Markets Update - 8/5/26

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

NEIL SETHI
AUG 05, 2026 ∙ PAID

Quick Summary:

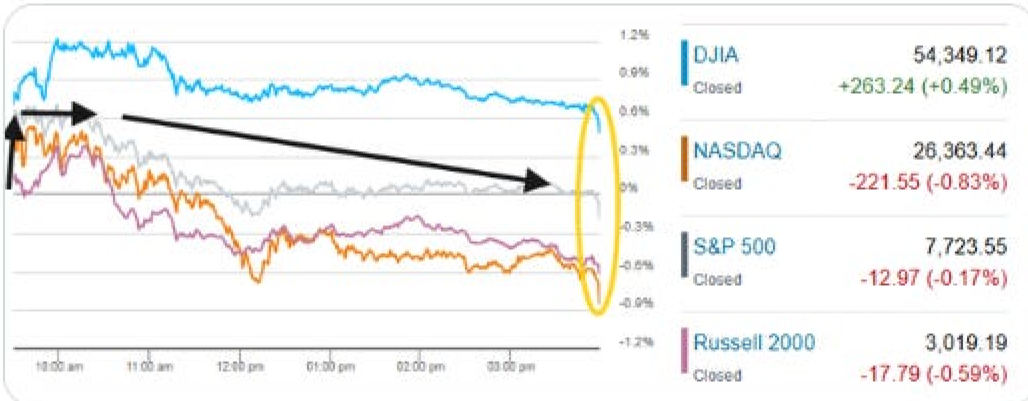
- **US equity indices opened higher Wednesday but unlike Tuesday it wasn't Tech leading, as despite jumps in some names (Arista Networks up 11% premarket for example), SpaceX was down around 11% after the company projected higher-than-expected spending on its AI business, and Advanced Micro Devices dropped about 9% after an underwhelming sales outlook. Instead it was companies like Disney, CVS, and Eli Lilly fueling the gains as discussed in the morning update.**
- **But unlike Monday and Tuesday indices would peak in the first hour and fade through the afternoon as investors digested the sharp four-session rally, despite continued signs of progress toward reopening the Strait of Hormuz.**
- **At day's end, the Nasdaq Composite led to the downside at -0.8%, the Russell 2000 fell -0.6%, and the S&P 500 slipped -0.2%, while the Dow Jones Industrial Average held up much better at +0.5% and posted another record close. All four indices saw a sharp drop in the final five minutes (leveraged ETF selling?).**
- **Despite the down day, the S&P 500 still saw 6 of 11 sectors finish higher for a second day, but a key difference was that the ultra-heavyweight Technology sector, which jumped more than 4%**

Tuesday, finished flat Wednesday. Also, three sectors fell by at least 1%, including Communication Services, which dropped more than 2% after no sector had lost more than 0.6% Tuesday.

- **Weakness was seen in several recent leaders during the four-day rally, with Alphabet, AMD, Amazon, and Tesla weighing on the market, while Nvidia was a notable offset after SpaceX said it would build exclusively on Nvidia's Vera Rubin architecture. Materials and Health Care provided the main pockets of strength, helped by a rally in metals prices and well-received earnings.**
- **Oil remained near $75 as Iran and Oman moved toward a draft agreement to reopen the Strait of Hormuz, reinforcing hopes that energy-shipping disruptions could continue to ease. That helped keep the broader inflation-risk backdrop calmer, though negotiations remain fragile.**
- **The economic data were mixed. ADP said employment growth fell back to the lowest since January, with breadth narrowing as education and health accounted for much of the gains, although small-business hiring continued to lead and job-switcher pay growth rose to the highest since last August. The ISM Services PMI though remained solidly in expansion, with business activity the second-best since May 2024 and new orders accelerating as delivery times eased. Prices though re-accelerated and employment fell.**
- **Tomorrow brings more economic data and earnings reports as discussed in the subscriber section ahead of Friday's climax with the Employment Situation report.**

US equity indices again started higher, but unlike Mon/Tues they would peak in the first hour and fall off all afternoon, led to the downside by the Nasdaq -0.8%. RUT -0.6%, SPX -0.2%, but the DJIA held up much better +0.5%.

All saw a sharp drop in the last five minutes.



Some market commentary:

> - "Equities do not need oil to fall more to continue rallying. The more important support for equities comes from fundamentals. Second-quarter earnings were strong. That's despite elevated commodity prices and yields, raising the bar for an equity selloff from any Middle East escalation. At the same time, July's positioning washout has left investors with scope to rebuild exposure." —Skylar Montgomery Koning, macro strategist.
> - "As oil prices come back to the $75-$80 dollar range, markets can focus on fundamentals, which remain robust," said Mohit Kumar, a strategist at Jefferies International. "Earnings have been solid and there is still a lot of liquidity out there. Positioning is very clean, which sets a nice backdrop for a further rally in risky assets."
> - The three pressures behind the recent stock selloff — AI spending concerns, higher bond yields and the increase in oil prices — are all easing at the same time, said Charu Chanana, chief investment strategist at Saxo Markets in Singapore.

Strong earnings are reassuring investors that AI demand remains intact, while lower oil and bond yields are taking pressure off valuations, she said.

- “Albeit there was some disappointment on the micro level [from SpaceX and AMD], the numbers are still confirming that the overarching macro trend is intact as they confirm the durability of the compute build-out,” said Stephan Kemper, chief investment officer at BNP Paribas Wealth Management Germany. “Thus, tech as a whole can benefit even if single players suffer.”
- “What’s new in the AI trade is that there’s a lot of dispersion within semiconductors or hyperscalers,” said Roland Kaloyan, head of European equity strategy at Societe Generale. “That means clients such as equity portfolio managers who can’t invest in indexes have challenging stock picking choices to make.”
- The weight of the evidence continues to support giving the bull market in stocks the benefit of the doubt, even as we experience more bumps along the way, according to Keith Lerner at Truist Advisory Services Inc. “Earnings remain our north star, the economy continues to show resilience, market participation has broadened, and valuation excesses have largely been worked off,” he said.
- “It seems like animal spirits are really back with a gusto,” said Baird investment strategist Ross Mayfield, adding that the size of the moves seen throughout the last few days is “pretty rare historically.” On Tuesday, the three major averages notched their best four-day performance since April 2025.

Those were all before equities fell into negative territory. After:

- “It’s a combination of the market digesting its recent sharp advance and concerns surrounding the resumption of ‘sell the

> news' to positive earnings reports that we're seeing out of AMD and SpaceX," said Matt Maley, chief market strategist at Miller Tabak + Co. "Today's reversal will have to become a much bigger decline before it raises any warning flags."
>
> - "AI-related results and commentary have sparked some profit taking," said Colin Cieszynski, chief market strategist and portfolio manager at SIA Wealth Management Inc.

In today's Markets Update:

- **A deeper look at Wednesday's stock and sector breakdown, including the split between positive sector breadth and weaker index-level performance.**
- **A look at after-hours reactions in the memory trade, including Western Digital and Sandisk, along with selected corporate updates on AMD, Microsoft/OpenAI, Alphabet's AI reshuffling, Disney, and Eli Lilly.**
- **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, weak NYSE positive volume, and the shift from Tuesday's broad buying to Wednesday's narrower finish.**
- **A look at the rates and Fed backdrop, including the moves in 2-year, 10-year, and 30-year Treasury yields, Kansas City Fed President Schmid's hawkish comments, Treasury refunding details, and Deutsche Bank on CTA bond positioning.**
- **A look at volatility and market structure, including VIX, VVIX, 1-day VIX, and the "spot down, vol down" after Tuesday's "spot up, vol up" session.**
- **A review of cross-asset trends, including WTI crude, crude and product inventories, the dollar, gold, copper, natural gas, and**

bitcoin.

- **Yardeni on Technology and earnings momentum, Goldman on prime-book de-grossing, Citadel's Rubner on retail selling in Technology and semiconductors, BoA on hedge-fund buying and institutional/retail selling, and BoA on small-cap and micro-cap flows.**
- **A wrap-up on the AI trade flipping back off, the market's digestion after the four-session rally, positioning, long-end yields, and the near-term setup into Friday's Employment Situation report.**
- **A look ahead to Thursday's calendar, including US economic data, Fed speakers, SPX earnings, and ex-US highlights.**

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

Despite the down day, SPX again saw 6 of 11 sectors higher, but one big difference was the ultra-heavyweight Tech sector (nearly 40% of market cap) which jumped over 4% Tuesday was flat Wednesday. Another was while there were two sectors up over 1% (Materials (for a second day) and Health Care), there were three down that much and **two down over 2% including the largish Comm Services Sector (after no sector down more than -0.6% Tuesday).**

The communication services sector (-2.4%) finished as the market's weakest performer. Alphabet (GOOG 360.13, -15.22, -4.05%) came under pressure after The Wall Street Journal reported that Google Chief Scientist and AI strategy leader Jeff Dean will leave the company to launch a startup focused on scientific discovery. The sector also faced pressure from wireless providers after SpaceX (SPCX 108.27, -17.06, -13.61%) said on its earnings call that it plans to enter the wireless market.

