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WEEKLY UPDATE

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MUSINGS

“For every minute you are angry, you lose sixty seconds of happiness.”

RALPH WALDO EMERSON

LAST WEEK IN THE MARKETS

Name	Closing Level	Weekly Change	YTD Change
S&P 500	**7,457** ▼	-1.56% ▼	**8.93%** ▲
Nasdaq Composite	**25,520** ▼	**-2.90%** ▼	**9.80%** ▲
10Y UST Yield	**4.549** ▲	-0.26% ▲	**9.27%** ▼
Crude oil	**81.78** ▲	**14.38%** ▲	**42.47%** ▲
Gold	4,017 ▼	-2.52% ▼	-6.97% ▼
DXY	100.75 ▼	-0.21% ▼	2.51% ▲
USD/INR	**96.27** ▼	0.94% ▼	**7.17%** ▼
Bitcoin	**63,892** ▼	**-0.35%** ▼	**-26.98%** ▼
Euro STOXX 50	**6,235** ▼	**-0.76%** ▼	**7.26%** ▲
India (Nifty)	**24,334** ▲	0.53% ▲	**-6.87%** ▼
Japan (Nikkei)	**64,141** ▼	**-6.44%** ▼	**27.42%** ▲
China (CSI 300)	**4,529** ▼	**-5.27%** ▼	0.66% ▲
Saudi (TASI)	**10,720** ▼	-0.82% ▼	**2.19%** ▲
Abu Dhabi (ADX)	**9,781** ▼	**-1.56%** ▼	-2.12% ▼
Dubai (DFM)	**5,814** ▼	**-3.78%** ▼	-3.85% ▼

NEWS FROM THE MARKETS

Oil: Hormuz Tensions Send Crude Sharply Higher

Crude had its most volatile week in a month as the US and Iran traded direct strikes for a sixth consecutive night, reinstating fears over the Strait of Hormuz. **WTI touched highs near $81-82/bbl and Brent pushed close to $85/bbl, with the complex up roughly 10-14% on the week**, the sharpest weekly gain since the initial February flare-up. Washington reimposed a naval blockade on Iranian ports, while Tehran retaliated with strikes on US bases in Bahrain, Jordan, Kuwait, Oman, Qatar and Syria, and reportedly signalled to Houthi forces to prepare Red Sea disruption if Iranian power infrastructure is targeted. **Commercial traffic through Hormuz has slumped over 50% versus the prior week.** For a region that ships roughly a fifth of global oil supply through that corridor, this is the number to watch: further escalation risks a genuine supply shock; a ceasefire or diplomatic off-ramp could unwind much of this move quickly.

Macro: Soft Inflation, But the Fed's Hands May Be Tied by Oil
The one clean piece of good news this week was inflation. **Both June CPI and PPI came in below expectations,** effectively taking a July Fed hike off the table. That helped Treasury yields ease modestly — the 10-year slipped from a two-month high near 4.62% to around 4.53-4.56%. However, the relief was tempered by the oil spike: futures markets still price roughly a 50% chance of a Fed hike by September, since higher energy costs could feed back into headline inflation. Fed Chair Kevin Warsh reaffirmed his inflation-fighting stance despite the softer prints. Q2 earnings season, meanwhile, is off to a strong start — of the S&P 500 companies that have reported, over 75% have beaten revenue estimates and 95% have beaten on earnings, with blended growth tracking near 24% year-on-year, one of the strongest quarters in several years.

US Equities: A Weak Week Overall, With the Chip Sector Doing Most of the Damage
It was a rough week for US stocks despite the healthy earnings backdrop. The S&P 500 fell about 1.6% and the Nasdaq dropped nearly 2.9%, with Friday alone seeing the S&P down 0.6-1%, the Nasdaq off over 1.4%, and the Dow shedding around 400 points. **The proximate cause was a broad reassessment of AI infrastructure spending** - investors are increasingly questioning whether hyperscaler capex will keep growing at the pace the market has priced in, especially with a strong new AI model release out of China (Moonshot) adding to the unease.
The semiconductor complex bore the brunt of it. The VanEck Semiconductor ETF (SMH) fell close to 9% on the week - its third weekly decline in four weeks. Micron (MU) was hit hardest, down roughly 8-9% in a single session after reports that China's CXMT plans an $8.5 billion IPO, raising fears the DRAM pricing cycle could be nearing its peak; memory peers SK Hynix, SanDisk, Western Digital and Seagate all fell in sympathy, several by more than 7%. **Netflix (NFLX) also had a bad week, dropping roughly 7-9% after issuing third-quarter guidance that fell short of expectations, with investors flagging engagement concerns** as the company shifts to only annual viewership reporting. **IBM had an even sharper move earlier in the week - the stock fell around 25% after warning that second-quarter profit would come in below expectations due to soft software and infrastructure demand**, before stabilising and finding some support near the $200 level.
Not everything was down: Big Tech names like Apple (a fresh all-time high), Microsoft, Amazon and Alphabet held up better, and BlackRock jumped on a strong earnings beat. But the overall tone was “quality mega-cap versus AI-adjacent hardware,” and the hardware side lost.

