Weekly Market Wrap

Market Developments

US equities retreated in the week as a sharp rotation out of AI and semiconductor stocks outweighed supportive macroeconomic data. The S&P 500 fell 1.6% and the Nasdaq declined 4.1%, led by weakness in Information Technology, while Financials and Healthcare outperformed. Although June CPI fell 0.4% month-on-month, reducing expectations of a July Fed rate hike, investor sentiment was dominated by profit-taking in semiconductor stocks and IBM's sharp decline following weaker guidance.

WTI Oil prices surged over 15% to above $82/bbl as renewed US-Iran tensions and Houthi attacks on Saudi Arabia heightened concerns over disruptions in the Strait of Hormuz and the Red Sea. The global technology selloff also weighed on Asia, with Japan's Nikkei dropping 6.4% and Chinese mainland equities falling over 5%, while Hong Kong ended the week higher at 1.6%.

GCC markets remained sensitive to geopolitical developments, with July performance turning negative across most regional indices as Middle East tensions resurfaced. Since the conflict began in late February, Saudi Arabia and Oman have been relatively resilient, while Dubai and the broader MSCI GCC Index remain in negative territory. India SENSEX performed 0.8% for the week, supported by a 4.3% gain in the Nifty IT index following strong TCS earnings. Meanwhile, the UK confirmed Andy Burnham as Labour leader, with his appointment as Prime Minister expected on Monday.

What Are We Watching – Week Starting 20th July

- **Geopolitics / Strait of Hormuz:** Renewed US-Iran hostilities and Houthi attacks on Saudi Arabia have kept geopolitical risks elevated across the region, although GCC equity markets have continued to diverge. Since the conflict began on February 28, Saudi Arabia's Tadawul (+0.1%) and Oman's MSM30 (+2.9%) have remained relatively resilient, while Dubai (-9.4%) and Qatar (-8.6%) have underperformed, reflecting greater sensitivity to real estate and interest rate dynamics. More recently, regional weakness has broadened, with Bahrain (-2.6%) and Qatar (-1.4%) leading July's declines as geopolitical risks are increasingly being repriced across GCC markets.
- **US housing and labour data:** New home sales (Friday) will show whether recent policy efforts to boost affordable homeownership are working. Jobless claims will be the more important number to watch. Overall US growth has looked strong mainly because of AI and tech capex spending, and claims data will tell us whether that strength is spreading to the rest of the economy or whether the job market is splitting between winners and losers (a "K-shaped" recovery).
- **UK data-heavy week amid leadership transition:** CPI, PPI, and labour market data land just as Andy Burnham takes office. A weak growth backdrop combined with political transition, especially if a Chancellor change follows, leaves Gilts exposed.
- **ECB rate decision (Thursday):** No change expected at 2.25%, but commentary on growth and the euro's strength will be watched given the region's own tech-selloff spillover.
- **Q2 earnings season broadens:** IBM's full results (July 22) and the first mega-cap tech prints (Alphabet July 22, with Microsoft, Meta, Apple and Amazon to follow through end-July) will test whether AI capex guidance can justify current multiples after last week's selloff.

GIA View

Equities:

- The rotation out of AI/semiconductor names into cyclicals and defensives, which has been building since early June, accelerated sharply last week; we continue to recommend caution on US equities, higher cash allocation, and rotation out of technology and semiconductor names.
- IBM's 25% drop isn't an AI-trade story so much as a crowding-out one: clients redirected capex away from IBM's own software and mainframe lines toward third-party AI hardware to secure supply ahead of expected price increases, evidence that AI infrastructure spend is now large enough to cannibalize adjacent enterprise IT budgets, not just compete within them. That's a broader risk than the semiconductor-specific rotation we've been flagging, and combined with the S&P 500 dividend yield near 1% (last seen in 2000), it leaves little valuation cushion heading into an unusually high-stakes Q2 earnings season.
- India's IT-led bounce (Nifty IT +4.3%, TCS earnings-driven) stands in sharp contrast to the US semiconductor selloff, though the sector's steep year-to-date losses (TCS still down roughly 32% in 2026) mark this as a relief rally rather than a trend reversal.

