GRAVITYWELL RESEARCH

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JULY 2026 · GLOBAL EDITION

Capital Axis

MONTHLY CAPITAL INTELLIGENCE · FOR INSTITUTIONAL INVESTORS

COVER STORY · GLOBAL MACRO

The *Funding* Verdict

The Fed held for a fifth meeting and the bond market tightened anyway. The bill went to the one asset class that cannot exist without borrowing.

-21%	SOX · WORST SINCE 2008
5.27%	US 30-YR · HIGH SINCE 2007
9-3	FOMC · 3 DISSENTS TO HIKE

COVER ILLUSTRATION · GRAVITYWELL ART DESK, AI-GENERATED
GWR-2026-CA-003 · GLOBAL MACRO DESK

Contents

DATA REFERENCE PERIOD: July 2026 unless otherwise noted. Data cut-off 31 July 2026; market, FX and commodity reads are point-in-time snapshots, not official month-end settlements. Published 8 August 2026. THE GAUGES (p.46) run on the capital-index family's June 2026 vintage, the latest the engine returns; composite indices publish with a one-month lag and the vintage is stamped on the page. PUBLICATION CADENCE: Capital Axis is issued monthly, in the first full week of the month following its coverage period. The issue is dated by the month it reports, not the month it ships.

Capital Axis

FROM THE DESK · ISSUE 03 · VOL. I · JULY 2026 · GLOBAL EDITION

EDITOR'S LETTER

We told you to sell Indian IT. It had its best month in six years, and the reason it rose is this issue.

Start with the miss, because it is the most useful thing we have to give you. In June we published five trades. The fourth of them said to own India's power and packaging assets and to underweight its IT services companies, on the view that artificial intelligence was doing structural damage to the business of selling software labour. In July the Nifty IT index rose 16.8%, its best month since July 2020, off a fifty-two-week low struck on the first trading day. Being wrong by that much in four weeks is worth more than being roughly right, provided you work out why, and the answer turned out to be the story of the whole month.

What we had misread was the question the market was asking. We assumed investors were pricing a verdict on the technology: which businesses AI builds, which it destroys. They were pricing something narrower and harder. In July the market sorted companies by how they pay for the thing, and it did so because the cost of paying went up sharply and without warning. The US thirty-year Treasury yield closed the month at 5.27%, its highest since 2007. The Bund reached levels last seen in 2011, the ten-year Japanese government bond touched 2.8% for the highest since 1996, and the gilt added twenty-nine basis points. Nobody at a central bank did any of this. The Federal Reserve held its target range for a fifth consecutive meeting.

So the damage fell where the borrowing is. The Philadelphia semiconductor index lost about 21% in July, its worst month since October 2008, and roughly $2.2trn of market value went with it. Meanwhile Alphabet raised its capital spending guidance for the year to between $195bn and $205bn, its cloud revenue grew 82%, and the four largest hyperscalers stayed on course to spend more than $700bn between them. Demand did not crack. The price of the money did, and the equity market paid the difference.

Read the month that way and the geography stops looking strange. Seoul, whose index is a leveraged bet on memory capex, became the first Korean benchmark to trip market-wide circuit breakers in consecutive sessions. Chinese internet and software rose about 9% in dollars, because China's AI trade is inference and models rather than fabs and debt. And Indian IT, which sells the application layer and funds itself out of cash flow, was rerated hard by exactly the investors who had spent the month deciding they no longer wished to own anyone else's construction schedule. Our June call had the right industry and the wrong axis.

One thing in this issue does not fit, and we have left it standing. If capital had genuinely become scarce, it should have been scarce everywhere. Instead SOXX took a record $6.9bn of inflows during its worst month since 2008, private markets wrote fourteen billion-dollar venture cheques, more than in any month on record, and high-yield credit spreads widened by roughly nine basis points, which is close to nothing. The VIX ended July at 15.99. Something is buying with both hands while something else reprices, and we cannot reconcile those two facts. You will find that argument made against us, at full strength, on page 26.

We grade June's five trades on page 42, and the miss leads. Our record is the only thing here you cannot get elsewhere.

The Editorial Desk

CAPITAL AXIS · GRAVITYWELL RESEARCH · JULY 2026

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This Month in Capital

The Brief

Two-point-two trillion dollars left the semiconductor complex and no credit market noticed. The number, the chart, the sentence, and the people behind them.

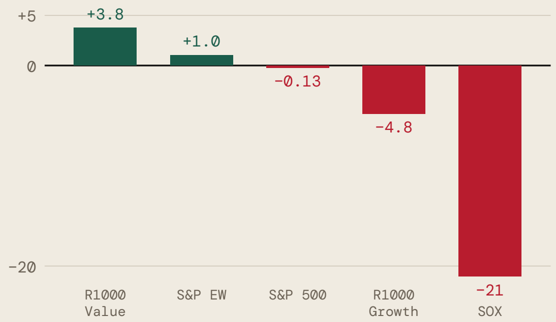
NUMBER OF THE MONTH

$2.2trn

Market value erased from the constituents of the Philadelphia semiconductor index in July, a fall of about 21% and the worst month since October 2008. Almost half the month's sessions closed with a move of 4% or more in one direction or the other. What did not happen alongside it is the story: no hyperscaler cut capital spending, no chipmaker's earnings expectations were marked down, and high-yield credit spreads widened by roughly nine basis points.

SOURCES: BLOOMBERG VIA FORTUNE [8]; ICE BOFA HY OAS [37] · 31 JUL 2026

CHART OF THE MONTH: THE AVERAGE HID THE DAMAGE



Sources: Janus Henderson [1]; Bloomberg via Fortune [8]. July 2026 price returns.

WHAT THEY SAID

> *"We haven't done much in 42 days. The markets have done quite a bit."*
>
> KEVIN WARSH · FED CHAIR · FOMC PRESS CONFERENCE, 29 JULY 2026

The Chairman was describing, accurately, the month's central fact. The Committee left its target range at 3.50–3.75% for a fifth consecutive meeting, and in the same breath he noted that yields had risen enough between meetings to rank "around the top decile" of inter-meeting moves in twenty years. Policy did not tighten in July. Financial conditions did, and they did it on the long end, where the borrowing that funds artificial intelligence actually gets priced.

WHO MOVED MARKETS

01 **Kevin Warsh**

Held for a fifth meeting, declined to defend his own majority, and told the room the market was now doing the work.

02 **Hammack, Kashkari & Logan**

All three voted to raise by 25bp on 29 July: the first time since September 2016 that three members dissented in the same direction.

03 **Phurichai Rungcharoenkitkul**

His BIS paper of 14 July put AI over-investment at roughly 1.5× the efficient level, and the bond desks read it.

04 **Moonshot AI**

The Kimi K3 release lifted Chinese cloud and software equities while Korean memory broke its circuit breakers.

July 2026 · The Browsing Page

Eighteen Numbers That Decide Something

Each of these changes a position, a forecast or a policy read.

MARKETS

Sessions with a 4%+ SOX move	~half	*of July*
SOXX inflows, worst mo. 2008	$6.9bn	*record*
VIX close, 31 July	15.99	*unmoved*
MSCI Korea, USD	-17.9%	*circuit breakers*
FTSE All-Share, sterling	+3.7%	*all-time high*
GSCI commodities, YTD	+38.9%	*2026*

POLICY & RATES

Days between FOMC meetings	42	*no policy change*
Bund 10-yr, highest since	2011	*3.21%*
JGB 10-yr peak, highest since	1996	*2.901% on 9 Jul*
New Zealand, first hike in	3 yrs	*+25bp*
US Q2 GDP, advance	1.5%	*from 2.1%*
US June payrolls vs consensus	57k	*vs ~110k*

CAPITAL & DEALS

Billion-dollar venture rounds	14	*most ever*
Global venture funding	$65bn	*+100% y/y*
Alphabet cloud backlog	$514bn	*+$50bn q/q*
India FPI, total incl. debt	₹40,031cr	*best of 2026*
India mainboard IPO pipeline	₹15,000cr	*5 issues*
China Q2 GDP	4.3%	*1st target miss since Covid*

THREE THAT DESERVE A SECOND LOOK

Fourteen billion-dollar venture rounds. The previous record for a single month was lower, and July set it while the listed version of the same trade was losing a fifth of its value. Private marks are stale by construction, but a record is a record, and no fact in this issue argues harder against our thesis.

