

Weekly Market Analysis

Vital Quantitative Research, LLC | Subscriber's Weekly Market Report

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Market at a Glance: Week of July 27–August 1, 2026

Index / Asset	Close (Fri. Aug 1)	Week Change	Context
S&P 500	7,489.72	+1.0%	Weekly gain despite volatile mid-wk. drop
Nasdaq Composite	25,373.85	+1.6%	Amazon +15% led Fri. surge; Meta dragged
Dow Jones Industrials	52,485.03	+0.3%	July: 4th straight monthly gain (+0.3%)
Russell 2000	~2,975	+1.4%	Small-caps recovered Thu.–Fri.
CBOE VIX	~18–20	Volatile	Spiked Wed. on Fed; eased Fri. on Amazon
10-Yr Treasury Yield	4.70%+	+~30 bps on mo.	Highest since Jan. 2025; bond mkt. rattled
30-Yr Treasury Yield	~5.21–5.25%	Near 19-yr. high	Warsh hold drew 3 dissents; mkt. skeptical
Brent Crude Oil	~\$96–\$99	Still elevated	Iran war re-escalation offset Pak. talks
Q2 2026 GDP	+1.5% annualized	Below 1.8% est.	Slowdown from Q1's +2.1%
June Core PCE	+3.4% annualized (Q2)	Above 2% target	Monthly: goods down, services flat

Note: July closed as the second consecutive slightly negative month for the S&P 500 (–0.1% on the month) and Nasdaq (–3.2%). The Dow bucked the trend, adding 0.3% in July for its fourth straight monthly gain. The S&P 500 Equal Weight Index notched a fresh all-time high during the week, signaling improved underlying breadth.

Executive Summary

A week packed with the most consequential economic and corporate data of 2026 produced a volatile but ultimately positive outcome for equities. The S&P 500 gained 1.0% on the week, the Nasdaq added 1.6%, and the Dow edged up 0.3% — all indices recovering from sharp Wednesday losses to finish meaningfully higher by Friday's close. The recovery was powered primarily by Amazon's blockbuster AWS earnings report, which sent the stock surging more than 15% on Friday and reignited the AI cloud demand narrative after several weeks of investor skepticism. The S&P 500 Equal Weight Index hit a fresh all-time high during the week, an encouraging signal that market breadth is improving beneath the cap-weighted index's volatile surface.

The week's dominant macro event, however, was not any single earnings report but rather the collision of a divided Federal Reserve, a stagflationary GDP/PCE data combination, and a bond market that has lost confidence in the Fed's ability to contain inflation without acting. Wednesday's FOMC decision — a 9-3 hold at 3.50–3.75% with three dissents demanding a hike — sent the 30-year Treasury yield surging to 5.21%, its highest level since 2007, as

markets concluded that Chair Warsh's deliberate opacity on the policy path, combined with a GDP report showing slowing growth and accelerating headline inflation, creates a genuine stagflationary risk that the Fed does not yet have a clear answer for. September is now widely expected to bring the first rate hike of the current cycle.

The Fed's Divided Hold: A Bond Market Left Scratching Its Head

Wednesday's FOMC decision was the week's most consequential event. The committee voted 9-3 to hold the federal funds rate at 3.50–3.75% — the second straight hold under Chair Kevin Warsh — but the three dissenting votes from the presidents of the Cleveland, Dallas, and Minneapolis Federal Reserve Banks, all demanding an immediate 25-basis-point hike, represented the most significant internal division at the FOMC in years. The post-meeting statement was nearly identical to June's, short and deliberately non-committal, noting that “economic activity is expanding at a solid pace despite elevated uncertainty that owes, in part, to the conflict in the Middle East.”

