ZITAPLUS
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GERMAN INFLATION HAS AN ENERGY PROBLEM

ZITA PLUS

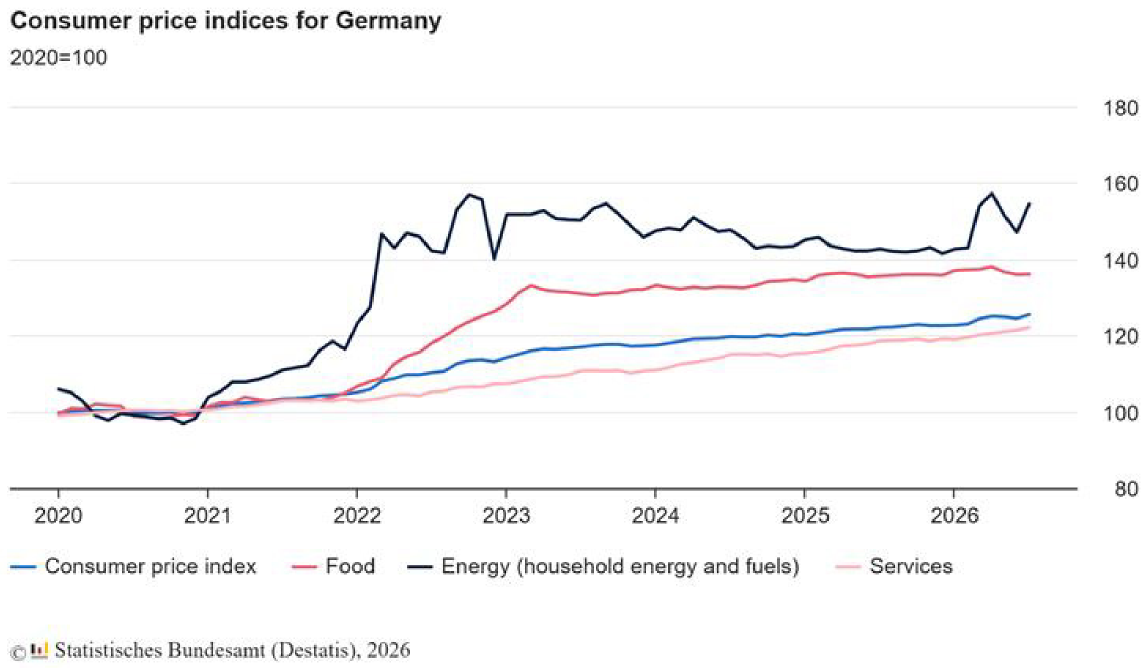
ECONOMIC CALENDAR • TECHNICAL ANALYSIS
BIG TECH TURNS TO DEBT FOR AI EXPANSION
EARNINGS ARE DOING MORE OF THE HEAVY LIFTING • AND MORE...

Contents

TIME	CUR.	EVENT	FORECAST	PREVIOUS
MONDAY, AUG 17				
03:50	JPY	GDP (QoQ) (Q2)	0.5%	0.5%
WEDNESDAY, AUG 19				
10:00	GBP	CPI (YoY) (Jul)	-	-
13:00	EUR	CPI (YoY) (Jul)	-	2.6%
22:00	USD	FOMC Meeting Minutes	2.9%	2.8%
THURSDAY, AUG 20				
16:30	USD	Philadelphia Fed Manufacturing Index (Aug)	-	41.4
16:30	USD	Initial Jobless Claims	-	-
FRIDAY, AUG 21				
17:45	USD	S&P Global Manufacturing PMI (Aug)	-	53.9
17:45	USD	S&P Global Services PMI (Aug)	-	54.6

GMT+4 DUBAI TIME

GERMAN INFLATION HAS AN ENERGY PROBLEM



German inflation accelerated in July as higher energy costs pushed consumer prices higher, even as underlying inflation showed signs of cooling. Annual inflation rose to 2.8% in July 2026 from 2.3% in June, matching the preliminary estimate and reaching its highest level since April. The increase was largely driven by a sharp rise in energy prices linked to renewed tensions in the Middle East.

