AUGUST, 2026

Dollar Dominance, Carry Trades, and Currency Consequences

INDEX

The Plaza Accord

By early 1985, the U.S. dollar had climbed roughly 44% against the world's major currencies in just five years. This was an effect of Paul Volcker's brutal fight against inflation, which had made dollar-denominated bonds the most attractive yield in the developed world, resulting in a wave of inflowing global capital. For American consumers, this felt like a windfall: European vacations got cheaper, Japanese electronics got cheaper, seemingly everything imported got cheaper. But for American manufacturers, it was a slow strangulation — U.S. exports grew expensive on world markets almost overnight, and by 1985 the trade deficit had ballooned to a then-record $122 billion.[1] Caterpillar and IBM were lobbying Congress. Protectionist legislation was gaining real momentum on Capitol Hill — the kind of legislation that tends to make markets, and trading partners, nervous.

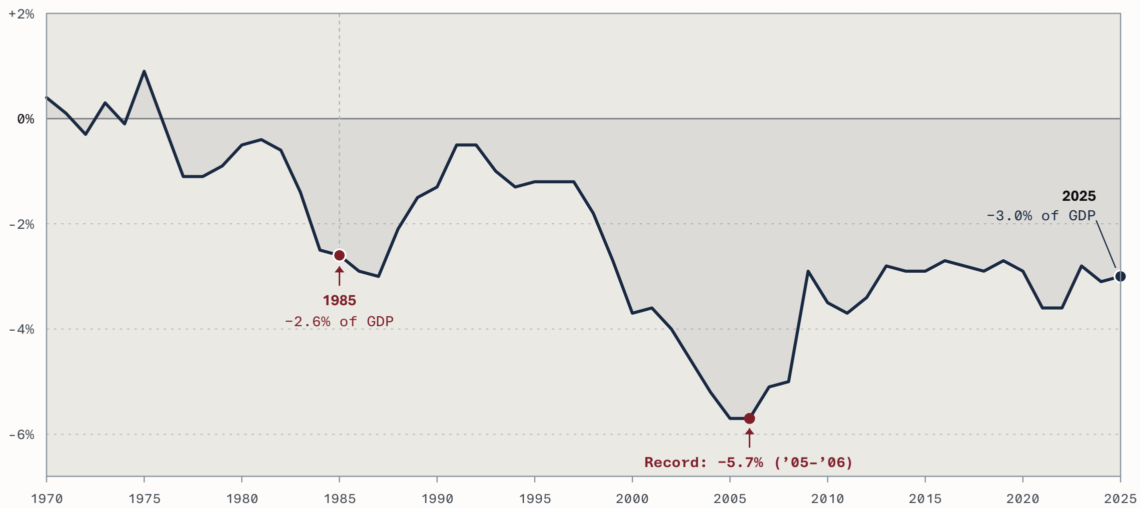
So, on September 22, 1985, finance ministers from the U.S., Japan, West Germany, France, and the U.K., the "G5", quietly gathered at the Plaza Hotel in New York and agreed to do something almost unthinkable by today's standards: deliberately, publicly, and jointly push the dollar back down. They backed the announcement with real central bank selling, and within two years the dollar had fallen roughly 40%. The Plaza Accord worked, more or less as designed — the trade deficit began narrowing (albeit with the usual lag) and outright protectionism was averted. It also left a lasting institutional footprint: the group that met at the Plaza became the standing G7 Finance Ministers' process still in use today.

CONTINUED →

[1] U.S. Treasury, Plaza Statement (September 22, 1985); U.S. Census Bureau; Federal Reserve historical dollar data.

