VIEWS | JULY 2026

Monthly market commentary: AI worries land stocks on a flat surface

Monthly snapshot

- Global equity markets, as measured by the MSCI ACWI Index, saw virtually flat performance in July. Investors' optimism regarding relatively strong corporate earnings was offset by weakness in the technology sector and concerns that central banks may need to keep monetary policy restrictive for longer. Developed markets outperformed emerging markets for the month.
- Global fixed-income assets, as represented by the Bloomberg Global Aggregate Bond Index, edged down 0.5% for the month. U.S. Treasury yields moved higher across much of the curve, with the exception of 3-, 4-, and 6-month Treasury bills. (Bond prices move inversely to yields.)
- Corporate earnings are still a source of support for global equity markets. Forward earnings growth and revisions remain positive, and earnings breadth is healthier than return concentration suggests, particularly in the U.S. and Japan, as well as across the global manufacturing and artificial intelligence (AI) supply-chain cycle.

Global equity markets, as measured by the MSCI ACWI Index, saw virtually flat performance in July. Investors' optimism regarding relatively strong corporate earnings was offset by weakness in the technology sector and concerns that central banks may need to keep monetary policy restrictive for longer. Concerns that hyperscalers, which operate global networks of large data centers, are overspending on artificial intelligence (AI)-related initiatives led to a selloff in the technology sector during the month. Additionally, military attacks by the U.S. and Iran, which affected regional shipping routes through the Strait of Hormuz, a major shipping channel between the Persian Gulf and the Gulf of Oman in the Middle East, increased fears of oil-supply disruptions.

Developed markets outperformed emerging markets in July. The Pacific ex Japan and Pacific regions were the top performers among developed markets over the month, bolstered mainly by market rallies in Hong Kong and Singapore. The Nordic countries also performed well due to strength in Norway. In contrast, North America saw virtually flat performance for the month, hampered by a modest downturn in the U.S. Chinese stocks listed on the Hong Kong Stock Exchange led the emerging markets in July. Additionally, Eastern Europe benefited from strength in Poland and the Czech Republic. Both the Far East and Asia recorded negative returns resulting from substantial market declines in Korea and Taiwan.[1]

Global fixed-income assets, as measured by the Bloomberg Global Aggregate Bond Index, edged down 0.5% (in U.S. dollars) in July. High-yield bonds led the U.S. fixed-income market, followed by U.S. Treasury securities, U.S. mortgage-backed securities (MBS), and investment-grade corporate bonds. U.S. Treasury yields moved higher across much of the curve, with the exception of 3-, 4-, and 6-month Treasury bills. (Bond prices move inversely to yields.) Yields on 2-, 3-, 5-, and 10-year Treasury notes rose 0.14%, 0.19%, 0.26%, and 0.31%, ending July at 4.28%, 4.34%, 4.45%, and 4.75%, respectively. The 10-year to 3-month yield curve widened by 35 basis points (0.35%) to +0.92% as of the end of the month.[2]

Key measures: July 2026

Equity

Dow Jones Industrial Average	0.38%	↑
S&P 500 Index	-0.06%	↓
NASDAQ Composite Index	-3.19%	↓
MSCI ACWI Index (Net)	0.08%	↑

Bond

Bloomberg Global Aggregate Index	-0.53%	↓

Volatility

Chicago Board Options Exchange Volatility Index PRIOR Monthly: 16.45	15.99	↓

Oil

WTI Cushing crude oil prices PRIOR Monthly: 69.50	84.67	↑

Currencies

Sterling vs. U.S. dollar	$1.35	↑
Euro vs. U.S. dollar	$1.15	↑
U.S. dollar vs. yen	¥159.23	↓

Sources: SEI Data Portal, index providers.

