MARKET WATCH As of 2026/07/31

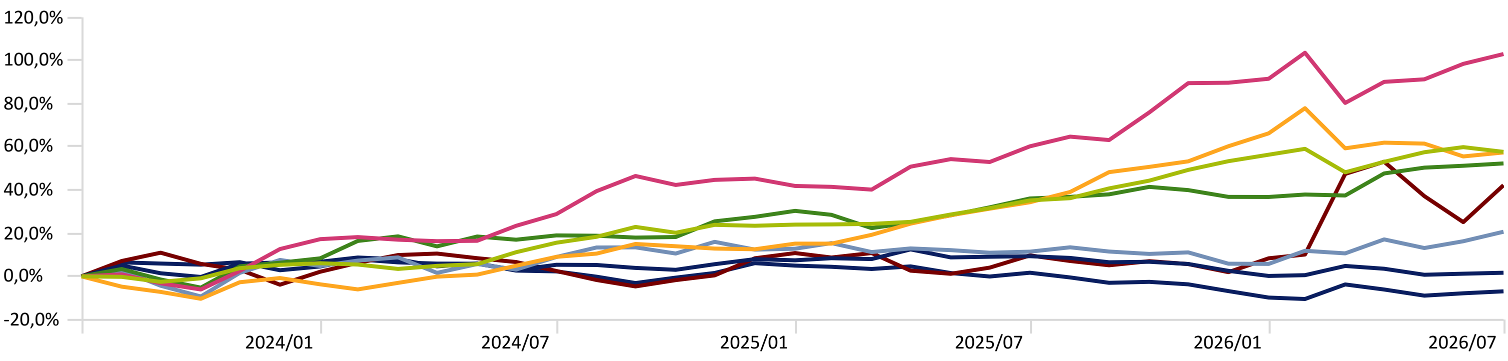
Renaissance Wealth Management

SA OVERVIEW | SA EQUITY | ASISA CATEGORIES | SA COMMENTARY | O/S OVERVIEW | O/S EQUITY | CATEGORY AVERAGES | DM COMMENTARY | DISCLAIMER

ASSET CLASS RETURNS in ZAR

	1 Month	3 Months	YTD	1 Year	*3 Years
SA Bonds	-1,4	3,0	2,8	16,6	16,4
SA Equity	1,2	-2,8	-1,8	17,2	16,3
SA Property	2,3	6,8	7,0	26,7	26,6
Global Bonds	0,4	-1,8	-0,9	-7,0	0,6
Global Equity	0,7	3,1	11,3	11,9	15,1
Global Property	3,8	3,0	14,0	8,3	6,5
Commodities	13,7	-7,1	39,5	29,6	12,5
USD	1,0	-0,9	-0,1	-8,5	-2,4

3 YEAR CUMULATIVE RETURNS in ZAR



SA Bonds	57,7%	SA Equity	57,4%	SA Property	103,0%
Global Equity	52,3%	Global Property	20,7%	Global Bonds	1,7%
Commodities	42,2%	USD	-6,9%		

CALENDAR YEAR RETURNS in ZAR

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	YTD
Best	SA Bonds 15,4	SA Equity 21,0	USD 16,2	Glb Equity 22,8	Glb Equity 22,2	Commodities 52,5	Commodities 34,3	Glb Equity 30,5	SA Property 29,0	SA Equity 42,4	Commodities 39,5
	SA Property 10,2	SA Property 17,2	Glb Bonds 14,8	Glb Property 20,6	Glb Bonds 14,7	Glb Property 41,3	USD 6,6	Glb Property 19,3	Glb Equity 20,0	SA Property 30,6	Glb Property 14,6
	SA Equity 2,6	Glb Equity 12,3	Glb Property 10,7	Commodities 14,3	SA Bonds 8,7	SA Property 36,9	SA Bonds 4,3	Glb Bonds 13,6	SA Bonds 17,2	SA Bonds 24,2	Glb Equity 11,3
	Commodities -1,7	SA Bonds 10,2	SA Bonds 7,7	SA Equity 12,0	SA Equity 7,0	SA Equity 29,2	SA Equity 3,6	SA Property 10,1	SA Equity 13,4	Glb Equity 7,2	SA Property 7,0
	Glb Equity -4,3	Glb Property -1,0	Glb Equity 4,4	SA Bonds 10,3	USD 5,0	Glb Equity 28,4	SA Property 0,5	SA Bonds 9,7	Commodities 12,7	Glb Property -4,6	SA Bonds 2,8
	Glb Property -6,7	Glb Bonds -2,8	Commodities 0,1	Glb Bonds 3,9	Glb Property -3,3	USD 8,7	Glb Bonds -10,7	SA Equity 9,3	Glb Property 5,7	Glb Bonds -5,0	USD -0,1
	Glb Bonds -9,9	Commodities -4,2	SA Equity -8,5	SA Property 1,9	Commodities -19,9	SA Bonds 8,4	Glb Equity -13,0	USD 7,5	USD 3,2	Commodities -5,9	Glb Bonds -0,9
Worst	USD -11,7	USD -9,5	SA Property -25,3	USD -2,8	SA Property -34,5	Glb Bonds 3,5	Glb Property -20,9	Commodities 2,9	Glb Bonds 1,4	USD -12,2	SA Equity -1,8

CURRENCIES VS. ZAR

	1 Month	3 Months	YTD	1 Year	*3 Years
EUR	1,6	-2,8	-2,1	-8,0	-1,0
USD	1,0	-0,9	-0,1	-8,5	-2,4
GBP	2,4	-1,8	-0,1	-6,9	-0,9
JPY	3,1	-2,5	-1,7	-13,5	-6,0

Currency performance in ZAR - a positive number represents ZAR weakness, while a negative number represents ZAR strength

* *Annualised*

SECTORAL RETURNS

	1 Month	3 Months	YTD	1 Year	*3 Years
JSE ALSI TR	1,2	-2,8	-1,8	17,2	16,3
Basic Materials	2,1	-15,2	-10,8	38,5	21,3
Consumer Goods	-0,9	2,9	2,9	3,2	11,2
Consumer Services	-1,1	7,3	-3,4	0,2	4,6
Financials	1,2	4,8	9,0	28,3	21,5
Health Care	0,0	5,9	22,2	30,7	1,0
Industrials	4,3	6,6	8,2	9,3	5,0
Technology	6,1	-2,4	-21,0	-22,0	8,0
Telecommunication	-7,0	1,0	20,6	29,6	17,9

ALSI Contributors YTD (Approximate)