U.S. Trade Balance as a Share of GDP

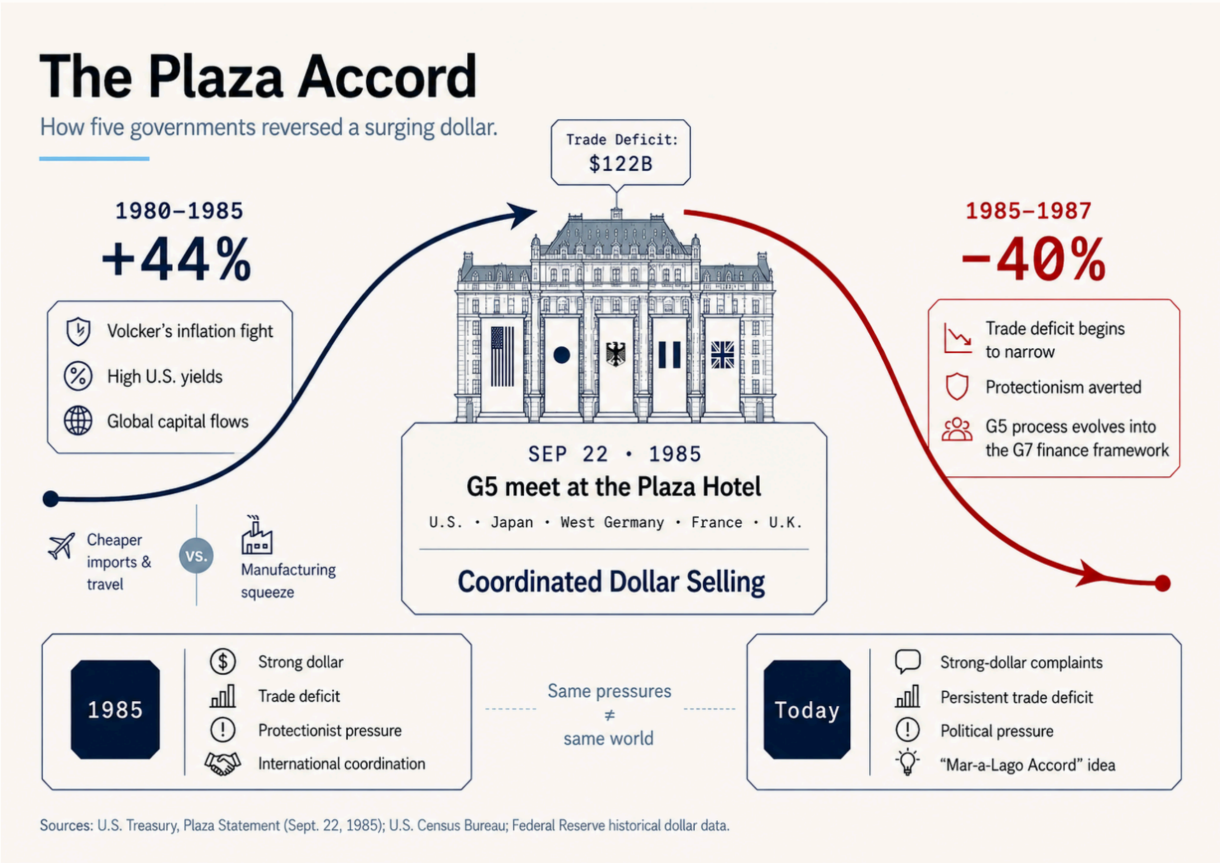
Net exports of goods and services, annual, 1970–2025



Source: U.S. Bureau of Economic Analysis, Shares of GDP: Net Exports of Goods and Services [A019RE1A156NBEA], via FRED, Federal Reserve Bank of St. Louis (retrieved August 2026).

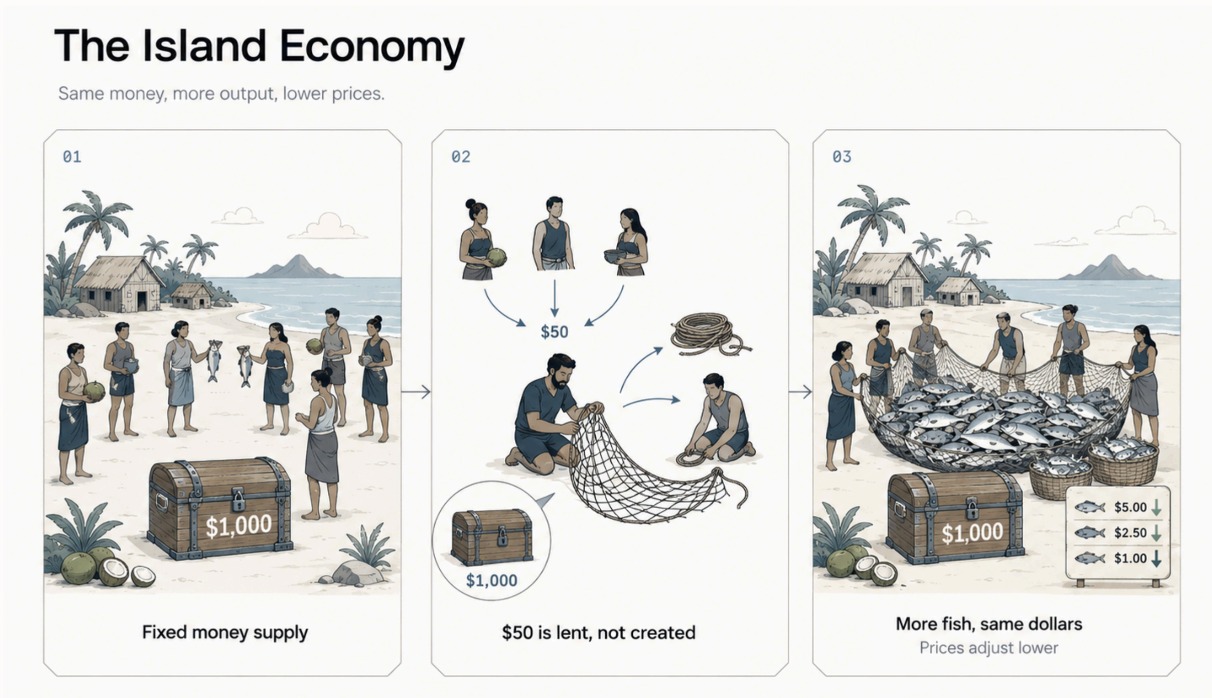
Forty years later, the complaints sound remarkably familiar. A persistently strong dollar, a stubborn trade deficit, and mounting political pressure to do something about it — this time under the banner of what financial circles have started calling the "Mar-a-Lago Accord," a concept floated by Trump's own former Council of Economic Advisers chair, Stephen Miran, explicitly modeled on 1985's playbook. Which raises a natural question worth sitting with: what actually determines whether a currency is "too strong" or "too weak" in the first place — and why does the United States get to even contemplate engineering its own currency's decline, a move that would be a genuine emergency for almost any other country on earth?

