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Highland ReCAP

A Review of Capital Markets

July 2026

Summary

Global stocks and bonds, broadly, finished lower for July in the face of some familiar headwinds. As the war in Iran finished its fifth month with no definitive agreement, oil prices regained momentum, putting renewed strain on global markets. Elsewhere, the AI trade cooled considerably on concerns that the previous runup in many infrastructure plays may have been overdone. The Federal Reserve held rates steady at their July meeting, leading bond investors to balk at new chair Kevin Warsh's inflation fighting talking points, pushing the long end of the yield curve higher.

Equities

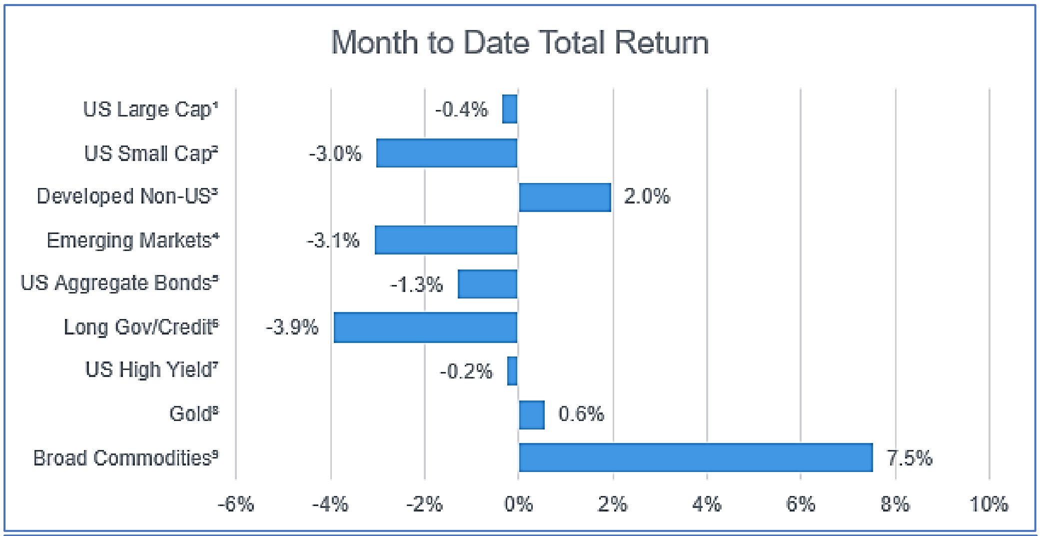
U.S. stock markets fell in July with larger companies holding up better than small caps. Unease around the sustainability of the AI rally pressured investors to unwind popular bets on semiconductors, with value stocks benefitting from the rotation. Large cap stocks traded with elevated volatility in July and finished slightly negative, while small caps fell 3%. Developed international equities managed positive returns for July despite the rebound in oil prices, gaining 2% for the month. UK markets, boosted by gains in financial stocks, led the benchmark higher while mainland Europe and Japan muddled along. Emerging markets equities were the worst performer and were hit especially hard by the AI rotation, including major selloffs in South Korean chipmakers SK Hynix (-35%) and Samsung (-22%).

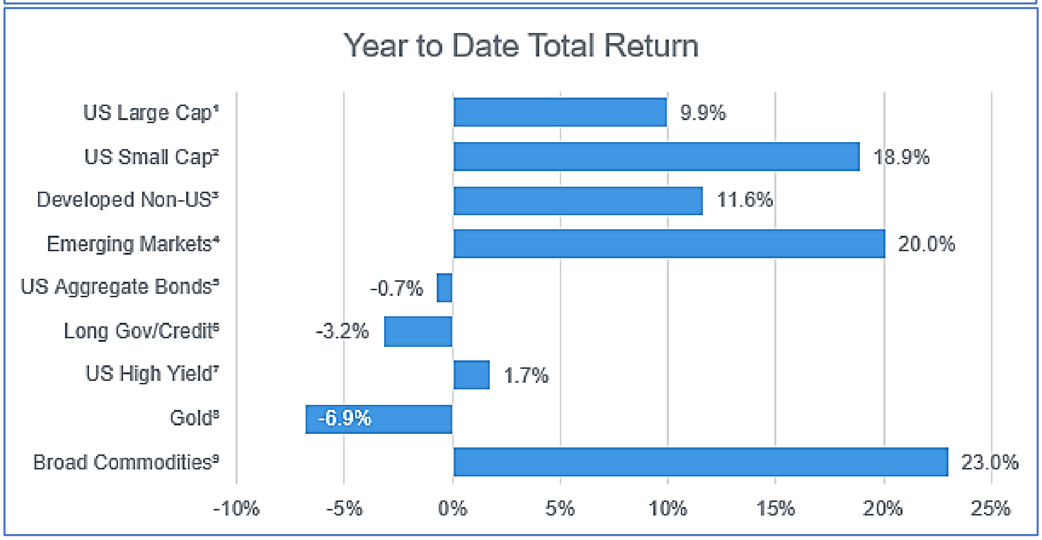
Fixed Income

Bonds fell as the Treasury curve steepened into the end of July. June's CPI rate came in below expectations, reflecting the prior month's drop in fuel prices, and the Federal Reserve elected to keep rates unchanged despite a growing sentiment for hikes. Long dated Treasuries sold off, with the 10-year bellwether trading over 4.75% on the final day of the month, while the 30-year bond finished July at 5.27%. The Bloomberg U.S. Aggregate lost 1.3% while credit managed better results but still fell 0.3% for the month.

Market Trends

As of July 31, 2026





	1M	3M	YTD	1Y	3Y	5Y	10Y
US Large Cap[1]	-0.4%	4.2%	9.9%	18.9%	19.0%	12.1%	14.8%
US Small Cap[2]	-3.0%	5.0%	18.9%	34.2%	15.1%	7.1%	10.6%
Developed Non-U.S.[3]	2.0%	5.2%	11.6%	24.3%	16.0%	9.3%	9.3%
Emerging Markets[4]	-3.1%	4.8%	20.0%	36.4%	19.3%	8.0%	9.2%
US Aggregate Bonds[5]	-1.3%	-0.8%	-0.7%	2.7%	3.7%	-0.4%	1.3%
Long Gov/Credit[6]	-3.9%	-2.3%	-3.2%	0.3%	0.9%	-5.1%	0.0%
US High Yield[7]	-0.2%	0.5%	1.7%	5.2%	8.3%	4.0%	5.5%
Gold[8]	0.6%	-12.4%	-6.9%	21.7%	26.0%	16.6%	10.5%
Broad Commodities[9]	7.5%	-5.1%	23.0%	35.5%	12.1%	10.6%	7.2%

1 – Russell 1000, 2 – Russell 2000, 3 – MSCI EAFE, 4 – MSCI Emerging Markets, 5 – Bloomberg US Agg, 6 – Bloomberg US Long Gov/Credit
7 – Bloomberg US Corporate High Yield, 8 – Bloomberg Gold Subindex, 9 – Bloomberg Commodity

Disclosure Statements

Bloomberg

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FTSE Russell

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