Richard Rose Wealth Management July 20, 2026

WEEKLY COMMENTARY **Richard Rose AIF®**

Good morning,

What's in this week's Report:

- Did Markets Pass or Fail the Three Tests Last Week?
- Weekly Market Preview: Focus on Earnings This Week
- Weekly Economic Cheat Sheet: Important Growth Updates
- The Latest in Iran

Futures are slightly higher as markets bounce from Friday's declines despite further escalation between the U.S. and Iran over the weekend.

Oil prices hit $90/bbl overnight amid continued escalation between the U.S. and Iran, but pulled back and are flat after both sides reiterated they remain open to negotiations.

Economically, there was more positive inflation data as German PPI fell more than expected (-0.3% vs. (E) -0.2%).

Today, there are no notable economic reports, but the focus will remain on geopolitics. Any progress (at all) on a new ceasefire agreement will be a positive for stocks.

On earnings, this week is an important one, although most of the major reports come later. Some results we're watching today include: DPZ ($4.09), AMC ($ -0.01), STLD ($3.66).

Market	Level	Change	% Change
S&P 500 Futures	7,525.25	27.50	0.37%
U.S. Dollar (DXY)	100.72	0.13	0.14%
Gold	4,017.80	-1.00	-0.02%
WTI	81.85	0.07	0.09%
10 Year	4.562%	0.021	0.46%

Stocks

Last Week (Needed Context as We Start a New Week)

Volatility remained a core theme in the markets last week as heavy profit-taking in AI and semiconductor stocks and an underlying rotation into the rest of the market, amid elevated geopolitical tensions and hawkish Fed speak, offset cool inflation data midweek. The S&P 500 fell 1.55% on the week.

Stocks began the week with a heavy tone on Monday as Iran attacked another ship in the Strait of Hormuz, prompting intense retaliatory strikes by the U.S. military. Oil spiked on the fresh jolt of uncertainty, sending bond yields sharply higher and stocks lower. Global profit taking in tech and semis intensified again amid lingering capex worries, leaving the S&P 500 down 0.79%.

The market staged a solid, albeit tentative and selective, rebound Tuesday, with small caps leading higher in the wake of a cooler-than-expected CPI report. A muted, largely dismissive response from multiple Fed officials, including Chair Warsh, who delivered his first semi-annual Humphrey-Hawkins testimony, saw stocks pull back midday. However, President Trump suddenly withdrew his proposed 20% "toll" on Hormuz, helping the S&P 500 gain 0.38%.

Wednesday, another cool print in the form of June PPI, plus strong earnings from AI-sensitive ASML and big financial names MS, BLK, and PYPL, helped stocks gap higher at the open. Warsh continued to dismiss the week's inflation data from Capitol Hill while U.S.-Iran rhetoric over Hormuz grew increasingly aggressive, triggering a mid-session pullback. The S&P 500 enjoyed a V-shaped recovery into the close as the NY Fed's Williams acknowledged the favorable drop in June CPI and PPI, while VP Vance struck a less-aggressive tone on Iran, which saw the index close up 0.38%.

Stocks rolled over at Thursday's open as solid TSM earnings were tempered by executives' warnings on pricing and margin risks. At the same time, geopolitical uncertainty and strong U.S. data buoyed oil and bond yields alike, pressuring stocks broadly. Afternoon headlines that GOOGL's AI Gemini was falling behind competitors weighed further on tech, sending the S&P 500 down 0.51%.

The late-week selling intensified Friday, with the major indexes gapping sharply lower at the open after Chinese tech company Moonshot AI unveiled its latest open-source model, Kimi K3, which reverberated through global tech stocks reminiscent of the DeepSeek headlines from Q1'25. Soft guidance from NFLX didn't help the pessimistic mood either. Still, a violent wave of short covering suddenly took shape early afternoon after the SOX semiconductor index fell into a technical bear market. The bounce didn't last, though, as U.S. military brass announced a fresh wave of attacks on Iran, prompting broad, indiscriminate selling into the close, leaving the S&P 500 down 1.01%.

Did Markets Pass or Fail the Three Tests?

Recently, I detailed how the market was going to face three tests, each of which could challenge (or even refute) three of the main forces behind this YTD rally. With last week's tests complete, I want to review the results (and they are not all positive).