Weakness in Amazon (AMZN 272.65, -4.77, -1.72%) and Tesla (TSLA 321.55, -5.80, -1.77%) further highlighted today's pause across several of the market's recent mega-cap leaders, leaving the consumer discretionary sector (-0.3%) modestly lower despite relative strength elsewhere.

The information technology sector spent most of the session with a solid gain but retreated to finish little changed as the PHLX Semiconductor Index slipped 1.4% into the close. Advanced Micro Devices (AMD 482.05, -36.53, -7.04%) was a notable laggard after a strong run into its earnings report. NVIDIA (NVDA 219.22, +7.28, +3.43%) remained a notable source of support after SpaceX said on its earnings call that it plans to build exclusively on NVIDIA's Vera Rubin architecture, helping keep the sector out of negative territory.

Attention now shifts to another important test for the memory trade after the close, with Sandisk (SNDK 1350.50, -77.12, -5.40%) and Western Digital (WDC 519.17, -29.39, -5.36%) set to report earnings. Both stocks also came under pressure into the close ahead of their reports, and despite blowout numbers both are trading lower in the after-hours as guidance missed elevated expectations (more below).

Outside of technology, the materials sector (+1.5%) outperformed for a second session behind continued strength in precious metals prices, lifting Newmont Corporation (NEM 104.27, +6.54, +6.69%) among the day's best-performing S&P 500 components.

The health care sector (+1.3%) also finished near the top of the leaderboard as Eli Lilly (LLY 1168.77, +53.09, +4.76%) and Amgen (AMGN 407.83, +17.81, +4.57%) built on well-received earnings reports, with the latter helping support the DJIA.

The energy sector (-2.0%) remained under pressure as WTI crude oil futures settled modestly lower. Elsewhere, **the utilities sector (-1.0%) remained out of favo**r as investors continued rotating away from more defensive areas of the market.

Materials	+1.54%
Health Care	+1.34%
Financials	+0.26%
Real Estate	+0.15%
Consumer Staples	+0.05%
Information Technology	+0.02%
Industrials	-0.01%
Consumer Discretionary	-0.32%
Utilities	-1.00%
Energy	-2.03%
Communication Services	-2.39%

-3% 0% 3%

Sectors are represented by CME Cash Indices

as of 4:20 PM ET, 08/05/2026

$WDC **Western Digital seeing an even worse reaction than Sandisk after earnings falling over 11% despite excellent quarterly earnings and unlike Sandisk guiding both earnings and revenues above Street expectations (but apparently not above the "whisper numbers" after peer Seagate Technologies raised expectations last week)**. Also the stock had surged 201% this year ahead of the earnings print even though it was down over 35% from the highs of the year.

The company reported adjusted earnings of $3.56 a share for its fiscal fourth quarter, surpassing the $3.31 analysts had expected, per FactSet. Revenue totaled $3.75 billion, up 42% from a year ago and ahead of Wall Street's call for $3.7 billion.

The guide was for revenue of $4.1 billion, plus or minus $100 million, and adjusted earnings per share of $3.85 to $4.15 in the current quarter. Analysts had expected revenue of $4.06 billion and adjusted earnings of $3.84 a share. That was less of a beat than peer Seagate Technologies last week.

Barron's @barronsonline · 1h

Western Digital Stock Tanks. An Earnings Beat Isn't Enough. trib.al/Z2U26En

$SNDK Sandisk shares down -5% despite the expected blowout earnings report with net income coming in at nearly $44 a share after it *lost* 16 cents a share a year ago.

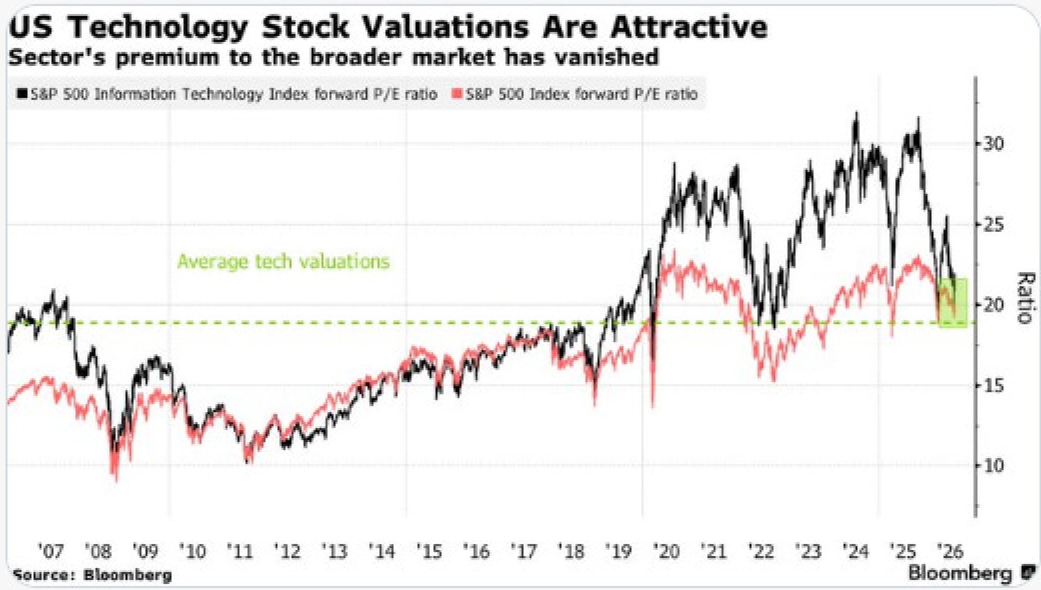
Sales jumped to $8.97 billion from $1.9 billion. Wall Street expected $8.48 billion.

However, the guide was a little light on the revenue side. The company guided for first-quarter adjusted earnings of $44 to $46 a share and revenue of $10.3 billion to $10.8 billion. Analysts see first-quarter adjusted earnings of $44.72 a share and revenue of $10.82 billion.

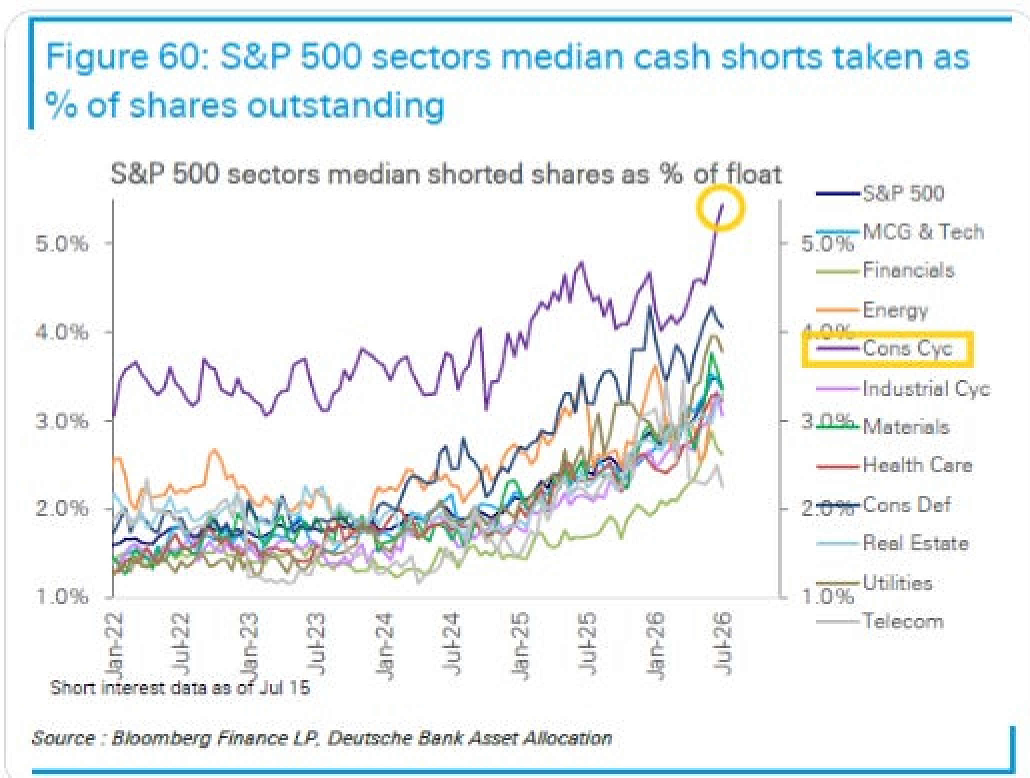
WSJ Business News @WSJbusiness · 1h

Sandisk Revenue Soars on AI Data Storage Demand on.wsj.com/3TC9RRb

BBG: The P/E premium for the SPX Tech Sector has disappeared and is also now back to its average level over the past two decades.