Global commodity prices, as represented by the Bloomberg Commodity Index, rose 7.5% in July. Oil prices moved sharply higher as investors priced in the risk of supply disruptions and reduced tanker traffic through the Strait of Hormuz. Additionally, the intensified U.S. attacks on Iran raised fears that the conflict could broaden and threaten regional energy infrastructure. The West Texas Intermediate (WTI) and Brent crude oil prices climbed 21.8% and 20.5%, respectively, during the month. The gold price was up 1.7% in July due to a weakening U.S. dollar and ongoing uncertainty surrounding the U.S.-Iran conflict in the Middle East. (The gold price tends to move inversely to the dollar.) The New York Mercantile Exchange (NYMEX) natural gas price fell 16.1% in July, hampered by worries about growing inventories, as well as increased production in the U.S. The wheat price advanced 8.5% during the month as escalating attacks on Black Sea shipping and grain-export infrastructure heightened concerns about global supplies, particularly from Russia and Ukraine. Prices also benefited from lower U.S. production forecasts and weather-related risks to crop yields in several major growing regions.

The U.S.-Israel-Iran war continued to dominate the geopolitical news in July. Early in the month, the U.S.-Iran memorandum of understanding (MOU), which moved the Mideast conflict from active escalation to conditional diplomacy, came under pressure as renewed fighting in the Strait of Hormuz raised doubts about whether the ceasefire remains viable. President Donald Trump said he believed the ceasefire deal with Iran was “over” after additional Iranian attacks on commercial vessels, and indicated that further U.S. strikes could follow, though negotiations technically remain open. The U.S. military reportedly struck more than 80 targets along Iran’s coast tied to threats against shipping.

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.

Toward the end of the month, the U.S. increased economic pressure on Iran, imposing additional sanctions targeting entities (including several based in China) and tankers that Washington said were helping Tehran generate revenue from shipping through the Strait of Hormuz. The measures followed continued tensions over maritime traffic in the waterway and came as the Trump administration reiterated that it would use both military and economic tools to prevent Iran from exerting control over the important energy corridor.

Elsewhere, Andy Burnham of the Labour Party was sworn in as U.K. prime minister on July 20, succeeding Keir Starmer. During a speech outside of the prime minister’s office at 10 Downing Street in London, Burnham pledged to turn away from politics as usual. “I know people at home are fed up with politics. I hear you, and I want to be honest with you, we have not been good enough and we need to be better,” he said.

