REDWOOD WEALTH

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Monthly Market Update
July 2026

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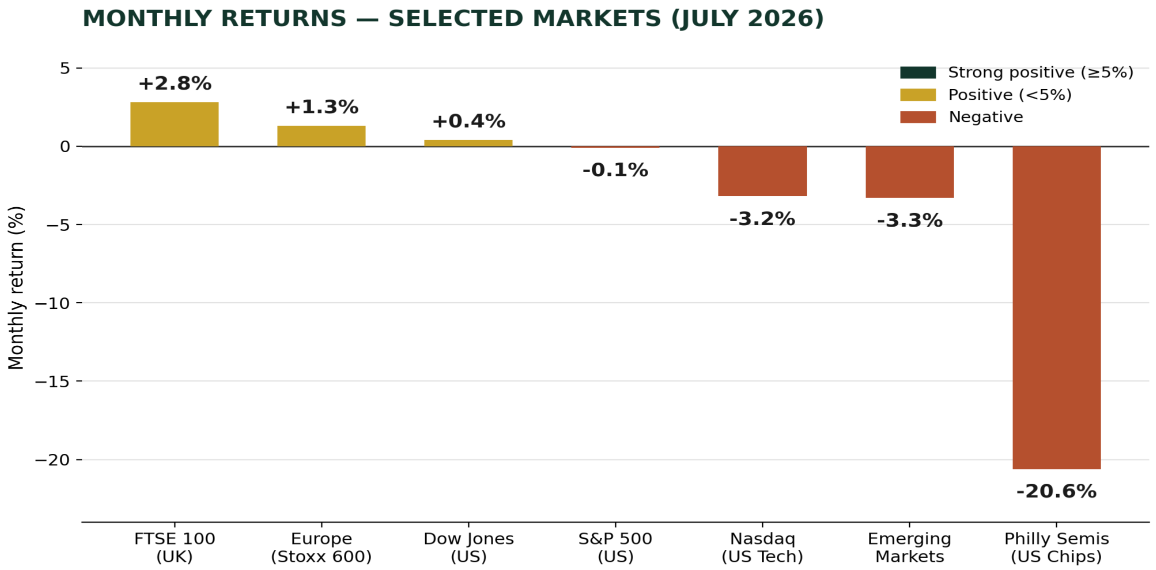
July was the month the AI trade paused to catch its breath. Semiconductor shares, June's star performer, gave back much of their gain as investors questioned whether AI spending is translating into profits quickly enough. The S&P 500 finished roughly flat and the Nasdaq slipped for a second straight month.

Away from technology, the picture was brighter. A breakdown in the US–Iran ceasefire sent oil prices sharply higher again, but UK and European shares shrugged this off to post fresh record highs. The Bank of England held interest rates once more, though with a more hawkish vote than in June, and government bond yields on both sides of the Atlantic climbed to multi-year highs. Here is your plain-English summary of what happened in July and what it means for investors.

MARKET PERFORMANCE AT A GLANCE

UK (FTSE 100)	EUROPE (STOXX 600)	US (S&P 500)	US (NASDAQ)
+2.8%	**+1.3%**	**-0.1%**	**-3.2%**
Fresh record intraday high	*Also closed at a record*	*Broadly flat on the month*	*Second straight monthly fall*
EMERGING MARKETS	OIL (BRENT CRUDE)	BANK OF ENGLAND RATE	UK 10YR GILT YIELD
-3.3%	**$71 → $92**	**3.75%**	**≈4.8–5.0%**
Gave back some AI-driven gains	*Surged as Iran conflict reignited*	*Held steady (6–3 vote)*	*Pushed higher on oil/rates*



THE STORY BEHIND THE NUMBERS

The AI trade hits a speed bump

The Philadelphia Semiconductor Index, June's standout performer at +11.1%, fell **20.6% in July** after climbing more than 80% earlier in the year, as Wall Street banks including Goldman Sachs and Morgan Stanley called chip valuations overbought. The **S&P 500 finished the month essentially flat (-0.1%)**, while the **Nasdaq fell 3.2%**, its second consecutive negative month. Money rotated toward steadier, value-oriented shares: the Dow Jones Industrial Average and the equal-weighted S&P 500 both outperformed, in what several strategists described as the best relative month for 'value' shares on record.

Middle East conflict reignites, oil surges

The ceasefire between the US and Iran, which had calmed markets in June, broke down in July. Brent crude jumped from below **$71 a barrel to over $100** within a few weeks, before settling in the **low-to-mid $90s** by month end as flows through the Strait of Hormuz partly recovered. The renewed volatility in energy prices was the common thread running through July's other big stories, from central bank caution to rising bond yields.