Test One: ASML and TSM earnings (Wednesday and Thursday). What I said: *Taiwan Semiconductor and ASML, because they are the first AI infrastructure stocks to report, and the results need to continue pointing to mania-level component spending by the hyperscalers, given very high expectations. If the results are underwhelming relative to expectations (as with Samsung), we will see more tech weakness.*

Verdict: Fail. Both ASML and TSM posted very strong results in absolute terms, but neither stock helped ease growing concerns about the sustainability of the AI boom. Specifically, TSM and ASML both highlighted massive spending to increase production capacity (ASML will ramp capacity by 30%). While they are doing that to meet booming demand from hyperscalers, it's feeding into concerns about "what if the demand slows?" Bottom line, the TSM and ASML earnings were good, but they only served to emphasize further the spending and manufacturing mania that's gripped the tech industry and raised the ante on how bad it could be if demand falls off.

IBM, meanwhile, reminded investors that while some parts of tech are seeing massive earnings increases from the AI component buying mania, others are getting hit. IBM negatively preannounced earnings as more customers divert budgets to secure more AI component capacity, while TSM noted that non-AI parts of its business saw some softness amid price increases from the AI spending wars.

TSM and ASML earnings weren't bad, and there's nothing to suggest the AI component buying wars/mania are slowing. But the results did remind investors of the risk that demand could slow while other parts of tech start to suffer.

What's Next: More tech earnings this week. GOOGL, IBM, TXN, and NOW report on Wednesday after the close, while INTC reports Thursday evening. Markets will want to see strong results and more signs of robust demand, but also evidence of restraint and a focus on stability (and not a further "doubling down" on the current AI component spending war).

Test Two: Inflation via CPI, PPI, and U-Mich. What I said: *We're either going to see more proof that inflation pressures have peaked and are receding (and the 10-year yield will drop), or we're not, and the 10-year yield will have been "right" at 4.50%.*

Verdict: Pass. The inflation data was about as good as hoped for last week, with CPI and PPI beating expectations, and the price indices in some of the July manufacturing surveys showing further declines (or no material increases). The escalation in fighting between the U.S. and Iran and higher oil prices stunted the market's benefit from the better-than-expected inflation numbers. Still, the data last week reinforce that inflation pressures likely peaked in May (and that should further reduce rate-hike worries and put downward pressure on yields, which will be positive for stocks).

What's Next: Oil prices. Brent crude (which is the key oil market to watch with regard to Iran) is pushing $90/bbl. If we see a move through that and towards $100, then the progress on inflation will be reversed as investors brace for another jump in the inflation stats, which will bring rate hikes back into the conversation.

Test Three: Fed rate hikes via Warsh's testimony. What I said: *This week, Fed Chair Warsh gives his semi-annual testimony to Congress on Tuesday and Wednesday, and he has the opportunity, while not sounding too dovish, to reinforce [a not hawkish] that belief, especially if inflation data is encouraging.*

Verdict: Pass. Warsh wasn't dovish or hawkish, and he focused on restoring price stability, but the reality is that Fed rate-hike odds for July (which were about 50% two weeks ago) dropped to effectively zero. Warsh reiterated what we already know: The Fed doesn't want to hike rates and will only do so if the inflation stats force them to.

What's Next: The July FOMC decision. Next week, the Fed has a rate meeting, and the key will be Warsh's press conference, as the Fed almost certainly won't hike rates and the statement will be short and vague. If Warsh doesn't get more hawkish, rate hike concerns should continue to ease (which will be positive for stocks).

Bottom Line: If we look at the total volume of news last week, it was positive on balance, as non-AI earnings were strong (especially banks/financials), inflation data implied a peak in inflation pressures, and rate hike expectations fell. But the reality is that AI is the most important force in this market, and concerns about AI offset those positives, and we can expect that to continue for the foreseeable future. So, for stocks to rebound, we need some solid earnings from the key tech names this week (and de-escalation in Iran wouldn't hurt).

Economic Data (What You Need to Know in Plain English)

Last Week

Last week contained a lot of notable economic data, and the verdict was that the Goldilocks trend remains in place: the inflation data implied we have seen the peak in inflation. In contrast, growth metrics remained strong, and the Goldilocks data helped support the rest of the market amid tech weakness.