	Weight	Return	Contribution
MTN Group Ltd	4,2	24,0	0,8
Standard Bank Group Ltd	4,7	16,5	0,7
Capitec Bank Holdings Ltd	4,5	14,9	0,6
Firstrand Ltd	5,4	12,0	0,6
Sasol, Ltd.	1,2	82,9	0,6
Anglo American PLC	2,6	21,4	0,5
Anheuser-Busch InBev SA/NV	1,3	36,0	0,4
Glencore PLC	1,4	35,0	0,4
BHP Group Ltd	1,0	42,1	0,3
Discovery Ltd	1,6	15,7	0,2

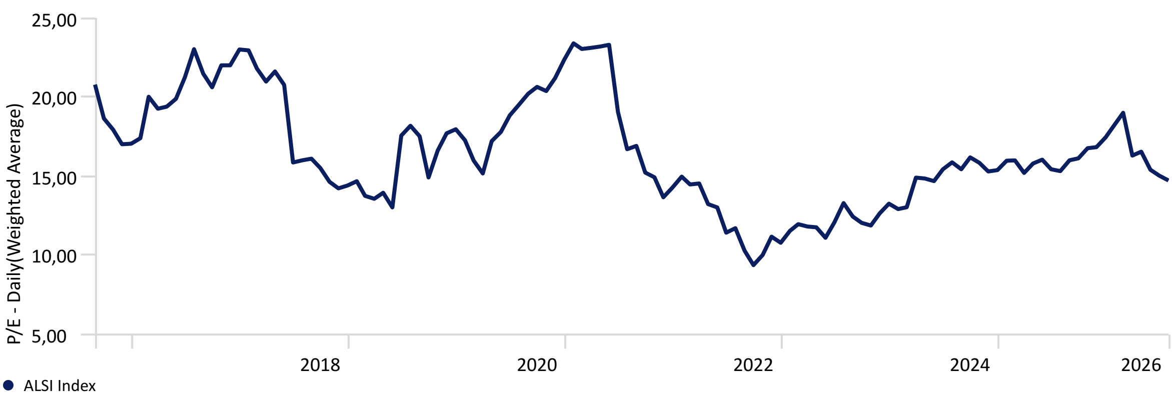
ALSI Detractors YTD (Approximate)

	Weight	Return	Contribution
Naspers Ltd Class N	8,0	-21,5	-2,1
Gold Fields Ltd	7,5	-23,8	-1,7
Sibanye Stillwater Ltd Ordinary Shares	1,8	-39,2	-0,8
Impala Platinum Holdings Ltd	2,3	-30,2	-0,7
Prosus NV Ordinary Shares - Class N	2,2	-26,0	-0,7
Harmony Gold Mining Co Ltd	1,9	-21,2	-0,5
Northam Platinum Holdings Ltd	1,4	-28,6	-0,4
Valterra Platinum Ltd	3,9	-9,2	-0,3
Clicks Group Ltd	0,8	-32,5	-0,3
Pepkor Holdings Ltd	1,0	-17,8	-0,2

Current ALSI Metrics

P/E	11,3
P/B	1,6
P/EBITDA	7,0
P/Cash Flow	7,2
P/S	1,9
Debt/Capital	30,0

Historical P/E



MARKET CAP RETURNS

	1 Month	3 Months	YTD	1 Year	*3 Years
Small Caps	-0,4	2,3	3,4	19,7	22,6
Mid Caps	1,4	-4,3	-4,6	9,9	14,8
Top 40	1,4	-3,4	-2,6	17,5	15,8

STYLE BASED RETURNS

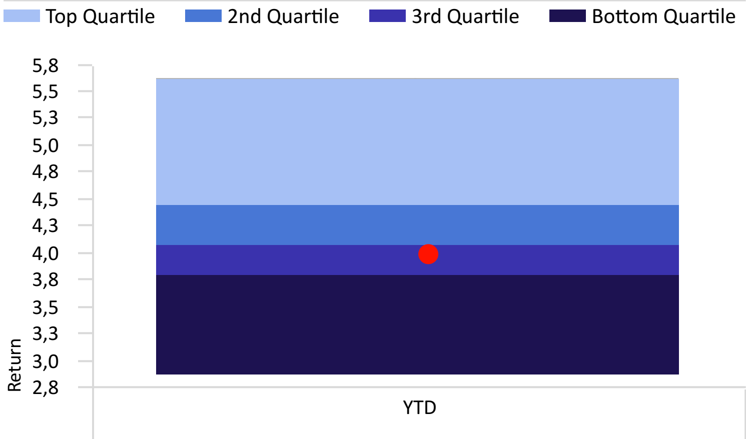
	1 Month	3 Months	YTD	1 Year	*3 Years
JSE Growth	0,4	-3,5	-6,3	10,8	16,3
JSE Value	2,0	-2,1	3,0	24,1	15,8

* *Annualised*

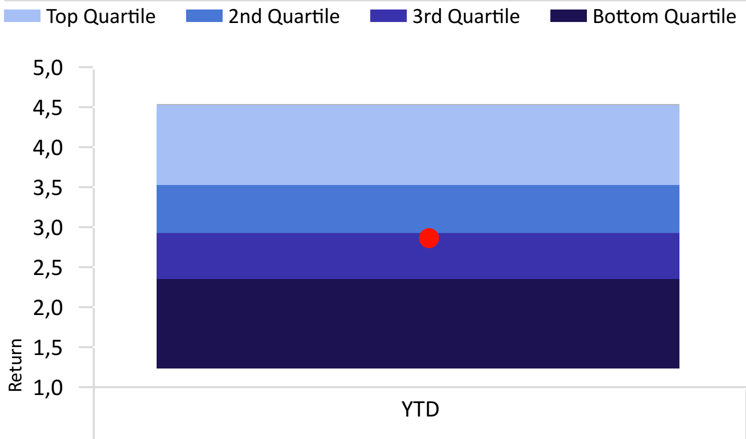
CATEGORY AVERAGES in ZAR

	1 Month	3 Months	YTD	1 Year	*3 Years
(ASISA) SA MA Inc	0,1	2,2	4,0	9,8	9,9
(ASISA) SA MA Low EQ	0,4	1,3	2,9	10,4	11,6
(ASISA) SA MA Med EQ	0,7	0,6	2,5	10,9	12,1
(ASISA) SA MA High EQ	1,0	0,3	2,3	10,9	12,6
(ASISA) SA EQ General	1,5	-1,7	0,1	14,3	13,9
(ASISA) SA RE General	1,9	6,2	6,2	24,1	24,2
(ASISA) Glb MA Low EQ	1,2	0,6	2,3	-2,2	4,9
(ASISA) Glb MA Flex	1,8	1,7	5,2	3,1	8,0
(ASISA) Glb MA High EQ	0,5	0,8	3,7	2,3	8,7
(ASISA) Glb EQ General	1,6	2,3	5,9	4,8	11,2