Warsh's press conference deepened rather than resolved market uncertainty. He pledged that the Fed “will not hesitate to act” on inflation if necessary, but simultaneously announced that the Fed under his leadership will no longer provide forward guidance or rolling rate forecasts — it will instead “observe market reaction to developments direct and unfiltered.” He notably welcomed the sharp rise in long-term Treasury yields since the June meeting, framing it as markets appropriately pricing economic conditions rather than Fed signaling. The bond market's response was blunt: the 30-year yield surged 12 basis points to 5.21% on Wednesday — its highest since 2007 — and the 10-year yield climbed to 4.68%, while the 2-year note actually fell 4 basis points, reflecting the market's read that the near-term outlook is uncertain but the long-run inflation risk is real and rising.

“It's hard to know what to make of Warsh's remarks, which involved a lot of well-turned phrases but little in the way of a coherent macro view.”

— Michael Feroli, Chief U.S. Economist, J.P. Morgan

The consensus among rate strategists hardened quickly around September as the likely date for the first rate hike. Omair Sharif of Inflation Insights put it plainly: “At this stage, I think we should expect the FOMC to hike rates by 25 basis points in September unless the labor market data collapses, or core inflation prints closer to 2% annualized, which I do not expect.” With both the July CPI (August 12) and July payrolls (August 7) still outstanding, the September decision remains data-dependent — but the direction of travel is now widely understood.

GDP and PCE: A Stagflationary Data Print

Thursday's dual release from the Bureau of Economic Analysis painted a genuinely challenging picture. The advance estimate of Q2 2026 real GDP growth came in at 1.5% annualized — down from 2.1% in Q1 and below the 1.8% Wall Street Journal consensus estimate. The shortfall was driven primarily by a decline in federal government spending and a drawdown in private inventories; consumer spending, investment, and exports all contributed positively, suggesting the private economy retained meaningful momentum even as growth decelerated. Gross private domestic investment rose 0.5% and exports also increased 0.5%, while imports — which subtract from GDP — declined 1.5%.

The inflation data embedded in the GDP release compounded the difficulty. The headline PCE price index surged 5.1% at an annualized quarterly rate in Q2 — up from 4.6% in Q1 and the second consecutive quarterly acceleration — driven overwhelmingly by the energy price shock from the Iran conflict. Core PCE (excluding food and energy), which the Fed weights most heavily for policy purposes, told a more constructive story: it decelerated to 3.4% in Q2 from 4.4% in Q1, reflecting that underlying non-energy inflation pressures are easing. For June specifically, goods prices declined 0.6% and services rose just 0.1%, while housing inflation moderated to just a 0.2% gain. The monthly June core PCE reading was broadly in line with the favorable CPI print from two weeks prior.

“Inflation was already running well above the Fed’s 2% target; it got worse, not better — though the core measure, which strips out volatile food and energy prices, actually cooled. This is one of the more encouraging threads in an otherwise mixed report.”

— Wichita Liberty Policy Institute, GDP Analysis, July 30, 2026

The Big Tech Earnings Scorecard: Cloud Wins, Capex Divides

The week delivered the five remaining Magnificent Seven earnings reports, and the market’s verdicts were sharply divergent — split not by revenue growth, which was universally strong, but by a single variable: whether the company’s AI capital expenditure commitments appeared justified by demonstrated supply constraints and cloud revenue momentum.

Microsoft was the week’s clearest winner. Reporting Tuesday evening, the company posted fiscal Q4 2026 revenue of approximately \$91 billion with Azure cloud revenue growth of 43% year-over-year — above consensus — and delivered the line that markets had been waiting to hear: “Azure demand is greater than supply.” Capex came in right on guidance, and the market deemed the spend fully justified. Microsoft shares surged 8.1% in after-hours trading, crossing back above their 200-day moving average for the first time since May.

Meta reported simultaneously with Microsoft and drew the opposite reaction. Revenue grew 28% year-over-year to \$60.8 billion — a strong result — but CFO Susan Li declined to provide 2027 capex guidance, calling infrastructure planning “highly dynamic.” That lack of visibility spooked investors, and Meta fell roughly 8% in after-hours. Amazon, reporting Thursday evening, delivered the week’s most impactful number: AWS revenue of \$42.2 billion, up 37% year-over-year — the unit’s fastest growth in 18 quarters and far above the 31.6% consensus estimate. Operating income at AWS reached \$16.6 billion at a 39.4% margin. Amazon raised its full-year capex guidance to \$220 billion and CEO Andy Jassy declared AWS “booming.” The stock surged 15% on Friday, single-handedly rescuing the week’s market performance.

