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Monthly Market Recap

July 2026

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From the Investment Committee

July was a mixed month for financial markets as investors grappled with resilient economic data against rising bond yields, inflationary concerns, and ongoing geopolitical uncertainty. US equity indexes were mixed on the month, with the S&P 500 up 0.1% and the Dow Jones also positive at 0.4%, while the Nasdaq Composite was weaker at -3.2%. In a shift of sentiment, investors rotated away from Technology and momentum stocks into more defensive sectors such as Energy, Healthcare, and Financials.

The bond market came into focus as investors reassessed their outlook for inflation while trying to get a read on new Federal Reserve Chairman, Kevin Warsh. Yields generally rose for the month, with the 10-year Treasury ending July near 4.7%, its highest level since 2025, while the 30-year Treasury yield climbed above 5.24%, its highest level since 2007. The move up in yields reflected growing concerns that inflation may remain above the Fed's target for longer than previously anticipated. Markets are now pricing in two rate hikes in 2026 as geopolitical and inflationary concerns are expected to warrant Fed action in the back half of the year.

Economic data released during July continued to point toward a moderating but still healthy US economy. According to the Bureau of Economic Analysis, real GDP grew at a 1.5% annualized rate during the second quarter, down from 2.1% in the first quarter. While headline growth slowed, the economy still appears to be on solid footing. Recent data indicates consumer spending rose and the labor market remained healthy during the month, suggesting the economy remains strong as we look toward the end of the year.

It was clear inflation and inflation expectations remained top of mind for investors as June economic data reported throughout the month. The Personal Consumption Expenditures (PCE) Index continued to run above the Fed's 2% target, although core inflation moderated modestly. Consumer inflation expectations improved somewhat, with the University of Michigan's survey showing one-year inflation expectations declining from 4.6% to 4.2%. We remain cautious on inflation expectations for the remainder of the summer given the volatility in energy markets.

Geopolitical developments continued to influence both market sentiment and inflation expectations. Rising oil prices resulted in rising inflation expectations, which led to higher yields and an unwinding of the momentum equity trade. We expect the geopolitical backdrop to remain volatile throughout the summer as the markets continue to monitor the on-again, off-again nature of the Iranian conflict. We are particularly interested in how these events will impact inflation expectations and bond yields.

In summary, July was an eventful and chaotic month. Some market outcomes were expected, while others were harder to predict. We expect the end of summer to remain volatile as the market weighs a healthy underlying economy and strong profits against the growing uncertainty of rates and inflation given the uncertain geopolitical landscape. Stay tuned.

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Key Takeaways

Equity Markets Mixed in July	• Equity markets were volatile in July. The S&P 500 was up +0.1%, the Dow was up +0.4%, and the Nasdaq was down -3.2%. • Investors rotated out of Technology and momentum names into sectors like Energy, Healthcare, and Financials.
Yields Rise on Inflation Concerns	• Treasury yields moved higher for the month as energy prices increased, and the bond market took a less favorable view on Fed Chair Warsh's ability to control inflation. • Treasury yields rose across the curve. Most notably, the 30-year bond closed the month at 5.274%, its highest level since 2007. • Mortgage rates jumped up to roughly 6.7% for a 30-year loan, the highest rate in over a year.
Geopolitical Backdrop Impacting Oil Markets	• Oil prices remained volatile during the month of July, based largely on increased uncertainty in the Strait of Hormuz. • WTI oil rose to an intra-month high of $92 a barrel toward the end of July and was up more than 20% on the month. • The rise in energy prices reflected the on-again, off-again nature of the Iranian conflict and the status of the Strait of Hormuz.
FOMC Holds Rates Steady	• The FOMC concluded its July 28-29 meeting by voting 9 to 3 to hold rates steady at 3.50-3.75%. • This marked Kevin Warsh's second meeting as Fed Chair. • In what was considered a hawkish stance, the Fed noted the economy was expanding at a solid pace, but inflation was still well above its stated target of 2%. • Markets are projecting two FOMC rate hikes in the back half of 2026, with the next hike expected at the September meeting.

