Snapshot

August 2, 2026

Stocks Advance, But Has Tech Bottomed?

The S&P 500 climbed 1.05% last week, while the Nasdaq Composite ended the week up 1.59%. Those numbers, while unostentatiously positive, do not tell the story of **last week's drama**. This was a week with earnings from key tech players, a meeting of the Federal Open Market Committee (FOMC), and big news from a buzzy new hedge fund. The result was wild swings in both indices.

We saw outsized reactions from the market after some of the anticipated big tech earnings reports this week. On the winning side, Microsoft set a notable record on Thursday, notching the **largest single-day market-cap increase ever** seen – $450 billion. This strong showing came after $MSFT announced healthy Azure cloud growth and, unlike some of its Mag Seven brethren, committed to continued positive cash flow. Meanwhile, **Meta $META was down as much as 11%** at one point in Wednesday after-hours trading after its earnings report triggered nervousness regarding its capex spending and its steep decline in cash flow. Meta's earnings miss, while in part due to significant one-time charges, likely didn't help ease that nervousness, and the shares sank another 9.7% on Thursday.

The FOMC held its July meeting on Wednesday, and while our Chart of the Week (below) shows that markets had a negative reaction to what they saw and heard, Fundstrat Head of Research Tom Lee's take was **contrarian bullish**. As he noted, the anticipated number of Fed hikes before the end of the year (as implied by Fed Funds futures trading) fell after the meeting, from 1.83 hikes to 1.32 hikes.

Nevertheless, the post-meeting surge in long-term yields triggered a sharp decline in the stock market, likely contributing significantly to the third major market event this week – **a sharp reversal in fortunes for Situational Awareness**, a buzzy hedge fund founded in 2024 by former OpenAI Superalignment researcher Leopold Aschenbrenner. The post-FOMC decline in stocks, including AI stocks, appears to have hit the fund's aggressively leveraged bet on AI stocks (along with short bets on areas like software) hard, triggering margin calls that forced the liquidation of nearly all of its positions in publicly traded companies. To Lee, **margin calls** throughout the market, including those that hit Situational Awareness, "**in some ways explain** why the AI trade really fell off the cliff over the past few days." Consequently, he suggested, "**I think this is establishing a structural bottom**."

Head of Technical Strategy Mark Newton is less certain. "I'm not sure that this week marked any sort of meaningful low, even if one hedge fund had to liquidate some holdings," he told us at our weekly research huddle. "**There is some gravity** that is taking down parts of tech that got stretched, and it's important to pay close attention to that," in his view.

On the other hand, Newton pointed out that "we've seen many parts of technology, even some that we thought were really starting to stabilize, have now fallen out of bed even further, and **meanwhile, equal-weighted S&P made new all-time highs on Tuesday**. […] You have a lot of areas in the market that are really, really working well, areas like **health care and financials**," flagging them as what he views as "the top areas to be in right now."

Still, Newton left us with this cautionary reminder for those inclined to panic: "Although equal-weighted S&P $RSP has done very well since the spring, it now is up to pretty strong technical resistance. That's something to remember for anyone thinking about dumping tech: As the old saying goes, **don't throw the baby out with the bathwater**."