Forty-two days, no policy change. Between the June and July meetings the Federal Reserve did nothing, and the ten-year rose 31 basis points while the thirty-year rose 36. If you were waiting for a central bank to signal the turn, you missed it, because the turn was priced by the people who buy the bonds.

The VIX at 15.99. A fear gauge sitting near the year's lows on the last day of a month that erased $2.2trn tells you the market did not read July as a systemic event. It read it as a bill arriving at one address.

THE READ

Sorted by what moved, July was not a risk-off month. Commodities, value, the UK, China and India all rose. The losses were concentrated in assets whose present value is a long-dated promise and whose construction is debt-funded. That is a duration-and-funding sort, not a growth scare.

UNRESOLVED

India's July FPI equity inflow is reported as **₹20,200 crore** by some outlets and **₹15,157 crore** by others, from the same depository data. We cannot reconcile the two from the public releases and print both wherever the figure appears.

Point-in-time reads at or near 31 July 2026. Full attribution in the Source Register (p.50). Percentage moves are price returns unless stated.

Part One

I

The Funding Verdict

A month that began at a fifty-two-week low in Indian software and ended with a Fed Chairman explaining that the bond market had tightened on his behalf. Told from its last day backwards, because the ending is what explains the rest.

IN THIS PART

The Cover Story

The *Funding* Verdict

In July the Federal Reserve did nothing for the fifth meeting running, and the bond market delivered one of the sharpest inter-meeting tightenings in two decades. The loss landed almost entirely on the one asset class that cannot be built without borrowing.

BY THE GLOBAL MACRO DESK · RATES, CREDIT & THE AI COMPLEX

> JULY 2026 DISPATCH: The thirty-year closed at 5.27%, the highest since 2007. The Bund reached 2011 levels and the JGB touched 2.8% for the highest since 1996. Semiconductors fell about 21%, the worst month since October 2008. Alphabet raised capex guidance to $205bn and was sold for it. The market was not marking down the technology. It was marking up the cost of building it.

0 cuts

to capex, at any hyperscaler, in the month their equity lost a fifth of its value.

5.27% US 30-YEAR: THE HIGHEST CLOSE SINCE 2007	**<2×** HYPERSCALER BOND COVERAGE, FROM ~5× IN FEBRUARY	**82%** GOOGLE CLOUD REVENUE GROWTH: DEMAND DID NOT BREAK

CONTINUED ON PAGE 8

The Cover Thesis

The Chairman Explains Who Did the Tightening

On the last Wednesday of July, Kevin Warsh stood in front of the press and described a month in which his Committee had changed nothing and financial conditions had changed a great deal. He did not present this as a problem. He presented it as the design.

GLOBAL MACRO DESK · GRAVITYWELL RESEARCH

Two developments were worth highlighting, the Chairman said, and he put the bond market first. "Nominal and real yields are materially higher across the Treasury curve," he told the room on 29 July. "In fact, some of the increases in market interest rates between FOMC meetings are among the most significant in the last two decades, ranking around the top decile or so."

Then he asked the question the whole month turns on. If the Committee did not change its policy rate, what happened? His answer was that attention had shifted to the data itself, helped by the fact that he had stripped forward guidance out of the statement. "Market participants are learning to play the ball, not the referee," he said, "and market prices will continue to respond in the direction and magnitude they see fit." A few minutes later he put it more plainly: the Committee had not done much in forty-two days, and "the markets have done quite a bit."

That is the cover thesis in the Chairman's own words, and our claim is about where the bill landed. A tightening delivered through the long end does not fall evenly across a market. It falls hardest on assets whose value sits in cash flows a decade out, and hardest of all on assets that must raise money today to build the thing that produces those cash flows. In 2026 that description fits one complex almost exclusively.

So the semiconductor index lost about 21% in July, its worst month since October 2008, and roughly $2.2trn of market value went with it, while the S&P 500 as a whole fell 0.13%. Consensus called this the AI bubble deflating. We think that reads the tape backwards. Nothing in the demand data broke in July. Alphabet raised its 2026 capital-spending guidance to a range of $195bn to $205bn, reported Google Cloud revenue up 82% year on year to $24.8bn, and disclosed a backlog that had grown $50bn in a single quarter to $514bn. No hyperscaler cut a dollar of planned spending. What deteriorated was the market's willingness to fund the spending: order books for hyperscaler bonds thinned from roughly five times covered in February to below two times in July.

Read that way, July was not a referendum on whether artificial intelligence works. It was a repricing of who can afford to build it, and the market answered by selling everything that borrows and buying the versions of the same trade that do not.

29 JULY, IN THE ROOM

Target range	3.50-3.75%	*5th hold*
Vote	9-3	*all 3 to hike*
3 in one direction, 1st since	Sep 2016	*all to hike*
Days since last meeting	42	*no change*
US 10-yr over that span	4.75%	*+31bp*
US 30-yr over that span	5.27%	*+36bp*

THE SIGNAL

A central bank that removes forward guidance hands the pricing of the path to the market. July was the first month that machinery ran at full stress, and it produced a top-decile tightening with no policy action behind it. If you hold long-duration equity, your rate risk is no longer on a meeting calendar you can read in advance.

THE CHAIRMAN ON AI

Warsh named the build-out twice without prompting, calling the surge in high-tech capex "remarkable" and putting four-quarter growth in the A.I.-related category of high-tech equipment and software at nearly **20%**, then asking whether chip and infrastructure prices signal "a broader inflationary dynamic." A Fed Chair treating AI capex as a price problem is new, and it is not dovish.

Anatomy · Read From the Bottom

The Month, Rewound

Run July forwards and it looks like a war, an earnings season and a chip selloff happening at once. Run it backwards from the press room and a single sequence emerges: the cost of money moved first, and the equity followed it down.

DATE	WHAT HAPPENED	TELL
30 Jul	Amazon reports; BoE holds 3.75% on a 6–3 vote; US Q2 GDP advance 1.5%	growth cools
29 Jul	FOMC holds 9–3; Warsh says the market did the tightening	the verdict
28–29 Jul	Kospi trips market-wide circuit breakers in consecutive sessions, a first for the benchmark	memory breaks
27 Jul	Brent falls 8.7% to $88.36 as Iran signals a pause	oil relents
24 Jul	Bond-market anxiety over AI capex budgets becomes front-page	funding named
23 Jul	ECB holds the deposit rate at 2.25% after June's hike	no relief
22 Jul	Alphabet raises 2026 capex to $195–205bn; cloud +82%; backlog $514bn. The stock is sold	the hinge
21 Jul	Var Energi buys BlueNord, creating Europe's largest independent oil and gas group	hard assets bid
17 Jul	AI debt reported heading toward $570bn; issuance coverage below 2×	the plumbing
14 Jul	BIS Working Paper 1367 lands: AI over-investment ~1.5× efficient. US June CPI −0.4% m/m. China Q2 GDP 4.3%	the argument
13–14 Jul	US and Iran trade attacks over Hormuz; Brent nears $85	oil re-rates
9 Jul	TCS opens India's season after the close: $9.5bn order book, $2.6bn annualised AI revenue. Nifty IT +3.5% the next session	the other leg
8 Jul	US strikes Iran; Brent back above $76, reversing June's collapse	the shock
2 Jul	US June payrolls +57k against ~110k expected; unemployment falls to 4.2%	no cut revived
1 Jul	Nifty IT prints a fifty-two-week low at 25,699.10	the bottom

Ordered latest-first. Sources in the register (p.50); each row is dated inside the coverage window.

WHAT THE SEQUENCE SHOWS

The war came first and did the least. US strikes on 8 July and the exchanges of 13 and 14 July put Brent up more than 20% on the month, but oil was already relenting by the 27th and the semiconductor complex kept falling anyway. Energy set the inflation backdrop; it did not set the direction of the equity.

The hinge is 22 July. Alphabet delivered a quarter that was, on any demand measure, excellent, and raised its capital spending by roughly $15bn at the midpoint. The stock fell about 5%. That is the whole thesis in one session: the market had stopped rewarding scale in AI and started pricing the funding of it.

> *"Market participants are learning to play the ball, not the referee."*
>
> KEVIN WARSH · FED CHAIR · FOMC PRESS CONFERENCE, 29 JULY 2026

By the last week the sort was complete. Korean memory, the most capex-levered expression of the trade anywhere, tripped consecutive circuit breakers. Indian IT services, the least capex-levered, was finishing its best month in six years.

