

July 2026

MONTHLY MARKET INSIGHTS

Key takeaways:

- The semiconductor and memory complex defined the first half of 2026, with the Philadelphia Semiconductor Index returning 101.14%, the best six-month performance in the index's history.¹
- Chairman Kevin Warsh's first FOMC meeting delivered a decidedly hawkish shift. The Committee held rates at 3.50%–3.75% but stripped the statement of its easing bias, and the updated projections imply a possible rate increase rather than the cuts markets had expected at the start of the year.
- SpaceX completed the largest IPO in history at a \$1.77 trillion valuation, reopening the listing window for major private companies.²

June marked the close of an eventful first half of 2026. While the month itself delivered modest equity losses, the broader first-half picture was one of considerable strength. The S&P 500 returned -1.06% in June, while the Nasdaq Composite declined -2.81%.³ Value outperformed growth for the month, with the Russell 1000 Value index posting a 1.68% return versus its growth counterpart, which fell -2.88%.⁴ Zooming out, however, the story of the first half was one of a continued equity bull market. The S&P 500 posted a 9.55% gain through June, currently tracking toward a fourth consecutive positive year for the index.⁵ The defining story of the first half has been the remarkable run of the semiconductor and memory complex. Driven by insatiable demand for additional compute from the hyperscalers and foundation model developers, the Philadelphia Semiconductor Index ("SOX") returned 101.14% over the first six months of the year, the best six-month performance in the index's history, which dates back to 1994. The strength of the group was sufficient to carry equity markets even as the Magnificent 7, which had been the bull market's standard-bearers since 2023, posted an aggregate decline of -1.74% for the first half of the year, fully ceding leadership to the semiconductor complex.⁶

This changing of the guard, from the hyperscalers that dominated equity returns since 2023 to the semiconductor and infrastructure companies supplying them, reflects a theme we have tracked throughout this year. The market is rewarding the recipients of AI capital spending while increasingly scrutinizing the companies funding it. The race to build compute capacity has also created supply bottlenecks that have further benefited hardware suppliers, with memory being the most extreme case. Demand for advanced memory chips has outstripped production capacity, driving spot prices meaningfully higher since the start of the year, boosting margins for leading memory manufacturers. Micron's fiscal third-quarter report on June 24th crystallized this dynamic. Revenue more than quadrupled year-over-year to \$41.5 billion, well above consensus of roughly \$36 billion, and the company guided to approximately \$50 billion in revenue for the current quarter. Micron also disclosed long-term supply agreements totaling \$22 billion in financial commitments, locking in minimum pricing for three to five years.⁷

1. Bloomberg.
 2. CNBC. "SpaceX (SPCX) IPO: Live Updates." CNBC, 12 June 2026, www.cnbc.com/2026/06/12/spacex-ipo-spcx-live-updates.html.
 3. Bloomberg.
 4. Id.
 5. Id.
 6. Id.
 7. Id.

While semiconductors led the market through the first half of the year, the group showed signs of fatigue heading into the close of June. Despite Micron's stellar report, the stock gave back most of its post-earnings gains within days. And while the revenue strength across the sector is undeniable, the magnitude of the move warrants some caution around investor euphoria. According to Citadel Securities, semiconductors now represent approximately 20% of the S&P 500, compared to less than 10% at the peak of the dot-com bubble.⁸ While the earnings cycle for the group is likely far from over, semiconductors remain a sector defined by historical boom-and-bust cycles, and a sector that has doubled in six months and now represents a fifth of the index leaves limited margin for error.

The defining macro event of June was Kevin Warsh's first FOMC meeting as Fed Chair. The Committee voted unanimously to hold the federal funds target range at 3.50%–3.75%, a fourth consecutive hold, but the substance of the meeting was decidedly hawkish. The policy statement was dramatically shortened and stripped of its easing bias, removing prior references to "additional rate adjustments" in favor of a purely data-dependent posture. The updated Summary of Economic Projections showed the median 2026 rate projection rising to 3.8% from 3.4% in March, implying a possible rate increase rather than the cut markets had penciled in at the start of the year. Nine of eighteen participants now project at least one hike by year-end. The absence of a dot from Chairman Warsh himself was perhaps more significant than the projections themselves.⁹ In his post-meeting press conference, he reiterated his long-held skepticism of the degree of forward guidance the Fed has historically provided. He also announced the creation of five task forces to review the Fed's communications practices, balance sheet management, and inflation framework, signaling an intent to fundamentally reexamine how the institution operates.

