Markets Update - 7/28/26

A look at what happened today impacting US equity, Treasury, and selected commodity markets, and what to watch for tomorrow

NEIL SETHI
JUL 28, 2026 ∙ PAID

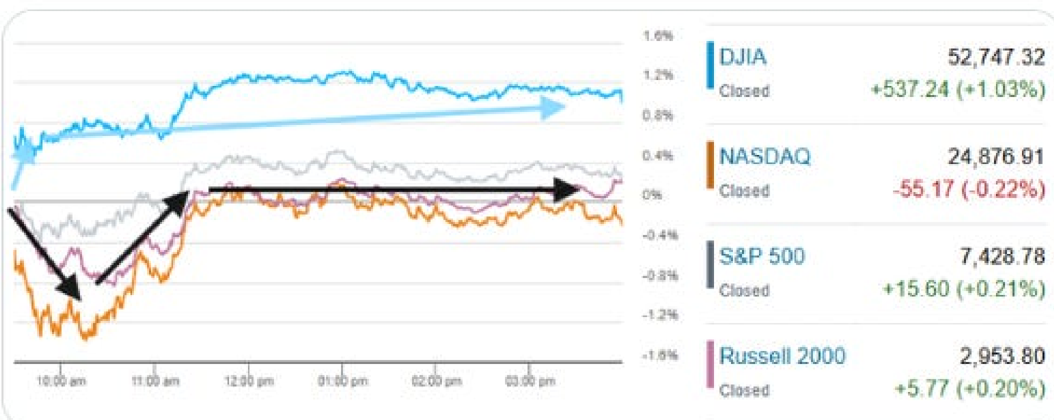
Quick Summary:

- **US equity indices opened mixed Tuesday with the S&P 500 edging higher but the Nasdaq-100 solidly lower as the selloff in chipmakers discussed in last night's update continued to ripple across the globe with a Bloomberg gauge of semiconductor shares slumping 7.5% in its biggest decline since April 2025.**
- **But as noted in the morning update that was offset by another sharp decline in oil prices, easing Treasury yields, and a solid batch of earnings reports which supported a broad rotation away from AI and semiconductor leaders into other parts of the market.**
- **Still, outside the Dow Jones Industrial Average (which has only one semiconductor company (NVDA) as a component), indices fell for the first hour dragged lower by the Tech weakness before bottoming and rallying the rest of the session taking the S&P 500 and Russell 2000 back into positive territory, both +0.2%, while the Nasdaq Composite cut its losses to -0.2% after having been down as much as 1.5% during the session. The Dow Jones Industrial Average climbed 1.0%.**
- **The equal-weighted S&P 500 though rose +1.1% to a new all-time high, while seven of 11 S&P 500 sectors finished higher as discussed in detail in the subscriber section.**

- **Continued diplomatic efforts around the Strait of Hormuz kept pressure on oil prices, with momentum building towards a resolution that would see Oman and Iran receive voluntary fees in exchange for aiding passage. Treasuries also rallied for a third straight day as the drop in oil helped ease some inflation pressure.**
- **Attention now turns to the FOMC decision Wednesday, along with another busy slate of earnings including key reports from Microsoft and Meta.**

The SPX, Nasdaq & RUT all opened lower and fell for the first hour before bottoming and rallying as the tech selloff eased, ending the day little changed.

The DJIA in contrast, with just one chipmaker (NVDA), started higher and ended +1% w/26 of 30 components up.



Some market commentary:

> - "When one trade becomes this crowded, investors don't wait for bad news, they simply need a reason to take profits," said Violeta Todorova, senior research analyst at Leverage Shares. "After an extraordinary rally, expectations had become almost flawless. When valuations leave no room for disappointment, even small changes in sentiment can trigger deep corrections."

- The market may be “moving from AI excitement to ‘prove the economics,’” Jefferies analyst William Beavington wrote in a note. “If the AI capex boom unravels, we see an abrupt policy pivot from tightening to easing.”
- “Doubts over spending, returns and valuations are still deepening rather than fading,” said Hebe Chen, a senior market analyst for Vantage Global Prime. “The hesitation to buy the dip suggests investors are waiting for stronger proof before rebuilding exposure.”
- Daniel Murray, deputy chief investment officer at EFG Asset Management, said the market pullback is more indicative of investors “repricing the sector than anything more fundamental” as demand trends at some of the biggest US spenders remain strong.
- “What’s taking place is a real rotation out of chips where positioning was — and somewhat remains — very heavy,” said Olivier David, a fund manager at Vega Investment Solutions in Paris. “The strength of this earnings season means that investors have options.”
- “It’s been a really broad-based rotation,” Ross Mayfield, an investment strategist at Baird, told CNBC. “This momentum unwind has been a story that’s been playing out for six to eight weeks now, and it has a lot more to do with the technicals of the market than any fundamental changes.” However, that rotation into more cyclical and occasionally rate-sensitive sectors such as consumer discretionary will depend on oil prices and interest rates staying around their current levels, he said. “It’s hard to make a full case for you know consumer discretionary or financials or industrials continuing to catch a bid if rates are heading higher across the curve and oil is pushing up towards $100 a barrel.” Mayfield said.

> - “We maintain a constructive outlook on semis amid robust AI demand, but we believe the recent divergence in sector performance is in line with our view that there are more ways to participate in potential market gains than through a narrow set of AI-linked stocks,” said Ulrike Hoffmann-Burchardi at UBS Chief Investment Office.
> - In the view of Brent Schutte, CIO at Northwestern Mutual Wealth Management, raising interest rates unexpectedly at Wednesday’s meeting — though not the base case — could be a way to prove that the Fed is truly independent and serious about bringing inflation back to its 2% target.
>   “This Fed chair may want to actually have the market believe him more that he is going to be independent and that he is willing to raise rates,” Schutte told MarketWatch via phone on Tuesday. “It would be the ultimate way to take talk and turn it into action and to give himself some credibility on the inflation front.”
> - “The oil impact of the conflict on headline energy inflation is straightforward and supports the view that the consumer price index may have peaked in May if oil prices do not break to new highs,” said Angelo Kourkafas at Edward Jones. “The soft consumer and producer inflation readings in June buy the Fed some time to assess how energy disruptions and inflation evolve over the summer.”