How a Yield Becomes a Drawdown

Two Channels, and Only One of Them Is Arithmetic

A higher discount rate lowers the present value of every distant cash flow, and that part is mechanical. The second channel is the one that did the damage: the AI build-out has outgrown its own cash generation, so it competes for the same duration buyers as the US Treasury.

The first channel needs no explanation to anyone who has priced a security. Push the long rate up 36 basis points and every cash flow twenty years out is worth less today. It applies to all long-duration assets equally, which is precisely why it cannot be the whole story.

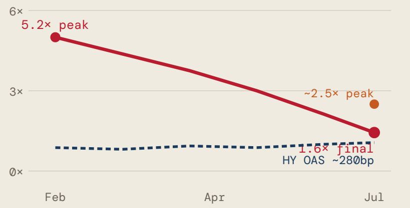
The second channel is narrower and it is where July's damage concentrated. For most of the last decade the hyperscalers funded capital spending out of operating cash flow, which made their building programmes indifferent to the bond market. That is no longer true. The Bank for International Settlements records the shift plainly: Alphabet, Amazon, Meta, Microsoft and Oracle have moved from funding capex with operating cash flow to issuing debt, with the five largest set to spend more than a trillion dollars on AI-related capex across 2025 and 2026. Morgan Stanley's tally of AI-related global debt issuance stood at $236bn at the end of May, four times the level a year earlier, on a path to roughly $570bn by the end of 2026.

A borrower of that size is no longer a price-taker in the bond market. It is a competitor to the sovereign, bidding for the same pool of investors who buy thirty-year duration, in a month when that pool was already absorbing heavy government supply across the United States, Germany, the United Kingdom and Japan at the same time. When two large issuers want the same buyer, the buyer sets the price.

You could watch it happen in the order books rather than in the spreads. Coverage on hyperscaler bond issues, the ratio of orders to bonds offered, fell from roughly five times in February to below two times in July on Apollo's series. Those two endpoints are not measured the same way, and the difference matters: February is a peak-demand reading (Oracle drew $129bn on $25bn) while July is a final book (Amazon closed at $41bn on $25bn). Amazon's July deal peaked at $62bn on $25bn, or 2.5 times, before banks trimmed the spread and orders fell back to $41bn. On a like-for-like peak basis demand roughly halved rather than collapsing by two-thirds. Spreads barely moved, because a deal that clears is a deal that cleared. What changed was how thin the bid had become, and a two-times book is a warning that the next deal prices wider or shrinks.

Oracle became the market's chosen instrument for expressing this. Having raised $43bn of debt and $5bn of equity in its 2026 fiscal year, with roughly $40bn of combined debt and equity planned for fiscal 2027, its five-year credit default swap reached a record 203 basis points on 24 July, having more than quadrupled since mid-2025 and passed its 2008 peak and became the standard proxy for AI funding risk. The equity market took its cue from the credit market's price of one name.

ORDER-BOOK COVERAGE FELL WHILE SPREADS DID NOT



crimson = coverage · navy = HY spread (rhs) · bases labelled

Source: Torsten Slok, Apollo, "Cover Ratios for Hyperscaler Bonds Declining," 15 July 2026 [54], relayed by Fortune [12]; ICE BofA HY OAS [37]. February is a peak book ($129bn on $25bn); July is shown on both bases, peak $62bn and final $41bn on $25bn. ●

THE READ

Spreads tell you what cleared. Coverage tells you what nearly didn't. In July the two disagreed, and the equity market believed coverage. For a credit underwriter, that gap is the single most useful thing the month produced.

Research Note · The Claim, Quantified

Thirty-Six Basis Points Explains Half. The Rest Is the Bid.

If July had been a pure discount-rate event, everything with long-dated cash flows would have fallen together. American real estate rose 2.6% instead. That single divergence is how we separate the arithmetic from the funding, and it puts most of the semiconductor drawdown on the funding side.

THE DECOMPOSITION

CHANNEL	ESTIMATED PULL ON SOX	TIER
Discount rate (30-yr +36bp × equity duration 20–30yrs)	-7 to -11%	◙
Funding availability & risk premium (coverage 5× → <2×)	-6 to -10%	◙
Positioning unwind (crowding, momentum)	-3 to -6%	○
Observed July move	-21%	●

● filed · ◙ Gravitywell-modeled · ○ estimate. Duration band is the standard range applied to low-current-cash-flow growth equity; ranges do not sum to the observed move because the channels overlap.

The arithmetic channel is bounded and knowable. Take the standard treatment of a high-growth, low-current-payout equity as carrying an effective duration of twenty to thirty years, apply July's 36 basis-point rise in the thirty-year, and you get a present-value hit somewhere between 7% and 11%. That is real, and it is roughly half of what happened at most.

The test for whether the rest is funding rather than duration is available in the same month's data. US real estate investment trusts carry long-dated cash flows and are famously rate-sensitive, and in a pure discount-rate month they should have fallen alongside the chips. They rose 2.6%. Their cash flows are contracted and current, and critically they were not trying to raise tens of billions of new money in July. Long duration was not sufficient to get you hurt. Needing the market's money was.

WHAT REPRICES OFF THE NEW CURVE

01 **Externally funded capex**

Any programme whose spending exceeds operating cash flow now carries a funding spread on top of a higher risk-free rate. Funding structure now sorts a book better than sector does.

02 **The supplier tier**

Memory and logic makers hold the customer's funding risk without holding the customer's contract. Korea proved the point at −17.9% in dollars.

03 **Self-funded application layers**

Businesses that monetise AI out of cash flow rerate upward in exactly this environment: Indian IT services +16.8%, Chinese software and cloud around +9% in dollars.

04 **Contracted real assets**

REITs, regulated grids and infrastructure with indexed revenue held or rose. Duration alone did not hurt them.

THE FALSIFIER

If this decomposition is right, semiconductor equity should now track long-end yields more closely than it tracks AI demand news. Should the index rally more than 15% while the thirty-year adds another 25 basis points, our reading of July is wrong and we will say so here.

Standing Department · The Analog

1994 Rhymes. 2000 Does Not. The Difference Is the Backlog.

Two episodes are being offered as July's ancestor, and they imply opposite paths. One was a funding shock into a growing economy that resolved inside eighteen months. The other was a demand collapse that took a decade. The data that separates them is not the yield.

In 1994 the Federal Reserve took the funds rate from 3% to 6% inside twelve months, and the thirty-year Treasury yield rose from about 6.35% to a peak of 8.16% in November, ending the year at 7.89%. A Fortune feature that October called it the great bond massacre and put the worldwide decline in bond values near $1.5trn. Orange County, which had levered a municipal portfolio into that curve, filed for bankruptcy that December. What the episode did not do was end the expansion or the bull market. The S&P 500 finished 1994 roughly flat on price (−1.5%), then compounded for five years.

In 2000 the damage looked similar at the index level at first and was completely different underneath. The Nasdaq Composite reached a closing high of 5,048.62 on 10 March 2000 and eventually lost about 78% into October 2002, because telecommunications capex had been built against demand that never arrived. Fibre went dark. Utilisation collapsed. The revenue line, not the discount rate, was the thing that broke.

July 2026 has 1994's shape and none of 2000's evidence. The shock arrived through the long end rather than the income statement, and it arrived while the demand series were accelerating: Google Cloud revenue grew 82% year on year, and the backlog rose $50bn in a single quarter to $514bn. That is the opposite of dark fibre. It is a customer queue getting longer while the cost of serving it goes up.

One disanalogy cuts against us, and it is the important one. In 1994 the shock had an author. Alan Greenspan was raising rates, so the market could price when he would stop, and the moment he did, in early 1995, the repair began. July 2026 had no author. The Federal Reserve was stationary and the curve moved on its own, which means there is no reaction function to front-run and no obvious signal that the tightening is finished. A market shock without a central bank behind it can persist longer than a policy cycle, because nothing has to relent.

THREE EPISODES, SIZED

1994 · Fed funds	3→6%	*12 months*
1994 · 30-yr peak	6.35→8.16%	*+181bp to Nov*
1994 · S&P 500	~flat	*no bear market*
2000 · Nasdaq close hi	5,048.62	*10 Mar 2000*
2000 · peak to trough	-78%	*to Oct 2002*
2026 · 30-yr, July	5.27%	*+36bp in a month*
2026 · cloud backlog	$514bn	*+$50bn q/q*

WHAT THE DIFFERENCE IMPLIES

Watch utilisation and backlog, not the yield, for the signal that changes the answer. A second quarter of backlog growth keeps July in the 1994 family, where the complex rerates and the funders get repaid. A backlog that flattens while capex holds is the 2000 tell, and it would arrive in an earnings release rather than a bond auction.