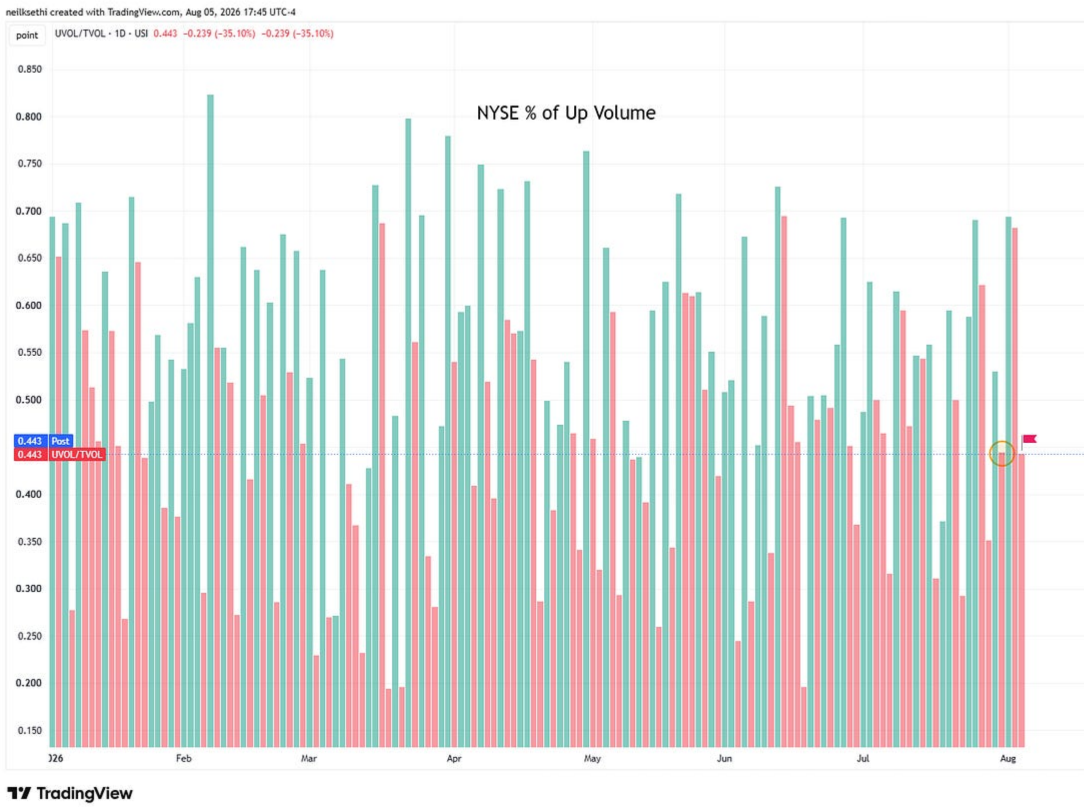
As a % of shares outstanding, though July 15th shorting in Consumer Discretionary stocks had jumped sharply this year. Not great timing.



And the number of large SPX winners (up over 3%) dropped to ~30 from ~110 Tuesday and ~80 Monday, **while large losers (down over 3%) jumped to ~40 from just 12 Tuesday, 10 Monday.**

[chart from finviz.com]

And positive volume (percent of buying in stocks up on the day) was weak on the NYSE at just 44.2% despite a positive 0.19% finish. That’s the same as Friday when the finish was -0.13%.



Biggest after-hours movers from CNBC:

Here are some of the companies making big moves in extended trading.

AppLovin ⊞ — The marketing platform operator tanked almost 18% after third quarter projections disappointed Wall Street. The company sees adjusted EBITDA for the period in a range of $1.71 billion to $1.74 billion, while the StreetAccount consensus estimate sought $1.75 billion. Revenue in the second quarter also narrowly missed estimates.

DoorDash ⊞ — The meal delivery service advanced 1% after revenue in the latest quarter surpassed estimates. DoorDash posted revenue of $4.45 billion, beating the LSEG consensus of $4.34 billion. Earnings of 46 cents a share came in line with expectations, though.

Zillow ⊞ — The online real estate marketplace slid 9% after it expanded chief financial officer Jeremy Hofmann's role, giving him the additional title of chief operating officer. The company also reported a solid quarter after the bell, with adjusted earnings per share of 52 cents topping estimates of 45 cents, per LSEG, and $772 million in revenue beating estimates of $758 million. A day earlier, the company announced it would let go of about 500 employees.

Western Digital ⊞ — Shares of the data storage company slumped more than 10% as current quarter projections underwhelmed traders. Western Digital called for adjusted earnings of $4 a share, plus or minus 15 cents, on revenue of $4.1 billion, plus or minus $100 million. The LSEG consensus estimate forecast $3.81 a share on $4.04 billion in revenue.

Sandisk ⊞ — The memory chip giant slid 5% as revenue guidance appeared to disappoint traders. Sandisk said it sees first quarter revenue in a range of $10.3 billion to $10.8 billion, while the LSEG consensus sought $10.47 billion. Fourth quarter results beat expectations on the top and bottom lines.

Salesforce — Shares were down over 4% in extended trading after the company announced it will name Miguel Milano as operating chief on Wednesday. Milano, once an executive at Oracle, previously worked for Salesforce for nearly a decade in Europe. The company's shares are down over 27% year to date.

Block ⊞ — The payment services company fell 2%. For the current quarter, Block sees gross profit of $3.13 billion, matching the FactSet consensus.

Duolingo ⊞ — The mobile learning platform saw its shares tumble 11% after revenue guidance for the current quarter came in lighter than expected at $302 million versus FactSet consensus estimates of $303.9 million. Guidance for bookings in the period also missed the mark, expected to land at $307 million versus the anticipated $308.8 million.

Figma ⊞ — The maker of the graphics editing app shed 15% after full-year guidance for adjusted operating income came in soft. The company sees operating income ranging from $125 million to $135 million, excluding items, versus the FactSet consensus for $133.2 million. Second quarter results beat estimates otherwise.

E.l.f Beauty ⊞ — The cosmetics manufacturer dropped almost 2%. Adjusted earnings per share came in at $1.75, trouncing the LSEG consensus call for 71 cents per share. However, the company said $50 million in tariff refunds helped its profits nearly double. "Our plan is to fully reinvest that money in both pricing, to have a superior value proposition, as well as increased marketing across our entire portfolio of brands," CEO Tarang Amin told CNBC

Bumble ⊞ — Shares fell 5% for the dating app. Bumble posted a loss of 84 cents per share in the second quarter, versus the FactSet consensus estimate fora profit of 25 cents per share. The company shared third quarter guidance, calling for adjusted EBITDA in a range of $56 million and $60 million, versus the FactSet consensus estimate for $68.7 million.

CNBC's Ananya Chetia contributed reporting.

Some other corporate news from BBG:

- Advanced Micro Devices Inc. fell after the company gave an underwhelming sales outlook, a sign shareholders expected more of a return from the global expansion of AI data centers.

- Microsoft Corp. generates most of its artificial intelligence revenue from OpenAI, according to new disclosures from the company.
- Alphabet Inc.'s Google is losing some of its most prominent artificial intelligence veterans in a seismic overhaul that is casting doubt over leadership of a critical area of growth right as competition intensifies.
- Walt Disney Co.'s profit beat Wall Street estimates, driven by soaring income from its entertainment division and the resilience of its theme parks in California and Florida.
- Eli Lilly & Co. boosted its 2026 sales guidance after its weight-loss drug franchise performed far better than expected in the second quarter, helping to counter investor concerns that the obesity drug boom is starting to slow.

> 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 reversed from record high territory to finish modestly lower after its second-best two-day gain (after the start of April) since April 2025**. Daily MACD remains very positive, and the RSI is just off a 2-month high, so as I said Monday “some momentum behind it.”

