Market Commentary 3rd of August 2026

Global equity markets delivered mixed performance in July as investors reassessed growth expectations following a strong first half of the year. While European and UK markets continued to advance, US technology shares faced profit-taking and Japanese equities experienced a notable correction.

The S&P 500 (SPX) was broadly unchanged during the month, slipping 0.13% to close at 7,490. There was a strong sector rotation as technology stocks fell 8% and semiconductor stocks gave back 22%, while market breadth was actually positive. The weakness in growth-oriented sectors weighed on broader global equity performance, with the MSCI AC World Index edging down 0.40%. European equities showed greater resilience. The Euro Stoxx 50 advanced 0.47%, while Germany's DAX Index gained 2.53%, supported by improving economic data and strong corporate earnings. The FTSE 100 was one of the strongest performers among developed markets, rising 3.53% to 10,868. In contrast, Japan's Nikkei 225 retreated 8.14% following its exceptional gains earlier in the year. Emerging markets also weakened, with the MSCI Emerging Markets Index falling 4.54%.

Fixed income markets faced a more challenging environment during July as investors adjusted rate expectations and responded to renewed strength in commodity prices. Most government and corporate bond indices recorded modest declines.

The iBoxx USD Treasury Index fell 1.22%, while US corporate bonds declined 1.67%. Eurozone bonds also weakened, with the Euro Sovereign Index falling 1.74% and Euro Corporate Bonds declining 0.97%. UK government and corporate bonds posted losses of 1.67% and 1.24%, respectively. As a result, the Global Aggregate Bond Index declined 0.53% during the month and stands at -0.75% YTD, highlighting the continued challenges facing global fixed-income investors amid shifting inflation and rate expectations.

Commodity markets rebounded strongly in July, led by energy prices. Renewed concerns stemming from the ongoing tensions in the Middle East and tighter supply conditions supported a sharp recovery across the broader commodity complex.

Crude Oil surged 21.83% to $84.67 per barrel, reversing much of June's decline and increasing its YTD gain to 47.46%, making it one of the strongest-performing major asset classes in 2026. The broader CRB Commodity Index rose 8.91% and is now up 28.89% YTD.

Precious metals delivered mixed results. Gold posted a modest gain of 0.95% to $4,046.15/oz, although it remains down 6.33% YTD. Silver fell a further 1.71%, extending its decline for the year to 19.63%.

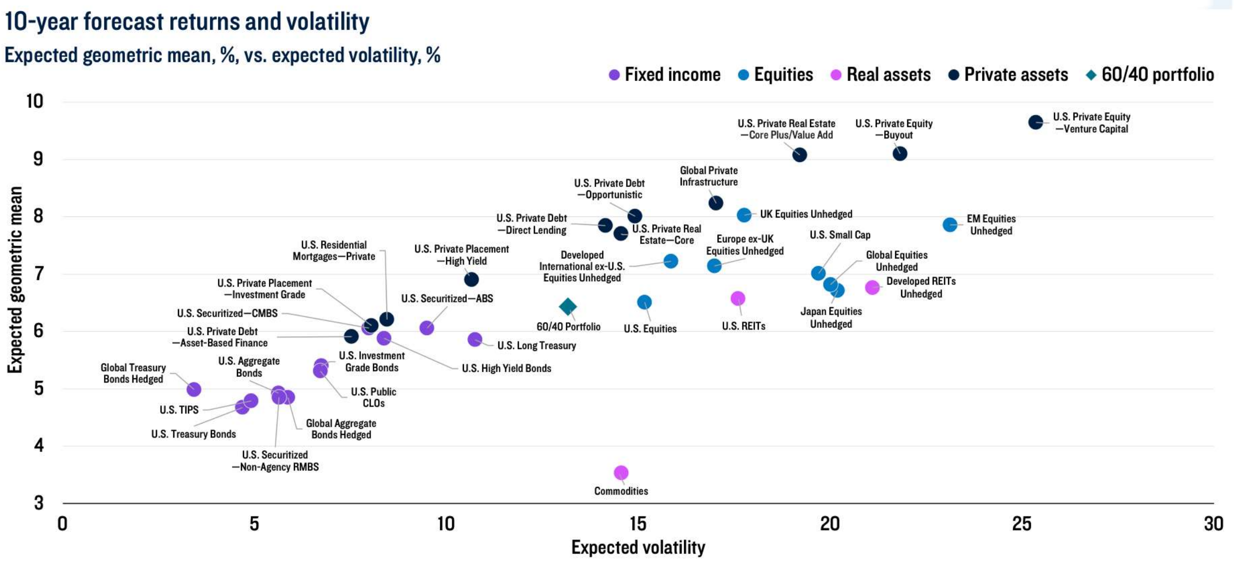
Currency markets saw a reversal of June's dollar strength. The Dollar Index (DXY) fell 1.26% to 99.914, reducing its YTD gain to 1.62%. The weaker dollar provided support for major currencies. The Euro appreciated 0.92% against the US dollar, while Sterling strengthened 1.67%. The GBP/EUR exchange rate also increased by 0.73%, leaving the pound up 1.95% YTD against the euro.

