

July 2026 Monthly Macro Letter

Dislocation, Not a Verdict

A violent Nasdaq unwind collided with strengthening evidence from the AI and memory economy.

July 31, 2026

EXECUTIVE SUMMARY

- Across June and July, the Nasdaq 100 traveled 62% to move about 7%; July delivered a 1%-plus close on 64% of sessions, and all but one session swung more than 1% intraday.
- The stress was unusually concentrated. The VXN-VIX spread reached 12.9 points, wider than every major modern stress episode in the comparison set.
- The operating evidence moved the other way: record memory profitability, tight capacity, rising prices and hyperscalers maintaining or raising capital plans.
- Forced selling from leveraged positioning in the AI and memory complex amplified the decline. The macro question is whether earnings and spending hold; the tripwires remain observable.

**Lobato
Advisory
Group**

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Two months of violence, little direction.

The market did not move a historic distance. It moved in a historically hostile way.

Aviators have a term for violent turbulence that arrives from a cloudless sky: clear-air turbulence. It forms where two air masses shear against each other at speed. That is a useful description of June and July in the Nasdaq complex.

The broad backdrop did not look like a crisis. The S&P 500 ended July roughly 3% below its all-time high, credit markets remained orderly and the economy continued to grow. Yet the path underneath the Nasdaq 100 became unusually violent: repeated reversals, elevated daily movement and little reward for distance traveled.

62%CUMULATIVE TRAVEL ACROSS
JUNE AND JULY**~7%**NET MOVE ACROSS THE SAME
TWO MONTHS**Every 2nd**SESSION, ROUGHLY, REVERSED
DIRECTION

Over the index's twenty-seven-year history, the median month records about 19% in cumulative daily movement. Roughly 37% of sessions move 1% or more, and the average daily move is about 0.9%.

June traveled 34%, with 62% of sessions moving more than 1% and an average daily move of 1.6%, yet ended approximately flat. It was the second-highest movement-without-direction month among 41 flat months in the history reviewed.

The distance was not unprecedented. The ratio of distance to destination was.

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July chose a direction and kept the violence.

July sustained the instability and added direction. Sixty-four percent of sessions closed 1% or more from the prior day, a frequency in the top fifth of months since 1999. All but one of the month's 22 sessions swung more than 1% intraday.

The average daily move was 1.3%, nearly one and a half times the normal month's 0.9%. Combined with June, the index accumulated 62% in daily travel while moving only about 7% net.

Measure	June-July 2026	Historical context
Frequency of 1%-plus closes in July	64% of sessions	83rd percentile
Total two-month movement	62%	About 80th percentile
June movement among flat months	34%	Second highest of 41
Nasdaq implied volatility (VXN)	94th percentile	Twenty-year comparison
VXN-VIX spread at June peak	12.9 points	Widest in the comparison set since at least 2008

Direction explains the sign of July's move. Reversal frequency, intraday range and deteriorating liquidity explain why the experience felt much larger than the destination alone.

By late July, liquidity in parts of the long-dated options market had thinned sharply. That mattered beyond any single security: prices formed in the absence of transactions can exaggerate the signal coming from the underlying companies.

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The stress stayed concentrated in Nasdaq.

The broad market did not confirm the degree of fear priced inside the technology complex.

The clearest measure of concentration was the spread between the Nasdaq Volatility Index (VXN) and the S&P 500 Volatility Index (VIX). At the June peak, VXN exceeded VIX by 12.9 points.

That spread was wider than the peaks recorded in the comparison set for the global financial crisis, the 2020 Covid crash and the 2022 rate shock. At July's close it had eased to 9.6, below 10 for the first time in two months but still above the peak of every listed episode before 2022.

Stress episode	Peak VXN-VIX spread
Global Financial Crisis / Lehman, 2008	7.5 points
Flash Crash, 2010	3.6 points
Volmageddon, 2018	5.7 points
Q4 2018 selloff	7.9 points
Covid crash, 2020	5.4 points
2022 rate shock	10.0 points
August 2024 unwind	6.1 points
DeepSeek selloff, 2025	4.0 points
June 23, 2026 peak	12.9 points

Concentrated stress does not prove that fundamentals are sound. It does identify where to look first: positioning, liquidity and forced flows, alongside the earnings evidence.

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The earnings evidence strengthened as prices broke.