THE UNCOMFORTABLE HALF

1994's repair began when the Fed stopped. Nobody can tell you when a market that tightened itself decides it has finished, and that is a genuine gap in this analogy rather than a risk we have sized.

Part Two

II

The World Reprices

Four sovereign curves reached levels last seen in 2007, 2011 and 1996, three of them without a rate decision behind them. What the tape did next depended entirely on who had to borrow.

IN THIS PART

Markets · July 2026 in Full

The Tape

A month in which the world index rose, the American index did not move, and one sector inside it lost a fifth of its value. Every close below is dated 31 July unless the row notes otherwise. MSCI Korea is printed in dollars; the local Kospi decline is disputed and larger (p.18).

EQUITIES (31 JUL)		
S&P 500	7,489.72	*−0.13%*
Nasdaq Comp.	25,373.85	*−3.20%*
Dow Jones	52,485.03	*+0.32%*
Russell 2000	2,931.34	*−3.08%*
SOX (semis)	−21%	*worst since 2008*
STOXX 600 (€)	+1.3%	*+2.2% USD*
FTSE All-Share (£)	+3.7%	*record*
Nikkei 225 (¥)	−8.1%	*TOPIX +0.2%*
MSCI China	+9.0%	*USD*
MSCI Korea	−17.9%	*USD · see p.18*
MSCI EM	−3.0%	*+20.3% YTD*
Nifty 50	24,383.60	*+2.2%*

RATES & CREDIT		
Fed funds (upper)	3.75%	*hold 9–3*
ECB deposit	2.25%	*hold*
BoE bank rate	3.75%	*hold 6–3*
BoJ policy	1.00%	*hold*
US 10-yr	4.75%	*+31bp*
US 30-yr	5.27%	*high since 2007*
Bund 10-yr	3.21%	*high since 2011*
Gilt 10-yr	5.05%	*+29bp*
JGB 10-yr	2.80%	*peak 2.901% 9 Jul*
India 10-yr	6.85%	*+17bp*
US HY OAS	284bp	*+9bp · 30 Jul*
VIX	15.99	*unmoved*

COMMODITIES · FX · CRYPTO		
WTI	$84.48	*+20.6%*
Brent	~$92	*peak ~$97*
Gold	$4,104	*+1.93%*
Commodities (GSG)	+12.0%	*+38.9% YTD*
DXY	99.82	*−1.31%*
USD/INR	95.35	*rupee softer*
Bitcoin	$63,080	*+7.5%*
US REITs (VNQ)	+2.6%	*duration held*
US bonds (BND)	−1.3%	*2nd weak mo.*
R1000 Value	+3.8%	*vs growth*
R1000 Growth	−4.8%	*the funders*
Nifty IT	+16.8%	*best since 2020*

THE SORT

Line the tape up by what each asset needs from the capital market and July stops looking chaotic. Assets that generate cash and hold contracted revenue did well: commodities up 12%, value up 3.8%, American real estate up 2.6%, the FTSE All-Share at an all-time high on energy and financial weightings. Assets that consume capital did badly, in proportion to how much they consume. The equal-weighted S&P rose 1.0% while the capitalisation-weighted index fell, which is the arithmetic signature of damage concentrated in the largest, most capital-hungry names.

Sterling, euro and yen investors had a materially different month from dollar investors, because the dollar fell 1.31%. The MSCI World ex-US index rose 2.1% in dollars against the S&P's small decline, and the rotation out of America was as much a currency event as an equity one.

READ-THROUGH

Index-level credit did not confirm. High-yield spreads widened roughly nine basis points and the VIX closed the month at 15.99, both of which say no systemic stress. At the issuer level the picture differs: the median spread on two- to four-year paper from Amazon, Alphabet, Meta and Oracle is 40 basis points this year against 30 in 2025 (p.19). Four borrowers cannot move an index, so the aggregate stayed calm while their own cost of money rose. Whether that reaches the index is the open question, and the tripwire is HY OAS through 350bp.

Point-in-time reads at or near 31 July 2026, not official settlements. Index moves are price returns in local currency unless marked USD. Where two sources differ on a level, the register (p.50) names the one printed.

Policy · July 2026

Three Presidents Voted to Raise. It Was Still the Quietest Meeting of the Year.

The first time since September 2016 that three members dissented in the same direction produced no change in rates and barely moved the front end. The action had already happened further out the curve, which is the point.

Beth Hammack of Cleveland, Neel Kashkari of Minneapolis and Lorie Logan of Dallas each voted on 29 July to raise the federal funds target by a quarter point. Three dissents in one direction is the first such split since September 2016. The company is small but Warsh is not alone in it: Arthur Burns met three dissenting votes at his first policy decision in February 1970, and Paul Volcker four at his second in September 1979. Kevin Warsh declined to argue with it. Asked by the Financial Times to characterise their case, he said he would not give their best arguments, and added: "So you're right, I asked for a good family fight, and I got one. That's the purpose, that's the design feature."

Behind the vote sat a committee that has stopped pretending the last five years did not happen. "There is no soft inflation target, there is no soft implicit target," Warsh told the room. "There is only a target, and it is 2 percent." He had opened by noting that five-plus years of above-target inflation "cannot be cured in nine weeks, or by a single month of modest price decreases," which was a direct reference to June's CPI print of −0.4% on the month.

The rest of the world's anchor banks held with him. The European Central Bank left the deposit rate at 2.25% on 23 July after June's hike, the Bank of England held at 3.75% on a 6–3 vote, and the Bank of Japan stayed at 1.00%. The tightening that did occur came from the periphery: Korea raised 25 basis points to 2.75% and New Zealand raised 25 basis points to 2.50%, its first increase in three years. Indonesia surprised by holding at 5.75%.

What makes this a policy story rather than a procedural one is the second half of Warsh's opening. He described the surge in high-tech capital spending as "remarkable," put four-quarter growth in AI-related equipment and software at nearly 20%, and then asked whether the resulting rise in memory and logic chip prices indicates "a broader inflationary dynamic." A central bank that has begun treating the AI build-out as a source of price pressure has a reason to keep rates high that has nothing to do with the labour market, and every reason not to relieve the very funding cost this issue is about.

THE JULY GRID

Fed (29 Jul)	3.50-3.75%	*hold · 9–3*
ECB (23 Jul)	2.25%	*hold*
BoE (30 Jul)	3.75%	*hold · 6–3*
BoJ	1.00%	*hold*
Bank of Korea	2.75%	*+25bp*
RBNZ	2.50%	*1st hike in 3yrs*
Bank Indonesia	5.75%	*surprise hold*
RBI	5.25%	*no July meeting*

> *"There is no soft inflation target, there is no soft implicit target—not on this Committee's watch."*
>
> KEVIN WARSH · FED CHAIR · FOMC PRESS CONFERENCE, 29 JULY 2026

THE LOCAL CALL

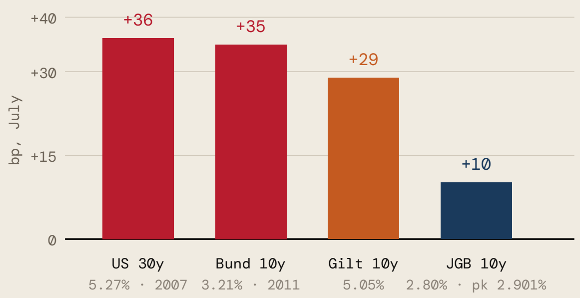
Three hawkish dissenters do not need to win a vote to matter. They set the distribution of outcomes for September, and they remove the floor the market had assumed under long-end pricing. Front-end futures are the wrong place to express a view on this Committee.

Rates · The Global Repricing

2007 in Washington, 2011 in Berlin, 1996 in Tokyo

Four developed sovereign curves hit multi-decade marks in the same four weeks, and no central bank moved to cause it. When the long end reprices everywhere at once, the cause is supply and term premium rather than policy.

FOUR CURVES, ONE MONTH, MULTI-DECADE HIGHS



Source: Janus Henderson [1]. Bars are July change; labels give the 31 July level and the year that level was last seen. The JGB is the exception: it closed July at ~2.80%, and the label gives its 9 July peak of 2.901%, the highest since 1996.

