Clearstead Market Minute

July 2026

clearstead

Financial markets experienced intense volatility driven by an uncertain Fed policy, inflation fears from a split vote, and a major bond selloff that pushed long-term Treasury yields to multi-decade highs. Concurrently, a mixed corporate earnings season sparked sharp equity swings, as mega-cap cloud providers rallied on AI monetization while hardware and social media giants plummeted on weak revenues and soaring capital expenditures. Compounding these strains, U.S. economic growth slowed to a 1.5% annual rate, while ongoing geopolitical friction in the Middle East kept oil prices elevated.

Domestic Equity

July saw the reversal of the momentum and AI-oriented equity leadership that drove most of the returns in Q2. In July, the S&P 500, NASDAQ, and Philly Semiconductor Index all traded lower. However, the declines in these indices did not signal cash coming out of the market, but rather a rotation away from tech, semiconductors, and memory chips to more defensive and value-oriented parts of the market. Overall, six S&P 500 sectors gained ground in July, led by returns in Energy and Financials, while Technology and Consumer Discretionary sectors lost the most ground. The reversal in momentum in the AI trade came amidst renewed fighting between the US and Iran, which sent oil prices higher over the course of the month.

	July	YTD '26
S&P 500	(0.1%)	10.1%
S&P 500 Equal Weight	1.0%	13.3%
Russell 1000 Growth	(4.8%)	0.3%
Russell 1000 Value	3.8%	20.7%
Russell Mid Cap	(0.6%)	14.6%
Russell 2000	(3.0%)	18.9%

International Equity

International markets were mixed in July with developed market equites posting gains but emerging market equities posting losses. Most of the gains centered in Europe, as Japanese equities broadly traded lower after the strong returns registered in Q2. The MSCI EM index was negatively impacted by the reversal of AI-momentum trade as both Korean and Taiwanese stock markets sold off sharply as semiconductor (TSMC) and memory chip names (Samsung and SKY Hynix) gave back some of their incredible gains from Q2. In contrast, Chinese equities enjoyed a rebound in July as government-affiliated insurance companies and banks bought equities in effort to quell year-to-date losses and lower volatility.

	July	YTD '26
MSCI ACWI ex USA IMI (USD)	0.2%	13.3%
MSCI Europe (USD)	1.6%	9.5%
MSCI Japan (USD)	1.0%	17.0%
MSCI Pacific ex Japan (USD)	6.6%	13.9%
MSCI EM (USD)	(3.1%)	20.0%
MSCI China (USD)	9.0%	(7.3%)

Rates & Credit

U.S. Treasury interest rates rose steadily throughout the month through inflation fears, resilient economic growth, and an abundance of supply from both corporate and municipal bond issuers. The heavy supply of corporate debt—driven by massive artificial intelligence-related capital expenditures, data centers, and digital infrastructure buildouts by tech hyperscalers—put pressure on corporate spreads. Not bucking the market mayhem, U.S. municipal bonds faced their worst July since 2003 as rising yields and heavy supply pushed prices lower. The 30-year U.S. Treasury yield spiked to 5.26%, marking a 19-year high not seen since July 2007, while the benchmark 10-year note yield climbed to 4.74% by month's end.

	July	YTD '26
10 Yr Treasury	(1.7%)	(1.9%)
Bloomberg US Agg Bond	(1.3%)	(0.7%)
Bloomberg Interm Corp	(0.6%)	0.1%
Bloomberg Govt/Credit 1-3 Yr	0.1%	0.9%
Bloomberg US High Yield	(0.2%)	1.7%
Bloomberg Muni 1-10 Yr	(1.2%)	(0.1%)

Diversifying Strategies

Hedged strategies posted negative performance in July as heightened geopolitical tensions and a sharp pullback in technology, AI, and semiconductor stocks weighed on risk assets. Equity hedge strategies were the weakest performers, with losses in long-biased growth and technology exposures outweighing gains from value-oriented and market-neutral approaches. Event-driven strategies declined modestly, with merger arbitrage and special situations proving relatively resilient amid the risk-off environment. Relative value strategies also posted modest losses as higher Treasury yields created headwinds for fixed income arbitrage and multi-strategy positioning. Macro strategies were also negative for the month, as trend-following managers struggled with reversals across equities, currencies, and commodities amid rapidly shifting market trends.

	July	YTD '26
HFRX Global Hedge Fund	(1.1%)	3.6%
HFRX Equity Hedge	(2.1%)	6.4%
HFRX EH: Equity Market Neutral	(0.7%)	(1.0%)
HFRX Event Driven	(0.5%)	2.3%
HFRX Relative Value Arbitrage	(0.5%)	1.4%
HFRX Macro/CTA	(1.5%)	4.1%

Real Assets & Other

Commodities had a strong month, recovering some losses from the prior month's pullback. Energy prices surged in July, driven by an increase in oil prices and reversing steep losses from June, as markets reacted to shifting geopolitical tensions and fluctuating supply dynamics in the Persian Gulf. Precious metals were mixed, with gold posting a small gain for the month as safe-haven demand for the metal was offset by rising-rate expectations, while the US dollar weakened after the Fed opted to hold rates steady. REITs delivered another month of positive returns, buoyed by continued strength in industrial real estate alongside lodging and resorts properties benefitting from strong summer travel. Bitcoin rebounded in July as spot ETF inflows improved during the month, though it remains down on a year-to-date basis.

	July	YTD '26
BB Commodity/Industrial Metals	3.7%	10.5%
BB Commodity/Energy	15.6%	60.2%
BB Commodity/Gold	0.6%	(6.9%)
MSCI US REIT	2.3%	20.3%
FTSE Global Core Infra 50/50	0.6%	11.7%
US Dollar	(1.3%)	1.6%
Bitcoin	7.1%	(28.2%)