Chart of the Week

Source: Fundstrat, Bloomberg

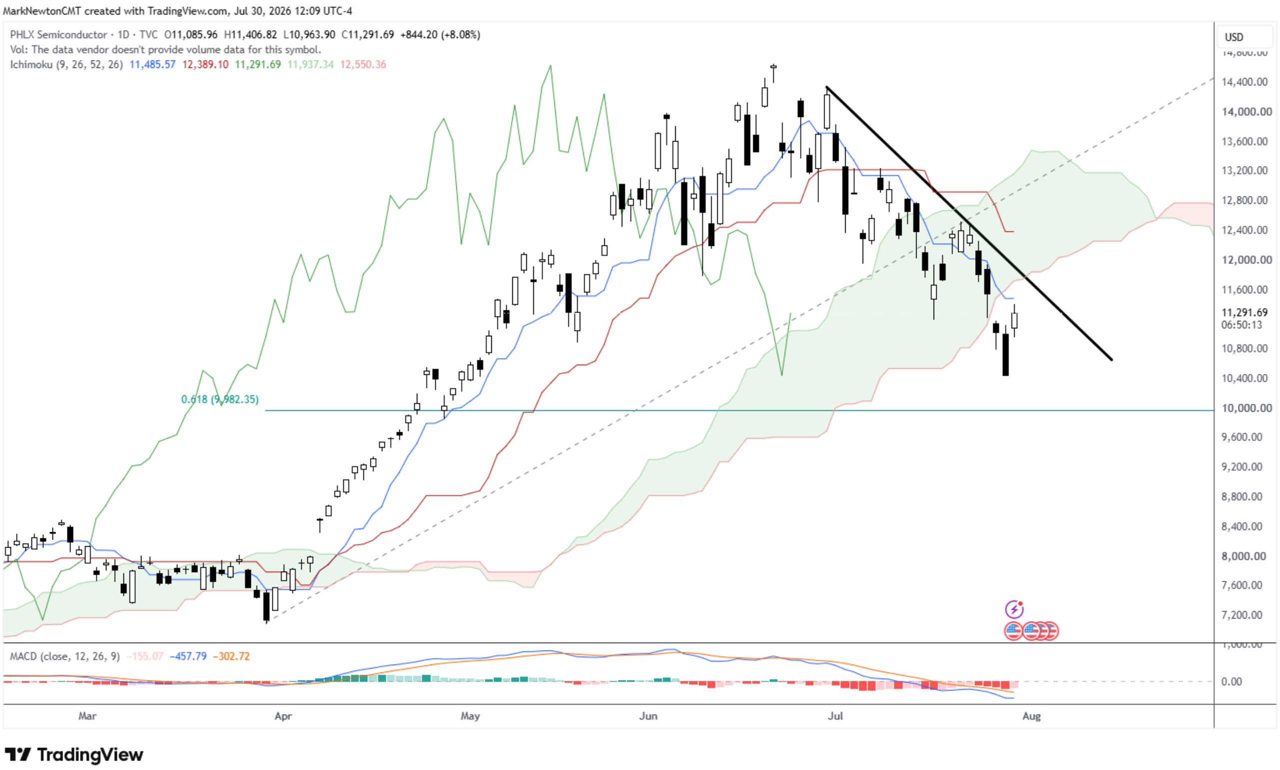
The FOMC held its July meeting on Wednesday. While the central bank opted to keep rates steady at 3.5%–3.75% for the fifth straight meeting, three voting members dissented, voting for a 25 bp hike. As seen in our Chart of the Week, the S&P 500 reacted ultimately saw a notable drawdown of 1.31% from the end of the meeting until markets closed that day, which helped trigger margin calls for aggressive investors such as the hedge fund Situational Awareness.

Recent ⚡ Flash *Insights*

Mark L. Newton, CMT AC

[Head of Technical Strategy]

Here’s what a +7.6% move looks like after having lost 25% in five weeks’ time for the Philadelphia Semiconductor Index (**SOX**). Unfortunately, a lot more will need to happen, starting initially with a break of its downtrend from 6/22 which would cause some structural improvement and result in momentum slowly starting to improve. Give that price is currently still below even the basic areas of resistance at 11485 for SOX (Regaining 12389 is the actual goal for trend improvement) downtrends are still intact and momentum is negative on daily and weekly with no DeMark exhaustion, i’m afraid this still looks like a tricky spot for SOX technically speaking. My two areas of importance on the downside are 487 initially (when yesterday’s 503.63 low is broken for **SMH ▲0.16%**) and then a zone from 471-479. This SOX chart has support at 9982 and requires a minimum move above 11,900 to suspect some improvement is happening but realistically, as mentioned above, regaining 12,389 would help to restore some confidence.



Jul 30 • 12:23 PM

Mark L. Newton, CMT AC

Head of Technical Strategy

Early bounce today has not accomplished much technically to suggest lows could be in place and we're seeing fairly robust underperformance out of most of the market, outside of Technology's bounce. Healthcare, Energy, Industrials, Staples, REITS, Discretionary, Comm Svcs, and Financials, are all down more than 1% and REITS, Staples are lower by more than 2%. However, Tech's sharp gains in Semiconductors and Software (Both up more than 4% today) is causing market breadth to register "flat" nearly unchanged, which is to some extent encouraging. My technical view is that we're likely in for a very choppy ride in the next few weeks, which won't be either straight up nor down but the bias given daily, weekly momentum suggests we're likely to challenge June lows before any material bottom is in place. Most of my Tech gauges suggest 2-3 more weeks of underperformance out of Technology, so i think it's still hard to expect yesterday was a bottom of any sort given the huge high to low range which closed down near the lows of the session. As shown here, ^SPX ▲0.67% requires a move back over 7437 to have even initial thoughts of a bottoming process underway. For now, the early bounce has faded a bit and i feel some backing and filling is likely due to this morning's bounce which might be negative for market indices into early next week before another bounce gets underway. This remains a trading environment more than one to invest in the short run given the cross asset volatility and i don't suspect this goes away anytime soon.

Jul 30 • 11:50 AM

Mark L. Newton, CMT AC
Head of Technical Strategy

Weekly **SOX** chart shows this six-week pullback having brought price closer to the intermediate-term uptrend; Yet, this has not been reached and DeMark indicators are early to suggest a meaningful low in the Philadelphia Semiconductor index while weekly MACD (as a gauge of momentum) has rolled back over to negative. At this point, i suspect while a short-term bounce could happen into August, i think it's necessary to be very selective in this area of Technology until more evidence of Semiconductor stocks (and SOX shown here) can bottom out and start to turn back higher.

