

Markets Overview, Week in Review

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A Week of Three Headwinds

It was a more challenging week for global equities, as US markets posted a second consecutive weekly decline in the face of three converging headwinds: a sharp sell-off in mega-cap technology on concerns over artificial intelligence spending, a renewed spike in oil prices above \$100 per barrel on Middle East tensions, and government bond yields pushing to fresh 52-week highs. The S&P 500 ended Friday little changed at 7,412, but was lower over the week, while the technology-heavy Nasdaq Composite fell around 2% to 24,976. The Dow Jones Industrial Average proved more resilient, closing at 51,947, supported by a strong session from Apple. With a pivotal week now ahead, encompassing a Federal Reserve decision and earnings from the largest technology companies, the tone across markets is notably more cautious.

Mega-Cap Tech and the AI Spending Question

The week's defining equity event was a pronounced sell-off in the largest technology names, which collectively shed close to \$800 billion in market value on Thursday alone, the S&P 500's worst single session in a month. The catalyst was a growing unease over the sheer scale of capital expenditure being committed to artificial intelligence. Alphabet's decision to raise its 2026 spending guidance, together with an earnings miss from Tesla accompanied by signals of heavier AI investment, crystallised a question that is increasingly occupying investors: when will these enormous outlays translate into commensurate returns? We regard this as a healthy and overdue moment of scrutiny for a theme that has powered markets for much of the year, rather than a challenge to its long-term structural validity.

Q2 Earnings: A Discerning Market

Beyond the mega-caps, the second-quarter earnings season is delivering a more nuanced picture, and the market's reaction has been notably discerning. The major banks opened the season on a solid footing, but investors have shown little tolerance for anything short of a convincing result: Intel beat expectations yet its shares fell as the market looked past the headline number, while memory-chip names came under heavy selling pressure. With the index trading near record valuations, the bar is high, demanding not merely earnings beats but persuasive forward guidance. The week ahead represents the true crescendo of the season, with Microsoft, Meta Platforms, Apple, and Amazon all due to report. Their results, and above all their commentary on the monetisation of AI and their spending discipline, will be the single most important driver of near-term market direction.

Oil swings above and below \$100 once again

In commodities, the relative calm of recent weeks proved short-lived. A renewed flare-up of hostilities in the Middle East drove Brent crude back above \$100 per barrel during the week for the first time since the spring, a marked reversal from the mid-\$70s of a fortnight ago, before a partial retreat on Friday as reports emerged of potential fresh diplomatic efforts involving regional mediators. The episode is a powerful reminder that the region's security situation remains unresolved and that energy markets will stay acutely sensitive to the headlines. We maintain a measured and balanced view, while noting that a sustained move higher in oil represents a renewed upside risk to inflation at precisely the moment it had begun to recede.

Inflation Finely Balanced

That inflation risk is significant because it complicates a price picture that had, until recently, been improving markedly. June consumer prices, released earlier in the month, brought genuine relief: headline CPI eased to 3.5% from 4.2% previously, aided by the earlier fall in energy costs, while producer prices recorded their first monthly decline since last summer. That cooling had effectively removed the near-term case for an interest-rate increase. The renewed climb in oil, however, threatens to reintroduce exactly the cost-push pressure that the June data had suggested was fading, leaving the disinflation narrative finely and delicately balanced as policymakers convene.

The Fed in Focus

This sets the stage for the most important event of the week ahead: the Federal Reserve's policy meeting, which concludes on Wednesday with Chairman Warsh's second rate decision and press conference. The overwhelming market expectation is for rates to be held at 3.50% to 3.75%, but with no updated economic projections accompanying this meeting, attention falls squarely on the tone. Investors will scrutinise Chairman Warsh's remarks for any signal regarding a possible move in September, particularly against the backdrop of firmer energy prices. Reflecting these crosscurrents, Treasury yields pushed to fresh 52-week highs, with the 10-year reaching around 4.68%. This rise in the risk-free rate is itself a headwind for equity valuations, and helps to explain the concentrated pressure on the most richly-valued growth names. We retain our clear preference for short-duration, high-quality fixed income.

GCC and Gold

For the GCC, the renewed firmness in oil prices is, on balance, supportive of fiscal revenues and reinforces the strategic centrality of the region's energy complex, even as the security backdrop warrants close and continuous attention. We continue to regard GCC markets as our preferred regional allocation, underpinned by Vision 2030 momentum, resilient banking-sector earnings, and robust domestic demand that remains well insulated from the swings in global equity markets. Gold, meanwhile, consolidated around \$4,056, easing modestly over the week as the gravitational pull of 52-week-high real yields offset its geopolitical safe-haven appeal. We retain gold as a Neutral strategic hedge, a position whose diversification value is underscored precisely in weeks such as this one.

The Week Ahead, Key Events & Data

Date	Event
Mon 27 Jul	Markets open a decisive week with June Durable Goods Orders, a gauge of business investment intentions. Investors position ahead of the Federal Reserve decision and a deluge of corporate earnings.
Tue 28 Jul	FOMC Meeting Begins & Consumer Confidence, The Federal Reserve's two-day meeting opens. The Conference Board Consumer Confidence index offers a timely read on household sentiment amid renewed energy-price pressure.
Wed 29 Jul	FOMC Rate Decision & Warsh Press Conference, The marquee event of the week. A hold at 3.50-3.75% is widely expected, but with no updated projections, the focus is entirely on Chairman Warsh's tone and any signal on a possible September move given firmer oil. After the close, Microsoft and Meta Platforms report earnings.
Thu 30 Jul	Q2 GDP, Jobless Claims & Apple, Amazon Earnings,
Fri 31 Jul	June PCE Price Index & Employment Cost Index, The week closes with the Federal Reserve's preferred inflation gauge, the core PCE deflator, which will be scrutinised for confirmation of the disinflation signalled by June CPI, before the recent oil spike.

Investment Office Asset Allocation Compass

FIXED INCOME

DM Sovereigns (NEUTRAL)	DM Investment Grade Credit (NEUTRAL)
DM High Yield (NEUTRAL)	EM (inc. GCC) Fixed Income (FAVOUR)

GLOBAL EQUITIES

US Equities (FAVOUR)	European Equities (CAUTIOUS)
EM Equities (NEUTRAL)	Japanese Equities (NEUTRAL)

ALTERNATIVES

Gold (NEUTRAL)	Oil / Energy (NEUTRAL)
Private Assets (FAVOUR)	

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