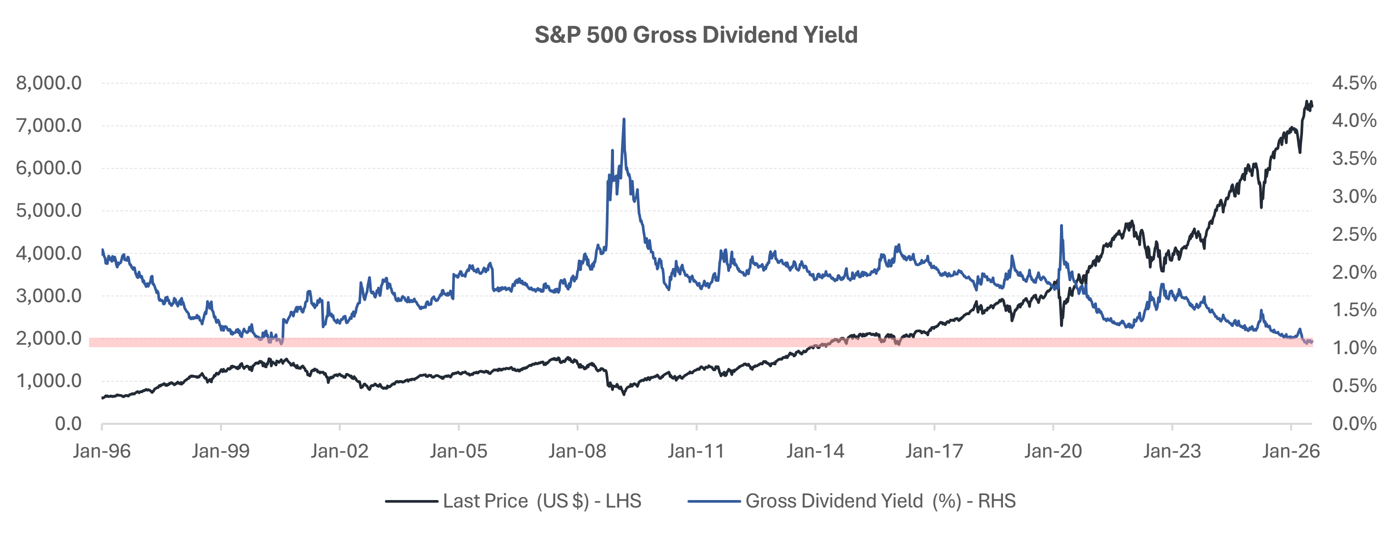
Rates:

- Front-end yields barely moved despite the CPI/PPI downside surprise, consistent with a still-divided FOMC under Chair Warsh heading into the July 29 meeting; the disconnect between soft inflation data and sticky rate expectations bears watching.
- Japanese government bond yields fell sharply this week, from 30-year highs to 2.72%, as investors sold stocks and moved into safer assets like bonds. That flight to safety was strong enough to reverse a month-long rise in Japanese yields, at least for now, making it one of the week's more surprising moves.

Commodities:

- Gold continued to soften, down 2.5% on the week to just under $4,020/oz and now off more than 7% year-to-date, even as geopolitical risk escalated, a reminder that the metal's moves have been driven more by real-rate and dollar dynamics than tail-risk hedging this cycle. Silver fell even harder (-6.6%).
- Oil prices surged more than 15% over the week as escalating Middle East tensions pushed up the regional risk premium. While further gains remain possible if geopolitical risks intensify, Saudi Arabia's East-West Pipeline and Red Sea export infrastructure provide greater supply flexibility than many of its regional peers, helping mitigate potential disruption.

Chart of the week: S&P 500 Gross Dividend Yield (30-Year History)



The chart shows the S&P 500's gross dividend yield at 1.09%, a level just 4 basis points above the cycle's absolute floor of 1.05% set in July 2000. This isn't a sudden move: the compression has been steady and accelerating, from 2.12% ten years ago to 1.35% five years ago to 1.23% just last July, against a 30-year average of 1.80%, meaning the index is now yielding roughly 40% below its long-run norm. The decline has been driven almost entirely by price appreciation rather than a cut to aggregate dividends: buybacks have structurally displaced dividends as the preferred form of capital return over this period, so a low yield alone doesn't mechanically signal an imminent correction. But it does mean investors are being compensated almost entirely through price gains rather than income, which leaves less cushion if the ~25% Q2 earnings growth consensus disappoints.

