CALADO CAPITAL

Week in review and ahead (vol.33-26)

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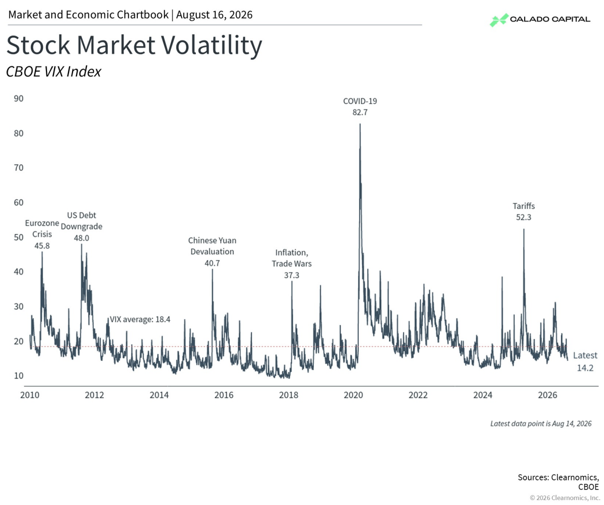
Week in review

Markets ended the week on a mixed note, as investor attention remained focused on corporate earnings and inflation data, which came in broadly in line with expectations while continuing to ease on a sequential basis. Oil prices moved higher over the week amid ongoing uncertainty surrounding access through the Strait of Hormuz, compounded by reports of low global oil inventories and supply constraints. While it remains unclear whether negotiations are actively progressing, continued reports of disagreement between the parties have reduced the likelihood of a near-term breakthrough or resolution.

U.S. equities delivered mixed results, with the S&P 500 reaching another record high and finishing the week up 0.4%. The Russell 2000 outperformed, gaining 1.1%, while the Nasdaq Composite rose a modest 0.1%. In contrast, the Dow Jones Industrial Average declined 0.4% over the week. Market volatility continued to recede, with the VIX ending the week at its lowest level of 2026, reflecting notably calm market conditions despite persistent geopolitical uncertainties and the potential for a bear steepening of the yield curve.



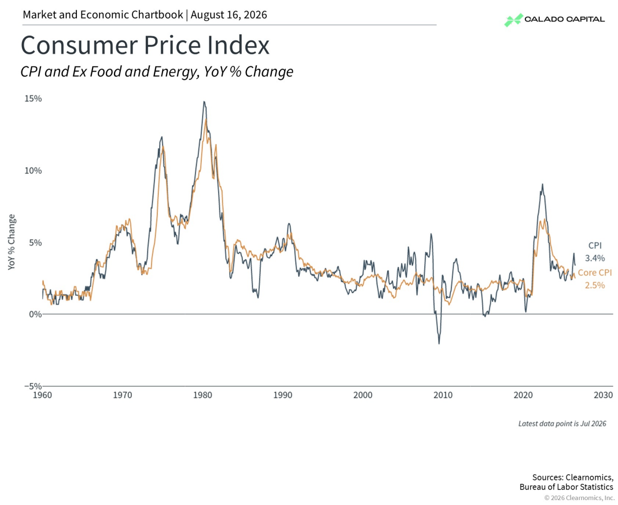
International equity markets were generally weaker, although several notable exceptions emerged. South Korea's Kospi, Japan's Nikkei, and Germany's DAX advanced 10.7%, 4.7%, and 0.5%, respectively. South Korean equities were supported by strong performance in semiconductor-related companies, while Japanese stocks benefited from robust corporate earnings, continued enthusiasm for technology-related investments, and a softer-than-expected U.S. inflation backdrop. German equities outperformed most of their European peers, driven primarily by strength in industrial sectors despite broader softness across the region.

Elsewhere, most major equity markets across Asia and Europe recorded modest declines of 1% or less. The notable underperformers were Hong Kong's Hang Seng Index and the UK's FTSE 100, which fell 2.2% and 1.4%, respectively. In Hong Kong, the decline was largely attributable to profit-taking following several weeks of strong gains, alongside concerns regarding the local economic outlook and investor disappointment with the scope of recently announced policy support measures in China. Meanwhile, the FTSE 100 was pressured by weakness in the mining and pharmaceutical sectors, as well as growing concerns over the UK's economic outlook following slower second-quarter growth.

