LEATON WEALTH

MARKET COMMENTARY

07 August 2026

REGIONAL AND SECTOR DIVERGENCE ON SEMICONDUCTOR WEAKNESS

US EQUITIES WERE UNEVEN, WITH THE SEMICONDUCTOR SECTOR'S 21% FALL, ITS WEAKEST MONTH SINCE 2008

July was a choppy month for markets, although many broad indices finished little changed. The dominant macro theme was the renewed rise in energy prices as US–Iran tensions re-escalated, reviving inflation concerns and keeping both bond and equity markets on edge. Equities were mixed by region. Europe and the UK held up reasonably well, while US equities were uneven, with the semiconductor sector's 21% fall, its weakest month since 2008, offset by stronger performance in more traditional sectors. July was shaped less by a broad risk-on or risk-off move than by geopolitics, sector composition and interest-rate sensitivity. Japanese equities were weaker and the yen fell to around 162 per dollar, prompting a yen-buying intervention by Japanese and US authorities near month-end. Several Q2 laggards also outperformed, including some of the larger Chinese technology companies. Bond performance remained varied. Higher inflation expectations and a less predictable Fed backdrop fuelled volatility in government debt, while the long end of the curve stayed sensitive to inflation, growth and fiscal credibility. Commodities remained at the centre of the month's action. Brent crude rose sharply on renewed Middle East disruption, retraced as tensions briefly eased, then firmed into month-end as supply risks remained in focus. Gold stayed supported by geopolitics and central-bank buying, while crypto proved more resilient than expected, with bitcoin recovering despite firmer yields and a weaker risk backdrop.

US long-term borrowing costs hit highest since 2007

Yield on 30-year US Treasury, %, past 20 years

Source: Bloomberg

A QUIETER US CENTRAL BANK MAKES FOR A NOISIER MARKET

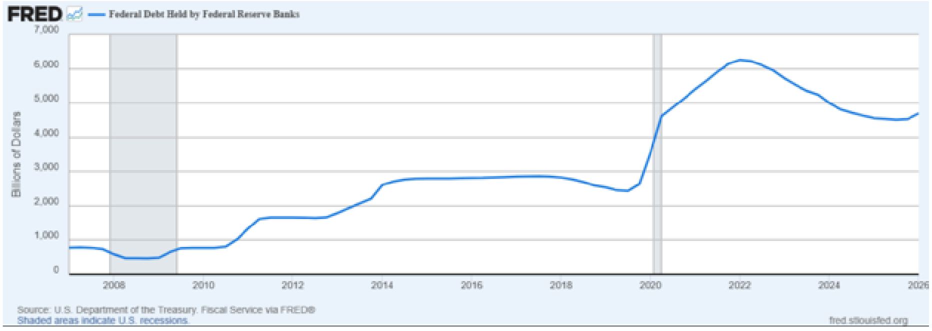
WALL STREET COMMENTARY HAS ALREADY BEGUN DRAWING COMPARISONS TO THE ALAN GREENSPAN ERA

Kevin Warsh's early Fed tenure has been defined by a clear shift to saying less. The July Federal Open Market Committee (FOMC) held rates at 3.50%–3.75% in a 9–3 vote, but the statement was unusually stripped back, with no forward guidance and little attempt to steer markets toward a specific policy path.

That is a significant change from the Powell-era style and, in many ways, from the modern Fed more broadly. Warsh has been explicit that he does not want the central bank trying to forecast everything for markets. He wants policy to be more data-dependent and less prescriptive. In practice, that means fewer hints about the next move, shorter statements, and a press conference style that gives markets less to anchor on and more to interpret.

The result is a Fed that may be more flexible, but also one that is harder for investors to read. With less explicit guidance, markets have had to lean more heavily on each inflation print, labour-market release and FOMC meeting to infer what the Fed is likely to do next. That has made rate-sensitive assets more volatile, especially at the long end, because there is less central-bank communication to smooth the path from one data release to the next.

Some critics argue that Warsh has gone beyond simply dropping forward guidance and has also left markets without a clear sense of which data or threshold would actually move the Fed to act. Wall Street commentary has already begun drawing comparisons to the Alan Greenspan era, when investors resorted to proxies such as the size of the Chair's briefcase to infer policy intentions.



WARSH'S NOMINATION IN EARLY 2026 WAS READ BY MARKETS AS A PIVOT TOWARD MONETARY DISCIPLINE

From a political perspective, Warsh's nomination in early 2026 was read by markets as a pivot toward monetary discipline and away from the more accommodative stance some in President Donald Trump's administration had hoped for, introducing further policy uncertainty.

The Fed's Treasury holdings have been reduced from a peak of $6 trillion following the Covid-related financial stresses of 2022 to about $4 trillion in mid-2025. However, the Federal deficit is likely to be $2 trillion this year and growing to over $3 trillion in 10 years. So, the Fed is likely to remain an active market participant in coming years.

SK HYNIX AND CXMT GROW IN IMPORTANCE WITH MEMORY BOOM

The memory-chip story remains one of the clearest ways to see the AI buildout in action, and it now comes with two companies that matter more to investors than they did a year ago.

