QuadCap
WEALTH MANAGEMENT

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AI and Geopolitics Continue to Drive Markets

August 1, 2026

Monthly Market Summary

- The S&P 500 Index returned -0.1%. Energy led all S&P 500 sectors with a +12.6% return as geopolitical tensions caused oil to trade higher. Financials (+6.2%) was the second-best performing sector, followed by the defensive trio of Real Estate (+2.5%), Health Care (+2.4%), and Consumer Staples (+2.1%). Technology (-3.4%) underperformed as AI stocks gave back some of their gains from earlier in the year.
- Bonds traded lower as Treasury yields rose. The U.S. Bond Aggregate returned -1.3% as rising oil prices tied to the U.S.-Iran conflict reignited inflation concerns. Investment-grade corporates underperformed with a -1.5% total return, while high-yield corporates were relative outperformers with a -0.3% return.
- International stocks produced mixed returns during July. Developed markets gained +2.0% and outperformed the S&P 500, while emerging markets returned -3.0% and underperformed as the same U.S. tech selloff weighed on South Korean stocks.

Markets Turn Back to the Middle East as Tensions Resurface

The ceasefire from earlier this spring didn't hold in July. Renewed conflict between the U.S. and Iran resurfaced the same headlines and concerns from earlier in the year, as uncertainty around the Strait of Hormuz once again raised the risk of reduced oil supply. Late-month headlines pointed to another round of de-escalation, but the conflict's status remains fluid. The situation matters for the same reason it did the first time around: energy prices feed directly into inflation, and inflation impacts Federal Reserve policy. The Fed ultimately held interest rates steady for a fifth consecutive meeting in July, though a handful of officials pushed for a +0.25% rate hike given the renewed inflation risk.

This isn't the first time this year that markets have moved through this cycle. There have been multiple mini cycles of conflict escalating, oil prices rising, and tensions easing, only for the pattern to repeat. The specific headlines and details shift from week to week, but markets have now absorbed the same shock more than once. The Fed's split decision in late July reflects the lack of certainty. Officials are debating their next move but choosing to gather more information rather than react to headlines. Despite the headline volatility, the net impact on markets has been limited. The stock market rebounded from the March selloff, and the S&P 500 has returned nearly +10%.

AI Stocks Trade Lower as Investors Shift Focus from Growth to Discipline

Second quarter earnings season kicked off in July, with leading AI companies Alphabet, Microsoft, Meta, Apple, and Amazon all reporting. The group, which is investing heavily in data centers and other AI-related infrastructure, talked about their forecasts and spending plans. For the past two years, the conversation around AI centered on scale. Investors focused on how much companies were spending, how fast they were building, and how big the opportunity could become. This quarter, there was a noticeable shift toward profitability and return on investment.

In a shift from recent quarters, investors pushed back on the spending. Companies whose investments are translating into growth, like Microsoft's cloud business, were rewarded, while others, whose spending has outpaced their cash flow or weighed on profit margins, saw their stocks trade lower. The market is no longer simply rewarding growth and big spending numbers. It's asking whether the spending is profitable, or whether rising expenses are outpacing revenue growth. This is a natural and, in many ways, healthy form of discipline. Every major technological buildout eventually reaches a point where investors stop rewarding growth alone and start looking for it to be matched by results. July was the moment that question arrived for AI.

Semiconductor stocks, along with other parts of the AI trade, gave back some of their gains from earlier in the year as investors questioned the sustainability of current spending levels. Despite the semiconductor and AI selloff, the volatility was relatively contained. The equal-weight S&P 500, a proxy for the average S&P 500 stock, set a new all-time high late in the month, and seven of eleven S&P 500 sectors traded higher. Credit spreads, which measure the market's concern about credit risk, expanded modestly but remain very tight by historical standards. Even after the pullback, semiconductor stocks are still up nearly +60% year-to-date. As for the companies doing the spending, they forecast even higher spending levels in the coming quarters.

This Month in Numbers

FIGURE 1

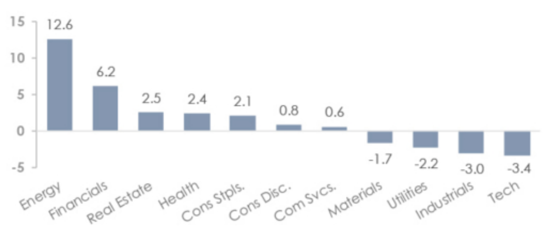
U.S. Style Returns (July in %)

	Value	Blend	Growth
Large	3.8	-0.1	-4.8
Mid	1.5	-0.6	-6.5
Small	0.0	-3.0	-5.9

Data Reflects Most Recently Available As of 7/31/2026

FIGURE 2

U.S. Sector Returns (July in %)



Data Reflects Most Recently Available As of 7/31/2026

FIGURE 3

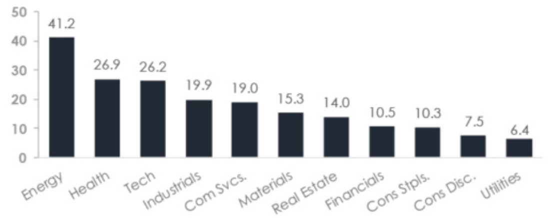
U.S. Style Returns (1-Year in %)

	Value	Blend	Growth
Large	31.2	19.6	8.0
Mid	26.2	18.7	-2.7
Small	40.5	34.2	28.4

Data Reflects Most Recently Available As of 7/31/2026

FIGURE 4

U.S. Sector Returns (1-Year in %)