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Asset Class Performance

Equities

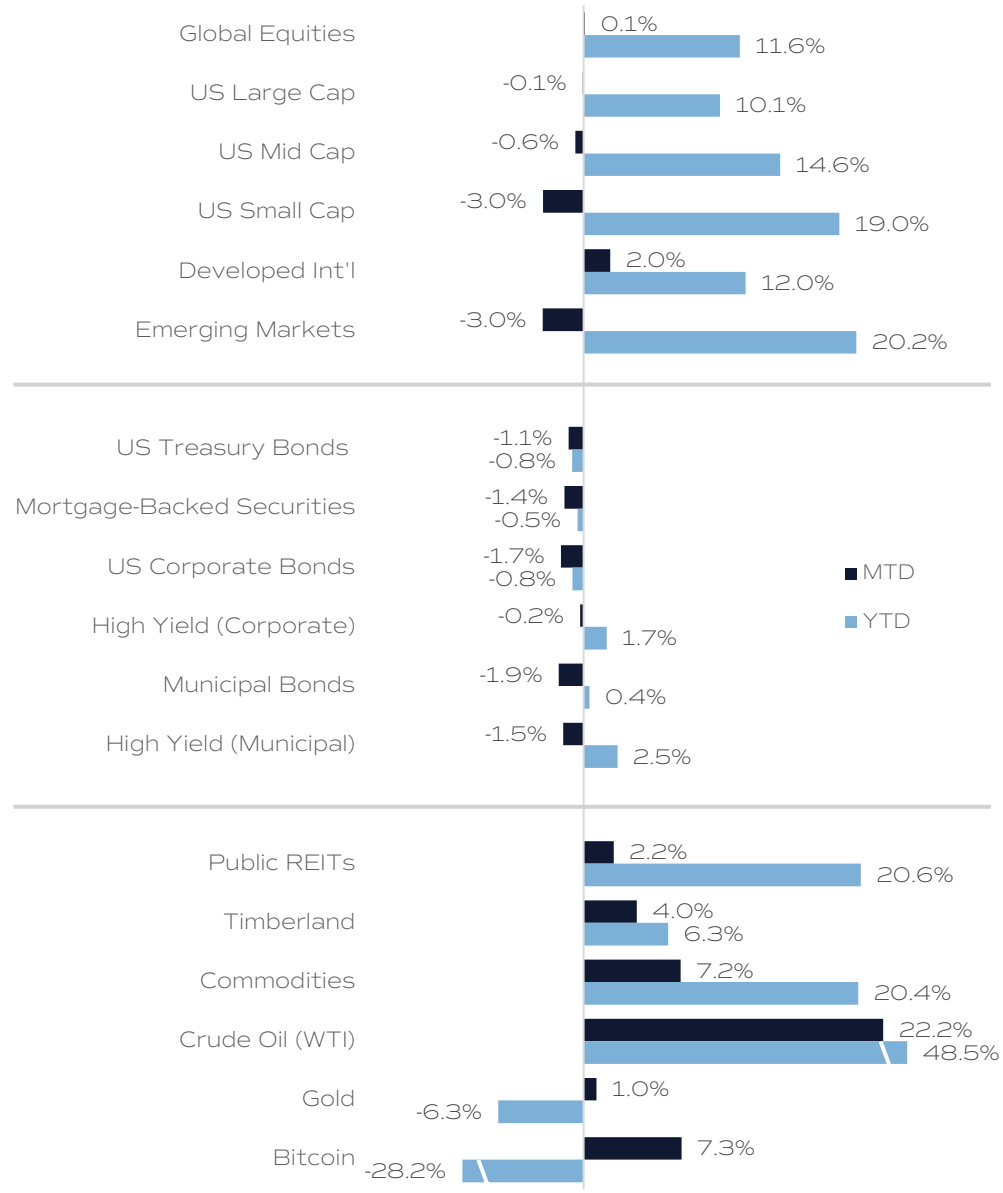
- Rotation was the big theme in July as investors took profits across Technology and Industrials names and moved proceeds into more value-oriented segments of the market.
- Technology weakness was notable, particularly across semiconductor and memory names.

Fixed Income

- Treasury yields moved higher across the curve in July, with long-end maturities surpassing short-end bonds.
- Higher yields pushed total returns for most fixed-income indexes lower, including throughout the taxable market.
- For municipal bonds, the YTD return for short-maturity and long-maturity indexes remain positive for the year, while intermediate-maturity returns were negative.

Real Assets

- Natural gas and silver were the only two real assets that fell on the month. Natural gas is now down nearly 30%, and silver is off nearly 20% YTD.
- In a reversal from June headlines, crude oil spiked again in July as the Iran conflict reignited.



Source: Bloomberg as of July 31, 2026.

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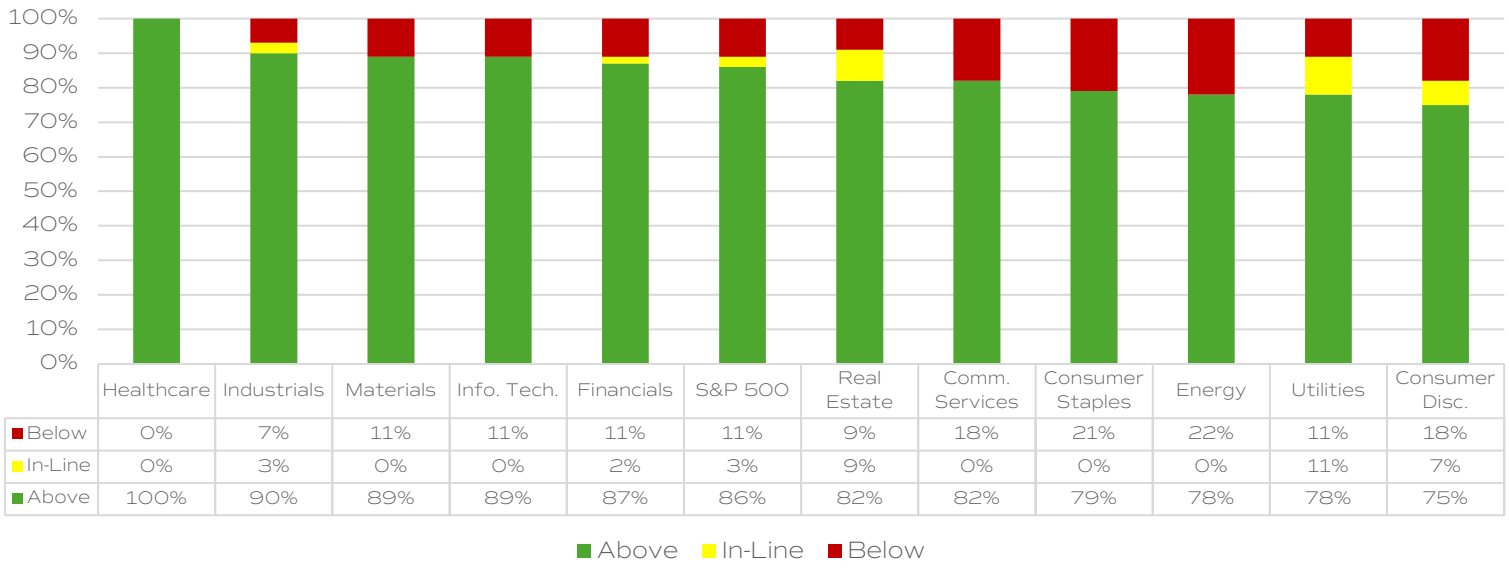
Macroeconomic Overview