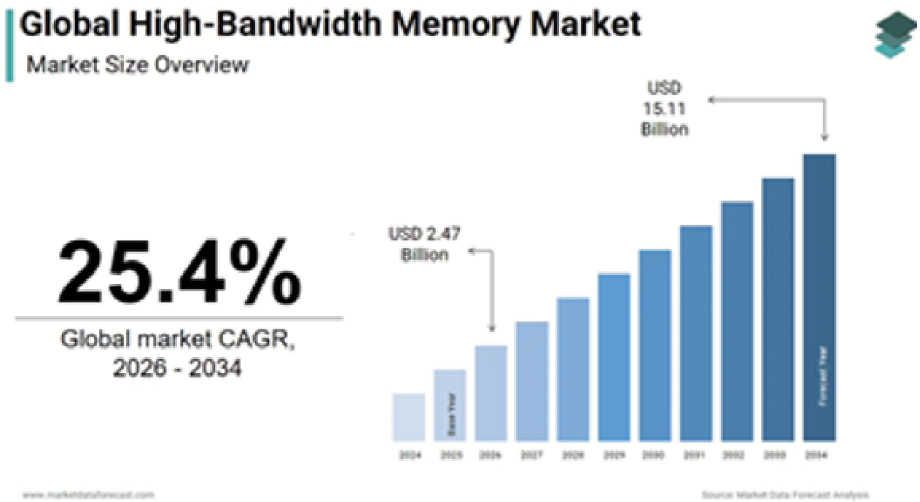
SK Hynix is a South Korean semiconductor company with roots back to 1983. Over four decades it has become one of the world's most important memory-chip suppliers, especially in high-bandwidth memory, or HBM. HBM is the high-speed memory used in AI accelerators, and SK Hynix's early bet on the technology has made it a key supplier into the AI supply chain. Demand for HBM remains strong, pricing has been firm and the company continues to invest in next-generation products.

The shares have become much more visible to investors who want exposure to the AI capex cycle, not just to semiconductors in general, and SK Hynix has moved into the elite tier of global chip valuations. It sits roughly on par with Samsung, reflecting how central HBM and AI memory have become to the investment case, and in the top 15 global companies by value.

SK HYNIX'S EARLY BET ON THE TECHNOLOGY HAS MADE IT A KEY SUPPLIER INTO THE AI SUPPLY CHAIN

CXMT is a newer story, but an increasingly important one. It was founded in 2016 and has rapidly become China's largest dynamic random-access memory (DRAM) chip maker and the world's fourth-largest DRAM supplier, with a market share of about 7.7% in 2025. It is backed by state-linked capital and was built as part of China's wider push for memory self-sufficiency, which gives it significance beyond its current scale.

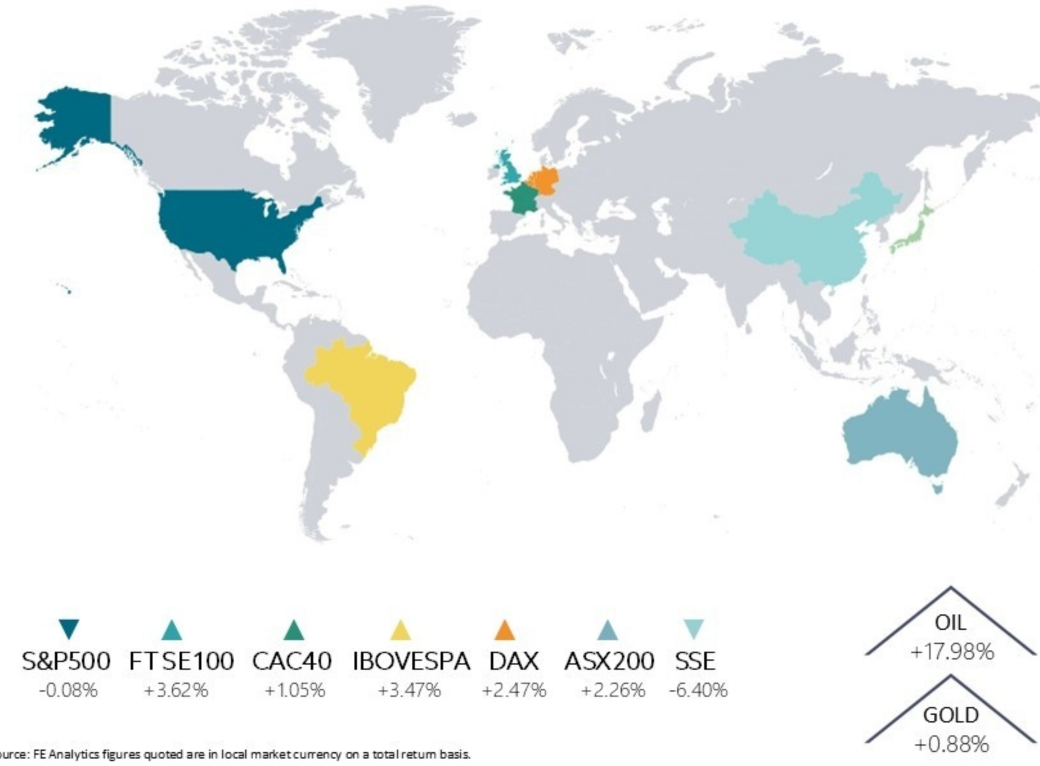
CMXT IS BACKED BY STATE-LINKED CAPITAL AND WAS BUILT AS PART OF CHINA'S WIDER PUSH FOR MEMORY SELF-SUFFICIENCY



Its first-quarter 2026 revenue jumped sharply and its July IPO surge made it one of the most talked-about new names in global semiconductors and briefly the most valuable publicly traded Chinese firm. That said, it is still more of a conventional DRAM story than an HBM story. It is increasingly important in mainstream memory but it is not yet a direct HBM peer to SK Hynix.

The recent price history of each has been stunning. SK Hynix has rerated as the market has begun to treat it as a direct AI beneficiary rather than a cyclical chip supplier, while CXMT's IPO surge and rapid operating scale-up show how quickly the market is assigning value to domestic Chinese memory capacity. Taken together, the two companies illustrate how memory has moved from being a niche semiconductor corner to one of the most investable parts of the AI theme.

GLOBAL MARKET RETURNS - JULY 2026



Source: FE Analytics figures quoted are in local market currency on a total return basis.

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IMPORTANT INFORMATION