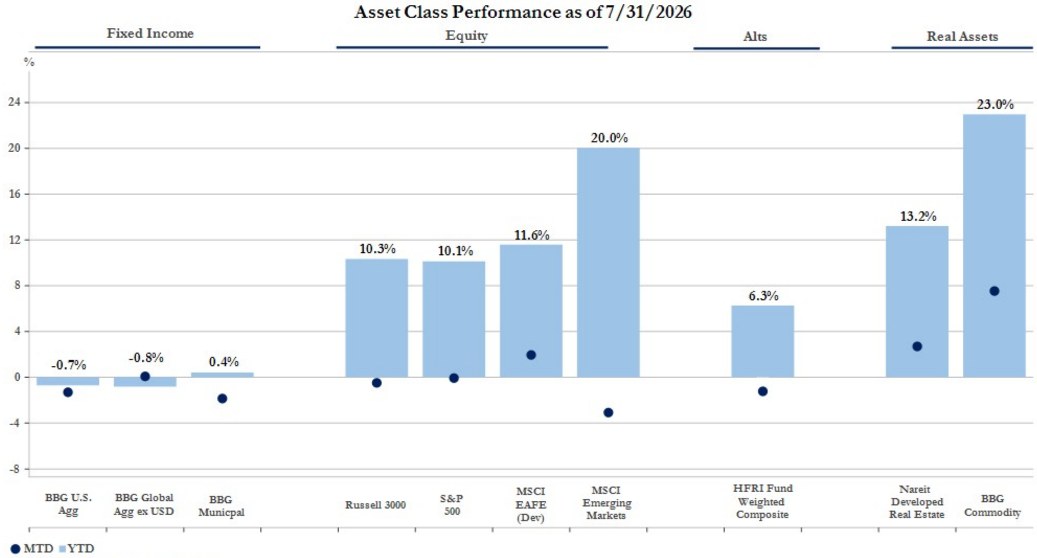
Investment Newsletter

July 2026

Key Takeaways

- July was dominated by renewed escalation in the U.S.-Iran conflict and rising disruption risk around the Strait of Hormuz, driving oil prices sharply higher and pushing Brent crude briefly toward $100 per barrel before easing late in the month as diplomatic efforts appeared to regain momentum.
- Rising energy prices quickly became a macroeconomic concern, reviving inflation fears, pressuring long-term Treasury yields higher, and complicating the Federal Reserve's path forward.
- Q2 2026 U.S. real GDP grew at a 1.5% annualized rate, down from 2.1% in the first quarter, although underlying private-sector demand remained resilient as real final sales to private domestic purchasers increased 3.9% and consumer spending accelerated.
- June inflation provided temporary relief, with CPI falling 0.4%, the largest monthly decline since April 2020, and core inflation remained unchanged, though the rebound in oil prices later in the month renewed concerns that inflation pressures could reaccelerate.
- The Federal Reserve held rates unchanged at 3.50% to 3.75%, but an unusually divided decision that included three dissents in favor of a hike, combined with Chair Kevin Warsh's reduced reliance on explicit forward guidance, increased policy uncertainty and contributed to higher long-term yields.
- Labor market conditions softened as June payrolls increased by just 57,000 and prior months were revised lower, although the unemployment rate declined to 4.2% as labor force participation moved lower.
- Consumer surveys painted a mixed picture, with Conference Board confidence declining to 90.8 as views of current economic conditions weakened, while the University of Michigan sentiment index improved to 55.2 on easing inflation expectations.
- The U.S. dollar finished lower after a volatile month, with the DXY declining to 99.91 as investors weighed softer inflation data, renewed geopolitical tensions, and uncertainty surrounding the Federal Reserve's response to persistent inflation pressures.
- U.S. equities delivered mixed results as the S&P 500 finished roughly flat while the Nasdaq declined, reflecting growing concerns surrounding AI-related spending and future returns within the technology sector.
- Market breadth improved beneath the surface, with the equal-weighted S&P 500 outperforming many mega-cap technology stocks while large financial institutions benefited from strong trading activity and generally favorable earnings results.
- Treasury yields moved higher in a bear-steepening environment, with the 10-year Treasury yield finishing July near 4.75% and the 30-year yield remaining above 5% as investors demanded greater compensation for inflation, policy, and fiscal uncertainty.
- Commodities were the strongest major asset class as crude oil surged on Middle East tensions, with WTI posting substantial gains and Brent ending the month near $90 per barrel, while gold was relatively subdued and copper advanced on continued industrial demand.
- Trade policy remained an important source of uncertainty as investors monitored both China-related tariff developments and newly announced U.S. tariffs on selected Canadian imports, adding another layer of complexity to global supply chains and inflation expectations.
- Overall, July reinforced the importance of maintaining a disciplined, diversified, long-term investment approach as markets navigated a challenging combination of geopolitical risk, renewed inflation concerns, Federal Reserve uncertainty, and uneven economic data.

