CIO OFFICE DAILY OUTLOOK

23 July 2026

Yesterday's session was marked a wait-and-see mode and a rotation attempt. Waiting to see Google, Tesla, and IBM results, to be delivered in the after hours, waiting to see if the Gulf conflict would take a turn for the better. Neither party signaled the intention to negotiate, while markets gravitated towards utilities to leave IT stocks behind. Investors were looking for signs that AI investments continued at a brisk pace, from there deriving a sense of confidence that the AI trade is sustainable. And they were likely to get that kind of comfort. After all, South Korean exports, a bellwether for the broader global IT supply chain, accelerated higher in the last few months, pointing to improving manufacturing activity, so a pickup in investments. The S&P 500 (-0.1%) was little changed, with declines in some Big Tech companies offsetting gains elsewhere, including energy (+1.2%) as oil (+3.3%) advanced on escalating tensions. The Nasdaq 100 (-0.6%) slipped, weighed down by the Magnificent 7 (-1%), with Meta (-2.6%) and Microsoft (-1.9%) leading losses, while Nvidia (+2.3%) gained. Server maker Super Micro Computer (+20%) outperformed after raising its Q4 gross margin outlook. AMD (+1.5%) and Anthropic agreed on a billions-dollars deal for AI servers helping AMD compete against industry leader Nvidia and providing Anthropic with computing power. AT&T (+3.5%) rose after beating expectations, while GE Vernova (-8.7%) was the worst stock in the S&P 500 narrowly missing on profits. Elsewhere, Treasuries sustained losses across the curve on mounting expectations for Fed hikes. Yields on 2- to 5-year bonds reached their highest levels of the year, while the 10-year came within a whiff of its 2026 high to end at 4.65%. An auction of 20-year bonds was mot that well received, drawing the second-highest yield since the tenor reintroduced in 2020. The US dollar slipped, while gold (+1.3%) rallied again building on gains off its $4,000/oz support level.

All eyes were on after hours, on Google's parent company Alphabet, that hiked the spending outlook in a race to build AI datacenters. Estimates for outlays in 2026 were raised to a $195bn-$205bn range, as the company planned to expand its cloud-computing services. Shares (-4%) were weaker with guidance overshadowing what were otherwise solid second quarter results. Investors were left unconvinced that investments would be adding to growth rather than weigh on profits. Disappointment was even bigger with Tesla, whose profit tumbled despite a strong quarter for its automotive business. Surging on spend on ambitious initiatives resulted in the company's first cash burn in two years. And outlays would be even larger going forward. Shares (-4.2%) fell in after hours. IBM confirmed what unveiled in its preliminary results, cutting its full-year sales outlook, after reporting a dip in demand for its mainframe business. The stock fluctuated to end little changed.

Markets this morning

In the morning session Asian shares advanced led higher by regional chipmakers, while oil extended recent gains. The MSCI Asia Pacific Index (+0.7%) climbed, with South Korea's Kospi (+3%) — a bellwether for AI investments — topping returns. Samsung Electronics and SK Hynix both gained more than 3% as investors bet the South Korean chipmakers will be among the beneficiaries of the global AI spending. Nasdaq 100 futures erased earlier losses that were sparked by Alphabet's higher-than-expected capital spending plans. Crude oil jumped after the Houthi rebels threatened supply disruptions in the Red Sea. Brent crude rose as much as 2.2% to $96.09 a barrel, the highest since early June. Gold was little changed, while the US dollar slipped.

Upcoming key events/data

There are no tier 1 data scheduled for today in the United States. Focus will be on local business surveys, from the Chicago Fed and the Kansas City Fed. In the euro area the ECB will be holding its policy meeting. Consensus expects it will be keeping rates unchanged, though there could be hints for hikes later this year.

Have a great day.

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