HIGHLAND

July 13, 2026

Multi-Asset Solutions Weekly Commentary

Key Observations

U.S. large cap stocks posted a weekly gain as strength out of the information technology sector more than offset economic growth concerns stemming from rising energy prices. At the sector level, energy was the top performer, followed by information technology and communication services, while health care, industrials, and materials stood out as relative underperformers. After outperforming large caps in June, U.S. small and mid-cap indices kicked off July with relatively modest declines.

Abroad, volatility in South Korea's KOSPI continued to make headlines stateside, and the MSCI Korea index finished the week with a loss of 6.3%. Memory maker and national champion SK Hynix listed in the U.S. on Friday to much fanfare, and Samsung could look to do the same in the months to come. Notably, the MSCI China index had a good week, quietly rallying 3% and preventing a more drastic selloff in the broader MSCI EM index.

There was an upward bias to yields across the Treasury curve over the balance of the week, with the 2-year yield rising 7-basis points and 10-year yield closing higher by 8-basis points on the week at 4.21% and 4.56%, respectively. Higher quality, but more interest rate sensitive investment grade corporate bonds sold off, while lower quality and less rate sensitive high yield credits finished the week little changed.

What We're Watching This Week

Quarterly reporting season kicks off with a number of bellwether financial names set to post results. Bank of America, Blackrock, Citigroup, Goldman Sachs, J.P. Morgan, and Morgan Stanley are all slated to set the tone in the week to come.

U.S. Consumer Price Index (CPI) for June is released Tuesday with the headline reading expected to fall 0.1% month over month, and rise 3.8% year over year, which would compare to readings of 0.5% and 4.2% in May. Core CPI, which tends to be more closely watched by policymakers, is expected to rise 0.2% month over month and 3.9% year over year, compared to 0.2% and 2.9% readings in the prior month.

Retail sales for June are released Thursday, with Control Group sales expected to rise 0.5% month over month, which would compare to a 0.7% rise in May.

	Price/Yield	Total Return (%)					
	7/10/2026	1 Week Ago	1 Month Ago	Year to Date	1 Year	3 Years	5 Years
S&P 500	7,575.39	1.26	4.34	11.36	22.07	21.12	13.25
NASDAQ 100	29,825.11	1.70	4.66	18.53	31.50	26.36	15.90
S&P Mid Cap 400	3,780.11	-0.58	2.98	15.16	19.80	14.07	8.57
S&P Small Cap 600	1,769.61	-0.66	5.08	21.58	29.32	14.97	7.20
MSCI World ex US	470.91	-1.31	2.61	13.39	26.63	18.96	8.95
MSCI EM	1,690.70	-1.74	1.74	21.70	39.82	21.97	7.69
Bloomberg U.S. Aggregate	4.84	-0.44	0.11	0.04	3.61	4.23	-0.12
Bloomberg Corporate	5.32	-0.60	-0.01	0.08	3.89	5.31	0.09
Bloomberg U.S.High Yield	7.16	0.02	0.79	2.07	5.89	8.93	4.11
Bloomberg EM USD Aggregate	6.10	-0.20	0.57	1.67	7.41	8.55	1.92
Bloomberg Global Aggregate ex-USD ($Hedged)	3.23	-0.41	0.24	-0.06	0.82	2.81	-0.37
Bloomberg Municipal Bond	3.65	-0.32	0.27	1.91	6.49	3.72	0.84

	Price/Yield						
	7/10/2026	1 Week Ago	1 Month Ago	12/31/2025	1 Year Ago	3 Years Ago	5 Years Ago
SOFR (yield)	3.53	3.64	3.59	4.49	4.31	5.06	0.05
30 Year Mortgage (average rate)	6.56	6.57	6.57	7.28	6.73	7.37	3.06
2 Year Treasury (yield)	4.21	4.14	4.14	4.24	3.87	4.86	0.21
10 Year Treasury (yield)	4.56	4.48	4.55	4.57	4.35	3.99	1.36
30 Year Treasury (yield)	5.06	4.99	5.03	4.78	4.87	4.03	1.99
WTI Crude (closing price)	71.41	68.69	90.03	71.72	66.57	72.99	74.56
Gold (NYM $/oz)	4,113.70	4,125.70	4,108.20	2,641.00	3,325.70	1,931.00	1,810.60

Source: Bloomberg (3- and 5-Year Annualized)
Index returns are unmanaged, do not reflect the deduction of fees or expenses, and are not available for direct investment.

