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CANAVAN'S CORNER

RPJ Market Update

JULY 2026 PERFORMANCE

Equities	Month	YTD	1 Year	3 Year	5 Year	10 Year
S&P 500	-0.1%	10.1%	19.6%	19.3%	12.9%	15.1%
Russell 1000 Value	3.8%	20.7%	31.2%	17.9%	11.8%	11.6%
Russell 1000 Growth	-4.8%	0.3%	8.0%	19.3%	11.9%	17.5%
Russell 2000	-3.0%	18.9%	34.2%	15.1%	7.1%	10.6%
MSCI EAFE	2.0%	11.6%	24.3%	16.0%	9.3%	9.3%

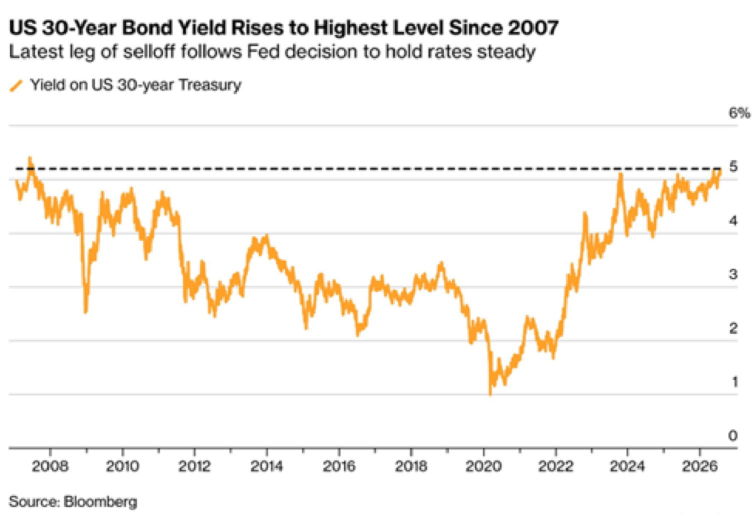
Bonds	Month	YTD	1 Year	3 Year	5 Year	10 Year
Cash	0.3%	2.1%	3.9%	4.7%	3.7%	2.4%
Short-Term Bonds	-0.1%	0.5%	3.0%	4.5%	1.6%	1.9%
Intermediate Bonds	-1.3%	-0.7%	2.7%	3.7%	-0.4%	1.3%
Investment Grade Bonds	-1.7%	-0.8%	2.5%	4.6%	-0.3%	2.3%
HY Bonds	-0.2%	1.7%	5.2%	8.3%	4.0%	5.5%

*Source Morningstar, as of 7/31/26

Stocks took a vacation in July, with the S&P 500 Index finishing the month little changed. But much like a calm day at the beach, the tranquil surface masked powerful undercurrents. Beneath the headline return, diverging asset-class performance, mixed economic data, and persistent geopolitical tensions created a far more turbulent environment than the index alone would suggest.

Much of July's volatility stemmed from renewed hostilities involving Iran, which quickly rippled through global financial markets. Oil prices surged as investors priced in the possibility of supply disruptions, while equities pulled back and bond yields climbed amid heightened uncertainty. Despite the sharp reaction, investors largely viewed the conflict as a near-term risk rather than a lasting shift in the global landscape. Market pricing continues to suggest confidence that diplomacy will ultimately prevail and that the disruption will fade without materially altering the long-term economic or market outlook.

The conflict also reignited inflation concerns, particularly given the Strait of Hormuz's critical role in global energy markets. Inflation has remained above the Federal Reserve's 2% target for 63 consecutive months[1], which Federal Reserve Chair Kevin Warsh has characterized as an unfair "tax on the American people." In light of his previously hawkish stance, many economists expected the Fed to raise interest rates in July to reinforce its commitment to price stability. Instead, policymakers chose to leave rates unchanged. Investors responded by pushing 30-year Treasury yields to their highest level since 2007, signaling growing skepticism about whether the Fed remains fully committed to restoring price stability.



OUR AUTHOR

Jeff Canavan, CFA, joined the firm in 2025 as Director of Investments with over 20 years of experience in the investment industry. He leads efforts in investment due diligence, asset allocation, risk management, and market research. Jeff is dedicated to implementing thoughtful, research-driven strategies designed to support clients in achieving their long-term financial goals.

