JUPITER WEALTH

From a volatile July to an optimistic August 2026 on Wall Street

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The markets witnessed some serious pullback in stock prices in July 2026, especially the tech stocks. While much of it was driven by AI capex concerns and earnings mixed performance, the S&P 500 is back to an all-time high by the first week of August 2026.

SK Hynix (SKHY), Sandisk (SNDK), Western Digital (WDC), Seagate Technology (STX), Micron Technology (MU) and Intel (INTC) were among the notable names that retreated in the last two weeks of July 2026. Nvidia fell nearly 5% on July 27th.

Here is what happened:

What Happened in the Last 1.5 months?

Fed Policy Shock, AI Capex Jitters & the Korea Leverage Unwind – 17 Jun – 30 Jul 2026

June

17

Hawkish Fed

Warsh's 1st meeting as Chair – 1 full hike in October and 54% probability of hike in December meeting versus not even 1 hike priced in earlier

20-30

AI Capex Jitters & Half Yearly rebalancing

Half-year rebalancing, profit taking, AI capex worries – leverage unwinding in Korea

July

7

Iran-US Tensions

Resurgence of conflict rattles risk sentiment

16

Kimi K3 Release

Led to market believing that AI capex in US may be a bubble, as China has almost the same outcome at 1/10th of the capex

22

Earnings

Alphabet, Tesla report – Alphabet increased capex

From 22nd June 2026 till 21st July 2026: Nasdaq fell 3.93%; KOSPI fell 26%

July

24

Situational Awareness

Leopold reportedly told investors that the situation represented a particularly attractive opportunity to add capital. He may have identified the bottom correctly. He simply did not have enough balance sheet left to trade.
~$20bn, ~4x levered fund

27

CXMT, China DUV Scare & Citadel's expected Fed Emergency Hike

CCXMT listing and DUV news from China rattled sentiments around memory and ASML
Plus, Citadel released news around emergency hike in July by Fed

28

Nvidia CDS Spike

Credit default swaps jump on spending like 250 bn on openai

29

July FOMC • Earnings

Fed kept rates on hold
~35% hike odds priced – most uncertainty in 3 decades
However, post meeting 1 full hike is priced in Dec meeting;
Microsoft, Meta report

30

Earnings & News around Situational Awareness Fund & Citadel

Apple, Amazon report
Short covering on Citadel News

From 21st July to 29th July: Nasdaq fell 6.73%, KOSPI fell 17.10%

KOREA
LEVERAGE UNWIND

$50bn → $17bn
Levered ETF AUM

>5.5x → <4x
JPM Prime L/S Ratio

>$110bn (Asia record)
YTD FX Outflows

9.5%/8.3% → 7.5%/5.7%
Memory Names, MSCI EM Wt.

Looking at Wall Street's Earnings Announcements

Overall, 61% of the companies in the S&P 500 have reported actual results for Q2 2026 to date. The S&P 500 reported impressive results, even if one excludes the unusually large EPS surprises reported by Alphabet ($9.11 vs. $2.88) and Amazon ($5.75 vs. $1.82) for Q2. This would still mark the mark the second consecutive quarter of earnings growth above 20% and the seventh consecutive quarter of double-digit earnings growth for the index.

Revenue

5-year revenue CAGR of 8.5%; the blended revenue growth rate for the second quarter is 14.1% today. 77% of S&P 500 companies have reported actual revenues above estimates, which is above the 5-year average of 70% and above the 10-year average of 68%.