In today’s Markets Update:

- **A deeper look at Tuesday’s stock and sector breakdown, including continued semiconductor weakness but strength in other areas with broad participation beneath the surface including the best two day gains for some sectors in over a year.**
- **A closer look at some company movers and corporate developments.**

- **Updated technical charts across the SPX, Nasdaq, Russell 2000, and equal-weighted SPX.**
- **A review of market breadth and participation, including large individual winners and losers, sector rotation, and the split between market-cap-weighted weakness and equal-weighted strength.**
- **A look at the rates and Fed backdrop, including Treasury yields, the setup into Wednesday's Fed decision, Goldman and Morgan Stanley on the Fed outlook, Citadel's Flight on the case for a hike, and a review of this week's Treasury auctions.**
- **A look at volatility and market structure, including VIX, VVIX, 1-day VIX, and CBOE's Mandy Xu on rising signs of risk aversion under the surface.**
- **A review of cross-asset trends, including WTI crude, the dollar, gold, copper, natural gas, and bitcoin.**
- **MarketWatch on the SOX drawdown, Deutsche Bank on Staples positioning, a look at the Nasdaq-100 correction and Sandisk weakness, JPMorgan's Andrew Tyler on tactical positioning, Evercore's Julian Emanuel on AI FOMO risk, the FT/Bloomberg on hyperscaler credit risk, Yardeni on durable goods orders, MarketWatch/Piper Sandler on the dollar breakout, Bloomberg on speculative dollar positioning, and corporate updates from Nvidia, Meta/BlackRock, Ford, Boeing, Coca-Cola, and UPS.**
- **A wrap-up on AI weakness, broader market resilience, the Fed setup, easing oil pressure, the Iran conflict, and the near-term market setup.**
- **A look ahead to Wednesday's calendar, including US economic data, the Fed decision, Treasury auctions, SPX earnings, and ex-US highlights.**

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Stock and sector breakdown (in part from Briefing.com):

While the SPX struggled to a flat finish for a second day, we also again had 7 of 11 sectors in the green and this time with *six* up around 1% or more (vs three Monday). Again though it was Tech -1.2% (after -1% Monday) that offset that strength. Energy also finished down over 1% for a second day. In contrast, Staples are up 3.6% the past two sessions (the best since April 2025), Health Care +2.9%, Comm Services +2.4%, Financials +2.2%, Materials +1.9%, Cons Discretionary +1.7%.

The latest round of earnings reports drove buying across much of the market. The health care sector (+2.4%) led the advance behind a strong post-earnings gain in IQVIA (IQV 243.31, +30.09, +14.11%), while **the consumer staples sector (+2.0%) also outperformed** as Coca-Cola (KO 88.27, +4.20, +5.00%) traded higher following its quarterly results. Similarly, **the materials sector remained among the session's leaders** after Sherwin-Williams (SHW 354.27, +27.00, +8.25%) rallied on a better-than-expected earnings report.

Meanwhile, the communication services (+1.6%) drew support from Alphabet (GOOG 332.60, +6.03, +1.85%), which extended its rebound from last week's post-earnings selloff.

The information technology sector fell 1.2% as the PHLX Semiconductor Index tumbled 4.5%, extending its month-to-date decline to nearly 23%, which would be the worst since 2001. Memory stocks remained under pressure ahead of SK hynix Inc.'s (SKHY 130.17, -12.85, -8.98%) earnings report Wednesday morning, with investors looking for additional insight into AI-driven HBM demand, memory pricing trends, and the broader outlook for the group.

Outside of semiconductors, however, weakness was relatively contained. The Vanguard Mega Cap Growth ETF slipped just 0.1% as Alphabet continued to recover from last week's post-earnings decline, while Apple (AAPL 340.08, +3.17, +0.94%) climbed to another record high and Microsoft (MSFT 393.35, +4.25, +1.09%)) also advanced ahead of their quarterly reports later this week.

Meanwhile, the energy sector (-1.4%) posted the market's largest decline as crude oil prices continued to retreat.

Health Care	+2.33%
Consumer Staples	+1.96%
Materials	+1.66%
Communication Services	+1.64%
Financials	+1.18%
Consumer Discretionary	+0.95%
Real Estate	+0.36%
Utilities	-0.36%
Industrials	-0.41%
Information Technology	-1.17%
Energy	-1.40%

-3% 0% 3%

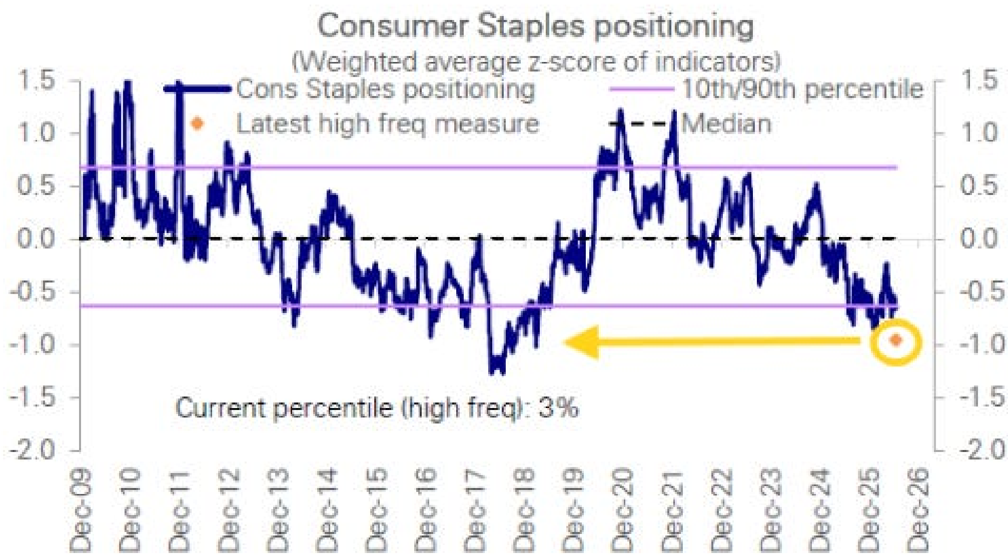
Sectors are represented by CME Cash Indices

as of 4:20 PM ET, 07/28/2026

With today's declines, $SOX is now down 22.4% in July, which would be the worst month since it lost 33.6% in September 2001.

Similarly DB sees Staples positioning at the 3rd percentile to 2009, the lowest since 2018.

Figure 32: Consumer Staples positioning



Source : Deutsche Bank Asset Allocation

Right on cue, Staples are up +3.6% the past two sessions, the best since April 2025. And that's after giving up half of today's gains. At the highs today, it was the best two sessions since April 2020.

$NDX Nasdaq-100 hits correction territory.

$SNDK Sandisk down 50% this month.

The number of large SPX winners (>3%) increased to ~120 components from ~85 Monday, while **large losers also increased** to ~50 from ~35 Monday.

[chart from finviz.com]

Some other corporate news from BBG:

- Nvidia Corp. Chief Executive Officer Jensen Huang defended open-weight artificial intelligence systems as crucial to developing the nascent AI industry, as officials in Washington consider how to respond to a surprise breakthrough from Chinese startup Moonshot.
- Meta Platforms Inc. and BlackRock Inc. plan to build a 1-gigawatt data center complex in Texas that will cost about $14 billion to develop, adding to a wave of investment in the computing hubs that power AI.
- Ford Motor Co. posted earnings ahead of Wall Street estimates and raised its outlook for the second time this year on higher prices and strong sales of high-margin sport-utility vehicles.
- Boeing Co. generated better-than-expected cash flow in the second quarter on continued strong demand for its aircraft, extending the US manufacturer’s turnaround efforts after years of crises.

- Coca-Cola Co. raised its full-year outlook, bolstered by demand last quarter while it served as a major sponsor of the FIFA World Cup.
- United Parcel Service Inc.'s outlook for volume and profit margins underwhelmed investors looking for stronger signs of improvement as the courier unwinds its relationship with Amazon.com Inc.