To understand why five governments felt they had to intervene, it helps to strip the problem down to its simplest possible version.



The Island Economy

Picture ten castaways, Gilligan's Island–style, washed ashore with a single wooden chest holding $1,000 in real, spendable cash. No banks, no ships, no way to get more. For a while, the island runs smoothly: the castaways catch fish, grow coconuts, build huts, and trade among themselves, with that fixed $1,000 changing hands over and over to settle each transaction.



Then the Professor, ever the tinkerer, gets an idea for a better fishing net — but building it takes rope, time, and help he doesn't have on hand. He borrows $50 from a few fellow castaways' savings, promising repayment out of his future catch, and uses it to pay neighbors for a day's labor and sourcing materials needed for the rope. Notice what didn't happen: the island's money supply didn't grow by a dollar. Those $50 already existed — they simply moved from savers' pockets to the Professor's, and will move back once he repays. What did grow is the island's output: the same $1,000 is now chasing 10% more fish. At first, the extra catch may just sit unsold at yesterday's prices. But since fish don't keep, fishermen start undercutting each other rather than watch the surplus rot. That race to sell is the adjustment: prices settle lower, not because anyone's worse off, but because a fixed pool of dollars can only support so much spending, at whatever price finally clears it all.

This is the seed of every monetary policy debate that follows: the money supply, the speed at which money circulates, the size of the economy, and prices are linked by an equation. If the same amount of money circulates at the same rate while the island produces more goods, the overall price level must fall. On a castaway's island, that's a curiosity. In a country of 340 million people carrying debts, mortgages, and paychecks fixed in nominal dollars, that same mechanical fact becomes the difference between a healthy economy and a genuine crisis.

Opening the Border

Now give the island a dock. A trading ship starts calling once a month, and the Professor, always tinkering, realizes he can build an even better net with proper rope and metal hooks the island simply doesn't produce. He pays the ship's captain with island dollars.

Here's where the story changes character. When the Professor borrowed from his neighbors, the money never left the island — it just moved between pockets. But when he pays the ship's captain, those dollars move out of the hands of island residents and into the hands of someone abroad. Under the old gold standard, persistent payments abroad could drain a country's gold reserves and ultimately shrink the amount of money circulating at home. In that kind of reserve-constrained system, a country that continually bought from abroad without selling anything in return would eventually face deflationary pressure or be forced to adjust.

One way for the dollars to return is for the island to sell something to the ship, like coconuts. But exports are not the only way the transaction can balance. The ship's captain might also use those dollars to buy an island asset, lend them to an island resident, or hold them as savings. This is the balance of payments in miniature: money used to purchase foreign goods must ultimately be matched by foreign purchases of goods, services, or financial claims.

The distinction between dollars that return through trade and dollars that remain abroad because outsiders want to hold the island's currency or assets is the thread that connects everything from here forward. For most countries, persistent demand for their financial claims is limited. For the United States, global demand for dollars and dollar-denominated assets entirely changes the equation.

The Modern Carry Trade

The concept is simple enough: borrow at a low interest rate, lend that money back out at a higher interest rate and pocket the difference. In fact, use leverage as well! For most of the last three decades, the yen has been the world's default "cheap" leg — Japan spent years at or near zero (and briefly negative) interest rates, making it the natural currency to borrow and sell. This is the yen carry trade, and it's the same basic mechanism that pulled capital into dollar assets before the 1985 Plaza Accord, just run by a different pair of currencies.

The Bank of Japan has actually been raising rates — its policy rate now sits at 1.0%, the highest level since 1995, after a string of hikes through 2025 and 2026. And yet the yen touched a fresh 40-year low against the dollar in July, despite Tokyo having recently spent enormous sums defending it. The reason is the same lesson from the island model: what matters isn't the absolute level of Japanese rates, it's the gap relative to everyone else's. The Fed's benchmark still sits at 3.50–3.75%, so even a "high by Japanese standards" 1% leaves a roughly 2.5-point reward for anyone borrowing yen to hold dollars instead.

So why won't the BOJ just close the gap? Because it's boxed in. Much of Japan's mortgage debt, small-business lending, and housing market is tied to a decade-plus of near-zero rates, and Governor Kazuo Ueda has been explicit that raising too aggressively risks destabilizing markets, even as he's warned that moving too slowly could eventually force a much sharper, more disruptive catch-up hike later. Layer on Japan's aging, shrinking population, which has structurally weak domestic demand and, increasingly, a preference for investing savings abroad rather than at home, where returns have been low for a generation. Additionally, Japan imports nearly all its energy, and a weaker yen makes those imports more expensive, which shows up as more yen sold to buy dollars to pay foreign oil bills — exacerbating a currency already under pressure.

Back to the Plaza

So why does the United States get to run an experiment no other country could survive? The answer traces to something the economist Robert Triffin flagged in 1960, while watching the original dollar-gold system come under strain. Because the dollar is the world's principal reserve currency, the rest of the world needs a large and growing supply of dollar-denominated assets for trade and reserves. In practice, that demand has often been supplied through persistent U.S. current-account deficits, sending dollars abroad in a way that would be difficult for a smaller economy to sustain. Those dollars then return — not only as payment for American exports, but also as purchases of Treasuries, real estate, and equities. The U.S. current-account deficit and the world's appetite for dollar assets are the same flow, viewed from opposite sides of the balance of payments. The arrangement is self-reinforcing: because global trade, finance, reserves, and payment systems are already built around the dollar, countries and institutions often have strong incentives, and sometimes little practical alternative, to hold dollar assets. The system endures as long as that infrastructure and confidence continue to reinforce one another.