OIL BRINGS INFLATION BACK INTO FOCUS

Energy inflation jumped to 8.3% from 3.4% as higher oil prices quickly fed into household costs. Motor fuel prices surged 23.0%, more than double June's 11.3% increase. The rise also followed the end of a temporary reduction in the energy tax on fuels at the end of June, adding further pressure to prices in July.

UNDERLYING INFLATION TELLS A CALMER STORY

Outside energy, price pressures were more stable. Services inflation slowed to 2.9% from 3.1%, while food inflation held at just 0.4%.

Core inflation, which excludes energy and unprocessed food, also eased slightly to 2.4% from 2.5%. The figures suggest that the July increase was concentrated mainly in energy rather than spread broadly across the economy.

JULY DELIVERS A SHARP MONTHLY JUMP

Consumer prices rose 0.8% month-on-month, reversing June's 0.3% decline and marking the strongest monthly increase since March. The sharp turnaround highlights how quickly the rise in energy costs affected headline inflation. Germany's EU-harmonized inflation rate also climbed to 2.8%, its highest in three months and above the ECB's 2% target. The latest figures leave Germany with two different inflation signals: energy costs are pushing the headline rate higher, while services and core inflation are gradually easing.

S&P 500

S&P 500 RUNS INTO A TECHNICAL WALL

The S&P 500 is testing a major resistance zone around 7,780–8,050, where several technical levels meet. These include the upper boundary of its multi-year rising channel, the 1.0 Fibonacci extension near 7,769, and key psychological levels.

The broader uptrend remains intact while the index holds above the 6,890–7,000 support zone. Heavy resistance near current levels could still trigger some short-term profit-taking or a pullback.

The technical picture is still positive: the index trades well above its long-term EMA, the weekly RSI is near 65, and the rising channel continues to produce higher highs and higher lows.

EURUSD

EURO BREAKOUT MEETS ITS NEXT TEST

EUR/USD has climbed above 1.1570 after breaking its short-term descending trendline, supported by a softer dollar. The pair is now testing the 1.1570–1.1600 resistance zone.

A clear break higher could open the way toward 1.1680–1.1700, followed by stronger resistance at 1.1800–1.1820. On the downside, 1.1500–1.1520, near recent horizontal support and the EMA, remains key. A move below this area could bring sellers back and push the pair toward the lower end of the broader descending channel.

The daily structure has improved, with RSI above 60, although the longer-term descending channel still limits the upside.

XAUUSD

GOLD CHALLENGES $4,400 RESISTANCE

Gold trades steadily near $4,400 following a sharp recovery, staying well above its 200-day EMA at $4,292. The metal is currently testing a major horizontal resistance zone and descending trendline.

A decisive breakout above $4,440–$4,450 could spark further upward momentum toward the $4,580–$4,600 target, with RSI support around 64.

Failure to hold current levels could see prices retest critical support at $4,280–$4,300. Slipping below this threshold risks increasing downside pressure toward the $3,960–$4,000 area.

XAGUSD

SILVER FACES TRENDLINE AND EMA RESISTANCE

Silver trades near $65.25 following a steady recovery, hovering just under its 200-day EMA at $65.41 and a key descending trendline.

A clear breakout above the $66.50–$67.00 resistance corridor could trigger renewed momentum toward the $71.00–$72.00 target, supported by an RSI near 60.

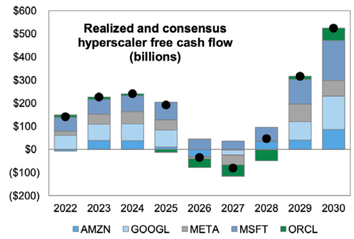
On the downside, immediate support holds between $63.00 and $63.50. Falling below this boundary would likely increase technical selling pressure, shifting focus back toward the $59.50–$60.00 support zone.