Front-end yields rose sharply following the FOMC meeting, and futures markets now assign meaningful odds of a rate hike by the fall, as investors digested a more hawkish stance than many had expected from the President's new appointee. That said, subsequent developments have shifted the balance. The framework agreement with Iran has pushed oil sharply lower, which should allow the energy impulse to fade from inflation readings in the months ahead. The June employment report also showed the US economy adding only 57,000 jobs, well below prior readings.¹⁰ Lower energy prices and a softer labor market likely reduce the odds of a near-term rate increase, but the bar for resuming cuts has risen materially. Consequentially, Warsh's stated intention to reduce forward guidance means markets will carry more uncertainty into each meeting, which we expect will translate into greater volatility around Fed events than investors grew accustomed to under the prior regime.

June also delivered a milestone for capital markets. On June 12th, SpaceX completed the largest IPO in history, raising approximately \$75 billion at a fixed offer price of \$135 per share and an initial valuation of \$1.77 trillion. Shares rose 19% on the first day of trading, pushing the company's market capitalization above \$2 trillion and briefly making it the sixth-largest publicly traded US company. The offering was notable for its structure as well as its size: roughly 30% of shares were earmarked for retail investors, a far larger allocation than is customary, and the deal priced at approximately 90 times trailing revenue for a company that reported a net loss of nearly \$5 billion last year.¹¹ The stock subsequently traded below its debut price during the late-June pullback in technology shares before recovering. A successful listing of this scale reopens the IPO window for the largest private AI companies, and both OpenAI and Anthropic have filed paperwork signaling intent to list as soon as this fall. We view robust demand for a deal of this size and valuation as constructive for market liquidity and, simultaneously, as a data point in the pattern of speculative enthusiasm we have flagged in prior months.

8. Rubner, Scott. "1H 2026 Market Structure & Flows." Citadel Securities, Global Market Intelligence series, 30 June 2026, www.citadelsecurities.com/news-and-insights/global-market-intelligence/1h-2026-market-structure-flows/.

9. Board of Governors of the Federal Reserve System. "Transcript of Chairman Warsh's Press Conference." Federal Reserve, 17 June 2026, www.federalreserve.gov/mediacenter/files/FOMCpresconf20260617.pdf.

10. U.S. Bureau of Labor Statistics. "The Employment Situation — June 2026." U.S. Bureau of Labor Statistics, 2 July 2026, www.bls.gov/news.release/pdf/empisit.pdf.

11. CNBC. "SpaceX (SPCX) IPO: Live Updates." CNBC, 12 June 2026, www.cnbc.com/2026/06/12/spacex-ipo-spcx-live-updates.html.

A new category of risk surfaced in the AI complex mid-month. On June 12th, Anthropic launched Claude Fable 5, its most capable publicly available model. Three days later, the Commerce Department issued an export control directive citing national security authorities, requiring the company to suspend access to the model by foreign nationals. Anthropic chose to disable the model entirely, as there was no practical path to comply with such a narrowly drawn order. The administration reportedly acted on concerns that a technique for bypassing the model's safety guardrails could unlock advanced cybersecurity capabilities.¹² After weeks of negotiation, the Commerce Department lifted the controls on June 30th, and Anthropic began restoring access the following day. Although the episode was resolved, it establishes a precedent for direct government intervention in frontier model deployment, raising the question of whether future releases will effectively require federal pre-approval. It also introduces a new burden for enterprises that embed these models into critical workflows. For a sector preparing to bring its largest private companies to public markets, regulatory intervention of this nature represents a meaningful risk for investors to consider.

As we enter the second half, we remain constructive on equities. Corporate earnings growth has been exceptional, and the AI investment cycle continues to broaden across the economy. At the same time, certain areas of the market, particularly semiconductors and memory, have experienced enormous run-ups in a compressed period, and positioning at these levels is vulnerable to sharp pullbacks on any disappointment. A Fed that has shifted from easing toward a potential hike also limits the scope for further multiple expansion. We will continue to monitor the evolving policy landscape under Chairman Warsh, the trajectory and breadth of corporate earnings, and the regulatory environment around frontier AI as we position portfolios for the months ahead.

12. CNBC. "Anthropic Disables Access to Fable 5 and Mythos 5 to Comply with Government Directive." CNBC, 12 June 2026, www.cnbc.com/2026/06/12/anthropic-disables-access-to-fable-5-and-mythos-5-to-comply-with-government-directive.html.

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