> The U.S. current-account deficit and the world's appetite for dollar assets are the same flow, viewed from opposite sides of the balance of payments.

That is the exact machinery both the original Plaza Accord and its modern echo are built on. In 1985, an overvalued dollar had pushed the arrangement out of balance, and five governments moved deliberately to correct it. Today's Mar-a-Lago Accord conversation asks the same question in a new decade and adds a harder one: can a country willingly weaken the very currency the world depends on without also weakening the confidence that makes the whole system work?

The enduring lesson is simple: the rate gap is not free money; it is compensation for risk, often hidden in the exchange rate. Carry trades can look stable, liquid, and repeatable — until rates converge, funding tightens, or the currency moves against a crowded position. And when governments begin openly contemplating a weaker currency to reshape trade, they add another source of uncertainty to a market already built on confidence and leverage. The Plaza Accord showed that coordinated policy can move exchange rates. Revisiting that playbook in a larger, more interconnected, and more heavily financialized system could produce consequences that are faster, broader, and harder to contain. The risk is not only that policymakers fail — but that they succeed too abruptly.

August Deep Thought: Who Really Pays for a Discount?

Economist Noah Smith's recent piece, "Slopulism is taking over America" (Noahpinion, Aug. 2, 2026), dissects a New York bill that would require a 10% discount for shoppers who use self-checkout, meant to compensate them for scanning and bagging their own groceries. His point: grocery margins run so thin that a discount that size can't simply be absorbed. Stores would raise the sticker price for everyone, which ironically accelerates the very cashier layoffs the bill's backers hoped to prevent, part of a broader wave of self-checkout legislation now spreading state to state.

What if policymakers had to identify who pays before defending a policy?

We think the framing generalizes well beyond one grocery aisle. Start with a plain, competitive price: cost of goods plus margin. Society can layer almost any social objective onto that price — a senior discount, a protected job, a living wage — but in a competitive market, the cost still has to land somewhere. The accounting simply becomes:

Price − Subsidy + Make-Whole = New Price

That "make-whole" burden ultimately falls on some combination of customers, shareholders, workers, suppliers, or taxpayers; owners may absorb it temporarily, but not indefinitely without reducing investment or exiting the business.

Policymakers are free to advocate for the outcome they believe is fairest. What matters is that the cost and beneficiary are made visible, so the trade-off can be weighed deliberately rather than imposed by accident:

- Fund worker retraining transparently through public revenues.
- Require staffed checkout options and acknowledge the resulting cost.
- Allow staffing and technology to adjust, with productivity savings reflected in prices.

Each approach can be coherent. The essential requirement is honesty about who benefits, who pays, and whether the trade-off is worth making for our society as a whole.

Talking Points – July 2026

MONTHLY MARKET RECAP

Equity markets finished mixed in July, with value-oriented sectors outperforming as investors continued to rotate away from growth equities. Treasury yields rose, particularly on the intermediate and long end of the curve, as concerns surrounding the path of monetary policy intensified. AI-related equities were pressured by renewed questions about elevated capital spending, near-term returns, and increasing competition from China. Meanwhile, the conflict between the U.S. and Iran continued to generate volatility across equity, bond, and energy markets.

> Performance in equity and fixed income markets was once again driven by AI sentiment, the ongoing conflict in the Middle East, and expectations surrounding the Fed's plan for interest rates moving forward.

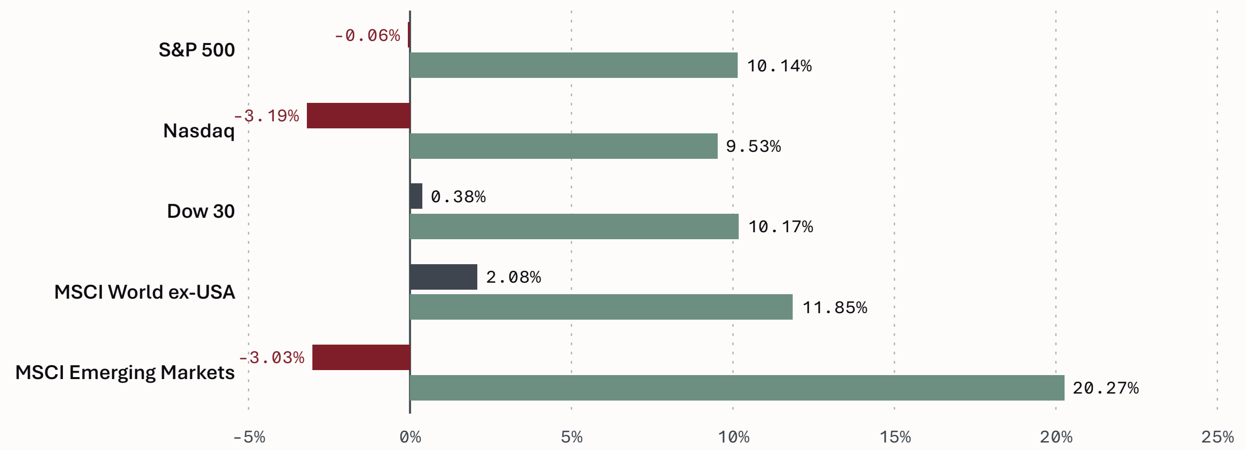
AI-related equities were a negative contributor to performance for much of the month. Samsung's results fell short of investors' elevated expectations, while IBM warned that large corporate customers were diverting spending from traditional technology systems to fund AI investments and that this spending was stretching companies thin. Concerns intensified after Alphabet and Tesla reported negative free cash flow alongside elevated capital spending, and Nvidia was reportedly considering as much as $250 billion in funding for an OpenAI data center project. The introduction of new Chinese AI models from Moonshot AI and Alibaba, along with the strong debut of Chinese memory-chip maker CXMT, also highlighted China's growing competitive presence. Sentiment improved late in the month after Microsoft and Amazon reported strong earnings and cloud growth, providing investors with some evidence that elevated AI spending can produce tangible results.