> Note on all charts the colored lines are moving averages (the average price over the lookback period (days on the daily charts, weeks on the weekly charts)):
> 20 = green
> 50 = purple
> 100 = blue
> 200 = brown
>
> Exception is monthly charts where blue is 10-month moving average and brown is 20-month moving average.
>
> MACD = Moving average convergence/divergence line, a measure of momentum that compares longer term and shorter term momentum to gauge if a move is strengthening or weakening. This is probably my favorite individual indicator (it's also the favorite of Katie Stockton, a very fine technician).
>
> RSI = Relative Strength Index (basically what it sounds like) = measures the strength of the move comparing gains to losses over the given lookback window (I use the standard 14 periods).

Turning to the charts, **the SPX higher but didn't even make it back its 50-DMA**. Daily MACD remains negative, and the RSI under 50.

Nasdaq fell under its 100-DMA before rallying, still the lowest close since April. Its daily MACD and RSI are weaker (with the MACD giving a “go short” signal). As I said Monday, “a hold at the 100-DMA would be nice, but I’m not counting on it.”

The Russell 2000 (RUT) continues to hold its 50-DMA, although also can't get back over its 20-DMA. The daily MACD remains in a "sell longs" reading, while its RSI remains around 50**.**

The equal-weighted SPX the star of the bunch jumping to a new all-time high. The daily MACD has now flipped more positive and the RSI the strongest since the start of the month.

Yields eased across the curve for a third day.

Two-year Treasury yields fell back to 4.28%, down seven basis points from Thursday's close, the highest since February of last year and remaining over the nearly three year downtrend line. The Fed tomorrow will have a lot to say about whether it stays above.

They are ~59 basis points above the Effective Fed Funds rate (red line), continuing to call for rate hikes. See the rates section in the Week Ahead for my thoughts on these levels.

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US Government Bonds 2 YR Yield · 1D · TVC O4.320% H4.320% C4.281% −0.039 (−0.90%) −0.039 (−0.90%)
EFFR · Federal Reserve Bank of New York 3.63 0 (0.00%) 0 (0.00%)
4.281% US02Y
3.630% EFFR
4.400%
4.350%
4.300%
4.200%
4.150%
4.100%
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Goldman: **We expect the FOMC to leave the fed funds rate unchanged at its July meeting this week.**

President Logan has expressed support for "modestly higher" interest rates and might dissent in favor of a hike, and one or two other voters might as well.

The post-meeting statement might acknowledge the upside risks to inflation posed by renewed geopolitical conflict as a nod toward the possibility that the FOMC could hike if the situation worsens.

We do not expect Warsh to offer many hints about the policy outlook in his press conference, though he might also acknowledge the upside risks to inflation posed by the latest rise in oil prices. He recently announced the leaders of the five Chairman's Task Forces for Advancing Monetary Policy and might provide an update on the timeline for their work.

Market pricing implies that investors see the outcome of the July meeting as unusually uncertain. **If current pricing implying a roughly 40% chance of a hike persists going into the meeting, either outcome would be the largest surprise in a few decades at a meeting where the Fed hiked or held** (Exhibit 2), because the Fed has historically avoided delivering surprise rate hikes at its meetings.

The market uncertainty likely reflects that Chairman Warsh's approach is sufficiently different to raise doubts about whether historical patterns still apply, that his own position on hiking remains unclear, that the FOMC has been split recently, that some of the re-escalation with Iran occurred during the blackout period, and that further escalation is possible before Wednesday.

While we agree that the uncertainty is greater than usual, most voters appear unlikely to push for a hike next week after the softer June inflation data, and some might be especially reluctant to deliver a surprise hike at a meeting without a Summary of Economic Projections out of fear that the market might infer more than they intended.

Exhibit 2: In Recent Decades, the Fed Has Shown a Strong Aversion to Delivering Surprise Rate Hikes

* Assuming that current market pricing remains unchanged before the meeting.

Source: Goldman Sachs Global Investment Research

MS (Gapen): **We expect the Fed to keep the target range for the federal funds rate unchanged** at 3.50-3.75%. **Since the committee met in June, the bulk of incoming data supports patience, in our view:**

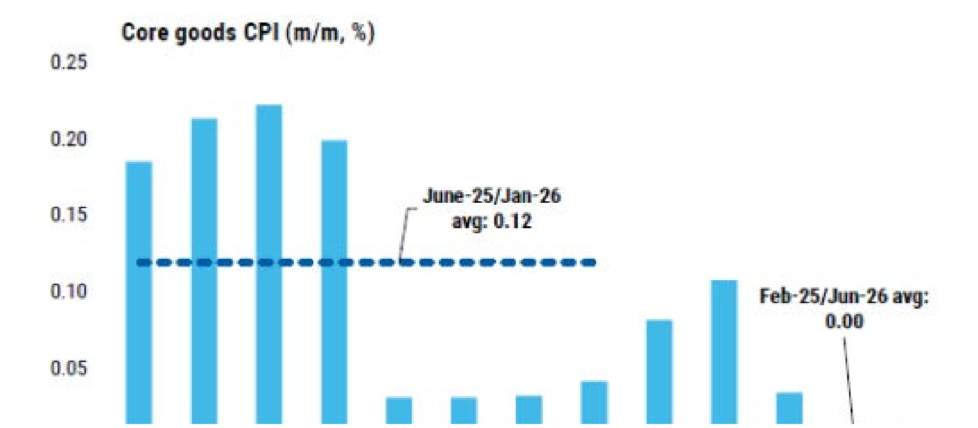
-The June employment report revealed a moderation in hiring and saw downward revisions to prior months. The rebound in hiring early in the year remains evident, but now appears shorter lived than the as-reported data suggested.

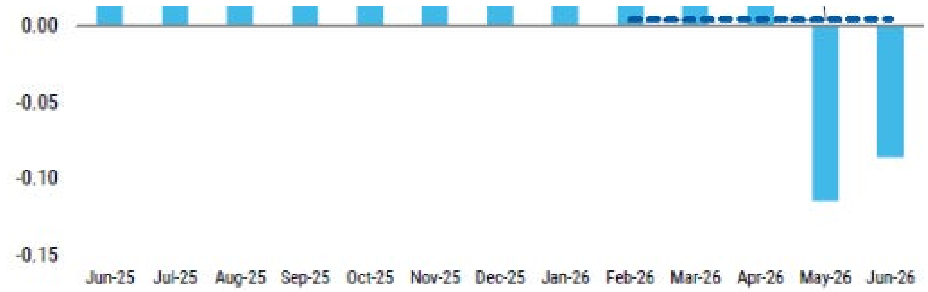
-Wage growth in terms of average hourly earnings is up only 3.5% y/y. Risks to the labor market appear balanced to our eyes and concerns about overheating have diminished.

