GLOBAL Insight WEEKLY

Perspectives from the Global Portfolio Advisory Committee July 30, 2026

Is Kevin Warsh a sheep in wolf's clothing?

Thomas Garretson, CFA – San Diego

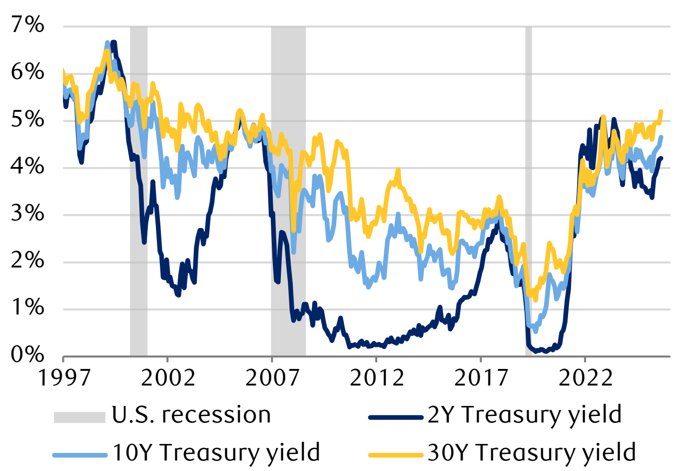
The Fed chair got the 'family fight' he wanted this week, but now might have a fight with the market for which he may be unprepared. With the 30-year Treasury yield reaching a nearly two-decade high, we look at where the Fed—and Treasury yields—could go from here.

And just like that, the honeymoon is over. The start of Kevin Warsh's (still brief) tenure as chair of the Federal Reserve was marked by tough talk about the need for "regime change," an exceedingly firm reaffirmation of the Fed's commitment to deliver price stability, and a "no tolerance" pledge to drive inflation back to the Fed's 2.0% target. Markets swiftly took heed, and comfort, as concerns that Warsh could be too easily swayed by a president who openly desired lower interest rates were dispelled in June by his first press conference, when he backed up his long-running reputation as an inflation hawk and doubled down on political independence.

But as the old saying goes, it takes a lifetime to build a reputation, and a minute to lose it. Or, in this case, a 45-minute press conference. That may be a bit harsh, but Warsh's credibility—at least on the inflation front—was certainly dented this week.

He isn't the first central banker to take a seat in the big chair only to stumble out of the gate, nor is the situation solely of his own making. Central bankers must learn the nuances of communicating with markets, and markets must learn to interpret and understand new central bank heads.

30-year Treasury yield hits post-2007 high; other yields to follow?



Source - RBC Wealth Management, Bloomberg; data range 12/31/97–7/30/26

Press conference goes off the rails

All things considered, the meeting played out as anticipated. There was no interest rate hike, in line with consensus expectations; the policy statement was just as short and factual as it had been in June; and even the two dissents were not unexpected based on pre-meeting comments, with only a modest surprise from Minneapolis

For perspectives on the week from our regional analysts, please see pages 3–4.

For important disclosures, required non-U.S. analyst disclosures, and authors' contact information, see page 6.

Priced (in USD) as of 7/29/26 market close (unless otherwise stated). Produced: 7/30/26, 17:47 ET; Disseminated: 7/30/26, 17:55 ET

Fed President Kashkari opting to join the dissenters. In the end, markets barely budged—and then the words started flying.

It's hard to say precisely what aspect of Walsh's statement traders took issue with as the press conference proceeded, but perhaps the problem was simply what he didn't say. Warsh hails from the political side of the financial world and is therefore adept at saying words without saying anything at all. But that might not fly as a central bank chair. We know he has no desire to provide forward guidance, and that's fine, but markets still need to know what the Fed is thinking about, you know, *things*.

The closest Warsh came to a direct answer to anything was expressing his views on the Fed's reaction function, stating that "Any central banker, when he or she sees underlying inflation moving higher, he or she is more inclined to tighten policy. Again, when you've achieved the other side of your mandate, and you see underlying inflation falling, he's more inclined to loosen policy."

As the chart on this page shows, that dynamic may be another source of confusion. Core PCE inflation has been trending higher since fading to 2.6% in April 2025, and despite a modest downshift to 3.3% annually, the trend still looks like "two steps forward, one step back." While Warsh is also no fan of economic forecasting, current consensus views—even after June's soft inflation data—still have inflation missing the 2% target through at least 2027.

Given his prior tough talk on inflation, including his criticism that the Fed was too late raising rates in 2021 and 2022, is Kevin Warsh really going to now stand by and do nothing as 64 months of above-target inflation stretches to 70 months? Or 82 months?