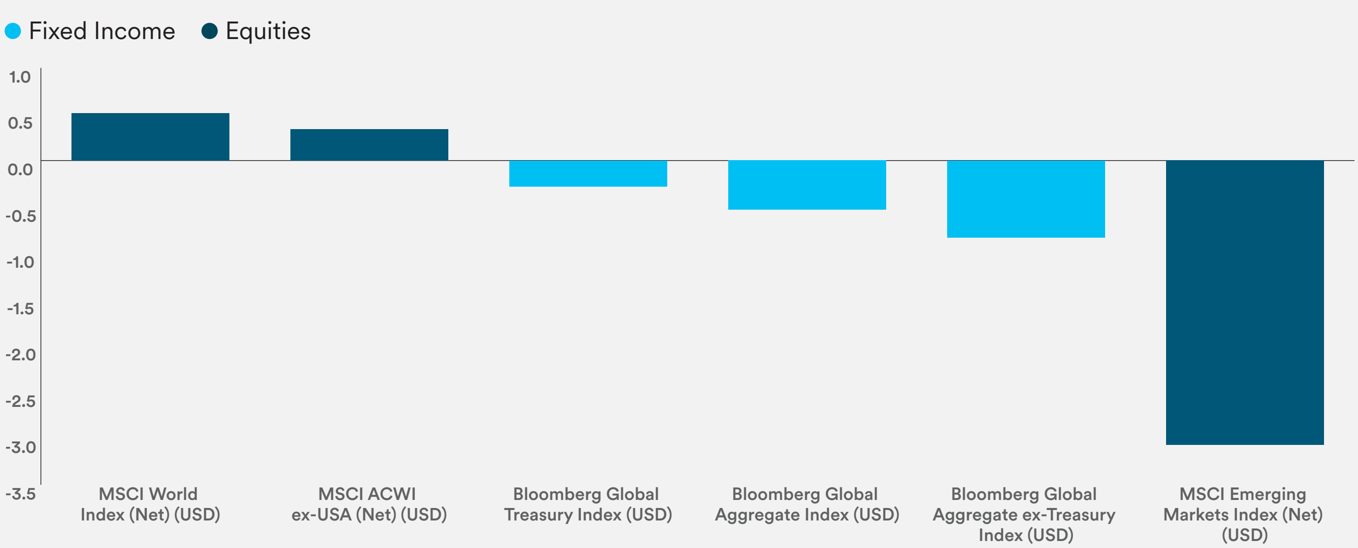
Economic data

U.S.

The Department of Labor reported that 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, for the month, 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.

According to the advance estimate from the Department of Commerce, U.S. gross domestic product (GDP) grew at an annual rate of 1.5% for the second quarter of 2026, falling short of expectations and down from the 2.1% growth rate in the first quarter of the year. The upturn in GDP for the second quarter was attributable to increases in consumer spending, investment, and exports, while there was a decline in government spending. Additionally, there was an increase in imports, which are a subtraction in the calculation of GDP. The relatively lower economic growth rate compared to the first quarter was attributable to downturns in government spending, investment, and exports, which offset a rise in consumer spending.

Major Index Performance in July 2026 (Percent Return)



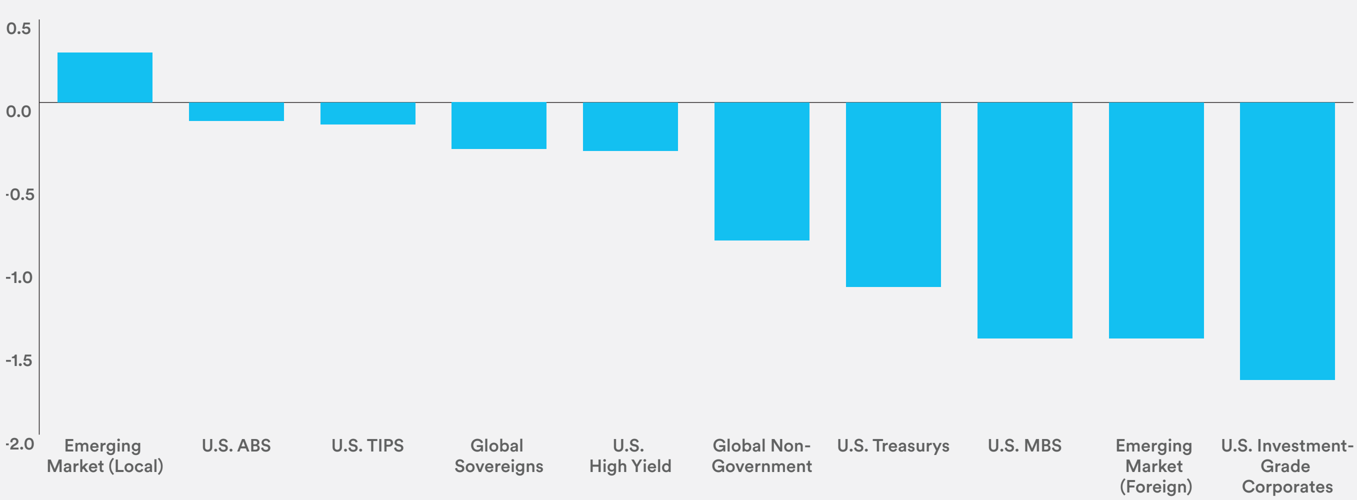
Sources: SEI Data Portal, FactSet, Interactive Data, index providers.

U.K.