US Fixed Income & Credit: Modest Relief, Curve Still Steep
Treasuries firmed slightly into the weekend after two consecutive weeks of price declines. The 10-year eased a few basis points to roughly 4.53-4.56%, the 2-year sits near 4.12-4.16%, and the 30-year hovers just above 5%, leaving the curve meaningfully steep (10s-2s spread around 40bp). **Softer CPI/PPI was the main driver of the modest rally, though geopolitical and tariff-related headlines (including fresh US-China friction) kept a floor under yields.** Credit spreads have been broadly stable, with strong bank earnings (BlackRock, and other majors reporting this week) providing reassurance on credit quality even as rate volatility persists.

Gold: Caught Between Falling Rates and Rising Oil
Gold has had a rocky month, down over 10% from its June levels and roughly 28% below January's all-time high near $5,595/oz. It dipped toward $4,000/oz mid-week, its lowest since November 2025, as rising oil prices reinforced expectations that the Fed may need to stay tighter for longer, before recovering about 1% into Friday to close near $4,004-4,008/oz. Silver eased slightly to around $55.81/oz. **The metal remains torn between two opposing forces: softer inflation data (supportive) and a hawkish rate outlook driven by energy prices (unsupportive).** JPMorgan still sees a Q4 2026 target range of $4,500-6,300, suggesting the medium-term bullish case is intact even after this correction.

Week Ahead: What to Watch

The economic calendar is light, but earnings are heavy. Key names reporting include Danaher, 3M, Northrop Grumman, GM, Halliburton and Capital One (Tue), and Alphabet, Tesla, Texas Instruments, IBM and AT&T (Wed). Alphabet's capex guidance (full-year 2026 guidance already raised to $180-190B) will be closely watched as a bellwether for the AI spending debate. Wednesday also brings the ECB rate decision, alongside earnings from Intel, RTX, Lockheed Martin, Freeport-McMoRan and Honeywell. Beyond earnings, the Iran-US conflict remains the dominant swing factor for oil, rates and risk sentiment - any ceasefire signal or further escalation could move markets more than any single data print this week.

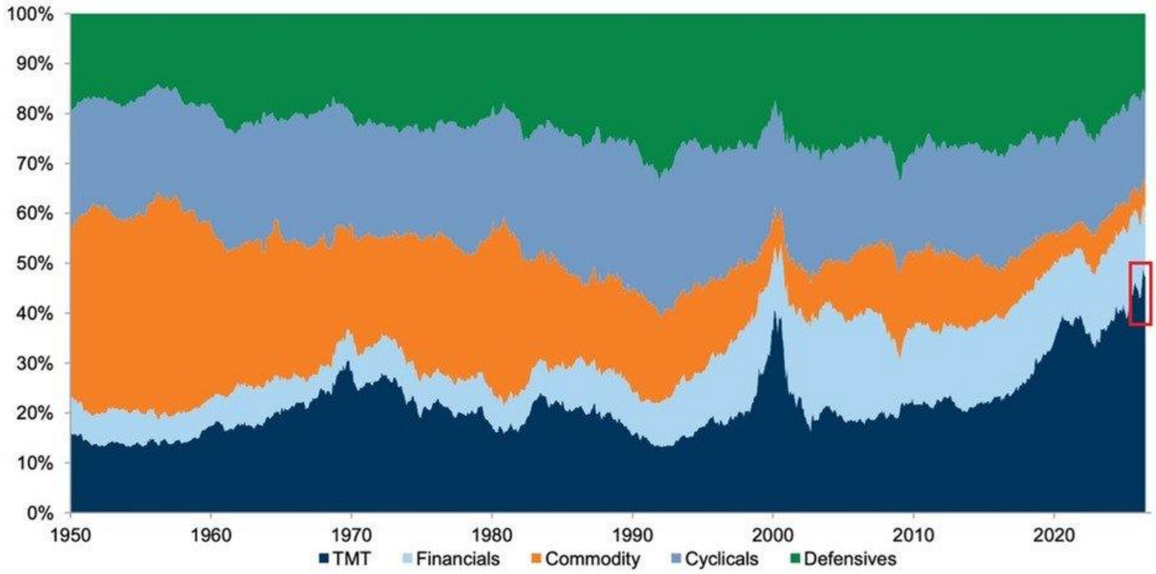
COMING THIS WEEK

Key Economic Events

July 20th	• UltraTech Cement earnings
July 21st	• Charles Schwab, General Motors earnings
July 22nd	• Tesla, Alphabet, GE Vernova, Phillip Morris International, Texas Instruments, AT&T earnings
July 23rd	• ECB Interest Rate Decision • Intel, T-Mobile US, Raytheon Technologies, Blackstone, Honeywell International, Lockheed Martin, Infosys earnings
July 24th	• US PMI Data • Japan Inflation Data • India PMI Data • Euro Area PMI Data • Exxon Mobil, Nestle, American Express, Verizon, NextEra Energy earnings

CHART OF THE WEEK

Exhibit 13: The Tech sector equity weight is now above Tech Bubble levels
Relative sector weights within US equities



Source: Bloomberg, Datastream, Kenneth French, Goldman Sachs Global Investment Research

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+971 43464700

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