The Japanese number is the one to sit with, and the month-end print understates it. The ten-year Japanese government bond reached 2.901% on 9 July, its highest since 1996, before easing back to about 2.80% by the close of the month, so the ten basis points of net change conceal an intramonth move of roughly double that. Japan has been the world's supplier of cheap duration for a generation, and a domestic yield that finally competes with foreign paper is the mechanism by which Japanese institutions stop funding everyone else's long end.

WHY ALL FOUR, AND WHY NOW

Two supplies met one pool of buyers. Governments across the developed world are issuing heavily, and in July they were joined at the long end by a corporate borrower of unprecedented scale. Mounting issuance from the hyperscalers now competes directly with sovereign paper for the investors who buy twenty and thirty-year duration.

The composition of the move confirms it. Real yields rose alongside nominals, which points at term premium rather than an inflation scare, and it happened while headline inflation was falling in the United States, the eurozone and the United Kingdom. Buyers were not demanding compensation for prices. They were demanding compensation for quantity.

THE LOCAL CALL

Term premium is a quantity story, so it responds to issuance calendars rather than to inflation prints. For a liability book, the useful forward indicator for the next leg is the corporate long-end supply schedule, not the CPI release. A cooler inflation print will not rescue a crowded auction.

AGAINST THIS READING

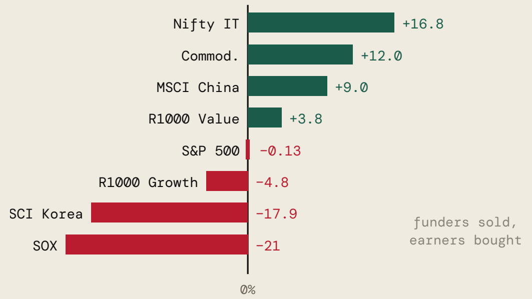
Hyperscaler issuance is large in corporate terms and still small beside developed-market sovereign supply. We are attributing to it a share of the term-premium move we cannot cleanly isolate, and a rigorous test would need issuance-window event studies we have not run.

The Data Room · July 2026

The Average Hid Everything

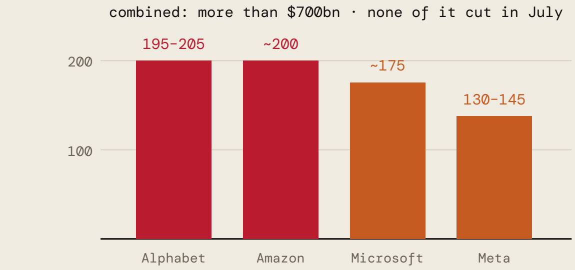
An index that moved 0.13% sat on top of a 37.8-point spread between its best and worst constituents' neighbourhoods. Six series, drawn, and the annotations carry the argument.

1 · JULY RETURNS: A 37.8-POINT SPREAD UNDER A FLAT INDEX



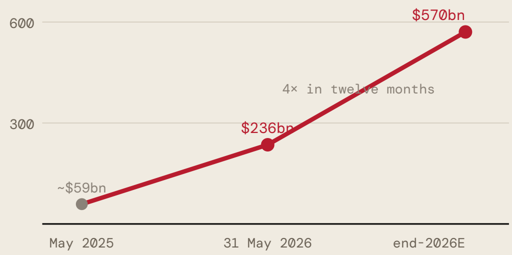
Sources: Janus Henderson [1]; Business Standard [24]; Capital Spectator [3].

2 · THE BILL: 2026 CAPEX GUIDANCE ($BN)



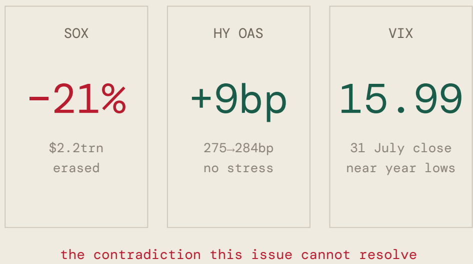
Sources: Digital Applied [15]; Value Add VC [14]. Company guidance, calendar/fiscal 2026.

3 · AI-RELATED DEBT ISSUANCE ($BN, CUMULATIVE)



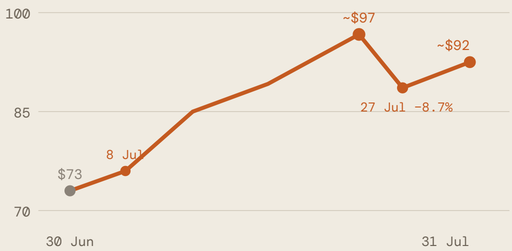
Source: Morgan Stanley via Forbes [10]. May-2025 point derived from the stated 4× growth; end-2026 is a forecast ○.

4 · WHAT DIDN'T MOVE: CREDIT AND VOL



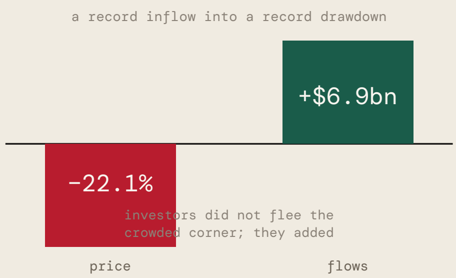
Sources: ICE BofA HY OAS [37]; CBOE VIX [38]; Bloomberg via Fortune [8].

5 · BRENT'S JULY: WAR, THEN A PAUSE ($/BBL)



Sources: Al Jazeera [16–18]; CNBC [19–20]; Fortune [21]. Peak ◙ derived from the 27 July close and its stated 8.7% fall.

6 · BUYERS ARRIVED INTO THE WORST MONTH SINCE 2008



Source: Benzinga [9]; Motley Fool [42]. SOXX (iShares Semiconductor ETF) fell 22.1% in July, its worst month since December 2002; the SOX index itself fell about 21%, its worst since October 2008.

Point-in-time July 2026 reads. ● filed · ◙ derived · ○ forecast. Series behind every panel are published in capital-axis-july-2026-data.csv.

Asia · The Mirror Trade

Seoul Broke and Shanghai Rallied on the Same News

Chinese equities had their best month of the year in the weeks Korean memory tripped consecutive circuit breakers, and one of the causes was identical. A country that makes its own lithography does not have to buy anyone's.

MSCI China rose 9.0% in dollars in July, Hong Kong-listed Chinese equities gained roughly 13%, and the internet and software funds that hold the country's AI complex did better still, with the KraneShares CSI China Internet ETF up 16.4% and the iShares China Large-Cap ETF up 15.5%. In the same weeks MSCI Korea fell 17.9% in dollars and the Kospi triggered a market-wide circuit breaker in consecutive sessions on 28 and 29 July, a first for that benchmark (the KOSDAQ had done so in 2008 and 2020).

Two things drove the divergence and they are connected. The first was product. Moonshot AI released its Kimi K3 large language model, and Chinese cloud and software equities rallied on the demand it implied for domestic inference capacity. The second was supply. Reuters reported that China had begun mass-producing deep ultraviolet lithography machines, the tools that make advanced chips, and ASML fell more than 8% on 27 July. The word carries less than it sounds: the maker is targeting roughly five tools in 2026 and twenty in 2027, against ASML's roughly 130 immersion systems a year, and the machines are immersion DUV still dependent on Japanese components. The report drove 28 July; SK Hynix, whose record quarter still missed consensus, drove the 29th. For Korea, whose index is effectively a leveraged position on selling memory into someone else's build-out, that combination is an existential re-rating rather than a valuation one.

Set against this issue's thesis, China's month is the clean confirmation. The Chinese AI trade is models, inference and software sold into a domestic market, funded largely by corporate cash flow and state direction rather than by dollar bond issuance. It carries the option on AI without carrying the funding risk, and in a month when the world repriced funding risk it was bid.

The macro underneath was poor, which makes the equity move more telling. China's second-quarter GDP grew 4.3% year on year, down from 5.0%, the weakest since the fourth quarter of 2022 and the first time the government has missed its growth target since the pandemic. Investors bought Chinese technology in July despite the economy, not because of it.