Digital assets recovered some of the losses recorded in June. Bitcoin rose 7.26% to $62,899.25, supported by improved risk sentiment and bargain-hunting after the previous month's sharp sell-off. Nevertheless, Bitcoin remains down 28.24% YTD, underscoring the sector's continued volatility.

The Big Picture

The question that we are most often asked by clients is what kind of annual returns they can expect. Of course, predictions are always difficult and that is why we give an expected "average" return over the next 5-10 years. History is our guide, as are current valuations and expected growth figures, both at micro and macro levels.

Many financial institutions publish their expected 10-year returns based on a host of proprietary metrics, and we, of course, take them into account. We lately came across the projections of PGIM, a well-regarded $1.3 trillion asset manager. Below is what they predict, with the y-axis being annual returns and the x-axis volatility (or risk).



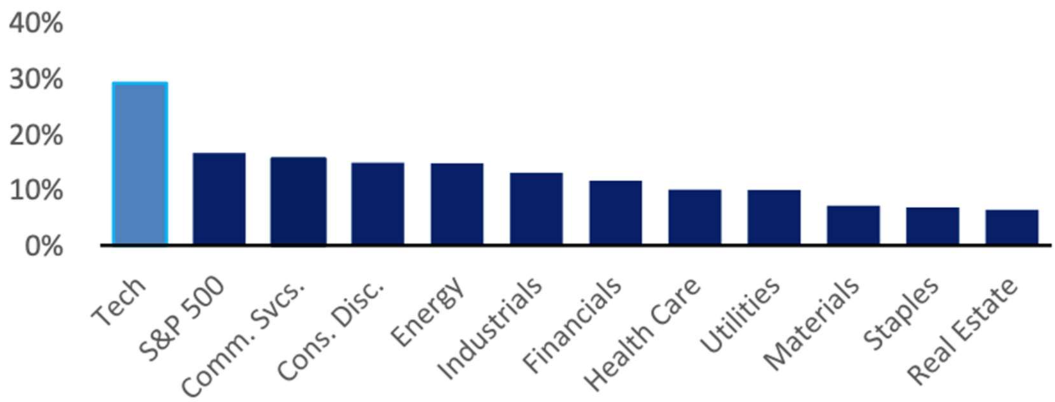
Source: PGIM. As of March 31, 2026. This information is not intended as a recommendation to invest in any particular asset class or strategy. Forecasts may not be achieved, are subject to change, and are not a guarantee or reliable indicator of future results.

While this may not pan out in 10 years, we view the above projections as realistic. Even if there will be outliers, by and large the returns should fall into a narrow range.

Notably, US equities are expected to deliver 6.5% annually and developed markets ex-US a bit more than 7% but with slightly higher risk. EM equities are forecasted to produce almost 8% annually, albeit with much higher risk.
Global and Corporate Bonds are projected to return 5% to 5.5% annually with far less risk. Which begs the question: Why invest in US Equities over Corporate Bonds for an extra percentage point, when the risk is almost double?

To partially answer this question, we also look at expected annual earnings growth by sector, as predicted by Bank of America. As you can see, technology, much as it has done since 1990, is way ahead of the pack.

S&P 500 long-term EPS growth (LTG) expectations by sector



Source: BofA US Equity & Quant Strategy, FactSet

BofA GLOBAL RESEARCH

And this is one of the reasons why we still invest in high-quality technology companies, while still being aware that diversification is necessary.

Disclaimer

The information in this article should neither be regarded as an offer nor a solicitation to buy, sell or otherwise deal with any investment referred to herein. As a regular rule, the value of any investment may rise or fall. Past performance is not an indicative of future results. Do not take unnecessary risk and always request advice from an investment professional before undertaking any investment.