Raiffeisen
Investiční společnost

Commentary on the Financial Markets

08/26

Stock markets stagnated in July

The U.S. stock index S&P 500 and MSCI World (ACWI) stagnated during July, with the S&P 500 slipping by 0.1% and the MSCI World index remaining unchanged. However, equity markets were highly volatile last month, and for example, the Nasdaq 100 fell by 6.6%. There was profit-taking in the semiconductor sector. Uncertainty regarding the Fed's policy rate setting at the next meeting, scheduled for mid-September, also contributed to declines in stocks, especially in the technology sector. Geopolitical risks (Iran) and rising oil prices during July also had a rather negative impact on both equity and bond markets. By the end of July, equity market volatility as measured by the VIX index fell below its long-term average to around 16. Worth noting is the IPO of the Chinese company CXMT Corp., which is expected to compete in the future with memory manufacturers such as Micron and Samsung. This IPO and the anticipated increase in memory production by this Chinese manufacturer as early as the end of this year were another reason for the decline in the technology (semiconductor) sector.

In July, the best-performing sectors were energy (12.1%), financials (6.2%), and healthcare (2.5%). On the contrary, the worst performers were technology (-7.9%) and consumer discretionary (-1%). In the U.S., the earnings season for the second quarter of this year is ongoing. Companies Amazon and Microsoft reported very strong results and have already hinted that AI investments could be monetized. On the other hand, Apple and Meta disappointed investors. Apple's CEO presented worse-than-expected revenue growth for the next quarter, and Meta, in addition to worse-than-expected results, indicated that the company's free cash flow will turn negative.

From the financial market, the joint intervention by the BOJ and the Fed to support the yen is worth mentioning, as the currency's decline and more expensive imports were putting upward pressure on inflation in Japan.

In July, the Fed left the policy rate at 3.75% p.a., but it is not ruled out that the Fed may raise it again during the year.

The ECB is also keeping its deposit rate unchanged at 2.25% p.a., similar to the CNB, which currently has its repo rate set at 3.75% p.a. The market expects the ECB to raise this rate again this year (source: Bloomberg).

Rising oil prices also contributed to an increase in the yield of the 10-year German government bond to around 3.2% p.a. A comparable Czech government bond was trading at around 4.9% p.a. at the end of April. The yield on the U.S. Treasury rose above 4.7% p.a.

Analysts now estimate a 29.1% aggregate increase in earnings and an 11.1% increase in revenues for S&P 500 companies for 2026 (source: FactSet, 31.7.2026).

The S&P 500 trades at a forward P/E of approximately 19.6, which is slightly below the five-year average of 19.9, but above the ten-year average of 19 (source: FactSet). The second-quarter earnings season could support equity markets in the coming weeks. However, the market is still waiting for results from other companies, such as Eli Lilly, AMD, and NVIDIA, which will be released during August.

Risks to the further development of equity markets include primarily rising inflation and potentially higher interest rates, which could weaken future economic growth. Geopolitical risks also remain present.

Transactions in RIS funds

Global equity markets went through a fairly volatile period during July. Mainly the technology sector showed large swings and weakened by roughly 6%. Increased volatility was actively used for short-term trading for most of the period. On the bond side, Czech government bonds with maturities of 5 to 7 years were primarily purchased, offset by sales of floating-rate bonds. In foreign markets, there was an increase mainly in corporate bonds from the emerging markets region and in EUR- and USD-denominated inflation-linked bonds. Among specific corporate bonds, purchases of bonds issued by the MOL Group are worth mentioning.

On the equity side, the correction in the technology sector was used to selectively increase positions. Shares of companies such as Microsoft and Alphabet were actively traded in both directions. At the same time, emerging market stocks and broad technology-focused index funds were added. Active trading also took place in broader indices focused on the U.S. region. Our tactical allocation of overweighting equities in portfolios remained unchanged.

Investment strategy

We overweight stocks over bonds. Regionally, we overweight North America, the Pacific, and Emerging Markets, while Europe is underweighted. In sectors, we mainly overweight growth sectors such as technology, communications, industry, and finance. In bond strategies, we maintain a longer duration for koruna and dollar bonds, while we slightly underweight the duration for euro bonds.

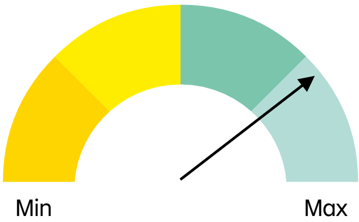
We wish you a lot of success in the next period!

Martin Zezula
Portfolio Manager

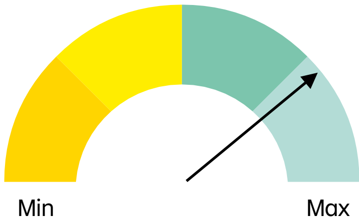
Investment Strategy Summary

Tactical Allocation
Overweighting of stocks in portfolios

Current

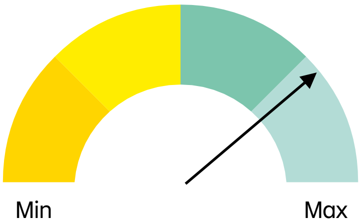


3-month outlook

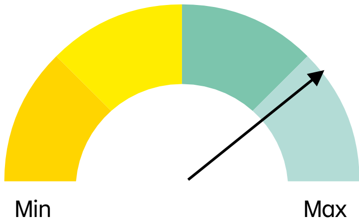


Interest Rate Risk
Average duration of bonds

Current

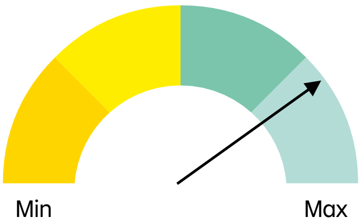


3-month outlook

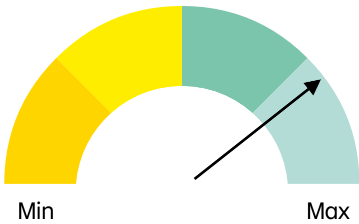


Credit Risk
Share of corporate bonds

Current

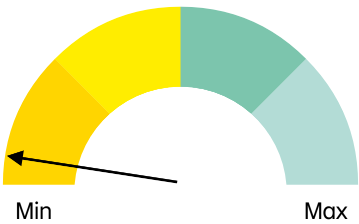


3-month outlook

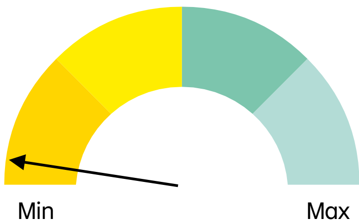


Currency Risk
Unhedged positions in foreign currency

Current



3-month outlook



source: Raiffeisen investiční společnost, a. s., as of August 3rd, 2026

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