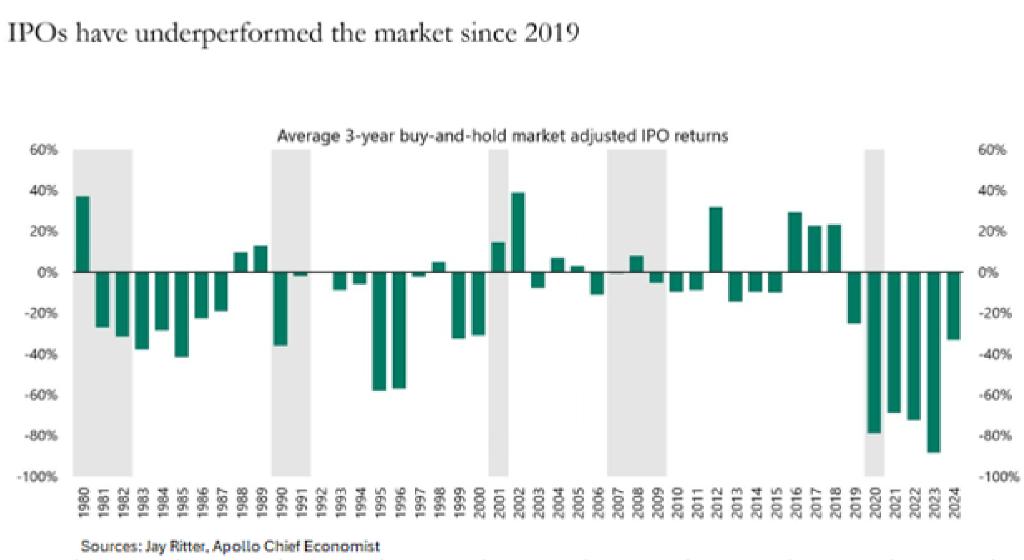
> **"Investors are no longer rewarding companies simply for reporting strong results."**

One welcome source of stability came from corporate earnings. With nearly one-third of S&P 500 companies having reported second-quarter results, more than 86% have exceeded Wall Street expectations, and earnings growth is now on pace to reach 37.9% year over year, according to FactSet. This puts the current reporting season among the strongest in recent memory.[2]

Magnificent 7	YTD
Tesla	-30.8%
Meta	-15.5%
Microsoft	-3.5%
NVIDIA	7.8%
Google	13.8%
Apple	13.8%
Amazon	17.7%

Yet even strong earnings have not been enough to satisfy investors in one of the market's hottest areas: artificial intelligence. After years of outsized gains fueled by AI enthusiasm, expectations have risen to extraordinary levels. Investors are no longer rewarding companies simply for reporting strong results. Instead, they increasingly want proof that massive AI investments will generate durable profits. As a result, many of the market's biggest winners have struggled despite delivering impressive earnings. The Magnificent Seven have collectively posted negative returns year to date, with four of the seven companies trailing the broader S&P 500.

The turbulence has been especially pronounced among semiconductor stocks, many of which have been the biggest beneficiaries of AI spending. After extraordinary gains earlier this year, several high-flying chip companies have surrendered a significant portion of those advances in just a matter of weeks. These sharp reversals illustrate that much of the market's volatility has been concentrated beneath the surface, particularly among companies most closely tied to the AI investment theme. These dramatic swings also contributed to the collapse of the AI-focused hedge fund Situation Awareness, illustrating how quickly leverage and portfolio concentration can magnify losses when investor sentiment shifts.



The unwinding of investor enthusiasm has also been evident in this year's IPO market. One of the year's most anticipated public offerings, SpaceX, surged more than 67% shortly after its IPO[2] before eventually falling below its $135 offering price starting on July 16, 2026. As the chart below illustrates, SpaceX is far from an isolated example. Much of the value creation in recent IPOs has occurred before companies reached the public markets, leaving public investors with more modest returns.

Despite the steady stream of unsettling headlines, the broader market proved remarkably resilient in July, with the S&P 500 finishing within 2% of its 52-week high[2]. Beneath the surface, volatility helped temper some of the AI exuberance while highlighting the strength and resilience of the broader market. July served as a reminder that markets don't always need to move sharply lower to work through excesses.

1. https://fred.stlouisfed.org/
2. https://insight.factset.com/sp-500-earnings-season-update-july-24-2026

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