	Year End 2025 %	Recent Period %	Prior Period %	YTD Change %
GDP (YoY Change)*	2.00	2.10	2.00	0.10
Conference Board - LEI*	(0.20)	(0.20)	0.10	0.00
Unemployment Rate*	4.40	4.20	4.30	(0.20)
CPI (YoY Change)*	2.70	3.50	4.20	0.80
CPI ex. Food & Energy*	2.60	2.60	2.90	0.00
PCE*	2.97	3.29	3.42	0.32
Effective Fed Funds Rate	3.64	3.63	3.63	(0.01)
10-Year U.S. Treasury	4.17	4.74	4.49	0.57

- Inflation expectations rose after the Iran war began, but they are now lower than at the start of the year. Many investors thought the Fed would raise rates in July to get ahead of inflation, but it did not.
- We are in the middle of Q2 earnings season. Banks are reporting good results, while some large technology companies are facing headwinds, but for different reasons.
    - Meta raised concerns about its capex and AI strategy levels, while Apple was punished as it struggles with a shortage of memory chips, which have increased in price as much as sixfold.

Q2 Earnings Largely Outperforming: S&P 500 Earnings Above, In-Line, Below Estimates*



	Healthcare	Industrials	Materials	Info. Tech.	Financials	S&P 500	Real Estate	Comm. Services	Consumer Staples	Energy	Utilities	Consumer Disc.
Below	0%	7%	11%	11%	11%	11%	9%	18%	21%	22%	11%	18%
In-Line	0%	3%	0%	0%	2%	3%	9%	0%	0%	0%	11%	7%
Above	100%	90%	89%	89%	87%	86%	82%	82%	79%	78%	78%	75%

- Q2 corporate earnings look quite strong.
- Growth should come in higher than just about any period in the last 30 years, except for rebounds out of the Great Financial Crisis and pandemic.
- It is hard to see a recession with this backdrop.

Source: Bloomberg as of July 31, 2026. *FactSet as of July 31, 2026.

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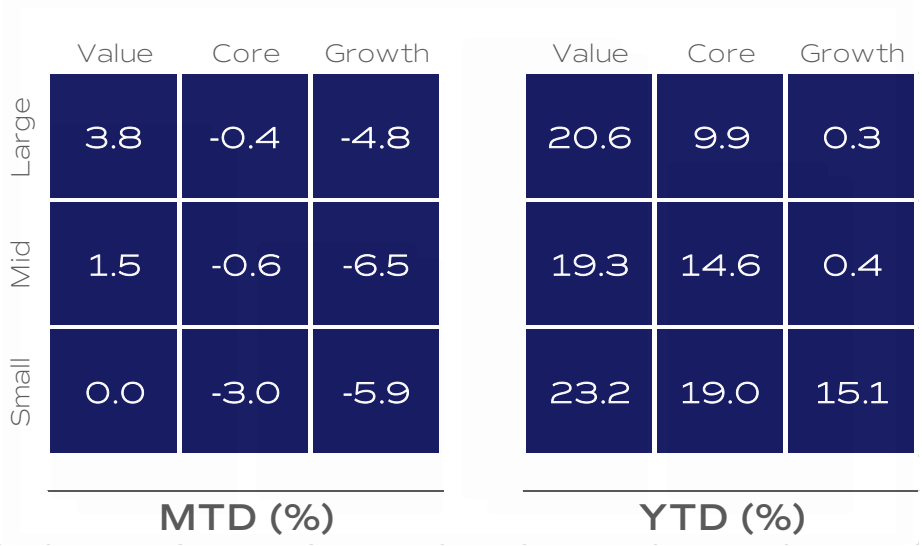
US Equity Markets

	MTD %	YTD %	1 Yr %
Energy	12.60	34.74	41.17
Financials	6.16	4.77	10.37
Real Estate	2.52	14.33	14.03
Health Care	2.41	5.96	26.92
Consumer Staples	2.11	10.31	10.32
Consumer Discretionary	0.82	0.04	7.52
Communications Services	0.58	1.39	18.95
S&P 500	*(0.06)*	*10.12*	*19.53*
Materials	(1.65)	10.12	15.32
Utilities	(2.23)	5.29	6.41
Industrials	(3.01)	16.54	19.71
Technology	(3.43)	20.24	37.00



Best

- ***Energy*** was the best performing sector in July, rising more than 12% for the month. Oil prices hit their lowest levels since late February but sharply reversed as the Iran war re-escalated, pulling most names across the energy complex higher.