THE SPLIT, JULY (USD)

KWEB (China internet)	+16.4%	*software*
FXI (China large-cap)	+15.5%	*HK-listed*
Hang Seng	~+13%	*best major mkt*
MSCI China	+9.0%	*broad*
MSCI Taiwan	-5.3%	*foundry*
MSCI Korea	-17.9%	*memory*
China Q2 GDP	4.3%	*target missed*

THE LOCAL CALL

Asia's AI exposure now splits three ways and they do not trade together: the toolmakers and memory suppliers, who hold the customer's funding risk; the foundries, who hold some of it; and the model-and-software layer, which holds none. If you own EM Asia through a single index you own all three at whatever weight the benchmark chose. In July that weight cost you nearly 38 points of dispersion.

UNRESOLVED

The Kospi's July decline is reported anywhere between 23% and 33% depending on the outlet, off the same exchange data. We print MSCI Korea's –17.9% in dollars because we can source it cleanly, and we cannot reconcile the local-index figures.

THE MARGIN · ON PLUMBING

Stop Reading Spreads. Read the Book.

The credit spread is a price, and a price only tells you about the trades that happened. In July the interesting information was in the trades that nearly didn't.

THE MARGIN · GRAVITYWELL RESEARCH

Every risk dashboard on every desk we know carries high-yield option-adjusted spread as its credit tripwire. In July that tripwire moved nine basis points, from 275 to 284, and told its owners that nothing was happening. Meanwhile the largest borrowers in the corporate bond market watched their order books halve twice over. Both facts are true, and only one of them was useful.

Here is the argument, pressed as hard as we can press it: in a primary market dominated by a handful of enormous, high-quality issuers, the spread is a lagging indicator by construction. A deal gets marketed, the syndicate reads demand, and if the book is thin the deal is cut in size or pulled rather than priced at a level that would print a wider spread. The clearing price stays respectable because the clearing quantity absorbed the stress. Coverage falling from roughly five times in February to under two times in July is the same information the spread would have given you weeks later, and it was available in real time to anyone reading new-issue commentary.

This is not a subtlety. It is the difference between owning the AI complex through the last week of July and not. The equity market worked it out and sold the borrowers. The credit market's headline number said all clear, and the credit market's actual plumbing said the marginal buyer of thirty-year corporate paper had gone quiet.

Two facts settle the argument better than the aggregate does, and one of them needs a caveat first. Amazon brought $25bn in July and closed with a final book of $41bn, 1.6 times covered. The headline five-times figure from February is a peak-demand reading rather than a final book, so the two are not like for like; measured consistently on peak demand, Amazon's July deal drew $62bn on $25bn, or 2.5 times, against Oracle's 5.2 times in February. Demand roughly halved. That is a smaller claim than the raw end-points imply and we would rather print it than the flattering version. The second fact is the control. Across the same span, on Fortune's reporting of the same underlying data, the coverage ratio for the broad investment-grade market slipped by only about half a turn. Hyperscaler demand did not fall because bond demand fell; it fell because this borrower, at this size, exhausted its buyer.

The obvious objection is that a two-times book is still a book, and it is a fair one. Deals cleared. Nobody failed. But coverage is a gradient, not a switch, and the direction of travel across five months is the signal. When your marginal buyer is thinning while your issuance calendar is growing, you find out where the bid actually is on the day you cannot afford to shrink the deal.

Put the coverage ratio on the dashboard next to the spread. It is published, it is free, and in July it was six weeks early.

TWO GAUGES, ONE MONTH

HY OAS, 30 Jun	275bp	*baseline*
HY OAS, 30 Jul	284bp	*+9bp*
IG spread move	~+2bp	*negligible*
Oracle 5-yr CDS, 24 Jul	203bp	*record; higher since*
Feb peak (Oracle)	5.2×	*$129bn on $25bn*
Jul peak (Amazon)	2.5×	*$62bn on $25bn*
Jul final book (Amazon)	1.6×	*$41bn on $25bn*
Broad IG cover, same span	−½ turn	*the control*

THE COLUMN'S CALL

Coverage below two times on the next jumbo hyperscaler deal is the number that decides whether August repeats July. It printed above four times on 6 August; see the stop press on p.45. And note where the stress already shows in price: the median spread on two- to four-year paper from Amazon, Alphabet, Meta and Oracle widened to 40 basis points from 30 in 2025, while the index that everyone watches moved nine. Watch the syndicate desks, not the spread screens.

WHERE THIS COLUMN COULD BE WRONG

Coverage ratios are noisy, disclosed inconsistently and easily flattered by syndicate practice, and we are reading a five-month path off a small number of disclosed points. The Amazon comparison above is the strongest single observation we have; a proper series would need the full deal-level record, which is not public.

Part Three

III

The Capex That Must Be Funded

More than $700bn of committed spending this year, against a cash flow that no longer covers it and a bond market whose appetite halved twice over. The structural story July exposed, sized and stress-tested.

IN THIS PART

The Theme Feature

The Moment a Cash Machine Became a Borrower

For a decade the largest technology companies were defined by the cash they threw off. The defining fact of 2026 is that their building programme has grown larger than that cash, and the difference has to come from somewhere.

TECHNOLOGY & INFRASTRUCTURE DESK · GRAVITYWELL RESEARCH

The Bank for International Settlements put the transition in a single sentence in July, the most consequential sentence written about this cycle: Alphabet, Amazon, Meta, Microsoft and Oracle have shifted from funding capital expenditure with operating cash flows to issuing debt. The same work records the five largest hyperscalers spending more than a trillion dollars on AI-related capex across 2025 and 2026, with commitments outpacing both earnings and free cash flow.

The 2026 numbers alone are worth restating slowly. Alphabet guided to $195bn–$205bn, having raised the range from $180bn–$190bn a quarter earlier. Amazon sits near $200bn, Microsoft near $175bn for the calendar year, and Meta at $130bn–$145bn. Four companies, more than $700bn, in twelve months. For scale, that is a private capital-formation programme larger than the annual gross fixed investment of most G20 economies.

What is being bought is not speculative in the way the word bubble implies. Alphabet's cloud revenue grew 82% year on year to $24.8bn in the June quarter and its backlog rose $50bn in three months to $514bn, which is a contracted queue rather than a hope. Kevin Warsh, from the other side of the table, described four-quarter growth in AI-related equipment and software at nearly 20% and called the surge remarkable. Demand is present, measurable and accelerating.

The problem is arithmetic rather than belief. A programme this size, growing this fast, against cash flows that grow more slowly, closes the gap by issuing securities. That converts a technology decision into a capital-markets decision, and it hands a veto to a constituency the sector has never had to please: the people who buy long-dated corporate paper. In July that constituency exercised the veto, and Alphabet's own experience on 22 July is the cleanest illustration available. It raised its spending, reported excellent demand, and its shares fell about 5%. The market had stopped reading capex as a signal of confidence and started reading it as a funding requirement.

THE 2026 PROGRAMME

Alphabet	$195-205bn	*raised in July*
Amazon	~$200bn	*guidance*
Microsoft	~$175bn	*calendar 2026*
Meta	$130-145bn	*FY2026*
Combined	>$700bn	*one year*
Top-5, 2025–26	>$1trn	*BIS*
Google Cloud backlog	$514bn	*+$50bn q/q*

> *"The most striking feature of the economy is the strong growth of business investment. The surge in high-tech capex has been remarkable."*
>
> KEVIN WARSH · FED CHAIR · FOMC PRESS CONFERENCE, 29 JULY 2026

THE READ

A capex programme funded from cash flow answers to a board. One funded from the bond market answers to a syndicate desk every few weeks. That is the governance change July revealed, and no one voted for it.

Where the Money Comes From

Four Sources, and Only One of Them Is Reliable

Operating cash flow, public debt, equity and the off-balance-sheet vehicles. July repriced the second, closed nothing, and pushed the sector toward the third and fourth, which is where the risk migrates rather than disappears.

THE STACK, RANKED BY HOW MUCH JULY CHANGED IT

1 · OPERATING CASH FLOW — unchanged
large, growing, and no longer sufficient on its own

2 · PUBLIC DEBT — repriced
$236bn issued to 31 May, ~$570bn run-rate; cover 5×→<2×

3 · EQUITY — costlier
Oracle raised $5bn in FY26; dilution costlier after −21%

4 · OFF-BALANCE-SHEET — growing
SPVs, leases, vendor, private credit: the least visible

Sources: BIS [28]; BIS Quarterly Review on on- and off-balance-sheet borrowing; Forbes [10]; Fortune [12]. Ranking is the desk's ■.