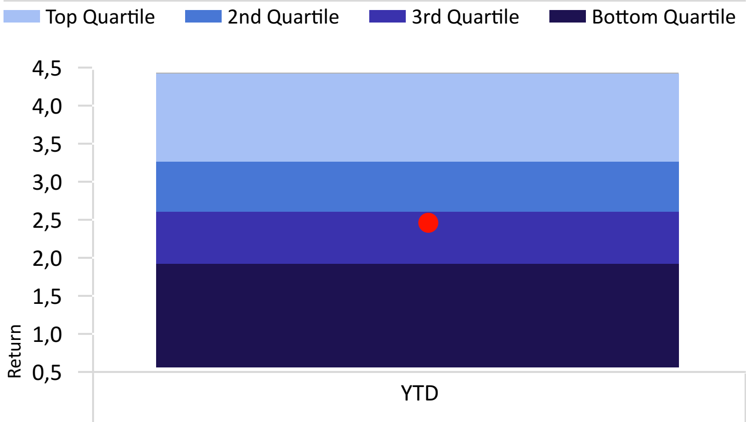
SA MA INCOME



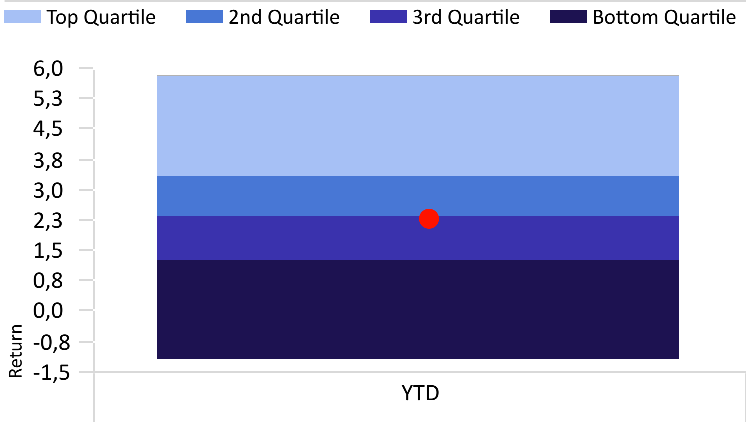
SA MA LOW EQUITY



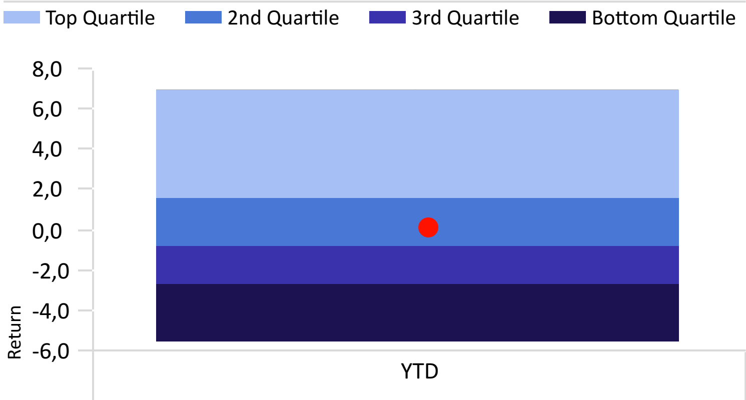
SA MA MED EQUITY



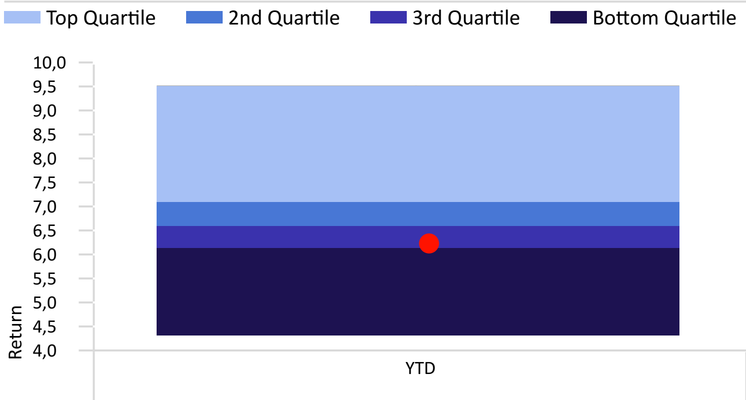
SA MA HIGH EQUITY



SA EQUITY GENERAL



SA RE GENERAL



** Annualised*

LOCAL COMMENTARY

July was characterised by a renewed rise in global uncertainty, primarily driven by geopolitical tensions in the Middle East that pushed oil prices higher and reintroduced upside risks to global inflation. At the same time, major central banks maintained a hawkish stance but refrained from immediate policy tightening, contributing to a sharp rise in global bond yields.

For South Africa, these developments created a difficult macroeconomic mix. Higher oil prices fed directly into domestic inflation, while rising global yields placed upward pressure on local bond markets and the currency. These external shocks arrived at a time when the domestic economy was already losing momentum, amplifying downside risks to growth and complicating the policy outlook.

South African asset class performance in July reflected this challenging environment. While local equities delivered modest gains, both bonds and the currency came under pressure as global dynamics dominated.

Equities rose by approximately 1.2% over the month, outperforming broader emerging markets. However, performance was highly concentrated. Resource and energy-linked sectors led the market, benefiting from higher commodity prices, with chemicals and mining stocks delivering strong returns. Financials, particularly banks, also contributed positively. In contrast, consumer-facing sectors lagged, with retailers declining as household finances came under increasing strain .

This divergence highlights an important feature of the current environment: equity market resilience is being driven by global earnings exposure rather than domestic economic strength. Companies linked to global commodity cycles continue to outperform, while those reliant on local demand remain under pressure.

In fixed income markets, the picture was weaker. South African bonds declined over the month as yields moved higher in line with global trends. The sell-off was broad-based, with the yield curve steepening despite relatively stable fiscal outcomes. This underscores the extent to which local bond markets remain sensitive to global rate dynamics, particularly in an environment where long-dated developed market yields are rising sharply .

