VIEWS | JULY 17, 2026

Weekly market update: A chip in tech stocks leads to a market downturn.

The market and economy

- Major U.S. equity market indexes moved lower during the week ending July 17. A slump in in artificial intelligence (AI)-related companies, particularly chipmakers, offset investors' optimism regarding better-than-expected inflation data.
- According to the Department of Labor, the consumer-price index (CPI) decreased 0.4% in June, a significant downturn from the 0.5% rise in May and below expectations. Energy prices comprised the bulk of the overall decline in the CPI in June, falling 5.7% for the month. Prices for Gasoline and fuel oil tumbled 9.7% and 9.2%, respectively, in June, while utility gas service costs rose 0.5%. The CPI advanced 3.5% year-over-year in June, sharply lower than the 4.2% increase in May and below expectations. Fuel oil and gasoline prices surged 42.9% and 26.7%, respectively, over the previous 12-month period. Core inflation, as measured by the CPI for all items less food and energy, increased 2.6% year-over-year in June, down from the 2.9% increase in May. Costs for apparel and transportation services rose 3.9% and 3.4%, respectively, over the previous 12-month period. Conversely, prices for medical care commodities and used cars and trucks declined by corresponding margins of 2.1% and 1.8% year-over-year. The softer inflation data bolstered investors' hopes that the Federal Reserve will not raise interest rates at its meeting later this month.
- The Department of Labor also reported that U.S. inflation at the wholesale level, as measured by the producer-price index (PPI), dipped 0.3% in June—below expectations and down from the 0.6% increase in May. (The PPI tracks the average change over time in selling prices received by domestic producers of goods and service providers.) The goods index fell 1.4% for the month, while the index for services was up 0.2%. Costs for energy and transportation and warehousing services were down 6.4% and 0.1%, respectively, in June, while prices for trade services (margins received by wholesalers and retailers) were up 0.4%. The PPI advanced 5.5% year-over-year, a notable decline from the 6.5% annual gain in May. Core wholesale inflation, as measured by the index for final demand less foods, energy, and trade services, increased by corresponding margins of 0.2% and 5.1% in June and over the previous 12 months.
- The U.S.-Iran memorandum of understanding (MOU) appeared to break down further this week as the Trump administration reinstated a blockade on Iranian shipping and resumed strikes tied to the fight for control of the Strait of Hormuz. President Trump said the U.S. would act as the "guardian" of the strait, while Iran rejected U.S. demands to guarantee safe passage and continued to assert control over transit routes. The renewed confrontation marked a shift away from the MOU's diplomatic framework and back toward military and economic pressure, raising the risk of a prolonged standoff over one of the world's most important energy chokepoints.
- Energy markets remained sensitive to developments in the strait despite softer June inflation data. Oil prices rose sharply after the ceasefire collapsed and the U.S. moved to reinstate its blockade, reflecting renewed concerns about shipping disruptions through a waterway that handled roughly 20% of global oil flows before the war. Although lower gas prices helped drive the recent improvement in consumer and producer inflation, the rebound in crude prices suggests that energy markets could remain a source of upside inflation risk in the months ahead.
- During an appearance before the U.S. House of Representatives Committee on Financial Services on Tuesday, Federal Reserve (Fed) Chair Kevin Warsh pledged that the central bank would tame inflation and said that policymakers "have no tolerance for persistently elevated inflation." Warsh avoided signaling a specific interest-rate path, arguing that the Fed should remain circumspect rather than lock itself into guidance, while insisting that inflation is ultimately the central bank's responsibility even when some drivers—such as overseas conflicts, tariffs, commodity disruptions, and artificial intelligence (AI)-related investment—are beyond its direct control. He also emphasized the Fed's independence amid recent political pressure from President Donald Trump, noting that interest rates would be set without political considerations.

Stocks

- Global equities posted modest losses during the week. Developed markets outperformed emerging markets.
- U.S. stocks declined. Energy and real estate were the top-performing sectors, while information technology and communication services were the primary market laggards.
- Value stocks outperformed growth stocks, while small caps surpassed large caps.

Bonds

- The 10-year U.S. Treasury note yield dipped to 4.55% during the week.
- The U.S. bond market was virtually flat for the week.
- Government bonds led the market, followed by high-yield bonds and corporate bonds.

As of July 17, 2026	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	-0.4%	10.6%	21.1%	1121.7
MSCI EAFE ($)	0.2%	8.3%	19.1%	3132.1
MSCI Emerging Mkts ($)	-1.6%	18.5%	34.1%	1664.0
US & Canadian Equities				
Dow Jones Industrials ($)	-0.9%	8.5%	17.2%	52146.4
S&P 500 ($)	-1.5%	9.0%	18.5%	7461.7
NASDAQ ($)	-2.9%	9.8%	22.2%	25520.2
S&P/ TSX Composite (C$)	-0.3%	11.0%	28.5%	35187.2
UK & European Equities				
FTSE All-Share (£)	1.0%	6.5%	16.9%	5699.9
MSCI Europe ex UK (€)	0.1%	8.6%	16.6%	2230.4
Asian Equities				
Topix (¥)	-2.9%	15.0%	38.0%	3919.2
Hong Kong Hang Seng ($)	1.6%	-4.2%	0.3%	24562.2
MSCI Asia Pac. Ex-Japan ($)	-1.1%	19.3%	32.3%	861.8
Latin American Equities				
MSCI EMF Latin America ($)	-1.1%	10.7%	31.6%	2998.7
Mexican Bolsa (peso)	0.3%	3.7%	17.5%	66665.7
Brazilian Bovespa (real)	-2.4%	7.8%	28.1%	173636.1
Commodities ($)				
West Texas Intermediate Spot	10.6%	37.5%	16.9%	79.0
Gold Spot Price	-2.2%	-7.1%	20.3%	4015.1
Bond Indices ($)				
Bloomberg U.S. Aggregate	0.1%	0.1%	4.3%	2351.6
Bloomberg Global Aggregate	0.0%	-0.7%	1.6%	498.0
JPMorgan Emerging Mkt Bond	-0.2%	2.2%	10.3%	1040.7
10-Year Yield Change (basis points*)				
US Treasury	-2	38	9	4.55%
UK Gilt	8	47	30	4.95%
German Bund	6	27	45	3.12%
Japan Govt Bond	-4	63	113	2.70%
Canada Govt Bond	5	13	-1	3.56%
Currency Returns**				
US$ per euro	0.2%	-2.6%	-1.3%	1.144
Yen per US$	0.4%	3.6%	9.3%	162.37
US$ per £	0.4%	-0.1%	0.3%	1.346
C$ per US$	-1.0%	2.1%	1.9%	1.401

Source: Bloomberg. Equity-index returns are price only; others are total returns. *100 basis points = 1 percentage point. **Increases in U.S. dollars (USD) per euro or pound indicate a decline in the value of the USD; increases in yen or Canadian dollars per USD indicate an increase in the value of the USD.

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