The order matters because stress does not remove a funding requirement, it relocates it. A programme that cannot place enough public bonds at an acceptable price does not shrink by $200bn. It moves down the stack, into equity it would rather not issue and into structures that do not appear on the balance sheet at all.

WHAT WE CANNOT SIZE

The off-balance-sheet tier is the one that matters most for tail risk and the one we can least measure. The BIS has flagged its growth; we have no reliable aggregate for it, and we are not going to invent one.

THE TWO ADAPTATIONS OF JULY

Sell the spare capacity. Meta was reported in July to be planning a cloud business to sell excess AI compute to external customers. Read as strategy that is a growth initiative. Read as finance it is a company converting a depreciating fixed asset into contracted revenue, which is what you do when the marginal dollar of debt has become expensive.

Pre-fund and stop. Oracle raised $43bn of debt and $5bn of equity in fiscal 2026, plans roughly $40bn of combined debt and equity in fiscal 2027, and said in June that it expects no additional debt issuance in calendar 2026. That is a borrower who has already been to the well and has decided not to test it again this year.

THE FOURTH TIER, TESTED

July produced one clean failure at this level. On 13 July **Prime Data Centers** cut a Norwegian-law bond from $600mn to $500mn and then put it on hold, with investors declining the proposed terms. It is small, and it is the only deal in the month that did not clear. Against it: BlackRock placed a **$12.3bn** Meta data-centre bond on 24 July, which got done and rallied. The structured tier is where the marginal AI dollar is now priced, and in July it cleared unevenly rather than not at all.

THE READ

Both adaptations are rational and both make the sector harder to analyse. Compute sold to third parties turns a capex line into a revenue line with utilisation risk attached, and off-balance-sheet funding turns a leverage question into a disclosure question. For anyone underwriting these names, the useful work this quarter is reading lease notes and vehicle disclosures rather than headline net debt.

The Plumbing at Scale

Four Times Bigger in a Year, and the Buyers Thinned Anyway

AI-related debt issuance quadrupled year on year to $236bn by the end of May and is tracking toward $570bn for 2026. Supply of that order changes the market it borrows from, and in July it did.

Morgan Stanley's count is the number the desks used. AI-related global debt issuance reached $236bn by 31 May, four times the level of a year before, on a path to roughly $570bn by the end of 2026. That growth rate is the story, because a market can absorb a large borrower it has known for years far more easily than one that quadruples.

The supply is concentrated as well as large. Amazon, Alphabet, Meta and Oracle alone issued about $194bn of bonds in 2026 through 7 July, up 79% on the roughly $108bn they raised in the whole of 2025. The absorption problem showed up first in coverage, which fell from about five times in February to below two times in July, and second in the price of protection on the most levered name. Oracle's five-year credit default swap became the market's chosen proxy for AI funding risk and reached a record 203 basis points on 24 July, above its 2008 peak, and has traded higher since. And on 9 July S&P cut Oracle's issuer credit rating one notch to BBB−, a single step above speculative grade, naming its concentrated exposure to OpenAI as a key credit risk and lifting its forecast of the company's fiscal 2027 free operating cash flow deficit to about $42bn from $24bn. A ratings agency moving the largest AI borrower to the edge of investment grade is a harder piece of evidence than any spread we have quoted. And the price did move where it should have: the median spread on two- to four-year paper from those four issuers widened to 40 basis points from 30 in 2025. The index-level credit gauges missed it because four issuers cannot move an index, which is the whole reason the aggregate looked calm.

Then there is the circularity, which is the part the official sector keeps flagging and the market keeps ignoring. The largest venture cheque of July was Nvidia's reported $5bn into Safe Superintelligence, and Nvidia also appeared in Together AI's $800mn round alongside Aramco Ventures and Vista Equity Partners. A supplier funding its customers' ability to buy from it inflates reported demand without adding an independent source of cash. The BIS names circular equity ties as one of the reasons to doubt the boom's sustainability, and it is right to.

One caveat travels with every number on this page: the $570bn figure is a forecast rather than a filing, and definitions of AI-related issuance vary between houses. We use it because it is what the market traded on in July, not because we can audit its perimeter. None of this is a crisis and we are not forecasting one. It is a market that has grown a new, very large, very fast-growing borrower, and that has not yet found the clearing price for the paper that borrower needs to sell.

THE ENGINE, MEASURED

AI debt issued to 31 May	$236bn	*4× y/y*
2026 run-rate	~$570bn	*forecast*
Coverage, Feb → Jul	5× → <2×	*thinning*
Big-four issuance to 7 Jul	~$194bn	*+79% vs all 2025*
Median 2–4yr spread	40bp	*from 30bp in 2025*
Oracle FY26 raise	$43bn debt	*+$5bn equity*
Oracle FY27 plan	~$40bn	*debt + equity*
Oracle 5-yr CDS, 24 Jul	203bp	*record; higher since*
S&P cuts Oracle, 9 Jul	BBB−	*1 notch above junk*
Nvidia → SSI	~$5bn	*circular*

THE LOCAL CALL

The tripwire is not a default and it is not a spread. It is a pulled or downsized jumbo deal. One of those in August tells you the funding channel has moved from expensive to closed, and it would revalue the whole complex faster than any earnings release.

THE NUMBER TO WATCH

Coverage on the next jumbo technology deal, against a 2× threshold. Below it, the funding channel is binding and O3 on p.41 pays. Above 4×, the mechanism described across this Part is dead and the trades on p.39 are stopped out by their own stated invalidation. **On 6 August it printed above 4×. See the stop press, p.45.**

The Official Sector Weighs In

The BIS Says We Are Building Half Again Too Much

On 14 July the Bank for International Settlements published a calibrated estimate that the AI build-out is running at roughly 1.5 times the efficient level, and up to three times where demand proves less elastic. It deserves the airtime, and it deserves the objection.

Phurichai Rungcharoenkitkul's paper, Working Paper 1367, calls the build-out one of "among the largest technology-driven investment booms in U.S. history" and then does the thing most commentary avoids, which is to put a number on the excess. Using balance-sheet and deal data in a calibrated model, it finds over-investment of around 1.5 times the efficient level, rising toward three times in the scenario where demand for AI services turns out to be less elastic than the builders assume.

The mechanism is a race. When several well-capitalised firms each believe the winner takes a durable share of a very large market, each has a private incentive to build ahead of demand, and the sum of individually rational schedules exceeds what the market needs. Add debt financing and circular equity ties between suppliers and customers and the overshoot gets larger before any participant is forced to notice.

Two features make this land harder than the usual bubble commentary. It comes from the institution whose job is telling central banks what to worry about, and it arrived on 14 July, in the middle of the month, ahead of the worst part of the semiconductor draw-down. The bond desks read it, and the timing shows in the tape.

Now the objection, which we hold seriously. An over-investment estimate is a statement about a counterfactual efficient level that nobody can observe, and it is highly sensitive to the assumed elasticity of demand, which is exactly the parameter in dispute. A 1.5-times overshoot against an unobservable benchmark is not the same class of claim as a measured leverage ratio. Every large infrastructure build in history has looked over-built at the point of construction and merely early in retrospect, and railways, fibre and cloud each carried the same critique.

The paper's real contribution is not the multiple. It is the observation that the financing structure now amplifies the overshoot, because debt-funded racing does not self-correct the way equity-funded racing does. That part we accept without reservation.

THE PAPER, IN NUMBERS

Published	14 Jul 2026	*BIS WP 1367*
Central over-investment	~1.5×	*vs efficient*
Inelastic-demand case	~3×	*tail*
Top-5 capex, 2025–26	>$1trn	*outpacing FCF*
Flagged risks	3	*scale, debt, circularity*

WHERE WE AGREE, AND DON'T

We accept the financing argument in full and treat the 1.5× multiple as directional rather than measured. If the elasticity assumption is wrong in the builders' favour, the same model produces no overshoot at all, and the paper says so.

THE QUESTION NOBODY ANSWERS

If the build-out is 1.5× too large, why did Google's contracted backlog grow $50bn in a single quarter? Over-supply and a lengthening customer queue are hard to hold at the same time, and neither we nor the paper resolves it.

Stress Test · The Next Fifty Basis Points

Another 50bp Costs the Equity 12%. It Costs the Cash Flow Almost Nothing.

Run the rate shock through the income statement and it barely registers. Run it through the discount rate and it is brutal. That gap is the clearest evidence that July priced absorption risk rather than solvency risk.

