

# Week in review and ahead (vol.27-26)



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July 4, 2026

## Week in review

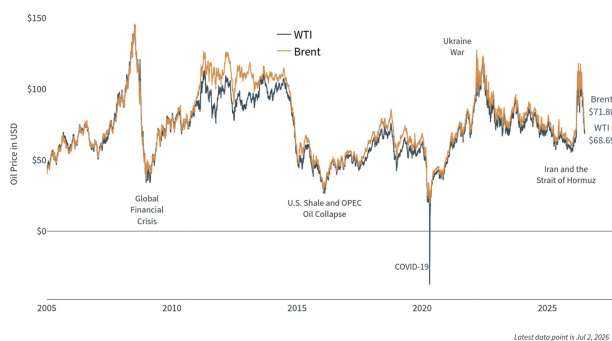
Markets closed higher for the holiday shortened week as June job growth came in much less than expected, reducing expectations that the Fed would raise rates. The June nonfarm payrolls (“NFP”) report also included downward revisions totaling 74,000 jobs for the prior two months. After geopolitical tensions escalated over the previous weekend, reports of ongoing peace discussions helped lift sentiment and added pressure to oil prices, which continued to decline. Reports that countries in the region are aggressively selling from record stockpiles accumulated during the Strait of Hormuz closure could put further downward pressure on oil prices and ease concerns about global oil-driven inflation sooner than expected. Despite the broader market advancing on the week, volatility in the semiconductors, tech, and the broader AI trade persisted throughout the week, driven by valuation concerns and sector rotation.

Market and Economic Chartbook | July 4, 2026



### Global Oil Prices

WTI and Brent Crude



Latest data point is Jul 2, 2026

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For the week the major indices in the US, namely the Dow Jones, S&P500, and the Nasdaq Composite, all advanced by about 2%, with the Dow Jones setting yet another all-time high just before the July 4th holiday (observed on July 3rd). Only the small cap, Russell-2000, posted moderate losses of -0.5% for the week.

International markets broadly advanced as easier global monetary conditions lifted sentiment, with South Korea’s Kospi the notable exception, falling nearly 3% amid a semiconductor selloff in a sector that makes up almost half the index. Elsewhere in Asia, Hong Kong’s Hang Seng led gains with a 3% rise, while Japan, India, and mainland China added 0.6%, 0.9%, and 0.4%,

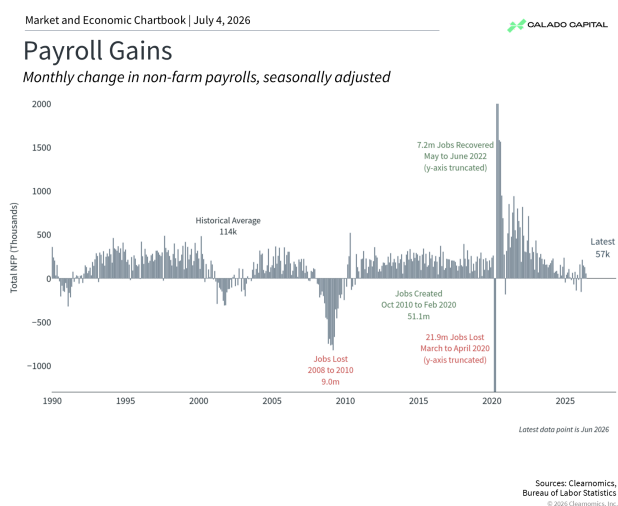
respectively. In Europe, softer-than-expected June inflation supported equities, with euro-area inflation easing to 2.8% versus 3% expected. Inflation in France fell below the ECB’s 2% target at 1.8%, while Germany edged closer at 2.3%,

helping the DAX gain 4.5% and the CAC 40 rise 1.5%. The UK's FTSE also advanced 1.6%, supported by expectations of a political leadership change.