BIG TECH TURNS TO DEBT FOR AI EXPANSION

Artificial intelligence investment is becoming increasingly capital-intensive, pushing some of the world's largest technology companies to rely more heavily on debt. As spending on data centers, advanced chips, and computing infrastructure rises, borrowing is taking a larger role in financing the AI buildout.

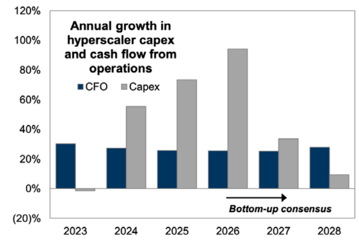
Companies including Amazon, Meta, Microsoft, Alphabet, and Oracle are committing substantial resources to expand their AI capacity. Recent trends show debt issuance among these large technology companies, referred to as hyperscalers, rising rapidly as infrastructure requirements grow.

Exhibit 9: Consensus estimates point to negative hyperscaler FCF through 2027 before a rebound in 2028



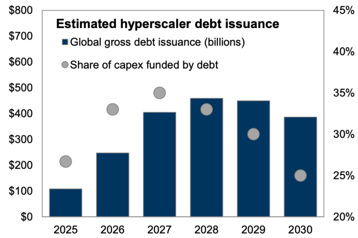
Source: FactSet, Goldman Sachs Global Investment Research

Exhibit 10: Consensus estimates point to a sharp deceleration in capex growth alongside stable CFO growth



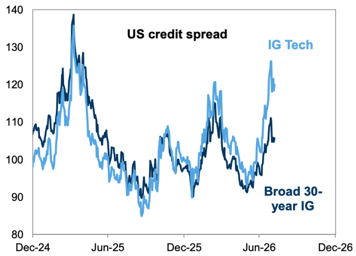
Source: FactSet, Goldman Sachs Global Investment Research

Exhibit 12: Goldman Sachs credit strategists expect 35% of 2027 hyperscaler capex will be funded by debt



Source: Goldman Sachs Global Investment Research

Exhibit 13: US IG credit spreads have recently widened, especially in tech



IG Tech basket is not maturity specific. IG Tech (GSIGATTC) and 30Y IG (GSIG30AS) bond baskets created by GBM.

Source: Goldman Sachs FICC and Equities, Goldman Sachs Global Investment Research

AI CHANGES THE FUNDING MODEL

Historically, major technology companies were able to finance much of their expansion through strong operating cash flows. However, the scale and upfront cost of AI infrastructure are changing that approach. Debt provides another source of capital, allowing companies to maintain aggressive investment plans without relying entirely on available cash.

Balance sheet conditions also vary considerably across the sector. Some companies maintain large cash reserves and relatively low debt levels, giving them more flexibility to fund expansion. Others are borrowing more aggressively as they increase spending on AI infrastructure.

RETURNS BECOME THE KEY QUESTION

For investors, the main issue is whether the current wave of AI spending will eventually generate enough revenue, cash flow, and profit to justify the investment.

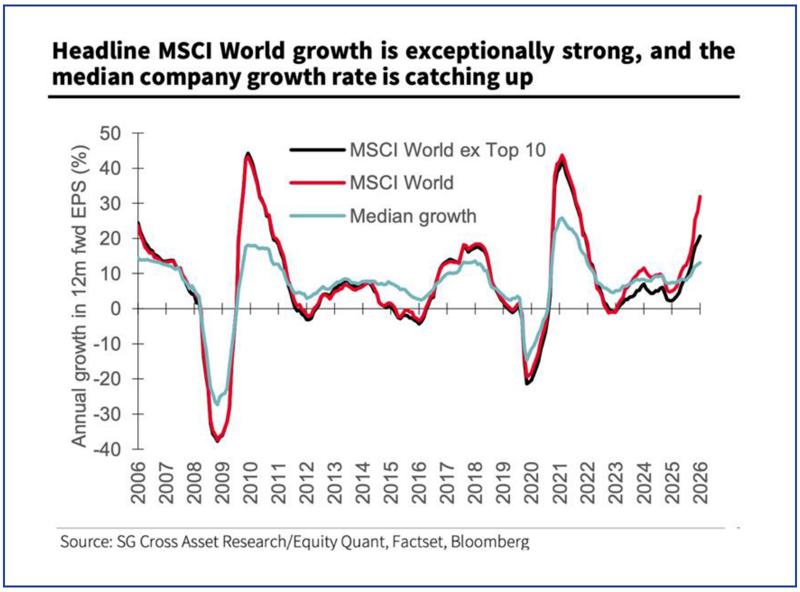
If demand for AI services continues to expand, today's infrastructure spending could support significant long-term growth. However, weaker returns would make rising debt levels more important for valuations and financial risk.