Nasdaq a similar story but hasn’t yet gotten to its all-time high.

Goldman (Callahan): Simple NDX v SPX ratio chart .. the pullback in July basically unwound all of the YTD NDX > SPX performance (.. got back to 'par' on a YTD basis as of the middle of last week) ..

Source: Goldman Sachs FICC & Equities, Bloomberg, as of August 2026. Past performance is not indicative of future results.

The Russell 2000 (RUT) similar to the SPX.

The equal-weighted SPX same story.

Yields were little changed but on net lower across the curve again Wednesday:

Two-year Treasury yields down for the eighth session in nine to 4.18%, now down 17 basis points from last Thursday’s close which was the highest since February of last year, and edging back under the nearly three year downtrend line so not giving up on it quite yet.

They are ~53 basis points above the Effective Fed Funds rate (red line), continuing to call for rate hikes but a little less strongly now.

neilksethi created with TradingView.com, Aug 05, 2026 16:56 UTC-4
%
US Government Bonds 2 YR Yield · 1D · TVC O4.196% H4.225% L4.175% C4.185% −0.009 (−0.21%) −0.009 (−0.21%)
EFFR · Federal Reserve Bank of New York 3.63 0 (0.00%) 0 (0.00%)
4.400%
4.350%
4.300%
4.250%
4.200%
4.185% US02Y
33:27
4.150%
4.100%
4.050%
4.000%
3.950%
3.900%
3.850%
3.800%
3.750%
3.700%
3.650%
3.630% EFFR
3.600%
3.550%
3.500%
3.450%
3.400%
3.350%
3.300%
Nov
Dec
2026
Feb
Mar
Apr
May
Jun
Jul
Aug
TradingView

I mentioned in the Markets Update that **we had Tuesday night Kansas City Fed President Schmid speaking (not an** #FOMC **voter this year)**. My preview was he was hawkish and "I'd imagine he'll say like Musalem over the weekend he would have voted for a hike if he was on the FOMC this year."

And that's just what he did in a speech at the Kansas City Fed's Agricultural Economic Summit:

"**Inflation is too high. Given that price stability is the Fed's responsibility and within the Fed's control, this is worrisome.** With the labor market in balance and growth resilient, my primary concern is inflation. Given the strength of demand and investment, **I do not see the current stance of monetary policy as restrictive. As such, I believe that bringing inflation down to the Fed's 2 percent objective will require tighter policy.**"

In that regard he like others has pivoted away from the traditional Fed methodology of looking at supply shocks as transitory:

"I am uncomfortable ever assuming that a burst of inflation will be temporary. **Inflation shocks are not intrinsically transitory. How persistent a spike in inflation is ultimately depends importantly on how the Fed reacts or is expected to react**. To this point, recent work by Kansas City staff suggests that **although energy shocks have historically only had a temporary effect on inflation and inflation expectations, this is because the Fed has reacted to such price pressures in the past.**"

"While supply is certainly an issue for some commodities, inflation is always the result of both supply and demand, and the balance between the two... **even when supply seems to be the proximate cause of inflation, demand also always plays a role**."

> Despite elevated uncertainty and some notable disruptions to global trade and energy markets, most economic indicators suggest continued steady growth. Although overall growth dipped a bit in the second quarter, this was mostly due to swings in trade and inventories as underlying consumption and investment remained very strong.

The labor market also appears to be roughly in balance. The most recent data for June had the unemployment rate at 4.2 percent, about in line with what most economists estimate is consistent with a labor market that is neither too tight nor too loose. The recent pace of job gains has been on the low side, with the economy adding only 500,000 net new jobs over the past year, but this slow pace is not surprising against the backdrop of a labor force that is barely growing.

In summary, the economy appears to be performing well with the notable exception of inflation. Inflation is too high. Given that price stability is the Fed's responsibility and within the Fed's control, this is worrisome. With the labor market in balance and growth resilient, my primary concern is inflation. Given the strength of demand and investment, I do not see the current stance of monetary policy as restrictive. As such, I believe that bringing inflation down to the Fed's 2 percent objective will require tighter policy.

10-year yields dead flat at 4.615%, down now ten basis points from the highest close since January 2025 on Friday.

30-year yields edged down a basis point to 5.16% now down ten basis points from the highest level since 2007 on Friday.

BBG agrees with my take that **"I'm sure Scott Bessent is loathe to add fuel to the fire by tipping a coming increase in long-end supply with the forward looking statement [Wednesday],** even as most expect that to come at some point. Probably something though at this point best left for another day."

They note that "**[a]head of a quarterly policy statement on debt strategy Wednesday, most dealers see the Treasury reiterating it expects no increases in note and bond issuance 'for at least the next several quarters.' That forward guidance dates back to the Biden administration,** and was once criticized by Bessent as designed to tamp down longer-term borrowing costs ahead of the November 2024 election."

Bank of America Corp. calculates that, **if the Treasury keeps issuance of coupons, or interest-bearing securities, stable through the 2027 fiscal year, the T-bill share of outstanding debt would hit nearly 25% — the highest since 2004 after leaving out the Covid and global financial crisis shocks.**

Whenever the Treasury does eventually raise coupon sizes, most dealers expect it will concentrate on short- and medium-term tenors, rather than on 10-, 20- and 30-year maturities.

"It behooves Treasury to open up some optionality" by tweaking its guidance, said Blake Gwinn, head of US rates strategy at RBC Capital Markets. "This would come with the risk of pushing up yields. But this shift will come sooner or later, and waiting longer may only increase the perceived importance — and market impact — of its eventual removal."

"From a prudent debt management perspective, we think next week Treasury should remove 'at least' from the long-standing forward guidance," JPMorgan strategists led by Jay Barry wrote in their refunding preview last week. But "there are political dynamics at play," they said, pointing to the incentive to avert a rise in yields before the election. Bessent has also focused on lowering long-term yields, they noted.

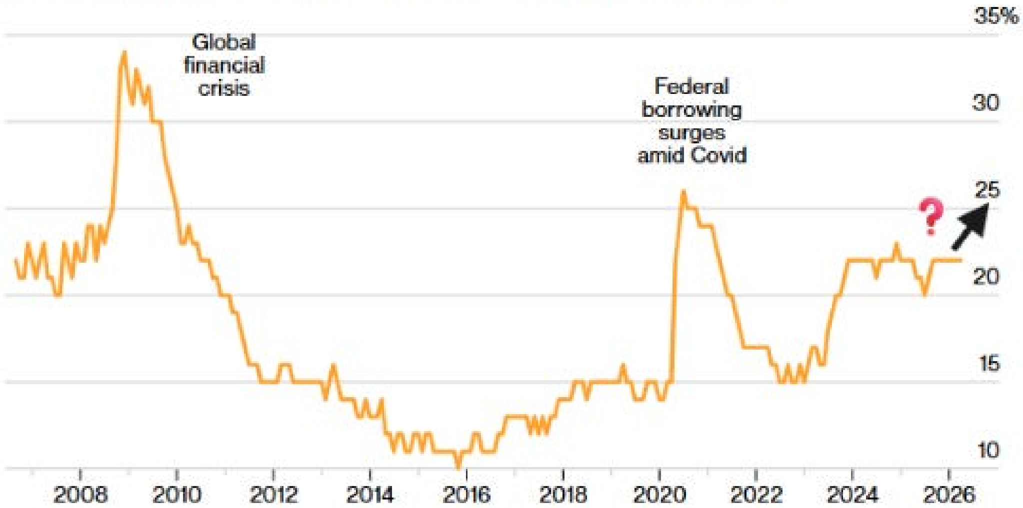
bloomberg.com/news/articles/...

bloomberg.com/news/articles/...

Treasury Is Relying Heavily on Bills

Borrowing advisory panel previously suggested the ratio average around 20%

US Treasury bills as a percentage of total outstanding marketable debt



Source: Treasury Department

Consistent with my (and many others) expectations, the **Treasury does not make any major waves in its Refunding Announcement leaving non-Bill (i.e., greater than 1 year in maturity) Treasury auction sizes unchanged from the prior quarter,** meaning the increased issuance needed per the Monday announcement will be filled with more Treasury Bills (less than 1 year in maturity).