## Week in review – US macroeconomics

This past holiday-shortened week's US macroeconomic calendar was dominated by the labor market, with the NFP released Thursday ahead of the July 4th holiday and markets watching closely for whether the data would affirm the Fed's hawkish tilt. Additionally, Chair Warsh made his international debut on Wednesday at the European Central Bank's ("ECB") annual forum in Sintra, Portugal, on a panel alongside the world's top central bankers. ISM's manufacturing survey for June, May JOLTS job openings, the Conference Board's ("CB") consumer confidence, S&P/Case-Shiller home prices, and weekly jobless claims rounded out the week.

The NFP report landed decidedly soft. Payrolls rose to just 57K in June, roughly half of the 110K expected, while the prior month's 172K was revised down to 129K, a cumulative -74K over the previous two months. It was the lightest reading since February'26, bringing the three-month average to 110K. Average hourly earnings rose 0.3% month-over-month ("MoM") and 3.5% year-over-year ("YoY"), well below headline inflation figures, implying continued erosion in real wages. The unemployment rate ticked down to 4.2%, below the 4.3% expected, though the improvement was due partly to a shrinking labor force, with participation of 61.5, the lowest since February'26. The broader U6 underemployment rate fell sequentially to 7.9%, its lowest since June'25. For the Fed, the report complicates the hawkish narrative established at Chair Warsh's debut press conference. With hiring below average and wage growth trailing inflation, markets responded by lowering the odds of a rate hike at the July 30th FOMC meeting, even as inflation remains well above the 2% objective, an increasingly uncomfortable trade-off for the Committee.

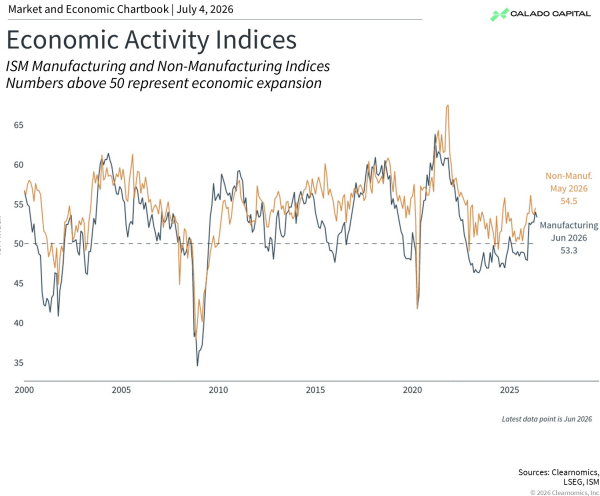


Wednesday's central bank panel in Sintra offered markets their first extended look at Chair Warsh alongside his global peers, joining ECB President Christine Lagarde, Bank of England ("BoE") Governor Andrew Bailey, and Bank of Canada ("BoC") Governor Tiff Macklem. Warsh declined to signal the July rate decision, noting only that "prices are too high," but the more consequential message was the panel's collective repudiation of forward guidance. Lagarde conceded she had come to regret feeling "bound and compelled" by pre-announced rate paths, Bailey and Macklem concurred, and Warsh closed the exchange noting the group had "found common cause," likely marking the end of the era of telegraphing policy paths among the world's major central banks. Notably, both the BoE

and BoC governors focused their remarks on the state of the economy even though each operates under a single (inflation) mandate. Warsh also outlined his intent to reform the Fed's "reaction function", arguing the institution has spent too much time constructing forecasts and too little establishing clear rules for responding when those forecasts prove wrong, and the panel expressed open-mindedness on AI's potential to be disinflationary over time through productivity gains, though none was willing to build that assumption into a near-term rate view.

Also on Wednesday, the ISM Manufacturing PMI for June registered 53.3, below the 54 expected and down from May's 54.0, but still well in expansionary territory, consistent with the overall economy expanding for a 20th consecutive month. Among the five sub-indices, new orders eased to 56.0 from 56.8 but marked a sixth straight month of expansion.

