

MARKET INSIGHTS

JULY 2026



July opens with a familiar headline but a different tone beneath it. Reflation / Quad 2 still sits at the top of the regime stack, signaling that growth remains intact and inflation pressures have not fully faded. On the surface, that keeps the environment tilted toward risk-taking, with continued support for cyclicals, industrial activity, certain commodities, and assets tied to nominal growth.

What has changed is not the direction of the lead signal, but the strength behind it. Reflation / Quad 2 remains the leading regime, but the conviction score has dropped sharply from 83% in June to 47% in July, suggesting the underlying agreement across indicators has weakened. Beneath the surface, Quad 1 / Goldilocks has edged slightly ahead of Quad 3 / Inflation for second place, reversing last month's internal ordering. That matters less as a new Goldilocks message and more as a sign that inflation-driven pressure is no longer the clear secondary risk beneath Reflation. The result is a market that remains constructive, but less certain, with greater sensitivity to incoming data, earnings, guidance, and cross-asset signals.

That makes the upcoming equity earnings season especially important. The market is entering the reporting window with a constructive macro backdrop, but not a high-conviction one. Earnings will need to help confirm whether the reflation message is still flowing through revenues, margins, forward estimates, and capital spending plans. If companies can validate the nominal growth story, the market can continue to support cyclical leadership and broader risk participation. If the earnings bar has moved too high, the lower conviction score leaves less room for disappointment.

The AI capital spending cycle will be one of the most important areas to judge through earnings season. The market already understands the broad growth story: hyperscale demand, data center buildouts, power needs, semiconductors, infrastructure, and the broader supply chain tied to compute. The question is not whether the cycle exists. The question is where we are in the cycle, how much has already been priced, and whether the next wave of guidance can still exceed expectations. Our signals should help guide that interpretation by showing whether the market is continuing to reward the AI capex ecosystem broadly, or whether leadership is beginning to narrow, fatigue, or rotate.

That distinction matters because the back end of a capex cycle can become more challenging. Early in the cycle, the market rewards the size of the opportunity; later, it starts to ask harder questions about returns on invested capital, depreciation, financing needs, power availability, margin pressure, Park Edge Advisors LLC is a registered investment adviser. Registration does not imply a certain level of skill or training. Information presented is for educational purposes only and does not intend to make an offer or solicitation for the sale or purchase of any specific securities, investments, or investment strategies. Investments involve risk and, unless otherwise stated, are not guaranteed. The opinions referenced are as of the date of publication and are subject to change due to changes in the market or economic conditions, and may not necessarily come to pass.

and whether demand can keep absorbing the capacity being built. This does not mean the AI capex cycle is ending, but it does mean the quality of the signal matters more as the cycle matures. Strong price, credit, currency, and earnings confirmation would argue the cycle still has room, while deterioration beneath the surface would suggest the market is becoming more selective. Political and regulatory risk also deserves more attention over the next year, as AI infrastructure, energy demand, grid reliability, data usage, antitrust scrutiny, export controls, and national security concerns all sit close to the center of the current market leadership structure. These risks may not dominate the July outlook directly, but as the AI investment cycle becomes larger and more visible, it also becomes more politically important, and potentially more politically vulnerable.

The dollar remains an important variable in this setup. While it is not showing a strong bullish trend, it is also no longer clearly weakening. A stable or modestly softer dollar would continue to support global liquidity and reflationary dynamics. On the other hand, any renewed strength in the dollar, especially if paired with rising volatility or tighter financial conditions, could challenge the already lower-confidence backdrop.

In practical terms, July calls for a more measured approach. The market still leans risk-on, and opportunities tied to reflation remain valid, but the drop in conviction argues for greater selectivity and discipline. Earnings season will be an important test of whether that constructive bias can be reinforced, especially across the AI capex complex and other areas tied to nominal growth. As the month progresses, we will be watching credit spreads, bond volatility, currency volatility, the dollar, earnings revisions, and leadership breadth to determine whether the reflationary bias can regain strength, or whether lower conviction is an early warning that a more difficult phase is developing beneath the surface.

ASSET CLASS SIGNAL STRENGTH:

ASSET CLASS	JULY 2026	JUNE 2026	1 - 3 MONTH OUTLOOK *
EQUITIES	OFFENSIVE LONG	OFFENSIVE LONG	FAVORABLE
FIXED INCOME	DEFENSIVE LONG	DEFENSIVE LONG	UNFAVORABLE
COMMODITIES	OFFENSIVE LONG	OFFENSIVE LONG	FAVORABLE
US DOLLAR	DEFENSIVE SHORT	DEFENSIVE SHORT	UNFAVORABLE
RFR (3M TBILL)	OFFENSIVE SHORT	OFFENSIVE SHORT	UNFAVORABLE
BITCOIN	OFFENSIVE SHORT	OFFENSIVE SHORT	FAVORABLE

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PORTFOLIO SNAPSHOT *(current exposure relative to target range)*

MODEL	EQUITIES			FIXED INCOME		
	RANGE	JULY 2026	JUNE 2026	RANGE	JULY 2026	JUNE 2026
BOND	--	--	--	-25 to 100%	70%	70%
PEA CORE STOCK	100%	100%	100%	--	--	--
MODERATE ARM	30 to 60%	60%	45%	10 to 40%	35%	35%
DIVIDEND INCOME	30 to 60%	60%	60%	10 to 40%	40%	40%
MACRO PERSIST	-40 to 40%	40%	30%	-40 to 40%	40%	40%
SYSTEMATIC MACRO	0 to 60%	60%	60%	--	--	--
ALL ASSET	-25 to 100%	65%	50%	-25 to 100%	30%	30%
FOCUS	-100 to 300%	54%	20%	-100 to 300%	30%	30%
Special Situation Equity	0 to 100%	90%	85%	--	--	--

CURRENT MARKET REGIME: *current conviction score 47%*

Quadrant	MARKET REGIME	
	Current % Share	Previous % Share
GOLDILOCKS / Quad 1	27%	26%
REFLATION / Quad 2	38%	43%
INFLATION / Quad 3	25%	28%
DEFLATION / Quad 4	11%	3%

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