GLOBAL INSTITUTIONAL ADVISORS

# Weekly Market Wrap

## Market Developments

US equities ended the week mixed as a late rally in semiconductor and AI-related stocks lifted the S&P 500 (+1.2% to 7,575.4) and Nasdaq (+1.7%), offsetting earlier weakness driven by renewed US-Iran hostilities and higher oil prices. The Dow Jones declined 0.5% to 52,637.0, with value stocks and small caps underperforming. Markets also digested the June FOMC minutes, which revealed a divided committee. While policymakers ultimately kept rates unchanged, some members argued for further tightening and most supported removing the Fed's previous easing bias, reinforcing a more hawkish policy stance. Reflecting these concerns, the 10-year US Treasury yield rose 8bps to 4.56%, supported by both the Fed's tone and rising oil-driven inflation risks.

Economic data was mixed, with the ISM Services PMI easing to 54.0, initial jobless claims declining to 215k, and existing home sales falling 2.4%. Geopolitical tensions escalated further over the weekend after Iran declared the Strait of Hormuz "closed until further notice" following a third round of US strikes, increasing concerns over energy markets and global risk sentiment.

Europe's Stoxx 600 fell 1.8% as the ceasefire's collapse revived ECB tightening expectations even as German inflation cooled to 2.3%; the UK saw a leadership transition take shape as Andy Burnham secured Labour backing to succeed Keir Starmer. Japan's Nikkei fell 1.7% on energy-import sensitivity, while the 10-year JGB yield briefly touched its highest level since 1996 before retreating on verbal intervention from the Finance Ministry, which also helped stabilise the yen. In India, the Nifty 50 declined slightly (-0.3%) even as midcaps (+1.2%) and smallcaps (+0.7%) comfortably outpaced, with IT (+2.1%) the standout sector mover.

## What Are We Watching – Week Starting 13th July

- **US-Iran escalation / Strait of Hormuz:** The ceasefire did not survive the weekend. Iran has declared Hormuz closed and rejected fresh talks pending US concessions. Oil, yields and equities are likely to see continued whipsaw action until there is more clarity; this is the single largest swing factor for the week.
- **June US CPI (Tue 14 July):** Consensus looks for headline inflation to cool to 3.80% YoY from 4.20%, largely on lower gasoline prices following the mid-June ceasefire.
- **Fed Chair Warsh's first Congressional testimony (House Tue, Senate Wed):** His inaugural semi-annual testimony since taking the chair, coming right after CPI. Given the divided June minutes, tone here matters more than usual for rate-path expectations.
- **India CPI (Mon 13 July):** Consensus points to a pickup to 4.20% YoY from 3.93% – a reminder that the disinflation narrative isn't universal even as US headline inflation is expected to cool over the same period.
- **Q2 earnings season opens (banks report from 14 July):** S&P 500 earnings are expected to grow ~23% YoY, a second consecutive quarter above 20% – with technology and energy alone expected to drive roughly 80% of that growth (JPMorgan).
- **Oil supply-side dynamics:** Oil fundamentals are becoming increasingly bearish, with weaker Chinese crude demand, restored Gulf production, and additional OPEC+ supply from August pointing towards a return to contango. However, these trends remain in direct conflict with escalating Strait of Hormuz risks, leaving near-term price direction dependent on whether geopolitical disruptions or supply-demand fundamentals dominate.

## GIA View

**Equities**:

- The Dow's underperformance against the S&P and Nasdaq reflects a late-week snap-back in AI/semiconductor names outweighing broader index softness driven by oil and geopolitics – the same rotation dynamic seen in recent weeks, but now running in the opposite direction.
- AI leadership is likely maturing rather than breaking, but concentration risk has risen enough that consensus flag a preference for broadening exposure toward mid-caps, industrials and communication services.
- In India, the rotation into midcaps/smallcaps and a sharp IT-sector bounce (Nifty IT +2.1%) stands in contrast to the large-cap Nifty 50's modest weekly loss – a continuation of the broadening theme.