-**Recent inflation data suggest to us that disinflation has begun.** Headline CPI prices declined 0.4% and core was flat. Our three drivers of disinflation — a reversal in energy prices, the end of tariff pass-through, and diminishing shelter inflation — all contributed to the soft print. The tariff pass-through to core goods prices has now been flat since February, providing a strong signal that the corporate sector has adequately adjusted prices to account for higher production costs. If so, **our estimates suggest as much as 60-70bp of disinflation may be in the pipeline,** providing an important source of disinflation.

Inflation has shown enough improvement to buy more time and keep the Fed on the sideline. We think subsequent inflation prints will continue to point to disinflation — our m/m readings on core inflation in the second half of that year annualized close to 2.0% — and expect the Fed to remain on hold through year end.

Exhibit 2: Core goods CPI reflects an end to tariff pass through





Source: BLS, Morgan Stanley Research.

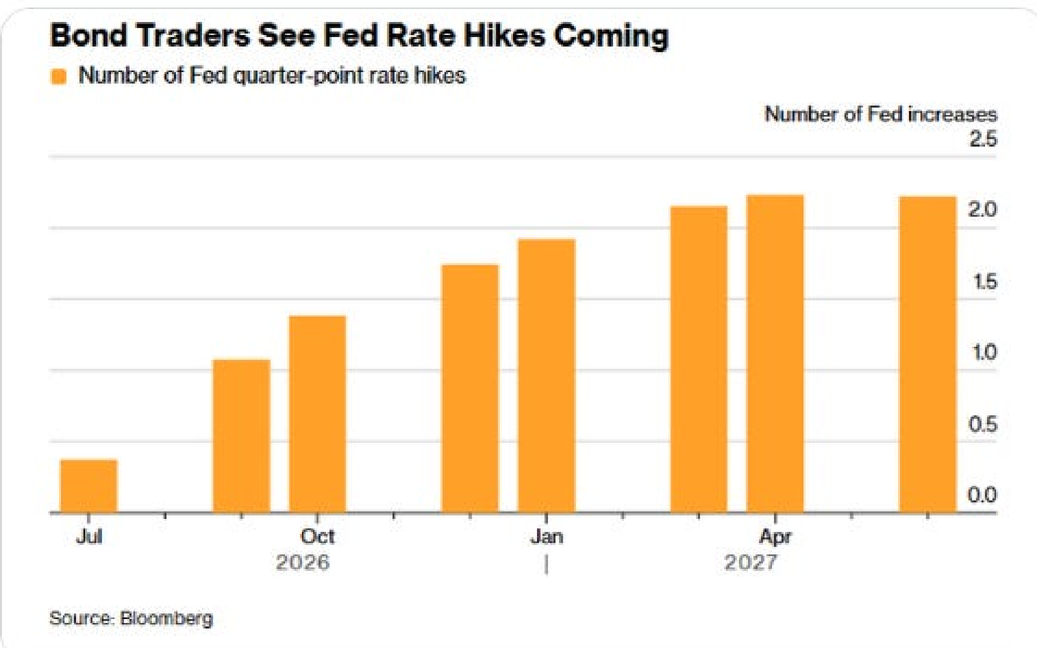
Frank Flight, **Citadel's head of macro strategy, expects a hike from the Fed tomorrow to reinforce Chair Warsh's repeated pledge to restore price stability while showing policymakers no longer rely on signaling every policy move well in advance.**

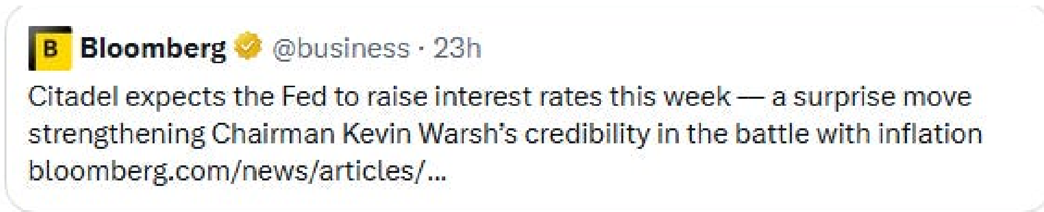
"The market may once again be underestimating the extent of the hawkish shift at the Fed," Flight said. **A hike this week "would emphatically end the forward guidance era" while underscoring the Fed's independence,** he said.

In addition to supporting the central bank's inflation-fighting credibility, **a surprise increase would influence businesses' pricing decisions and workers' wage demands before inflation becomes more entrenched**, potentially reducing the amount of tightening needed later, he said.

While the recent softer payroll and inflation data initially reduced the perceived likelihood of a July move, Flight argued those reports should not outweigh broader evidence that **inflation risks remain elevated and the labor market is stable.**

The energy price increases in recent weeks may tip the balance toward a hike, he added.




Bloomberg @business · 23h
Citadel expects the Fed to raise interest rates this week — a surprise move strengthening Chairman Kevin Warsh's credibility in the battle with inflation
bloomberg.com/news/articles/...

10-year yields eased back to 4.61%, down nine basis points from Thursday's close, the highest since January 2025.

30-year yields down to 5.09% after having not breached the May highs (which were the highest since 2007).

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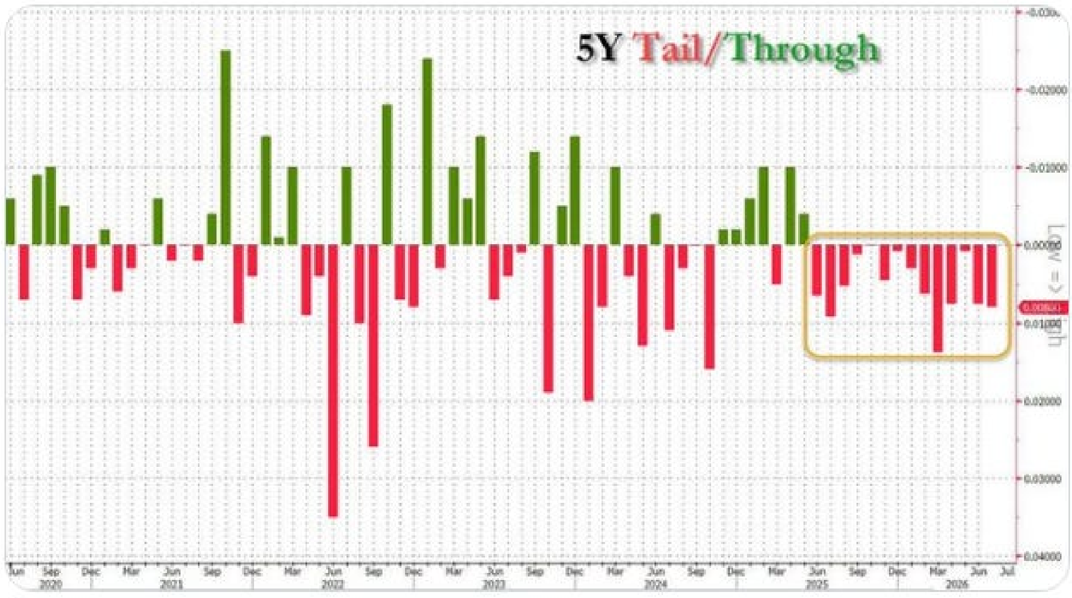
Wanted to do a quick wrap-up of the non-bill (>1 year) Treasury auctions this week, which were on an abbreviated schedule due to Wednesday's FOMC and month-end making a Thursday auction off the table.

