# Global Markets

## Geopolitical Risks and Sector Rotation Shape Equity Markets

Global equities delivered mixed returns in July as markets shifted between geopolitical risks and concerns over the sustainability of the AI investment cycle. Escalating US-Iran tensions briefly pushed Brent crude above USD 100 per barrel, driving commodities sharply higher before geopolitical concerns eased. Developed market equities were broadly resilient, with the MSCI World gaining 0.5% in USD terms, but performance diverged significantly beneath the surface: energy and financials rallied while technology corrected, allowing value stocks to outperform growth by more than six percentage points. Emerging markets fell 3.0%, driven by sharp declines in semiconductor-heavy South Korea and Taiwan, partly offset by a strong 9.0% gain in China.

## Strong Earnings Drive Greater Selectivity within AI

Corporate earnings remained supportive, with S&P 500 earnings on track to grow 36% year-on-year and 85% of reporting companies exceeding expectations. However, strong results were no longer sufficient to sustain elevated technology valuations, as investors increasingly focused on whether substantial AI capital expenditure can translate into attractive returns and sustainable cash flows. Semiconductor stocks came under particular pressure amid high valuations, export-control concerns and China's technological progress, with the MSCI World Semiconductors Index falling 13.2%. The rotation suggests that the AI theme remains structurally intact, but markets are becoming increasingly selective and rewarding companies able to demonstrate durable earnings and returns on invested capital.

## Inflation Concerns and Resilient Growth Weigh on Fixed Income

Global fixed income weakened in July as higher energy prices, resilient economic activity and persistent inflation concerns prompted investors to reassess the outlook for monetary policy. Major developed-market central banks kept policy rates unchanged, but a more cautious tone reinforced expectations that rates could remain higher for longer, pushing government bond yields higher and the Bloomberg Global Aggregate Bond Index down 0.5%. US Treasury yields rose across the curve, while longer-duration investment-grade credit was particularly affected by higher government yields and increased bond issuance from hyperscalers financing AI infrastructure. Despite these pressures, underlying economic activity remained resilient, suggesting that July's volatility reflected primarily a repricing of inflation, interest-rate and valuation risks rather than a material deterioration in global growth.

# Regional Markets

## Higher Rates and Softer Liquidity Weigh on Saudi Equities

Saudi equities remained subdued in July, with the TASI declining 1.9% to 10,590 points, although the index remained approximately 1% higher year-to-date. Market activity also softened, with total traded value falling 20.5% month-on-month to SAR 86.1 billion. Performance was highly selective, with only three of 21 sectors recording gains: Healthcare led with +3.7%, followed by Energy at +1.3%, while Media and Insurance declined sharply. Higher global interest-rate expectations remained a headwind, although stronger energy prices provided some support, with Brent crude rising sharply during the month.

## Resilient Non-Oil Activity Supports the Domestic Outlook

Saudi Arabia's underlying domestic economy remained resilient despite weaker headline GDP, with Q2 real GDP declining 4.8% year-on-year primarily due to a 24.4% contraction in the oil sector, while non-oil GDP still expanded 0.6%. The non-oil PMI remained robust in July, supported by stronger new orders and domestic demand, while consumer spending was 6.1% higher year-on-year in June. Banking fundamentals also remained supportive, with deposits growing 8.9% and credit 7.3% year-on-year, while inflation remained contained at 1.8%. Fiscal conditions improved during the second quarter, with higher oil and non-oil revenues helping narrow the budget deficit sharply to SAR 34 billion, providing continued support for domestic economic activity.

# Global Market Indices

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|---|---|
| **Global Data: As End Of:** | **31-July-26** |
| **Saudi Market Data: As End Of:** | **30-July-26** |

| Region/sector | Index | Quote | MTD (%) | YTD (%) | 1Y (%) | 2Y (%) | 3Y (%) | 5Y (%) | 10Y (%) | 2023 (%) | 2024 (%) | 2025 (%) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **World** | DJIM World TR | 14,553.64 | (2.4) | 11.7 | 23.3 | 17.6 | 17.6 | 9.9 | 13.5 | 27.0 | 18.0 | 19.4 |
| **Developed** | DJIDEV TR | 8,369.54 | (2.3) | 11.5 | 23.1 | 17.3 | 17.8 | 10.5 | 14.0 | 29.4 | 18.5 | 19.2 |
| **Emerging Markets** | DJIEMG TR | 7,300.10 | (2.5) | 13.8 | 25.4 | 20.6 | 15.8 | 4.0 | 9.0 | 6.4 | 13.3 | 21.8 |
| **Saudi** | TASI | 10,589.72 | (1.9) | 0.9 | (3.0) | (6.3) | (3.5) | (0.6) | 5.3 | 14.2 | 0.6 | (12.8) |
| **NAREIT** | All REITS TR | 3,726.26 | 2.7 | 12.3 | 17.8 | 11.3 | 9.8 | 2.2 | 3.9 | 9.8 | 1.6 | 11.0 |
| **GSCI** | All Commodities | 686.15 | 10.8 | 25.1 | 23.9 | 11.5 | 5.0 | 4.9 | 7.3 | (12.2) | 2.6 | (0.2) |
| **Currencies** | Euro | 1.15 | 0.9 | (1.9) | 1.0 | 3.2 | 1.6 | (0.6) | 0.3 | 3.1 | (6.2) | 13.4 |
| | Yen | 157.40 | 3.3 | (0.4) | (4.2) | (2.4) | (3.3) | (7.0) | (4.2) | (7.0) | (10.3) | 0.3 |
| | GBP | 1.35 | 1.7 | 0.1 | 2.1 | 2.4 | 1.7 | 2.3 | 1.8 | 5.4 | (1.7) | 7.7 |