Stocks

The S&P 500 Finishes With A Weekly Gain As Tech Strength Offsets Rising Middle East Tensions; Bounce In Crude Oil Buoys Energy Stocks; Volatility In South Korea Persists, Weighs On Sentiment Surrounding Emerging Markets.

The S&P 500 Kicks Off July With A Weekly Gain As Strength In Technology Stocks Offset Rising Middle East Tensions. It was again all about information technology stocks last week as the sector turned out a 3.4% gain, providing a boost to the broader S&P 500 which produced a 1.2% return and closed less than 1% below its all-time high. Early last week, capital rotated both within and out of the information technology sector, with memory and semiconductor plays seeing outflows while software, financials, health care and industrials sectors gained ground. But that dynamic shifted as tensions flared between the U.S. and Iran on Tuesday, which led to a jump in crude oil prices and a rally in energy stocks as capital was pulled out of economically sensitive sectors such as financials, industrials, and materials to fund that exposure.

However, with tensions in the Middle East appearing to ease into the weekend risk appetite returned, leading to a broad-based rally out of information technology stocks, along with bounces in financials, industrials, and materials. Notably, the 'Magnificent 7' cohort of stocks, after acting as a drag on the broader S&P 500 throughout June, rebounded on the week, with an equally weighted basket of this group rising 3.9% on the week. In short, it was another week characterized by consistent rotation as market participants tried to reposition on the fly based upon news flow out of the Middle East, which has in turn led to a constant recalibration of expectations surrounding Fed policy and the outlook for the Fed funds rate in the coming quarters. Trading volume came in decidedly on the lighter side last week, which is common following the July 4th holiday, but we could see activity pick up in a big way in the coming week as investors prepare for the start of quarterly earnings season.

Bounce In Crude Oil Buoys Energy Stocks. With news of escalating tensions in the Middle East between the U.S. and Iran putting upward pressure on crude oil prices last week, the S&P 500 energy sector staged a comeback, rising 3.2%. The price per barrel of West Texas Intermediate (WTI) crude oil rose $2.72 to end the week at $71.41, while Brent, the global crude oil benchmark, jumped $3.89 To $76.01 as the fragile ceasefire between the U.S. and Iran ended with Iran launched attacks on at least three shipping vessels in the Strait of Hormuz, prompting the U.S. to respond. Positioning in energy stocks entered last week was on the 'light' side as investors trimmed holdings as crude oil prices fell sharply in May and June, reallocating into financials, health care, and industrial stocks, among other sectors.

Last week was a reminder for investors viewing the conflict in the Middle East as yesterday's news that this is the 'new normal,' with tensions likely to flare occasionally in the months to come, which will likely limit potential downside for WTI and Brent in the near-term as a geopolitical risk premium remains priced into crude oil. A higher floor for WTI in the mid-to-high $60's should be enough to boost the earnings outlook for the energy sector at large, and as a result investors may feel the need to at least get back to 'neutral' when it comes to positioning, which could put a bid under the sector for at least a few more months.