Week in review – US macroeconomics

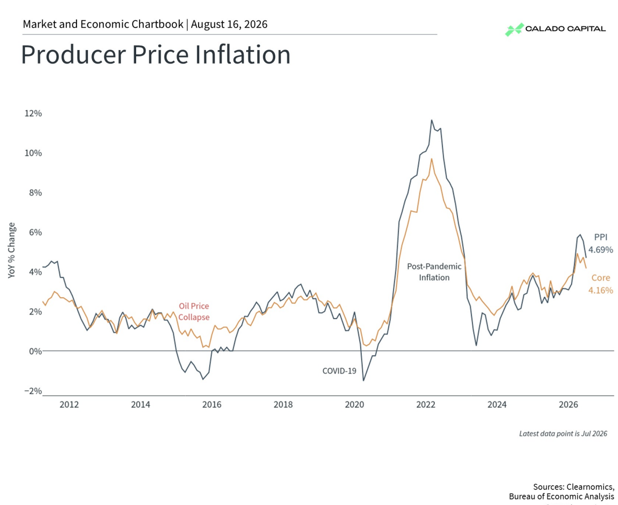
This past week’s US macroeconomic calendar was headlined by inflation, with the July CPI and PPI reports taking center stage, alongside a closely watched 30-year Treasury auction, weekly jobless claims, and a late-week batch of consumer and housing data spanning retail sales, the preliminary University of Michigan consumer sentiment reading for August, and existing home sales.

The July Consumer Price Index (“CPI”) landed squarely in line with expectations. Headline prices rose 0.1% month-over-month (“MoM”) and 3.4% on an annual (“YoY”) basis, a marginal 0.1%-point improvement from the prior month. Core inflation, which excludes food and energy, was similarly in line, increasing 0.2% MoM and 2.5% YoY, the latter also a modest 0.1%-point better on an annual basis and reaching pre-Iran war levels.



Wholesale prices told a comparable story. The July Producer Price Index ("PPI") came in better than expected on a monthly basis, with headline unchanged at 0% and core up 0.2%, each 0.1%-point below expectations. On an annual basis, headline PPI of 4.7% bettered the 4.9% expected while core of 4.2% matched estimates, and both eased meaningfully on a sequential basis, from 5.5% and 4.7%, respectively. In sum, the July inflation reports were broadly in line with estimates but continued to ease sequentially, which may afford the Fed additional room to hold rates steady, particularly on the heels of the disappointing July jobs report.

Even as inflation cooled, the cost of borrowing pushed higher. Thursday's 30-year Treasury auction settled at nearly 5.22%, the highest rate since 2001, as investors increasingly demand greater premia to absorb rising debt loads from both corporate and government issuers, with the 30-year yield closing the week at 5.26%. The result reinforces a theme running through recent weeks, namely that while demand for Treasuries persists, it comes at an increasingly higher price, a dynamic with meaningful implications for financing costs across the economy. Weekly initial jobless claims, meanwhile, ticked up to 209K, above the 202K expected and marginally higher sequentially, though they remain at historically low levels.

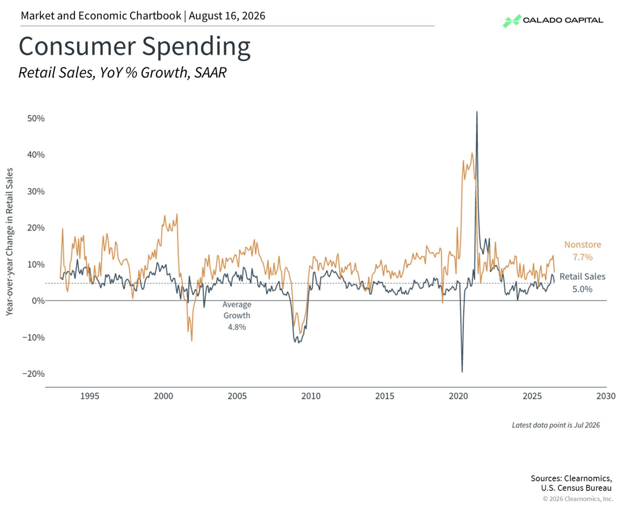


The week closed on a softer note for the consumer and housing. Existing home sales fell -1.7% MoM to 4.06 million, in line with estimates, as the housing market continues to struggle under stretched affordability and elevated mortgage rates. July retail sales missed sharply, declining -0.6% MoM against expectations of +0.1% and the prior +0.2%, the first decline since October 2025. That said, the reading reflects only a single data point and was flattered to the downside by falling gasoline prices and a pullback in online sales following June's Prime Day surge, rather than an outright retrenchment. More concerning, however, was the -0.4% decline in the control group, which feeds directly into GDP and came in well below the +0.3% expected and the prior +0.4% gain. Adding to the caution, the preliminary University of Michigan consumer sentiment reading for August fell to 51 after two months of improvement, with both the current-conditions and expectations components declining.

