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Monday, August 3, 2026

Market Snapshot

S&P 500: Futures +0.5% | Index futures advanced as a sharp oil pullback eased the immediate inflation premium before the first major August activity reading

Brent Crude: \$83.87 | Brent fell about 5% after a pause in Iran strikes and an additional 188,000 barrels a day of OPEC+ supply reduced near-term disruption risk

Gold: \$4,075 area | Gold held near \$4,075 as a softer energy shock competed with elevated real yields and persistent geopolitical hedging demand

Fed Funds Rate: 3.50-3.75% | Held July 29 - Three dissents favored a 25-basis-point increase; no scheduled policy speech is set to displace today's ISM signal

The Lead

Oil Just Removed One Inflation Tail Risk. ISM Must Prove Growth Can Use the Relief.

Monday opens with S&P 500 futures up roughly 0.5%, Brent crude near \$83.87 after a 5% slide, gold around \$4,075, Henry Hub natural gas near \$2.76 per mmBtu, the dollar index close to 101.25, EUR/USD near 1.137, and USD/JPY around 155.20 as energy de-escalation meets the 10:00 a.m. ET ISM manufacturing test and a dense week of technology, industrial, and health-care earnings.

The first August session begins with a meaningful reduction in the market's most immediate inflation risk. Brent fell roughly 5% after Washington paused strikes on Iran and OPEC+ added about 188,000 barrels a day of supply. The move does not erase the year's geopolitical premium, but it changes the near-term arithmetic for headline inflation, consumer purchasing power, transport costs, and the rate path embedded in equity valuations.

Equity futures are treating that repricing as relief, yet the rally still needs a growth confirmation. July's ISM manufacturing index arrives at 10:00 a.m. ET with consensus clustered around 52.8 to 53.3, comfortably above the 50 line separating expansion from contraction. A steady expansion would suggest industry can absorb tighter financial conditions while benefiting from cheaper fuel and freight; a weak report would turn oil's decline into a demand warning rather than a clean supply dividend.

The inflation details inside ISM may matter as much as the headline. New orders and production will show whether the factory recovery is broadening, employment will frame Friday's payroll report, and prices paid will indicate how quickly the energy shock is passing through supply chains. After three officials dissented in favor of a rate increase at last week's Fed meeting, a strong headline paired with sticky prices would keep Treasury yields and the dollar supported.

Foreign-exchange markets are already delivering a separate tightening impulse. USD/JPY dropped toward 155.20 in the yen's sharpest strengthening move in weeks, easing immediate

intervention pressure after July's extreme levels. That move can tighten Japanese financial conditions and pressure exporters, while a dollar index near 101.25 and EUR/USD around 1.137 show that the broader U.S. currency advantage has not disappeared.

Corporate results make the macro signal more consequential. Marriott reports Monday, Palantir follows after the close, and the week brings AMD, Eli Lilly, ConocoPhillips, Airbnb, AppLovin, and other bellwethers. Lower oil can help consumer and transport margins while reducing near-term upstream realizations; strong ISM demand would make that rotation easier to absorb, but weaker orders would raise the bar for company guidance across cyclical and AI-linked capital spending.

Global markets therefore enter August with one tail risk smaller but the policy test unresolved. Asian equities were mixed, European assets are balancing energy relief against currency moves, and credit remains sensitive to whether cheaper crude improves margins without signaling weaker final demand. The durable outcome depends on breadth: softer input costs must translate into firmer orders, contained inflation expectations, and earnings confidence beyond a narrow group of megacaps.

Callout

Key insight: A \$5 drop in Brent improves the inflation equation immediately; only stronger orders and controlled prices paid can turn that relief into a broader growth and earnings upgrade.

What Moves Today

S&P Global U.S. Manufacturing PMI, Final (9:45 AM ET)

Growth The final July reading provides the first confirmation of the month's factory pulse. Markets will compare output and input-cost details with ISM fifteen minutes later, with a wide divergence likely to increase rather than settle uncertainty around industrial momentum.

ISM Manufacturing Index, July (10:00 AM ET)

High Impact Consensus is concentrated near 52.8 to 53.3, signaling continued expansion. A stronger headline with softer prices paid would be the most supportive mix for equities and credit; strength accompanied by renewed price pressure would lift yields and the dollar.

Construction Spending, June (10:00 AM ET)

Rates Check The prior residential component rose 0.4%, while forecasters expect only modest overall movement. Firm private construction would support materials and industrial demand, but another soft public or commercial reading would reinforce concerns about rate-sensitive investment.

Marriott and Palantir Earnings (Before bell / After close)

Earnings Marriott's consensus earnings estimate is about \$3.08 a share, with room rates and forward bookings testing consumer resilience. Palantir's report will be judged on commercial growth, government demand, and whether AI-platform adoption supports its elevated valuation.

AMD, Eli Lilly, ConocoPhillips and July Payrolls (Watch this week)

High Impact Semiconductors, pharmaceuticals, energy, and Friday's labor report create a broad test of earnings quality and policy expectations. Guidance will show whether cheaper oil supports margins while demand remains durable enough to protect revenue forecasts.

Three Signals

Signal 01 - Energy / Inflation

Brent near \$84 shifts the market from scarcity pricing toward demand verification.

The decline lowers immediate fuel and freight pressure, but it also forces industrial data to prove the move is supply-led rather than a warning about consumption. Refiners, airlines, transports, and energy producers will reflect that split differently.

Signal 02 - Rates / Manufacturing

An ISM range near 53 leaves little room for a hot-prices, soft-orders combination.

Clean expansion with easing prices paid would support a softer yield curve and broader equity participation. Sticky costs or weak new orders would preserve the Fed's conflict and keep duration-sensitive assets exposed.

Signal 03 - FX / Japan

USD/JPY near 155.20 removes intervention stress but introduces an exporter earnings headwind.

A stronger yen eases imported inflation and lowers the probability of official action, yet it can weigh on Japanese exporters and leveraged carry positions. That makes currency stability an important test for Asian equity and credit sentiment.

Possible Paths - Monday, August 3, 2026

The market must decide whether cheaper oil is a supply dividend, a demand warning, or a temporary geopolitical discount.

Soft-landing path: If ISM holds near or above consensus while prices paid cool, lower oil becomes a constructive supply shock. Equities can broaden into industrials and consumers, Treasury yields may ease without signaling recession, the dollar could soften and EUR/USD recover while USD/JPY stabilizes, gold may consolidate, Brent and natural gas remain contained, credit spreads stay tight, and earnings guidance gains support from better margin assumptions.

Hawkish-growth path: If orders and employment accelerate but prices paid remain firm, the Fed's dissenters retain influence despite cheaper crude. Equities may favor cyclicals over long-duration growth, Treasury yields and the dollar would rise, EUR/USD could test lower support and USD/JPY rebound, gold would face firmer real yields, commodities would split between energy relief and stronger industrial demand, credit duration could lag, and high-multiple earnings reactions would become less forgiving.

Demand-warning path: If ISM and construction spending miss sharply, oil's fall will look less like relief and more like weak demand. Equity breadth would narrow, Treasury yields

could fall as growth expectations reset, the dollar may hold on haven demand while yen strength persists, Brent and industrial commodities could extend lower as gold firms, lower-quality credit spreads would widen, and earnings estimates would face cuts across travel, manufacturing, energy, and consumer cyclicals.

Disclosure

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