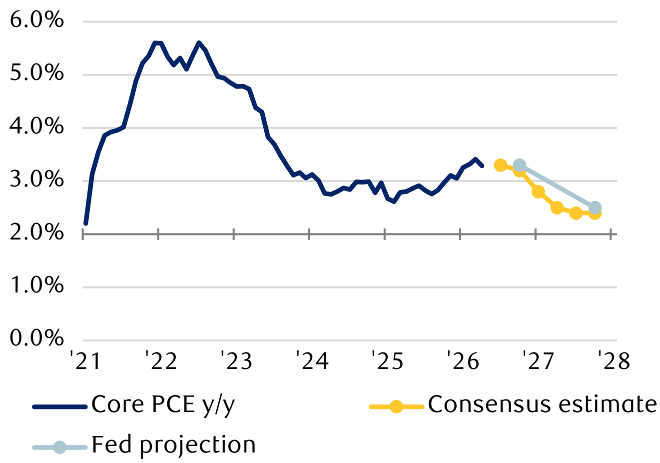
In any case, the bond market reaction this week was not kind, and may be telling.

When holding rates steady moves them higher

Our own view was that the Fed would surprise markets with a rate hike this week, largely in pursuit of the goals previously discussed. We also felt that aggressive action could actually help cap the ongoing rise in longer-term Treasury yields, which feed more directly than short-term policy interest rates into consumer and corporate borrowing rates like mortgages and corporate bonds.

Instead, and as the chart on page 1 shows, the Fed's inaction in not raising short-term interest rates has pushed the 30-year Treasury yield to a 19-year high of 5.2%, with the 10-year not far behind at 4.7%. The 2-year Treasury yield (which is more sensitive to the market's interest rate expectations) has faded slightly this week on doubts about the Fed's ability to follow through on its tough talk. But at 4.2%, it remains well above the current 3.6% policy rate, suggesting that the Fed will eventually have to do something.

64 months of >2% inflation seen extending into 2028



Source - RBC Wealth Management, Bloomberg consensus survey as of July 2026, Federal Reserve projections as of June 2026

With respect to the 30-year, after breaking 5.2% we see the next technical resistance level at 5.4%. But if that doesn't hold, buckle up—in our view, the next notable resistance is at nearly 6.0%, a level not seen since the other tech boom of the late 1990s.

In his press conference, Warsh said the market had done the Fed's job for it via higher yields. But without action from policymakers, the market could take that statement as a challenge—if indeed the Fed wants to outsource its job—and put more pressure on the central bank in the form of even loftier Treasury yields.

Where to from here?

Ironically, the next six weeks until the Fed's Sept. 15–16 meeting—and the verdict on the Fed's decision to stand pat this month—will likely depend on the economic data Warsh largely eschews. Tier 1 data like the Consumer and Producer Price reports, and to a lesser extent the Nonfarm Payrolls report, will determine whether the Fed was right to wait for more data.

But in an early read on price trends in July from business surveys, the S&P Global Flash PMI report found that "Input cost inflation rose to its highest since May 2025, as cooler manufacturing cost growth was more than offset by a 14-month high in services. Selling price inflation also accelerated as firms passed higher costs on to customers, with the overall rise in charges the steepest since July 2022." On top of that, with oil prices rising again and the Trump administration rebuilding the tariff wall, we find ourselves not quite as optimistic on the near-term inflation trajectory.

We still think a rate hike was simply deferred this month, and that the three dissenters at this month's meeting could find more support among the Board of Governors in September. But whether Chair Warsh decides to go along with them could be the ultimate reveal of whether he is truly just a sheep in wolf's clothing.