The primary macro concern shifted during July. Rather than focusing solely on whether rate hikes were possible in 2026, investors increasingly questioned whether the Fed would act quickly enough if inflation resumed its upward trend. The Fed held benchmark rates steady at its July meeting, as expected, although three officials dissented in favor of a hike. Markets reacted negatively to Fed Chairman Kevin Warsh's suggestion that rising yields had already helped tighten financial conditions. His comments raised concerns that the Fed could delay raising rates even if the data warranted action, potentially forcing policymakers to play catch-up later. Long-term yields rose materially following the meeting, with the 30-year Treasury yield reaching 5.22% intraday, its highest level since 2007.

Inflation data was more encouraging. June CPI and Core CPI came in below expectations and below the prior month, while PCE and Core PCE were in line with expectations and also declined from May. The reports suggested that the recent month-over-month increases in inflation had stalled for the time being, despite continued pressure from elevated energy prices. Warsh cautioned that the improved readings did not mean "mission accomplished," however, and the labor-market picture remained unclear. The economy added only 57,000 jobs in June compared with the 115,000 forecast, but unemployment declined as more people exited the labor force or stopped looking for work. This unusual combination provided little clarity on the underlying strength of the economy or the appropriate path for interest rates.

Geopolitical tensions also remained a major market driver. July began with the U.S. and Iran resuming hostilities shortly after agreeing to a memorandum of understanding intended to progress towards ending the conflict and reopening the Strait of Hormuz. After Iran continued attacking commercial vessels, President Trump reimposed the U.S. blockade and declared the prior cease-fire no longer active. The U.S. subsequently broadened its range of targets in Iran, while attacks in the Strait and Houthi strikes on Saudi oil tankers in the Red Sea pushed oil above $100 per barrel and added to inflation concerns. Reports that Pakistan and Iran were exploring renewed negotiations eventually led to another pause in fighting, but that pause proved short-lived. Iran's subsequent attack on U.S. forces in Jordan prompted a U.S. counterattack and threats of a broader campaign, reinforcing concerns that any diplomatic progress could remain fragile.

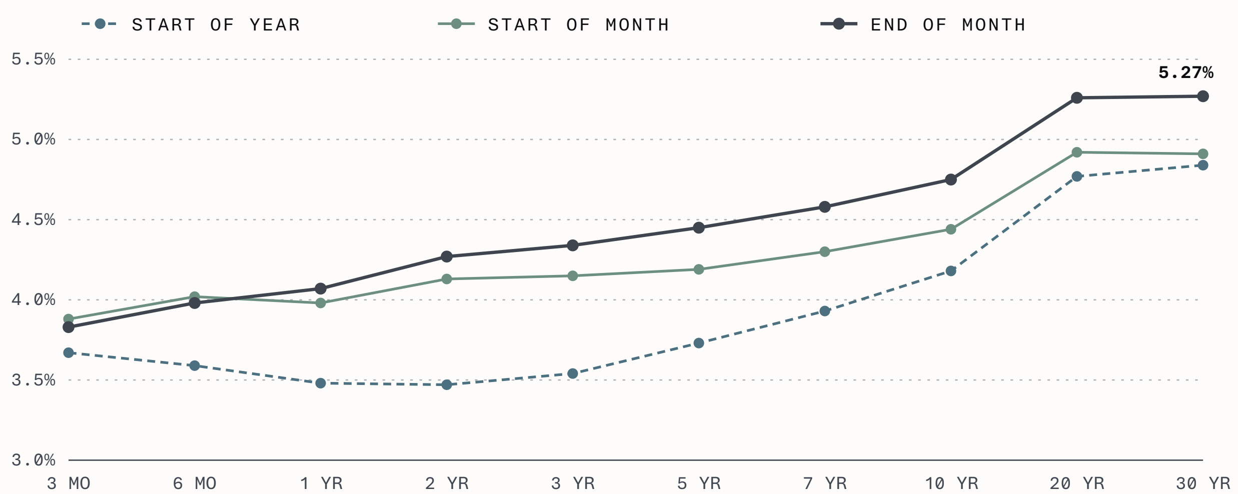
EQUITY INDICES: JULY 2026 RETURNS



	MSCI EMERGING MARKETS	MSCI WORLD EX-USA	DOW 30	NASDAQ	S&P 500
Monthly Returns	-3.03%	2.08%	0.38%	-3.19%	-0.06%
YTD Returns	20.27%	11.85%	10.17%	9.53%	10.14%

Index returns through July 31, 2026. Source: Obsidian CIO, July 2026.