According to the Office for National Statistics (ONS), inflation in the U.K., as measured by the CPI, edged up 0.1% in June, down marginally from the 0.2% increase in May. Costs for restaurants and hotels rose 1.0% for the month, while prices for clothing and footwear, and transportation fell 1.2% and 0.3%, respectively. The CPI advanced at an annual rate of 2.6% in June, modestly lower than the 2.8% advance in May. Transportation, communication, and education posted the largest price gains for the month, rising by corresponding margins of 5.7%, 5.2%, and 5.1%.[3]

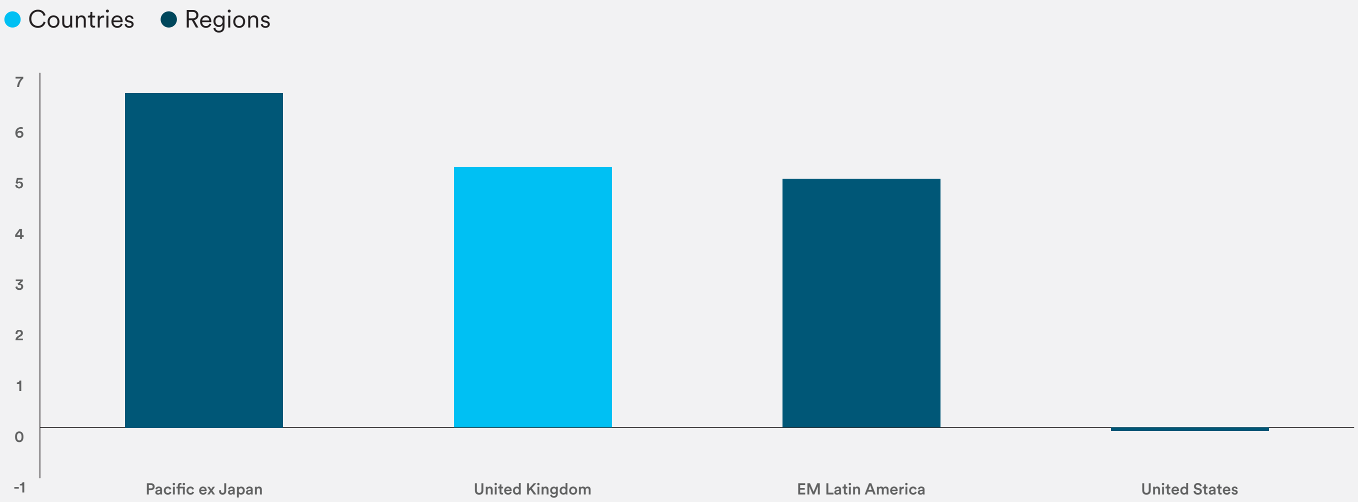
The ONS also announced that U.K. GDP edged up 0.1% in May (the most recent reporting period), a slight improvement from the 0.1% dip in April. Output in the services sector increased 0.3% in May, while the construction and production sectors declined 0.8% and 0.5%, respectively. GDP grew 0.7% for the three-month period ending May 31, 2026, down marginally from the 0.8% growth rate for the previous three-month period (December 1, 2025 to February 28, 2026). Output in the construction, services, and production sectors increased by corresponding margins of 1.6%, 0.7%, and 0.1% for the three-month period ending in May.[4]

Fixed-Income Performance in July 2026 (Percent Return)



Sources: SEI Data Portal, index providers. See “Corresponding Indexes for Fixed-Income Performance Exhibit” in the Index descriptions section for more information.

Regional Equity Performance in July 2026 (Percent Return)



Sources: SEI Data Portal, index providers. See "Corresponding Indexes for Regional Equity Performance Exhibit" in the Index descriptions section for more information.