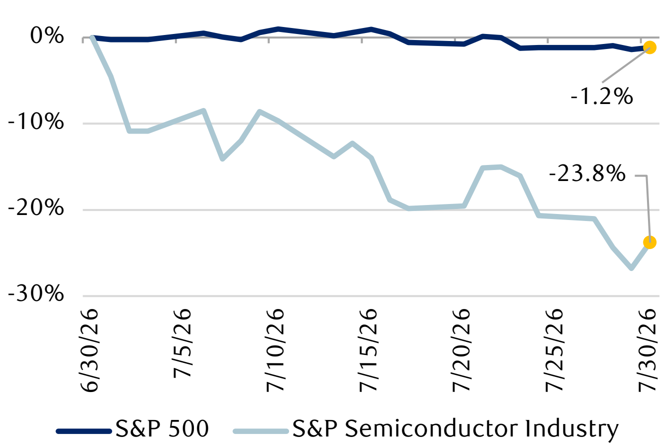
UNITED STATES

Tyler Frawley, CFA – Minneapolis

- **Semiconductor stocks have lost momentum in July as investors reassess the next phase of the AI investment cycle.** The S&P Semiconductor industry has fallen nearly 24% since the beginning of the month, entering bear market territory. This has significantly underperformed the broader market, with the S&P 500 only down a little more than 1% over the same period. After an extraordinary rally over the past year, investors are beginning to question whether expectations had simply run too far ahead of fundamentals. While the long-term outlook for AI remains intact, the market has increasingly begun to question which companies stand to benefit the most and when. Pricing trends for some memory chips have begun to moderate following an extended period of strength, while the largest hyperscalers expect to spend more than $700 billion on capital expenditures this year—with an increasing portion of that being financed via debt issuance rather than free cash flow as data center investments continue to accelerate. That has sparked a broader debate around whether AI spending is outpacing the near-term revenue it is expected to generate. The result has been a rotation away from some of the market's biggest perceived AI beneficiaries as investors lock in gains and reassess valuation multiples. While periods of consolidation following outsized advances are not uncommon, the recent pullback suggests to us that the market is entering a new phase of the AI cycle—where execution, earnings growth, and returns on invested capital matter more than simply announcing the next wave of spending.

- **Consumer sentiment weakened in July,** with the Conference Board's Consumer Confidence Index falling to 90.8, below FactSet consensus estimates of 91.9. The downturn was led by the Present Situation Index, which fell 3.6 points to 114.9—its third consecutive monthly decline as households grew more cautious about current business conditions and the labor market. While household spending has remained resilient, we believe persistent weakness in sentiment could eventually become a headwind if broader confidence continues to erode.

Semiconductors significantly underperformed in July



Note: S&P Semiconductor Industry represented by the S&P Semiconductors Select Industry Index.

Source - RBC Wealth Management, FactSet; price return data as of intraday trading on 7/30/26

CANADA

Matt Altro, CFA & Elizabeth Grant – Toronto

- **Canada's housing market seems to be moving in the right direction, with a modest 0.5% rise in home resales in June m/m, marking a third consecutive monthly increase.** That said, the June numbers are a far cry from May's 5.5% jump, keeping us cautious on the sustainability of improvements for the remainder of 2026. Transactions have picked up in Ontario and British Columbia—two of the most unaffordable regions in the country—as seller competition begins to ease because of the softer market. Lingering uncertainty regarding the interest rate outlook and the potential for economic softness if inflation were to reignite remain key risks that could impact economic growth and the job market. While RBC Economics expects a gradual and uneven path forward for the Canadian housing market, we will likely need to see more buyers regain confidence regarding the path of interest rates, the job market, and broader affordability concerns.

- **Job vacancies remained little changed in May at 495,700 from 490,500 in April, marking the fifth consecutive month of stability.** The job vacancy rate, which represents the number of vacant positions as a proportion of total labour demand, was 2.8% in May, up 0.1% m/m and unchanged y/y. Since April 2025, the job vacancy rate has been stable, remaining within a narrow range of 2.7%–2.8%. Total labour demand increased 0.3% m/m and 0.8% y/y, driven by payroll employment growth. According to Statistics Canada, there were 3.0 unemployed people per job vacancy in May, down 0.2 m/m and y/y. In May, job vacancies increased in four sectors: construction (+18.4%), professional scientific and technical services (+13.8%), finance and insurance (+10.7%), and real estate and rental leasing (+25.0%). Meanwhile, job vacancies fell in two sectors: health care and social assistance (-11.6%) and information and cultural industries (-39.0%). On a y/y basis, vacancies increased in three sectors: retail trade (+9.6%), transportation and warehousing (+18.2%), and manufacturing (+10.1%), while only health care and social assistance (-15.4%) declined. The highest job vacancy rates in May were in accommodation and food services (4.3%), other services (3.7%), and health care and social assistance (3.4%), while the lowest job vacancy rates were in educational services (1.1%), management of companies and enterprises (1.4%), and information and cultural industries (1.4%).