Apple missed on two fronts that mattered: Greater China revenue of \$18.8 billion fell short of the \$19.6 billion expected, and high-margin Services revenue of \$30.74 billion missed by roughly \$500 million. CEO Tim Cook noted that Mac and iPad prices will increase due to a global memory shortage and that iPhone pricing may also rise, adding a new tariff and supply-constraint narrative to an already complex setup. Apple fell 3–4% after hours despite record fiscal Q3 revenue of \$109.42 billion. Apple briefly became the world’s most valuable publicly traded company earlier in the week, surpassing Nvidia, before giving back that distinction on Friday.

1. July Employment Report (Friday, August 7)

The July nonfarm payrolls report is the week's most consequential scheduled data release and will be the single most important input into the Fed's September rate decision. June's 57,000 print was the weakest in months; a rebound toward or above 100,000 would strengthen the case for a September hike, particularly given the inflationary backdrop. A second consecutive weak reading — especially if accompanied by further downward revisions to prior months — could give the three hawkish FOMC dissenters pause, and would be broadly supportive of equities and bonds alike. The unemployment rate and average hourly earnings will also be closely watched.

2. Iran: Diplomatic Momentum and Oil Prices

Pakistan's active intermediary role and China's reported encouragement of a fresh diplomatic initiative remain the most powerful potential catalyst for oil price relief. Brent crude ending the week near \$96–99 remains a significant inflationary headwind; a return below \$80 on a durable peace framework would materially change the Fed's calculus on September. Conversely, any further Houthi attacks on Red Sea shipping or U.S. strikes on Iranian targets would quickly push Brent back toward \$105+ and accelerate the September hike timeline. Weekend geopolitical news flow is the most important variable for Monday's market open.

3. Fed Dissenter Commentary

With the FOMC blackout period now lifted, the three dissenting regional presidents — Hammack (Cleveland), Logan (Dallas), and Kashkari (Minneapolis) — are free to speak beginning Friday. Their public remarks in the week ahead will provide the clearest signal yet of what conditions the hawkish minority believes would justify moving on rates at the September meeting. Any coordinated messaging reinforcing the case for a September hike could push Treasury yields higher and weigh on rate-sensitive equities.

4. July CPI (Wednesday, August 12) — On the Horizon

Though it falls in the following week, the July CPI report — scheduled for Wednesday, August 12 — looms over all near-term market positioning. It will be the last major inflation reading before the September FOMC decision and will reflect the full impact of July's renewed Iran-driven oil price surge, which pushed Brent back above \$100 intraweek. A hot July CPI would make a September rate hike nearly certain; a softer reading would reopen the debate. The week ahead's trading will likely begin to price in directional bets on that outcome.

Strategist's Note

The week's most revealing data point may not have been Amazon's blowout AWS number or the Fed's hawkish dissents — it was the S&P 500 Equal Weight Index hitting a fresh all-time high. While the cap-weighted S&P 500 remains well below its June peak and the Nasdaq has struggled through two months of negative returns, the equal-weight index reflects a market where hundreds of companies outside the AI semiconductor complex are making new highs. That broadening of participation is a structural positive and suggests the current consolidation in mega-cap technology, however uncomfortable, is not the whole story of market health.

The Fed's September meeting is now the defining event on the calendar. The VitalQuant systematic strategies are monitoring the evolving data landscape in real time and will generate appropriate defensive or repositioning signals as conditions warrant. The process is designed for exactly this environment: elevated macro uncertainty, volatile geopolitics, and a Fed that is, by deliberate design, less predictable than its predecessors. Subscribers should follow their strategy's current guidance and check VitalQuant.com dashboards for updated signal levels before the week's trading begins.

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