Corporate earnings

Per Zacks' latest Earnings Trends (August 12, 2026), the second-quarter reporting season has delivered record results, with aggregate earnings for the 451 S&P 500 companies reported (90.2% of the index) up +41.6% year-over-year on +14.7% higher revenue, and beats widespread at 83.4% on EPS and 76.5% on revenue, comfortably above their 20-

quarter averages. Net margins reached 16.6%, a 20-quarter high. Zacks cautions, however, that the aggregate figures were heavily bolstered by Micron and an unrealized gain on Alphabet's SpaceX stake. Stripping the two out, earnings still rose a solid +21.5% on +13.6% higher revenue, with adjusted net margins of 13.86% that continue to exceed both the 20-quarter average and prior high. Growth remains concentrated in Technology, which Zacks pegs at +94.9% (moderating the index to +18.7% ex-Tech), and in the "Magnificent 7" at +85.5% (versus +30.0% for the rest of the index). Looking ahead, Zacks expects Q2 to finish up +43.3%, Q3 earnings to rise +21.7%, and full-year 2026 growth of +27.0%, with estimate revisions still trending modestly higher.



Week ahead

The economic calendar for the coming week will be relatively light, with investor attention likely centered on the release of the Federal Open Market Committee (FOMC) meeting minutes. Following this week's inflation reports, which pointed to continued disinflation through softer Consumer Price Index (CPI) and Producer Price Index (PPI) readings, data on import and export prices will provide additional insight into price pressures during July and help further assess the inflation outlook.

Beyond the FOMC minutes and trade price data, market participants will be closely monitoring indicators of economic activity. S&P Global is scheduled to release its preliminary August Purchasing Managers' Index (PMI) surveys, including composite, services, and manufacturing readings, which should offer one of the earliest assessments of business conditions for the month. In addition, July industrial production data will provide a further update on the strength of the manufacturing and industrial sectors.

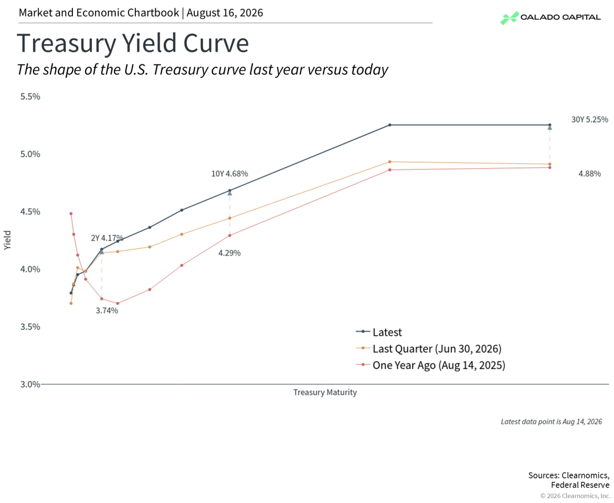
Attention will also remain on the housing market, with releases of July building permits, housing starts, and pending home sales expected to shed light on residential construction activity and housing demand. Meanwhile, weekly initial jobless claims will be closely watched for further evidence on labor market conditions and whether the recent signs of softness in employment data are becoming more widespread across the economy.

Number of the week: 5.26%

The 30-year U.S. Treasury yield ended the week near its highest level in approximately twenty-five years, following Thursday's auction, which cleared at nearly 5.22%, the highest level since 2001. The move reinforced a trend that has been developing for several months, specifically that investors are increasingly demanding greater compensation, through higher term premia, to absorb the growing supply of long-dated debt being issued by both governments and corporations. Corporate issuance, in particular, continues to be supported by financing needs associated with the unprecedented expansion of AI-related infrastructure.

Notably, long-term yields continued to rise despite July inflation data showing further moderation and a softer labor market report strengthening expectations that the Federal Reserve may hold interest rates steady. This divergence suggests that movements at the long end of the yield curve are driven less by expectations for monetary policy and more by concerns surrounding fiscal deficits, elevated borrowing needs, and the expanding supply of long-term debt.

For borrowers across the economy, including homeowners and corporate issuers, the implication is clear. The cost of long-term financing continues to rise. Markets are increasingly testing the capacity of investors to absorb a growing volume of debt issuance and determining the level of yield required to attract sufficient demand.



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.

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