As AI capital expenditure continues to grow, investors are likely to pay closer attention not only to spending levels, but also to how efficiently companies convert those investments into sustainable earnings.

EARNINGS ARE DOING MORE OF THE HEAVY LIFTING

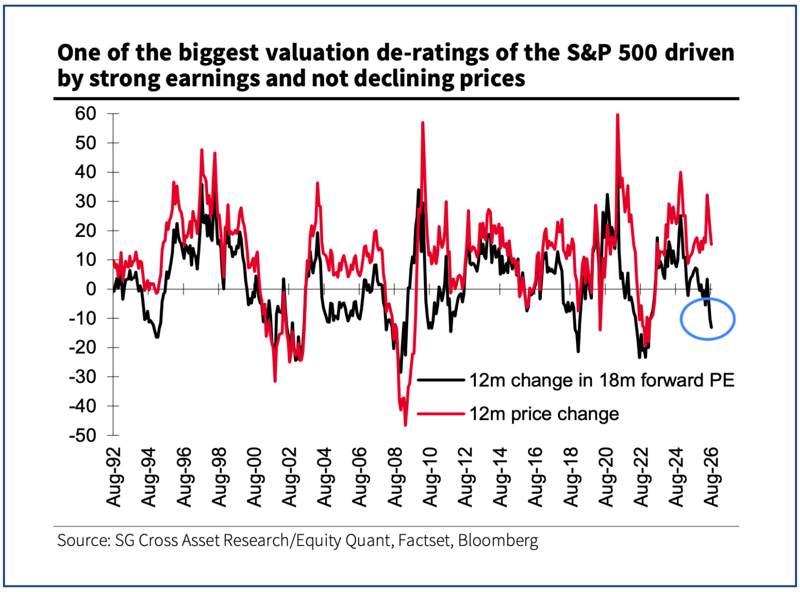
Global equities are getting a stronger push from corporate profits than headline valuations might suggest. Despite persistent concerns around interest rates, economic uncertainty, and expensive stocks, earnings growth continues to strengthen beneath the surface.

MSCI World earnings growth has accelerated sharply, and the improvement is spreading beyond the largest companies. The median company is also reporting stronger profit growth, suggesting the trend is becoming broader rather than relying on a handful of mega-cap names.



WHY VALUATIONS ARE STARTING TO LOOK DIFFERENT

The S&P 500 tells a similar story. Valuation multiples have declined, but largely because earnings have grown faster, not because stock prices have suffered a major correction.



That changes the valuation debate. Equities may still appear expensive by historical standards, but stronger profits are gradually making those prices easier to justify. If earnings momentum holds, it could continue to provide support even as economic uncertainty and interest-rate concerns persist.