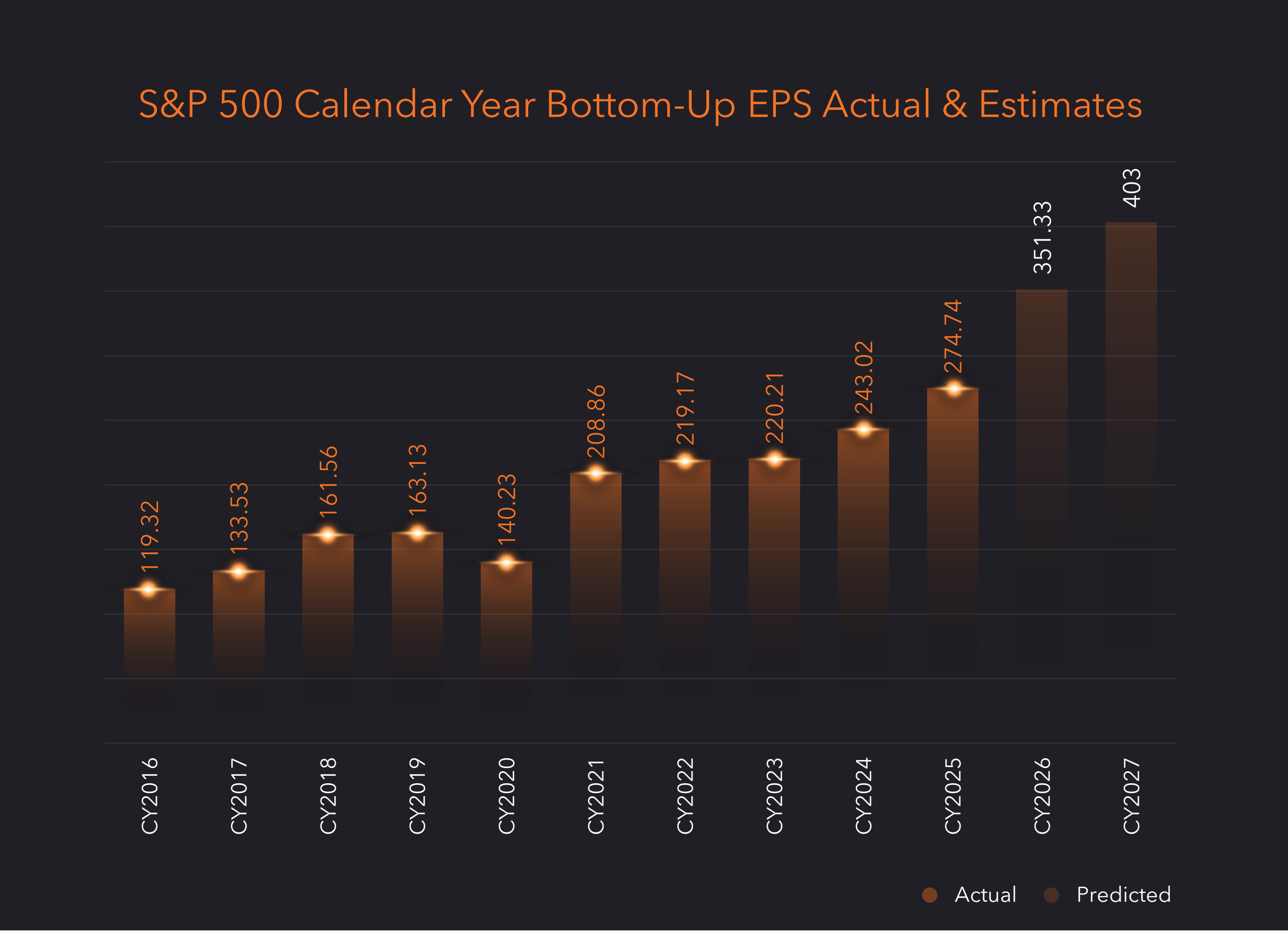
Earnings

The blended year-over-year earnings growth rate for Q2 2026 is 47.4%, which is above the 5-year average earnings growth rate of 15.2% and above the 10-year average earnings growth rate of 11.2%

Net Profit Margin

The blended net profit margin for the S&P 500 for Q2 2026 is 16.7%, which is above the previous quarter's net profit margin of 14.8%, above the year-ago net profit margin of 12.9%, and above the 5-year average of 12.4%.

Source: Factset, 31-Jul-2026



The forward 12-month P/E ratio for the S&P 500 is 19.6. This P/E ratio is below the 5-year average of 19.9 but above the 10-year average of 19.0. It is also below the forward 12-month P/E ratio of 20.4 recorded at the end of the second quarter (June 30). Sectors with maximum FY positive guidance and still below 5 yr average P/E are Information Technology and Communication Services.

Over next 12 months - the bottom-up target price for the S&P 500 is 9060.03, which is 21.8% above the closing price of 7437.63 (12 months forward P/E 22.47x)

Source: Factset, 31-Jul-2026

Trends in Capex Spend by the Hyperscalers

Continued Capex by Hyperscalers

For Q2 2026, the total reported capex was USD 182 bn.

Expected Capex continues to increase

From USD 546 bn at start of 2026 to current expectation of USD 792-793 bn for 2026 and from USD 630 bn to ~USD 1-1.3 trillion for 2027

Falling Free Cash Flow

The FCF for hyperscalers is expected to bottom out by 2027 with the exception of META which is expected to be FCF negative even in 2028.