**Rates**:

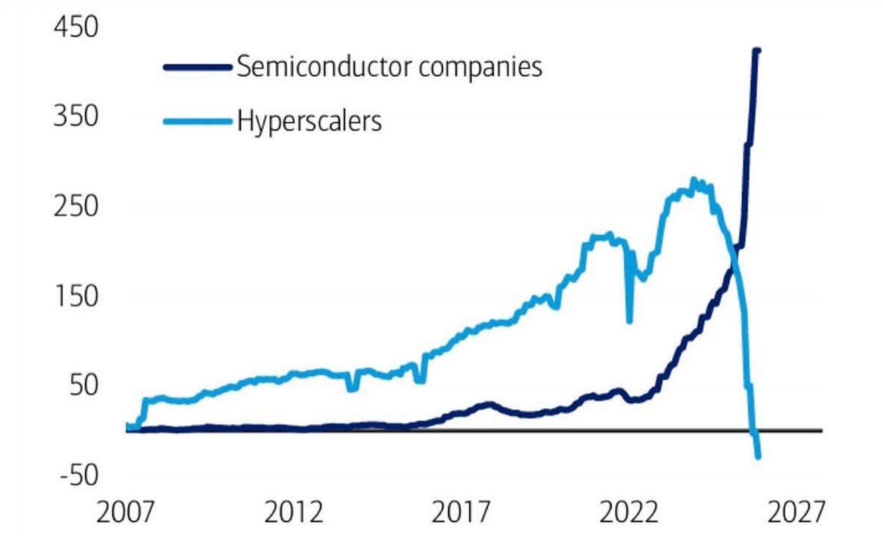
- The 10-year UST's 8bp rise to 4.56% reflects hawkish June minutes plus oil-driven inflation repricing; this week's CPI print and Warsh's first testimony are the key swing factors for whether that repricing extends or reverses.

- A genuinely counterintuitive move: the 10-year JGB briefly touched its highest yield since 1996 before retreating – not on any change in Japan's own outlook, but on verbal intervention from the Finance Minister urging pension funds toward domestic assets, which also firmed the yen. A reminder that policy jawboning, not just data, is moving core rates markets right now.

**Commodities**:

- Oil (WTI +4.0% WoW to $71.4) reflects the pre-weekend leg of the Iran escalation; it does not yet capture Monday's sharper move toward $74–75 following Iran's Hormuz declaration. Set against that headline risk is a supply-side counterweight – contango, falling Chinese imports, and an August OPEC+ increase – that argues against assuming one-directional upside from here.
- Gold's 1.4% weekly decline is the counterintuitive move worth flagging: in a week with genuine geopolitical escalation, gold fell rather than acting as a safe haven, as hawkish Fed repricing (higher real yields) outweighed any risk-off bid. Silver's steeper 4.1% decline tracked gold's move more than any industrial demand signal this week.
- Natural gas fell 8.0% WoW, the sharpest mover in the commodity complex – we don't have a clearly sourced driver for this move from this week's broker set and would flag it as a data point rather than attach a causal story to it.

**Chart of the week: A structural inflection in free cash flow across the AI value chain**




**Source:** BofA Research Investment Committee. Hyperscalers = AMZN, GOOGL, META, MSFT, ORCL. Semiconductor companies = NVDA, MU, AVGO, & AMAT

- The chart shows a clear crossover: Hyperscaler free cash flow, after rising steadily for over a decade, has turned down sharply and is set to go negative, while semiconductor companies' free cash flow, which was flat for years, has surged past it. In simple terms, the money is currently flowing from the hyperscalers into the chipmakers: one side is spending heavily to build out AI infrastructure, and the other side is the immediate beneficiary of that spending. Whether this is a temporary phase of the buildout or a more lasting shift depends on how quickly hyperscalers' own AI revenues catch up with what they're spending.

## Asset Class Performance – Week Ending 10th July

| | Week ending >>> | | | | |
|---|---|---|---|---|---|
| | **03-Jul-26** | **10-Jul-26** | **YTD Δ** | **MTD Δ** | **Weekly Δ** |
| **Equity Indices** | | | | | |
| S&P 500 (USD) | 7,483.2 | 7,575.4 | 10.5% | 3.0% | 1.2% |
| NASDAQ (USD) | 29,329.2 | 29,825.1 | 18.3% | 2.4% | 1.7% |
| Dow Jones (USD) | 52,900.1 | 52,637.0 | 8.8% | 1.5% | (0.5%) |
| MSCI EM Index (USD) | 1,721.5 | 1,690.7 | 18.3% | (0.9%) | (1.8%) |
| SENSEX (INR) | 77,763.9 | 77,569.4 | (9.6%) | 0.6% | (0.3%) |
| Stoxx 600 (EUR) | 652.8 | 641.1 | 7.5% | 0.8% | (1.8%) |
| Nikkei (JPY) | 69,744.1 | 68,557.7 | 36.2% | (1.2%) | (1.7%) |
| Hang Seng (HKD) | 23,350.0 | 24,175.1 | (8.2%) | 6.6% | 3.5% |

