Weekly Market Wrap

Key Market Developments

US equities ended higher despite volatility around the Fed's July meeting, with the S&P 500 and Dow each gaining 1.0% to fresh highs on resilient Q2 earnings. The Fed held rates at 3.50–3.75% for a fifth straight meeting, though a 9–3 vote highlighted growing hawkish dissent over sticky inflation, pushing the 30-year Treasury yield above 5.2%, highest since 2007. Earnings remained robust, with 86% of S&P 500 companies beating estimates and growth expectations revised up to 37% from 22%. Investor sentiment toward the Magnificent Seven was mixed this week. Microsoft (+8.5%) and Amazon (+8.0%) rallied on strong cloud performance, while Meta (-9.0%) fell on earnings miss and softer guidance amid elevated capital spending, and Apple (-4.0%) declined on separate cost and outlook concerns. Looking ahead, increasingly competitive and lower-cost Chinese models, including Kimi K3, are adding pressure to the economics of frontier AI models.

Globally, the markets diverged. The Eurozone surprised positively with Q2 GDP growth of 0.4% (vs. 0.2% expected), lifting the Stoxx 600 by 0.7% despite firmer inflation. Japan's Nikkei declined 0.4% as a Kyushu earthquake and stronger yen weighed on sentiment, while China's CSI 300 fell 1.3% as semiconductor and optical-component names led a broad selloff, although Hong Kong rallied 3.7% as investors rotated into large internet platforms such as Tencent and Alibaba. Indian equities rebounded strongly, with the Nifty 50 up 2.6% led by IT and Auto. Oil declined sharply (WTI -5.2%) after Iran signalled it would halt attacks if the US-brokered ceasefire holds, reducing but not eliminating the geopolitical risk premium.

What We Are Watching – Week Starting 3rd August

- **US labour market data (Aug 3–7):** ISM Manufacturing (Mon), JOLTS (Tue), ADP Employment and ISM Services (Wed), Jobless Claims (Thu), and July Nonfarm Payrolls (Fri) will test the resilience of the labour market under the Fed's higher-for-longer stance. Payrolls are expected to rebound to 85k from June's 57k, but another weak employment print particularly alongside soft ADP data would ease the expectations of a September rate hike.
- **Middle East ceasefire durability:** Despite hopes that an informal ceasefire would hold, the US State Department issued fresh advisories on August 1 warning of flight cancellations and airspace closures across ten regional countries, and President Trump said on August 2 that the US was prepared to strike Iran, though he said he had agreed to pause further action while a swift agreement to reopen the Strait of Hormuz is pursued.
- **AI capex scrutiny continues:** With Microsoft, Amazon, Meta and Apple now reported, markets will parse remaining commentary from smaller-cap tech and semiconductor names on capital discipline, financing structures, and the competitive threat from cheaper open-weight models such as Kimi K3. Investor tolerance for continued spending increases without matching free-cash-flow delivery looks to be narrowing.
- **BoJ policy path:** Following July's hold at 1%, commentary from Governor Ueda alongside incoming Tokyo inflation data will be watched closely for confirmation of a September hike, particularly given the recent yen volatility and speculation of currency intervention.
- **India earnings and flows:** With Nifty IT and Auto having led the week's sharp rebound and India VIX collapsing over 16%, follow-through in Q1 FY27 earnings will determine whether the bounce reflects a genuine improvement in fundamentals or a short-covering rally after the prior week's correction.

GIA View

Equities:

- Being long AI has been a winning trade for months, but the S&P 500 and Nasdaq's recent softness shows the market pricing in more nuance. The emergence of credible Chinese alternatives, Kimi K3 chief among them, is beginning to raise questions about the durability of US dominance in the AI stack, though it remains premature to assign this a high probability of displacing US chipmakers. We see parallels with the 2000 dot-com cycle, where infrastructure buildout preceded a shakeout among 'picks and shovels' providers before application-layer winners such as Amazon and Microsoft emerged.
- Today's AI buildout is larger in scale and increasingly financed through opaque, off-balance-sheet structures, so the trade's durability now hinges on whether capex converts to free cash flow rather than simply continuing to scale. The Situational Awareness fund's collapse this week, from $45bn to roughly $10bn after margin calls forced a fire sale of leveraged AI infrastructure positions to Citadel, is an early illustration of this risk. The volatility in AI and memory names has spilled into Asian markets, with Korea's KOSPI among the most exposed indices, down roughly 35% from its June peak amid a semiconductor-led rout.

