July 2026 Monthly Market Commentary

Investor Summary

July produced little movement in the broad S&P 500, but the quiet headline concealed a meaningful change in market leadership. The Dow Jones Industrial Average finished modestly higher, while the Nasdaq Composite and Russell 2000 declined. Energy, financials, communication services, materials, and several defensive areas held up better than information technology and consumer discretionary shares. The resulting pattern reflected rotation rather than a uniform retreat: investors reduced exposure to some of the year's strongest technology-related companies while directing capital toward businesses tied more closely to energy prices, interest rates, and current economic activity.

The economic backdrop also became more complicated. Second-quarter real GDP increased at a 1.5% annual rate, slower than the first quarter, even as private domestic demand remained firmer than the headline measure. June inflation reports showed lower energy prices and softer monthly readings, but oil rose sharply during July and the 10-year Treasury yield moved higher. Corporate earnings remained broadly positive in the early reporting sample, consumer spending continued to grow, and regional manufacturing surveys improved. Housing activity, a low personal saving rate, and still-elevated inflation remained important constraints. Taken together, July combined ongoing economic expansion with a less comfortable inflation and interest-rate backdrop.

U.S. Equity Market Review

U.S. equities ended July mixed. The S&P 500 was little changed, the Dow advanced modestly, and the Nasdaq Composite and Russell 2000 declined. Technology-heavy shares were volatile, while other sectors showed relative strength.

Market Direction at a Glance

Major U.S. equity benchmarks posted mixed results in July, with large-cap, blue-chip names outperforming small-cap and technology-heavy indices over the course of the month.

Market	Basis	July	2026 YTD
DJIA	52,485.03	+0.03%	+9.20%
S&P 500	7489.72	+0.09%	+9.41%
NASDAQ	25,373.85	-1.78%	+9.17%
Crude Oil Futures	$86.80	+26.79%	+51.19%
Gold Futures	$4,098.60	+1.06%	-5.39%

Source: WSJ Market Data as of July 31, 2026; no total-return performance is presented. Equity observations use published index closes; commodity observations use quoted futures prices.

Sector and Style Rotation

A continuation of the 2026 value-over-growth rotation was among the more notable style dynamics of the month. Value-oriented equities generally outperformed growth-oriented equities during July 2026. The June 2026 Russell index reconstitution also reshaped style composition, with several large technology names shifting further toward growth classification while other mega-cap constituents moved toward a blended or value orientation.

Small-capitalization equities, represented by the Russell 2000, underperformed large-cap peers in July despite a favorable historical seasonal pattern for the group, as elevated interest-rate uncertainty and a cautious credit backdrop weighed on smaller, more rate-sensitive companies.

Macroeconomic Context

The U.S. Bureau of Economic Analysis reported that real GDP expanded at a 1.5% seasonally adjusted annual rate in the second quarter of 2026, according to the advance estimate, decelerating from 2.1% growth in the first quarter. Consumer spending, private investment, and exports each contributed positively to the second-quarter reading, while government spending declined and a rise in imports subtracted from the headline figure. The price index for gross domestic purchases increased 5.7% in the second quarter, compared with a 3.6% increase in the first quarter, indicating a pickup in broad price pressures during the period.

Global Market Overview

International Equities

International equity markets produced a mixed picture during July, with European bourses generally advancing while several major Asian markets retreated. Germany's DAX rose approximately 4.8%, the UK's FTSE 100 gained roughly 4.5%, and France's CAC 40 advanced approximately 0.9%. In Asia, Japan's Nikkei 225 declined approximately 2.7% and China's Shanghai Composite fell approximately 1.6% during the month, though the Nikkei remained positive on a year-to-date basis. Precise month-end MSCI regional index levels were not available from public sources as of the preparation of this report; readers are encouraged to consult MSCI.com or their custodian's reporting for exact index-level figures.

Commodities

Commodity markets were dominated by a sharp advance in crude oil prices. West Texas Intermediate crude rose approximately 26.8% during July, closing the month at $86.80 per barrel, driven primarily by renewed military hostilities between the United States and Iran and related developments concerning shipping activity through the Strait of Hormuz. Gold futures were comparatively stable, closing July at approximately $4,098.60 per ounce, a gain of roughly 1.0% for the month and its first monthly increase since February, as softer inflation data earlier in the month was offset by shifting expectations for the path of Federal Reserve policy.