The overall story was one of sharply divergent demand across the curve — **a very strong 2-year on the back of robust domestic bidding, followed the same day by a dismal 5-year where foreign demand slid to the least in a year, and then today a middling 7-year** where those two flipped again with foreign buyers returning and domestic demand collapsing. Not a week with a clean read.

Monday brought the 2-year and 5-year within 90 minutes of each other, and as ZeroHedge put it, they "couldn't be more different." The 2-year was the standout of the week helped by a clearing yield the highest since December 2024, which saw a stop-through (yield below expectations) of -0.5bps, the biggest since January and third straight, and a overall demand (bid/cover) of 2.66, also the highest since January. Direct (domestic) demand remained solid at 34.1%, roughly flat with last month but well above the 6-mth avg of 29.2%, leaving dealers with just 9.4%, the lowest since January. Indirect (mostly foreign) demand at 56.6% was the one soft spot, though improved from June. ZeroHedge called it "stellar" and @Investinglive's Greg Michalowski gave it a B+.

The 5-year 90 minutes later was, in ZeroHedge's words, "a dismal mirror image" and "one of the ugliest auctions for the tenor in years." The tail (yield above expectations) was +0.9bps, the biggest since March, making it an unprecedented 14th consecutive tail for this duration, and the bid/cover fell to 2.28, the lowest since September 2022. Indirect demand slid to 59.2%, the lowest since July 2025, well below the 6-mth avg of 65.6%, and while direct bidders stepped up to 27.2%, the most since January, it wasn't nearly enough — dealers were left with 13.5%, the highest since March. Michalowski gave it a D+, noting "if I grade easy it is a C-, but not today."

The 7-year Tuesday was a quieter affair (no ZeroHedge write-up) and essentially the inverse of the 5-year on internals, although without the big tail. Indirect (foreign) demand rebounded to 70.1%, well above the 6-mth avg of 64.5%, while direct demand collapsed to 16.9%, well below the 6-mth avg of 24.0%. Bid/cover of 2.49 was right on the average, dealers took 13.0%, and the auction tailed by a modest +0.2bps. Michalowski graded it a C-, calling it "modestly below average."



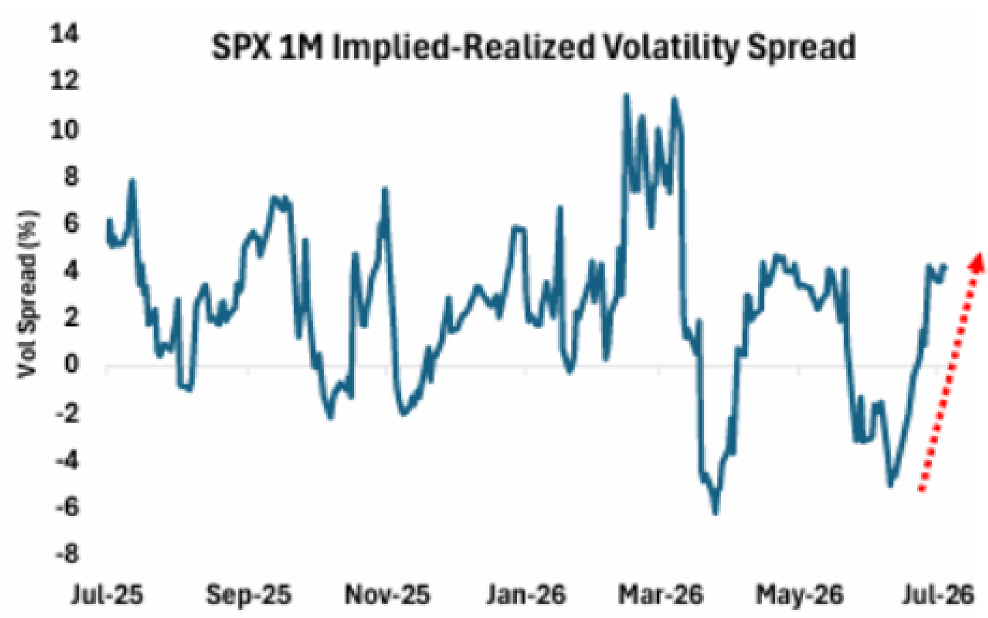
The VIX little changed at 18.2, in the middle of its "normal" range post-GFC, consistent w/~1.14% average daily moves in the SPX over the next 30 days.

CBOE's Mandy Xu: While overall levels of the VIX Index remain fairly muted at 18, **we're seeing increasing signs of risk aversion underneath the index surface.**

First, **the volatility risk premium has been increasing steadily in recent weeks,** with the spread between SPX 1M implied vs realized volatility widening from -5% to +5% and is currently screening in the 73rd percentile high over the past year (see Exhibit 2). **This suggests that traders are positioning for broader market volatility to pick up in the coming weeks.**

Second, **demand for downside protection has also increased notably,** with SPX 1M skew (25-delta ratio) steepening to the 82nd percentile high currently (vs. 13th percentile low just two weeks ago).

Exhibit 2: SPX Volatility Risk Premium Rising Steadily

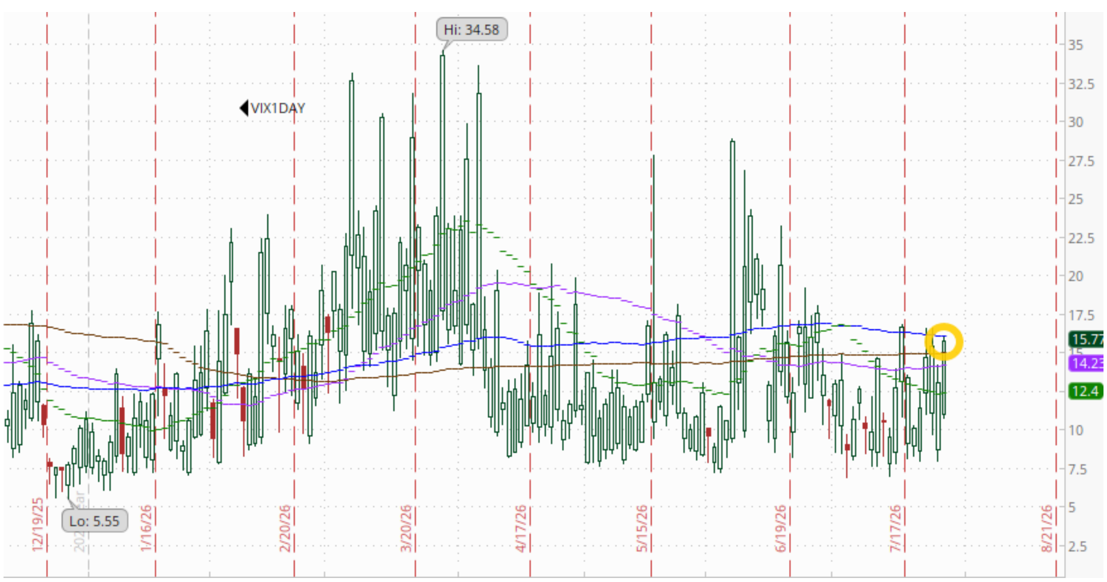


Source: Cboe

The VVIX (VIX of the VIX) eased back to 98.5.