South Korea Enters A Bear Market Even As "DRAM Darling" Samsung Posts Impressive Results. South Korean equities again found themselves at the forefront last week as the KOSPI entered bear market territory, defined as a peak-to-trough decline of 20% or more. This came after memory maker Samsung sold off, despite operating profit topping the consensus estimate by roughly 6%, as this wasn't enough to satisfy investors pricing in a larger earnings beat. To level set, the stock fell by 8% on Tuesday after releasing results and closed the week 20% below its all-time high, but the share price is still up 113% since the start of the year. That needed context also applies to the broader Korean equity market, as the KOSPI closed the week 17.5% off its June high but still boasts an impressive 90% total return year to date. From our perspective, investors shouldn't completely discount recent volatility based on past performance as the blistering rally has allowed substantial leverage to build up in the onshore Korean market that could intensify both upside and downside moves. In the midst of last week's volatility, another Korean memory name, SK Hynix, raised over $26B with the largest ever U.S. listing by a foreign company. The ADR launch was well oversubscribed resulting in an 'IPO pop' of over 21% last Friday, reflecting that risk appetite has yet to waver even following some 'DRAM drama' early in the week.

Bonds

Upward Bias To Treasury Yields As Energy Prices Rise On Escalating Middle East Tensions; June CPI The Economic Data Release Worth Watching This Week; High Yield Outperforms Investment Grade As The Move Higher In Treasury Yields Weighs.

Treasury Yields Rise As Energy Prices Bounce. Both short- and long-dated yields rose last week as energy prices jumped, leading market participants to ratchet up inflation expectations and rate hike bets. The 2-year Treasury yield, which is more closely linked to inflation expectations and monetary policy shifts, closed the week 7-basis points higher at 4.21%, just 3-bps below the year-to-date high yield close of 4.24%. Farther out on the curve, the closely watched 10-year yield ended the week higher by 8-bps at 4.56% after making a run at 4.60% early in the week. With the situation in the Middle East remaining in flux and unresolved, we are likely to see continued volatility in crude oil prices, and in turn, constant recalibration of fixed income portfolio based off even modest changes in inflation expectations and the outlook for Fed policy.

June CPI Expected To Show Material Shift. This week's release of the U.S. Consumer Price Index (CPI) for June could take some of the upward pressure off Treasury yields on both the short and long-end of the curve should it come in in-line with the consensus estimate. Headline CPI is expected to fall 0.1% month over month, which would be a significant deceleration from a +0.5% reading in May, while Core CPI, which is more closely watched by policymakers, is expected to rise 0.2% month over month, which would fall in-line with the May reading. On a year-on-year basis, core CPI is expected to rise 2.8%, which would be a modest drop from the 2.9% reading last month, but would show little progress in getting inflation back down to the FOMC's 2% target. The Fed funds futures market finished last week pricing in approximately 37-basis points of rate hikes through year-end, but we remain of the view that the Committee is likely to stand pat until 2027 as newly formed task forces and mid-term elections in November keep them on the sidelines.

Investment Grade Corporates Come Under Pressure As Rates Tick Up While Junk Bonds Continue To Acquit Themselves Quite Well. High-grade credit was a weak spot last week as heightened geopolitical tensions renewed concerns around inflation and drove yields higher as President Trump suggested the ceasefire with Iran could be over. The nearly 8-year duration profile of the Bloomberg U.S. Corporate index was the primary driver of poor absolute and relative performance on the week, but a strong preference for higher income generating assets was also a contributor as inflationary fears from past cycles linger in investor psyche. That preference played out last week as high-grade credit spreads widened at the margin while spreads on high yield bonds narrowed. A glut of new issuance also had a hand in the upward pressure on valuations as over $50B in issuance came through last week, led by Amazon's $25B offering to fund further AI infrastructure investment. Higher yields and continued strong fundamentals leave us comfortable maintaining our exposure to below investment grade bonds as insatiable demand should be supportive of prices, evidenced by the Bloomberg High Yield Bond index ending the week basically unchanged while investment grade corporates were down by 1%.

HIGHLAND ASSOCIATES
2545 HIGHLAND AVENUE SOUTH
SUITE 200
BIRMINGHAM, ALABAMA 35205

205.933.8664 PHONE
205.933.7688 FAX

BIRMINGHAM
ST. LOUIS