Eurozone

Eurostat pegged inflation for the eurozone at 2.8% for the 12-month period ending in June, down from the 3.2% annual increase in May. Energy prices surged 8.5% year-over-year in June due to the ongoing blockade in the Strait of Hormuz, affecting a significant amount of global oil capacity, and costs for unprocessed food rose 3.1% compared to the same period in 2025.[5]

According to Eurostat's flash estimate (a preliminary measure of GDP released 30 days after the end of a quarter), eurozone GDP grew 0.4% in the second quarter of 2026—improving from the 0.2% decrease for the first quarter of the year. The upturn in GDP for the second quarter was attributable largely to the economies of Ireland, Lithuania, and Sweden, which expanded 3.9%, 1.7%, and 1.4%, respectively. Belgium and Austria saw flat GDP growth over the quarter.[6]

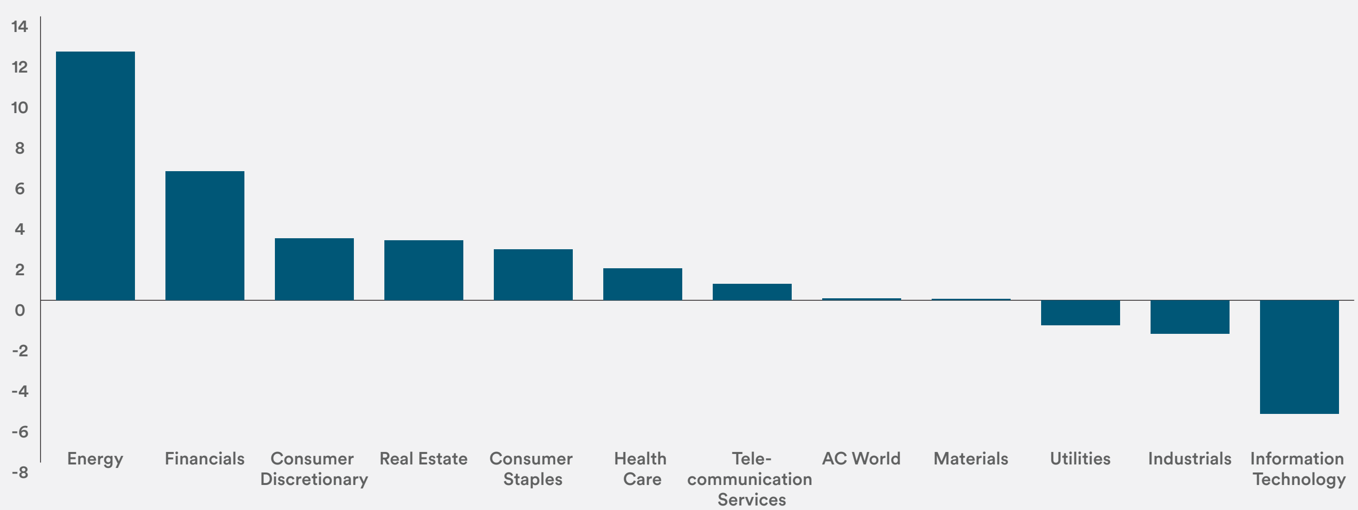
SEI's view

We remain constructive overall on the global economy and risk assets, but we are more selective. The market cycle is becoming more inflation-sensitive, more rate-volatility-sensitive, and more dependent on physical bottlenecks than on pure financial liquidity. The correct framing is not recession versus expansion; it is whether growth remains strong enough to support earnings without forcing real yields, term premia, and the U.S. dollar high enough to compress valuations.

Corporate earnings are still a source of support for global equity markets.