The current level is **consistent with "moderate" daily moves in the VIX** over the next 30 days (historically, normal is 80-100, but we've been above 90 most of the time since July ‘24). Above 100 is the level flagged by Charlie McElligott as indicating higher stress.

1-day VIX jumped up to 15.8 with the Fed meeting tomorrow, although not particularly high given that. The reading is consistent with a move of 0.98% in the SPX next session.



WTI down another 3.5%, now down 12.5% from Thursday’s close falling under $80.

The DXY dollar index (which is fixed weighted with a heavy (57%) vs the euro) fell for only the 2nd time in 9 sessions giving up early gains that took it up near the highs of the year.

The daily MACD is neutral but the RSI is near 60.

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MarketWatch: Craig Johnson, chief market technician at Piper Sandler says t**he** $DXY **dollar index has confirmed the breakout of a long-term consolidation pattern, to suggest a new long-term uptrend has started**.

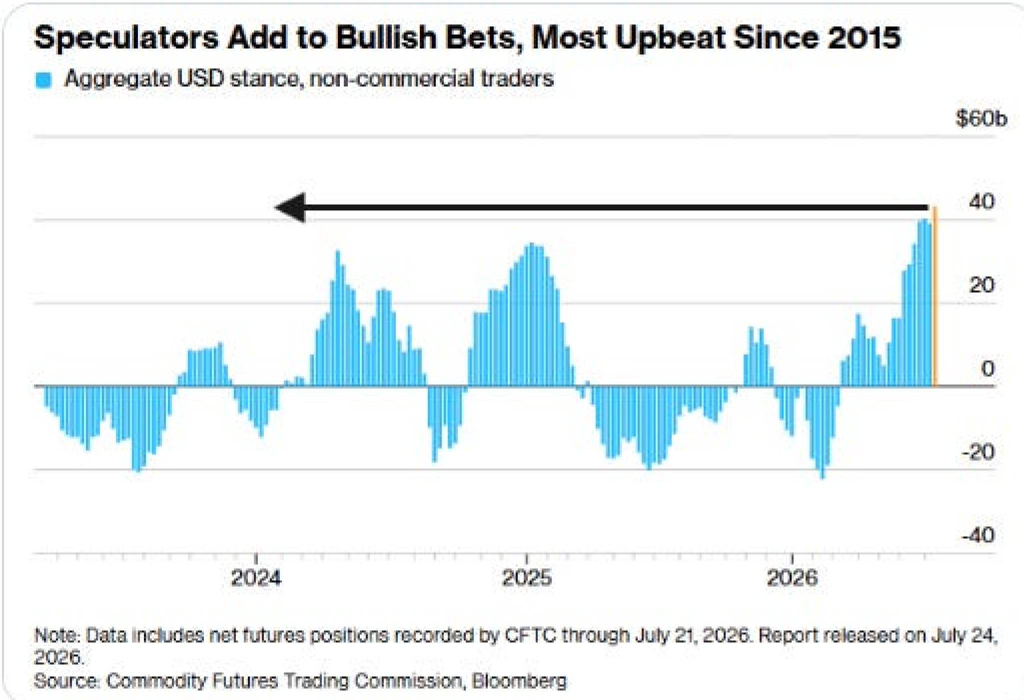
The actual breakout occurred in June. But breakouts often get tested, and **the pullback in the dollar saw support successfully tested** (first chart) **and took the form of a “flag” pattern** (second chart).

"Flag patterns that follow a significant trend depict a short-term consolidation of that trend, and are often resolved in the same direction of the trend that followed them. **The dollar index’s flag led to a test of support at the breakout point, and was resolved in the direction of the uptrend that preceded it to confirm the long-term breakout**."

Photo: FactSet, MarketWatch

Photo: FactSet, MarketWatch

"Speculative traders held some $43.3 billion in positions that stood to benefit from a stronger US currency as of July 21, according to CFTC data compiled by Bloomberg, the most since 2015."
$USD



Gold futures (/GC) continue to struggle to cross the downtrend line from the March highs. As I've mentioned for two weeks "the technicals remain much better than the price action."

US copper futures (/HG) fell back remaining above all the major moving averages with relatively supportive technicals, but overall in the middle of their range since May.

US natural gas futures (/NG) continued their decline after falling out of their two-week range on Monday**.** As mentioned previously, no real support anywhere until down at the $2.50 level which we're rapidly approaching. The daily MACD and RSI continue to say the trend is lower.

Bitcoin futures continue to do a lot of nothing, ending at the same levels they were at in early June. As I mentioned two weeks ago, “the daily technicals continue to look better than the price action, so maybe there’s a chance?” So far that hasn’t translated into more than a modest move higher, and the technicals are now starting to roll over.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Bitcoin CME Futures · 1D · CME O64,810 H64,810 L62,680 C63,870 −1,095 (−1.69%) −1,095 (−1.69%)
Daily Lines 63,746 66,157 70,065 79,918
MACD (close, 12, 26, 9) 290 −90 −380
RSI (14; close) 47.34 50.27
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Other stuff:

JPM's global market intelligence team, lead by Andrew Tyler, said **its so-called tactical positioning monitor is pointing to "material upside" for the SPX,** and they continue to be "tactically bullish" on US stocks, anticipating equities will benefit from lower bond yields, a weaker dollar and strong corporate earnings.

"These tailwinds are driven by a decrease in kinetic hostilities in the Middle East and a hold by the Fed," Tyler added, referring to expectations that the central bank is likely to keep its benchmark rate steady after its meeting Wednesday.

Tyler said there's some pressure on the market from technology companies, given that the increase in spending on AI is "no longer an automatic win" for chipmakers and others that provide the infrastructure. But he noted that **consumer spending is pointing to strength in the economy, citing the jump in household new worth and checking-account balances, strong retail sales and little signs of credit stress.**

Tyler did though flag r**isks stemming from crowded positions in semiconductor stocks and the outlook for the US-Iran war.**

JPMorgan Sees S&P 500 Poised to Rally as New Buy Signal Flashes

Evercore's normally bullish Julian Emanual remains so per @dailychartbook 's nightly email, reiterating his call for SPX 7,750 by year-end noting that his "FOMO Risk Barometer" has only four of its ten indicators "flashing red".

18. AI FOMO Risk Barometer. "Only four of the ten indicators are flashing red, highlighting excessive FOMO remains largely absent from the underlying AI investment theme (above 7 would indicate unattractive risk/reward) and supports the S&P 500 to 7,750 by year end, led by AI-Centric Names and Themes."