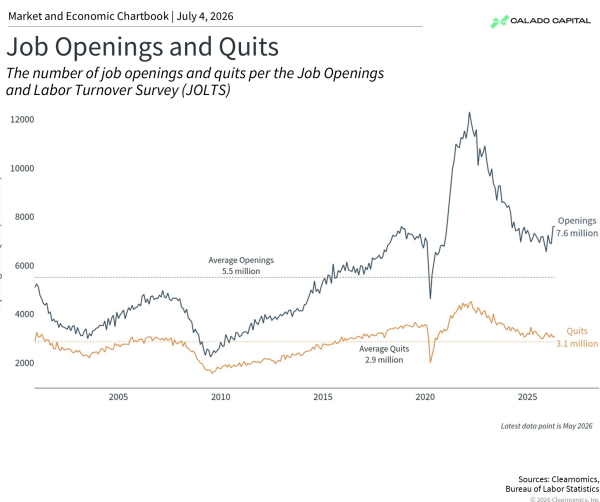
Production slowed to 52.2 from 54.3, while employment improved to 49.7 from 48.6, still modestly in contraction territory but its best reading since January'25. Supplier deliveries registered 57.4 versus 60.6, with deliveries continuing to slow, albeit at a lesser pace, and inventories returning to expansion at 51.4 from 49.9. Overall, the sub-indices signal continued, if moderate, expansion in overall US manufacturing activity.



The balance of the week's data was mostly constructive. May JOLTS job openings surprised at 7.59 million versus the 7.3 million expected, higher sequentially and the best reading of 2026 and since May'24, though the report predates the June payroll softness. The CB's consumer confidence for June came in at 91.2, below the 94.7 estimated but higher sequentially. S&P/Case-Shiller home prices surprisingly rose 1.1% YoY, ahead of expectations and the prior month's 0.9%. With rates now higher, firmer prices may add to the slow activity seen in the housing market. Finally, initial jobless claims of 215K came in below the 220K expected and were unchanged from the prior week, as such remaining well "behaved".

### Week ahead

The week ahead offers a relatively light macroeconomic calendar, though several releases should still help refine investors' view of the economic backdrop and the Fed's policy outlook. The ISM Services survey will be the principal read on current U.S. activity, offering insight into the economy's largest sector. Markets will also scrutinize the minutes from the Fed's latest FOMC meeting for additional context around the recent hawkish pivot under Chair Warsh, particularly the Committee's tolerance for softer growth as inflation remains above target. Finally, June's existing home sales will provide another gauge of housing conditions. Expectations are for activity to remain broadly unchanged from May, reinforcing the view that elevated rates continue to weigh on transaction volumes and keep the housing market subdued.



### Number of the week: -7.89%

Thursday's plunge in South Korea's Kospi, which closed at 7,648, the second near-double-digit single-day decline in two weeks following June 23rd's record -9.99% drop we covered in last week's issue. Samsung Electronics and SK Hynix, which together account for roughly 48% of the index, fell -8.9% and -12.8%, respectively, amid continued foreign outflows, before the index snapped back +5.8% on Friday to 8,088, with SK Hynix rebounding +10.9%. That amounts to a nearly 14-point round trip for the index in two sessions, and a swing of almost 24 points for SK Hynix, daily moves of a magnitude rarely seen in a major national benchmark.

The episode confirms that the volatility remains, and that the mechanics we flagged last week are still very much at work. The single-stock leveraged ETFs layered onto

Korea's concentrated index must rebalance daily to maintain constant leverage, structurally forcing them to sell into declines and buy into rallies, amplifying moves in both directions, down Thursday, up Friday. Notably, the turbulence is no longer contained to Seoul: the Philadelphia Semiconductor Index ("SOX") fell -5.4% on Thursday, with equipment makers KLA, Applied Materials, and Lam Research down -12%, -10%, and -9.7%, respectively, testing the prevailing view that the risks remain confined within the sector. Whether this feedback loop proves self-correcting or self-reinforcing remains an open question. Until resolved, elevated volatility in semiconductors, and by extension the broader AI complex, is likely to persist.

If you have questions about how this may impact your investments, or how you should be positioned, please do not hesitate to contact us at [claudio@caladocapital.com](mailto:claudio@caladocapital.com).

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