TREASURY YIELDS: JULY 2026



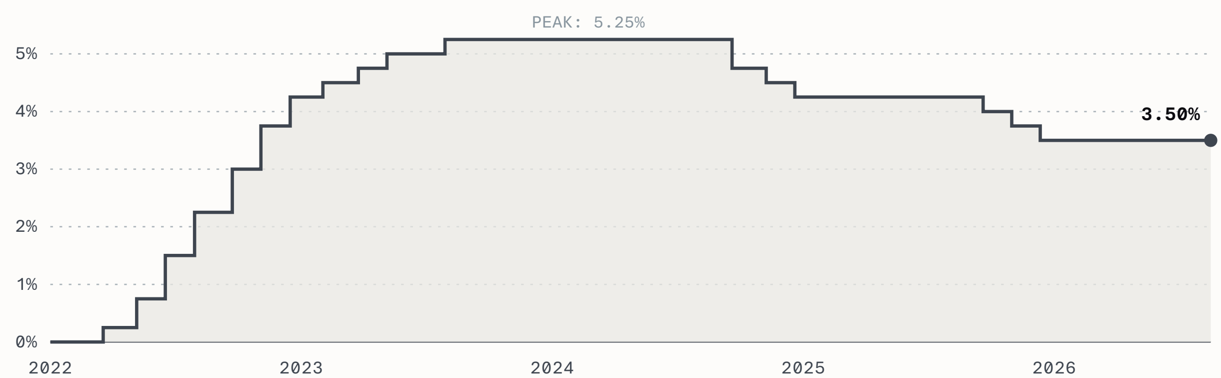
Start-of-year, start-of-month, and end-of-month yields. Source: Obsidian CIO, July 2026.

FED INTEREST RATE DECISIONS: SINCE START OF HIKING CYCLE

MEETING	HIKE/CUT	TARGET RANGE	MEETING	HIKE/CUT	TARGET RANGE
Start of 2022	–	0.00% – 0.25%	5/1/2024	0.00%	5.25% – 5.50%
3/16/2022	+0.25%	0.25% – 0.50%	6/12/2024	0.00%	5.25% – 5.50%
5/4/2022	+0.50%	0.75% – 1.00%	7/31/2024	0.00%	5.25% – 5.50%
6/15/2022	+0.75%	1.50% – 1.75%	9/18/2024	-0.50%	4.75% – 5.00%
7/27/2022	+0.75%	2.25% – 2.50%	11/7/2024	-0.25%	4.50% – 4.75%
9/21/2022	+0.75%	3.00% – 3.25%	12/18/2024	-0.25%	4.25% – 4.50%
11/2/2022	+0.75%	3.75% – 4.00%	1/29/2025	0.00%	4.25% – 4.50%
12/14/2022	+0.50%	4.25% – 4.50%	3/19/2025	0.00%	4.25% – 4.50%
2/1/2023	+0.25%	4.50% – 4.75%	5/7/2025	0.00%	4.25% – 4.50%
3/22/2023	+0.25%	4.75% – 5.00%	6/18/2025	0.00%	4.25% – 4.50%
5/3/2023	+0.25%	5.00% – 5.25%	7/30/2025	0.00%	4.25% – 4.50%
6/14/2023	0.00%	5.00% – 5.25%	9/18/2025	-0.25%	4.00% – 4.25%
7/26/2023	+0.25%	5.25% – 5.50%	10/29/2025	-0.25%	3.75% – 4.00%
9/20/2023	0.00%	5.25% – 5.50%	12/10/2025	-0.25%	3.50% – 3.75%
11/1/2023	0.00%	5.25% – 5.50%	1/28/2026	0.00%	3.50% – 3.75%
12/13/2023	0.00%	5.25% – 5.50%	3/18/2026	0.00%	3.50% – 3.75%
1/31/2024	0.00%	5.25% – 5.50%	4/29/2026	0.00%	3.50% – 3.75%
3/20/2024	0.00%	5.25% – 5.50%	6/17/2026	0.00%	3.50% – 3.75%
			7/29/2026	0.00%	3.50% – 3.75%