Worst

- ***Technology and Industrials*** were the worst performing sectors for the month, with both declining just over 3% in July. Technology and related infrastructure buildout names were some of the market's strongest performers during the first half of the year but took a breather to start the third quarter.

- Large- and mid-cap value were the best performing segments of the market in July, driven by strong performance in Energy and Financials. Higher energy prices and a steepening yield curve, which tends to benefit lending institutions, acted as a tailwind. Meanwhile, the growth complex was broadly impacted by declines across Technology.

- International equities were mixed for the month, with developed markets in Europe and Japan up a modest 1-2%. Emerging market equities were slightly negative for the month but remain up more than 20% YTD.

Source: Bloomberg as of July 31, 2026.

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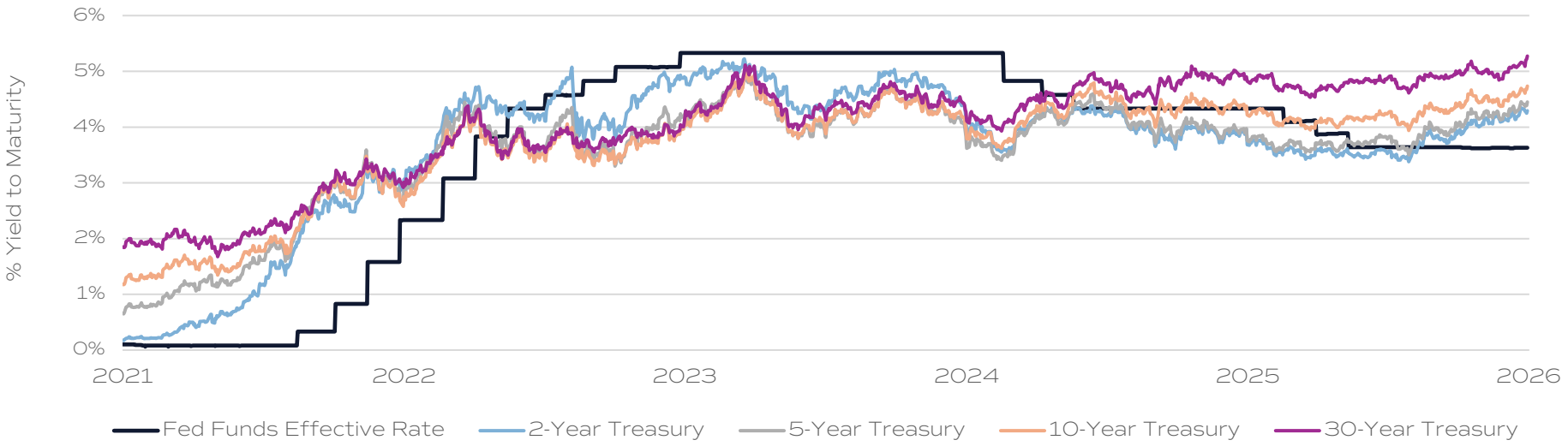
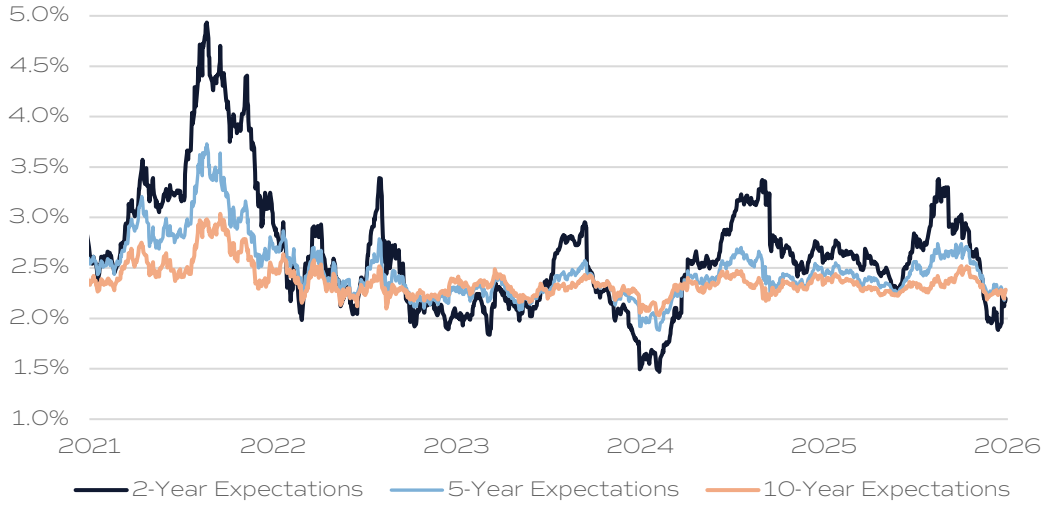
Fixed Income

Fed Funds Rate & Treasury Yields



Market-Implied Inflation Expectations



- Despite the increase in nominal Treasury rates and energy prices for the month, inflation expectations have moved to near-term lows.
- Inflation expectations are derived from comparing the yields on TIPS (Treasury Inflation Protected Securities) to those of fixed-coupon Treasuries. The difference is the market's implied inflation rate.
- TIPS will outperform fixed-coupon Treasuries when inflation expectations rise.