The rand also weakened during July, reflecting a combination of global risk aversion, higher oil prices, and shifting expectations around domestic monetary policy. The currency's sensitivity to oil prices was particularly evident, reinforcing South Africa's vulnerability as a net energy importer.

Inflation developments were a key feature of the month, with headline CPI surprising to the upside for a fourth consecutive month. The acceleration was primarily driven by transport costs, reflecting higher fuel prices, alongside continued increases in housing and utilities. While food inflation moderated, this was insufficient to offset broader price pressures .

The inflation trajectory in July reinforces the extent to which external factors —particularly energy prices—are shaping the domestic outlook. The pass-through from higher oil prices into fuel costs is both rapid and significant, with secondary effects likely to emerge over time through transport and production costs.

More broadly, the recent trend raises concerns around inflation expectations. While inflation remains within the SARB's target band, the persistence of upside surprises and the forward-looking risks associated with oil prices suggest that the disinflation process may be slower than previously anticipated.

At the same time, incoming economic data pointed to a deteriorating growth environment. Data releases for the first two months of the second quarter were disappointing, indicating that economic activity is losing momentum and raising the risk of a contraction in Q2 .

Against this backdrop, the South African Reserve Bank's decision to hold the repo rate at 7.0% came as a surprise to markets. The decision, which reflected a split vote within the Monetary Policy Committee, was driven by concerns around weak growth and deteriorating confidence, despite the Bank's relatively hawkish communication .

This decision highlights the increasingly difficult trade-off facing policymakers. On the one hand, rising inflation and elevated global rates argue for a tighter policy stance. On the other, weak domestic growth limits the economy's ability to absorb further rate increases.

The SARB's forward guidance suggests that inflation is only expected to return sustainably to target by 2028, indicating a prolonged period of elevated price pressures. At the same time, the decision to hold rates—despite this outlook—raises questions about the balance between supporting growth and maintaining inflation credibility .

From a market perspective, the hold contributed to currency weakness and added to uncertainty around the policy path. It also underscores the extent to which South Africa's monetary policy is being shaped by both domestic constraints and global developments.

Looking ahead, the outlook for South Africa remains challenging. The key theme emerging from July is that external shocks—particularly through oil prices and global interest rates—are amplifying existing domestic weaknesses rather than offsetting them.

Inflation risks remain skewed to the upside, driven by energy prices and potential second-round effects. At the same time, growth is likely to remain subdued, constrained by both structural factors and cyclical pressures on consumers and businesses.

This combination limits policy flexibility. The SARB faces a narrow path between supporting a weak economy and maintaining inflation credibility, while fiscal policy remains constrained despite some improvement in revenue outcomes.

For financial markets, this suggests continued divergence across asset classes. Equities may remain supported by global exposures, particularly in resource sectors, while bonds and the currency are likely to remain sensitive to global developments.

In sum, July reinforced a central reality for South Africa: the domestic economic trajectory is increasingly shaped by global forces, but the country's structural constraints leave it less able to absorb these shocks, resulting in a more fragile and uncertain outlook.

High-frequency indicators and survey data from the BER reinforce this view, pointing to weak business confidence and subdued investment activity. Structural constraints—including energy supply challenges, logistics inefficiencies, and policy uncertainty—continue to weigh on the economy, limiting its ability to respond to external shocks.

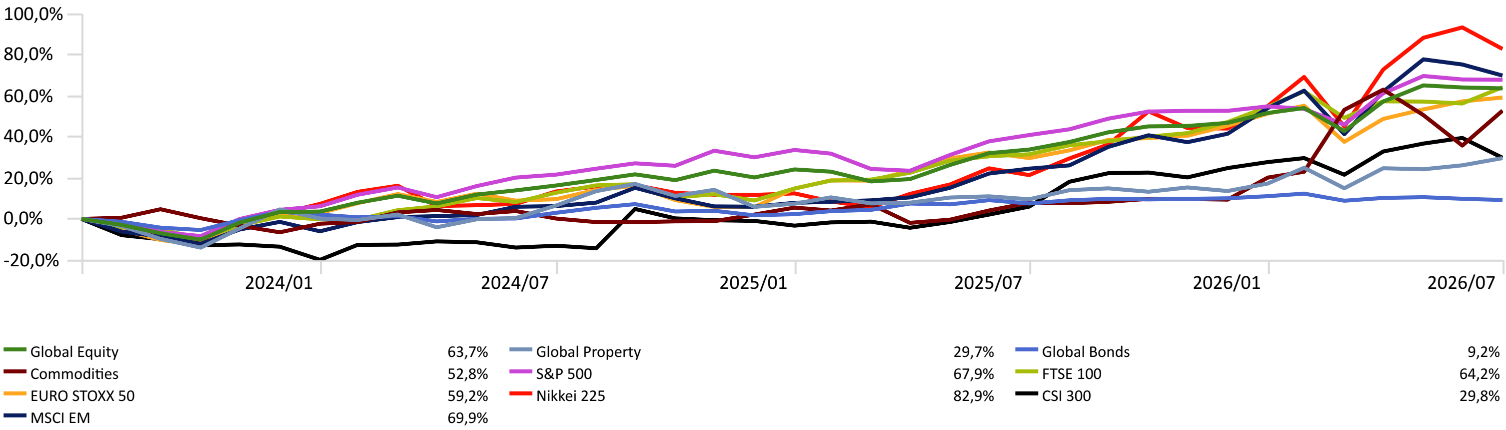
The pressure on consumers is particularly evident. Rising fuel costs and elevated interest rates are eroding disposable income, contributing to weaker retail performance and broader demand softness. This dynamic is reflected both in sector-level equity returns and in underlying economic indicators.

Overall, the growth outlook remains subdued, with risks tilted to the downside. The combination of weak domestic demand and external headwinds creates a challenging environment for sustained recovery.

