TRAVERSE PRIVATE WEALTH MONTHLY MARKET RECAP

August 5, 2026

Index	Asset Class	2026 July	2026 YTD	2025
Equity Indexes		**Total Returns**		
NASDAQ 100	Mega Cap U.S. Growth Equity	(6.6)%	12.4%	21.0%
S&P 500	Large Cap U.S. Equity	(0.1)	10.1	17.9
S&P 400	Mid Cap U.S. Equity	(2.4)	14.5	7.5
S&P 600	Small Cap U.S. Equity	(1.9)	21.6	6.0
MSCI All Country World	Global Equity	0.1	11.6	22.9
MSCI All Country World (Ex U.S.)	International Equity	0.4	14.4	33.1
MSCI Europe, Asia & Far East (EAFE)	International Developed Market Equity	2.0	12.0	31.9
MSCI Emerging Markets (EM)	International Emerging Market Equity	(3.0)	20.3	34.4
Fixed Income Indexes				
Bloomberg U.S. Aggregate Bond	U.S. Investment Grade Bond	(1.3)	0.7	7.3
S&P National AMT-Free Municipal Bond	U.S. Investment Grade Muni Bond	(1.7)	0.3	3.8
S&P Municipal Bond High Yield	U.S. Muni Bonds (Below Investment Grade)	(1.6)	2.0	3.3
Bloomberg U.S. Corp. High Yield	U.S. Corp Bonds (Below Investment Grade)	(0.3)	1.7	8.6
Index Blends: Stock/Bond				
80%/20%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		(0.2)	9.2	19.8
60%/40%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		(0.5)	6.7	16.6
40%/60%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		(0.7)	4.3	13.5
20%/80%: Global Equity (MSCI All Country World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		(1.0)	1.8	10.4
Data as of 7/31/2026. Source: Morningstar, and blended benchmark returns are based on monthly rebalancing.				

Please see important disclosures at end of this report.

Overview & Economy

Double-Edged Swords. Many things in life are *double-edged swords* involving both good and not so good aspects. While the economy and financial markets remain on favorable tracks for the year, there are a couple of *double-edged swords* which, we believe, are worth keeping a close eye on. One pertains to interest rates, and the other to stocks – particularly AI stocks.

- ***Interest Rates Unchanged, But Also Increase***. The Federal Reserve left the Fed Funds rate unchanged at its meeting last week, continuing to target a range of 3.5% to 3.75%. A subset of the voting FOMC members were in dissent, favoring modestly higher short-term rates due to continuing inflation above the Fed's 2% mandated target (e.g., June CPI was 3.5%). The bond market expressed dissatisfaction as "*bond vigilantes*" pushed longer-term market rates materially higher – on 10-year Treasuries to 4.75%, and for 30-year Treasuries to 5.27% which is the highest level since July 2007. Generally, longer-term interest rates reflect the average of anticipated short-term rates, plus some term premium. The recent rise reflects growing concern that the Fed's inaction now may allow inflation to escalate unfettered, thereby necessitating greater Fed Fund rate increases later.[1]

- ***Stock Drivers Have Become Detractors***. Stocks, over extended periods, do exhibit a tendency to '*revert to the mean*.' But what we want to address here is much more than that… Reminiscent of some of history's greatest market rallies (which, dare I say, preceded crashes), the AI trade in general and semiconductor stocks in particular accounted for more than all the equity market gains through June 30, for both the S&P 500 and the MSCI Emerging Market Index (see details within our **Monthly Market Recap** published July 7). In July, however, semiconductor stocks as a group declined 21% [as measured by the iShares Semiconductor ETF (SOXX)], and some leading semi/memory names declined much more – e.g., **Intel** (**INTC**) down 35% and **Sandisk** (**SNDK**) down 47%. The S&P 500 was able to hold about flat last month as other sectors filled the void – led by energy stocks, which gained 12% in the month [as measured by the SPDR Energy Sector ETF (XLE)].

It is important to appreciate the implications of the recent turbulence beneath the market's surface. Already, it has come to light that a not immaterial amount of equity market participants have been so sure about the "*generational opportunity*" that the AI trade presented that they have sought to amplify their potential gains through margin (i.e., borrowing against their holdings to be able to buy more). Margin is investing's quintessential *double-edged sword*. According to Goldman Sachs, as of a couple weeks ago, more than 1.2 million South Korean investors had received margin calls, and many not only lost everything but are now in debt too.[2] We mention South Korea here because it is the 3rd largest country represented in the MSCI EM Index and is home to two of the three largest stocks in that index – **Samsung Electronics** and **SK Hynix** (**SKHY**). After a sharp rise led by the AI trade and leverage, the South Korean KOSPI Index crashed in July down 39% from its June high, before a recent bounce.

Here in the U.S., FINRA reported the U.S. margin debt reached a record $1.5 trillion in June. The most notable recent example of the potential consequences of the rise in leverage was the implosion of the AI trade-focused hedge fund **Situational Awareness LP**. Situational Awareness was launched in 2024 by a so-called AI genius, and the firm's assets grew quickly to roughly $45 billion as of a few weeks ago boosted by outsized gains on the shoulders of 3x-5x leveraged trades. Then in July, the pull-back in the AI trade led to sharp losses for the fund and margin calls, forcing the sale of the bulk of its listed-stock holdings to **Citadel** at a 10% discount in order to save the firm.[3] It will be interesting to see over coming weeks and months, depending on how the AI trade fares from here, whether '*the cockroach theory*' will apply.

Equity Markets

Global equity indexes were mixed in July, with most of the major indexes we track showing downticks. The laggards in July were the Tech-laden indexes, including the NASDAQ 100 and the MSCI EM Index. Only the MSCI EAFE logged a positive month, pulling up thereby the broader International Indexes. On a YTD basis, despite their declines in July, U.S. Small Caps and International EM remain the leaders.

Fixed Income Markets

When market interest rates rise, bond valuations decline in order to adjust their market yields higher, and that they did in July. On a YTD basis, however, all the major bond indexes we track in this report remain positive, led by the high yield (i.e., below investment grade) indexes.

Reference(s):

1) CNBC, "'Fed meeting recap: Warsh says Fed won't hesitate…, but bond market has doubts", July 30, 2026 – *Link*
2) ABC Australia, "Korean stock market crash threatening to upset tech boom", August 2, 2026 – *Link*
3) CNBC, "Why Situational Awareness hedge fund imploded…" July 31, 2026 – *Link*
   Bloomberg, "Ken Griffin's Citadel Jumps 6% After Situational Awareness Deal". August 5, 2026 – *Link*

Traverse Private Wealth is a registered investment advisor in the State of Pennsylvania. This publication is reprinted with permission from Genesia Investments LLC, an SEC registered investment adviser. Genesia Investments LLC and Traverse are unaffiliated entities. This publication is in no way a solicitation or offer to sell securities or investment advisory services. Statistical information, quotes, charts, references to articles or any other quoted statement or statements regarding market or other financial information is obtained from sources which we believe reliable, but we do not warrant or guarantee the timeliness or accuracy of this information.

Reference to market index information is included for illustrative purposes only, as it is not possible to directly invest in an index. Indexes are unmanaged, hypothetical vehicles that serve as market indicators. Index total return performance data reflects the assumptions of the reinvestment of interest and dividends but does not include the deduction of fees or transaction costs which otherwise reduce performance of an actual portfolio. The blended indexes are shown for informational purposes only and are not representative of any particular investment or plan.