Source: Bloomberg as of July 31, 2026.

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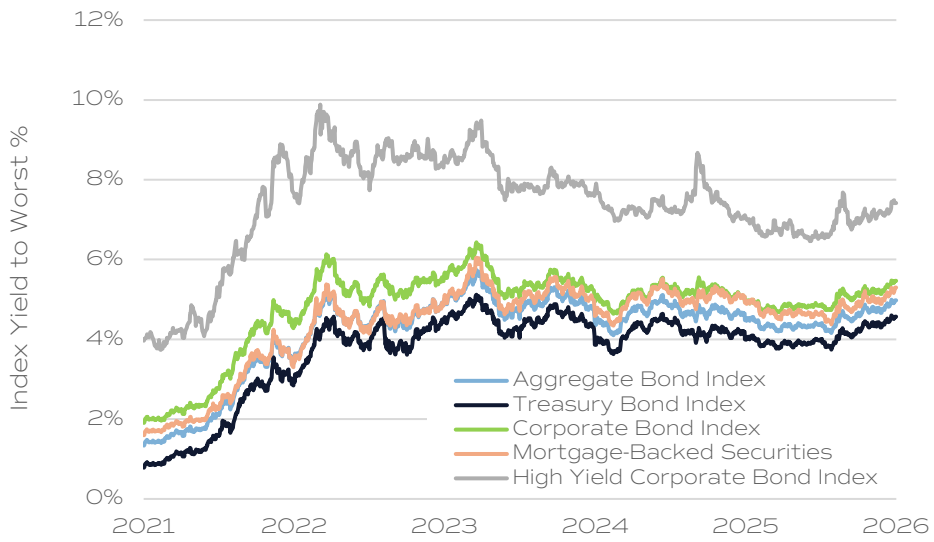
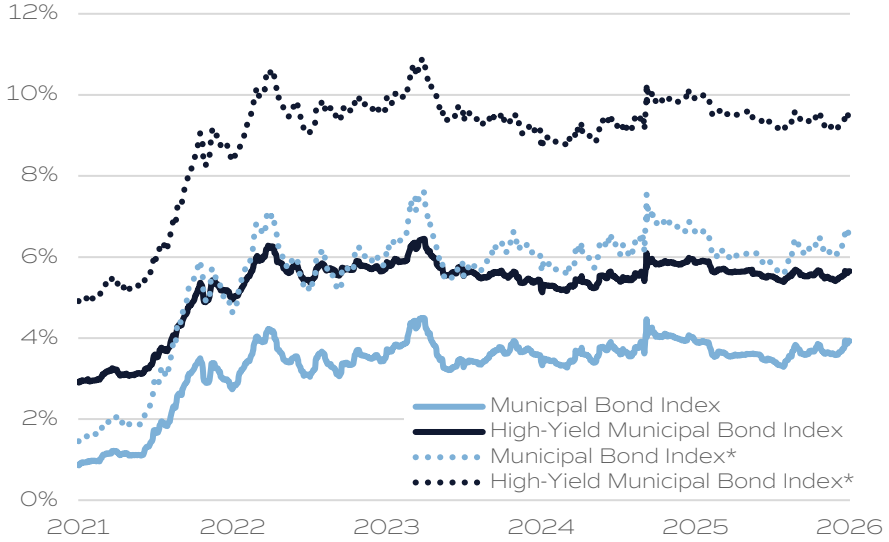
Fixed Income Yields

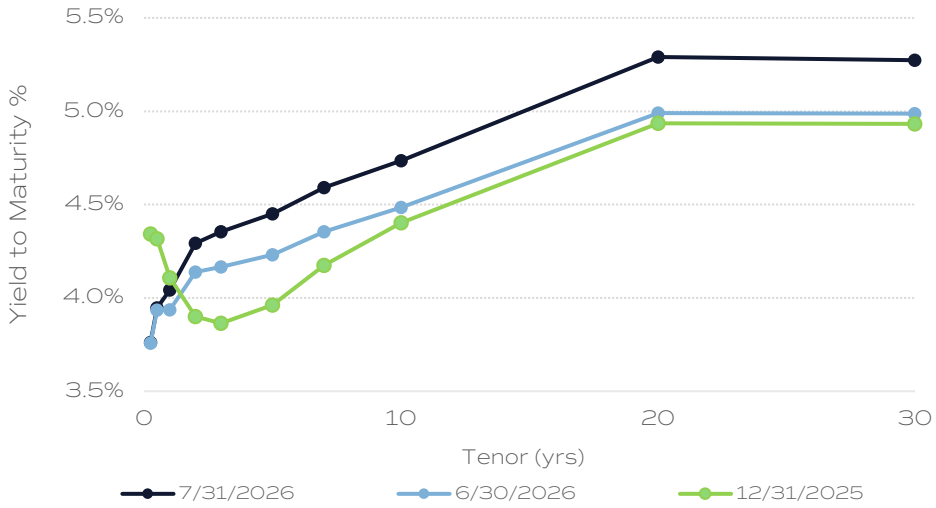
Taxable Bond Indexes Yield to Worst



*Tax-Exempt Bond Indexes Yield to Worst**



US Treasury Yield Curves



- Fixed-income yields in both taxable and tax-exempt markets remain attractive on a nominal and real (inflation-adjusted) basis.
- We remain cautious on some sectors of the corporate bond market due to an increase in new issuance.
- Municipal bond demand has been impressive for the year. Fund flows into municipal bond ETFs and mutual funds are well ahead of last year's pace.