Bank of England holds, but more cautiously

UK inflation (CPI) eased to **2.6% in June**, a 15-month low, down from 2.8% in May. Even so, the Bank of England's Monetary Policy Committee voted **6–3 to hold Bank Rate at 3.75%** on 30 July — a more hawkish split than June's 7–2 vote, with three members now preferring a rise to 4.00%. The Bank's updated forecasts show inflation could rise again, to around 3.2% by the end of the year, as higher energy costs feed through. The next decision is due on 17 September.

UK shares hit fresh record highs

Despite the uncertain backdrop, the **FTSE 100 gained around 2.8%** in July and briefly touched an all-time intraday high above 10,989 points on 30 July. Strong earnings from Rolls-Royce, BAE Systems and NatWest, along with gains across mining and energy shares, more than offset any drag from the rate decision. The FTSE 100's heavy weighting toward energy, mining, banking and defence — sectors with little direct exposure to the US AI trade — helped it outperform its US and Asian counterparts for a second straight month.

Bond yields climb on both sides of the Atlantic

Long-dated government bond yields rose sharply during July. The US **30-year Treasury yield touched its highest level in around 19 years**, while the 10-year Treasury yield climbed toward 4.7%, as markets grew less confident that new Federal Reserve Chair Kevin Warsh would move quickly to contain inflation. The Fed itself held its key rate at 3.50–3.75% on 29 July, in a 9–3 vote, with three regional presidents pushing for an immediate rise. UK gilt yields followed a similar path, with the 10-year yield moving back up toward the **4.8–5.0% range** as the renewed Middle East conflict revived inflation concerns.

Looking ahead

July's pullback in AI-related shares does not necessarily mark the end of the theme — it looks more like investors demanding clearer evidence that heavy AI spending is starting to pay off. For UK investors, the fundamentals remain broadly supportive: inflation has eased from its recent peak and the FTSE 100 continues to set fresh records. The durability of the Middle East ceasefire, the path of bond yields, the Bank of England's next decision on 17 September, and further signals from the Federal Reserve are the key things to watch over the coming weeks. As always, staying diversified and focused on your long-term goals is likely to offer the most reliable path through periods of short-term volatility.

If you have any questions about how recent market events may affect your financial plan, please do get in touch.

KEY NUMBERS TO KNOW

BANK OF ENGLAND RATE	UK INFLATION (CPI)	BRENT CRUDE OIL	NASDAQ (MONTH)
3.75%	**2.6%**	**≈$90–92**	**-3.2%**
Held; 3 of 9 voted to hike	*June reading, 15-month low*	*Surged after ceasefire collapsed*	*Second straight negative month*

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SOURCES & DATA DISCLOSURE

This document was produced on 24 August 2026. All market data and commentary refer to the period ending 31 July 2026, unless otherwise stated. Global index figures are reported in the currency of the original source (primarily USD and EUR for global indices; GBP for UK data). Past performance is not a reliable indicator of future results.

Source 1 Bank of England	**Monetary Policy Summary and Minutes – July 2026** URL: bankofengland.co.uk/monetary-policy-summary-and-minutes/2026/july-2026 **Used for:** The 30 July decision to hold Bank Rate at 3.75% (6–3 vote), the three members who preferred a rise to 4.00%, and commentary on energy prices and the inflation outlook following renewed conflict in the Middle East.
Source 2 Office for National Statistics	**Consumer price inflation, UK: June 2026** URL: ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/june2026 **Used for:** UK CPI inflation of 2.6% for the 12 months to June 2026 (a 15-month low, down from 2.8% in May), and related commentary referenced in this update.
Source 3 STOXX Ltd	**Monthly Index News – July 2026** URL: stoxx.com (STOXX Monthly Newsletter, July 2026) **Used for:** European index performance for July 2026, including the STOXX Europe 600 (+1.3% in euros), the EURO STOXX 50 (+0.6%), and the STOXX Emerging Markets Universal (−3.3%).
Source 4 Nasdaq, Inc.	**July 2026 Review and Outlook** URL: nasdaq.com/articles/july-2026-review-and-outlook **Used for:** The Philadelphia Semiconductor Index's 20.6% monthly decline, the Nasdaq-100's fall, and relative outperformance of value-oriented and equal-weighted US benchmarks during July.
Source 5 YCharts	**Monthly Market Wrap: July 2026** URL: get.ycharts.com/resources/blog/monthly-market-wrap **Used for:** US index returns for July (Dow Jones +0.4%, S&P 500 −0.1%, Nasdaq −3.2%) and emerging market performance for the month.
Source 6 Bank of England / Federal Reserve / Financial press	**FTSE 100 closing levels, UK/US government bond yields and the 29 July Federal Reserve decision** URL: bankofengland.co.uk; federalreserve.gov; contemporaneous financial press coverage (CNBC, Reuters, Fortune, July 2026) **Used for:** FTSE 100 closing levels on 30 June and 31 July 2026 used to calculate the month's UK equity return (+2.8%); UK and US government bond yield levels; and confirmation of the Federal Reserve's 29 July decision to hold its rate at 3.50–3.75% (9–3 vote).

Compliance note