July's market narrative was that the AI infrastructure build-out was approaching a bust. The operating evidence reported during the same month did not support that conclusion.

SK Hynix reported the most profitable quarter in the memory industry's history, with operating profit up 557% year over year. Dynamic random-access memory prices rose 30% quarter over quarter, and roughly half of output was locked under long-term agreements. Seagate said capacity was effectively sold out into 2028, with customers planning into 2029.

Samsung's semiconductor leadership told employees that 2026 profit was expected to exceed the cumulative total of the prior forty years. Apple described memory prices as "stratospheric" and the market as a "hundred-year flood." The buyer's pain and the supplier's record profitability were the same fact viewed from opposite sides of the invoice.

A market pricing catastrophe while the underlying cash registers ring records is a dislocation candidate, not a settled verdict.

The final week sharpened the distinction. Companies that paired higher spending with clear revenue evidence were rewarded; spending without equivalent proof was challenged. The market was not rejecting the build-out indiscriminately. It was auditing the returns.

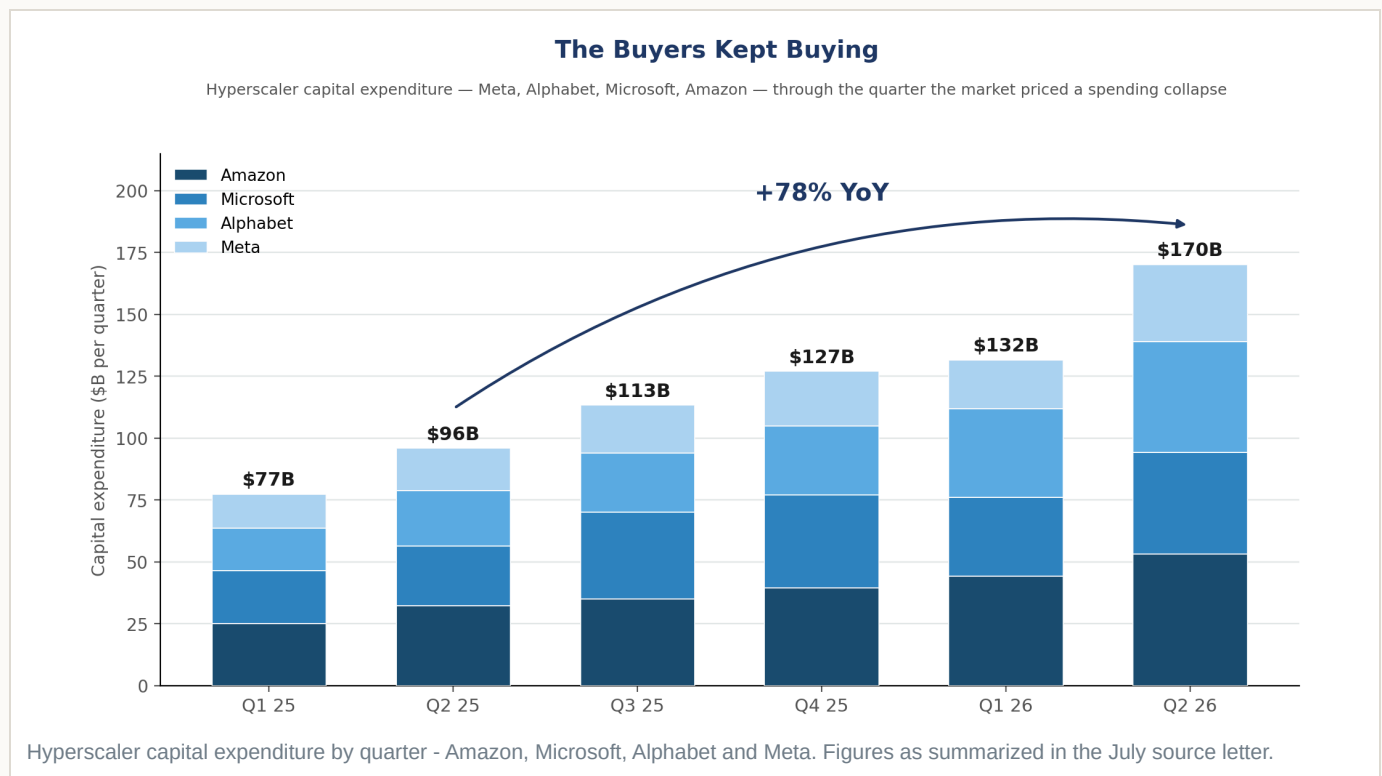
That matters because the exceptions in prior volatility shocks arrived when earnings were rolling over. July's evidence showed record profits, tight capacity and upward pressure on contract prices instead.