Asset Class Performance as of 7/31/2026

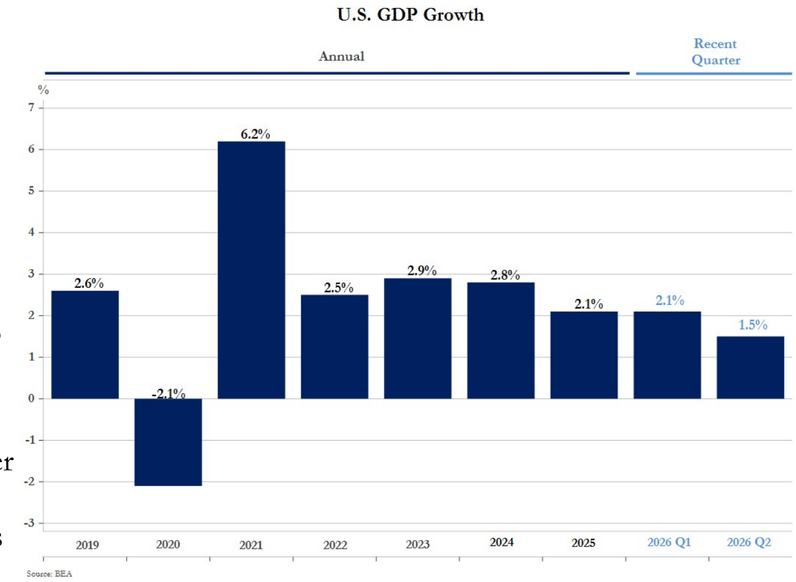


Source: Bloomberg, Russell Investment Group, S&P Global

Economy

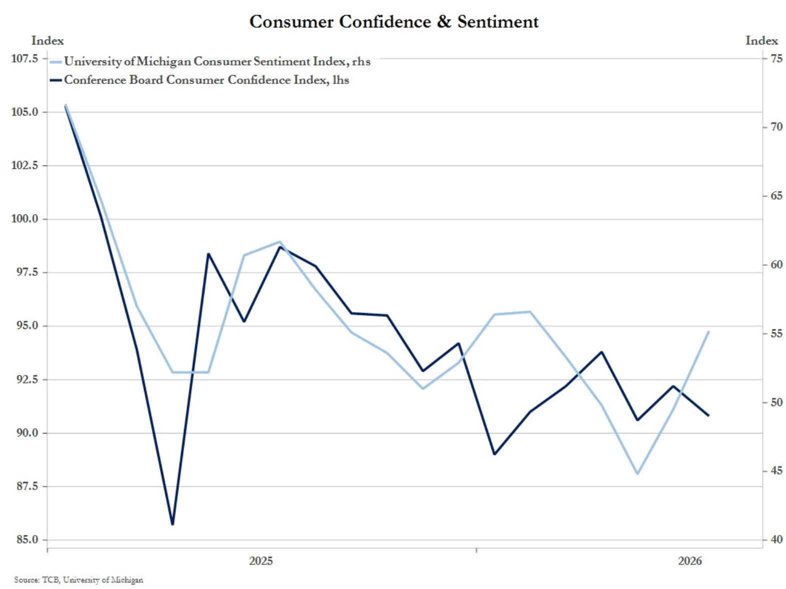
GDP Growth Slows in Q2

- Q2 2026 U.S. real GDP grew at a 1.5% annualized rate, slowing from 2.1% in the first quarter as weaker government spending, slower investment and exports, and a larger drag from imports weighed on headline growth.
- Underlying economic activity remained considerably stronger than the headline GDP figure suggested, with real final sales to private domestic purchasers rising 3.9% and consumer spending increasing 3.2% during the quarter.
- The outlook remains mixed as higher energy prices, softer labor market data, and elevated inflation uncertainty create headwinds, while consumer spending and business investment continue to support for economic growth.



