REGIONS ASSET MANAGEMENT

Weekly Market Commentary

JULY 27, 2026

MARKET UPDATES

July 24, 2026:
Recorded Leadership Discussion Featuring: Regions Chief Investment Officer, Chief Market Strategist, and Director of Equity Portfolio Management.

July 31, 2026:
For access to this call please contact your Regions Wealth Advisor or Portfolio Manager.

WHAT WE'RE WATCHING

Another big week for earnings releases is in the offing with Amazon (AMZN), Apple (AAPL), Meta Platforms (META), and Microsoft (MSFT) all set to report. These releases will be broken down and compared to last week's releases out of Alphabet and Tesla as investors reevaluate the AI investing landscape and potentially reposition on the heels of quarterly results out of the group.

The Federal Open Market Committee (FOMC) concludes its two-day meeting on Wednesday, and following cooler CPI and PPI readings from June, is now expected to leave the Fed funds rate unchanged at this meeting.

June Personal Consumption Expenditure (PCE), the FOMC's preferred inflation gauge, is released Thursday. Headline PCE is expected to fall 0.1% month over month and rise 3.7% year over year, which would compare to 0.4% and 4.1% readings in May. Core PCE, which is more closely watched by policymakers, is expected to rise 0.2% month over month and 3.3% year over year, compared to 0.3% and 3.4% readings the prior month.

KEY OBSERVATIONS

The S&P 500 ended the week with a modest loss as sentiment and risk appetite waned with news out of the Middle East pointing toward an escalation of the ongoing conflict with no off-ramp in sight. Earnings results took a backseat to the rapid rise in energy prices which forced Treasury yields higher to the levels last seen in early 2025. Market participants could remain hesitant to take risk as rhetoric between the U.S. and Iran points to both sides digging in, but with four of the 'Magnificent 7' set to report earnings in the week to come any stabilization in energy prices could allow investors to again focus on impressive earnings results.

Developing markets abroad held up relatively well on the week with South Korea and Taiwan steadying as memory and semiconductor names found buyers after three weeks of lower stock prices. Chinese stocks have quietly had a resurgence in July, with the MSCI China index rising 0.8% last week and 4.5% month-to-date and have acted as a ballast for the broader MSCI EM index amid a steep selloff in Korea.

U.S. Treasury yields across the curve made year-to-date highs as energy prices rose sharply, leading market participants to ratchet expectations for a rate hike this month higher. The 2-year yield jumped 15-basis points on the week while the 10-year yield rose 13-basis points, presenting fixed income investors with a painful 'bear flattener.' Corporate bonds faced headwinds from the rise in Treasury yields and wider credit spreads, leading to losses for investment grade and high yield issues.

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	Price/Yield	Total Return (%)					
	7/24/2026	1 Week Ago	1 Month Ago	Year to Date	1 Year	3 Years	5 Years
S&P 500	7,411.98	-0.60	0.81	8.99	17.88	19.10	12.54
NASDAQ 100	28,128.34	-1.62	-3.71	11.79	21.93	22.74	14.11
S&P Mid Cap 400	3,783.86	0.24	-0.03	15.29	20.28	13.41	8.87
S&P Small Cap 600	1,761.47	-0.83	0.34	21.04	30.72	13.67	7.76
MSCI World ex US	464.41	0.38	-0.92	11.86	22.27	16.98	8.73
MSCI EM	1,628.03	0.48	-5.67	17.27	30.82	18.97	6.98
Bloomberg U.S. Aggregate	4.97	-0.74	-1.40	-0.57	3.18	3.75	-0.33
Bloomberg Corporate	5.47	-0.92	-1.87	-0.77	3.03	4.64	-0.19
Bloomberg U.S.High Yield	7.46	-0.57	-0.24	1.52	4.95	8.30	4.01
Bloomberg EM USD Aggregate	6.29	-0.75	-1.23	0.73	6.22	7.74	1.68
Bloomberg Global Agg ex-USD	3.35	-0.37	-1.36	-0.53	0.44	2.22	-0.62
Bloomberg Municipal Bond	3.94	-1.19	-1.67	0.30	5.65	2.82	0.49

Source: Bloomberg (3- and 5-Year Returns Annualized)