US INFLATION EASES SLIGHTLY IN JULY

Table A. Percent changes in CPI for All Urban Consumers (CPI-U): U.S. city average

	Seasonally adjusted changes from preceding month							Un-adjusted 12-mos. ended Jul. 2026
	Jan. 2026	Feb. 2026	Mar. 2026	Apr. 2026	May 2026	Jun. 2026	Jul. 2026	
All items	0.2	0.3	0.9	0.6	0.5	-0.4	0.1	3.4
Food	0.2	0.4	0.0	0.5	0.2	0.2	0.1	3.0
Food at home	0.2	0.4	-0.2	0.7	0.1	0.2	-0.1	2.7
Food away from home(1)	0.1	0.3	0.2	0.2	0.3	0.2	0.3	3.4
Energy	-1.5	0.6	10.9	3.8	3.9	-5.7	-1.5	14.7
Energy commodities	-3.3	1.1	21.3	5.6	6.7	-9.5	-2.9	24.7
Gasoline (all types)	-3.2	0.8	21.2	5.4	7.0	-9.7	-2.9	24.6
Fuel oil	-5.7	11.1	30.7	5.8	3.8	-9.2	-1.7	39.1
Energy services	0.2	0.2	0.4	1.6	0.4	-0.7	0.3	4.3
Electricity	-0.1	-0.7	0.8	2.1	0.6	-1.0	0.1	4.2
Utility (piped) gas service	1.0	3.1	-0.9	-0.1	-0.5	0.5	0.7	4.3
All items less food and energy	0.3	0.2	0.2	0.4	0.2	0.0	0.2	2.5
Commodities less food and energy commodities	0.0	0.1	0.1	0.0	-0.1	-0.1	0.2	0.8
New vehicles	0.1	0.0	0.1	-0.2	-0.3	0.0	0.1	0.5
Used cars and trucks	-1.8	-0.4	-0.4	0.0	0.1	-0.2	0.4	-1.9
Apparel	0.3	1.3	1.0	0.6	0.3	-0.6	0.1	3.9
Medical care commodities(1)	-0.1	0.0	-1.0	-0.4	-0.7	-0.2	-0.6	-2.7
Services less energy services	0.4	0.3	0.2	0.5	0.3	0.0	0.2	3.0
Shelter	0.2	0.2	0.3	0.6	0.3	0.1	0.1	3.2
Transportation services	1.4	0.2	0.6	0.3	-0.6	-0.3	0.3	2.9
Medical care services	0.3	0.6	0.0	0.0	0.5	-0.1	0.6	2.7

Footnotes
(1) Not seasonally adjusted.

US inflation showed further signs of cooling in July 2026, although price pressures remained above the Federal Reserve's target. Consumer prices increased 0.1% month-on-month, following a 0.4% decline in June, while annual inflation eased to 3.4% from 3.5%, according to the Bureau of Labor Statistics.

ENERGY PRICES OFFSET HIGHER SERVICE COSTS

Shelter costs rose 0.1% and accounted for roughly two-thirds of the overall monthly increase. Other key components showed mixed price movements:

- **Food:** +0.1%
- **Food away from home:** +0.3%
- **Energy:** -1.5%
- **Core CPI:** +0.2%

Lower energy prices helped limit headline inflation despite continued increases across several service categories. However, energy costs remained 14.7% higher year-over-year.

Core inflation, which excludes food and energy, increased 0.2% on the month after remaining unchanged in June. Prices rose for medical care, airline fares, communication, education, and recreation, while motor vehicle insurance declined.

On an annual basis, core inflation eased to 2.5% from 2.6%. The latest figures suggest underlying price pressures are gradually moderating, although headline inflation remains elevated and energy costs continue to pose a risk to the broader inflation outlook.

UK GDP RISES 0.4% IN THE SECOND QUARTER

The UK economy expanded again in the second quarter of 2026, although growth lost some pace compared with the start of the year. GDP rose 0.4% quarter-on-quarter, matching expectations but slowing from 0.6% in Q1.

SERVICES STAY IN THE LEAD

Services provided the strongest contribution, while construction recorded a smaller increase and overall production was flat.

- **Services:** +0.5%
- **Information and communication:** +2.7%
- **Professional, scientific and technical activities:** +1.7%
- **Construction:** +0.3%

Production is unchanged, as gains in manufacturing and mining were offset by declines in electricity, gas, water and waste-related industries.