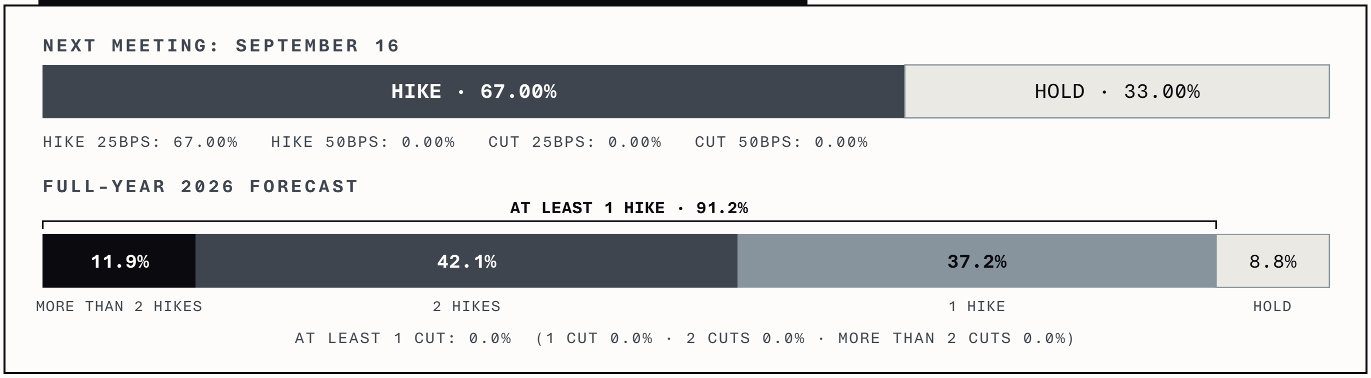
Cuts shown in Crimson. Source: Federal Reserve (FOMC statements); compiled by Obsidian CIO.

TARGET FED FUNDS RATE: LOWER BOUND



Lower bound of the target range, 2022–2026. Source: Federal Reserve; compiled by Obsidian CIO.

FED RATE PROBABILITIES: AS OF 7/31/2026



Market-implied probabilities as of 7/31/2026. Source: Obsidian CIO, July 2026.

Obsidian Sentiment Summary 2026

2026	JAN	FEB	MAR	APR	MAY	JUN	JUL
Fed	Mildly Bearish	Neutral	Neutral	Neutral	Neutral	Mildly Bearish	Bearish
Interest Rate Decisions	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral
Commentary	Mildly Bearish	Neutral	Mildly Bearish	Mildly Bearish	Neutral	Bearish	Bearish
Fed Independence	Mildly Bearish	Neutral	Neutral	Neutral	Neutral	Neutral	Mildly Bearish
Economic Data	Mildly Bullish	Mildly Bullish	Mildly Bearish	Mildly Bearish	Mildly Bearish	Mildly Bearish	Mildly Bearish
Inflation	Bullish	Mildly Bullish	Neutral	Mildly Bearish	Bearish	Mildly Bearish	Bullish
Employment/Labor Market	Neutral	Mildly Bullish	Bearish	Neutral	Bullish	Bearish	Mildly Bearish
GDP	Neutral	Neutral	Neutral	Neutral	Mildly Bearish	Bearish	Neutral
Consumer Spending	Neutral	Mildly Bearish	Neutral	Neutral	Mildly Bearish	Neutral	Mildly Bearish
Consumer Sentiment	Neutral	Neutral	Mildly Bearish	Bearish	Bearish	Mildly Bearish	Neutral
Housing/Real Estate	Neutral	Mildly Bullish	Mildly Bullish	Neutral	Neutral	Neutral	Mildly Bearish
Global Events/News	Mildly Bearish	Mildly Bearish	Bearish	Bullish	Mildly Bullish	Neutral	Bearish
China	Neutral	Neutral	Mildly Bearish	Neutral	Mildly Bullish	Neutral	Bearish
Middle East	Bearish	Bearish	Bearish	Bullish	Bullish	Mildly Bullish	Bearish
Russia	Neutral	Neutral	Mildly Bearish	Neutral	Neutral	Neutral	Neutral
South America	Mildly Bullish	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral
Europe	Mildly Bearish	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral
Japan	Neutral	Neutral	Neutral	Neutral	Neutral	Mildly Bearish	Mildly Bearish
US Politics/Government	Mildly Bearish	Mildly Bullish	Neutral	Neutral	Neutral	Mildly Bearish	Mildly Bearish
Tariffs	Mildly Bearish	Bullish	Mildly Bearish	Neutral	Mildly Bearish	Mildly Bearish	Mildly Bearish
Economic Policy	Mildly Bearish	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral
Market Trends	Mildly Bearish	Bearish	Mildly Bearish	Neutral	Mildly Bullish	Mildly Bearish	Mildly Bearish
Earnings	Mildly Bearish	Neutral	Neutral	Mildly Bullish	Bullish	Mildly Bearish	Mildly Bullish
AI/Chips	Mildly Bearish	Bearish	Neutral	Mildly Bullish	Bullish	Mildly Bearish	Bearish
Private Credit	Bearish	Bearish	Bearish	Mildly Bearish	Neutral	Bearish	Neutral
Energy Prices	Mildly Bearish	Bearish	Bearish	Mildly Bearish	Mildly Bearish	Mildly Bullish	Bearish
Metals/Critical Minerals	Mildly Bullish	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral
Crypto	Mildly Bearish	Neutral	Mildly Bearish	Neutral	Neutral	Bearish	Neutral

Source: Obsidian CIO, July 2026.