ASSET CLASS RETURNS in USD

	1 Month	3 Months	YTD	1 Year	*3 Years
Global Equity	-0,3	4,1	11,5	22,3	17,8
Global Property	2,8	4,0	14,1	18,3	9,0
Global Bonds	-0,5	-0,9	-0,7	1,6	3,0
Commodities	12,6	-6,3	39,7	41,6	15,2
S&P 500	-0,1	4,1	9,9	19,1	18,8
FTSE 100	5,1	4,4	11,5	24,9	18,0
EURO STOXX 50	1,2	7,0	9,5	22,8	16,8
Nikkei 225	-5,4	5,8	26,9	50,7	22,3
CSI 300	-6,9	-2,3	4,0	22,4	9,1
MSCI EM	-3,1	4,8	20,0	36,4	19,3

3 YEAR CUMULATIVE RETURNS in USD



CALENDAR YEAR RETURNS IN USD

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	YTD
Best	S&P 500 11,2	MSCI EM 37,3	NASDAQ 100 0,0	NASDAQ 100 39,5	NASDAQ 100 48,9	Glb Property 30,0	FTSE 100 -7,0	NASDAQ 100 55,1	NASDAQ 100 25,9	EU STOXX 40,9	Nikkei 225 26,9
	MSCI EM 11,2	NASDAQ 100 33,0	Glb Bonds -1,2	CSI 300 36,9	CSI 300 38,1	S&P 500 28,2	Glb Bonds -16,2	S&P 500 25,7	S&P 500 24,5	DAX 39,5	MSCI EM 20,0
	NASDAQ 100 7,3	CSI 300 32,3	Glb Property -4,7	S&P 500 30,7	Nikkei 225 24,5	NASDAQ 100 27,5	EU STOXX -17,7	DAX 24,5	CSI 300 14,5	FTSE 100 35,1	Glb Property 14,8
	Glb Property 5,8	EU STOXX 28,1	S&P 500 -4,9	Glb Property 24,1	MSCI EM 18,3	FTSE 100 17,3	DAX -17,7	EU STOXX 22,7	DAX 11,4	MSCI EM 33,6	NASDAQ 100 12,4
	Nikkei 225 5,6	DAX 28,1	Nikkei 225 -7,9	EU STOXX 23,8	S&P 500 17,8	EU STOXX 14,0	S&P 500 -18,5	Nikkei 225 22,6	Nikkei 225 8,8	Nikkei 225 29,0	FTSE 100 11,5
	DAX 3,8	Nikkei 225 25,6	FTSE 100 -14,1	DAX 23,2	DAX 12,9	DAX 7,6	Nikkei 225 -19,1	FTSE 100 14,3	FTSE 100 7,7	CSI 300 26,0	S&P 500 9,9
	Glb Bonds 2,1	FTSE 100 22,5	MSCI EM -14,6	FTSE 100 22,0	EU STOXX 9,3	CSI 300 -1,2	MSCI EM -20,1	Glb Property 11,0	MSCI EM 7,5	NASDAQ 100 21,0	EU STOXX 9,2
	EU STOXX 1,1	S&P 500 21,1	EU STOXX -16,9	Nikkei 225 21,9	Glb Bonds 9,2	MSCI EM -2,5	Glb Property -25,8	MSCI EM 9,8	EU STOXX 2,4	S&P 500 17,4	CSI 300 4,0
	FTSE 100 -0,2	Glb Property 9,4	DAX -22,2	MSCI EM 18,4	Glb Property -7,9	Nikkei 225 -4,4	CSI 300 -26,7	Glb Bonds 5,7	Glb Property 2,4	Glb Property 8,6	DAX 2,5
Worst	CSI 300 -15,4	Glb Bonds 7,4	CSI 300 -27,7	Glb Bonds 6,8	FTSE 100 -8,8	Glb Bonds -4,7	NASDAQ 100 -32,4	CSI 300 -11,2	Glb Bonds -1,7	Glb Bonds 8,2	Glb Bonds -0,7

CURRENCIES vs. USD

	1 Month	3 Months	YTD	1 Year	*3 Years
EUR	0,6	-1,9	-2,0	0,5	1,4
GBP	1,4	-1,0	0,1	1,7	1,5
JPY	2,1	-1,6	-1,6	-5,5	-3,7
CNY	0,6	1,3	3,6	6,6	1,9

Currency performance in USD - a positive number represents USD weakness, while a negative number represents USD strength

** Annualised*

GLOBAL SECTORAL RETURNS

	1 Month	3 Months	YTD	1 Year	*3 Years
MSCI ACWI/Financials	6,4	10,2	10,4	20,7	23,2
MSCI ACWI/Health Care	1,6	8,3	3,3	20,1	6,7
MSCI ACWI/Materials	0,1	-4,1	6,7	26,8	9,6
MSCI ACWI/Technology	-5,6	9,8	22,5	36,4	29,9
MSCI ACWI/Industrials	-1,6	0,8	13,5	19,0	18,5
MSCI ACWI/Cons Staples	2,5	1,1	7,6	9,6	5,6
MSCI ACWI/Cons Discretionary	3,1	0,5	-2,2	5,4	9,0
MSCI ACWI/Energy	12,3	-1,2	30,4	38,3	15,0

MSCI ACWI Contributors YTD (Approximate)

	Weight	Return	Contribution
Micron Technology Inc	0,8	188,5	0,8
Apple Inc	5,0	13,8	0,7
Advanced Micro Devices Inc	0,7	122,3	0,5
Amazon.com Inc	2,8	17,7	0,5
NVIDIA Corp	5,6	7,8	0,5
Alphabet Inc Class A	2,4	13,9	0,3
Intel Corp	0,4	144,4	0,3
ASML Holding NV	0,7	53,2	0,3
Alphabet Inc Class C	2,0	13,8	0,3
Applied Materials Inc	0,4	98,0	0,3

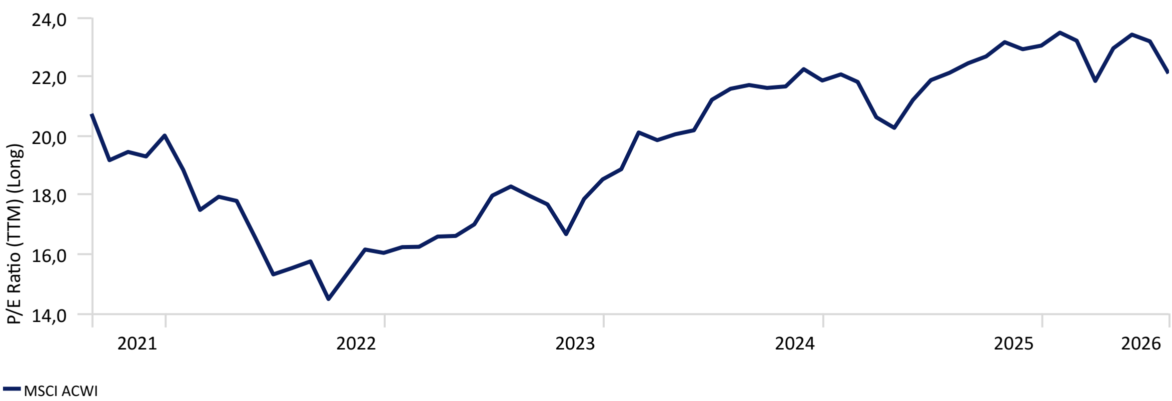
MSCWI ACWI Detractors YTD (Approximate)