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The buyers kept buying.

The hyperscalers whose spending was supposed to collapse maintained or raised their plans. Microsoft reported Azure annual revenue above 100 billion dollars and AI products growing 60% sequentially, while quarterly capital spending moved above 50 billion dollars.

Alphabet raised its capital plan to 205 billion dollars. Meta raised the floor of its spending range. Amazon lifted full-year capital plans from 200 billion to 220 billion dollars, saying capacity still lagged demand; Amazon Web Services revenue reached 42.2 billion dollars, up 37% year over year.



The combined quarterly total rose from 77 billion dollars in Q1 2025 to 170 billion in Q2 2026, a 78% year-over-year increase.

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Forced selling amplified the decline.

The month's texture was consistent with a positioning unwind: concentrated, price-insensitive and most severe in the same AI and memory names.

As July closed, reports of forced selling from leveraged positioning in the AI and memory complex supplied a plausible mechanism for the decline. The same concentration that can amplify gains in a rising market can turn into indiscriminate selling when leverage is reduced.

This point should be stated carefully. The identity, size and ownership history of any particular vehicle are not necessary to the macro conclusion. The relevant fact is the market mechanism: forced sellers transact because they must, not because a new estimate of long-term value has emerged.

That mechanism fits the observable pattern. Pressure was concentrated in the Nasdaq complex, momentum factors experienced an unusually severe drawdown, liquidity deteriorated and repeated rallies were met by selling. When that pressure eased, heavily punished memory and AI infrastructure names rebounded sharply.

Forced selling can determine the path without determining the destination.

None of this makes the fundamental thesis automatically correct. It separates two questions that the tape temporarily collapsed into one: what caused the selling, and what the underlying earnings are worth.

July provided a credible answer to the first. Company results, capital commitments and pricing data must answer the second.

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Dislocation, not a verdict.

The defining volatility signature in this episode - Nasdaq volatility rising far above S&P volatility - appeared thirteen times in the two-decade history reviewed for the original analysis.

In eleven of those thirteen episodes, the market was higher twelve months later, typically by 20% to 40%. The two exceptions were late 2007 and early 2022, when a genuine bear market followed.

The distinction was not the volatility spike itself. In both exceptions, forward earnings were already rolling over. Fear and fundamentals were moving together. In July 2026, the reported evidence moved in the opposite direction: earnings and capital plans strengthened while prices declined and estimates continued to rise.

13COMPARABLE VOLATILITY-
SPREAD EPISODES REVIEWED**11**

HIGHER TWELVE MONTHS LATER

2EXCEPTIONS, BOTH WITH
EARNINGS ROLLING OVER

The base rate is supportive, not conclusive. The dislocation thesis survives only while delivered earnings, capital spending and contract pricing continue to support it.

That is why price alone is not the deciding evidence. A recovery in market prices without operating confirmation would be fragile. Continued operating strength through weak prices would increase the probability that July represented a forced-flow event rather than a fundamental break.

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The evidence can overturn the thesis.

Conviction is useful only when paired with observable conditions that can prove it wrong.

Three tripwires matter most. Each is public, measurable and tied directly to the AI infrastructure demand cycle.

Capital spending

A broad reduction in hyperscaler capital plans would signal that capacity is catching demand or expected returns are deteriorating.

Memory pricing

A sustained reversal in contract pricing or a material rise in unsold capacity would challenge the scarcity evidence.

Credit conditions

Stress in leveraged AI financing would matter if it spread beyond isolated forced sellers into wider funding markets.

Two market gauges help with timing. Further normalization in the VXN-VIX spread would indicate that Nasdaq-specific stress is receding. A renewed widening alongside weaker earnings revisions would be a more serious warning because price, volatility and fundamentals would then be moving together.

At July's close, the evidence was mixed in a constructive way: market stress remained elevated but had begun to ease, while earnings, demand and committed spending were still strengthening.

The correct response to an apparent dislocation is not certainty. It is a thesis with tripwires.

Flavio Lobato

Managing Member, Lobato Advisory Group, LLC

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