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US Market Wrap - 30th July 2026

Strong Microsoft earnings allow Tech to rebound

- **SNAPSHOT**: Equities up, Treasuries steepen, Crude down, Dollar down, Gold up
- **REAR VIEW**: US conducts fresh strikes against Iran, Iran says will "punish aggressors today"; Pakistani Foreign Ministry Spokesperson says discussions between Tehran and Washington are ongoing; US Q2 GDP Adv revised lower though investment remains strong; PCE June largely matched expectations, Core PCE M/M slightly soft; US initial claims rose, continued claims fell; MSFT smashes earnings expectations; META profit miss, concerns remain over FCF and spend; Japanese PM will keep market trust by not resorting to debt issuance to fund temporary tax cuts; JPY intervention speculation looms ahead of BoJ rate decision; BoE holds as expected; OpenAI cuts price of GPT-5.6 Luna by 80% and GPT-5.6 Terra by 20%.
- **COMING UP**: **Data:** Japanese Tokyo CPI (Jul), Retail Sales (Jun), Chinese NBS PMIs (Jul), French/Italian/EU Inflation. Flash (Jul), German Unemployment Rate (Jul), Canadian GDP (May), US University of Michigan Final (Jul). **Events:** BoJ Policy Announcement (Jul). **Speakers:** BoJ Governor Ueda; BoE's Pill; Fed's Hammack, Logan, Kashkari. **Supply:** Australia. **Earnings:** AbbVie, Chevron, Credit Agricole, NatWest. **Credit Ratings:** Scope Ratings on Switzerland

MARKET WRAP

US stocks saw a strong rebound from the Wednesday selloff induced by the FOMC meeting/presser, which led to a notable steepening in the Treasury curve. Tech surged over 5%, supported by better-than-expected Microsoft (MSFT +15.5%) earnings (strong Azure & CoPilot growth), leaving shares having their best day in around 18 years. Multiple industries related to AI were gaining today; VanEck Semiconductor ETF (SMH, +6.9%), Roundhill Memory (DRAM +16.7%), Roundhill Mag-7 (MAGS +2.1%), Industrials (XLI +1.0). Samsung Electronics, Lam Research (LRCX), and ARM (ARM) posted earnings beats, helping sentiment in the space. On the flip side, Meta (META) was behind the Communications downside. Profit missed in Q2, with concerns increasing surrounding FCF and increasing spend & expenses. Despite the strong performance, breadth was poor, as seen in the Invesco S&P 500 Equal Weight (RSP) -0.2%.

In FX, the dollar weakness extended in the Fed aftermath. The DXY downside was exacerbated by JPY having its biggest intraday rise since December 2023. USD/JPY saw sharp downside, meaning FX intervention speculation resurfaced. Later, another bout of weakness was seen, with mulitple traders suggesting that the NY Fed carried out rate checks on spot USD/JPY on behalf of the Treasury. All this occurred ahead of the BoJ policy announcement overnight, in which members are expected to hold rates at 1.00%. Meanwhile, GBP was weighed in response to the BoE 's extended hold narrative still being in play (held rates today as expected); also, BoE Governor Bailey pushed back on them heading towards a hike.

Treausries steepened again, led by the continued decline in US 2yr yields, driven by the continued digestion of a shifting Fed approach towards the balance sheet and communication. US data had a muted impact across assets. Briefly recapping, US Q2 GDP Adv revised lower though investment remains strong; PCE June largely matched expectations, Core M/M slightly soft; US initial claims rose and continued claims fell.

Meanwhile, energy prices settled modestly lower as ongoing diplomatic efforts outweighed concerns over the recent exchanges of US-Iran strikes. Iran is continuing to talk with Oman about management of the Strait of Hormuz, while a Pakistan Foreign Ministry spokesperson also said that talks between Tehran and Washington regarding the Strait and de-escalation remain ongoing. That said, the IRGC has reportedly said they will "punish aggressors today" following recent attacks.

US

US PCE: Core PCE rose 0.1% M/M (exp. 0.2%), below what econometricians were forecasting after the CPI and PPI data (the models were looking for 0.2% M/M rounded); the annual rate fell to 3.3% Y/Y (exp. 3.3%, prev. 3.4%). Core PCE Y/Y rose 3.3% (exp. 3.3%, prev. 3.4%). Headline PCE prices declined by -0.1% M/M (exp. -0.1%, prev. 0.4%), leaving the annual rate at 3.7% Y/Y (exp. 3.7%, prev. 4.1%). “June’s very subdued increase in prices for core services ex-housing is a sign of what’s to come, given the ongoing cooling in wage growth,” Pantheon Macroeconomics said “We expect this to reassure the Fed that disinflation is likely to resume soon.”