	Price/Yield						
	7/24/2026	1 Week Ago	1 Month Ago	12/31/2025	1 Year Ago	3 Years Ago	5 Years Ago
SOFR (yield)	3.64	3.59	3.62	4.49	4.30	5.05	0.05
30 Year Mortgage (average rate)	6.63	6.61	6.57	7.28	6.79	7.23	3.01
2 Year Treasury (yield)	4.33	4.18	4.15	4.24	3.92	4.92	0.20
10 Year Treasury (yield)	4.68	4.55	4.39	4.57	4.40	3.87	1.28
30 Year Treasury (yield)	5.16	5.07	4.84	4.78	4.93	3.92	1.92
WTI Crude (closing price)	89.31	82.49	70.34	71.72	66.03	78.74	72.07
Gold (NYM $/oz)	4,070.80	4,018.80	3,990.30	2,641.00	3,373.50	1,962.20	1,801.80

Source: Bloomberg (3- and 5-Year Returns Annualized)

Stocks

Risk Appetite Subdued As Market Participants Focus On Higher Energy Prices, Rising Treasury Yields; Another Big Week For Earnings On Deck Which Could Turn The Tide; Higher Crude Oil Prices, Constrained Capacity Provide Tailwinds For Refiners; Emerging Market Valuations Look More Interesting, But Macro Fears Dominate.

• **Alphabet, Tesla Capex Guidance Pull Down The 'Mag 7,' With Another Big Week For Earnings On Deck.** Alphabet (GOOGL) and Tesla (TSLA) – 2 of the top 10 largest individual weights within the S&P 500 - posted quarterly results after the market close on Wednesday. Both companies saw their share price drop sharply in the immediate aftermath, largely for the same reason: concerns that increased AI spending would lead to negative free cash flow in the quarters to come. Alphabet fell 7.1% on Thursday after the company raised its capex guidance for the full year from $180-$190B to $195 to $205B, a move that caused investors to overlook the fact that Google Cloud revenue grew 82% year over year and that the higher capex spending guidance was in response to demand that far outpaces supply. Tesla saw its stock price drop 14.5% on Thursday as the company confirmed its prior capex guidance of $25B for 2026, but the drawdown appeared to be a result of analysts forecasting an increase in capex for 2027 to around $30B, which could also leave Tesla in a negative free cash flow position.

Alphabet's spending guidance spurred selling in the Mag 7 cohort of stocks, with an equally weighted basket of those seven names falling by 4.8% on Thursday, which played a significant role in the 1.2% drop in the S&P 500 that day. Hyperscaler peers fell in sympathy with Alphabet as market participants extrapolated Alphabet's spending guidance to imply that Amazon, Meta Platforms, and Microsoft, among others, would follow suit when they post quarterly results this week. The "AI picks and shovels," specifically semiconductor and memory names, held up only a bit better despite the higher spending guidance out of Alphabet, but this will be another big week for technology earnings as Amazon, Apple, Meta Platforms, and Microsoft are all set to report. Investors will likely focus not only on capex guidance but also on growth in Amazon's AWS and Microsoft's Azure, among other variables.

• **Refiners A Standout Performer As Crude Oil's Rise And Reduced Capacity Provide Tailwinds.** The S&P 500 energy sector added on another 3.7% last week as West Texas Intermediate (WTI) and Brent crude oil reached the highest prices seen in two months on Thursday before pulling back into the weekend. While the broader energy sector has been buoyed by higher crude oil prices, one industry group has been a standout performer month-to-date: refiners. The S&P 500 oil and gas refining and marketing sub-industry group has rallied 19.6% so far this month, surpassing the respectable 12.7% rise out of the S&P 500 energy sector. Refiners have received a powerful tailwind from a sharp rise in crack spreads over the past month as refineries in China, India, and Russia have either been damaged and/or temporarily shut down as countries attempted to stem a fall in inventories as traffic in the Strait of Hormuz ground to a halt.

The 3:2:1 crack spread looks at the cost of 3 barrels of Brent crude oil compared to the price of 2 barrels of gasoline and 1 barrel of diesel fuel as a gauge of gross profit for a refiner. That spread jumped to $68.23 last Tuesday, well above the $28 average seen over the trailing 5-years, which highlights just how profitable the current backdrop is for refiners. With capacity constrained and unlikely to come back online in short order, and with demand for gasoline and diesel fuel elevated into September, positive earnings revisions will likely continue to roll in for the refiners for a few more months, likely leading to halcyon days for the industry.

