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WEEKLY UPDATE

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MUSINGS

“Folks are usually about as happy as they make up their minds to be.”

ABRAHAM LINCOLN

LAST WEEK IN THE MARKETS

Name	Closing Level	Weekly Change	YTD Change
S&P 500	**7,490** ▲	1.05% ▲	**9.41%** ▲
Nasdaq Composite	**25,374** ▲	1.59% ▲	**9.17%** ▲
10Y UST Yield	**4.718** ▲	0.79% ▲	**13.33%** ▲
Crude oil	**86.79** ▼	**-4.06%** ▼	**51.2%** ▲
Gold	**4,045** ▼	-0.19% ▼	**-6.32%** ▼
DXY	99.802 ▼	-1.64% ▼	1.55% ▲
USD/INR	**95.38** ▼	-1.21% ▼	**6.18%** ▲
Bitcoin	**62,941** ▼	-1.79% ▼	**-28.06%** ▼
Euro STOXX 50	**6,368** ▲	1.57% ▲	**9.55%** ▲
India (Nifty)	**24,384** ▲	**2.59%** ▲	**-6.68%** ▼
Japan (Nikkei)	**64,362** ▼	-0.39% ▼	**27.86%** ▲
China (CSI 300)	4,588 ▼	-1.32% ▼	0.66% ▲
Saudi (TASI)	10,590 ▼	-1.98% ▼	0.94% ▲
Abu Dhabi (ADX)	9,915 ▲	0.88% ▲	-0.78% ▼
Dubai (DFM)	5,796 ▲	0.16% ▲	-4.15% ▼

NEWS FROM THE MARKETS

Oil: Geopolitics Trumps Everything Else

Crude had one of its more turbulent weeks of the year. Brent rose above $88 a barrel on Friday and was on track to gain more than 20% for the month, as renewed fighting between the US and Iran threatened further disruption to Middle Eastern energy supplies. The US military launched fresh strikes on Iranian targets in response to Tehran's attacks on US assets across the region, dimming hopes of any near-term diplomatic breakthrough. Separately, declining US crude inventories and a Ukrainian strike on a Russian refinery added to supply worries, while Saudi Arabia held talks with 43 countries on forming a maritime coalition to protect shipping after a Houthi blockade in the Red Sea. 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. **For investors, the takeaway is simple: energy risk premium is back in the price, and it's now the single biggest wildcard for the inflation outlook feeding directly into the Fed conversation below.**

Over the weekend, President Trump announced he's cancelling planned new strikes on Iran, contingent on quickly reaching a deal, with negotiations set to resume Monday. The pause followed diplomatic pressure from Saudi Arabia, the UAE, and Qatar, though Iranian state media gave no indication Tehran requested the halt or has shifted its stance on the Strait of Hormuz. We note this is the third such "imminent deal" announcement from Trump in recent days, following a pattern of strikes continuing despite pauses being declared.

Macro: The Fed Holds, but Barely

The week's headline event was the FOMC meeting on 28-29 July. The committee voted 9-3 to leave the federal funds rate at 3.50%-3.75%, with all three dissents coming from regional presidents who wanted a hike -- an unusually contentious split for a "hold" decision. The statement noted that economic activity is expanding at a solid pace despite elevated uncertainty tied in part to the Middle East conflict, with productivity and capital investment strong and job gains keeping pace with the workforce. New Chair Kevin Warsh acknowledged that Treasury yields have risen since the last meeting despite the hold, and markets didn't love the ambiguity: stocks were heading for a losing session as Warsh's press conference wrapped up, with the Dow down more than 1.5% and the 30-year Treasury yield jumping over 9 basis points to above 5.19%. **The message for investors is that the Fed is now genuinely divided, inflation risk from oil is complicating the picture, and rate-cut hopes have been pushed out** - markets are pricing roughly a 63% chance of a hike in September, a sharp reversal from earlier-year expectations. Growth data stayed resilient, though: Q2 GDP and jobless claims both came in firm, giving the Fed room to stay patient rather than reactive.

Japan and the US confirmed a rare, coordinated yen-buying intervention to halt the currency's slide to 40-year lows, with Tokyo signalling readiness for further action. The yen had fallen to around ¥163.7 last week before recovering to near ¥155-157 after intervention, with Bessent calling the yen "very undervalued" and pushing for BOJ rate hikes. We expect elevated USD/JPY volatility and unwinding of yen carry trades, which have funded positions across global equities and EM assets. A sustained yen rebound could pressure Japanese exporters' earnings, tighten global liquidity, and add modest upward pressure on US Treasury yields, given Japan's role as a major holder of US debt.

