MONTHLY MARKET UPDATE

JULY 2026

If June was defined by a war winding down, July reminded us that things can unwind just as quickly. The month brought a ceasefire collapse, a earnings season that asked hard questions about big tech spending, a Fed holding firm with growing dissent in the room, and a SARB that surprised nearly everyone. Markets ended the month roughly where they started but the journey was anything but smooth.

THE CEASEFIRE THAT DIDN'T HOLD:

The ink was barely dry on the Versailles memorandum when things came apart again. On 8 July, at the NATO summit in Ankara, President Trump declared the ceasefire with Iran "over" after Iranian forces attacked three commercial vessels in the Strait of Hormuz. "I don't want to deal with them anymore," he told reporters. Brent crude spiked back above $78 a barrel on the day, wiping out a significant portion of the post-ceasefire oil price decline. US strikes on Iranian targets followed, and Trump floated reimposing the naval blockade and seizing Kharg Island, Iran's main crude export hub.

The flare-up was short-lived in military terms but the effect on markets was immediate and instructive. Oil spent most of July in a volatile range, ending the month roughly 20% higher than where it started – unsettling given that markets had already begun pricing in a more benign energy outlook. The broader message for investors is one we keep returning to: the path from conflict to stable peace in the Persian Gulf is rarely linear, and the oil risk premium is not gone, merely in flux. Despite the volatility, diplomatic channels remained open throughout, and Iran's parliament ultimately did ratify the memorandum, providing some floor to confidence that a full resumption of hostilities remains the tail scenario rather than the base case.

US INFLATION COOPERATES – BRIEFLY:

The most encouraging number of the month arrived on 14 July.

3.5%
US CPI (YoY)
(June 2026)

US headline CPI for June came in at 3.5% year-on-year, below the consensus forecast of 3.8%, with the monthly reading falling 0.4% – the sharpest single-month decline since April 2020.

The drop was almost entirely driven by energy, as the early benefit of lower oil prices following the original ceasefire washed through the numbers. Core CPI held steady at 2.6% year-on-year.

Markets responded positively to the print and rate cut expectations briefly crept back into pricing. But the enthusiasm was tempered by the knowledge that July's inflation numbers would almost certainly capture the renewed oil spike from the ceasefire collapse – meaning this soft print may represent the low-water mark for US inflation rather than the start of a sustained downtrend.

THE FED HOLDS, BUT IT'S NOT COMFORTABLE:

The Federal Open Market Committee met on 29 July and voted 9-3 to hold the federal funds rate steady at

3.50–3.75%
INTEREST RATE

for the fifth consecutive meeting. The three dissenters – Cleveland Fed President Beth Hammack, Minneapolis Fed President Neel Kashkari, and Dallas Fed President Lorie Logan – all wanted to hike, citing inflation that has remained above the Fed's 2% target for over five years. That level of dissent is a meaningful signal about where the committee's internal temperature sits.

Chair Warsh pushed back on the characterisation of the decision as a "pause," describing it instead as a "rigorous review of the economic situation." He remained deliberately vague on forward guidance, consistent with his stated preference for keeping markets off-balance. What markets do know is that September's meeting is live, with current pricing reflecting two 25-basis-point hikes before year-end. The next major policy signal will come at Jackson Hole in August, where Warsh is expected to speak. Investors will be parsing every word.

EARNINGS SEASON: THE AI CAPEX RECKONING:

July brought the peak of Q2 earnings season, and while the headline numbers were strong – S&P 500 blended earnings growth came in at 47.4% year-on-year, with 86% of reporting companies beating estimates – the real story was underneath. Five of the Magnificent Seven reported in the final week of the month, and the market's reaction split sharply along one fault line: can these companies generate enough cash to fund what they are spending on artificial intelligence?

Alphabet reported first on 22 July.
Google Cloud revenue grew 82% year-on-year – an extraordinary number – but the company simultaneously raised full-year capital expenditure guidance to as much as $205 billion and disclosed that free cash flow turned negative in the quarter for the first time since its 2004 IPO. The stock fell more than 7% the following day. Tesla, reporting the same evening, also generated negative free cash flow amid accelerated spending on AI infrastructure, robotaxis, and battery capacity.