	Weight	Return	Contribution
Tesla Inc	1,4	-30,8	-0,5
Meta Platforms Inc Class A	1,7	-15,5	-0,3
Palantir Technologies Inc Ordinary Shares - Class A	0,4	-30,8	-0,2
Microsoft Corp	3,6	-3,5	-0,1
Oracle Corp	0,4	-32,7	-0,1
Intuit Inc	0,1	-51,8	-0,1
Netflix Inc	0,5	-23,5	-0,1
Intuitive Surgical Inc	0,2	-37,6	-0,1
Salesforce Inc	0,2	-30,2	-0,1
Boston Scientific Corp	0,1	-51,0	-0,1

Current MSCI AC Metrics

P/E	17,8
P/B	3,0
P/EBITDA	22,1
P/Cash Flow	11,1
P/S	2,8
Debt/Capital	38,7

Historical P/E



MARKET CAP RETURNS

	1 Month	3 Months	YTD	1 Year	*3 Years
MSCI ACWI Small Cap	-3,0	1,6	12,7	23,6	14,3
MSCI ACWI Mid Cap	-0,2	2,7	11,3	17,6	14,1
MSCI ACWI Large Cap	0,1	4,7	11,3	22,9	19,1

STYLE BASED RETURNS

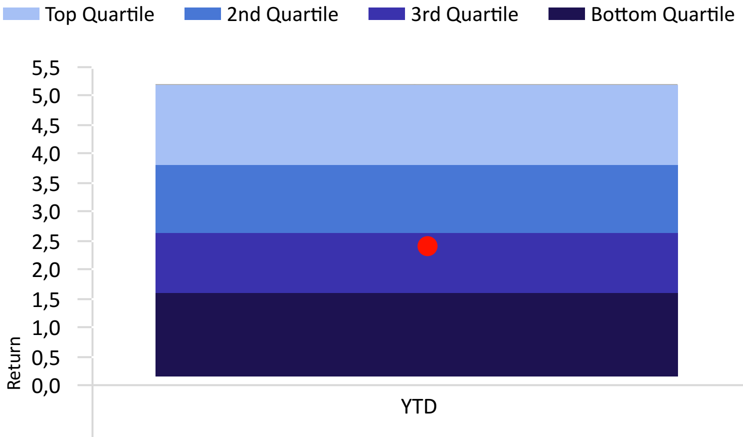
	1 Month	3 Months	YTD	1 Year	*3 Years
MSCI ACWI Value	3,1	5,8	15,3	26,2	17,1
MSCI ACWI Growth	-2,8	3,1	7,5	18,0	19,3

** Annualised*

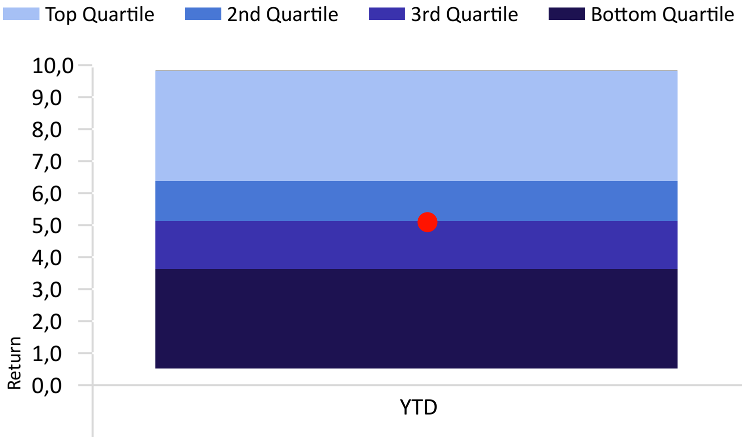
CATEGORY AVERAGES in USD

	1 Month	3 Months	YTD	1 Year	*3 Years
(ASISA) Glb MA Low EQ	0,3	1,5	2,4	6,9	7,4
(ASISA) Glb MA Flex	0,8	2,6	5,3	12,6	10,7
(ASISA) Glb MA High EQ	-0,5	1,7	3,8	11,7	11,3
(ASISA) Glb EQ General	0,6	3,3	6,0	14,5	13,9
EAA Fund USD Cautious	-0,5	0,9	2,4	6,5	6,6
EAA Fund USD Moderate	-0,4	1,9	5,1	11,0	9,4
EAA Fund USD Flexible	-0,5	1,4	4,7	11,1	9,0
EAA Fund USD Bond - ST	0,1	0,4	1,1	3,3	4,4
EAA Fund USD Aggressive	-0,2	3,0	6,6	13,9	11,4
EAA Fund USD HY Bond	-0,3	0,4	1,2	4,4	6,9

