MONTHLY MARKET UPDATE | JULY 2026

Volatility Becoming the Norm

Information contained in this report current as at 17 August 2026.

paragem GPS Wealth Count

The concern that rising memory-chip prices could slow the huge data centre spending by the technology companies like Google, Amazon and Microsoft, caused volatility in global share markets in July as too did the ongoing conflict in Iran which saw Brent crude rise by 24%. The US 30-year government bond yield climbed to 5.18%, its highest in almost twenty years on the back of inflation concerns and opaque messaging from the head of the Federal Reserve on the direction of interest rates. In the US, the Nasdaq index, which is heavily weighted to technology companies decreased by -3.10% whilst the broader S&P 500 index ended relatively flat. Other developed markets performed well with the UK's FTSE 100 increasing 3.5% and the Australian share market finishing 2.2% higher over the month of July.

The Australian share market was supported by softer inflation data, resilient corporate profits and a firmer currency. The cash rate was left unchanged at 4.35% for a second consecutive meeting by the Reserve Bank of Australia (RBA). This was in line with consensus after three hikes earlier this year. Whilst updated forecasts by the RBA indicated lower inflation and a higher unemployment rate, Governor Bullock struck a hawkish tone in the press conference, saying that inflation risks remain skewed to the upside and that further tightening is still on the table. Underlying inflation edged up to 3.6% from 3.5% over the year. This undershot consensus expectations and the RBA's own forecast but remains well above the 2%-3% preferred range.

Housing remains the largest contributor to inflation however home prices have started to cool as financial conditions tighten and the implications of tax changes take hold. National home price growth has rapidly lost momentum. Investor mortgage applications have fallen circa. 30% following the budget because established properties have lost their immediate tax-shelter appeal. Investors have stepped back, taking significant heat out of residential auctions. The NAB Business Survey shows capacity pressures cooling and the labour market still tight. Labour market data showed unemployment holding steady at 4.4%, with employment rising stronger than analysts expected.

The US economy has cooled at the margin and with inflation slowing, it suggests that the Federal Reserve has time on its side when it comes to moving interest rates. Both the services and manufacturing Institute of Supply Management (ISM) reports are consistent with a Goldilocks GDP growth rate of 2.5%. However, they also suggest that there is a lack of appetite to hire workers. This was backed up by the actual employment report for July which was surprisingly weak. Payrolls fell 23 thousand while there were 103 thousand of downward revisions to the past two months' data. The unemployment rate fell to 4.1% from 4.2%, however this was

Emmanuel Calligeris
Chief Investment Officer

because unemployed people left the workforce entirely. Average hourly earnings growth slowed to just 3.2% year-on-year from 3.5%.

In Japan, economic data have strengthened, with activity indicators surprising to the upside and inflation pressures becoming more visible. Tokyo core CPI, a timely lead indicator for national inflation, accelerated to 1.9% in July from 1.6% in June and exceeded market expectations of 1.7%. The Bank of Japan's (BoJ) preferred core-core measure also rose to 2.0% from 1.9%. The inflation impulse is being reinforced by higher imported energy and food costs, a materially weaker yen and a tight labour market, while market pricing increasingly reflects the risk that inflation expectations remain above the BoJ's 2% target. The BoJ will likely retain a tightening bias, even if an immediate hike is not on the cards. At its July meeting the Bank kept the overnight call rate at 1.0% but warned that core inflation could move clearly above 2% from the second half of 2026. Until the Bank signals that it wants to bring forward tightening, the cost of policy patience is likely to be further yen weakness. Japan's Ministry of Finance and the US Treasury jointly intervened to stop the yen from falling in August. With policy rates still likely to move higher over the next few years, Japanese bonds remain vulnerable to rising inflation expectations, firmer core inflation and any shift in the Bank's communication toward a faster interest rate normalisation path.

China's economy entered August 2026 with momentum slowing but not stalling. Real GDP growth eased to 4.3% year-on-year in the June quarter, leaving first-half growth at about 4.7%. The expansion remains supported by advanced manufacturing, technology investment and resilient exports, particularly linked to electronics and the global AI cycle. However, domestic demand is still soft. Consumers remain cautious, labour-market slack persists, and the property sector continues to weigh on household wealth, local-government revenue and fixed-asset investment. Inflation has moved off its lows, with the July CPI 0.5%, but underlying price pressure remains subdued, reflecting excess capacity and weak pricing power. Policymakers have relied on targeted fiscal support, faster implementation of existing measures and accommodative monetary settings rather than broad-based stimulus. The outlook is for growth near 4.4%–4.7% in 2026, with risks centred on property weakness, trade tensions and the durability of household consumption.