Microsoft and Amazon fared better. Microsoft's Azure cloud revenue beat expectations and shares rose roughly 3%, while Amazon jumped 15% after reporting strong cloud growth that investors judged sufficient to justify the spending. Meta told a different story: revenue grew 28% to $60.8 billion, but earnings per share missed estimates by almost 14%, free cash flow collapsed 91% to just $784 million, and the company raised full-year capex guidance to between $130 and $145 billion. The stock fell nearly 10% after hours. Apple missed on services revenue and fell around 7%.

The combined AI capital expenditure planned by Amazon, Google, Meta, and Microsoft alone now stands at roughly $725 billion for 2026, up 77% from 2025. The market's verdict is increasingly clear: revenue must be seen to be keeping pace with investment, or investors will reprice. The AI trade is not over – it is maturing into something that demands accountability.

82%

Google Cloud revenue growth (YoY)

Alphabet reported first on 22 July.
The company simultaneously raised full-year capital expenditure guidance to as much as $205 billion and disclosed that free cash flow turned negative in the quarter for the first time since its 2004 IPO. The stock fell more than 7% the following day.

Tesla, reporting the same evening, also generated negative free cash flow amid accelerated spending on AI infrastructure, robotaxis, and battery capacity.

Microsoft and Amazon fared better.
Microsoft's Azure cloud revenue beat expectations and shares rose roughly 3%, while Amazon jumped 15% after reporting strong cloud growth that investors judged sufficient to justify the spending. Meta told a different story: revenue grew 28% to $60.8 billion, but earnings per share missed estimates by almost 14%, free cash flow collapsed 91% to just $784 million, and the company raised full-year capex guidance to between $130 and $145 billion. The stock fell nearly 10% after hours. Apple missed on services revenue and fell around 7%.

The combined AI capital expenditure planned by Amazon, Google, Meta, and Microsoft alone now stands at roughly $725 billion for 2026, up 77% from 2025. The market's verdict is increasingly clear: revenue must be seen to be keeping pace with investment, or investors will reprice. The AI trade is not over – it is maturing into something that demands accountability.

CLOSER TO HOME

SARB HOLDS REPO RATE
23 July 2026

7%

in a 4-2 vote. The surprise was not the outcome – it was the timing.

INFLATION ACCELERATED
22 July 2026

5.0%
Headline CPI
(Highest since mid-2024)

Well above the consensus forecast of 4.7%

FUEL PRICES

34.3%
Higher (YoY)

Iran conflict continued to flow through petrol and diesel costs.

50.8%
DIESEL PRICES
Over the same period.

With that backdrop, many market participants had positioned for another hike. The SARB's decision to hold caught markets off guard, and the rand sold off toward R17 per dollar in the immediate aftermath. Kganyago acknowledged upside risks to inflation but argued that the previous month's hike had left policy "somewhat restrictive" and that the outlook warranted caution rather than further tightening. Two MPC members disagreed and voted to hike. The SARB's next meeting is 23 September, and the September inflation print – which will capture the full effect of July's renewed oil volatility – will be decisive.

RAND / USD
R 17.00

The rand's journey through July was a story of two crosscurrents: early support from the softer US CPI print and diplomatic optimism, then renewed pressure from the ceasefire collapse and the SARB hold surprise.

JSE ALL SHARE INDEX

The JSE had a similarly mixed month. The early recovery off June lows – the index had climbed back toward 111,500 – was interrupted by the July 8 ceasefire collapse and the resulting oil spike, which weighed on consumer and industrial names. Precious metal miners remained under pressure as gold continued its corrective phase, though the metal showed signs of stabilising in the high $4,000s as the month progressed and central bank buying continued at pace.

What we're watching into *August*

1

Jackson Hole:
Warsh's speech in late August will be the Fed's next meaningful communication, and markets will be looking for any indication that September's meeting tilts toward a hike.

2

July inflation data from both the US and South Africa, both due in August – the US CPI release on 12 August will capture the renewed oil spike and could reassert the hawkish narrative if it comes in hot.

3

Iran situation:
The ceasefire framework remains technically intact at the diplomatic level even as military incidents continue, and any material escalation or genuine de-escalation will reset the oil price and inflation outlook almost overnight.

For now, July felt like a month where markets did a lot of work to end up roughly where they began – the S&P 500 slipped 0.1% and the Nasdaq declined 3.2% for the month.

The underlying currents, though, shifted meaningfully. The AI spending story is under new scrutiny. The Fed's hawks are louder. And the Middle East has reminded everyone, once again, that resolved is not the same as stable.

Until next time,

Van Zyl du Preez

Director | Chief Investment Officer