FORUM
FINANCE

JULY 2026

Monthly Newsletter

MARKET REVIEW

The US dollar weakened over the month, but the standout currency story was the Japanese yen, which came into sharp focus following a joint intervention from the Federal Reserve and the Bank of Japan. This coordinated action pushed the yen to 157 against the dollar, marking one of the more notable policy-driven FX moves of the year and a sharp contrast to the dollar's broader softening trend.

Government bond markets came under significant pressure once again in July, with long-end yields extending their climb on both sides of the Atlantic. The US 10-year Treasury yield pushed up to 4.73%, while the German 10-year Bund yield reached 3.21%, reflecting persistent concerns around the pace of central bank easing and sticky inflation dynamics. This marks a continuation of the theme highlighted in prior months, where shifting rate-cut expectations have kept the long end of the curve volatile.

Credit spreads widened modestly over the month but showed no material deterioration, remaining near the bottom of their historical range and underscoring still-solid fundamentals across issuers. However, the sharp move higher in yields weighed heavily on rate-sensitive segments, with the 7-10 year and longer maturity buckets posting negative total returns as duration losses outpaced any income cushion. Corporates were caught in this same wave, with longer-dated credit paper underperforming alongside sovereigns despite spreads themselves staying contained.

US equities staged a strong recovery in the final days of July, led by a resurgence in technology names following a run of encouraging earnings reports. This late-month rebound helped offset earlier weakness tied to the rates backdrop, echoing the earnings-driven leadership pattern seen in prior months where profit upgrades—rather than multiple expansion—remained the key equity driver.

Momentum experienced an unusually sharp reversal primarily at the beginning of July, when a violent reversal in leadership triggered a sharp momentum drawdown and forced deleveraging across systematic and market-neutral books. Crowded long positions were sold while heavily shorted laggards rallied, creating the familiar feedback loop of de-grossing.

Ex. 1: US Dollar vs Japanese Yen

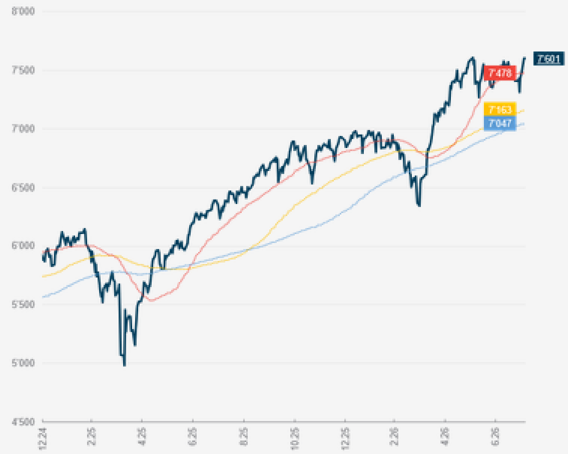
Source: Bloomberg

Ex 2: US 10 Year Treasury Bond Yield

USGG10YR Index. Daily Moving Average (50,125, 200)
Source: Bloomberg

-13.3%
MSCI USA MOMENTUM FACTOR IN JULY

Ex 3: US Equity Index (S&P 500)



SPX Index. Daily Moving Average (50,125, 200)
Source: Bloomberg

The initial move was particularly acute in the technology and semiconductor complex, where profit-taking in prior winners coincided with an abrupt rotation toward segments that had lagged. The magnitude and speed of this unwind made it one of the more notable momentum reversals in recent history.

Crude oil surged sharply during the middle of the month as escalating US-Iran tensions and disruption risks around the Strait of Hormuz raised fears of tighter physical supply. Brent briefly traded above USD90 while WTI rose above USD84.

The rally proved short-lived. As tensions eased and the market began to reassess the likelihood and duration of supply disruption, the geopolitical premium unwound rapidly: WTI fell about 9.5% on 28 July in the cited market snapshot, and Brent recorded an 8.7% one-day decline to around USD 88 in the subsequent reversal. Oil nevertheless closed the month at elevated levels—WTI near USD 84—leaving July as a month defined by geopolitical volatility rather than a durable demand-led uptrend.

Ex 4: Nymex Copper Futures Contract

Gold and other precious metals also corrected, pressured by a stronger dollar and slightly higher real yields, reversing part of the sharp rally seen earlier in the year. Industrial metals were choppy but broadly weaker, consistent with a patchy global industrial cycle and lingering uncertainty around Chinese demand.