Figure 1: No Wild-Eyed AI FOMO

	Theme	Risk Flag Level	Current Level
1	Concentrated S&P 500	Top 10 stocks account for 27%+ of the S&P 500	38%
2	Household Equity Exposure	Equities, % Net Worth above Dot Com 30% peak	35%
3	Margin Debt	Materially above $1T trend	$1.5T
4	Market Participation	Market breadth deteriorating while S&P 500 rising	Broadening
5	Valuations Driving Returns	P/E accounts for majority of strong index returns	Minority
6	Hyperscaler Cash Flow	Negative 12m fwd Free Cash Flow	$-38B
7	Hyperscaler Leverage	Interest coverage below 10x | Net debt/mkt cap above 10%	33x | 1%
8	Cross Shareholding	Corporates own 10%+ of U.S. equities	3%
9	Capital Market Frenzy	Equity IPO, % mkt cap > 0.75%	0.2%
10	Equity Risk Premium	Below 0%	0.4%

Julian Emanuel - Evercore

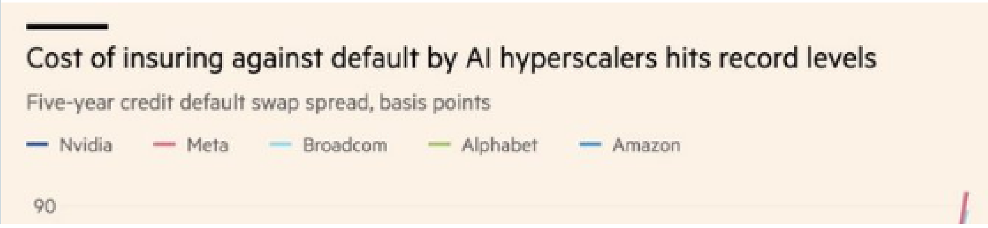
"In a sign of waning investor interest in AI debt, **Meta's latest borrowing cost for its $12B Texas data centre has risen significantly to levels closer to junk-rated bonds**."

The debt "priced in line with where B- deals are currently trading… a quite remarkable situation, but that is the world we are living in today", John Aylward, chief investment officer of credit manager Sona Asset Management said.

The cost of protecting five-year debt for hyperscalers has risen to record highs led by Oracle, whose five-year CDS was quoted at 215 basis points on Monday, up from 144 bps at the start of the year. The cost of protecting Nvidia's debt against default surged by a record on Monday.

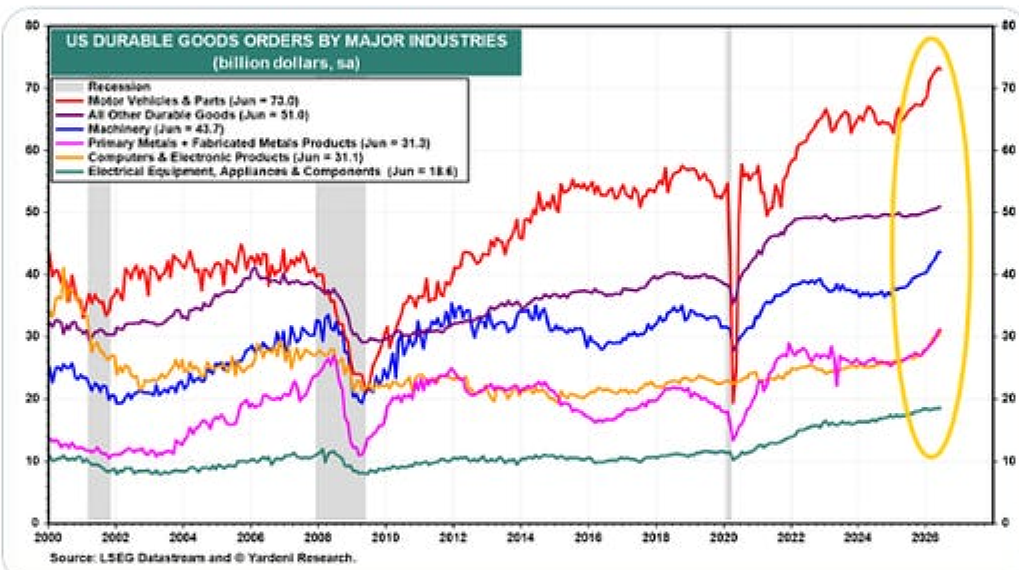
Christophe Barraud @C_Barraud · 16h

Big #Tech credit risks rise sharply as #AI spending soars - FT ft.com/content/ac1365...



Last edited 8:11 AM · Jul 28, 2026 · **3,099** Views

Yardeni: The major components of durable goods orders are at record highs (chart).



Neil Sethi NEW account, please refoll... @neilsethine... · Jul 27

Core (ex-aircraft & defense) durable goods shipments +1.90% m/m in June, the best since Dec 2021.

This will boost Q2 GDP estimates - they feed into GDP as manufacturers' shipments, which flow into final ...

Link to X posts - Neil Sethi (@neilsethinew) / X for full posts/access to charts.

Wrap-up

As I wrote Monday:

> As noted in this week's Week Ahead, **we continue to see the "on again, off again" nature of the AI-trade, which recently has been mostly "off again".…** That said we also continue to see strength elsewhere offsetting that as also mentioned.
>
> **That balance is important to keep us above the key support trigger levels** covered in the Week Ahead, and a flat day is a definite positive in terms of volatility lookbacks.

Tomorrow afternoon though things dial up with the Fed meeting (discussed below) followed by earnings from Microsoft and Meta after the close.

And for now the Iran conflict seems to remain contained, and it appears things may be building towards a resolution with the Strait of Hormuz that allows for tolls to Oman and Iran. It is notable to me that we have not heard the normal strenuous objections from President Trump, Secretary of State Marco Rubio, etc. Perhaps it's coming, but perhaps they see it as their only way to move things forward.

So, as I said Sunday:

> **overall, I remain broadly constructive on markets, but cautious in the near term.** Corrections happen, and there are a lot of reasons one could happen now: investor caution over heavy capex spend and competitive concerns leading to AI/Tech weakness which has outsized market impact given the heavy leverage, thinner gamma support, less helpful systematic, corporate, and retail flows, a more hawkish Fed and rising oil prices pushing rates to new highs, and

> still-unsettled Middle East risk. At the same time, earnings continue to beat a very high bar, and the story outside of Tech has been very favorable. As I said last week, "it seems odd if earnings continue to beat that it would happen now, but as I often say, you never know with these things." That remains the case.

The Day Ahead

While Wednesday will have some major catalysts, US economic data will not be one of them with just weekly mortgage applications and US petroleum inventories.

But one will be the Fed as we get the July policy decision. Markets are as uncertain about the outcome as they have been on any hold vs hike decision this close to a meeting in over a decade, and if the Fed were to hike, it would be the largest hawkish surprise on record (to 1994). So as I said in the Week Ahead, it's likely that whatever the decision it will create some volatility in markets.

Treasury auctions are done for the week.

Second quarter earnings will be a highlight with **55 SPX components reporting Wednesday, including two Mag-7 names in MSFT & META in addition to 10 other >$100bn in market cap** (PG, LRCX, QCOM, APH, SBUX, FTNT, GD, ADP, EQIX, VRT in order of earnings weight).

