L.P., Aug. 6, 2026, based on the 30.09% year-to-date return of the Nikkei 225 Index in US dollars.

Source: US Bureau of Labor Statistics, Aug. 6, 2026, based on US initial jobless claims.

Source: US Bureau of Labor Statistics, July 2026, based on US labor productivity output per hour in the nonfarm business sector.

Source: US Bureau of Labor Statistics, July 2026, based on the US nonfarm payroll.

All investing involves risk, including the risk of loss.

Past performance does not guarantee future results.

Investments cannot be made directly in an index.

This does not constitute a recommendation of any investment strategy or product for a particular investor. Investors should consult a financial professional before making any investment decisions.

Artificial intelligence (AI) technology companies are sensitive to specific risks such as small markets, business cycle changes, economic growth, technological progress, obsolescence, and regulation. These companies may have limited products, markets, resources, or personnel, making their securities more volatile, especially for smaller start-ups. Rapid technological changes can adversely affect their results. AI companies often rely on patents, copyrights, trademarks, and trade secrets to protect their technology, but there's no guarantee these protections will be sufficient. Significant research and development (R&D) spending doesn’t ensure product or service success.

The Bloomberg US Corporate Bond Index measures the investment grade, fixed-rate, taxable corporate bond market. It includes US dollar-denominated securities publicly issued by US and non-US industrial, utility, and financial issuers.

Capital expenditures (or capex) is the use of company funds to acquire or upgrade physical assets such as property, industrial buildings, or equipment.

The Consumer Price Index (CPI) measures the change in consumer prices and is a commonly cited measure of inflation.

Gross domestic product (GDP) is a broad indicator of a region’s economic activity, measuring the monetary value of all the finished goods and services produced in that region over a specified time period.

Hawkish describes a central bank or policymaker's preference for a tighter monetary policy, typically to combat inflation.

Hyperscalers are large cloud service providers that can provide services such as computing and storage at enterprise scale.

In general, stock values fluctuate, sometimes widely, in response to activities specific to the company as well as general market, economic, and political conditions.

Inflation is the rate at which the general price level for goods and services is increasing.

Investments focused on a particular industry or sector are subject to greater risk and can be more impacted by market volatility than more diversified investments.

Many products and services offered in technology-related industries are subject to rapid obsolescence, which may lower the value of the issuers.

The Nikkei 225 Index is a price-weighted average of 225 top-rated Japanese companies listed in the first section of the Tokyo Stock Exchange.

Option-adjusted spread (OAS) is the yield spread that must be added to a benchmark yield curve to discount a security's payments to match its market price, using a dynamic pricing model that accounts for embedded options.

The Philadelphia Stock Exchange Semiconductor Sector Index is a capitalization-weighted index comprising the 30 largest U.S.-traded companies primarily involved in the design, distribution, manufacture, and sale of semiconductors.

The Producer Price Index (PPI) program measures the average change over time in the selling prices received by domestic producers for their output. The prices included in the PPI are from the first commercial transaction for many products and some services.

The S&P 500® Equal Weight Index is the equally weighted version of the S&P 500® Index.

The S&P 500® Index is an unmanaged index considered representative of the US stock market.

Treasury Inflation-Protected Securities (TIPS) are US Treasury securities that are indexed to inflation.

West Texas Intermediate (WTI) is a type of light, sweet crude oil that comes from the US.

The opinions referenced above are those of the author as of Aug. 10, 2026. These comments should not be construed as recommendations, but as an illustration of broader themes. Forward-looking statements are not guarantees of future results. They involve risks, uncertainties, and assumptions; there can be no assurance that actual results will not differ materially from expectations.

Leaving Invesco.com

This link takes you to a site not affiliated with Invesco. The site is for informational purposes only. Invesco does not guarantee nor take any responsibility for any of the content.