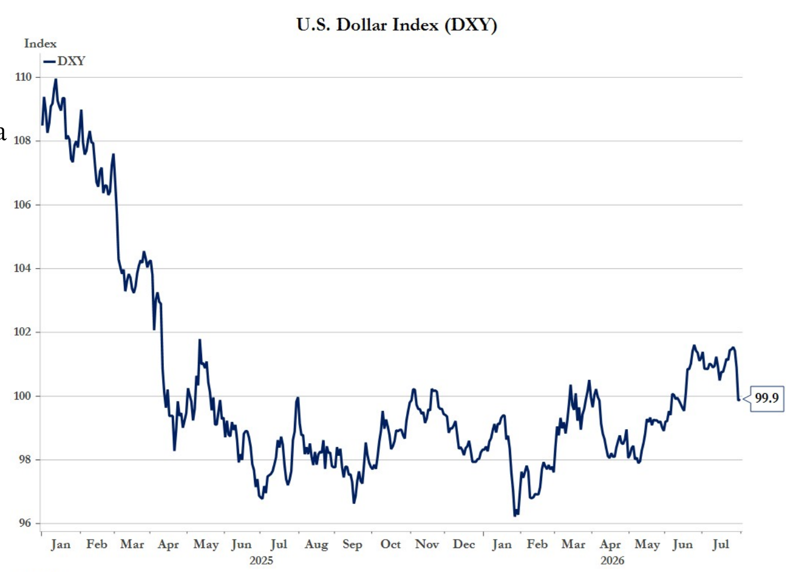
Consumer Confidence Diverges

- Consumer confidence weakened in July, with the Conference Board index falling to 90.8 as households reported less favorable views of current business and labor market conditions.
- Consumer sentiment moved in the opposite direction, with the University of Michigan index rising to 55.2 as inflation expectations improved and confidence increased across a broad range of demographic groups.
- The divergence highlights an uneven consumer backdrop in which moderating inflation is improving sentiment, while still-elevated prices and softer labor market perceptions continue to weigh on confidence.



U.S. Dollar Retreats

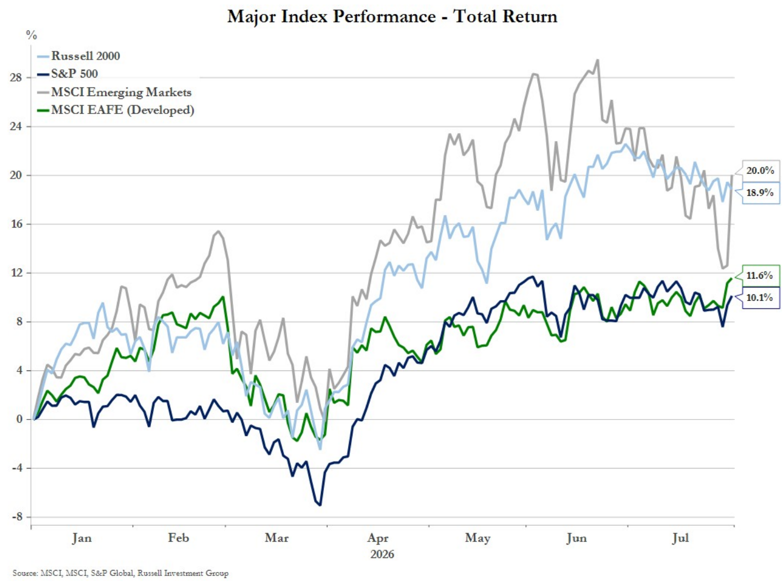
- The U.S. dollar weakened in July, with the DXY finishing at 99.9 and reversing part of the gains recorded earlier in the summer.
- Currency markets remained volatile as softer inflation data reduced expectations for additional tightening while renewed geopolitical tensions increased safe-haven demand.
- Selling pressure accelerated following the Federal Reserve's July meeting as investors questioned whether policymakers would respond aggressively enough to renewed inflation risks despite three officials dissenting in favor of higher rates.
- If dollar weakness persists, international equities and emerging markets could benefit from favorable currency translation, easier global financial conditions, and reduced pressure on dollar-denominated debt.



