D+A Strategies

# WEEKLY MARKET OUTLOOK

July 20, 2026 | D+A STRATEGIES | Research Team

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# EXECUTIVE SUMMARY

The week left markets worse off than where they began, and the damage sat almost entirely in one place: technology and semiconductors. Energy was the other story shaping the tape. Fresh strikes between the United States and Iran sent oil back toward its recent highs and put Strait of Hormuz shipping back in question, even as the broader inflation picture kept improving. That gap, an escalating energy risk sitting alongside cooling prices, gave the Fed little to work with, and the new chair used his first congressional testimony to reaffirm resolve on inflation while staying quiet on where rates go from here. Treasury yields rose early in the week but reversed after softer inflation data and late-week risk aversion, ending lower overall. Europe finished lower, while Asia bore the brunt of the tech selloff, building on losses already underway earlier in the week. The dollar held steady and gold slipped modestly. The week closed unsettled: the AI trade absorbed most of the pain, while the energy shock remains unresolved.

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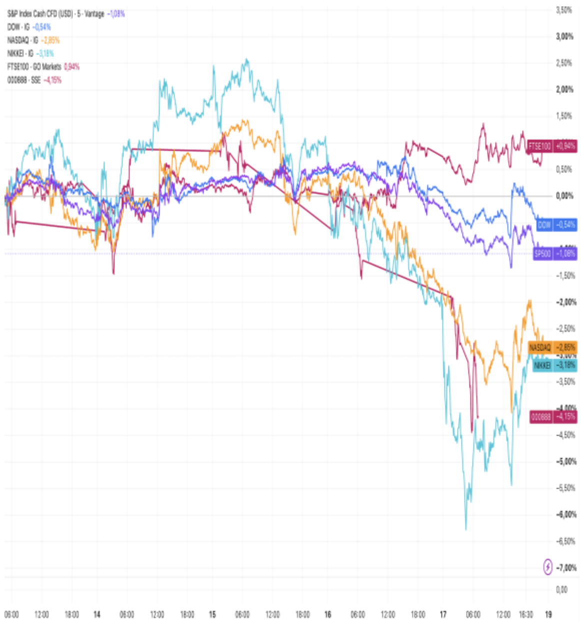
# WEEK IN REVIEW

In the U.S., stocks sold off through the week as investors unwound crowded AI and semiconductor positions. The Nasdaq fell nearly 3% and the S&P 500 lost more than 1.5%. The Dow held up better, down under 1%, and the Russell 2000 fell about 0.5%, keeping the damage concentrated in mega-cap tech. The VIX jumped into Friday's close.

Most continental European markets finished lower, while the energy- and financial-heavy FTSE 100 outperformed and ended higher. The DAX and CAC 40 gave back modest ground and the FTSE MIB lagged. Trading stayed thin and largely reactive to the U.S. session.

Asia and emerging markets bore the brunt of the tech unwind. The Nikkei fell more than 4%, while China declined alongside the region, with the Shanghai Composite down more than 5%. Hong Kong held up better in relative terms, and Korea was closed for the week's final session.



*Equities split sharply along regional lines, with the SSE Composite leading the slide, tumbling into the week's steepest low as China's mega-listing wave and the broader tech unwind piled on together. The Nasdaq followed close behind, sinking hard as the chip selloff accelerated through Friday. The Dow held the middle ground, drifting modestly negative, while the FTSE 100 stood apart, finishing the week as the lone gainer and separating cleanly from the rest of the pack.*

Rates, currencies, and commodities reflected energy risk reasserting itself. Crude posted a strong weekly gain as fresh U.S.-Iran strikes reopened questions around Hormuz shipping. Treasury yields fell, the 10-year drifting lower from its highest level in weeks. Gold slipped below $4,000 intraweek before stabilizing, unable to hold a clean haven premium against a steadier dollar, and Bitcoin tracked the broader risk complex without a decisive break.

*Brent surged steadily through the week, finishing as the standout gainer as the Iran strikes reopened the supply-risk premium. Bitcoin swung sharply, spending much of the week underwater before clawing back to a modest positive close. The dollar held tight and largely flat against the euro, while Gold drifted lower under pressure, unable to find a haven bid despite the escalation.*

The week closed with the same tension that has carried through the summer: an equity market still pricing a durable AI supercycle against a macro backdrop that keeps reintroducing the energy shock it thought it had priced out. The new Fed chair's first congressional testimony offered resolve on inflation but no clarity on rates, leaving markets to lean on data over guidance. With earnings season underway, the gap between narrow leadership and broader macro fragility looks set to be tested.