Global Risk Trends and Geopolitical Factors

Geopolitical developments in the Middle East were the principal source of market volatility during July. A ceasefire that had provided some stability to global energy markets earlier in 2026 came under renewed pressure as hostilities between the United States and Iran resumed, contributing to increased volatility in oil-sensitive sectors and to elevated near-term inflation expectations among market participants. Equity market volatility increased at points during July, reflecting geopolitical uncertainty, evolving expectations for Federal Reserve policy, and ongoing scrutiny of technology-sector capital expenditure plans.

Regional and International Market Performance

The following discussion summarizes directional performance trends across major international benchmarks during July 2026, based on representative country and regional indices. Investors should note that these figures are provided for general educational context and reflect local-currency, unhedged returns of representative benchmarks rather than official MSCI index levels, which were not publicly available in full at the time of this report's preparation.

The divergence between European and Asian equity performance in July reflected several interacting factors, including differing regional exposure to energy price volatility stemming from the Middle East conflict, varying paces of monetary policy normalization across central banks, and differing levels of investor exposure to artificial-intelligence-related technology names, which experienced elevated volatility in several Asian markets during the month.

Sector Performance Details

S&P 500 sector performance in July reflected a rotation away from some mega-cap technology names toward energy, utilities, and other defensive or cyclical areas. The discussion below describes representative qualitative sector trends observed during July.

Leadership shifted notably over the course of the month. Early and mid-July trading was characterized by a pronounced pullback in mega-cap technology and communication services names amid growing investor scrutiny of artificial-intelligence infrastructure spending, while energy and utilities names benefited from rising oil prices and a defensive tilt in investor positioning. Late in the month, technology shares partially rebounded following stronger-than-expected quarterly results from several large technology and e-commerce companies, contributing to a single-session gain of roughly 2.8% in the Nasdaq Composite on July 30.

U.S. Economic and Earnings Summary

GDP and Growth Drivers

As noted above, the BEA's advance estimate placed second-quarter 2026 real GDP growth at an annualized 1.5%, down from 2.1% in the first quarter. Personal consumption expenditures, private investment, and exports each added to growth, while a decline in government spending and an increase in imports were partial offsets.

Inflation

The most recently available Consumer Price Index report, covering June 2026, showed the seasonally adjusted all-items index declining 0.4% for the month following a 0.5% increase in May, with the unadjusted 12-month change at 3.5%. The energy index fell 5.7% on the month, the largest single contributor to the monthly decline, more than offsetting increases in shelter and food. On a 12-month basis, the energy index remained up sharply due to base effects, with gasoline prices up approximately 26.7% year-over-year. Shelter costs rose 0.1% for the month and 3.3% over the trailing year. The core index, excluding food and energy, increased 2.6% over the trailing twelve months. Given the timing of this commentary relative to the BLS release calendar, July 2026 CPI data had not yet been published as of this report's preparation.

S&P 500 Earnings Roundup

Second-quarter 2026 earnings season was well underway by month-end, with results reported for a substantial majority of S&P 500 constituents. According to FactSet, 86% of reporting companies had posted actual earnings per share above analyst estimates, above both the five-year average of 78% and the ten-year average of 76%, marking one of the highest positive-surprise rates in several years. The blended year-over-year earnings growth rate for the index stood at 47.4%, though this figure was heavily influenced by outsized results from two mega-cap constituents; excluding those two companies, blended growth was approximately 28.8%, which would still represent the second consecutive quarter of earnings growth above 20% and the seventh consecutive quarter of double-digit growth for the index. Ten of eleven S&P 500 sectors reported year-over-year earnings growth, with Health Care the only sector reporting a decline.

Forward Valuation and Guidance

The forward twelve-month price-to-earnings ratio for the S&P 500 stood at approximately 19.6x at month-end, below the five-year average of 19.9x but above the ten-year average of 19.0x, and down from 20.4x at the end of the second quarter. Corporate guidance commentary during earnings calls in July was mixed, with several large technology and consumer companies citing continued investment in artificial-intelligence infrastructure alongside more cautious commentary regarding near-term consumer demand and input costs.

