

July 2026 Market Recap

Shashi Mehrotra, CFA®, Chief Investment Officer
Chris Surrichio, CFA®, Deputy Chief Investment Officer
Dylan Devine, CFA®, Research Analyst

Markets delivered a strong risk-on month in July, led by U.S. equities as investor sentiment improved on resilient corporate earnings, continued enthusiasm surrounding artificial intelligence and hopes that geopolitical tensions could stabilize.

U.S. Equities

U.S. equities finished July with modest gains despite increased volatility during the second half of the month. The S&P 500 and Dow Jones Industrial Average each advanced roughly 1%, while the Nasdaq Composite gained approximately 1.6%, supported by another strong earnings season and continued optimism surrounding artificial intelligence investment. Small-cap stocks lagged large caps during the month as higher Treasury yields weighed more heavily on economically sensitive companies.

Early in the month, investor sentiment remained constructive as corporate earnings generally exceeded expectations and economic data continued to point toward a resilient U.S. economy. As earnings season progressed, companies with clear evidence of monetizing AI investments were rewarded, while firms with weaker guidance or elevated spending plans experienced greater volatility. Amazon and Microsoft helped reinforce confidence that AI-related capital expenditures are beginning to translate into stronger revenue growth, offsetting weakness in other large technology companies.

Market volatility increased following the Federal Reserve's July meeting as investors reassessed expectations for future interest rate cuts. Rising oil prices and renewed inflation concerns also pushed Treasury yields higher late in the month, creating modest headwinds for equity valuations. Despite these challenges, the market continued to demonstrate resilience as healthy corporate fundamentals remained the primary driver of returns.

International equity markets delivered mixed results during July. Developed international markets generally posted modest gains, supported by improving economic activity across Europe and continued corporate earnings growth, while Japanese equities remained supported by accommodative domestic monetary policy and ongoing corporate

Our Current Market Perspective

Markets enter 2026 with supportive macro fundamentals, including moderating inflation, resilient earnings growth and a gradual shift in monetary policy toward accommodation. Elevated valuations following several years of strong returns warrant increased selectivity and disciplined risk management.

Periodic consolidation and market volatility are likely as investors digest prior gains, navigate policy uncertainty and expected continued government funding challenges. While potentially disruptive in the near term, we view such volatility as pauses within an ongoing expansion rather than signals of a sustained downturn.

Ongoing productivity gains — driven by artificial intelligence, automation and technology investment — continue to support corporate margins and earnings growth across a widening set of industries.

While inflation risks persist, material inflationary pressure has yet to fully materialize. The Federal Reserve remains data-dependent, balancing economic strength with the need to avoid reigniting inflation.

This report is incomplete without the important disclosures at the end.

—continued

July 2026 Market Recap

Shashi Mehrotra, CFA®, Chief Investment Officer
Chris Surrichio, CFA®, Deputy Chief Investment Officer
Dylan Devine, CFA®, Research Analyst

governance reforms. Emerging markets experienced more varied performance as continued weakness in China's domestic economy offset strength in other export-oriented markets.

While international equities have generally trailed U.S. markets this year, valuations remain considerably more attractive in many regions. Expectations for additional policy support in China and continued stabilization across Europe remain potential catalysts heading into the second half of the year.

U.S. Fixed Income

Domestic fixed income markets experienced modest volatility during July as Treasury yields moved higher following renewed inflation concerns and the Federal Reserve's increasingly cautious policy stance. Longer-duration Treasuries faced pressure as investors adjusted expectations for future interest rate cuts, while shorter-duration securities remained relatively resilient.

Investment-grade corporate bonds continued to perform well as credit spreads remained historically tight, supported by healthy corporate balance sheets and stable economic growth. High-yield bonds also generated positive returns, reflecting continued investor confidence that recession risks remain relatively low despite restrictive monetary policy. Overall, income generation continued to provide an attractive source of total return as elevated yields remained one of the most compelling features of fixed income markets.

International bond markets generally underperformed their U.S. counterparts during July as a strengthening U.S. dollar reduced returns for unhedged investors. While several developed-market central banks maintained relatively accommodative policy stances, investors continued to price in divergent global monetary policies, resulting in modest pressure across sovereign debt markets.

Our Longer-Term View

- The U.S. economy remains in a post-COVID, productivity-led expansion supporting a secular bull market in equities. While initially concentrated in technology, productivity gains are increasingly broadening across other sectors of the economy.
- Despite ongoing policy uncertainty, corporate earnings growth and productivity improvements remain the primary drivers of long-term equity performance.
- Signs of moderation in the labor market are viewed as a normalization rather than a precursor to recession, with productivity gains helping offset slower employment growth.
- With the yield curve no longer deeply inverted, fixed income markets have moved closer to historical norms, reinforcing their role as income generators and portfolio diversifiers within balanced allocations.