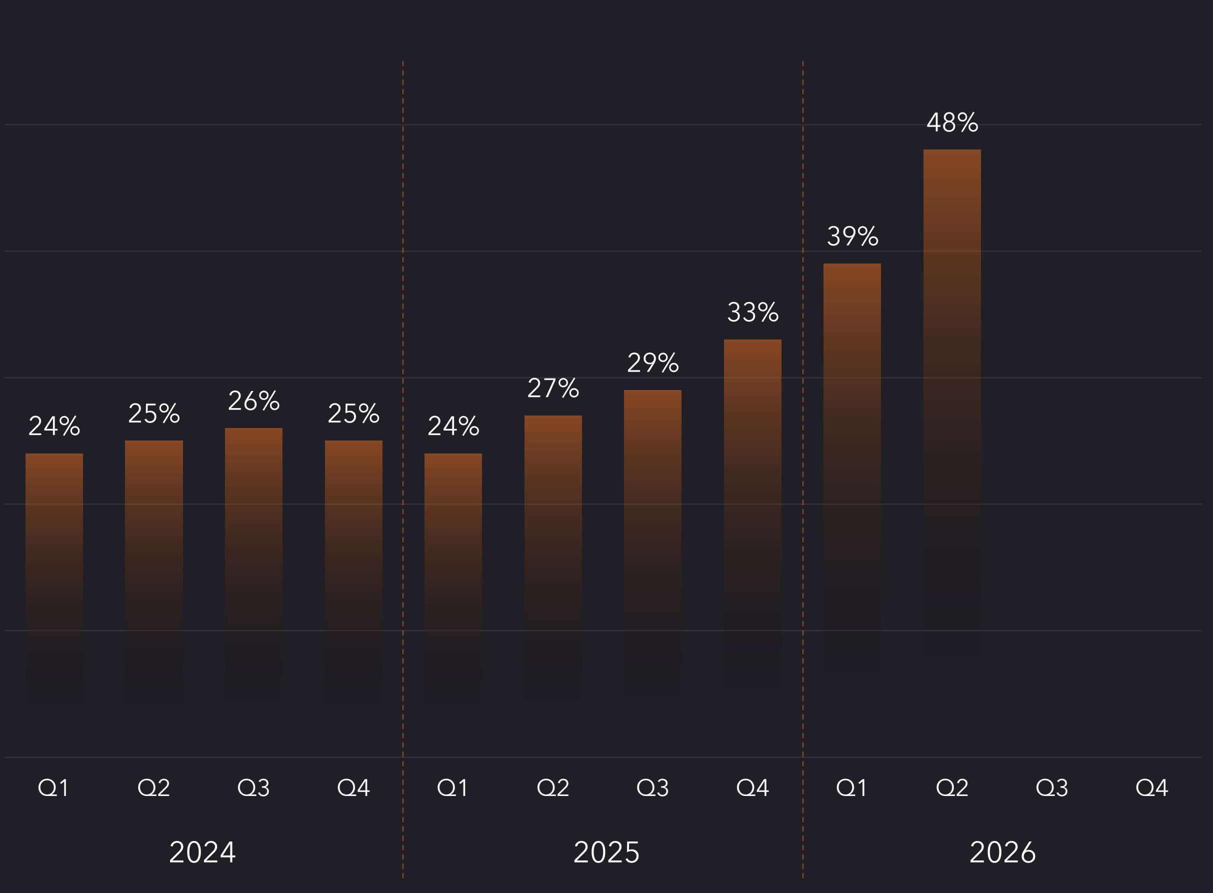
Increasing signs of monetization of capex

Amazon, Google and Microsoft reported 48% growth in cloud revenue for Q2 2026.

Source: Morgan Stanley. Jul-2026

Company name	Ticker	Cash flow from operations	Capex	Free cash flow	Equity issuance	Debt issuance
Amazon.com, Inc.	AMZN	$45	$54	($9)	$0	$10
Alphabet Inc.	GOOGL	39	45	(6)	50	21
Microsoft Corporation	MSFT	55	36	20	1	0
Meta Platforms Inc	META	32	30	2	0	24
Oracle Corporation	ORCL	15	16	(2)	0	(4)
Total		**$186**	**$182**	**$5**	**$50**	**$51**

AMZN, GOOGL, MSFT year/year cloud revenue growth



Source: Morgan Stanley, 20-Jul-2026

Observations on U.S. Equities

The U.S. market is transitioning from an early-cycle "broadening out" phase to a mid-cycle quality rotation. This draws a parallel to early-to-mid 2021, when leadership shifted toward high-quality names after a post-COVID speculative growth phase.