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Jul 29 • 10:06 AM

FS Insight Video: Weekly Highlight

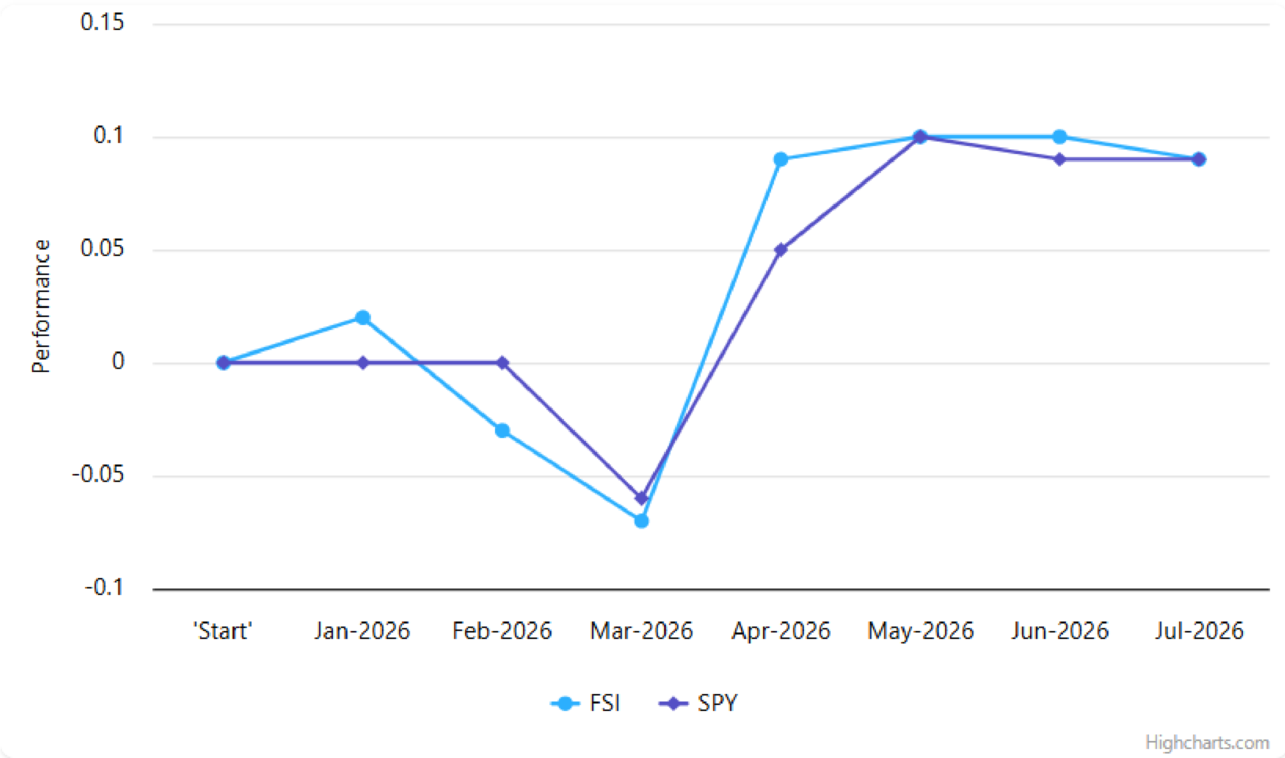
Key incoming data

- ~~7/27 8:30 AM ET: Jun P Durable Goods Orders~~ **Tame**
- ~~7/27 10:30 AM ET: Jul Dallas Fed Manuf. Activity Survey~~ **Tame**
- ~~7/28 9:00 AM ET: May S&P Cotality CS 20-City MoM SA~~ **Tame**
- ~~7/28 10:00 AM ET: Jul Conference Board Consumer Confidence~~ **Tame**
- ~~7/28 10:00 AM ET: Jul Richmond Fed Manufacturing Survey~~ **Tame**
- ~~7/29 2:00 PM ET: Jul FOMC Decision~~ **Mixed**
- ~~7/30 8:30 AM ET: 2Q A GDP~~ **Tame**
- ~~7/30 8:30 AM ET: Jun PCE Deflator~~ **Tame**
- ~~7/31 8:30 AM ET: 2Q Employment Cost Index~~ **Tame**
- ~~7/31 10:00 AM ET: Jul F U. Mich. Sentiment and Inflation Expectation~~ **Tame**
- 8/3 9:45 AM ET: Jul F S&P Global Manufacturing PMI

- 8/3 10:00 AM ET: Jul ISM Manufacturing PMI
- 8/4 8:30 AM ET: Jun Trade Balance
- 8/4 10:00 AM ET: Jun F Durable Goods Orders
- 8/4 10:00 AM ET: Jun JOLTS Job Openings
- 8/5 9:45 AM ET: Jul F S&P Global Services PMI
- 8/5 10:00 AM ET: Jul ISM Services PMI
- 8/6 8:30 AM ET: 2Q P Unit Labor Costs
- 8/6 8:30 AM ET: 2Q P Non-Farm Productivity
- 8/7 8:30 AM ET: Jul Non-Farm Payrolls
- 8/7 11:00 AM ET: Jul NY Fed 1yr Inf Exp

Stock List Performance

Upticks vs SPY (Year to Date)



Performance period: January 01, 2026 through July 31, 2026

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