US GDP: The advanced US GDP data for Q2 printed 1.5% Q/Q (exp. 2.1%, prev. 2.1%), missing consensus expectations, but was in line with the Atlanta Fed’s GDPnow tracking model. Real consumer spending rose by 3.2% Q/Q (exp. 0.4%, prev. 0.5%); core PCE in Q2 rose by 3.4% Q/Q (exp. 3.5%, prev. 4.4%), the price index rose by 6.3% Q/Q (exp. 3.6%, prev. 3.6%), sales rose by 2.2% (exp. 1.4%, prev. 1.9%). While the headline missed expectations, analysts at ING noted that the details highlighted a resilient consumer and ongoing strength in investment, adding that the inflation metrics softened and resulted in a cooling in Fed hike expectations. “We expect cooling housing costs and weak wage growth to help keep inflation in check, with tariff refunds being a major boost to corporate cash flow that mitigates cost pressures elsewhere,” ING wrote, “a de-escalation in the Middle East that yields lower energy prices would also amplify disinflationary trends through the second half of the year,” and as such, the bank thinks that the Fed’s next course of action is a prolonged pause.

CLAIMS: Initial jobless claims rose 197k, shy of the expected 200k (prev. 187k) in the week ending Jul 25th. As a result, the 4-week average fell further to 202.75k from 207.5k. Continuing claims dropped to 1.782mln from 1.796mln despite expectations for an uptick to 1.80mln, while the advance seasonally adjusted insured unemployment rate remained at 1.2%. On an unadjusted basis, initial claims fell 9.2% W/W to 175,573, with seasonal factors having expected a greater decline of 13.3%. Oxford Economics notes that the decent pace of NFP gains amid weak labour-supply conditions should translate into lower continued claims in the weeks ahead.

FIXED INCOME

T-NOTE FUTURES (U6) SETTLED 7+ TICKS LOWER AT 108-17+

Treasury steepen again in Fed fallout. 2-year -3.7bps at 4.229%, 3-year -4.6bps at 4.282%, 5-year -3.7bps at 4.373%, 7-year -3.3bps at 4.514%, 10-year -2.4bps at 4.663%, 20-year -1.8bps at 5.214%, 30-year -0.5bps at 5.207%.

DAY: The curve once again steepened, a consequence of the short-end yields continuing to decline as the market dials back 2026 rate hike expectations. Meanwhile, the long-end was little changed after Wednesday's selloff in response to a lack of forward guidance from Fed Chair Warsh.

Today's developments – US data and geopolitics – had little bearing on price action, which was ultimately driven by the continued fallout of Wednesday's Fed meeting.

Data saw PCE largely match expectations in June, except the Core M/M reading, which printed slightly soft at 0.1% M/M (exp. 0.2%); personal income fell short of expectations, while spending matched forecasts. Meanwhile, advanced GDP Q2 printed 1.5% (vs. exp. and prev. of 2.1%), Core PCE Prices in Q2 came in at 3.4% (exp. 3.5%, prev. 4.4%), initial claims saw a modest rebound, and continued claims fell.

The slight drop in oil prices also gave comfort to the short end, with the US 2yr yield now down to around 4.23% from a WTD 4.339% high. Diplomatic efforts offset concerns today over the latest round of strikes. Pakistani Foreign Ministry Spokesperson said discussions between Tehran and Washington are ongoing regarding the situation in the Strait of Hormuz and de-escalation, Al Jazeera reported.

SUPPLY

Bills

- US sold 4-week bills at a high rate of 3.630%, B/C 2.80x
- US sold 8-week bills at a high rate of 3.675%, B/C 2.74x
- US to sell USD 92bln 13-Week Bills on 3rd August, USD 79bln 26-Week Bills on 3rd August, USD 52bln 52-Week Bills on 4th August, USD 95bln 6-Week Bills on 4th August; all to settle on 6th August

STIRS / OPERATIONS

- **Fed Pricing: 20.1bps (prev. Dec 20.6bps)**
- EFFR at 3.63% (prev. 3.63%), volumes at USD 101bln (prev. USD 106bln) on July 29th
- SOFR at 3.65% (prev. 3.65%), volumes at USD 3.032tln (prev. USD 2.977tln) on July 29th
- NY Fed RRP op demand at 1.076bln (prev. 2.576bln) across 3 counterparties (prev. 5) on July 30th

CRUDE

WTI (U6) SETTLED USD 0.87 LOWER AT USD 83.59/BBL; BRENT (V6) SETTLED USD 1.21 LOWER AT USD 86.88/BBL

Crude futures eased amid reports that Iran is continuing to talk with Oman about management of the Strait of Hormuz, while a Pakistan Foreign Ministry spokesperson also said that talks between Tehran and Washington regarding the Strait and de-escalation remain ongoing. Reports also suggest that transit through the Strait has rebounded, with at least seven ship pairs transferring cargo near Sohar today; two shippers are moving volumes near pre-escalation levels, while ADNOC cargoes delayed for weeks are reaching buyers, Bloomberg said. Still, flows remain below pre-war levels despite US military escorts and resumed regional shipments. Iran's IRGC, however, continues to hold its position that ships may transit if they accept its arrangements. Iran yesterday rejected Oman's joint framework, and proposed sole authority over its side of the Strait of Hormuz, as well as partial control over the southern lane, which would give Iran operational control over inbound and outbound maritime traffic. Today, the IRGC said they will "punish aggressors today" following recent attacks.