Key Topics/Items for July

BEARISH

- The U.S. and Iran resuming fighting to start the month (shortly after the two sides had agreed on the Memorandum of Understanding) after Iran attacked commercial vessels attempting to navigate the Strait of Hormuz
- Energy prices rising after the U.S. expanded military strikes against Iran and tightened restrictions on Iranian oil exports in response to Iran continuing to execute attacks near the Strait
- IBM warning that its large corporate customers were shifting spending away from traditional computer and software systems to fund AI investments, with the company cautioning that elevated AI spending was “stretching companies thin” and contributing to selling pressure across AI stocks
- AI/chip stocks selling off following the release of Moonshot AI, a new Chinese open-source model that its developer claims outperforms some leading U.S. models — reviving concerns similar to those triggered by DeepSeek’s release in January 2025
- President Trump announcing that the U.S. would reimpose its blockade of the Strait as attacks in the region intensified
- President Trump declaring that the original cease-fire (which was not being followed anyway) was no longer active after Iran failed to hold up its end of the deal by not fully opening the Strait
- Google and Tesla reporting earnings that showed increasing AI-related capex spending and negative free cash flow — intensifying concerns that the enormous cost of building AI infrastructure could pressure near-term shareholder returns
- Alibaba unveiling a new open-weight AI model that it claims is “second only to Anthropic’s Fable 5,” fueling recent concerns over China’s rapid AI advancements following a similar market reaction to Moonshot AI’s release the week prior

- Energy prices and Treasury yields rising after the U.S. broadened its range of targets in Iran, Iran continued attacking commercial vessels in the Strait of Hormuz, and Houthi forces attacked two Saudi oil tankers in the Red Sea — pushing oil above $100 per barrel and raising concerns about disruptions across two major global energy-shipping routes
- Chinese memory-chip maker CXMT surging more than 460% following its mainland listing, highlighting strong investor demand and China's growing presence in the semiconductor industry
- Nvidia reportedly discussing as much as $250 billion in potential funding for a massive OpenAI data-center project, adding to concerns over the scale of AI infrastructure spending
- Fed Chairman Kevin Warsh suggesting that rising yields had already helped tighten financial conditions, raising concerns that the Fed could be slow to act if rate hikes are ultimately needed to curb inflation and contributing to a material rise in long-term Treasury yields, with the 30-year yield reaching 5.22% intraday — its highest level since 2007
- Iran launching a surprise attack on U.S. forces in Jordan after the U.S. and Iran agreed to temporarily pause strikes to allow diplomacy another chance, prompting a U.S. counterattack and threats of a more intense military campaign (pushing energy prices higher)

MILDLY BEARISH

- June's jobs report showing that the U.S. economy added far fewer jobs than expected (57,000 actual vs. 115,000 forecasted), while the unemployment rate declined as more people stopped working or searching for jobs (an unusual dynamic that markets are likely to monitor closely in the coming weeks and months)
- Mortgage rates rising to their highest levels in nearly a year, while June retail sales came in line with expectations but showed slower growth than the month prior
- Minutes from the Fed's first meeting under Chairman Kevin Warsh showing that policymakers generally agreed additional rate hikes could be warranted if inflation remains elevated through the remainder of the year (meeting was on 6/17/26, Fed held rates at current levels)

- Samsung reporting earnings that fell short of markets' lofty expectations
- The U.S. dollar strengthening while the Japanese yen continued to weaken, keeping markets alert for potential intervention by Japanese authorities as diverging Federal Reserve and Bank of Japan policy expectations continued to pressure the yen
- Fed Chairman Kevin Warsh cautioning that the encouraging June inflation data did not mean "mission accomplished," while acknowledging that it represented a step in the right direction
- SpaceX shares falling below its IPO price after the company canceled a scheduled launch, with the sharp post-IPO price swings highlighting the risks of investing in newly public companies on or shortly after their trading debuts
- The Trump administration exploring how to replace or extend the temporary 10% global tariffs set to expire later in the month of July — including potential tariffs tied to "forced labor concerns" or a 150-day extension of the existing rates (with continued uncertainty surrounding the legal authority, implementation, targeted countries and goods, and ultimate tariff levels)

NEUTRAL

- New Fed Chairman Kevin Warsh stating that inflationary risks had "eased" since the Fed's last meeting but once again providing limited insight into the path for interest rates
- The Fed holding benchmark interest rates steady, in line with market expectations, despite three officials dissenting in favor of a rate hike

MILDLY BULLISH

- SK Hynix (South Korea memory chip maker) completing a record $26.5 billion U.S. listing, with its ADRs jumping 17% during its trading debut
- After expanding attacks on Iran, President Trump indicating that Iran had reached out expressing interest in resuming negotiations

- Shares of major banks rallying after JPMorgan, Goldman Sachs, Bank of America, Citigroup, and Wells Fargo reported quarterly earnings well above expectations, driven largely by increased trading revenue resulting from recent market volatility, while also offering optimistic commentary on consumer strength
- The University of Michigan's Consumer Sentiment Index increasing by more than expected in July
- Energy prices and equity-market selling pressure easing after reports suggested that Pakistan and Iran were exploring ways to restart negotiations with the U.S., although markets remained cautious after several previous diplomatic efforts failed to produce lasting progress
- U.S. and Iran agreeing to a pause in fighting late in the month (which proved to only last a few days)
- Sentiment surrounding AI improving later in the month following better-than-expected earnings and strong cloud growth from Microsoft and Amazon (justifying elevated capex spend)

BULLISH

- June CPI and Core CPI surprising to the downside, with both readings coming in below expectations and lower than the month prior despite the recent inflationary pressure from elevated energy costs
- June PCE and Core PCE coming in line with expectations and lower than the month prior, with markets welcoming the lack of upside surprises and further evidence that the recent month-over-month increases in both CPI and PCE inflation had stalled for the time being

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