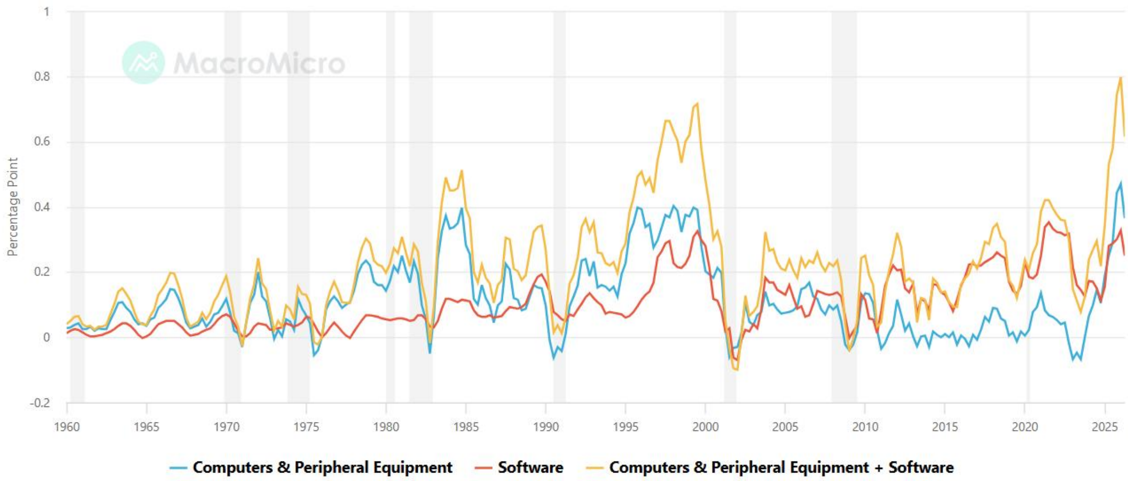
Rates:

- The Fed held rates steady, and we see a high bar for a hike given soft CPI and PPI prints, with the temporary lift to employment from World Cup-related hiring likely to fade from upcoming data. The yield curve bear-steepened, with long-dated yields rising while the front end held; our preference remains for short-dated Treasuries and quality corporate credit over duration.
- Tech-related credit stress is visible, with Oracle CDS above 200bps, but we read this as an orderly repricing rather than a stress signal. Tighter credit conditions from higher yields arguably reduce the need for the Fed to hike further, particularly since some of the recent inflation impulse, via Middle East oil pass-through, is not something higher rates can address directly.

Commodities:

- Oil continues to trade in lock-step with Middle East headlines, falling sharply this week as Iran signalled a willingness to suspend attacks provided the US ceasefire holds. Once the conflict is fully resolved, oil's path will be determined less by geopolitics and more by the balance between reserve restocking, global growth, and the ongoing EM shift toward renewables and battery storage.

Chart of the week: AI-Related Investment: Contribution to US Real GDP Growth



Source: MacroMicro, built on BEA data

IT investment's contribution to US GDP growth has surged to its highest level since the dot-com era, with computers, peripherals and software together adding close to 0.8 percentage points to growth in the most recent quarter, comfortably above the 1995–2000 peak band of roughly 0.5–0.7pp. The current spike is once again hardware-led, consistent with this earnings season's numbers: the four hyperscalers that have now reported have collectively guided to roughly $700 billion of 2026 capex, nearly double 2025's outlay, with the bulk earmarked for GPUs, servers and data centers rather than software. The comparison to 2000 is a useful gut-check on durability: the last time IT investment contributed this much to growth, the subsequent unwind was sharp and prolonged, with the contribution troughing near zero by 2001–02, as hardware overbuild outpaced the applications that would eventually monetize it. Whether today's buildout avoids a similar fate depends less on the scale of spending, which is now confirmed and enormous, and more on whether GPU-driven infrastructure gets utilized fast enough to justify capex that is increasingly debt-financed rather than funded from free cash flow.