Despite these challenges, global fixed income continues to provide valuable diversification benefits within balanced portfolios, particularly as yields remain well above the historically low levels experienced throughout much of the previous decade.

Federal Reserve

As widely expected, the Federal Reserve left the federal funds target range unchanged at 3.50%–3.75% during its July meeting. However, the tone of the meeting was notably more hawkish than markets anticipated. Three FOMC members dissented in favor of an immediate rate increase, highlighting growing concern that inflation remains above the Committee's long-term objective. Chair Kevin Warsh emphasized that future policy decisions will remain

–continued

This report is incomplete without the important disclosures at the end.

July 2026 Market Recap

Shashi Mehrotra, CFA®, Chief Investment Officer

Chris Surrichio, CFA®, Deputy Chief Investment Officer

Dylan Devine, CFA®, Research Analyst

highly data dependent and signaled a move away from traditional forward guidance, placing greater emphasis on incoming economic data rather than predetermined policy expectations. Markets interpreted the meeting as reducing the likelihood of near-term rate cuts while increasing uncertainty surrounding the policy path heading into the second half of the year. Treasury yields moved higher following the announcement and equities experienced a brief period of increased volatility.

Commodities & Precious Metals

Commodity markets remained influenced by both macroeconomic and geopolitical developments throughout July. Oil prices experienced periods of volatility as investors monitored developments in the Middle East and their potential impact on global energy supplies.

Gold traded within a relatively narrow range during the month. Continued geopolitical uncertainty provided

support for safe-haven demand, while higher real interest rates and a firmer U.S. dollar limited further upside. Industrial commodities remained supported by ongoing infrastructure investment and continued demand associated with artificial intelligence and electrification trends.

Geopolitical Developments

Geopolitical events remained an important market consideration during July. Tensions in the Middle East continued to create periodic volatility across global energy markets, particularly surrounding shipping routes and oil supply expectations. While diplomatic efforts showed intermittent signs of progress, investors remained attentive to the potential inflationary implications of higher energy prices.

Elsewhere, ongoing trade negotiations, China's slowing domestic growth, and continued investment in global artificial intelligence infrastructure remained key themes influencing international markets throughout the month.

Looking Ahead

The fundamental backdrop remains supportive as corporate earnings continue to grow, labor markets remain healthy and inflation has generally continued to moderate. At the same time, elevated equity valuations and an uncertain path for monetary policy suggest periods of market volatility should be expected.

From a portfolio perspective, the evolving market environment reinforces the importance of maintaining diversification across asset classes, regions and investment styles, while remaining attentive to opportunities created by shifts in market leadership and changing macroeconomic conditions.

Please reach out to your financial professional with any questions.

Important Disclosures

These views are as of August 4, 2026 and are subject to change based on subsequent developments. The material presented is provided for informational purposes only. Information is based on sources believed to be reliable; however, their accuracy or completeness cannot be guaranteed. Nothing contained herein should be construed as a recommendation to buy or sell any securities. As with all investments, past performance is no guarantee of future results. No person or system can predict the market. All investments are subject to risk, including the risk of principal loss.

Diversification does not guarantee a profit or protect against a loss. International investing involves special risks, including, but not limited to, currency fluctuations, economic instability, and social and political uncertainties, not typically present with domestic investments. Emerging market environments can increase these risks. A high-yield bond (non-investment-grade bond, speculative-grade bond, or junk bond) is a bond that is rated below investment grade. These bonds have a higher risk of default or other adverse credit events, but typically pay higher yields than better quality bonds to make them attractive to investors. The S&P 500 index is an index of 500 of the largest exchange-traded stocks in the US from a broad range of industries whose collective performance mirrors the overall stock market. Large-cap (sometimes called "big cap") refers to a company with a market capitalization value of more than \$10 billion. Large-cap securities represent a significant portion of the U.S. equity market and are often used as core portfolio holdings. Small-cap companies typically have a market capitalization in the range of \$300 million-\$2 billion. They have greater growth potential, risks, and volatility than both large- and mid-cap companies. Treasury securities are guaranteed by the U.S. Government and, if held to maturity, offer a fixed rate of return and fixed principal amount. If not held to maturity, principal will fluctuate and may be worth more or less. Guarantee only applies to the timely payment of principal and interest and does not pertain to the portfolio, mutual fund, or variable annuity holding such securities. The Federal Reserve is the central banking system of the United States composed of 12 regional Reserve banks which supervise state member banks and controls the Federal Funds Rate, an important benchmark in financial markets used to influence the supply of money in the U.S. economy.