Just as important, though, **the statement left the forward looking language unchanged that "Treasury anticipates maintaining nominal coupon and FRN auction sizes for at least the next several quarters,"** locking Sec Bessent in to a steady increase in T-Bill issuance.

t.co/jDr39iEQ4U

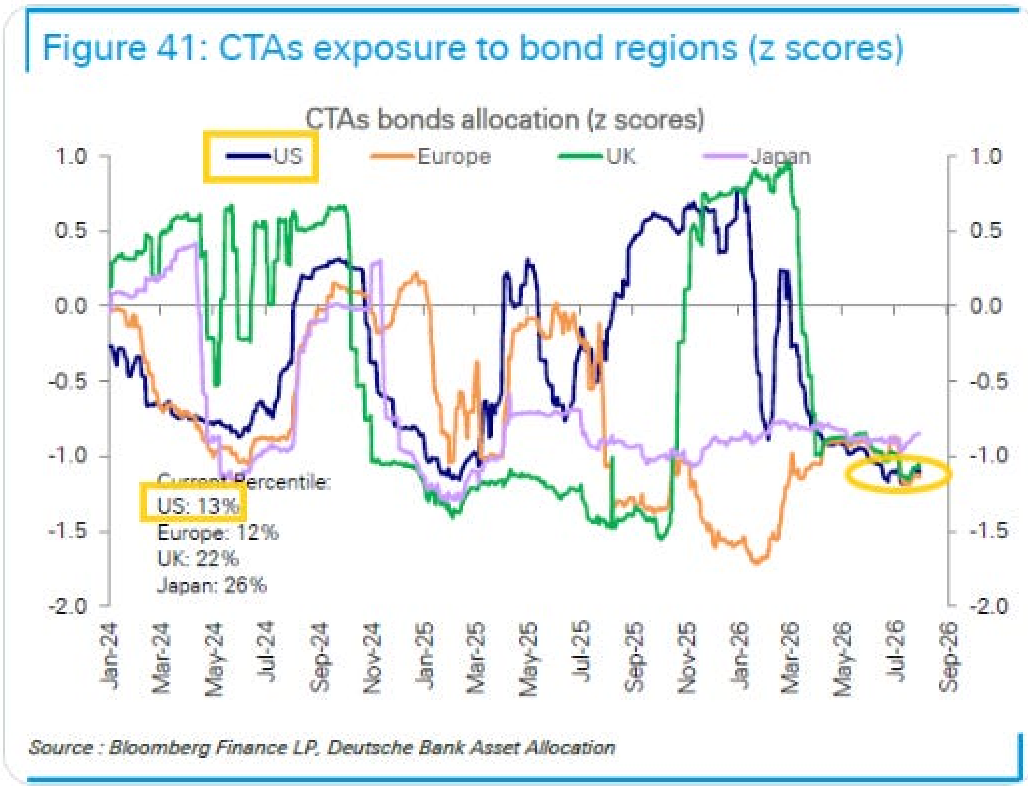
NOMINAL COUPON AND FRN FINANCING

Treasury believes its current auction sizes leave it well positioned to address potential changes to the fiscal outlook and to the size and composition of the SOMA portfolio. Based on current projected borrowing needs, Treasury anticipates maintaining nominal coupon and FRN auction sizes for at least the next several quarters. Treasury is monitoring SOMA purchases of Treasury bills and growing demand for Treasury bills from the private sector. Looking ahead, Treasury continues to evaluate potential future changes to nominal coupon and FRN auction sizes, with a focus on trends in structural demand and potential costs and risks of various issuance profiles.

The table below presents, in billions of dollars, the actual auction sizes for the May to July 2026 quarter and the anticipated auction sizes for the August to October 2026 quarter:

	2-Year	3-Year	5-Year	7-Year	10-Year	20-Year	30-Year	FRN
May-26	69	58	70	44	42	16	25	28
Jun-26	69	58	70	44	39	13	22	28
Jul-26	69	58	70	44	39	13	22	30
Aug-26	**69**	**58**	**70**	**44**	**42**	**16**	**25**	**28**
Sep-26	**69**	**58**	**70**	**44**	**39**	**13**	**22**	**28**
Oct-26	**69**	**58**	**70**	**44**	**39**	**13**	**22**	**30**

DB: CTA short positioning in US bonds "remains elevated" with net length at just the 13th percentile to 2009.



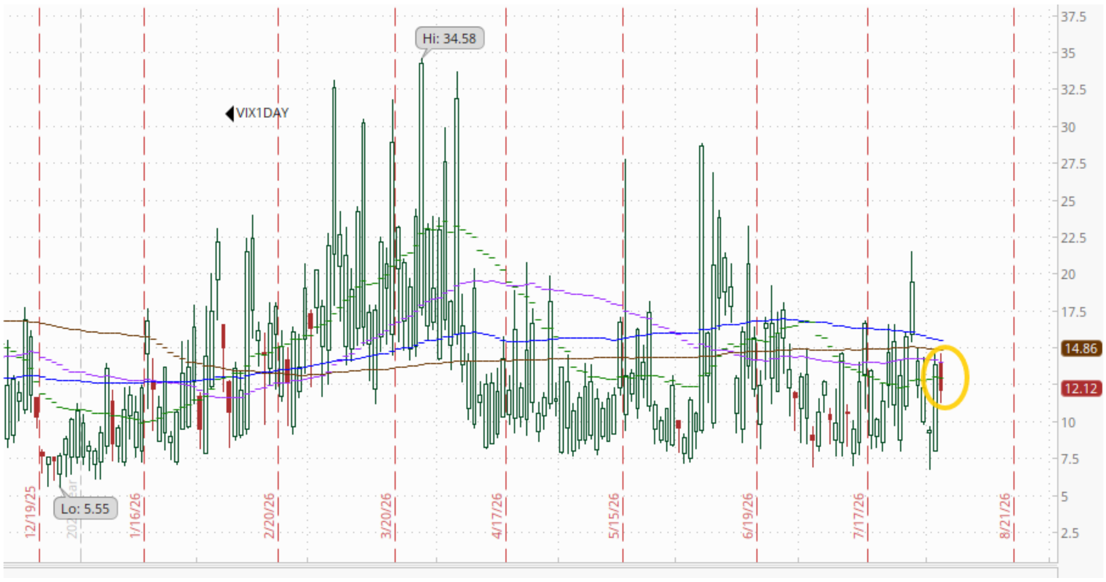
The VIX edge back to 15.8, interestingly giving us a "spot down, vol down" day after a "spot up, vol up" day.

The indicator remains in its "normal" range post-GFC, consistent with ~0.98% average daily moves in the SPX over the next 30 days.

The VVIX (VIX of the VIX) similarly eased to 90.4

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.

And the 1-day VIX also fell back, and gave us a red candle, meaning expected volatility was falling even as we were getting closer to pricing in an entirely new session. **It ended at 12.1**. The reading is consistent with a move of 0.77% in the SPX next session.