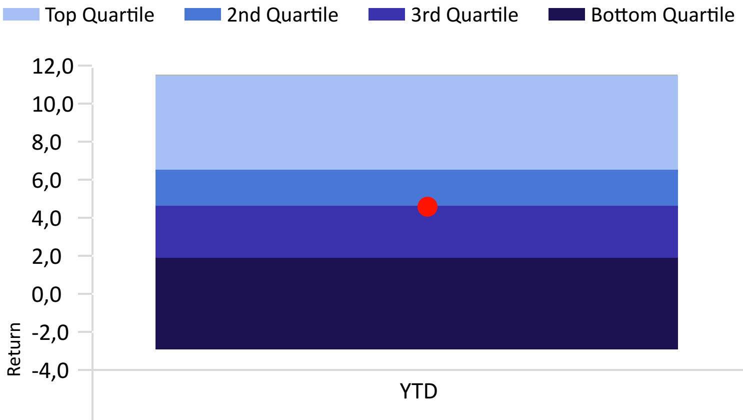
EAA USD CAUTIOUS ALLOCATION



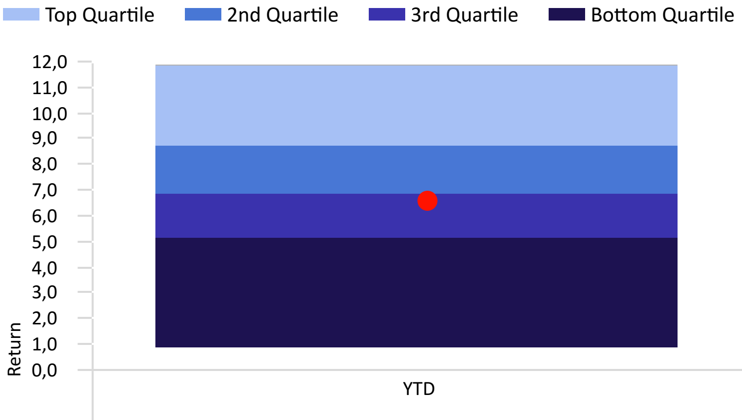
EAA USD MODERATE ALLOCATION



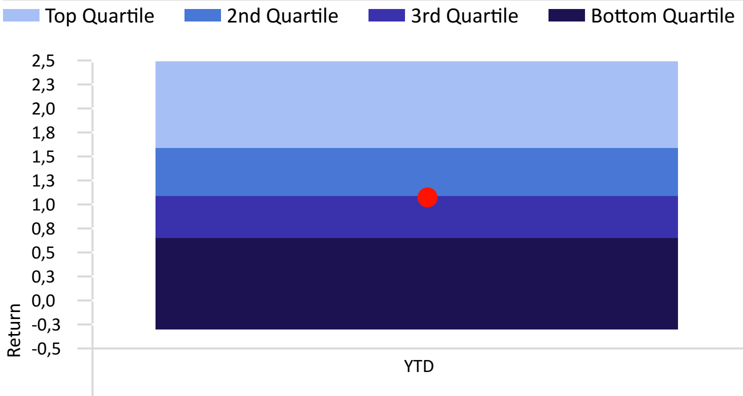
EAA USD FLEXIBLE ALLOCATION



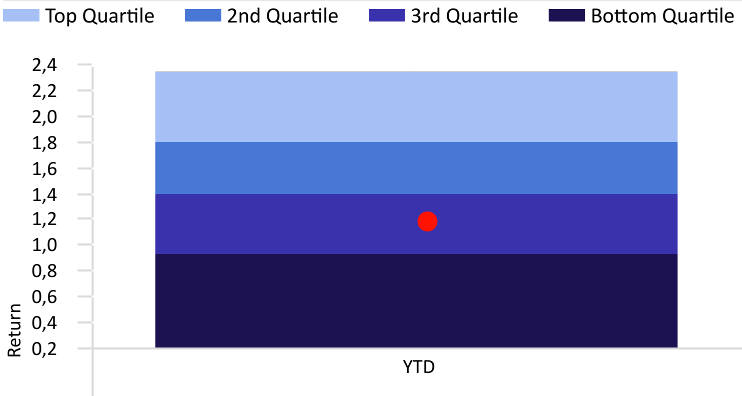
EAA USD AGGRESSIVE ALLOCATION



EAA USD DIVERSIFIED BOND - SHORT TERM



EAA USD HIGH YIELD BOND



** Annualised*

OFFSHORE COMMENTARY

July was a month in which markets moved quickly between two competing narratives. Early on, renewed tension between the United States and Iran briefly pushed Brent crude back above $100 per barrel, reviving concerns around energy supply, inflation and the path of interest rates. Commodities were the immediate beneficiary, gaining 7.5%, with energy leading as investors reintroduced a geopolitical risk premium into oil markets.

As the month progressed, attention shifted away from energy and back toward second-quarter earnings season. The key question was not whether artificial intelligence remains a powerful long-term investment theme, but whether the profits generated by different parts of the AI ecosystem can justify the scale of capital being deployed. This distinction drove a significant rotation within equity markets — investors did not abandon AI altogether, but they became more demanding about where future returns are likely to accrue.

The result was a sharp reversal in several of the most crowded semiconductor and AI hardware trades. Some of the largest hyperscalers proved relatively resilient, helped by strong balance sheets and diversified revenue streams, but semiconductor companies and other AI supply-chain beneficiaries came under pressure. Valuations had become stretched, export control risks resurfaced, and investors grew more focused on China's progress in advanced semiconductor technology. Market commentary in late July also pointed to profit-taking and risk reduction across Asian chip stocks, with SK Hynix and Samsung among the names hit by renewed selling pressure.

This was not simply a technology correction. It was a reappraisal of where pricing power sits within the AI value chain. Hyperscaler capital expenditure remains extremely large, with industry estimates still pointing to more than $700 billion of spending in 2026, supported by ongoing AI infrastructure demand. However, that spending is now being examined more critically by equity and credit investors, who are asking whether incremental capex will translate into sufficient future cash flow, or whether returns will simply be competed away across parts of the supply chain.

Against this backdrop, the MSCI World Semiconductors Index fell 13.2% and the MSCI World Information Technology Index declined 4.1%. Forced deleveraging by some hedge funds amplified the move, turning what began as a valuation reset into a more disorderly sell-off in selected names. By contrast, energy rose 8.8% and financials gained 6.5%, allowing value stocks to return 3.6% while growth stocks fell 2.5%. The six-percentage-point gap between value and growth was a clear signal that investors were rotating away from the most crowded growth exposures and toward sectors with near-term earnings support, stronger cash-flow visibility, and direct benefit from higher nominal activity.

Equities

Regional equity performance in July was shaped by sector composition. Markets with lower technology exposure and higher weights in energy, financials and domestically oriented sectors generally held up better, while those most heavily tied to the semiconductor supply chain suffered larger drawdowns.

The UK FTSE All Share was one of the strongest developed market performers, rising 3.7%. Its relatively low exposure to technology became an advantage during a month in which AI hardware and semiconductor names were under pressure, and its larger weights in energy and financials also helped, with oil strength supporting energy profits and higher bond yields improving the earnings outlook for parts of the banking sector. In contrast to earlier periods when the UK market's defensive, commodity-heavy structure was seen as a drag, July showed the value of sector diversification when market leadership rotates.

Japanese equities were more mixed. The TOPIX finished broadly flat, while the technology-heavy Nikkei 225 fell by almost 8%. The difference between the two indices reflected the market's internal split: semiconductor and electronics names were hit by the global technology sell-off, while the TOPIX benefited from broader exposure to industrials, financials and domestically oriented companies. This divergence reinforced the importance of looking beneath headline country indices, since sector mix can materially affect performance in a month dominated by factor rotation.

European equities were broadly flat. The region sits between the UK and the US in terms of sector exposure, with industrials and financials helping to offset weakness in technology-related companies. Europe also benefited from being less concentrated in the mega-cap AI trade than the US, although higher energy prices and softer global risk appetite limited upside. The European Central Bank kept policy data-dependent in July, noting that energy prices remained volatile and above pre-conflict levels, which kept inflation uncertainty relevant for both equity and bond investors.