Asset Class Performance – Week Ending 31st July 2026

	Week ending >>>				
	24-Jul-26	31-Jul-26	YTD Δ	MTD Δ	Weekly Δ
Equity Indices					
S&P 500 (USD)	7,412.0	7,489.7	9.2%	1.8%	1.0%
NASDAQ (USD)	28,128.3	28,274.2	12.2%	(2.9%)	0.5%
Dow Jones (USD)	51,947.3	52,485.0	8.5%	1.2%	1.0%
MSCI EM Index (USD)	1,628.0	1,665.9	16.5%	(2.4%)	2.3%
SENSEX (INR)	76,059.8	78,094.6	(8.9%)	1.3%	2.7%
Stoxx 600 (EUR)	644.5	649.2	8.9%	2.1%	0.7%
Nikkei (JPY)	64,611.2	64,362.0	27.9%	(7.2%)	(0.4%)
Hang Seng (HKD)	24,963.2	25,884.4	(1.7%)	14.2%	3.7%

	24-Jul-26	31-Jul-26	YTD Δ	MTD Δ	Weekly Δ
Commodities					
Gold (USD per troy ounce)	4,052.8	4,046.2	(6.6%)	(1.0%)	(0.2%)
Silver (USD per troy ounce)	58.2	57.6	(20.9%)	(2.6%)	(1.0%)
Oil (USD per barrel)	89.3	84.7	47.7%	22.3%	(5.2%)
Natural Gas (Henry Hub)	2.9	2.7	(24.1%)	(15.0%)	(4.3%)
Currencies					
EUR/USD	1.1370	1.1527	(1.6%)	1.3%	1.4%
GBP/USD	1.3325	1.3483	0.2%	2.1%	1.2%
USD/INR	96.5700	95.3925	5.8%	1.0%	(1.2%)
CHF/USD	1.2222	1.2384	(1.9%)	0.3%	1.3%
USD/JPY	163.8300	157.4000	0.4%	(2.7%)	(3.9%)
Credit Markets					
US Treasury 10Y Yield (%)	4.68	4.73	54.40	36.61	5.76
German Bund 10Y	3.17	3.21	30.60	35.50	3.40
UK Gilt 10Y	5.032	5.050	51.35	31.90	1.80
Japan JGB 10Y	2.776	2.801	73.50	16.40	2.50
India G-Sec 10Y	6.825	6.838	23.18	6.90	1.30
China CGB 10Y	1.724	1.715	(14.00)	(1.10)	(0.90)
S&P BDC Index	46.586	46.792	(15.3%)	(0.3%)	0.4%
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 3–7 August

Date	Country/Region	Event	Period	Survey (Median)	Prior
Mon, 3 Aug	ISM Manufacturing PMI	Jul	53.9	53.3	Mon, 3 Aug
Tue, 4 Aug	JOLTS Job Openings	Jun	7,501k	7,594k	Tue, 4 Aug
Wed, 5 Aug	ADP Employment Change	Jul	68k	98k	Wed, 5 Aug
Wed, 5 Aug	ISM Services Index	Jul	54.5	54.0	Wed, 5 Aug
Thu, 6 Aug	Initial Jobless Claims	w/e 1 Aug	202k	197k	Thu, 6 Aug
Fri, 7 Aug	Nonfarm Payrolls (Change)	Jul	85k	57k	Fri, 7 Aug
Fri, 7 Aug	Unemployment Rate	Jul	4.2%	4.2%	Fri, 7 Aug

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