

➤ Monthly Market Review

Review of Markets over July 2026

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The durability of outsized profits across parts of the AI ecosystem was at the heart of the volatility in technology

July was characterised by two distinct market narratives. Early in the month, escalating tensions between the US and Iran briefly pushed Brent crude above \$100 per barrel, lifting energy prices and commodities (+7.5%). As geopolitical concerns eased, attention shifted back to second-quarter earnings and the sustainability of returns across the AI investment cycle.

Rather than signalling a broad retreat from AI, the earnings season prompted investors to become more selective about where future profits were likely to accrue. While a couple of the largest hyperscalers proved relatively resilient, semiconductor companies and other AI beneficiaries came under significant pressure as elevated valuations, concerns over export controls and China’s technological progress weighed on sentiment. Forced deleveraging by some hedge funds further amplified the sell-off, with the MSCI World Semiconductors Index falling 13.2% and the MSCI World Information Technology Index declining 4.1%. This weakness in technology, combined with strong gains in energy (+8.8%) and financials (+6.5%), saw value stocks (+3.6%) outperform growth (-2.5%) by more than six percentage points over the month.

Exhibit 1: Asset class and style returns

2017	2018	2019	2020	2021	2022	2023	2024	2025	YTD	Jul '26
MSCI EM 37.8%	Global Agg -1.2%	Growth 34.1%	Growth 34.2%	Global REITs 32.6%	Cmdty 16.1%	Growth 37.3%	Growth 26.2%	MSCI EM 34.4%	Cmdty 23.0%	Cmdty 7.5%
Growth 28.5%	Global REITS -4.9%	DM Equities 28.4%	MSCI EM 18.7%	Cmdty 27.1%	Value -5.8%	DM Equities 24.4%	DM Equities 19.2%	Value 21.6%	MSCI EM 20.3%	Value 3.6%
Small cap 23.2%	Growth -6.4%	Small cap 26.8%	DM Equities 16.5%	Value 22.8%	Global Agg -16.2%	Small cap 16.3%	Value 12.3%	DM Equities 21.6%	Global REITs 15.3%	Global REITs 2.7%
DM Equities 23.1%	DM Equities -8.2%	Global REITs 24.4%	Small cap 16.5%	DM Equities 22.3%	DM Equities -17.7%	Value 12.4%	Small cap 8.6%	Growth 21.3%	Value 14.9%	DM Equities 0.5%
Value 18.0%	Value -10.1%	Value 22.7%	Global Agg 9.2%	Growth 21.4%	Small cap -18.4%	Global REITs 10.9%	MSCI EM 8.1%	Small cap 20.4%	Small cap 14.2%	Global Agg -0.5%
Global REITS 8.0%	Cmdty -11.2%	MSCI EM 18.9%	Value -0.4%	Small cap 16.2%	MSCI EM -19.7%	MSCI EM 10.3%	Cmdty 5.4%	Cmdty 15.8%	DM Equities 10.5%	Small cap -2.4%
Global Agg 7.4%	Small cap -13.5%	Cmdty 7.7%	Cmdty -3.1%	MSCI EM -2.2%	Global REITs -23.7%	Global Agg 5.7%	Global REITs 2.8%	Global REITs 8.4%	Growth 6.3%	Growth -2.5%
Cmdty 1.7%	MSCI EM -14.2%	Global Agg 6.8%	Global REITs -10.4%	Global Agg -4.7%	Growth -29.1%	Cmdty -7.9%	Global Agg -1.7%	Global Agg 8.2%	Global Agg -0.7%	MSCI EM -3.0%

Source: Bloomberg, FTSE, LSEG Datastream, MSCI, J.P. Morgan Asset Management. DM Equities: MSCI World; REITs: FTSE NAREIT Global Real Estate Investment Trusts; Cmdty: Bloomberg Commodity Index; Global Agg: Bloomberg Global Aggregate; Growth: MSCI World Growth; Value: MSCI World Value; Small cap: MSCI World Small Cap. All indices are total return in US dollars. Past performance is not a reliable indicator of current and future results. Data as of 31 July 2026.

In fixed income, the Bloomberg Global Aggregate Bond Index fell by 0.5% as investors reassessed the outlook for inflation and interest rates. Higher energy prices and resilient economic data contributed to a broad-based rise in government bond yields.