The S&P 500 was broadly flat despite a strong earnings season. At the time of writing, around 63% of the index had reported, with earnings on track to grow 36% year-on-year and 85% of companies exceeding analysts' expectations. Normally, that would be enough to support a stronger market reaction. In July, however, expectations had already risen substantially before reporting season, and for the largest technology companies, simply beating forecasts was no longer sufficient — investors wanted evidence that ongoing AI spending would generate attractive returns on invested capital.

Beneath the surface, the concentration of earnings growth remained striking. Information technology and communication services accounted for roughly three-quarters of aggregate S&P 500 earnings growth, while the Magnificent Seven continued to grow faster than the rest of the market. Some of the headline strength was also flattered by one-off investment gains among several hyperscalers. That combination created a more fragile setup: earnings were strong, but the market was increasingly skeptical about the quality, durability and breadth of that growth.

Emerging markets were the weakest major region, with the MSCI Emerging Markets Index falling 3.0% and MSCI Asia ex Japan down 3.2%. The weakness reflected the region's deeper exposure to semiconductor manufacturing and AI hardware. Unlike the US, where AI exposure is concentrated in hyperscalers, software platforms and cloud infrastructure, emerging market exposure sits closer to the manufacturing base of the supply chain. Concerns about advanced Chinese semiconductor technology, export controls and crowded positioning triggered steep declines in Korean and Taiwanese technology leaders — South Korea fell 17.1% and Taiwan declined 5.3%, more than offsetting a strong 9.0% gain in China. China's positive contribution stood out because it was driven by a different narrative: investors became more constructive on domestic policy support and on the possibility that China's technology progress could reduce reliance on foreign semiconductors. That helped local equities even as it weighed on incumbent suppliers elsewhere in Asia — an unusual month in which China outperformed while the broader emerging market technology complex sold off.

Fixed Income

Fixed income markets struggled as investors reassessed the outlook for inflation and interest rates. The Bloomberg Global Aggregate Bond Index fell 0.5% in July as government bond yields rose across developed markets. Higher energy prices were the most obvious catalyst, but the sell-off also reflected resilient economic data and a broadly hawkish tone from central banks.

Although major developed market central banks left policy rates unchanged, investors increasingly priced a higher-for-longer path for rates. Energy-driven inflation risk complicated the outlook, particularly because the global economy continued to show enough resilience to make near-term easing less likely. US Treasury yields moved higher during July, with the 10-year yield approaching recent highs by month-end as investors weighed the impact of oil prices, inflation uncertainty and questions around the Federal Reserve's commitment to restoring price stability. US Treasuries posted negative returns as both two-year and 10-year yields rose. Inflation continued to moderate on some measures, but stronger economic data and higher oil prices reinforced the view that rates may need to stay restrictive for longer.

In Europe, yields also moved higher, although the picture varied across countries. Italy experienced the largest increase in 10-year yields, but this was not primarily a sign of renewed concern about Italian public finances — rather, Italian government bonds tend to move more than core European bonds when markets reprice the expected path of euro area rates. The ECB kept policy unchanged in July but emphasized that decisions would depend on incoming data, inflation dynamics and monetary transmission.

Japanese government bonds outperformed on a headline basis, but the monthly return masked significant volatility. Additional fiscal stimulus initially pushed yields higher as investors worried about bond supply and inflation pressure, before the move partially reversed later in the month — underlining a broader global issue: government bond markets are increasingly sensitive not just to central bank policy, but also to fiscal credibility and the supply of duration.

Across fixed income sectors, performance was driven more by duration than by credit quality. High yield spreads widened more than investment grade spreads, but high yield's shorter duration and higher carry helped cushion the impact of rising government bond yields. Investment grade credit saw larger losses because its longer duration left it more exposed to the rates sell-off. Within investment grade, technology spreads widened relative to the broader market as large debt issuance from US hyperscalers, used to finance continued AI infrastructure investment, increased the supply of bonds coming to market — highlighting how the AI capex cycle is now influencing corporate bond supply and credit risk premia, not just equity valuations.

Commodities

Commodities were the strongest major asset class in July, rising 7.5%. Energy was the primary driver as renewed US-Iran tensions lifted oil prices and reintroduced a geopolitical risk premium — the move in Brent crude above $100 per barrel briefly revived memories of the earlier energy shock and forced markets to reconsider whether the disinflation trend could continue uninterrupted.

The rally was not limited to oil. The broader commodity complex benefited from stronger nominal growth expectations, energy security concerns and continued demand for inputs tied to AI infrastructure. However, the drivers were mixed: energy reflected geopolitical risk and supply anxiety, while industrial metals were more closely linked to infrastructure, grid investment, data centers and electrification demand. This split matters because commodity exposure is now serving two different roles in portfolios — an inflation hedge through energy and a structural growth exposure through industrial metals.

Conclusion

July highlighted how quickly markets can pivot between geopolitics and the AI investment cycle. A brief oil spike revived inflation concerns and pushed bond yields higher, while equities rotated away from semiconductor companies toward value-oriented sectors such as energy and financials. Regional returns reflected these same dynamics, with the UK FTSE All Share and Japanese TOPIX proving relatively resilient, while emerging markets underperformed because of their heavier reliance on the semiconductor supply chain.

The month also showed that AI remains a powerful theme, but no longer a simple one. Investors are becoming more selective, distinguishing between companies with durable profit pools, those supplying the physical infrastructure of AI, and those whose valuations assume years of flawless execution. The hyperscaler capex cycle remains enormous, but the market is now asking harder questions about returns on that spending, financing needs and the distribution of profits across the ecosystem.

Looking ahead, markets are likely to remain sensitive to two major risks. The first is energy-driven inflation: if geopolitical tensions keep oil prices elevated, central banks may have less room to ease and bond yields could remain under pressure. The second is the sustainability of AI-related earnings: if investors lose confidence in the profitability of the AI build-out, the most crowded growth areas could remain vulnerable to sharp reversals.

These risks call for different diversifiers. Government bonds remain the most effective protection against a growth slowdown triggered by a reversal in AI enthusiasm, while real assets can provide resilience if inflation proves more persistent than expected. For equities, July reinforced the case for broader regional, sector and style diversification. The market is no longer rewarding AI exposure indiscriminately, and that makes active selection, valuation discipline and balanced portfolio construction increasingly important.