Ex-US highlights are UK consumer borrowing, Australia CPI, Bank of Canada minutes.

	Speakers	(none)	Economic data
	CBs		Meetings

Date	LDN	NY	HK	Country	Event	For	BofAe	Cons.†	Previous	Expectations
29-Jul	2:30	21:30	9:30	Australia	CPI MoM	Jun	0.1%	--	-0.7%	--
	2:30	21:30	9:30	Australia	CPI YoY	Jun	3.9%	--	4.0%	--
	8:00	3:00	15:00	Sweden	GDP Indicator (sa, qoq)	2Q	0.70%	--	-0.2%	We expect GDP to rebound by 0.7% qoq in Q2, consistent with activity indicators recovering after the weak start of the year. We expect growth a bit milder than Riksbank forecasts (at 0.9% qoq).
	10:30	5:30	17:30	UK	Mortgage Approvals	Jun	55k	--	56.2k	--
	18:30	13:30	1:30	Canada	Bank of Canada Summary of Deliberations	--				
	19:00	14:00	2:00	US	FOMC Rate Decision (Midpoint)	--	3.63%	3.63%	3.63%	--
	23:40	18:40	6:40	Australia	RBA's Hunter-Fireside Chat	--				

Wednesday, July 29

02:00 PM FOMC statement, July 28-29 meeting

As discussed in our FOMC preview, at its July meeting, the FOMC is likely to keep the funds rate unchanged at 3.50-3.75%. The post-meeting statement might acknowledge the upside risks to inflation posed by renewed geopolitical conflict, and there will likely be at least one dissent in favor of a hike. Market pricing implies that investors see the outcome of the July meeting as unusually uncertain, likely because the FOMC has been split recently, Chairman Warsh's own position remains unclear, and some of the re-escalation with Iran occurred during the blackout period. But most voters appear unlikely to push for a hike this week after the softer June inflation data, the Fed has historically avoided delivering surprise rate hikes, and we suspect that voters might be especially reluctant to do so at a meeting without a Summary of Economic Projections.

Wednesday July 29

Data: UK June net consumer credit, M4, Germany June import price index, Italy May industrial sales, Australia June CPI, Sweden Q2 GDP indicator
Central banks: Fed's decision, BoC summary of deliberations
Earnings: Microsoft, Meta, SK hynix, Lam Research, Procter & Gamble, ARM, L'Oreal, Hermes, Amphenol, Airbus, Qualcomm, UBS, Hitachi, Advantest, Intesa Sanpaolo, Starbucks, Vertiv, Fortinet, CaixaBank, Equinix, Vinci, Eni, Aon, Standard Chartered, Public Storage, Danone, BASF, Porsche, Humana, GE HealthCare Technologies, Telecom Italia
Auctions: US 2-yr FRN ($30bn)

Ticker	Name	Next Earnings Date	Market Cap
MSFT	Microsoft Corporation	Jul 29, 2026	2,912.06B
META	Meta Platforms, Inc.	Jul 29, 2026	1,507.85B
PG	The Procter & Gamble Company	Jul 29, 2026	355.62B
LRCX	Lam Research Corporation	Jul 29, 2026	334.60B
QCOM	QUALCOMM Incorporated	Jul 29, 2026	173.96B
APH	Amphenol Corporation	Jul 29, 2026	172.98B
SBUX	Starbucks Corporation	Jul 29, 2026	120.12B
FTNT	Fortinet, Inc.	Jul 29, 2026	108.03B
GD	General Dynamics Corporation	Jul 29, 2026	106.44B
ADP	Automatic Data Processing, Inc.	Jul 29, 2026	104.97B
EQIX	Equinix, Inc.	Jul 29, 2026	102.65B
VRT	Vertiv Holdings Co	Jul 29, 2026	101.84B
JCI	Johnson Controls International plc	Jul 29, 2026	84.69B
AON	Aon plc	Jul 29, 2026	80.49B
HOOD	Robinhood Markets, Inc.	Jul 29, 2026	79.87B
ORLY	O'Reilly Automotive, Inc.	Jul 29, 2026	76.95B
BSX	Boston Scientific Corporation	Jul 29, 2026	69.00B
CVNA	Carvana Co.	Jul 29, 2026	68.65B
PSA	Public Storage	Jul 29, 2026	62.28B
LHX	L3Harris Technologies, Inc.	Jul 29, 2026	57.40B
ETR	Entergy Corporation	Jul 29, 2026	53.65B
VTR	Ventas, Inc.	Jul 29, 2026	48.98B
ODFL	Old Dominion Freight Line, Inc.	Jul 29, 2026	47.87B
GRMN	Garmin Ltd.	Jul 29, 2026	47.53B
HUM	Humana Inc.	Jul 29, 2026	44.91B
CBRE	CBRE Group, Inc.	Jul 29, 2026	43.13B
CMG	Chipotle Mexican Grill, Inc.	Jul 29, 2026	42.95B
FLEX	Flex Ltd.	Jul 29, 2026	38.71B
WEC	WEC Energy Group, Inc.	Jul 29, 2026	37.76B
VMC	Vulcan Materials Company	Jul 29, 2026	37.36B
FICO	Fair Isaac Corporation	Jul 29, 2026	30.74B
VICI	VICI Properties Inc.	Jul 29, 2026	30.32B
BIIB	Biogen Inc.	Jul 29, 2026	29.88B
GEHC	GE HealthCare Technologies Inc.	Jul 29, 2026	28.29B
VRSK	Verisk Analytics, Inc.	Jul 29, 2026	27.76B
AWK	American Water Works Company, ...	Jul 29, 2026	27.12B
SW	Smurfit Westrock Plc	Jul 29, 2026	26.86B
CTSH	Cognizant Technology Solutions C...	Jul 29, 2026	23.38B
BG	Bunge Global SA	Jul 29, 2026	23.06B
ESS	Essex Property Trust, Inc.	Jul 29, 2026	20.29B
CHRW	C.H. Robinson Worldwide, Inc.	Jul 29, 2026	19.99B
FTV	Fortive Corporation	Jul 29, 2026	19.59B
LII	Lennox International Inc.	Jul 29, 2026	18.94B
INVH	Invitation Homes Inc.	Jul 29, 2026	17.85B
MAS	Masco Corporation	Jul 29, 2026	16.85B

IEX	IDEX Corporation	Jul 29, 2026	16.71B
MAA	Mid-America Apartment Commun...	Jul 29, 2026	16.27B
EG	Everest Group, Ltd.	Jul 29, 2026	15.76B
REG	Regency Centers Corporation	Jul 29, 2026	15.44B
SWK	Stanley Black & Decker, Inc.	Jul 29, 2026	14.88B
PTC	PTC Inc.	Jul 29, 2026	14.87B
TYL	Tyler Technologies, Inc.	Jul 29, 2026	13.53B
ALGN	Align Technology, Inc.	Jul 29, 2026	12.25B
MGM	MGM Resorts International	Jul 29, 2026	11.71B
GNRC	Generac Holdings Inc.	Jul 29, 2026	11.31B

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