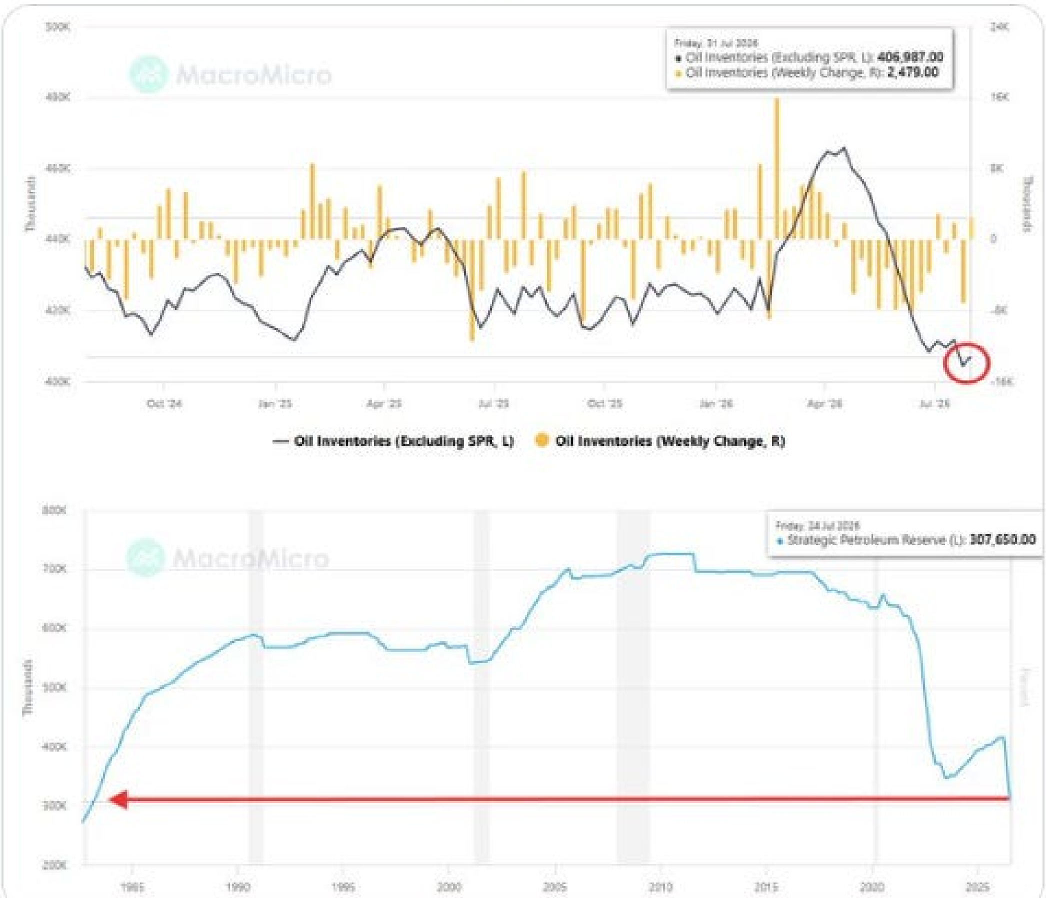


WTI little changed and holding its 200-DMA. While technicals are secondary here, as I noted Tuesday the daily MACD has crossed over to a "sell longs" reading and the RSI is under 50.

neilksethi created with TradingView.com, Aug 05, 2026 17:04 UTC-4

After hitting the lowest levels since 2018 the prior week, **US crude inventories saw a mild rise of 2.5mb in the week through July 31st. They still remain down -3.9% y/y** and are ~6% below the 5-year average for this time of year.

The SPR through drew for an 18th straight week (~108 million barrels over that time) taking that to the least since February 1983 when it was being filled. SPR is -98.1mb y/y (-24.4%).



Helping to explain elevated gas prices, gasoline inventories fell another -1.6mb to the least since November, now 7.7% below year ago levels even as refineries run at the highest levels since 2018 above the maximums hit most years since then. Gasoline inventories are ~7% below the 5-year average for this time of year.

Similarly, distillate inventories, while above the July low, **are down 5.1% from a year ago** and are **12% below the 5-year average for this week.**

The DXY dollar index (which is fixed weighted with a heavy (57%) weighting vs the euro) fell back under its 100-DMA and trendline from the 2026 lows.

The daily MACD as noted a week ago has flipped to quite negative while the RSI is under 40. As I mentioned last week clearly consolidating, too early to call it a downtrend.

Gold futures (/GC) finally extended after crossing the downtrend line from the March highs last week. I had said earlier this week "really needs to get over that 50-DMA (purple line)," and once it did that, it was off to the races. Has a good technical setup also with positive daily MACD and RSI. Moved back in today.

TradingView

US copper futures (/HG) didn’t reverse along with the AI trade, pushing to a new all-time high and holding through the close. It continues to have “supportive technicals,” with positive daily MACD and the RSI now at a nearly 3-month high.

US natural gas futures (/NG) little changed near the lowest since April. The daily MACD and RSI remain negative.

Bitcoin futures closed over their 50-DMA for the first time since late March. They are though also at the same levels they were at in early June. As I mentioned three 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. Clearing that downtrend line would be notable though, and I’d be a buyer if that happens.


neilksethi created with TradingView.com, Aug 05, 2026 17:10 UTC-4
USD
Bitcoin CME Futures · 1D · CME O64,430 H65,285 L64,045 C65,080 +595 (+0.92%) +595 (+0.92%)
Daily Lines 64,477 64,588 69,717 78,480
BTCQ2026
MACD (close, 12, 26, 9) 123 −70 −192
RSI (14; close) 52.18 50.38
Mar
Apr
May
Jun
Jul
Aug
TradingView

Other stuff:

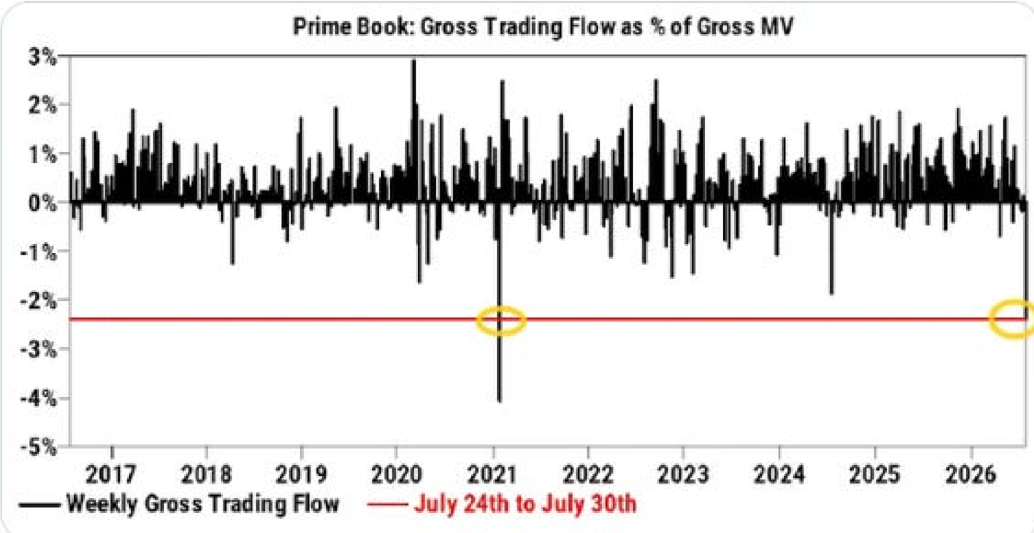
Yardeni: Sunday's [note] was titled "Information Technology Is On Sale." The S&P 500 Information Technology sector rose 6.6% over the past two days. It is up 12.2% since last Wednesday's close. **The summer stall in the S&P 500 ended decisively today as the S&P 500 broke out to a new record high of 7,736.52.**

Bessent also said he's tired of hearing about the "K-shaped economy" and argued that it is over. We agree. In fact, **given the broadening strength across the economy, we'd say it is an "OK economy."**

The economy is doing very well, and earnings are reflecting that. S&P 500 forward earnings is up more than 30% y/y, while the ISM M-PMI climbed to a four-year high in July (chart). Historically, stronger manufacturing activity has been associated with stronger earnings growth.

Source: LSEG Datastream and © Yardeni Research, and Institute for Supply Management.
* Time-weighted average of analysts' consensus estimates for S&P 500 earnings per share for current and next year.

I've been mentioning the cleanout in positioning last week which set the stage for the subsequent rebound, and Goldman notes that after all of the short covering paired with tepid long buying, **gross positioning (longs+shorts) last week saw its second largest degrossing over the past decade second only to the meme craze of January 2021.**

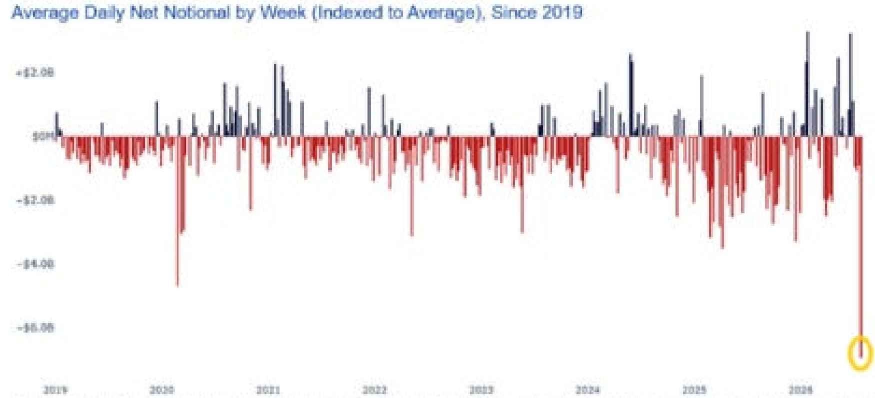


Rubner notes the deleveraging by retail "was most pronounced in Technology, where **investors sold more notional [last] week than during any other week in our dataset (since January 2019),** exceeding the previous record by more than 80%."

"**Within Technology, selling was overwhelmingly concentrated in the semiconductor and memory names** that retail accumulated most aggressively during May and June. **Average daily net selling across these stocks exceeded the previous record by more than 5x.**"

Retail Cash Equities – Information Technology

Average Daily Net Notional by Week (Indexed to Average), Since 2019



Source: Citadel Securities, Global Market Intelligence, as of July 30, 2026. Figures are for illustrative purposes only. Past performance figures do not guarantee future results.