Asset Class Performance – Week Ending 17th July

	Week ending >>>				
	10-Jul-26	17-Jul-26	YTD Δ	MTD Δ	Weekly Δ
Equity Indices					
S&P 500 (USD)	7,575.4	7,457.7	8.7%	1.4%	(1.6%)
NASDAQ (USD)	29,825.1	28,592.7	13.4%	(1.8%)	(4.1%)
Dow Jones (USD)	52,637.0	52,146.4	7.8%	0.5%	(0.9%)
MSCI EM Index (USD)	1,690.7	1,620.7	13.4%	(5.0%)	(4.1%)
SENSEX (INR)	77,569.4	78,151.5	(8.9%)	1.4%	0.8%
Stoxx 600 (EUR)	641.1	641.5	7.6%	0.9%	0.1%
Nikkei (JPY)	68,557.7	64,141.1	27.4%	(7.5%)	(6.4%)
Hang Seng (HKD)	24,175.1	24,562.2	(6.7%)	8.3%	1.6%

	10-Jul-26	17-Jul-26	YTD Δ	MTD Δ	Weekly Δ
Commodities					
Gold (USD per troy ounce)	4,119.9	4,017.4	(7.3%)	(1.7%)	(2.5%)
Silver (USD per troy ounce)	59.9	55.9	(23.2%)	(5.5%)	(6.6%)
Oil (USD per barrel)	71.4	82.5	43.9%	19.2%	15.5%
Natural Gas (Henry Hub)	2.9	2.9	(19.5%)	(9.9%)	(1.0%)
Currencies					
EUR/USD	1.1416	1.1439	(2.4%)	0.5%	0.2%
GBP/USD	1.3404	1.3452	(0.0%)	1.9%	0.4%
USD/INR	95.3250	96.2813	6.7%	2.0%	1.0%
CHF/USD	1.2366	1.2387	(1.9%)	0.3%	0.2%
USD/JPY	161.6800	162.4000	3.5%	0.4%	0.4%
Credit Markets					
US Treasury 10Y Yield (%)	4.56	4.55	35.67	17.88	(1.38)
German Bund 10Y	3.07	3.13	22.60	27.50	6.10
UK Gilt 10Y	4.872	4.951	41.45	22.00	7.90
Japan JGB 10Y	2.866	2.719	65.30	8.20	(14.70)
India G-Sec 10Y	6.714	6.780	17.38	1.10	6.60
China CGB 10Y	1.733	1.734	(12.10)	0.80	0.10
S&P BDC Index	47.550	47.916	(13.2%)	2.1%	0.8%
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 20–24 July

Date	Country/Region	Event	Period	Survey (Median)	Prior
Tue, 21 Jul	UK	ILO Unemployment Rate	May	4.90%	4.90%
Tue, 21 Jul	UK	Average Weekly Earnings 3M/YoY	May	4.50%	4.40%
Wed, 22 Jul	UK	CPI YoY	Jun	2.70%	2.80%
Wed, 22 Jul	UK	Core CPI YoY	Jun	2.50%	2.60%
Wed, 22 Jul	UK	PPI Output NSA YoY	Jun	3.50%	4.00%
Thu, 23 Jul	EU	ECB Deposit Facility Rate	23-Jul	2.25%	2.25%
Thu, 23 Jul	US	Initial Jobless Claims	w/e 18 Jul	211k	208k
Fri, 24 Jul	US	S&P Global US Composite PMI (Flash)	Jul P	51.6	51.9
Fri, 24 Jul	US	New Home Sales	Jun	605k	580k
Fri, 24 Jul	JN	National CPI YoY	Jun	1.70%	1.50%
Fri, 24 Jul	US	New Home Sales MoM	Jun	4.60%	(7.30%)

Disclaimer

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