US Equities: A Split-Screen Earnings Week

Despite the Fed noise, US equities finished the week higher - the Dow and S&P 500 each gained about 1%, while the Nasdaq advanced roughly 1.6%, even as the S&P 500 slipped 0.1% for July overall and the Nasdaq fell 3.2% on the month. Q2 earnings season 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.

The real story was underneath the index level, where "Magnificent Seven" earnings delivered one of the widest performance dispersions in recent memory. Microsoft, Meta, Apple, Amazon: the market drew four very different conclusions from four AI-era earnings reports.

Microsoft stock rocketed more than 15% after posting better-than-expected Q4 earnings and revenue alongside Azure growth of 43%, with Azure revenue topping $100 billion for the first time and Microsoft 365 Copilot seats rising above 30 million. Investors rewarded proof that AI spending is finally converting into visible revenue.

Meta went the other way: shares tumbled nearly 9% after earnings per share of $6.18 missed estimates by $1.04, with third-quarter revenue guidance also coming in light. The market punished a 91% collapse in free cash flow and a narrowed-but-still-massive capex range of $130-145 billion spending without yet showing Microsoft-style payoff.

Amazon and Apple reported the same night with opposite receptions despite both beating estimates. Amazon showed clearer returns on AI spending, while Apple faced chip shortages and slower services growth. The market rewarded visible ROI and punished bottlenecks that delay sales or weaken margins. Amazon's AWS cloud revenue grew 37% to $42.2 billion, its fastest growth in 18 quarters, sending shares sharply higher, while Apple fell over 7% on the day despite the beat, on concerns component shortages will cap future growth. **The lesson for investors: the market has stopped rewarding AI capex on faith - it now wants receipts.**

Beyond the large technology companies, performance across sectors was mixed. Energy stocks benefited from higher oil prices. Financials gained as rising Treasury yields improved earnings prospects for banks. Utilities and real estate underperformed as higher bond yields reduced the appeal of defensive, income-oriented investments. Semiconductors told a related but distinct story. Chips have been the market's most volatile group all month, and the pain continued this week: Qualcomm shares fell more than 7% on mixed quarterly results, with adjusted earnings of $2.21 per share slightly missing the $2.23 estimate, while Arm stock fell more than 7% on disappointing guidance despite the broader AI enthusiasm.

The Philadelphia Semiconductor Index fell about 4.3 percent for the week and was down more than 20 percent for July - one of its worst months in decades - after a strong first-half run. Concerns about the sustainability of AI capital spending, circular financing deals, and high valuations weighed on names across the group, even as some memory and equipment stocks bounced late in the week on the Microsoft results. The divergence between the strongest cloud providers and the chipmakers underscored investor caution about the pace and returns of the AI build-out.

US Fixed Income and Credit: Yields Push Higher

Bonds sold off through the week as oil-driven inflation fears met a hawkish-leaning Fed split that was seen by the markets to be somewhat unclear about strategy. **The 30-year Treasury yield spiked to its highest level since 2007, last near 5.25%**, while the 10-year topped 4.7% for the first time since January 2025. Credit markets stayed calm by comparison - spreads remain historically tight, with investment-grade issuance strong and demand resilient even amid the volatility - but the sharp back-up in long-end yields is worth watching, as it raises the cost of capital for the sectors, like utilities and long-duration growth stocks, that are most sensitive to it.

Gold: Caught Between Two Forces

Gold traded near $4,050–$4,100 an ounce. The metal finished the week little changed to slightly lower after an earlier bounce, as higher real yields and the dollar offset safe-haven demand linked to geopolitical tensions. Comex gold ended July modestly higher after a four-month losing streak, but weekly performance was muted. The metal’s inability to break out decisively despite an active war in the Middle East suggests that rate expectations are currently the dominant force in the gold market, not geopolitics.

Week Ahead: Key Events to Watch

The coming week is data-heavy and could set the tone for August. ISM Manufacturing PMI arrives Monday, JOLTS job openings Tuesday, ISM Services PMI Wednesday, and the July Employment Situation report (nonfarm payrolls) on Friday — the last of these is the big one, given how sensitive the market is to labour-market softening after June's payroll gain of just 57,000, the lowest in four months. Watch Middle East headlines closely, since further escalation or de-escalation will likely move oil, gold, and yields more than any single data print. Nvidia's earnings, the last major AI bellwether, aren't due until late August, so markets will lean on the Microsoft/Meta/Amazon/Apple results already in hand to set sector sentiment in the interim.