Equities

Performance across regional equity markets reflected meaningful differences in sector composition during July. The UK FTSE All-Share outperformed most developed market peers, rising 3.7%, benefiting from its relatively low exposure to technology and greater weight in sectors that performed well during the month. Strong performance in energy stocks, supported by higher oil prices, alongside gains in financials, helped offset weaker returns elsewhere.

Japanese equities were mixed over the month. The TOPIX finished broadly flat, while the technology-heavy Nikkei 225 fell by almost 8% as semiconductor companies came under pressure. The divergence between the two benchmarks reflected differences in sector composition, with the TOPIX’s greater exposure to industrials, financials and domestically oriented companies helping to offset weakness in technology.

European equities were broadly flat over the month. The region sits somewhere between the UK and the US in terms of sector composition, with exposure to industrials and financials helping to offset weakness in technology-related companies.

Exhibit 2: World stock market returns

2017	2018	2019	2020	2021	2022	2023	2024	2025	YTD	Jul '26
MSCI Asia ex-Japan 42.1%	US S&P 500 -4.4%	US S&P 500 31.5%	MSCI Asia ex-Japan 25.4%	US S&P 500 28.7%	UK FTSE All-Share 0.3%	Japan TOPIX 28.3%	US S&P 500 25.0%	MSCI EM 34.4%	MSCI Asia ex-Japan 22.3%	UK FTSE All-Share 3.7%
MSCI EM 37.8%	UK FTSE All-Share -9.5%	MSCI Europe ex-UK 27.5%	MSCI EM 18.7%	MSCI Europe ex-UK 24.4%	Japan TOPIX -2.5%	US S&P 500 26.3%	Japan TOPIX 20.5%	MSCI Asia ex-Japan 33.0%	MSCI EM 20.3%	Japan TOPIX 0.2%
Japan TOPIX 22.2%	MSCI Europe ex-UK -10.6%	UK FTSE All-Share 19.2%	US S&P 500 18.4%	UK FTSE All-Share 18.3%	MSCI Europe ex-UK -12.2%	MSCI Europe ex-UK 17.3%	MSCI Asia ex-Japan 12.5%	Japan TOPIX 25.5%	Japan TOPIX 18.8%	MSCI Europe ex-UK 0.1%
US S&P 500 21.8%	MSCI Asia ex-Japan -14.1%	MSCI EM 18.9%	Japan TOPIX 7.4%	Japan TOPIX 12.7%	US S&P 500 -18.1%	MSCI EM 10.3%	UK FTSE All-Share 9.5%	UK FTSE All-Share 24.0%	MSCI Europe ex-UK 11.8%	US S&P 500 -0.1%
MSCI Europe ex-UK 14.5%	MSCI EM -14.2%	MSCI Asia ex-Japan 18.5%	MSCI Europe ex-UK 2.1%	MSCI EM -2.2%	MSCI Asia ex-Japan -19.4%	UK FTSE All-Share 7.9%	MSCI Europe ex-UK 8.1%	MSCI Europe ex-UK 20.1%	UK FTSE All-Share 11.2%	MSCI EM -3.0%
UK FTSE All-Share 13.1%	Japan TOPIX -16.0%	Japan TOPIX 18.1%	UK FTSE All-Share -9.8%	MSCI Asia ex-Japan -4.5%	MSCI EM -19.7%	MSCI Asia ex-Japan 6.3%	MSCI EM 8.1%	US S&P 500 17.9%	US S&P 500 10.1%	MSCI Asia ex-Japan -3.2%

Source: FTSE, LSEG Datastream, MSCI, S&P Global, TOPIX, J.P. Morgan Asset Management. All indices are total return in local currency, except for MSCI Asia ex-Japan and MSCI EM, which are in US dollars. Past performance is not a reliable indicator of current and future results. Data as of 31 July 2026.

Despite a strong second-quarter earnings season, the S&P 500 was also broadly flat over the month. At the time of writing, 63% of the index has reported, with earnings on track to grow 36% year-on-year. 85% of companies exceeded analysts’ expectations, despite the fact that expectations had already risen going into reporting season, bucking the usual trend. For many of the largest technology companies, simply beating earnings forecasts was not enough to reassure investors. Instead, markets were looking for evidence that continued increases in capex spending in AI would generate an attractive return on investment.

Beneath the surface, earnings growth also remains heavily concentrated. Information technology and communication services accounted for around three-quarters of aggregate S&P 500 earnings growth, while the “Magnificent Seven” continued to outpace the broader market. Some of the headline strength was also flattered by one-off investment gains at several hyperscalers.