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# MACRO OUTLOOK

| Macro Outlook | | | | | July 2026 – Calendar Week 30 |
|---|---|---|---|---|---|
| | **Monday** | **Tuesday** | **Wednesday** | **Thursday** | **Friday** |
| **Eurozone/UK** | - | UK Unemployment Rate | UK CPI (June) | ECB Interest Rate Decision | Eurozone/UK S&P Global Flash PMIs (July); UK Retail Sales (June) |
| **US/Canada** | - | - | - | U.S. Initial Jobless Claims | U.S. S&P Global Flash PMIs (July); U.S. New Home Sales (June) |
| **Asia** | China Loan Prime Rate (1Y/5Y) | - | - | - | Japan CPI (June) |

## What we're watching & why

Thursday's ECB decision is the event of the week. A hold at 2.25% is close to fully priced, but the setup is unusual: the Governing Council is deciding before July's flash euro-area inflation estimate, with oil back near the highs that contributed materially to its June hike in the first place.

UK CPI on Wednesday and the flash PMIs Friday give the first real read on whether that same energy pass-through is showing up outside the eurozone. A firm CPI print ahead of a soft PMI would echo the same divergence the ECB is wrestling with, price pressure holding even as activity data starts to give. Retail sales Friday close the loop on the UK consumer.

The bigger swing factor is earnings. Tesla and Alphabet report Wednesday, the first mega-cap tech results since the chip-led selloff. In Asia, the PBoC's loan prime rate decision Monday will show whether Beijing leans into easing after Q2 GDP missed, and Japan's CPI Friday lands against a yen still pressing toward levels that have historically drawn intervention.

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# SECTOR COMMENTARY

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|---|---|---|
| **Financials** | +0.5% | Modestly higher. Q2 bank earnings opened better than feared, giving the group a cushion against the tech-led rotation. |
| **Industrials** | -1.0% | Fell in line with the market. No support from either a cyclical or defensive bid, just spillover from the chip selloff. |
| **Health Care** | -0.9% | Declined modestly. The defensive bid stayed thin as the selloff never broadened beyond growth names. |
| **Information Technology** | -2.7% | The weakest sector by a wide margin. Chip and AI-linked names bore the brunt as a new international AI model revived capex doubts, pushing semiconductors into a bear market. |
| **Energy** | +5.4% | The strongest sector by far, as renewed U.S.-Iran strikes reopened the Hormuz risk premium. |
| **Materials** | -0.6% | Finished lower. Failed to catch energy's bid, with the oil rally read as geopolitical rather than reflationary. |
| **Communication Services** | -2.2% | Lagged sharply. Platform and media names sold off with broader tech, and Netflix's guidance miss set the tone. |

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# MARKET SOLUTIONS

| | | Short-to-Medium Term Tactical Solutions | |
|---|---|---|---|
| | | **Base Case** | **Key Risks** |
| **Investment Backdrop** | **Macro** | ▪ The AI trade took the hit this week. The Fed has no clean signal from Warsh yet, and the ECB's hold this week is close to fully priced. | ▪ A hot ECB tone or a hawkish surprise pairs with the oil move to firm the hike case faster than equities can absorb. |
| | **Fixed Income** | ▪ Keep duration light. Although yields retreated late in the week, oil-driven inflation risk may limit the scope for a sustained bond rally. | ▪ A durable ceasefire could unwind the energy premium, while a partial de-escalation that leaves supply disruptions intact could keep inflation pressure firmer than markets expect. ▪ |
| | **Equities** | ▪ Stay selective, not broad. The damage is concentrated in chips and platforms; energy held up and should keep leading into earnings. | ▪ Tesla and Alphabet Wednesday test whether AI capex conviction survives contact with results, the first real check since the selloff began. |
| | **Alternatives** | ▪ Oil remains the cleaner risk expression. Gold failed to attract a sustained haven bid, leaving oil as the more direct expression of regional supply risk. | ▪ A ceasefire reverses the oil move fast, and a positioning unwind could be sharp given how quickly the premium rebuilt. |
| | **FX** | ▪ Hold dollar exposure. An undefined Fed reaction function supports the dollar. | ▪ A hawkish ECB surprise could support the euro, while rapid Gulf de-escalation could reduce the dollar's haven and inflation-rate support. |

# CONTRIBUTORS

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# REFERENCES AND SOURCES

CNBC, TheStreet, CNN Business, Reuters, and Investing.com market wraps; Financial Synergies and T. Rowe Price's Global Markets Weekly Update; Trading Economics and Yahoo Finance close-to-close proxies; Armstrong Economics Market Talk; Advisor Perspectives Treasury Yields Snapshot and S&P 500 Snapshot; TradingEconomics commodity and FX data; TradingView S&P sector performance quotes and cross-asset charts; CNBC European markets coverage; the IG Week Ahead and Investrade Weekly Event Calendar; Kiplinger's economic calendar; the Federal Reserve's semiannual Monetary Policy Report testimony; CNBC and CBS News coverage of Chair Warsh's congressional testimony; the ECB Watch Tool and CNBC ECB coverage; MSN and Tesla Investor Relations earnings previews