Your Weekly Investment
Insights

July 13, 2026

VERDENCE / RIA+

Key Takeaways:

- 2026 equity rally meets volatility.
- Domestic economic growth remains strong, but labor slows.
- Inflation does not surprise to the upside but stuck above Fed's target.
- AI trade loses momentum.
- Long term yields on the rise.

July Market Recap – Earnings Shine but AI Fears Emerge

After a robust start to the first half of 2026, investors were dealt a variety of headwinds in July that caused a spike in volatility. The resumption of the U.S./Iran war, rising long term yields, stubborn inflation, oil back above $100/bbl and AI spending fears resurfacing overshadowed the best S&P 500 earnings seasons in five years. We witnessed Investors punish companies that both beat and missed earnings as future sales outlooks were mixed, excessive spending is depleting cash flow and supply constraints are concerning investors. In this weekly insights we offer a review from an economic and asset class perspective.

- **GDP slows in 2Q:** The advanced reading on 2Q26 GDP showed growth slowed (to 1.5% from 2.1%). However, when you exclude volatile items like net exports, inventories and government spending, the U.S. economy grew at a robust pace (3.9% QoQ).
- **Labor market:** The pace of job creation decelerated (+57K in June). However, the unemployment rate dipped (4.2%) as the labor force participation fell.
- **Inflation stubborn:** Inflation showed modest signs of improvement but remains above the Fed's target (PCE Core YoY: 3.3%, CPI Core YoY: 2.6%).
- **Fed turns hawkish:** The FOMC kept interest rates unchanged for the fifth consecutive meeting. However, three members dissented in favor of a rate hike citing ongoing inflation pressures.
- **Consumer spending steady:** Retail sales declined for the month but it was concentrated on gas sales. At the core level, sales rose for the sixth consecutive month.

Global Equities: Renewed AI fears. The MSCI AC World Index was relatively flat in July as renewed AI fears and rising yields put pressure on the U.S. and emerging markets.

- **Emerging markets weakest:** The MSCI EM Index was driven lower by Korea and Taiwan as semiconductors plummeted.
- **Europe outperforms U.S.** The MSCI Europe ex UK Index outperformed the S&P 500 given its limited exposure to AI stocks.
- **U.S. growth stocks lost favor**: Despite robust earnings, growth at all three market cap levels underperformed value. In addition, the S&P 500 equal weighted index outperformed its market cap counterpart for the second month.

Fixed income: Yield curve steepens. The Bloomberg Aggregate Index fell for the first time in four months as long term yields rose.

- **Long term yields rise**: Long term bonds yields surged as inflation remained elevated. The 30YR Treasury bond posted its worst monthly decline in 19 months.
- **Short term wins**: Floating rate, leveraged loans and short term bonds led the gains.

Commodities: War sends prices higher. The Bloomberg Commodity Index rebounded in July as the resumption of the war sent commodity prices higher.

- **Energy over precious metals**: Energy outperformed precious metals as crude oil prices jumped 22%. Gold lagged (+0.95%) as yield rose. Silver dropped for the second consecutive month.

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Past performance is not indicative of future returns.

Weekly Economic Recap –
Inflation Stubborn but Fed Stays on Hold

The preliminary reading on June durable goods orders showed that orders grew less than expected in June, led by weakness in nondefense transportation orders. At the core level (ex defense and aircraft), orders rose better than expected led by computers, electrical equipment and metals.

Home prices as measured by the S&P Cotality Index rose more than expected in May. For the month, prices rose the most in Boston, Chicago and New York. The only city to see prices decline was San Diego.

Consumer confidence as measured by the Conference Board declined in July. Both confidence on the current situation and future expectations declined led by concern over the labor market and future income.

The FOMC met and as expected kept interest rates unchanged. However, there were three dissenters that wanted a rate hike due to the elevated level of inflation. The Chairman did not commit to future rate hikes but said they have “no tolerance” for inflation above target.

The Fed’s preferred inflation indicator (PCE Core YoY) rose 3.3%, well above the 2% target in June. While the decline in energy prices helped the headline reading drop for the month (-0.1% MoM), core prices rose modestly (+0.1% MoM).

The advanced reading on 2Q26 GDP showed that the U.S. economy grew slightly less than expected (+1.5% QoQ vs. 2.0% QoQ). The largest contribution to GDP was personal spending on services and business capex spending, However, net exports took 1% off of GDP as imports surged. When excluding net exports, inventories and government spending, GDP rose 3.9% (QoQ).

Key Takeaways:

- FOMC keeps rates unchanged; does not offer path.
- Inflation does not surprise, still problematic.
- U.S. economy slows but domestic activity strong.
- Global equities higher led by tech rebound.
- Bond yields higher on uncertainty around Fed.
- Highly volatile market for commodities.

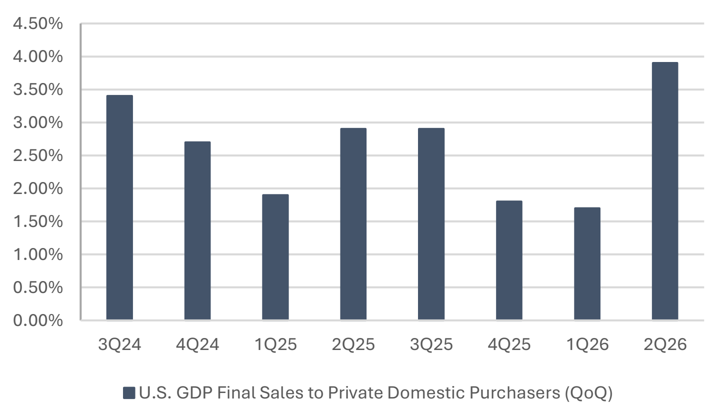
Weekly Market Recap –
Global Equities Higher but Concentrated in the U.S.

Equities: The MSCI AC World Index was higher for the first time in three weeks despite volatility accelerating due to renewed fears about AI spending. Despite the weakness in tech to start the weak, a strong late week rebound led the Nasdaq to outperform all other U.S. Indices.

Fixed Income: The Bloomberg Aggregate Index was lower for the second consecutive week as uncertainty over future Fed policy sent long term yields higher. The 30YR Treasury bond yield rose to the highest level since 2007. High yield, municipals and floating rate debt rose.

Commodities/FX: The Bloomberg Commodity Index fell for the first time in five weeks. Volatility was heightened as whipsawing geopolitical news dicatated market movements. Industrial metals and softs were the only two sectors with the Commodity Index to end positive for the week.

Domestic Economic Growth is Surging



Footnotes: Data is as of July 30, 2026 for 2Q26 GDP.
Data Source: FactSet Research Systems, Verdence Capital Advisors.

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