The weakest performance came from emerging markets, with the MSCI Emerging Markets Index falling 3.0% and the MSCI Asia ex-Japan Index falling 3.2%. Unlike the US, where AI exposure is concentrated in hyperscalers and software platforms, emerging markets are more heavily exposed to the semiconductor manufacturing supply chain. Concerns surrounding advanced semiconductor technology from China triggered steep sell-offs in SK Hynix (-35%) and Samsung Electronics (-21%), with leveraged single stock ETFs exacerbating the declines. As a result, Taiwan (-5.3%) and South Korea (-17.1%) underperformed, more than offsetting China’s (+9.0%) positive contribution to the index over the month.

Fixed income

Government bond yields moved higher across developed markets as rising energy prices and resilient economic data prompted investors to reassess the outlook for inflation and interest rates. Although the major developed market central banks left policy rates unchanged, a broadly hawkish tone reinforced expectations that interest rates will remain higher for longer, with markets continuing to price in hikes from the major central banks over the next 12 months.

Exhibit 3: Fixed income government bond returns

2019	2020	2021	2022	2023	2024	2025	YTD	Jul '26
Italy 10.6%	Global 9.7%	Japan -0.2%	Japan -5.4%	Italy 9.3%	Italy 5.3%	Global 7.0%	Spain -0.1%	Global -0.2%
Spain 8.3%	UK 8.9%	US -2.3%	US -12.5%	Spain 6.9%	Spain 3.4%	US 6.3%	Germany -0.3%	Japan -0.6%
UK 7.1%	US 8.0%	Germany -2.9%	Global -16.8%	Germany 5.7%	Germany 1.2%	UK 5.0%	Global -0.7%	US -1.1%
US 6.9%	Italy 7.9%	Italy -3.0%	Italy -17.2%	Global 4.3%	US 0.6%	Italy 3.2%	Italy -0.8%	Spain -1.5%
Global 5.6%	Spain 4.3%	Spain -3.0%	Germany -17.4%	US 4.1%	Global -3.1%	Spain 1.6%	US -0.8%	Germany -1.5%
Germany 3.1%	Germany 3.0%	UK -5.3%	Spain -17.5%	UK 3.6%	Japan -3.2%	Germany -0.9%	UK -1.7%	UK -1.7%
Japan 1.7%	Japan -0.8%	Global -5.8%	UK -25.1%	Japan 0.5%	UK -4.0%	Japan -6.2%	Japan -3.5%	Italy -1.7%

Source: Bloomberg, LSEG Datastream, J.P. Morgan Asset Management. All indices are Bloomberg benchmark government indices. Total returns are shown in local currency, except for global, which is in US dollars. Past performance is not a reliable indicator of current and future results. Data as of 31 July 2026.

Japanese government bonds outperformed over the month. However, the headline return masked significant intra-month volatility following government announcements of additional fiscal stimulus, which initially pushed yields higher before the move partially reversed.

Despite the Federal Reserve leaving policy rates unchanged, both two-year and 10-year Treasury yields moved higher over the month as markets repriced the expected path of monetary policy. Although inflation continued to moderate, resilient economics data and higher energy prices reinforced expectations that interest rates and inflation will be higher for longer.

Italy experienced the largest increase in 10-year yields. This did not reflect renewed concerns over Italian public finances. Rather, it largely reflected the fact that Italian government bonds typically move more than core European bonds when investors reprice the outlook for euro area interest rates.

Across fixed income sectors, performance largely reflected differences in duration rather than credit quality. Although high yield spreads widened by more than investment grade spreads over the month, the shorter duration and higher carry of the high yield indices helped cushion the impact of rising government bond yields. By contrast, investment grade credit experienced larger losses. Within investment grade, technology spreads widened relative to the broad index as large debt issuance from the US hyperscalers to fund continued investment in AI infrastructure increased the supply of bonds coming to market.

