KISHER CAPITAL
INVESTMENT ADVISORY SERVICES

Kisher Capital — July-26 Market Update

August 3rd, 2026

Executive Summary

- The Fed held rates in July. Three members voted to hike. The bond market priced in the dissent before the meeting was over.
- Meta's free cash flow fell 91% year over year. Amazon's turned negative. Both companies beat on revenue.
- Big Tech is increasing borrowing to fund AI infrastructure at a scale that is starting to matter to credit markets.

Market Snapshot

Asset	Ticker	July Return	YTD Return*
S&P 500	SPY	0.03%	10.13%
Nasdaq	QQQ	-6.57%	12.26%
Russell 2000	IWM	-3.08%	18.79%
Core U.S. Bonds	AGG	-1.30%	-0.56%
Bitcoin	IBIT	7.06%	-28.22%

Two Key Stories

1. Fed Holds, But Mortgage Rates Went Up Anyway

The Story:

The Federal Reserve voted 9 to 3 to leave rates unchanged on July 29th, the fifth straight hold. Three members dissented in favor of an immediate hike, the first time that many have dissented since September 2019. Bond investors took notice. The 30-year Treasury yield ended July at 5.27%, up from 5.09% the day before the meeting. The 30-year fixed mortgage hit 6.66% for the week ending July 30th, the fourth consecutive weekly increase and the highest reading in a year.

Why It Matters:

The Fed controls short-term rates. It does not control mortgage rates. Those follow long-term Treasuries, which are set by bond investors making their own call on where inflation is headed. After July's vote, investors appeared to price in a greater risk that rates would remain elevated or that the Fed might hike later in 2026. Borrowing costs on mortgages and car loans moved before the Fed did anything.

Investor Takeaway:

Three dissents is a real signal. If the August inflation numbers disappoint, September becomes a live meeting. A September hike could keep mortgage rates elevated, though long-term rates may not rise much further if the market has already priced it in.

2. Big Tech Is Spending More Than It Makes

The Story:

Meta's ad revenue grew 27% last quarter to $59.4 billion. Its free cash flow fell 91% year over year to $784 million. Both things are true because Meta spent $31.1 billion on capital expenditures in three months, covering data centers, chips, and related infrastructure, which consumed nearly everything the business generated. Amazon's trailing twelve-month free cash flow is now an outflow of roughly $7.6 billion. To keep pace, Amazon raised its 2026 spending target to $220 billion. Its long-term debt nearly doubled in the first half of the year, rising from $65.6 billion to $128.9 billion. Across Amazon, Alphabet, Meta, and Microsoft, combined capital expenditure guidance for 2026 now stands at approximately $730 billion, much of it but not all tied to AI infrastructure.

Why It Matters:

A year ago, these were the most cash-generative businesses in the world. Some of them no longer are. The AI revenue is real. AWS's AI business recently crossed a $25 billion annual run rate. But spending arrived well ahead of those returns, and several companies are increasing borrowing while undertaking this investment cycle. In July, the market made a distinction: companies that showed a clear line from spending to revenue held up. Those that raised guidance without equivalent proof got sold.

Investor Takeaway:

Revenue and cash flow are telling different stories right now. That gap closes one of two ways. Either the revenue catches up, or the spending has to slow down. Investors who own these stocks should know which outcome they are betting on.

What This Means for Investors

- Mortgage rates hit a one-year high in July without the Fed moving at all. A September hike could keep them elevated, though some of that may already be priced in.
- Several of the largest technology companies are carrying more debt than they were a year ago. That is a different balance sheet risk than investors in these names have had to think about before.
- In July, the market separated companies that could show a path from spending to revenue from those that couldn't. That distinction is worth paying attention to heading into the back half of the year.

What to Watch

- **08/07/2026:** July 2026 Jobs Report
- **08/12/2026:** July 2026 Consumer Price Index (CPI) Data Release
- **08/19/2026:** FOMC Meeting Minutes, July 28–29 Meeting (expected release date)
- **08/26/2026:** NVDA Earnings Announcement

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*YTD returns are adjusted closing prices of 12/31/2025 and 07/31/2026