

Aptus July 2026 3-Pointers Highlights

Market Overview

July proved to be a choppy month that ultimately finished on a strong note as equity markets demonstrated a healthy rotation. The S&P 500 finished essentially flat overall, even as tech-heavy growth faced sentiment headwinds. The NASDAQ experienced a 6.6% pullback during July, driven by an unwinding of over-leveraged positioning in the memory wall space. Meanwhile, overall market participation broadened meaningfully, with the percentage of S&P 500 constituents trading above their 200-day moving average rising to 73%.

AI Trade, Concentration, and Rotation

Exuberance in memory-related semiconductor names, including Micron, SanDisk, and Western Digital, faced a sharp mid-summer consolidation. Despite the July pullback, major semiconductor and memory names remain up ~22% year-to-date, far outperforming the broader market. Capital flows demonstrated that an AI trade consolidation does not mean an index-level collapse, as capital passed the baton to broader market sectors. High individual stock dispersion was accompanied by a low market-wide VIX around 15, signaling low systemic fear alongside healthy single-stock stock-picking opportunities.

Hyperscaler Earnings and Fundamentals

S&P 500 Q2 corporate earnings season delivered exceptionally strong results, with aggregate quarterly earnings expanding 25% year-over-year. Hyperscalers continued to demonstrate tangible revenue and margin return on their massive capital expenditure investments. Google Cloud revenue surged 82% year-over-year, Microsoft Azure grew 42% alongside 30 million Copilot seats, and Amazon Web Services (AWS) accelerated to 39% top-line growth with expanding operating margins. Strong economic profitability among core large-cap constituent businesses continues to support long-term equity valuations.

Fixed Income, Rates, and Fiscal Policy

Aggregate fixed income registered another soft month given rising yields, while high-yield credit remained nearly flat, showing no signs of broad corporate default fear. The yield curve steepened as the 30-year Treasury yield rose to between 5.2% and 5.3%, touching its highest level since 2007. Long-term interest rates remain elevated primarily due to fiscal deficit pressures (projected at 5% to 6% of GDP) rather than runaway near-term monetary inflation. With nominal GDP expanding at



an annualized 7.9% clip, equity earnings benefit directly from nominal growth environments while traditional long-duration bonds face purchasing power drag.

Federal Reserve Transition and Policy Outlook

Incoming Fed Chair Kevin Warsh conducted his second press conference, ushering in a shift toward reduced forward guidance and encouraging independent committee dissent. Warsh's "talk less, think more" philosophy signals a transition away from spoon-fed market rules toward a more dynamic, free-market regime. True underlying inflation remains well-anchored once transient oil price volatility driven by the Iran conflict is stripped out. Structural Fed policy rates and the neutral rate remain higher than in the previous economic cycle, requiring advisors to rethink traditional asset allocations and fixed-income dependencies.

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