| | Week ending >>> | | | | |
|---|---|---|---|---|---|
| | 03-Jul-26 | 10-Jul-26 | YTD Δ | MTD Δ | Weekly Δ |
| **Commodities** | | | | | |
| Gold (USD per troy ounce) | 4,176.9 | 4,119.9 | (4.9%) | 0.8% | (1.4%) |
| Silver (USD per troy ounce) | 62.4 | 59.9 | (17.8%) | 1.2% | (4.1%) |
| Oil (USD per barrel) | 68.7 | 71.4 | 24.6% | 3.1% | 4.0% |
| Natural Gas (Henry Hub) | 3.2 | 2.9 | (18.7%) | (9.0%) | (8.0%) |
| **Currencies** | | | | | |
| EUR/USD | 1.1437 | 1.1416 | (2.6%) | 0.3% | (0.2%) |
| GBP/USD | 1.3350 | 1.3404 | (0.4%) | 1.5% | 0.4% |
| USD/INR | 95.2238 | 95.3250 | 5.7% | 1.0% | 0.1% |
| CHF/USD | 1.2448 | 1.2366 | (2.0%) | 0.1% | (0.7%) |
| USD/JPY | 161.3400 | 161.6800 | 3.1% | (0.0%) | 0.2% |
| **Credit Markets** | | | | | |
| US Treasury 10Y Yield (%) | 4.48 | 4.56 | 37.05 | 19.26 | 7.80 |
| German Bund 10Y | 2.94 | 3.07 | 16.50 | 21.40 | 13.00 |
| UK Gilt 10Y | 4.782 | 4.872 | 33.55 | 14.10 | 9.00 |
| Japan JGB 10Y | 2.778 | 2.866 | 80.00 | 22.90 | 8.80 |
| India G-Sec 10Y | 6.711 | 6.714 | 10.78 | (5.50) | 0.30 |
| China CGB 10Y | 1.740 | 1.733 | (12.20) | 0.70 | (0.70) |
| S&P BDC Index | 47.525 | 47.550 | (13.9%) | 1.3% | 0.1% |
| **Policy Rates** | | | | | |
| Fed Funds Rate (US) | 3.750 | 3.750 | - | - | - |
| BoE Bank Rate | 3.750 | 3.750 | - | - | - |
| BoJ Policy Rate | 1.000 | 1.000 | 25.00 | - | - |
| RBI Repo Rate | 5.250 | 5.250 | - | - | - |

## Key Economic Events – Week of 13–17 July

| Date | Country/Region | Event | Period | Survey (Median) | Prior |
|---|---|---|---|---|---|
| **Mon, 13 Jul** | India | CPI YoY | Jun | 4.20% | 3.93% |
| **Tue, 14 Jul** | US | CPI YoY | Jun | 3.80% | 4.20% |
| **Tue, 14 Jul** | US | Core CPI YoY | Jun | 2.90% | 2.90% |
| **Tue, 14 Jul** | China | Trade Balance | Jun | $121.30b | $105.43b |
| **Wed, 15 Jul** | US | PPI Final Demand YoY | Jun | 6.20% | 6.50% |
| **Wed, 15 Jul** | China | GDP YoY (Q2) | Q2 | 4.50% | 5.00% |
| **Wed, 15 Jul** | China | Retail Sales YoY | Jun | (0.10%) | (0.60%) |
| **Wed, 15 Jul** | China | Industrial Production YoY | Jun | 4.60% | 4.50% |
| **Thu, 16 Jul** | US | Retail Sales Advance MoM | Jun | 0.30% | 0.90% |
| **Thu, 16 Jul** | US | Initial Jobless Claims | w/e 11 Jul | 217k | 215k |
| **Fri, 17 Jul** | US | Housing Stats | Jun | 1,315k | 1,177k |

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