Copper has been one of the stronger points in the commodity complex, supported by a structurally tight balance and the electrification/AI narrative, even if prices remain volatile and sensitive to macro headlines.

CL1 Comdty: WTI Crude Oil futures traded on NYMEX/CME
Source: Bloomberg

INVESTMENT STRATEGY

The global economy continues to display resilient growth, even as higher long-term yields and geopolitical uncertainty have raised the hurdle for risk assets. A durable easing of tensions in the Middle East would be particularly constructive, as it could reduce the oil-related inflation risk premium and help re-establish a clearer disinflationary trend. This would, in turn, lessen the risk that central banks need to maintain a more restrictive policy stance for longer.

Our central scenario remains that the Federal Reserve will keep policy rates unchanged for the remainder of the year, provided underlying inflation remains contained and any renewed price pressure is predominantly energy-related rather than broad-based. Higher rates remain a constraint for the most duration-sensitive segments of fixed income and for equity valuations. Nevertheless, the environment can remain supportive for equities, provided companies continue to deliver robust earnings growth.

So far, this condition has been met convincingly. Corporate earnings provided a major counterweight to the rise in bond yields during July. In the United States, the second-quarter reporting season was exceptional: with 61% of S&P 500 companies having reported by month-end, 86% exceeded earnings-per-share expectations, compared with five- and ten-year averages of 78% and 76%, respectively. Aggregate reported earnings were 31.4% above consensus estimates—an unusually large positive surprise—while consensus had already anticipated S&P 500 earnings growth of 23.4% year on year, up materially from the 15.2% expected at the start of the year.

Europe also delivered a notably strong reporting season, albeit with a more uneven sector composition. LSEG data pointed to 16.7% year-on-year second-quarter earnings growth for the STOXX 600—the strongest pace in more than three years—although the headline figure was materially supported by energy, where profits were expected to rise by more than 125%. Excluding energy, projected earnings growth was still a solid 6.4%.

Overall, the earnings season reinforced the view that equity-market performance remains supported principally by realised profit delivery and upward guidance revisions, rather than by further multiple expansion.

We therefore retain a constructive but selective equity stance, favouring companies with visible earnings growth, strong balance sheets and pricing power. At the same time, we maintain disciplined duration exposure and adequate diversification against renewed inflation, interest-rate and geopolitical shocks.

PORTFOLIO ACTIVITY

There were no major changes to report across our portfolios during the month. Our strategic asset allocation remains favourable to risk assets, notably equities and credit, supported by resilient growth and continued strength in corporate earnings. At the same time, we remain mindful of elevated long-term yields, valuation sensitivity and the potential for renewed inflation or geopolitical shocks.

Within fixed income, we have maintained a cautious approach to interest-rate exposure by limiting government-bond holdings. We retain a neutral stance on investment-grade corporate bonds. Part of our investment-grade exposure is denominated in Japanese yen, reflecting our expectation of a gradual strengthening of the currency.

Emerging-market debt remains a meaningful component of the bond allocation. We preserve a broad and flexible exposure across hard-currency sovereign debt, local-currency sovereign bonds and corporate issuers, allowing us to capture attractive carry opportunities while diversifying both issuer and currency exposures.

On the equity side, we remain overweight, with a constructive bias towards European and emerging-market equities. This is complemented by a meaningful exposure to US equities—including long/short strategies—and a diversified global-equity allocation. This positioning seeks to participate in the favourable earnings backdrop while maintaining sufficient regional and style diversification.

Overall portfolio risk is balanced by a substantial allocation to alternatives, including gold, trend-following strategies and multi-strategy exposures. These allocations are intended to provide diversification, reduce reliance on traditional equity-and-bond correlations, and improve resilience should inflation, rates or geopolitical risk re-emerge as more significant market drivers.

Finally, we reiterate our cautious, underweight stance on the US dollar. We expect the dollar to face renewed pressure as geopolitical tensions recede, reducing demand for safe-haven assets, and as the Federal Reserve is unlikely to resume rate hikes. While US policy rates are expected to remain on hold, the dollar’s rate advantage should gradually become less supportive, particularly against currencies with more attractive valuations or where monetary-policy normalisation is still under way.