S&P 500 is already a high-quality, mega-cap-dominated benchmark. Approximately 42% of the S&P 500 are "high-quality" cohorts. The “quality factor” is rebounding, similar to the way it did in 2021.

Continued →

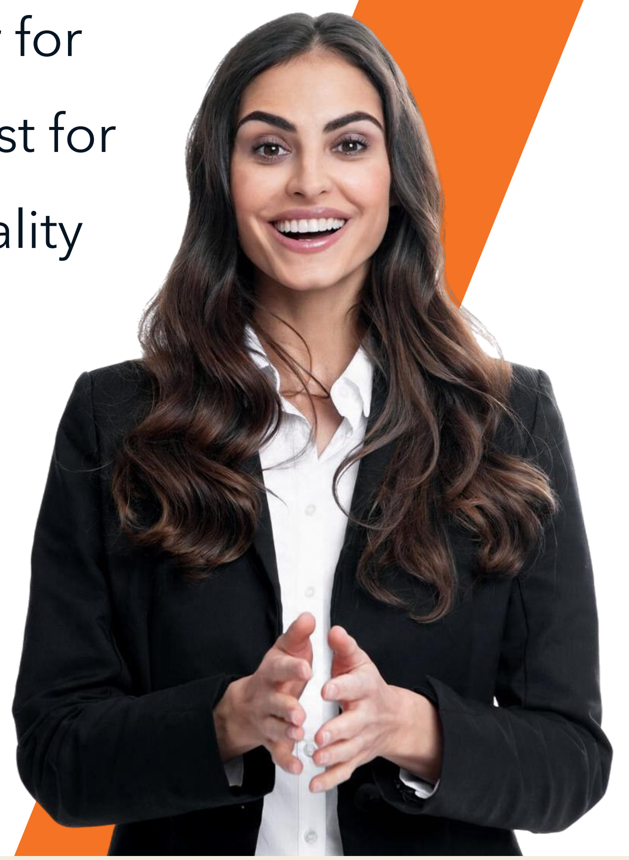
Equity Indices	Current Level (03rd August 2026)	1 Week Return	1 Month Return	YTD Return	5 Year Return	10 Year Return
S&P 500	7,600.50	1.05%	0.09%	9.41%	70.40%	244.58%
EuroStoxx 50	6,426.50	1.23%	1.20%	9.78%	55.48%	112.59%
Nikkei	63,953.98	-0.39%	-8.67%	27.86%	135.90%	288.44%
Nifty 50	24,574.75	2.59%	1.57%	-6.68%	54.69%	182.27%
Switzerland	14,371.77	0.13%	1.64%	8.13%	18.40%	76.52%
Emerging Markets	1,651.40	2.33%	-3.25%	18.62%	30.37%	90.72%
Nasdaq	28,776.80	0.52%	-5.15%	11.98%	89.00%	497.73%
FTSE 100	10,857.70	1.23%	3.72%	9.43%	54.54%	61.62%
Hang Seng	25,809.03	3.69%	13.13%	0.99%	-0.30%	18.24%
KOSPI	6,347.68	-1.42%	-20.57%	56.51%	105.96%	227.12%
MSCI World	1,131.01	1.36%	0.23%	10.44%	54.72%	169.30%

Data as of 03-Aug-2026, Source: Refinitiv

Key Drivers & Risks

- AI adoption continues to be the primary future driver of margin expansion (rather than early-cycle operating leverage), with roughly 100bps of net margin expansion expected through 2027. 25% of S&P 500 companies reported measurable AI benefits in Q2 2026, up from 14% a year earlier.
- Resilient Earnings are being supported by strong revenue growth, growing bottom line and expanding margin.
- The geopolitical risk around oil and possible re-escalation of the Iran conflict is an underpriced risk to energy costs and equities. If price of crude oil stays below $90 the markets would remain positive. If the price stays sustainably above $90 we are likely looking at a rate hike at this point. Continue to watch Strait of Hormuz headlines.
- The risk of higher Inflation and slower growth could become a threatening combination. Core PCE, the inflation measure the Fed actually uses, came in at 3.3% for June against a 2% goal, while Q2 GDP came in at 1.5%. For stocks whose value is determined based on profits far in the future, higher rates make those profits less attractive today.

Ask your financial advisor for Jupiter Wealth's Equity List for recommendations on quality equity stocks.



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Your trusted partner in your journey towards enduring wealth.

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