U.S. economic growth remains resilient, but that is a double-edged sword. Manufacturing activity, labor-market momentum, macro surprise indicators, and earnings revisions do not point to an imminent recession. While the Federal Reserve (Fed) elected to remain on hold again during its July meeting, the chorus supporting a near-term interest-rate hike continues to grow louder. Notably, three Fed officials dissented in favor of raising rates, underscoring a willingness among some monetary policymakers to respond to persistent inflationary pressures and continued economic resilience. With the Fed now entering its summer recess ahead of the September meeting, SEI and avid Fed watchers alike will be closely parsing public comments from central bank officials for clues as to whether this groundswell of support for tighter policy continues to build. While short-term market-implied inflation expectations haven't budged, the fundamental drivers of inflation—including economic strength, ongoing geopolitical tensions, and continued onshoring and near-shoring of supply chains—remain intact. Elsewhere, both the European Central Bank and the Bank of England have adopted a cautiously hawkish tone as higher energy prices threaten to place upward pressure on inflation, particularly in economies that remain vulnerable to oil-price shocks. Unlike the U.S., where inflation has been supported by relatively resilient economic growth and domestic demand, inflation risks in Europe and the U.K. are more closely tied to supply-side factors, particularly energy costs and their potential spillover effects across the broader economy.

Global Equity Sector Performance in July 2026 (Percent Return)



Source: MSCI.

Corporate earnings are still a source of support for global equity markets. Forward earnings growth and revisions remain positive, and earnings breadth is healthier than return concentration suggests, particularly in the U.S. and Japan, as well as across the global manufacturing and AI supply-chain cycle. Valuation discipline matters more now. The U.S. and parts of Asia look expensive, while Europe, the U.K., and selected value-oriented segments appear more reasonably priced. Markets can continue to work, but the margin of safety is thinner. Investment opportunities are broadening beyond mega-cap growth stocks. AI remains an important theme; however, the next phase increasingly depends on chips, power, grids, cooling, data centers, energy, materials, and industrial capacity. The beneficiaries may shift from software narratives toward infrastructure and old-economy enablers. Active management remains a key call this year with positive exposures to global value, quality, and momentum factors, with value as the primary emphasis. We favor earnings-supported equities over non-earners, while avoiding excessive reliance on long-duration (rate-sensitive) growth. Emerging-market equities remain interesting given valuations and leverage to economic growth.

Within the fixed-income universe, bonds are less reliable as a hedge. Elevated stock-bond correlations, higher inflation volatility, and rising term premia mean Treasurys are likely to trade more like risk assets than they have in recent cycles. We believe inflation-linked exposure is more attractive than nominal bonds as breakeven rates are still underpricing persistent inflation pressure.

[1] All equity market performance statements are based on the MSCI ACWI Index.
[2] According to the U.S. Department of the Treasury. As of July 31, 2026.
[3] According to the ONS. July 22, 2026.
[4] According to the ONS. July 16, 2026.
[5] According to Eurostat. July 17, 2026.
[6] According to Eurostat. July 30, 2026.

Corresponding Indexes for Fixed-Income Performance Exhibit

U.S. High Yield	ICE BofA U.S. High Yield Constrained Index
Global Sovereigns	Bloomberg Global Treasury Index
Global Non-Government	Bloomberg Global Aggregate ex-Treasury Index
Emerging Markets (Local)	JPMorgan GBI-EM Global Diversified Index
Emerging Markets (External)	JPMorgan EMBI Global Diversified Index
U.S. Mortgage-Backed Securities (MBS)	Bloomberg US Mortgage Backed Securities Index
U.S. Asset-Backed Securities (ABS)	Bloomberg US Asset Backed Securities Index
U.S. Treasurys	Bloomberg US Treasury Index
U.S. Treasury Inflation-Protected Securities (TIPS)	Bloomberg 1-10 Year US TIPS Index
U.S. Investment-Grade Corporates	Bloomberg US Corporate Bond Index

Corresponding Indexes for Regional Equity Performance Exhibit

United States	S&P 500 Index
United Kingdom	FTSE All-Share Index
Pacific ex Japan	MSCI Pacific ex Japan Index (Net)
Japan	TOPIX, also known as the Tokyo Stock Price Index
Europe ex U.K.	MSCI Europe ex UK Index (Net)
EM Latin America	MSCI Emerging Markets Latin America Index (Net)

GLOSSARY AND INDEX DEFINITIONS

For financial term and index definitions, please see: seic.com/ent/imu-communications-financial-glossary

IMPORTANT INFORMATION

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