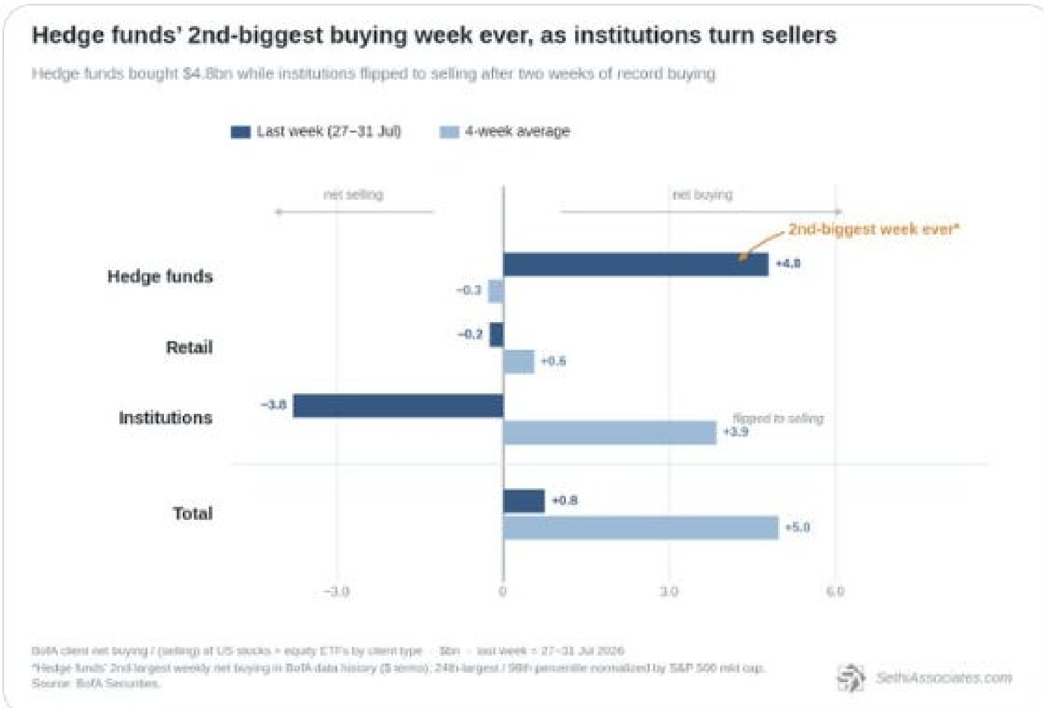
Retail's Most Bought Names in May and June – Semiconductors and Memory

Average Daily Net Notional by Week (Indexed to Average), 2-Year Lookback

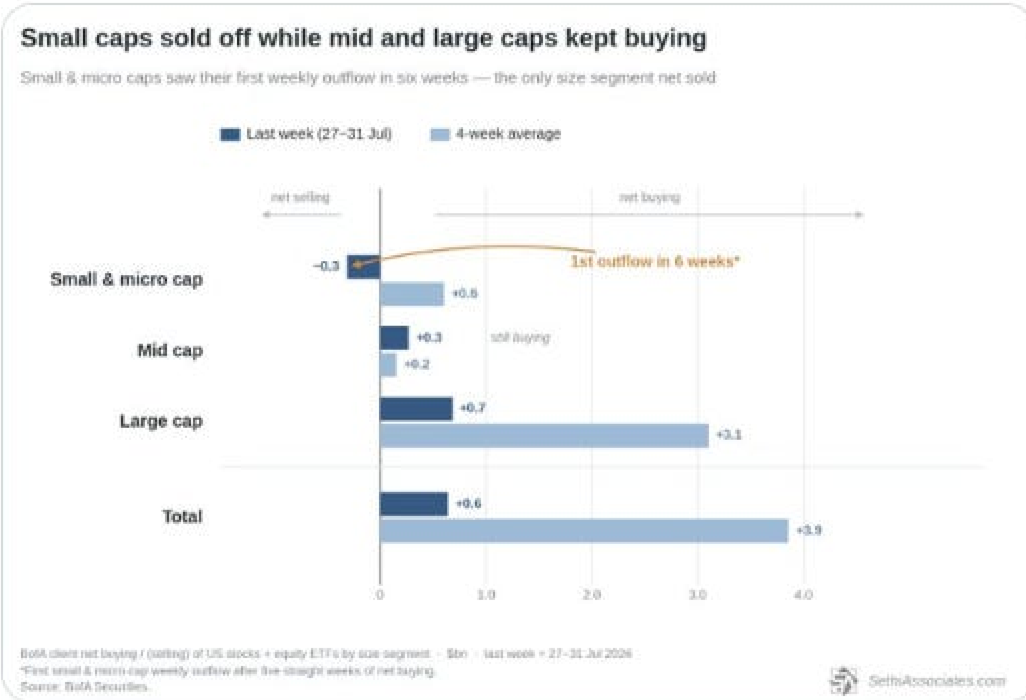
Source: Citadel Securities, Global Market Intelligence, as of July 30, 2026. Figures are for illustrative purposes only. Past performance figures do not guarantee future results.

BofA: Last week, clients were slight net buyers of US equities, driven by hedge fund clients, who had their 2nd biggest buying week ever in our data history since ’08 (24th biggest/98th percentile week when normalized by S&P 500 mkt cap).

Institutional clients, though, who had been large buyers the prior four weeks, and retail clients turned to net sellers.



BofA notes small and micro-caps saw their first week of outflows in six weeks, after hitting record highs in late July, but they still see positioning at 56% underweight for multi-cap fund holdings.



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

Wrap-up

As I wrote Sunday:

> As mentioned in the Markets Updates this week, **we saw the "on again, off again"** nature of the AI-trade, which spent much of July "off" (leading to the worst month for one broad semiconductor index since 2022 as noted in the Friday Markets Update), **flip back to "on again" Thursday and Friday.**
>
> I had mentioned all month that "**we have seen pullbacks several times previously in the AI trade over the past year, and they have all resolved relatively quickly to the upside**. It would be a

> meaningful change in character if that did not happen this time as well," and last week said while we had seen one of the sharpest pullbacks in the trade to date, it certainly wasn't unprecedented (see DB's note in the Flows section), **and the momentum/Tech may be turning back up "on schedule.**"
>
> Given the weight of the components of that trade (semiconductors are 19% of the SPX by market cap, with Tech over a third in total) plus the leverage employed, (as noted by Tier1Alpha also in the Flows section) **it will make a big difference in where the market cap indices go**.
>
> Of course, there are many other ways to play the market beyond buying the SPX and **throughout July we saw broad strength which though seemed to fizzle out the last two days just as AI saw a resurgence.** Hopefully we are not returning to the "either/or" market we saw at times earlier this year, but it all remains to be seen.
>
> As mentioned Friday and in the Flows section, the deleveraging we have seen puts us in a much better position from a positioning standpoint than we were coming into the month, with BofA flipping to a net positive base case for the upcoming week, and DB becoming more constructive as well (in addition to JPM, Goldman, etc., per posts this week and several that will be in the Monday note (be sure to check the "Other Stuff" area tomorrow).
>
> One thing we will need to keep an eye on is long-end yields. As I mentioned Wednesday "until long-end yields stabilize, it will keep pressure on the 'elsewhere' stocks." Hopefully we see buyers come in next week to at least stabilize rates.

And as I said Monday:

> wouldn't you know it, but we ticked just about every box. The AI trade (after some early weakness) continued but we also got many

> of the “elsewhere” stocks participating as well, helped by yields stabilizing, which pushes us further away from systematic sell levels.
>
> The one quibble is things might have been *too* good as a 1.5% move is not going to help systematics re-engage. That said, as noted in the Week Ahead, our most volatility sensitive systematic, vol-control, already de-risked as DB noted, so that is less concerning that it would be a couple of weeks ago.

And Tuesday:

> really things just continued on in similar fashion, although the gains were a little more concentrated today in the Tech space, but not yet the “either/or” market we have seen frequently during Tech rallies.

But today the AI-trade (and broader growth complex for that matter) turned “off again,” and there wasn’t enough support elsewhere to keep things going. The growth rally was quite strong the prior four sessions, so perhaps just a breather before it resumes. Could also require a more prolonged consolidation, but I don’t think we’ve gone far enough to really require that. Things haven’t gotten particularly extended (the Nasdaq-100 RSI is just 55 for example), so I’m thinking more a pause that might last through Friday morning with traders not wanting to get ahead of the Employment Situation report.

