VIEWS | JULY 31, 2026

Weekly market update: A late rally boosts stocks into positive territory.

The market and economy

- Major U.S. equity market indexes moved higher during the week ending July 31. A sharp rally in tech stocks on Thursday, particularly chipmakers, as well as a surge in shares of tech giant Microsoft Corp. following a strong quarterly earnings report, offset an earlier downturn in the sector due to concerns that hyperscalers, which operate global networks of large data centers, are overspending on artificial intelligence (AI)-related initiatives. Worries regarding the efficacy of the Federal Reserve's (Fed) efforts to tame inflation and rising geopolitical tensions in the Middle East also weighed on the market earlier in the week.
- The U.S. increased economic pressure on Iran this week, 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, a vital route for global commerce. 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.
- In a 9-3 vote, the Federal Open Market Committee (FOMC) maintained the federal funds rate in a range of 3.50% to 3.75% at its meeting on Tuesday and Wednesday. Three regional Federal Reserve Bank presidents favored a rate increase of 25 basis points (0.25%). In its statement announcing the rate decision, the FOMC cited the stability of the U.S. economy. "Economic activity is expanding at a solid pace despite elevated uncertainty that owes, in part, to the conflict in the Middle East," the FOMC said. "Inflation remains elevated relative to the Committee's 2 percent goal, in part reflecting supply shocks that have driven price increases in certain sectors, including energy."
- During a news conference on Wednesday afternoon following the FOMC meeting, Fed Chair Kevin Warsh emphasized the central bank's commitment to its 2% target inflation rate. "Let me reiterate: There is no soft inflation target. There is no soft implicit target, not on [the FOMC's] watch," he said. Warsh also addressed the three dissenting votes favoring a rate hike. "There was a disagreement about a decision today," he noted. "I would say that doesn't sort of capture the full essence of the discussion. The path to central bank heaven requires delivering on our remit." (The Fed has a dual mandate of achieving maximum employment and stable prices.)
- There was notable economic news during the week. 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.
- The Department of Commerce also reported that the personal-consumption expenditures (PCE) price index dipped 0.1% in June, down from the 0.4% increase in May. The index advanced 3.7% over the previous 12-month period, declining from the 4.1% annual increase in the prior month, but remaining well above the Federal Reserve's 2.0% target. The core PCE price index, which excludes volatile food and energy prices, rose 0.1% in June, down from the 0.3% increase in May. The index posted a year-over-year upturn of 3.3% in June following a 3.4% annual increase in the previous month. The PCE price index is widely considered the Fed's preferred measure of inflation as it tracks the prices that consumers pay for goods and services to reveal underlying inflation trends.
- The University of Michigan's final Index of Consumer Sentiment for July rose 5.7 points (+11.5%) to a five-month high of 55.2, buoyed by moderating gasoline prices. However, the index declined 6.5 points (-10.5%) year-over-year. Consumers' expectations for inflation over the next 12 months dipped 0.4 percentage point to 4.2% in July, while long-run inflation expectations were unchanged from the 3.3% consensus estimate in June. In a statement announcing the survey results, University of Michigan Surveys of Consumers Director Joanne Hsu commented, "Despite recent gains, sentiment is 11% below a year ago, reflecting a generally somber view of the economy amid five years of elevated inflation and persistent high prices. Consumers remain focused on pocketbook issues like purchasing power, while political or military developments remain more in the background."

Stocks

- Global equities were virtually flat for the week. Developed markets outperformed emerging markets.
- U.S. stocks gained ground. Consumer discretionary and communication services were the top-performing sectors, while utilities and real estate were the primary market laggards.
- Value stocks outperformed growth stocks, while large caps surpassed small caps.

Bonds

- The 10-year U.S. Treasury note yield rose to 4.71% during the week.
- The U.S. bond market posted a modest gain for the week.
- High-yield bonds led the market, followed by corporate bonds and government bonds.

As of July 31, 2026	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	0.1%	9.1%	19.1%	1107.0
MSCI EAFE ($)	1.6%	9.4%	21.0%	3164.4
MSCI Emerging Mkts ($)	-4.0%	11.3%	25.7%	1563.0
US & Canadian Equities				
Dow Jones Industrials ($)	1.0%	9.2%	18.9%	52485.7
S&P 500 ($)	1.3%	9.7%	18.4%	7507.4
NASDAQ ($)	1.6%	9.2%	20.1%	25373.9
S&P/ TSX Composite (C$)	-0.1%	11.4%	29.6%	35329.8
UK & European Equities				
FTSE All-Share (£)	1.2%	9.1%	17.7%	5836.5
MSCI Europe ex UK (€)	0.7%	9.3%	18.7%	2245.3
Asian Equities				
Topix (¥)	-0.2%	17.4%	36.0%	4003.3
Hong Kong Hang Seng ($)	3.7%	1.0%	4.5%	25884.4
MSCI Asia Pac. Ex-Japan ($)	-3.7%	12.4%	24.1%	811.7
Latin American Equities				
MSCI EMF Latin America ($)	2.1%	14.2%	38.6%	3093.7
Mexican Bolsa (peso)	0.9%	4.1%	16.7%	66958.9
Brazilian Bovespa (real)	2.4%	10.6%	34.0%	178261.3
Commodities ($)				
West Texas Intermediate Spot	-8.2%	45.6%	20.7%	83.6
Gold Spot Price	-0.6%	-6.4%	22.7%	4043.4
Bond Indices ($)				
Bloomberg U.S. Aggregate	0.2%	-0.4%	3.0%	2339.2
Bloomberg Global Aggregate	0.7%	-0.6%	1.7%	498.0
JPMorgan Emerging Mkt Bond	-0.1%	1.3%	7.7%	1030.8
10-Year Yield Change (basis points*)				
US Treasury	3	54	33	4.71%
UK Gilt	2	57	48	5.05%
German Bund	3	35	51	3.21%
Japan Govt Bond	-1	74	125	2.81%
Canada Govt Bond	6	23	21	3.66%
Currency Returns**				
US$ per euro	1.4%	-1.8%	1.0%	1.153
Yen per US$	-2.8%	1.6%	5.6%	159.18
US$ per £	1.1%	0.0%	2.0%	1.348
C$ per US$	-0.5%	2.1%	1.2%	1.402

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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