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Friday, July 31, 2026

Market Snapshot

S&P 500: Futures +0.45% | Amazon's cloud-led surge outweighed Apple's outlook-driven decline, leaving the broader index higher but unusually dependent on one megacap

Brent Crude: \$90 area | Brent reclaimed \$90 as Middle East supply risk kept the energy premium firm ahead of Exxon and Chevron results

Gold: \$4,098 | Gold pulled back about 1.6% as firmer equities and elevated real yields competed with geopolitical demand

Fed Funds Rate: 3.50-3.75% | Held July 29 - Three dissents favored a 25-basis-point increase; no scheduled Fed speaker is set to alter the post-meeting message today

The Lead

Amazon Won the AI Earnings Split. Apple Made the Index Pay for It.

Friday closes July with S&P 500 futures up about 0.45% and Nasdaq 100 futures ahead roughly 1.2%, Brent crude near \$90, gold around \$4,098, Henry Hub natural gas near \$2.72 per mmBtu, the dollar index around 101, EUR/USD near 1.15, and USD/JPY in the 160-162 intervention zone as Amazon's cloud acceleration offsets Apple's sharp outlook-driven decline before wage data and oil-major earnings.

Amazon supplied the clearest positive answer of this earnings week. Second-quarter net sales reached roughly \$200.6 billion, AWS growth strengthened, and the shares jumped by double digits before the bell. The response extends Microsoft's message that large AI infrastructure budgets can still create equity value when cloud revenue and operating leverage arrive together.

Apple delivered the opposite lesson. The shares fell sharply after guidance failed to match expectations embedded near record valuations, despite solid reported demand. That divergence matters beyond two companies: Amazon's gain lifts the growth complex, while Apple's weight and supplier reach keep index breadth, Asian technology, and consumer hardware exposed to a weaker forward signal.

The cross-asset backdrop remains less forgiving than the futures headline. Brent is back near \$90, the long end of the Treasury curve remains elevated after a 9-3 Fed hold, and gold is retreating rather than confirming a clean risk-off move. Markets are balancing stronger cloud earnings against an energy-inflation premium and a central bank whose dissenters wanted tighter policy.

At 8:30 a.m. ET, the Employment Cost Index becomes the day's cleanest macro test. Consensus looks for a 0.8% quarterly increase after 0.9%. A cooler reading would support the view that wage pressure can ease even while demand holds; another firm print would reinforce the hawkish dissent and keep discount rates high for long-duration equities and credit.

Exxon Mobil and Chevron add a second test before the opening bell. Their production, refining margins, capital returns, and forward commentary will show how much of the recent oil spike is converting into cash flow and how much is being absorbed by operating costs. The results also connect the geopolitical premium directly to inflation expectations and energy-sector earnings revisions.

Outside the United States, the yen remains the most fragile pressure point after a sharp intervention-sensitive move from levels near 164, while EUR/USD holds around the mid-1.14s. China's activity signals, European inflation, and commodity prices all feed the same question: whether the July growth pulse can persist without forcing global financial conditions tighter into August.

Callout

Key insight: This week split the AI complex into two groups: platforms proving near-term monetization and franchises asking investors to wait. Amazon joined Microsoft in the first group; Apple's outlook showed how quickly an expensive index weight can move into the second.

What Moves Today

Employment Cost Index, Q2 (8:30 AM ET)

High Impact Consensus is 0.8% quarter over quarter after 0.9%. A downside surprise would ease pressure on Treasury yields and labor-intensive margins; a firm reading would validate the Fed's hawkish dissenters and raise the hurdle for rate-sensitive equities and credit.

Exxon Mobil, Chevron and AbbVie Earnings (Before the bell)

Earnings Energy results will be judged on upstream realization, refining margins, production, and capital returns as Brent holds near \$90. AbbVie adds a defensive-growth read on drug demand and pipeline execution.

Chicago Business Barometer (9:45 AM ET)

Growth Consensus is near 55.9 after 56.7, still indicating expansion. A sharp miss would challenge the resilient-growth narrative; another firm print would keep upward pressure on yields if wage costs also surprise higher.

University of Michigan Sentiment, Final (10:00 AM ET)

Consumer The final July reading will refine the balance between household confidence and inflation expectations. Markets will focus on whether higher energy prices are lifting expected inflation enough to offset otherwise stable consumption.

July Employment Report (Watch next week)

High Impact Friday's payrolls, unemployment, and wage data are the next major reset for the September Fed debate. Today's ECI will shape the market's starting point for that release.

Three Signals

Signal 01 - Equities / AI

Amazon's surge and Apple's drop turn index strength into a breadth test.

Cloud monetization is carrying the growth complex, but hardware guidance is pulling the other way. Equal-weight performance and semiconductor breadth will show whether the rebound extends beyond Amazon and Microsoft.

Signal 02 - Rates / Labor

A 0.8% ECI consensus is the line between cooling wages and renewed duration pressure.

The long end remains sensitive after three Fed officials preferred a hike. Wage costs at or below consensus would ease the policy conflict; an upside surprise would strengthen the higher-for-longer message.

Signal 03 - Commodities / FX

\$90 Brent and a 160-162 yen keep global inflation transmission active.

Oil is firm while gold retreats and natural gas holds near \$2.72, a mix that favors energy cash flow without removing consumer pressure. Yen volatility remains the clearest sign that policy divergence is stressing FX markets.

Possible Paths - Friday, July 31, 2026

Wage costs and energy earnings will decide whether Amazon's lift can broaden into August.

Broadening path: If ECI cools to 0.8% or less, energy companies convert higher crude into disciplined cash flow, and sentiment expectations stay contained, equity gains can broaden beyond Amazon. Treasury yields and the dollar could ease, EUR/USD may firm, USD/JPY could retreat, gold may stabilize, Brent can hold without another inflation shock, credit spreads would remain contained, and earnings revisions could improve.

Hawkish resilience path: If wages and Chicago activity beat while oil majors confirm strong pricing, growth remains sound but the Fed's dissenters gain support. Long yields and the dollar could rise, EUR/USD would soften, USD/JPY may revisit intervention levels, gold would face firmer real yields, Brent could extend above \$90, credit duration would lag, and expensive technology would need stronger guidance to offset discount-rate pressure.

Fracture path: If labor costs stay high while activity and company guidance weaken, the market faces a stagflationary mix. Apple's decline could spread across equities, rates may remain elevated even as growth expectations fall, the dollar and yen volatility could rise, oil may hold on supply risk while industrial commodities weaken and gold recovers, credit spreads would widen, and August earnings estimates would face broader cuts.

Disclosure

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