INVESTMENT OUTPACES CONSUMPTION

Spending data showed a solid increase in investment, while household demand grew more modestly:

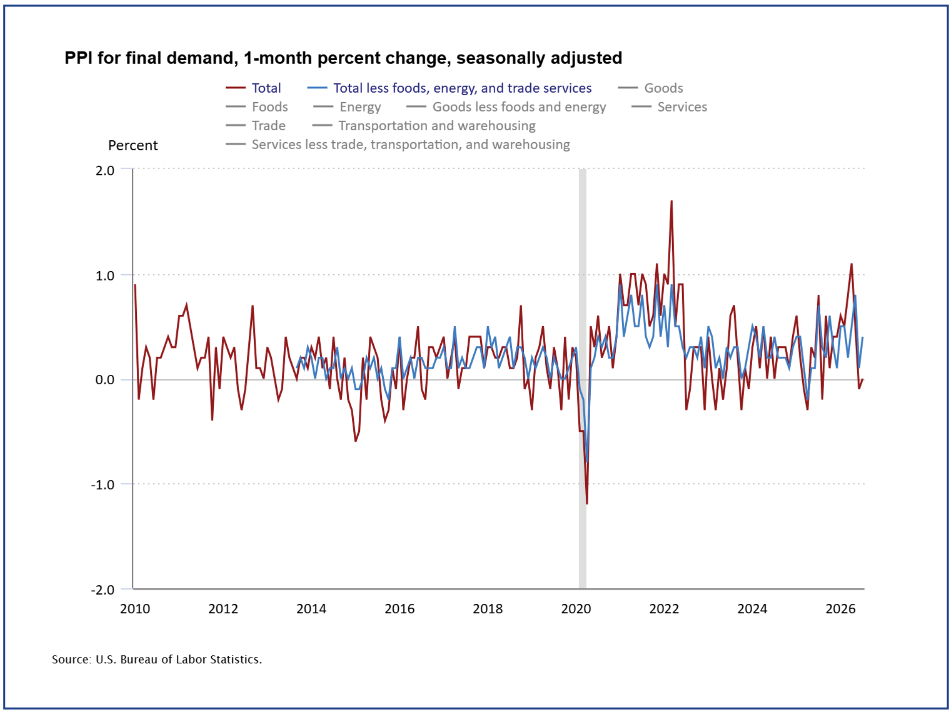
- **Gross fixed capital formation:** +1.2%
- **Household consumption:** +0.3%
- **Government consumption:** -0.3%

The decline in government spending held back the overall growth rate.

ANNUAL GDP BEATS FORECASTS

On a yearly basis, the picture improved. GDP grew 1.2%, up from 0.9% in the first quarter and slightly above the 1.1% forecast. The Q2 figures show that the UK economy is still growing, supported mainly by services and investment, but the slower quarterly pace points to more moderate expansion.

US WHOLESALE INFLATION COOLS FURTHER IN JULY



US producer inflation showed further signs of easing in July, adding to expectations that the Federal Reserve may have more flexibility to keep interest rates unchanged. The Producer Price Index (PPI) for final demand was flat month-on-month, coming in below market forecasts.

The July result followed a smaller reported decline in June compared to previous months. On an annual basis, headline PPI slowed to 4.7%, also below expectations and suggesting that some of the price pressures seen earlier this year are beginning to moderate.

ENERGY AND FOOD PRICES DECLINE

Goods prices provided the main downward pressure during the month. The goods index fell 0.7%, driven by declines in energy and food:

- **Energy prices:** -3.1%
- **Food prices:** -1.9%, the largest decline since January
- **Services prices:** +0.2%

Services moved in the opposite direction, supported by a sharp increase in portfolio management costs. Meanwhile, transportation and warehousing prices declined for a second consecutive month.

CORE INFLATION REMAINS ELEVATED

Core PPI, which excludes food and energy, increased 0.2% month-on-month and remained 4.2% higher year-over-year. While underlying producer inflation is still elevated, the latest figures point to a gradual cooling in broader price pressures.