COMING THIS WEEK

Key Economic Events

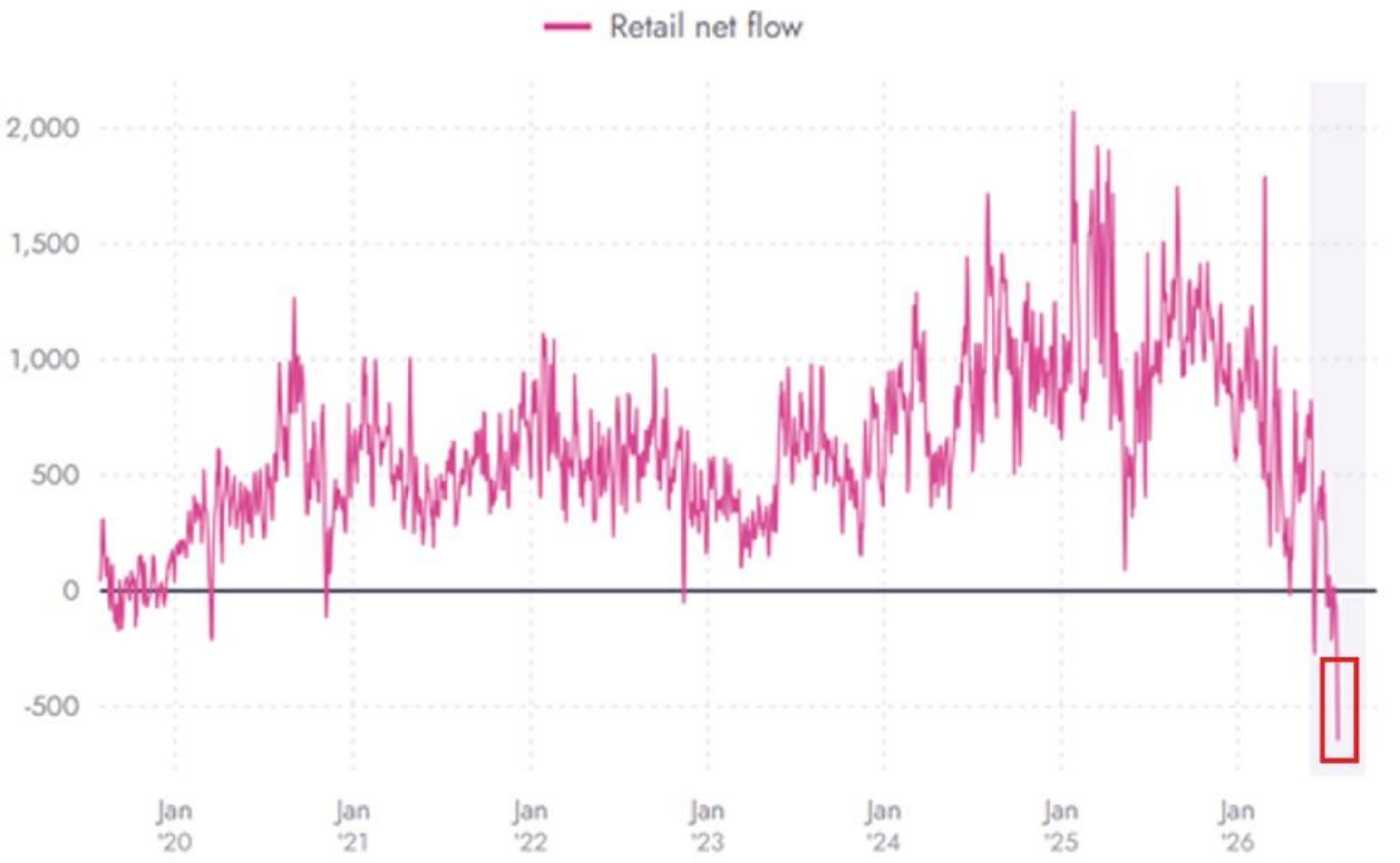
August 3rd	• US Manufacturing PMI Data (July) • China Manufacturing PMI Data (July) • Palantir, ON Semiconductor earnings
August 4th	• US JOLTs Job Openings (Jun) • SpaceX, AMD, Pfizer earnings
August 5th	• US Services PMI Data (July) • Eli Lilly, Sandisk, Western Digital, Uber, The Walt Disney Company, AppLovin, Novo Nordisk earnings
August 6th	• ConocoPhillips, Datadog earnings
August 7th	• US Unemployment Rate (July)

CHART OF THE WEEK

RETAIL FLOWS

Retail tech selling has never been this heavy

Three-day rolling sum of retail net flow, US-listed Info Tech stocks, USD mn



29 Jul: -$643m, the lowest of the 1,757 sessions since July 2019.
Source: Vanda · Created by VandaLabs

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