UK & EUROPE

Rufaro Chiriseri, CFA – London

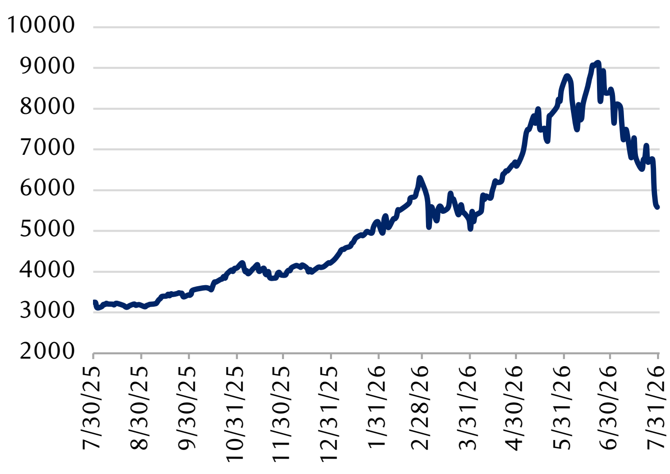
- **The Bank of England (BoE) held rates at 3.75%—in line with market expectations.** The committee voted 6–3 to hold, with dissenters citing heightened risks around household and business inflation expectations as well as the need for policy credibility given the BoE has missed its inflation target for five years. The policy statement revealed that despite the recent downside inflation surprise and "continued signs of underlying disinflation," the BoE expects inflation to rise later in 2026, and economic growth slack has "widened further."

- **The BoE member views acknowledged that evidence of second-round inflation effects has not emerged.** In addition, during the press conference on Thursday, Governor Andrew Bailey stated: "I do not think it would be wise to wait for all the second-round effects to emerge because in most situations it would be too late." This leaves optionality on the table for the central bank to act, but we continue to see the BoE remaining on hold this year.

- **The central bank updated its scenarios based on the outlook of energy prices and the strength of second-round effects on wages and domestic prices.** In the baseline scenario, if oil prices evolve in line with gas and oil futures curves with moderate second-round effects, inflation is expected to peak at 2.9% in Q3 2026 and return to 2% within two years, with wage growth staying in the 3.0%–3.2% range—consistent with the inflation target. The severe scenario: oil prices are 30% higher on average than in the baseline projection, with stronger and more persistent additional second-round effects. Inflation is forecast to peak at 4.1% in Q3 2027 and would fail to return to the 2% target within the forecast period, with wages accelerating above 3.2% throughout.

- **Bond markets interpreted this BoE decision as dovish, and 2-year Gilt yields extended their rally during the press conference and settled 11 basis points (bps) lower at 4.33% at market close.** Markets expectations for a September hike have dropped from a 57% probability to 32% and cumulative tightening this year has dropped to 31 bps from around 42.

South Korea's KOSPI Index down 40% from its peak



Source - RBC Wealth Management, Bloomberg; price data 7/30/25–7/30/26

ASIA-PACIFIC

Nicholas Gwee, CFA – Singapore

- **The South Korean stock market has experienced a severe and swift correction,** with the KOSPI declining about 40% from its June 22 peak. While the downturn was initially driven by fundamental concerns and portfolio rotation, it has been significantly amplified by leveraged exchange-traded fund (ETF) unwinding and hedge fund deleveraging. Our local research correspondent believes the ETF unwind is complete and hedge funds have completed approximately 90% of their deleveraging to acceptable levels. Despite near-term risks—a potential Fed rate hike, hyperscaler earnings expectations not being met, and possible residual spillovers from further deleveraging—the South Korean stock market now presents what we view as an attractive investment opportunity when considering positive earnings momentum and inexpensive valuations where the MSCI South Korea blended forward P/E is now trading at 4.3x, its lowest level in 20 years.

- **Singapore is nearly doubling its fiscal support package to approximately S$2 billion** to help households and businesses cope with higher costs stemming from the protracted Middle East conflict and resulting supply chain disruptions. The latest S$900 million tranche includes cash subsidies along with cash grants and rental support for small and medium enterprises. This additional stimulus is in response to renewed U.S.-Iran fighting that has disrupted energy and commodity shipments, contributing to elevated inflation in food and transport costs—with electricity tariffs rising by a record 17% this month and inflation expected to remain elevated through mid-2027, according to the Monetary Authority of Singapore's forecast. While Singapore's economy has outperformed expectations overall, smaller firms are experiencing sharper cost pressures from high freight costs, logistics expenses, and the stronger Singapore dollar, making it difficult to pass costs on to customers. Prime Minister Lawrence Wong emphasized that the measures build on earlier support and aim to provide Singaporeans with greater confidence during this period of uncertainty, while economists note the government has significant fiscal capacity for additional support if needed given its S$8.5 billion budget surplus. Singapore is our preferred equity market in the ASEAN regional grouping.