Consumer and Retail Data

Consumer Sentiment

The University of Michigan's final Consumer Sentiment Index for July 2026 rose to 55.2, up from a final June reading of 49.5 and its highest level since February, though still approximately 11% below the year-earlier reading of 61.7. All five components of the index improved, led by gains of approximately 20% in assessments of buying conditions for durable goods and year-ahead business conditions. Survey officials attributed the improvement primarily to easing gasoline prices earlier in the month. One-year-ahead inflation expectations declined to 4.2% from 4.6% in June, while five-year inflation expectations were unchanged at 3.3%.

Retail Sales

The U.S. Census Bureau reported that retail and food services sales totaled $768.6 billion in June 2026, up 0.2% from May and up 6.7% from June 2025. Excluding autos and gasoline, sales rose 0.4% for the month; excluding gasoline alone, sales rose 0.7%. Sales at gasoline stations declined 5.3% for the month, while furniture store sales were roughly flat. Total sales for the April-through-June quarter were up 6.4% from the same period a year earlier.

Housing

The National Association of Realtors' Pending Home Sales Index declined 5.4% in June 2026 to a reading of 72.5, its lowest level since January, and was down 0.3% from June 2025.

Regional results were mixed: pending sales rose year-over-year in the Northeast (+2.2%) and Midwest (+0.3%) but declined in the South (-0.9%) and West (-1.1%). NAR's chief economist attributed softness in the housing market to mortgage rates at their highest level in nearly a year combined with a record-high national median home price, conditions that have been particularly challenging for first-time buyers.

Manufacturing and Industry Indicators

Regional Federal Reserve manufacturing surveys released during July offered a mixed, generally stable picture of factory-sector activity.

The Dallas Fed's Texas Manufacturing Outlook Survey showed an acceleration in reported business conditions, with the general business activity index rising to 1.3 and the production index climbing six points to 10.1. New orders and company outlook measures also improved notably, with the company outlook index gaining 11 points to 13.4, suggesting improving sentiment among Texas manufacturers heading into the third quarter.

The Richmond Fed's Fifth District survey pointed to a more modest, largely flat picture, with its composite manufacturing index inching up one point to 5, marking a fourth consecutive positive reading but coming in below the consensus forecast of 10. Shipments and employment components improved, while new orders eased slightly. Taken together, the two regional surveys suggest continued, if uneven, stabilization in manufacturing activity across different parts of the country.

Key Data Sources (July 2026 edition)

Market and economic data referenced in this commentary are derived from publicly available sources believed to be reliable, including but not limited to S&P Dow Jones Indices, Nasdaq, Russell Investments, MSCI Inc., FactSet Research Systems, LSEG I/B/E/S, the U.S. Bureau of Economic Analysis, the U.S. Bureau of Labor Statistics, Federal Reserve Banks, the U.S. Census Bureau, University of Michigan Surveys of Consumers, The Conference Board, the National Association of Realtors, UBS Global Real Estate Bubble Index, CME Group, the Energy Information Administration, and major commodity exchanges. Additional context and commentary were obtained from financial news and research outlets, including The Wall Street Journal, Reuters, Barron's, MarketWatch, Associated Press, Financial Times, and related market-data providers.

Market indices and levels: Standard & Poor's, S&P Dow Jones Indices, YCharts, MSCI, Nasdaq, Dow Jones, Russell Investments.

Data Sources

- U.S. Bureau of Economic Analysis (BEA) — Gross Domestic Product, 2nd Quarter 2026 (Advance Estimate)
- U.S. Bureau of Labor Statistics (BLS) — Consumer Price Index, June 2026
- U.S. Census Bureau — Advance Monthly Sales for Retail and Food Services, June 2026
- National Association of Realtors (NAR) — Pending Home Sales Index, June 2026
- University of Michigan Surveys of Consumers — Final Report, July 2026
- Federal Reserve Bank of Dallas — Texas Manufacturing Outlook Survey, July 2026
- Federal Reserve Bank of Richmond — Manufacturing Survey, July 2026
- FactSet Research Systems — S&P 500 Earnings Insight, week of July 31, 2026
- The Associated Press — Daily and monthly U.S. equity index market summaries
- MSCI Inc. — Index methodology and factsheet references (regional index levels as publicly available)
- Representative national index providers (Deutsche Börse/DAX, London Stock Exchange/FTSE 100, Euronext/CAC 40, JPX/Nikkei 225, Shanghai Stock Exchange)
- Trading Economics and other financial data aggregators — commodity price data (WTI crude oil, gold).

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