• **Emerging Market Valuations Are Rekindling Investor Interest, But Macro Fears Dominate.** After succumbing to substantial selling pressure for the better part of the past month, the MSCI Emerging Equity Index was able to cobble together a modest 0.3% gain in a volatile week of trading. Halfway through the week, the MSCI EM index appeared to be building momentum as memory stocks rallied as Alphabet announced plans for higher capex spending and reports suggested Taiwan Semiconductor finalized price increases for 2027, that improved broader sentiment around tech hardware companies. Renewed confidence allowed the MSCI South Korea index to rise over 6% midweek before closing the week up 1.5%, and the DRAM duo of SK Hynix and Samsung played a pivotal role in the rally that ultimately faded into the weekend.

Beneath the surface, we continued to see evidence of rotation from high-flying technology names into more modestly valued AI-related plays in China as companies there are pushing out more efficient and cheaper alternatives versus the more sophisticated and expensive U.S. frontier models. Lofty estimates for future earnings growth in emerging market equities leaves the forward price-to-earnings (P/E) ratio for the MSCI EM index at a 10-year low, a sign that market participants maintain a healthy level of skepticism surrounding the durability of recent earnings growth out of technology firms tied to developing markets. The latest downdraft in South Korea, Taiwan, and the broader MSCI EM index leaves us more interested and constructive on the sub-asset class, but we are early in the bottoming process, and we would like to see a base of support form before getting more interested.

Bonds

U.S. Treasury Yields Make Year-To-Date Highs Amid Relentless Rise In Energy Prices; July Rate Hike Odds Rise As Energy Prices Rise, But We Doubt The FOMC Moves This Month; High Yield Outpaces High Grade Amid The Rise In Treasury Yields.

• **Treasury Yields Across The Curve Rise Alongside Energy Prices As Middle East Tensions Escalate.** As West Texas Intermediate (WTI) and Brent crude oil eclipsed the $92 and $101 per barrel levels last Thursday, the 10-year U.S. Treasury yield rose sharply, briefly touching 4.71% before backing off a bit and finishing the week at 4.68% - still the highest weekly close seen since January of 2025. The 10-year yield closing around 4.70% is in and of itself not all that alarming, but what is unsettling is how quickly inflation expectations appear to have shifted as the 10-year yield closed out June at 4.40%. A nearly 30-basis point move in three weeks' time is a meaningful and painful recalibration, and one that has been driven in large part by a shift in expectations surrounding the duration of the conflict in the Middle East and its potential impact on crude oil supply in the coming months. Last week's announcement by the Iran-backed Houthis that they would not allow Saudi Arabian tankers to exit the Red Sea was quickly followed by attacks on at least two Saudi tankers by the group. The Houthis involvement was viewed by market participants as a substantial escalation of the conflict, and one that was likely to keep upward pressure on energy prices for the foreseeable future.

The 2-year yield also jumped last week, rising to 4.37% on Thursday - its highest level since February of '25 before ending the week at 4.33%, a 15-basis point move on the week. The sharp rise was certainly at least partially due to the rise in energy prices, but an unexpected drop in initial jobless claims also likely played a role. Initial claims for the week ended July 18 came in at 187k, well below the 210k estimate, which led market participants to reprice the odds of a rate hike out of the FOMC this coming week, with the probability jumping to 38% from 14% at the end of the prior week. Energy prices fell modestly into the weekend with WTI closing at $89.31 and Brent at $96.78 per barrel, respectively, but the odds of a rate hike this week didn't move lower, but even after the recent resurgence in energy prices, we don't expect a rate hike to materialize until at least the FOMC's mid-September meeting.

• **Treasury Market Volatility Wreaks Havoc On Corporate Bonds, Hits High Grade The Hardest.** Benchmark 10-year U.S. Treasury yields moved higher in 4 of the 5 trading days last week, contributing to a 0.9% drop in the interest rate-sensitive Bloomberg Investment Grade Corporate index on the week. That downdraft from higher rates pushed the yield to worst on the investment grade corporate index to 5.47%, its highest level in over a year. Demand for corporate bonds has remained strong and if yields drift back above 5.5% it wouldn't surprise us if buyers started to step in. However, investment grade credit spreads widened to 78-bps over Treasuries and may have room to expand further in the coming week(s) if hyperscalers follow Alphabet's lead and raise capex guidance this week. Alphabet is a AA+ issuer with a stable outlook, but other technology companies involved in the AI buildout such as Oracle are BBB- with a negative outlook from Moody's. Should AI-spending remain less profitable in the near-term than hoped, downgrades could ramp up, but even then, most companies remain well capitalized and far from risk of default, thus creating opportunities.