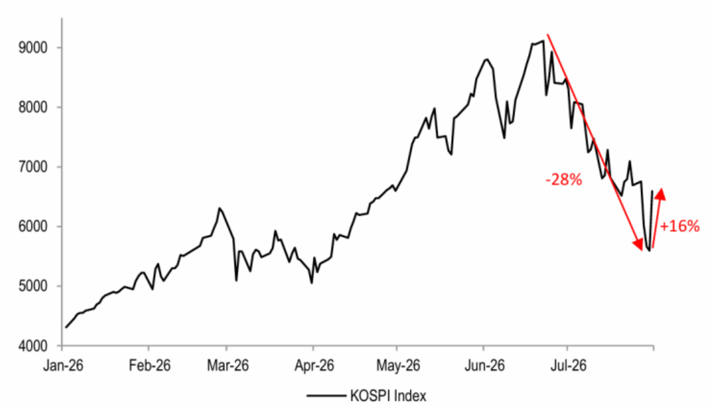
Equity Weekly

Syz Equity Research – week from 24 to 31 July 2026

The Chart of the Week

South Korea Stock Market Year to Date



Source: JP Morgan, Bloomberg

What happened last week?

Global markets

Global equities extended their advance, with the MSCI AC World index rising 1.4% from Friday 24 July to Friday 31 July 2026. The past week was dominated by the reporting season for America's largest technology companies, a Federal Reserve that held rates but revealed rare internal dissent, and an oil market still absorbing the consequences of the widening conflict between the US and Iran.

The past week crystallised a theme that has been building all earnings season: the market is no longer rewarding AI spending unconditionally, but is instead differentiating sharply between companies that can show a credible return on that spending (Amazon, Microsoft) and those still asking for patience (Meta, Apple). The net effect was a market-cap reshuffling within the Magnificent Seven that lifted the S&P 500 by 1.1% and the Nasdaq Composite by a more modest 0.5%, with mega-cap dispersion rather than a uniform tech rally doing the heavy lifting.

Away from technology, the week's other defining feature was the Fed's decision to hold its policy rate steady for a fifth consecutive meeting. That outcome was widely expected, but it was overshadowed by a 9-3 vote split, the first multi-member dissent at the Fed in over three decades. New Chair Kevin Warsh struck a cautious tone, emphasising elevated uncertainty tied in part to the ongoing Middle East conflict. Investors were left unsure whether the dissenters were pushing for earlier cuts or greater vigilance on inflation, and Treasury yields drifted higher through the week as a result.

Crude oil continued its month-long ascent. The escalating confrontation between Washington and Tehran, including reported attacks on tankers transiting the Strait of Hormuz, pushed prices to fresh highs, even as equity markets largely looked past the geopolitical risk premium. Sector leadership reflected this bifurcated backdrop.

US

US equities advanced modestly at the index level, but beneath the surface the week told a story of extraordinary dispersion. Microsoft and Amazon both surged after reporting cloud growth that comfortably exceeded expectations, easing fears that hyperscaler capital spending was outrunning monetisation. Apple and Meta, by contrast, fell heavily, the former on a disappointing near-term revenue outlook tied to component shortages, the latter on capital expenditure guidance that investors judged open-ended relative to the cash flow being generated. The Roundhill Magnificent Seven ETF still rose comfortably on the week, underscoring that the winners outweighed the losers in aggregate.

However, the Russell 2000's near-flat performance and the S&P Mid Cap 400's modest decline confirmed that the past week's rally was a large-cap, idiosyncratic story rather than a broad risk-on move. By sector, Software led performance decisively, driven by Microsoft. Consumer Discretionary sector also rose, buoyed by resilient spending and strong cloud results at Amazon. Semiconductors fell sharply, Utilities and Real Estate were pressured by the firmer rate backdrop, and Transportation and Industrials softened alongside rising energy costs.

Europe

European equities had a strong week, helped by an upside surprise in Thursday's flash estimate of second-quarter eurozone GDP, which grew 0.4% quarter-on-quarter against expectations of roughly half that pace, easing fears of a technical stagnation and reinforcing the region's resilience despite elevated energy prices. Germany's DAX led major markets higher, with France's CAC 40 and Spain's IBEX 35 also posting solid gains, while UK equities advanced more steadily.

Banks were among the best-performing sectors, aided by a run of robust quarterly results and the tailwind from firmer growth data and a steeper yield curve. Defence-related names extended their multi-month outperformance as the Middle East conflict kept the case for higher European military spending firmly in view. Construction and materials also performed well on the improved growth outlook. Utilities were the clear laggard, pressured by rising bond yields, while technology stocks lagged the broader market, tracking weakness in US semiconductors rather than reflecting any domestic setback.

Rest of the world

Asian equity markets endured a week of exceptional volatility. An AI-driven deleveraging shock swept through the region's semiconductor complex before reversing just as sharply. Korean equities were the epicentre. Samsung Electronics and SK Hynix suffered a sharp, multi-session sell-off, amplified by heavy retail use of leveraged single-stock ETFs and repeated program-trading halts. That sell-off gave way to a record one-day rebound on Friday, when both chipmakers surged between 27% and 30% as strong US hyperscaler earnings restored risk appetite. The scale of that final-day move was enough to leave the Kospi higher for the week overall. Even so, the round trip underscored how tightly, and precariously, Korean equities are now tied to the global AI trade.

Taiwan experienced a near-identical shock. TSMC and the broader supply chain sold off heavily over the same sessions, still digesting the sharply raised capital spending outlook The market then staged its own record rebound on Friday, as the same wave of relief swept through Seoul and Taipei together. Taiwan's bounce, however, was not quite large enough to recover the week's earlier losses, leaving the TAIEX marginally lower. The difference from Korea was one of degree, not direction.

Chinese equities were comparatively calm by contrast. The market advanced steadily, lifted by the reaffirmation of aggressive AI capital spending plans from US hyperscalers, an effect also visible in the strong gain for emerging-market internet exposure more broadly. Japanese and Indian equities also advanced.

Our view on equities

Equity asset class

We maintain equity exposure at the upper end of our neutral allocation range.

Earnings

After a strong Q1 earnings season and upward guidance revisions, 2026 earnings expectations have been revised higher across all major regions and are now running at double-digit growth rates. Operating margins have reached all-time highs and continue to accelerate.

Valuation

Although equity prices have reached new record highs, forward P/E multiples have edged lower because EPS growth has outpaced share price gains. Valuations remain above historical averages in the S&P 500 and Nikkei, while the STOXX Europe 600 and Asia ex-Japan look relatively more attractive.

Risks

The main risk to this constructive view is a renewed rise in rates and inflation expectations, which could compress multiples and pressure valuations.