Markets

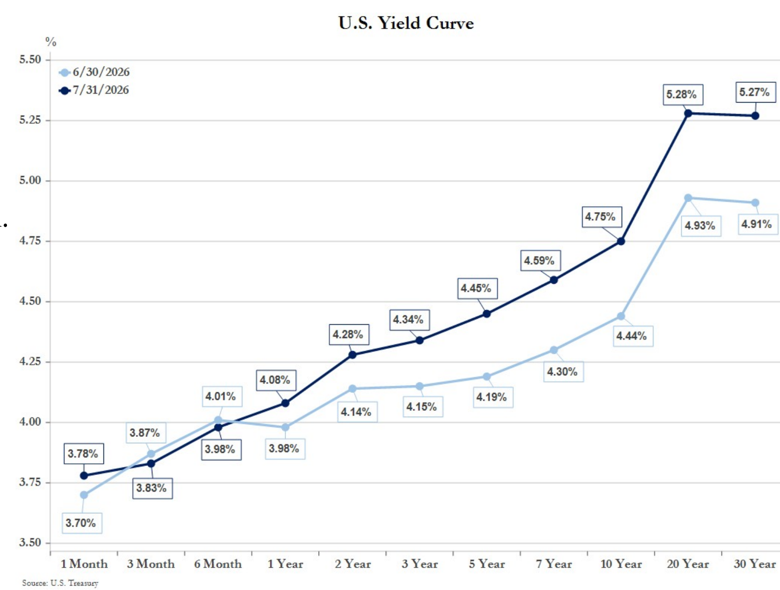
Equities Diverge as the AI Trade Wobbles

- U.S. equities were mixed in a volatile month as the S&P 500 finished roughly flat while the Nasdaq declined amid weakness in AI and semiconductor stocks.
- Technology and semiconductor stocks led the market lower as investors reassessed AI-driven growth expectations and questioned whether the substantial capital being deployed into AI initiatives would generate sufficient returns.
- Financials were a relative bright spot as robust trading activity and improving market breadth helped offset weakness in technology.
- International equities outperformed U.S. markets, supported by a weaker U.S. dollar and improving economic data across several developed markets.



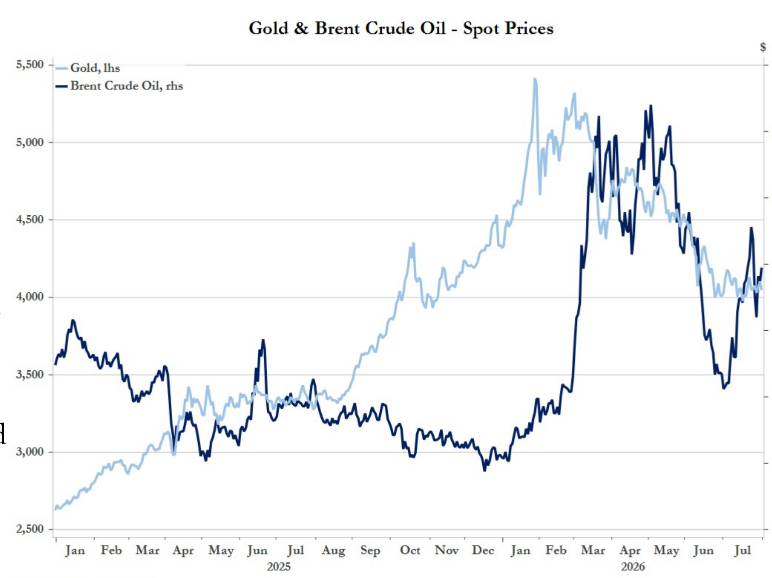
Fixed Income Under Renewed Pressure

- Treasury yields moved sharply higher during the month, particularly at the long end of the curve, as investors remained focused on inflation risks, fiscal concerns, and uncertainty surrounding the Federal Reserve's policy path.
- Long-term yields remained elevated, with the 10-year Treasury yield finishing near 4.75% and the 30-year Treasury yield remaining above 5% as investors demanded additional compensation for holding longer-duration bonds.
- Pressure on the bond market intensified following the July Fed meeting as three dissents in favor of a rate hike and reduced forward guidance contributed to greater policy uncertainty and higher long-term rates.



Commodities Surge on Middle East Escalation

- Commodities led all major asset classes in July as escalating tensions between the United States and Iran increased concerns over energy supplies and the security of key shipping routes through the Strait of Hormuz.
- Geopolitical risks overshadowed incremental supply growth from OPEC+, keeping investor attention focused on potential disruptions to global oil flows and supporting stronger crude prices throughout the month.
- Performance across metals was more restrained, with gold finishing largely unchanged despite elevated geopolitical uncertainty, while copper generated modest gains on resilient industrial demand and ongoing investment tied to data center expansion.