FWIW that’s exactly what Fundstrat’s Mark Newton was looking for coming into today’s session:

MarketWatch: Fundstrat's technical strategist Mark Newton is looking for a pause in the breathless four-day rally in the the Nasdaq-100 ($QQQ, the best since liberation day) before it resumes its climb:

He notes **the index "has recouped more than 65% of its nine-week consolidation in four days' time,"** and the poor reception afforded Advanced Micro Devices and SpaceX overnight, its likely the QQQ "**might show some brief backing and filling on Wednesday."**

"However, **it's expected that this should prove brief before a further rally,"** he adds.

We'll see what we get tomorrow which is lighter on calendar events.

But, as I said Sunday:

> I think I'm a little more constructive this week in large part due to the cleaner positioning as well as still robust earnings growth with DB notes is not fully reflected in equity prices. It seems investors are back to being a little more comfortable with AI/Tech cash flows coming around post AI-buildout, and discretionary buybacks are returning, although retail flows remain subdued.

> While gamma looks to start the week relatively low, that means there is room for larger moves in both directions, and a deal with Iran as anticipated by President Trump, if it happens, may mean that large move is to the upside.

The Day Ahead

As noted in the Week Ahead, this week is packed with US economic data. Thursday brings us our first read on **Q2 productivity along with the July Challenger job cuts/hires and final June read on wholesale inventories (important for GDP calculation) along with weekly jobless claims.**

In terms of Fed speakers, later tonight (8.30 pm ET) San Francisco Fed President Mary Daly will be speaking in Tokyo. **Thursday Fed president Musalem** (who we heard from over the weekend and not until 5.30 pm) is on the calendar, but as we have seen this week that doesn't mean there won't be more.

Q2 earnings season continues with **30 SPX components reporting Thursday with four >$100bn market cap (COP, PH, HWM, DDOG** in order of earnings weight)**.**

Ex-US highlights are the ECB Economic Bulletin, EU retail sales, and policy decisions from Mexico and the Czech Republic.

	Speakers	(none)	Economic data
	CBs		Meetings

Date	LDN	NY	HK	Country	Event	For	BofAe	Cons.†	Previous	Expectations
6-Aug	8:00	3:00	15:00	Sweden	CPIF (yoy, P)	Jul	0.70%	--	1.3%	--
	9:00	4:00	16:00	Euro area	ECB Economic Bulletin					
	11:00	6:00	18:00	Euro area	Retail Sales (mom)	Jun	-0.30%	--	0.2%	--
	13:30	8:30	20:30	US	Initial Jobless Claims	1-Aug	222k	200k	197k	--
	13:30	8:30	20:30	US	Nonfarm Productivity	2Q P	0.70%	0.7%	0.3%	--
	13:30	8:30	20:30	US	Unit Labor Costs	2Q P	2.20%	2.7%	1.8%	--
	22:30	17:30	5:30	US	Fed's Musalem Speaks	--	--	--	--	At the Center for Public Policy Debate

	Speakers	(none)	Economic data
	CBs		Meetings

Date	London	NY	Hong Kong	Country	Event	Expectations
6-Aug	8:00	4:00	16:00	Taiwan	CPI YoY	We forecast Taiwan's July headline CPI inflation to ease to 2.4% YoY, from 2.6% in June, as lower fuel prices and the reversal of Dragon Boat Festival effects offset weather-related food inflation. Core CPI should slow to 2.2% YoY but remains elevated as services inflation stays sticky.
	12:30	8:30	20:30	Czech Rep.	CNB rates decision	--
	18:00	14:00	2:00	Brazil	Trade Balance Monthly	We expect a trade surplus of US$8.4bn in July, with comparison to a US$7.1bn surplus in Jul-25. Exports are likely to increase 9% yoy, while imports should grow by 7% yoy.
	19:00	15:00	3:00	Mexico	Overnight Rate	We expect that Banxico to hold the policy rate at 6.50% during its August 6 meeting. This cut is backed by the current economic slack, the Ministry of Finance's efforts to smooth gasoline prices, core inflation being relatively contained, alongside a relatively strong peso. Nevertheless, core inflation is still close to 4%, and there is a risk-off global backdrop, continuing to posing potential upside risks. We expect the upcoming decision to be unanimous.

Thursday, August 6

08:30 AM Initial jobless claims, week ended August 1 (GS 205k, consensus 202k, last 197k)

Continuing jobless claims, week ended July 25 (consensus 1,783k, last 1,782k)

08:30 AM Nonfarm productivity, Q2 preliminary (GS +0.7%, consensus +0.5%, last +0.3%)

Unit labor costs, Q2 preliminary (GS +2.1%, consensus +2.2%, last +1.8%)

10:00 AM Wholesale inventories, June final (last +0.3%)

05:30 PM St. Louis Fed President Alberto Musalem (FOMC non-voter) speaks

St. Louis Fed President Alberto Musalem will deliver a speech and participate in a moderated discussion at the Center for Public Policy Debate in São Paolo. Speech text and Q&A are expected. On July 31, Musalem said that he has "expressed a preference" for raising rates at the July FOMC meeting given that "there definitely are very large and meaning supply shocks playing out in the global and US economy…and persistent demand pressures in the economy." He further noted that "earlier, incremental, gradual interest-rate action is preferable, less costly, and less disruptive than potentially later, larger, and abrupt actions."

Thursday August 6

Data: US Q2 nonfarm productivity, unit labor costs, June wholesale trade sales, initial jobless claims, UK July construction PMI, Germany June factory orders, July construction PMI, France Q2 wages, Italy June industrial production, Eurozone June retail sales, Canada July services PMI, Sweden July CPI
Central banks: ECB's economic bulletin, Fed's Musalem speaks
Earnings: Siemens, SoftBank, DBS, Deutsche Telekom, ConocoPhillips, Zurich Insurance Group, Howmet Aerospace, Constellation Energy, Cloudflare, Datadog, Airbnb, Generali, Merck KGaA, Warner Bros Discovery, Nintendo, Rheinmetall, Cheniere Energy, Swiss Re, Diageo, Commerzbank

Ticker	Name	Next Earnings Date	↓ Market Cap
COP	ConocoPhillips	Aug 6, 2026	140.15B
PH	Parker-Hannifin Corporation	Aug 6, 2026	125.70B
HWM	Howmet Aerospace Inc.	Aug 6, 2026	116.60B
DDOG	Datadog, Inc.	Aug 6, 2026	100.80B
CEG	Constellation Energy Corporation	Aug 6, 2026	94.67B
MNST	Monster Beverage Corporation	Aug 6, 2026	92.38B
ABNB	Airbnb, Inc.	Aug 6, 2026	90.50B
WBD	Warner Bros. Discovery, Inc.	Aug 6, 2026	65.11B
AFL	Aflac Incorporated	Aug 6, 2026	63.91B
RSG	Republic Services, Inc.	Aug 6, 2026	63.69B
TRGP	Targa Resources Corp.	Aug 6, 2026	55.83B
SRE	Sempra	Aug 6, 2026	55.34B
BDX	Becton, Dickinson and Company	Aug 6, 2026	47.02B
AIG	American International Group, Inc.	Aug 6, 2026	42.48B
MCHP	Microchip Technology Incorporated	Aug 6, 2026	42.24B
KDP	Keurig Dr Pepper Inc.	Aug 6, 2026	41.84B
ED	Consolidated Edison, Inc.	Aug 6, 2026	39.92B
KVUE	Kenvue Inc.	Aug 6, 2026	37.77B
RMD	ResMed Inc.	Aug 6, 2026	32.50B
ZTS	Zoetis Inc.	Aug 6, 2026	31.19B
FISV	Fiserv, Inc.	Aug 6, 2026	28.84B
FOXA	Fox Corporation	Aug 6, 2026	24.64B
RL	Ralph Lauren Corporation	Aug 6, 2026	22.66B
FOX	Fox Corporation	Aug 6, 2026	21.92B
VTRS	Viatris Inc.	Aug 6, 2026	20.55B
EVRG	Evergy, Inc.	Aug 6, 2026	19.15B
AKAM	Akamai Technologies, Inc.	Aug 6, 2026	17.78B
GEN	Gen Digital Inc.	Aug 6, 2026	16.73B
TTD	The Trade Desk, Inc.	Aug 6, 2026	8.91B
TAP	Molson Coors Beverage Company	Aug 6, 2026	7.85B

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

To subscribe to these summaries, click below (it's free!).

Subscribed

To invite others to check it out,