MARKET
Scorecard

Equities (local currency)	Level	MTD	YTD	1 yr	2 yr
S&P 500	7,316.15	-2.4%	6.9%	14.8%	33.9%
Dow Industrials (DJIA)	51,594.14	-1.4%	7.3%	15.6%	27.3%
Nasdaq	24,442.94	-6.8%	5.2%	15.9%	40.7%
Russell 2000	2,906.31	-3.9%	17.1%	29.6%	30.0%
S&P/TSX Comp	35,333.78	1.4%	11.4%	28.3%	55.1%
FTSE All-Share	5,856.59	3.9%	9.5%	18.2%	28.9%
STOXX Europe 600	645.01	0.5%	8.9%	17.2%	26.0%
EURO STOXX 50	6,248.84	-1.3%	7.9%	16.2%	29.8%
Hang Seng	25,807.92	12.8%	0.7%	1.1%	49.7%
Shanghai Comp	3,828.47	-6.5%	-3.5%	6.1%	32.4%
Nikkei 225	61,434.19	-12.3%	22.0%	51.0%	59.7%
India Sensex	77,654.60	1.5%	-8.9%	-4.5%	-4.5%
Singapore Straits Times	5,713.19	10.5%	23.0%	35.1%	65.9%
Brazil Ibovespa	173,885.34	1.1%	7.9%	31.0%	37.0%
Mexican Bolsa IPC	66,475.37	-0.7%	3.4%	15.0%	26.6%
Gov't bonds (bps change)	**Yield**	**MTD**	**YTD**	**1 yr**	**2 yr**
U.S. 10-Yr Treasury	4.692%	22.6	52.5	37.1	51.7
Canada 10-Yr	3.598%	21.8	16.5	12.5	31.1
UK 10-Yr	5.036%	27.9	55.7	40.3	98.7
Germany 10-Yr	3.160%	30.0	30.5	45.2	80.1
Fixed income (returns)	**Yield**	**MTD**	**YTD**	**1 yr**	**2 yr**
U.S. Aggregate	4.90%	-0.7%	-0.1%	3.1%	7.5%
U.S. Investment-Grade Corp	5.41%	-1.2%	-0.3%	2.8%	8.4%
U.S. High-Yield Corp	7.42%	-0.3%	1.7%	5.0%	14.5%
Commodities (USD)	**Price**	**MTD**	**YTD**	**1 yr**	**2 yr**
Gold (spot $/oz)	4,059.58	1.3%	-6.0%	22.0%	70.3%
Silver (spot $/oz)	57.41	-2.0%	-19.9%	50.3%	106.1%
Copper ($/metric ton)	13,715.20	2.7%	10.1%	40.7%	54.2%
Oil (WTI spot $/bbl)	84.98	22.3%	48.0%	22.8%	12.1%
Oil (Brent spot $/bbl)	91.01	24.8%	49.6%	25.5%	14.1%
Natural Gas ($/mmBtu)	2.73	-16.8%	-26.1%	-11.6%	42.9%
Currencies	**Rate**	**MTD**	**YTD**	**1 yr**	**2 yr**
U.S. Dollar Index	100.9370	-0.2%	2.7%	2.1%	-3.5%
CAD/USD	0.7119	1.1%	-2.3%	-2.0%	-1.4%
USD/CAD	1.4046	-1.1%	2.3%	2.0%	1.4%
EUR/USD	1.1464	0.4%	-2.4%	-0.7%	5.9%
GBP/USD	1.3353	0.7%	-0.9%	0.0%	3.8%
AUD/USD	0.6950	0.4%	4.2%	6.8%	6.1%
USD/JPY	163.5000	0.6%	4.3%	10.1%	6.2%
EUR/JPY	187.4300	0.9%	1.9%	9.3%	12.5%
EUR/GBP	0.8585	-0.3%	-1.5%	-0.7%	2.0%
EUR/CHF	0.9329	1.0%	0.2%	0.2%	-2.7%
USD/SGD	1.2893	-0.3%	0.3%	0.1%	-4.0%
USD/CNY	6.7642	-0.3%	-3.2%	-5.8%	-6.8%
USD/MXN	17.4608	-0.2%	-3.0%	-6.9%	-6.3%
USD/BRL	5.1166	-0.9%	-6.5%	-8.2%	-8.9%

Equity returns do not include dividends, except for the Brazilian Ibovespa. Bond yields in local currencies. Copper Index data and U.S. fixed income returns as of Tuesday's close. Dollar Index measures USD vs. six major currencies. Currency rates reflect market convention (CAD/USD is the exception). Currency returns quoted in terms of the first currency in each pairing.

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Source - Bloomberg; data as of 7/29/26

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As of June 30, 2026

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Rating	Count	Percent	Count	Percent
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Sell [Underperform]	47	2.94	3	6.38

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