Combined with the softer CPI report released earlier, the July PPI data may strengthen the case for the Fed to postpone further monetary tightening while policymakers assess whether the recent moderation in inflation can be sustained.

Market Roundup

IEA PROJECTS SHARPER DEFICIT

The International Energy Agency forecasts that global oil stockpiles will shrink more rapidly than anticipated this quarter, driven by escalating tensions with Iran and logistics bottlenecks. With the market facing an estimated 1.8 million barrel-per-day supply shortfall, elevated crude prices continue dampening consumer demand. OPEC crude production expanded by 1.66 million barrels per day in July to 23.63 million barrels per day, propelled by output gains in Saudi Arabia, Iraq, and Kuwait.

EVENING POWER PRICES RISE

European electricity prices are set to climb between 19:00 and 20:00 as solar energy output diminishes while evening demand remains elevated. This widening gap between declining renewable generation and peak consumption continues driving up short-term power costs across regional markets.

CHINA'S NEW TECH KING IS A CHIPMAKER

China's tech hierarchy is changing fast. Memory chipmaker CXMT has overtaken Tencent to become the country's most valuable company, topping $500 billion in market value as AI spending shifts attention from software to hardware. Hardware now makes up more than 12% of the MSCI China All Shares Index, up from less than 3% in 2020, while China's chip-heavy Star50 has surged 28% this year. With Beijing prioritizing semiconductors, AI infrastructure, and robotics, China's next generation of tech giants may increasingly be built around chips rather than apps.

The Week Ahead

The Iran-US standoff, central bank signals, and a packed global data calendar will drive the week. Washington is increasing economic pressure on Tehran, keeping energy prices and global yields sensitive to developments. Attention also turns to Fed minutes after a meeting with three hawkish dissents, alongside ECB accounts and Sweden’s Riksbank decision. Flash PMIs are due across the US, Eurozone, UK, Japan, Australia, and India, while inflation, employment, retail sales, and growth data will fill out the calendar.

AMERICAS

US Treasury yields will stay sensitive to Iran-US tensions and the risk of disruption to commercial shipping, particularly after Treasury Secretary Bessent signaled tougher economic pressure on Tehran. Fed minutes will offer more detail on the latest rate hold and three hawkish dissents. Earnings from Walmart, Home Depot, TJX, Lowe’s, and Target will provide a read on consumer demand, while Analog Devices could offer clues on AI investment. US PMIs are expected to show expansion, industrial production is forecast to rise 0.3%, import prices 0.1%, and export prices to fall 0.2%. Building permits are seen steady at 1.37 million, with housing starts slowing to 1.35 million. Empire State, Philadelphia Fed, pending home sales, and Treasury TIC flows are also due. In Canada, inflation is expected to reach 3.2%, matching May’s two-year high, alongside retail sales.

EUROPE

The ECB releases accounts from its July meeting, when rates were held after June’s 25bp hike, the first increase in three years. Sweden’s Riksbank also decides on rates. Flash PMIs from the Eurozone, Germany, France, and Italy will provide a fresh look at business activity, while Germany’s ZEW index follows July’s five-month high. In the UK, inflation is forecast to rise to a four-month high of 2.9%, unemployment to dip to 4.8%, and wage growth to slow to 4%. Retail sales and PMIs are also due. Other releases include Eurozone consumer confidence, German PPI, Swiss trade and industrial output, and sentiment data from France, Spain, and Türkiye.

ASIA-PACIFIC

China releases industrial production, retail sales, house prices, fixed-asset investment, and unemployment data, while the PBOC is expected to keep its 1-year and 5-year loan prime rates at 3% and 3.5%. Japan’s Q2 GDP is forecast at 0.5% quarter-on-quarter, alongside inflation, trade, machinery orders, and PMIs. India reports unemployment and PMIs, while Australia releases employment, consumer confidence, and inflation expectations. Singapore and Malaysia publish trade data, Malaysia and Hong Kong report inflation, and Thailand releases Q2 GDP. Bank Indonesia is expected to keep rates at 5.75%.

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