Source: Bloomberg, Bloomberg BVAL as of July 31, 2026. *Tax-equivalent yield. Assumes a federal income tax rate of 37% and Medicaid surtax of 3.8%.

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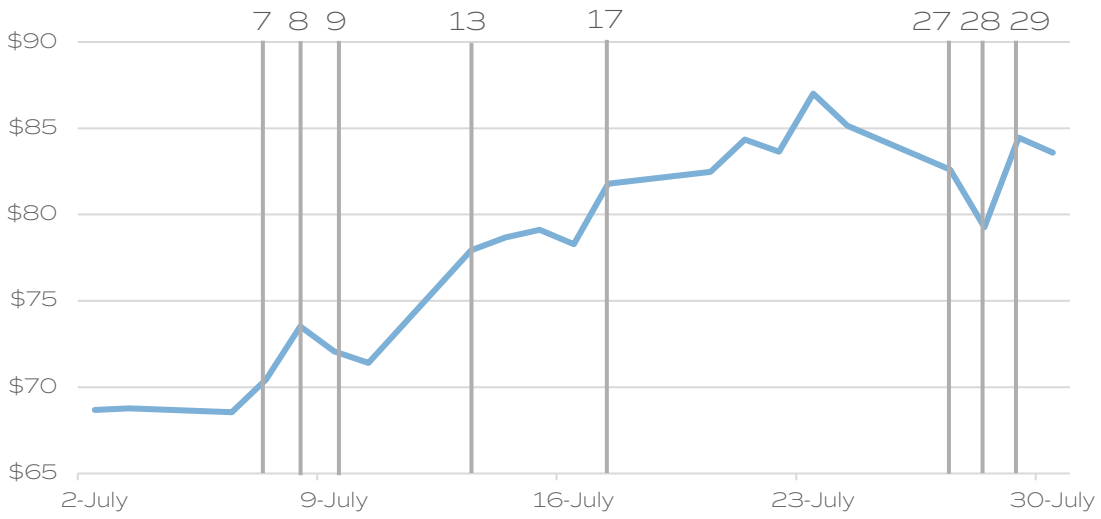
Real Assets

	Price USD	MTD %	YTD %	1 Yr %
Real Assets				
FTSE NAREIT	866.03	2.24%	20.58%	25.31%
FTSE NAREIT - Timberland	129.88	3.95%	6.27%	3.38%
Bloomberg Commodity Index	132.05	7.21%	20.39%	30.51%
Crude Oil (WTI) [bbl.]	84.67	22.23%	48.52%	31.41%
Natural Gas [MMBtu]	2.59	-21.91%	-28.79%	-13.31%
Copper [MT]	13,791.00	3.11%	11.01%	43.49%
Gold [oz.]	4,046.15	0.95%	-6.33%	22.99%
Silver [oz.]	57.60	-1.71%	-19.63%	56.88%
Bitcoin	62,899.25	7.26%	-28.24%	-46.01%
Ethereum	1,860.57	18.22%	-37.52%	-50.18%

- Performance remained mixed across real assets in July. Bitcoin and Ethereum rebounded sharply, while natural gas and silver remain sluggish and are significantly negative on a YTD basis.
- Copper continued to benefit from structural demand, rising 3.1% in July and pushing its one-year gain above 43%, making it one of the strongest performing real assets over the past year.
- After a weaker June, crude oil moved higher amid renewed geopolitical tensions and heightened worries around global energy supply disruptions.

WTI Crude Oil Climbs in July*



- July's price spike shifted expectations for the Fed. Odds moved to two possible hikes in 2026 rather than cuts.
- Notable events in July:
  - 7/7: Tanker struck in Strait of Hormuz
  - 7/8: Trump says Iran ceasefire "over"
  - 7/9: US strikes Iran, oil sanctions waiver revoked
  - 7/13: Tanker strikes escalate
  - 7/17: More Gulf shipping headlines
  - 7/27: US blocks Iran attack
  - 7/28: Iran says Strait open again
  - 7/29: US retaliatory strikes

Source: Bloomberg as of July 31, 2026. *Koyfin as of July 31, 2026.

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Financial Markets Performance