Exhibit 4: Fixed income sector returns

2019	2020	2021	2022	2023	2024	2025	YTD	Jul '26
EM Debt 14.4%	Global IL 12.7%	US HY 5.3%	US HY -11.2%	US HY 13.5%	Euro HY 8.6%	EM Debt 13.5%	US HY 1.6%	US HY -0.3%
US HY 14.4%	Global IG 10.4%	Euro HY 3.4%	Euro HY -11.7%	Euro HY 11.9%	US HY 8.2%	Global IG 10.3%	Euro HY 1.5%	Euro HY -0.3%
Global IG 11.5%	US Treas. 8.0%	Global IL 2.7%	US Treas. -12.5%	EM Debt 10.5%	EM Debt 5.7%	Global IL 9.1%	EM Debt 1.3%	Global IL -0.4%
Euro HY 10.7%	US HY 6.1%	EM Debt -1.5%	EM Debt -16.5%	Global IG 9.6%	Euro Gov. 1.9%	US HY 8.5%	Global IL -0.1%	Global IG -1.1%
Global IL 8.0%	EM Debt 5.9%	US Treas. -2.3%	Global IG -16.7%	Euro Gov. 7.1%	Global IG 1.1%	US Treas. 6.3%	Euro Gov. -0.5%	US Treas. -1.1%
US Treas. 6.9%	Euro Gov. 5.0%	Global IG -2.9%	Euro Gov. -18.5%	Global IL 5.8%	US Treas. 0.6%	Euro HY 5.3%	US Treas. -0.8%	EM Debt -1.5%
Euro Gov. 6.8%	Euro HY 2.7%	Euro Gov. -3.5%	Global IL -22.9%	US Treas. 4.1%	Global IL -3.7%	Euro Gov. 0.6%	Global IG -0.9%	Euro Gov. -1.7%

Source: Bloomberg, BofA/Merrill Lynch, J.P. Morgan Economic Research, LSEG Datastream, J.P. Morgan Asset Management. Global IL: Bloomberg Global Inflation-Linked; Euro Gov.: Bloomberg Euro Aggregate - Government; US Treas.: Bloomberg US Aggregate Government - Treasury; Global IG: Bloomberg Global Aggregate - Corporate; US HY: BofA/Merrill Lynch US HY Constrained; Euro HY: BofA/Merrill Lynch Euro Non-Financial HY Constrained; EM Debt: J.P. Morgan EMBIG. All indices are total return in local currency, except for EM and global indices, which are in US dollars. Past performance is not a reliable indicator of current and future results. Data as of 31 July 2026.

Conclusion

In summary, July highlighted how quickly markets can pivot between geopolitics and the AI-led investment cycle. A brief oil spike revived inflation concerns and pushed bond yields higher, while equities rotated away from semiconductor companies toward value-oriented sectors such as energy and financials. These differences were also reflected in regional returns, with the UK FTSE All Share and Japanese TOPIX proving relatively resilient and emerging markets underperforming due to their heavier reliance on the semiconductor supply chain. Looking ahead, markets are likely to remain sensitive to both energy-driven inflation risks and the sustainability of AI-related earnings. As we discussed in our Mid-Year Outlook, these risks call for different diversifiers: government bonds remain the most effective protection against a growth slowdown driven by a reversal in AI enthusiasm, while real assets can provide resilience should inflation prove more persistent than expected.

Exhibit 5: Index returns for July 2026

Index	GBP	USD	JPY	EUR	LOC
Equities (MSCI)					
MSCI World Index	-0.9	0.5	-1.5	-0.1	0.2
MSCI USA	-1.4	-0.1	-2.1	-0.7	-0.1
MSCI Europe ex-UK	-0.8	0.6	-1.5	0.0	0.1
MSCI United Kingdom	3.9	5.3	3.2	4.7	3.9
MSCI Japan	-0.4	1.0	-1.0	0.4	-1.0
MSCI AC Asia ex-JP	-4.5	-3.2	-5.1	-3.8	-4.5
MSCI EM Latin America	3.5	4.9	2.8	4.3	3.6
MSCI EM (Emerging Markets)	-4.4	-3.0	-5.0	-3.6	-4.3
Bonds					
Bloomberg Global Aggregate	-1.9	-0.5	-2.6	-1.2	
Bloomberg US Aggregate	-2.7	-1.3	-3.3	-1.9	-1.3
Bloomberg Japan Aggregate	-0.1	1.3	-0.7	0.7	-0.7
Bloomberg UK Aggregate	-1.8	-0.4	-2.4	-1.0	-1.8
Bloomberg Euro Aggregate	-2.2	-0.8	-2.9	-1.5	-1.5
Currencies					
Sterling		1.4	-1.5	0.7	
US dollar	-1.4		-2.0	-0.6	
Yen	1.5	2.1		1.4	
Euro	-0.7	0.6	-1.4		

Source: Bloomberg, LSEG Datastream, MSCI, J.P. Morgan Asset Management. Past performance is not a reliable indicator of current and future results. Data as of 31 July 2026.

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