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Label	Index	Index Description
BBG U.S. Agg	Bloomberg U.S. Aggregate Bond Index	The Bloomberg U.S. Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS, and CMBS (agency and non-agency).
BBG Global Agg ex USD	Bloomberg Global Aggregate Index	The Bloomberg Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes Treasury, government-related, corporate, and securitized fixed-rate bonds from both developed and emerging markets issuers.
BBG Municipal	Bloomberg Municipal Bond Index	The Bloomberg Municipal Bond Index covers the U.S. dollar-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and pre-refunded bonds.
Russell 3000	Russell 3000 Index	The Russell 3000 Index measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market. It is constructed to provide a comprehensive, unbiased, and stable barometer of the broad market and is completely reconstituted annually to ensure new and growing equities are included.
Russell 2000	Russell 2000 Index	The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. It is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership.
S&P 500	S&P 500 Index	The S&P 500 Index is a market capitalization-weighted index of 500 widely held stocks often used as a proxy for the stock market. It measures the movement of the largest issues. Standard and Poor’s chooses the member companies for the 500 based on market size, liquidity, and industry group representation. Included are the stocks of eleven different sectors.
MSCI EAFE (Dev)	MSCI EAFE Index	The MSCI EAFE Index (Europe, Australasia, Far East) captures large- and mid-cap representation across developed markets countries around the world, excluding the U.S. and Canada. The index covers approximately 85% of the free float-adjusted market capitalization in each country.
MSCI Emerging Markets	MSCI Emerging Markets Index	The MSCI Emerging Markets Index captures large- and mid-cap representation across emerging markets countries across the world. The index covers approximately 85% of the free float-adjusted market capitalization in each country.
HFRI Fund Weighted Composite	HFRI Fund Weighted Composite Index	The HFRI Fund Weighted Composite Index is a global, equal-weighted index of single-manager funds that report to HFR Database. Constituent funds report monthly net of all fees performance in US Dollar and have a minimum of $50 Million under management or $10 Million under management and a twelve (12) month track record of active performance. The HFRI Fund Weighted Composite Index does not include Funds of Hedge Funds.
Nareit Developed Real Estate	FTSE EPRA/NAREIT Developed Index	The FTSE EPRA/NAREIT Developed Index is designed to track the performance of listed real estate companies and REITS worldwide. Index constituents are free float-adjusted, subject to liquidity, size, and revenue screening for inclusion.
BBG Commodity	Bloomberg Commodity Index	The Bloomberg Commodity Index reflects commodity futures price movements and is calculated on an excess return basis. The index rebalances annually weighted 2/3 by trading volume and 1/3 by world production, and weight-caps are applied at the commodity, sector, and group level for diversification. The roll period typically occurs from the 6th-10th business day based on the roll schedule.
Consumer Confidence Index	Conference Board Consumer Confidence Index	The Consumer Confidence Index is a measure based on a survey administered by The Conference Board that reflects prevailing business conditions and likely developments for the months ahead. This monthly report details consumer attitude, buying intentions, vacation plans, and consumer expectations for inflation, stock prices, and interest rates.
U.S. Dollar Index (DXY)	U.S. Dollar Index (DXY)	The U.S. Dollar Index (DXY) is an index of the value of the United States dollar relative to a basket of foreign currencies, often referred to as a basket of U.S. trade partners' currencies. The Index goes up when the U.S. dollar gains "strength" (value) when compared to other currencies.
DJIA	Dow Jones Industrial Average	The Dow Jones Industrial Average (DJIA), commonly known as “The Dow”, is a price-weighted measure of 30 U.S. blue-chip companies. The index covers all industries except transportation and utilities.
ISM Manufacturing Index	ISM Manufacturing Index	The ISM Manufacturing Index, also known as the purchasing managers’ index (PMI), is a monthly indicator of U.S. economic activity based on a survey of executives covering all North American Industry Classification System’s businesses in the manufacturing sector.
ISM Non-Manufacturing Index	ISM Non-Manufacturing Index	The ISM Non-Manufacturing Index is a monthly indicator of U.S. economic activity based on a survey of executives covering all North American Industry Classification System’s businesses in the services (or non-manufacturing) sector.