Elsewhere, Russia's Ryazan refinery (17mln tonnes annual capacity) halted crude processing after a Ukrainian drone attack on Wednesday, and may remain shut for two weeks; Reuters said that despite the shutdown, it continued offering gasoline and diesel on the St Petersburg International Mercantile Exchange.

And in the North Sea, UK PM Burnham signalled that his government may support new North Sea oil and gas drilling, saying the UK would not "ignore" the UK domestic energy resources. Burnham said he told President Trump that the UK would take a pragmatic approach to the North Sea.

EQUITIES

CLOSES: SPX +1.66% at 7,438, NDX +3.36% at 28,106, DJI +1.19% at 52,213, RUT +1.37% at 2,946

SECTORS: Communication Services -2.52%, Consumer Staples -2.24%, Health -1.65%, Real Estate -1.23%, Utilities -0.53%, Materials +0.21%, Energy +0.52%, Financials +0.59%, Industrials +1.00%, Consumer Discretionary +1.57%, Technology +5.24%.

EUROPEAN CLOSES: Euro Stoxx 50 +1.48% at 6,341, Dax 40 +0.45% at 25,575, FTSE 100 -0.10% at 10,897, CAC 40 +0.92% at 8,486, FTSE MIB +1.29% at 52,104, IBEX 35 +1.78% at 19,758, PSI +1.07% at 9,146, SMI -0.56% at 14,405, AEX +1.06% at 1,105.

STOCK SPECIFICS

- **Microsoft (MSFT):** Reported strong earnings w/ accelerating growth in Azure and Copilot
- **Meta (META):** Q2 EPS missed; concerns over increased spending, expenses and lower free cash flow remain.
- **TSMC (TSM)** said to be developing AI Chip packaging tech to counter Intel (INTC), The Information reports; effort at an early stage, unclear when it will reach commercial production.
- **Qualcomm (QCOM):** Q3 profit miss while next quarter guidance includes a data centre miss.

- **Arm (ARM):** Earnings and guidance beat offsets concerns over lower 2027 royalty growth expectations amid incremental Android weakness.
- **Fortinet (FTNT):** Q2 results beat expectations; raised outlook.
- **Mastercard (MA):** Q2 profit & rev. beat.
- **Lam Research (LRCX):** Q4 results beat expectations w/ stronger-than-expected Q1 guidance.
- **Starbucks (SBUX):** Q3 top and bottom line beat, w/stronger-than-expected FY26 guidance.
- **Carvana (CVNA):** Gave weaker-than-expected 2H adjusted EBITDA guidance.
- **Bloom Energy (BE):** Upgraded at Mizuho to 'Outperform' from 'Neutral'.
- **OpenAI** cuts price of GPT-5.6 luna by 80% and GPT-5.6 Terra by 20%.
- Banks in talks to lend USD 15bln for Anthropic data centre backed by **Google (GOOGL),** WSJ reports; would use TPU chips.
- Hunterbrook publishes negative piece on **Bloom Energy (BE).**

FX

USD: The USD was little changed after core PCE inflation metrics for June and Q2 GDP came in beneath expectations. Markets also continued to digest Wednesday's FOMC meeting, and the subsequent press conference from Chair Warsh, who failed to offer any new information. In the wake of the meeting, the short-end of the curve saw yields lower, while longer-end yields picked up. Analysts explained the action by noting that Warsh's comments implied that there may be more focus on making balance sheet policy more active (trimming the balance sheet, sending long-end yields higher), which could mean there is less reliance on the FFR target as the primary policy tool (which could help soften shorter-dated yields, particularly since some of the hawkish expectations going into the meeting were left disappointed). However, the main driving force behind the Buck weakness today was the sharp upside of the JPY (see below).

JPY: The JPY surged, seeing its biggest intraday rise since December 2023, without any headline catalysts, fuelling speculation of intervention, though this has not been officially confirmed. The rise follows recent warnings from officials, who have said that action can be taken to support the currency. Overnight, FinMin Katayama reiterated a readiness to take action, and the government has said that the yen's weakness was harming the economy through higher import costs. Today's sharp price action came after weak US data (PCE and GDP were below expectations), and ahead of the BoJ's policy decision overnight, where the central bank is expected to keep rates unchanged at 1.00%; these expectations for a pause follow a hike at the last meeting, and traders will be focused on the statement and latest Outlook Report forecasts. In the later part of the US day, traders also suggested that the NY Fed carried out rate checks on spot USDJPY on behalf of the Treasury.

GBP: The pound softened after the BoE held rates at 3.75%, erasing earlier gains in the wake of the meeting, as Gilts rallied, with 2yr yields seeing sharp downside; markets lowered expectations of future tightening by year-end to around 32bps (from around 38bps), while the implied chance of a September hike fell below 40% (vs over 60%). The MPC voted 6-3 (exp. 7-2) to keep rates steady, though the messaging was dovish: officials saw clear signs of easing domestic inflation pressure, and little evidence that the energy shock was feeding into wages or broader prices. Additionally, Governor Bailey stressed that it was not edging towards a rate rise. After the meeting, the pound saw upside after sharp moves lower in USDJPY, which weakened the USD vs peers.

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