Within the US share market, Cognizant Technology Solutions was the standout performer, rising roughly 43% after reporting stronger profits, margin expansion and upgraded full-year guidance helped ease concerns that generative AI would erode demand for IT services. Accenture and EPAM Systems also rebounded strongly from depressed levels, although the moves reflected a re-rating of heavily sold-down consulting and technology services names rather than a clear improvement in fundamentals, with questions around revenue growth and discretionary IT spending still unresolved. Other reported outperformers included PayPal, Workday and Willis Towers Watson, supported by earnings resilience and improving business outlooks. The largest drag came from mega-cap AI infrastructure and semiconductor-related stocks. Micron Technology fell 29%, while the broader semiconductor complex suffered heavy losses as investors questioned near-term returns on AI capital expenditure. Information technology and communication services lagged, with pressure also evident across industrials, utilities and materials. Overall, July was less about broad market weakness and more about leadership rotation: market breadth improved, but weakness in the largest AI and chip-related names was enough to pull the cap-weighted S&P 500 marginally into negative territory.

The Australian share market increase reflected a constructive domestic equity backdrop however leadership was selective. Energy (+12.0%) was the best-performing sector over the month, led by Ampol (+21.2%) and Woodside Energy (+16.8%) while Info Tech (-4.7%), dragged down by NEXTDC (-8.3%) and Life360 (-3.9%), underperformed the broader market. At a stock level, the best performers included AMP (+33.9%), Ampol (+21.2%) and South32 (+17.1%) while Liontown (-42.7%), Lynas Rare Earths (-21.9%) and Pro Medicus (-20.2%) were amongst the biggest laggards. The materials sector fell as iron ore declined on persistent Chinese demand concerns and the fading of earlier supply-disruption premiums, while gold also retreated as higher global yields weighed. Small and mid-cap companies continue to trade at a valuation discount to large caps, partly reflecting the index concentration and reduced price discovery outside the largest names.

Continuing from last month, the key message remains that markets have become more comfortable looking through geopolitical uncertainty for now, however the global outlook remains fragile. Inflation pressures remain too high for central banks to declare victory. For investors, the combination of resilient equity markets, elevated inflation and ongoing geopolitical risk suggests that volatility is likely to remain a feature of markets through the remainder of 2026.

Returns 31st July 2026

ASSET CLASS RETURNS ARE BASED ON

Australian Cash
RBA Bank accepted Bills 90 Days

Australian Bonds
Bloomberg AusBond Composite 0+Y TR AUD

International Bonds Hedged
Bloomberg Global Aggregate TR Hdg AUD

Australian Listed Property
S&P/ASX 200 A-REIT TR

International Property Hedged
FTSE EPRA/Nareit Dv REITS TR Hdg AUD

Australian Shares
S&P/ASX 200 TR AUD

Emerging Market Shares
MSCI EM NR AUD

International Shares
MSCI World Ex Australia NR AUD

RETURNS TO THE 31ST JULY 2026

	1 month	3 months	6 months	1 year	3 years	5 years	7 years	10 years
Australian Cash	0.37	1.10	2.11	3.97	4.15	3.25	2.55	2.22
Australian Bonds	-0.43	2.15	1.64	1.12	3.65	-0.07	0.14	1.65
International Bonds Hedged	-0.94	0.16	0.02	2.13	3.37	-0.46	-0.11	1.25
Australian Listed Property	-0.07	4.67	-2.65	-5.41	10.15	5.59	4.96	5.17
International Property Hedged	2.46	5.59	12.49	19.30	9.44	2.54	4.19	3.67
Australian Shares	2.26	4.13	2.86	6.01	10.40	8.01	9.17	9.02
Emerging Market Shares	-4.39	7.30	9.99	25.07	17.69	9.01	9.33	10.06
International Shares	-0.92	6.83	7.59	10.45	16.63	12.28	13.85	13.72

CONTACT

Level 11, 45 Clarence Street
Sydney NSW 2000

+61 2 8074 8599

research@count.au

GPS Wealth paragem Count