	Price USD	MTD %	QTD %	YTD %	1 Yr %	3 Yr %	5 Yr %
Global Equity							
MSCI ACWI	1,120.51	0.10%	0.10%	11.60%	22.59%	18.79%	11.38%
U.S. Equity							
S&P 500	7,489.72	-0.06%	-0.06%	10.12%	19.53%	19.28%	12.83%
Russell 1000	4,076.38	-0.36%	-0.36%	9.91%	18.91%	18.94%	12.09%
Russell Mid Cap	4,369.25	-0.62%	-0.62%	14.59%	18.67%	14.76%	8.18%
Russell 2000	2,931.34	-3.02%	-3.02%	18.98%	34.33%	15.10%	7.11%
International Equity							
MSCI ACWI ex US	473.49	0.37%	0.37%	14.43%	29.06%	17.95%	9.87%
MSCI EAFE	3,176.14	1.98%	1.98%	12.02%	24.93%	16.52%	10.01%
MSCI Europe	216.97	1.91%	1.91%	10.30%	23.83%	16.44%	10.20%
MSCI Japan	2,460.26	1.01%	1.01%	17.13%	32.79%	18.09%	10.37%
MSCI Emerging Markets	1,665.89	-3.03%	-3.03%	20.24%	37.00%	19.80%	8.48%
Global Fixed Income							
Bloomberg U.S. Aggregate	2,332.59	-1.30%	-1.30%	-0.69%	2.71%	3.72%	-0.40%
Bloomberg Gov't/Credit	2,690.99	-1.29%	-1.29%	-0.80%	2.22%	3.55%	-0.62%
Bloomberg US Treasury Total Return	2,414.46	-1.11%	-1.11%	-0.84%	1.97%	2.91%	-0.91%
Bloomberg US Corporate Total Return	3,515.69	-1.67%	-1.67%	-0.83%	2.53%	4.57%	-0.27%
Bloomberg US Corporate High Yield	2,964.19	-0.25%	-0.25%	1.71%	5.18%	8.26%	4.04%
Bloomberg Global Aggregate	497.55	-0.53%	-0.53%	-0.75%	1.60%	2.99%	-1.91%
Bloomberg Municipal Bond Index	1,398.43	-1.85%	-1.85%	0.43%	5.27%	2.98%	0.51%
Bloomberg High Yield Municipal Bond Index	481.16	-1.51%	-1.51%	2.52%	6.99%	5.07%	1.24%

Source: Bloomberg as of July 31, 2026.

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Tactical Views

Asset Class	Underweight		Neutral		Overweight
Cash		●			
Equities				●	
U.S. Large Cap				●	
U.S. Mid Cap			●		
U.S. Small Cap			●		
Developed Int'l		●			
Emerging Markets				●	
Fixed Income				●	
U.S. Government		●			
MBS		●			
Corporates				●	
TIPS					●
Municipals				●	
Muni High Yield				●	
Taxable High Yield				●	
Developed Int'l		●			
Emerging Markets				●	
Real Assets			●		
Commodities				●	
Timberland			●		
Private Real Estate			●		

Alternatives					
Hedge Funds			●		
Private Equity				●	
Private Debt		●			
Infrastructure				●	

Equity Sectors	Underweight		Neutral		Overweight
Energy			●		
Healthcare		●			
Consumer Discretionary			●		
Industrials				●	
Technology				●	
Communications			●		
Financials				●	
Real Estate			●		
Utilities				●	
Materials			●		
Consumer Staples		●			

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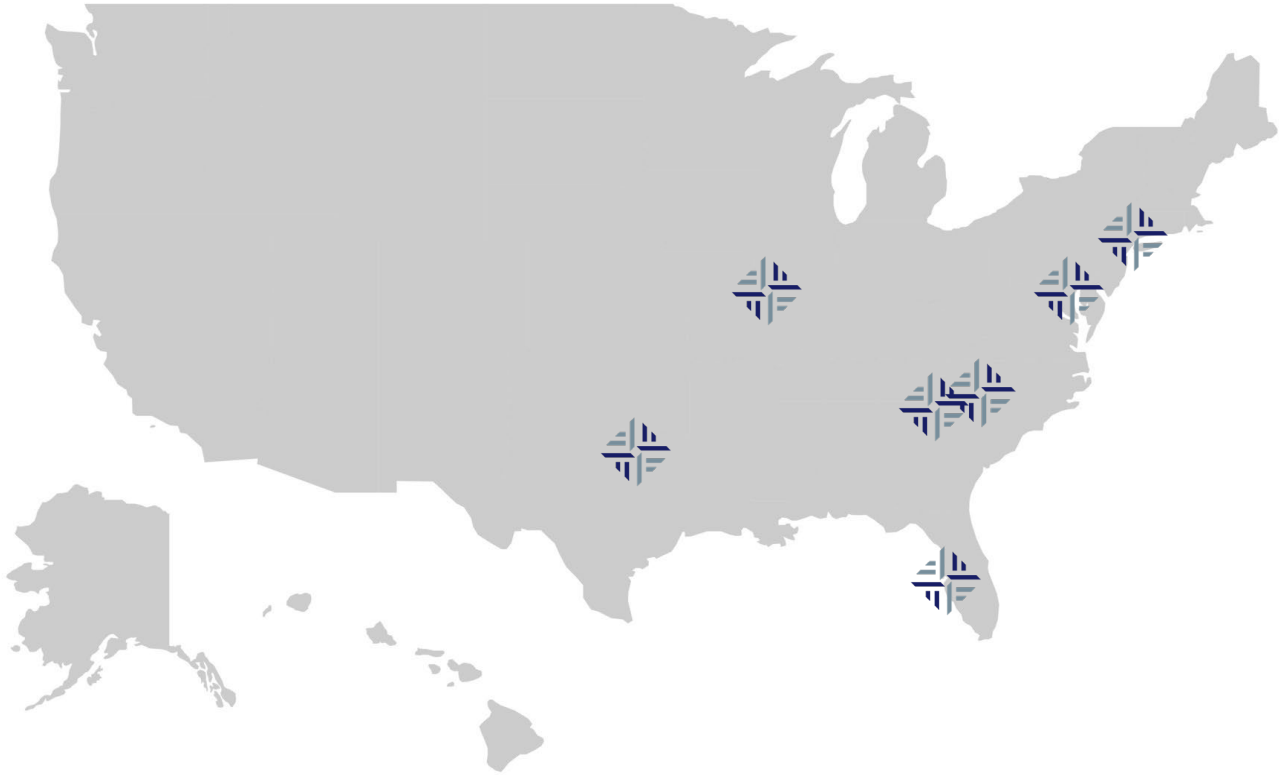