Data Reflects Most Recently Available As of 7/31/2026

FIGURE 5

Market Data Center

Stocks	1 month	3 months	6 months	YTD	1 year	3 years
S&P 500	-0.1%	4.2%	8.6%	10.1%	19.6%	69.9%
Dow Jones	0.4%	6.1%	8.2%	10.2%	20.9%	55.8%
Russell 2000	-3.0%	5.0%	12.8%	18.9%	34.2%	52.5%
Russell 1000 Growth	-4.8%	-0.6%	1.9%	0.3%	8.0%	69.7%
Russell 1000 Value	3.8%	9.3%	15.4%	20.7%	31.2%	63.9%
MSCI EAFE	2.0%	5.3%	6.4%	12.0%	24.9%	58.2%
MSCI EM	-3.0%	4.9%	10.5%	20.3%	37.1%	72.3%
NASDAQ 100	-6.6%	3.2%	11.0%	12.4%	22.6%	83.6%

Dividend Yield	NTM P/E	P/B
1.01%	19.6x	5.1x
1.37%	19.5x	5.5x
0.91%	25.0x	2.1x
0.36%	22.7x	11.5x
1.39%	17.6x	3.2x
3.19%	15.4x	2.3x
1.74%	10.5x	2.3x
0.44%	22.5x	7.9x

Fixed Income	Yield	1 month	3 months	YTD	1 year	3 years
U.S. Aggregate	4.98%	-1.3%	-0.8%	-0.7%	2.7%	11.6%
U.S. Corporates	5.45%	-1.5%	-0.7%	-0.6%	2.7%	15.1%
Municipal Bonds	3.40%	-1.7%	-0.5%	0.3%	5.0%	9.4%
High Yield Bonds	7.28%	-0.3%	0.4%	1.6%	5.0%	26.6%

Key Rates	7/31/2026	6/30/2026	4/30/2026	1/31/2026	7/31/2025	7/31/2023
2 yr Treasury	4.27%	4.15%	3.89%	3.53%	3.94%	4.86%
10 yr Treasury	4.71%	4.44%	4.39%	4.26%	4.36%	3.95%
30 yr Treasury	5.25%	4.93%	4.99%	4.89%	4.89%	4.02%
30 yr Mortgage	6.72%	6.55%	6.35%	6.21%	6.78%	6.72%
Prime Rate	6.75%	6.75%	6.75%	6.75%	7.50%	8.50%

Commodities	Level	1 month	YTD
Oil (WTI)	84.67	21.8%	47.5%
Gasoline	3.43	13.8%	97.7%
Natural Gas	2.75	-16.1%	-12.2%
Propane	0.73	-5.0%	14.7%
Ethanol	1.76	-2.2%	6.3%
Gold	4,107	1.7%	-5.4%
Silver	57.79	-3.6%	-18.2%
Copper	6.44	3.9%	14.3%
Steel	1,191	2.5%	24.7%
Corn	4.64	6.4%	5.4%
Soybeans	11.85	7.0%	16.1%

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The S&P 500 Index or Standard & Poor's 500 Index is a market-capitalization-weighted index of 500 leading publicly traded companies in the U.S.

The Russell 2000 index measures the performance of approximately 2,000 small-cap US equities.

The MSCI EAFE Index is a stock market index that measures the performance of large- and mid-cap companies across 21 developed markets countries around the world. Canada and the USA are not included.

The MSCI Emerging Markets Index captures large and mid cap representation across 24 Emerging Markets (EM) countries.

The Nasdaq 100 Index is a stock index of the 100 largest companies by modified market capitalization trading on Nasdaq exchanges.

The Russell 1000 Growth index is an index that tracks large cap, growth stocks. This benchmark is important for investors that might tilt their investments towards large cap growth. Growth stocks, in comparison to value stocks, are considered companies with a more growth potential, and a higher risk profile.

The Russell 1000 Value index is an index that tracks large cap, value stocks. This benchmark is important for investors that might tilt their investments towards large cap value. Value stocks, in comparison to growth stocks, are considered companies with a stable cash flow, and more mature business model.

The Dow Jones Industrial Average, or simply the Dow, is a stock market index that indicates the value of 30 large, publicly owned companies based in the United States, and how they have traded in the stock market during various periods of time. These 30 companies are also included in the S&P 500 Index. The value of the Dow is not a weighted arithmetic mean and does not represent its component companies' market capitalization, but rather the sum of the price of one share of stock for each component company. The sum is corrected by a factor which changes whenever one of the component stocks has a stock split or stock dividend, so as to generate a consistent value for the index.

The Bloomberg US Aggregate Bond Index is used as a benchmark for investment grade bonds within the United States. This index is important as a benchmark for someone wanting to track their fixed income asset allocation.

The Bloomberg US Corporate Index covers performance for United States corporate bonds. This index *serves as an important benchmark for portfolios that include exposure to investment grade corporate bonds.*

The Bloomberg US Corporate High Yield Index covers performance for United States high yield corporate bonds. This index serves as an important benchmark for portfolios that include exposure to riskier corporate bonds that might not necessarily be investment grade.

Treasuries, also known as Treasury securities, are debt obligations issued by the United States government. They are used to raise cash needed to fund government operations and help finance the federal deficit. Treasuries are backed by the full faith and credit of the US government, making them one of the safest investments. They are an important instrument in monetary policy, allowing central banks to control the money supply.

The Prime Rate is the interest rate that commercial banks charge their most creditworthy corporate customers. The prime rate is derived from the federal funds rate, usually using fed funds + 3 as the formula.