Inflation was in focus last week, and the data was better than expected, suggesting inflation pressures peaked in May (even if the data wasn't "good" in an absolute sense). CPI was the highlight, beating expectations across the board. The headline fell more than expected, rising 3.5% y/y, under the 3.8% expectation and a solid drop from the 4.2% in May. The more important Core reading also declined to 2.6% vs. (E) 2.8% y/y and down from 2.9% y/y in May. Other inflation metrics reinforced that positive price data, as PPI also declined more than expected (5.5% vs. (E) 6.2%). At the same time, the first look at July prices via the Empire Manufacturing survey also moved in the right direction, with Prices Paid falling to 52.3 from 61.0 and Prices Received slipping to 27.6 from 31.4.

Bottom line, the inflation data is still elevated, but more important for markets was the trend, and last week's inflation data reinforced the idea that inflation did peak in May, which in turn reduced rate-hike fears (which helped support stocks last week).

Turning to growth, the numbers were solid last week. The key Report was the June retail sales report, and while the headline was slightly disappointing (0.2% vs. (E) 0.3%), the more important "control group" was solid, rising 0.5% and meeting expectations. May saw a positive revision to 0.8% from 0.7%. The control group is our best look at discretionary spending, which is the engine of growth for the U.S. economy, and it showed no signs of slowing in June (and that's a good thing). Other economic data reinforced the solid growth message. Jobless claims fell to 208k while the first looks at July economic data were solid, as both Empire Manufacturing (15.6 vs. (E) 8.6) and Philly Fed (41.4 vs. (E) 14.0 beat estimates.

On the Fed front, the key commentary came from Fed Chair Warsh during the semi-annual testimony to Congress. While he continually reiterated that he wants to get inflation back to target, he wasn't any more hawkish than expected and basically reiterated what he's said previously (so he wasn't any more hawkish than feared). Bottom line: Fed fund futures do have a rate hike priced in for 2026, but a lot will happen between now and December, which means rate-hike fears are not a headwind for stocks right now.

Important Economic Data This Week

The economic calendar is quiet this week, with only two notable reports: jobless claims on Thursday and the flash composite PMIs on Friday. Of the two, the latter is the more important, as it's the first natural economic Report for July, and markets will want to see a continuation of last week's data: solid (but not spectacular) growth and easing price pressures.

Specifically, that means both the flash composite and manufacturing PMIs stay solidly above 50, while the price indices retreat further, helping keep rate-hike fears at bay near term while reinforcing that growth is solid (which is important in supporting the rest of the market amid tech weakness).

Special Reports and Editorial

The Latest in Iran

The situation in Iran has re-escalated, as over the past two weeks there have been more instances of reciprocal attacks between the U.S. and Iran, as both sides have declared the ceasefire agreement "dead." The lack of any progress toward a conclusion has sent oil solidly higher (up more than 20% from the recent lows).

However, despite the reescalation, disconcerting headlines, and rise in oil prices, the reality is that the market is holding in well, as the S&P 500 is still just one good day away from a new all-time high, and the discrepancy between the headlines (negative) and the market's resiliency might be confusing for clients. So, I wanted to cover briefly why the market is holding up well despite the negative news.

First, despite the reescalation, markets fully believe neither the U.S. nor Iran wants a full-scale war, and both sides are actively looking for an "off ramp" and not a more intense conflict. Yes, the reescalation is a negative, but the U.S. is conducting more surgical strikes aimed at degrading Iran's ability to harass ships in the Stair of Hormuz as opposed to widespread bombing campaigns.

Second, the chances of an Iraq-style invasion of Iran remain extremely low, as the President appears to be looking for an agreement and views the current strikes as helping to motivate the fractured Iranian regime to come back to the bargaining table.

Third, despite the blockade, ships are transiting the Strait of Hormuz with U.S. assistance. The blockade is temporarily slowing transit, but earlier this week, some 30 ships transited Hormuz, and the U.S. Navy is escorting them through. Meanwhile, the strategic importance of Hormuz will be forever changed, as countries on the Gulf will now build alternate means of extracting oil from the region (this will take time, but it's positive over the longer term).

Because of all these things, the worst-case scenario that was responsible for the March decline in stocks (namely that the war would turn into an Iraq-style invasion that would curtail Gulf oil flows and send oil to $150-$200/bbl) remains very unlikely, and that's why markets are stomaching this rise in oil prices.

Now, if this continues for months (meaning oil in the $80-$90 range and consistent strikes between the two countries), then perhaps it will become a greater weight on markets. But for now, despite the negative headlines, the market expects a ceasefire, and oil prices aren't high enough to offset the other positives, so stocks remain resilient.

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