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When referencing asset class returns or statistics, the following indices are used to represent those asset classes, unless otherwise notes. Each index is unmanaged, and investors can not actually invest directly into an index:

TIPS: Bloomberg Global Inflation-Linked: U.S. TIPS Total Return Index Unhedged

Municipals 5-Year: Bloomberg Municipal Bond 5 Year (4-6) Total Return Index Unhedged USD

Core Bond: Bloomberg US Aggregate Total Return Index USD

High Yield Municipals: Bloomberg Muni High Yield Total Return Index Value Unhedged USD

High Yield: Bloomberg US Corporate High Yield Total Return Index USD

U.S. Long Duration: Bloomberg US Aggregate Government & Credit - Long

Foreign Bond: Bloomberg Global Aggregate ex-USD Total Return Index Value USD (50/50 blend of hedged and unhedged)

Real Assets: S&P Real Assets

U.S. Large Cap: Russell 1000 Total Return Index

U.S. Small Cap: Russell 2000 Total Return Index

International Developed: MSCI EAFE Net Total Return USD Index

Emerging Markets: MSCI Emerging Markets Net Total Return USD Index

U.S. Equity REITs: FTSE Nareit Equity REITs Total Return Index USD

Commodities: Bloomberg Commodity Total Return Index

Hedge Funds: Hedge Fund Research HFRI Fund of Funds Composite Index

Foreign Bond: Bloomberg Global Aggregate x USD Total Return Unhedged

U.S. Core Bond: Bloomberg U.S. Aggregate Total Return Index USD

U.S. High Yield: Bloomberg US Corporate High Yield Total Return Index USD

U.S. MBS: Bloomberg U.S. MBS (30Y) Total Return Index

U.S. All Cap: Russell 3000 Total Return Index

U.S. Large Cap: Russell 1000 Total Return Index

U.S. Small Cap: Russell 2000 Total Return Index

US Value: Russell 3000 Value Total Return Index

US Growth: Russell 3000 Growth Total Return Index

Int'l Developed All Cap: MSCI EAFE IMI Net Total Return USD Index

Int'l Developed Large Cap: MSCI EAFE Large Cap Net Total Return USD Index

Int'l Developed Small Cap: MSCI EAFE Small Cap Net Total Return USD Index

Int'l Developed Value: MSCI EAFE Value Net Total Return USD Index

Int'l Developed Growth: MSCI EAFE Growth Net Total Return USD Index

EM All Cap: MSCI Emerging Markets IMI Net Total Return USD Index

EM Large Cap: MSCI Emerging Markets Large Cap Net Total Return USD Index

EM Small Cap: MSCI Emerging Markets Small Cap Net Total Return USD Index

EM Value: MSCI Emerging Markets Value Net Total Return USD Index

EM Growth: MSCI Emerging Markets Growth Net Total Return USD Index

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Material Risks & Limitations

Fixed Income securities are subject to interest rate risks, the risk of default and liquidity risk. U.S. investors exposed to non-U.S. fixed income may also be subject to currency risk and fluctuations.

Cash may be subject to the loss of principal and over longer period of time may lose purchasing power due to inflation.

Domestic Equity can be volatile. The rise or fall in prices take place for a number of reasons including, but not limited to changes to underlying company conditions, sector or industry factors, or other macro events. These may happen quickly and unpredictably.

International Equity can be volatile. The rise or fall in prices take place for a number of reasons including, but not limited to changes to underlying company conditions, sector or industry impacts, or other macro events. These may happen quickly and unpredictably. International equity allocations may also be impact by currency and/or country specific risks which may result in lower liquidity in some markets.

Real Assets can be volatile and may include asset segments that may have greater volatility than investment in traditional equity securities. Such volatility could be influenced by a myriad of factors including, but not limited to overall market volatility, changes in interest rates, political and regulatory developments, or other exogenous events like weather or natural disaster.

Private Equity involves higher risk and is suitable only for sophisticated investors. Along with traditional equity market risks, private equity investments are also subject to higher fees, lower liquidity and the potential for leverage that may amplify volatility and/or the potential loss of capital.

Private Credit involves higher risk and is suitable only for sophisticated investors. These assets are subject to interest rate risks, the risk of default and limited liquidity. U.S. investors exposed to non-U.S. private credit may also be subject to currency risk and fluctuations.

Private Real Estate involves higher risk and is suitable only for sophisticated investors. Real estate assets can be volatile and may include unique risks to the asset class like leverage and/or industry, sector or geographical concentration. Declines in real estate value may take place for a number of reasons including, but are not limited to economic conditions, change in condition of the underlying property or defaults by the borrow.

Marketable Alternatives involves higher risk and is suitable only for sophisticated investors. Along with traditional market risks, marketable alternatives are also subject to higher fees, lower liquidity and the potential for leverage that may amplify volatility or the potential for loss of capital. Additionally, short selling involved certain risks including, but not limited to additional costs, and the potential for unlimited loss on certain short sale positions.