A FURTHER +50BP AT THE LONG END

LINE	IMPACT	TIER
Remaining 2026 AI issuance ($570bn less $236bn)	~$334bn	◙
Extra annual coupon on that issuance at +50bp	~$1.7bn/yr	◙
As a share of one year's big-four capex (>$700bn)	~0.24%	◙
Extra annual coupon on the full ~$570bn stock	~$2.9bn/yr	◙
Present-value hit to 20–30yr-duration equity	-10 to -15%	◙

◙ *Gravitywell-modeled from the sourced inputs on p.23. Coupon figures assume the increment applies to new issuance at the stated size; they are illustrative of order of magnitude, not a forecast of any issuer's cost.*

The asymmetry is the finding. Another half-point at the long end would add roughly $1.7bn a year to the interest bill on the debt still to be raised this year, which against a combined capital programme north of $700bn is a rounding error, and against the operating scale of these companies is less than that. No plan gets cancelled at that price.

The same half-point, applied as a discount rate to equity with an effective duration of twenty to thirty years, takes 10% to 15% off present value. And that is before any widening in the funding premium, which is the variable that actually did the damage in July.

WHAT ACTUALLY BINDS

If the coupon is immaterial and the equity impact is severe, the constraint cannot be affordability. It has to be absorption: whether the market will take $334bn more paper this year at any sensible price, and at what point a syndicate desk decides to shrink a deal rather than widen it.

That reframes what a risk manager should monitor. The interest-coverage ratios that dominate credit analysis will look reassuring through this entire episode, because they are measuring the wrong thing. What matters is order-book depth on primary issuance, and the sector's willingness to let capex be paced by it.

IF YOU RUN THE BOOK

If you hold this complex through credit, stop stress-testing coupons and start stress-testing issuance windows. Model the quarter in which the programme needs $80bn and the book comes in at 1.5 times. That is the scenario that forces either a capex cut or an equity raise, and it is the one no coverage ratio will warn you about.

THE WEAK LINK IN THIS PAGE

Equity duration of 20–30 years is a convention, not a measurement, and the honest range for a semiconductor index is wider than we have used. Take the direction of the asymmetry, not the precision of the percentages.

AGAINST THE GRAIN · THE HOUSE, CONTRADICTED

Capital Was Never Scarce. We Have Written a Macro Story About a Crowded Trade.

This magazine has spent twenty pages arguing that July was a funding event. The evidence against that runs through the same month, and it is stronger than we would like.

AGAINST THE GRAIN · GRAVITYWELL RESEARCH

Start with the simplest test. If the cost and availability of capital had genuinely turned against the AI build-out in July, capital should have been harder to get in July. It was not. Global venture funding hit $65bn for the month, double the level a year earlier, and fourteen companies raised billion-dollar rounds, the most ever recorded in a single month. Nvidia put a reported $5bn into Safe Superintelligence. SambaNova closed a first tranche of $1bn at an $11bn valuation. Joulent took $1.75bn for energy infrastructure. This is not what a funding squeeze looks like.

Now the listed market. High-yield spreads widened nine basis points on the month and investment-grade by about two. The VIX finished July at 15.99, near the year's lows. Every large deal that came to market cleared. Not one issuer failed, defaulted or postponed publicly. The desk will point at Amazon's 1.6-times book and at a median issuer spread of 40 basis points against 30 last year, and those are real. They are also small, annual rather than monthly, and entirely consistent with a large borrower paying a modest premium for size. A discount for supply is what any market charges when one name brings a lot of paper, and it is not a squeeze.

And then the fact that should trouble this desk most: SOXX took a record $6.9bn of inflows during the index's worst month since 2008. Investors did not flee the crowded corner. They added to it, in size, while it fell. That is the behaviour of a market with abundant capital and a positioning problem, not one with a capital problem.

The simpler explanation for July needs no bond market at all. The semiconductor index had more than doubled in the first half of 2026 and set a record on 22 June. It was the most crowded, most levered, most momentum-driven position on earth. Crowded positions mean-revert violently and they do not require a macro cause to do it. Almost half of July's sessions moved 4% or more in one direction or the other, and every session had a 2% range. That is the signature of forced position management, not of a considered repricing of long-run funding costs.

Which leaves this column with an uncomfortable conclusion about its own magazine. We observed a rate move and a chip selloff in the same four weeks and built a causal chain between them, because a causal chain is more publishable than a crowded trade unwinding on its own schedule. The rate move was real. The selloff was real. The arrow between them is the part we assumed.

THE CASE FOR ABUNDANCE

Global VC, July	$65bn	*+100% y/y*
Billion-dollar rounds	14	*record*
SOXX inflows	$6.9bn	*record*
HY OAS widening	+9bp	*negligible*
IG spread widening	~+2bp	*negligible*
VIX, 31 July	15.99	*no fear*
Failed jumbo deals	0	*none reported*
SOX, H1 2026	more than 2×	*crowding*

THE COLUMN'S CALL

If the funding thesis is right, August brings a downsized or pulled jumbo deal and credit finally moves. If this column is right, semis retrace hard on no macro news at all, and the thirty-year can sit at 5.27% while they do it. One of those two things happens within eight weeks.

LEFT STANDING

The desk has no answer to the record-inflow fact. None. A funding squeeze that coincides with record buying of the squeezed asset is not a squeeze we have explained, and we are not going to pretend otherwise to protect the cover.

Part Four

IV

India, the Epicentre

If the market spent July sorting artificial intelligence by who has to borrow, then the country that sells the application layer and owns none of the fabs should have won. It did, by 16.8%, and against this desk's stated position.

IN THIS PART

The Transmission

The Leg of AI That Needed No Money

Indian software bottomed on the first trading day of July and finished the month up 16.8%, its best since July 2020. It was the mirror image of Korea, and it happened for exactly the reason Korea fell.

INDIA BUREAU · GRAVITYWELL RESEARCH

On 1 July the Nifty IT index printed a fifty-two-week low at 25,699.10. Over the following four weeks it rose 16.8%, recovering more than 21% from that low, and closed out its strongest month in six years. The broader market went along quietly: the Nifty 50 gained 2.2% to 24,383.60 and the Sensex 2.1% to 78,094.64, the first back-to-back monthly gains of 2026.

In Issue 02 this desk recommended the opposite. Our fourth trade was long India's power, grid and packaging assets and underweight IT services, on the argument that artificial intelligence was doing structural rather than cyclical damage to the business of selling software labour. We grade that on page 42. The reason it failed is the reason this issue exists, so it belongs here first.

The market in July was not asking which businesses AI helps. It was asking who has to raise money to participate. On that test Indian IT services scores better than almost any asset in the world. It sells the application and integration layer, funds itself from operating cash flow, carries negligible net debt, holds no fabs, signs no multi-year power contracts, and issues no thirty-year paper. When the cost of long-dated capital rose sharply, capital rotated toward the version of the AI trade that does not consume any.

The flows corroborate it. Foreign portfolio investors turned net buyers of Indian equities for the first time in four months, and total FPI inflows including debt reached ₹40,031 crore, the strongest month of 2026. Indian coverage attributed the IT rally to earnings and valuation, both of which mattered. What that coverage largely missed is that the money arriving was rotating out of Korean memory and Taiwanese foundry, and it was doing so on a funding argument rather than a growth one.

INDIA IN JULY

Nifty IT	+16.8%	*best since Jul 2020*
Nifty IT 52-wk low	25,699.10	*1 July*
Recovery off the low	>21%	*in four weeks*
Nifty 50	24,383.60	*+2.2%*
Sensex	78,094.64	*+2.1%*
FPI total (incl. debt)	₹40,031cr	*best of 2026*
MSCI Korea, for contrast	-17.9%	*USD*

THE TRANSMISSION, STATED

A global tightening delivered through the long end is a relative-value event for India, not an absolute one. India imports the higher discount rate like everyone else, but it exports the one thing the repricing made scarce: participation in AI without a funding requirement. That is a structural edge for as long as the curve stays where it is.

OUR OWN RECORD

Issue 02, Trade 4: "underweight IT services where the AI de-rating may be structural, not cyclical." The index then rose **16.8%**. Graded on p.42.

Earnings Season · Q1 FY27

A Stable Quarter Was Enough, Because Nobody Expected One

TCS opened India's reporting season after the close on 9 July with a $9.5bn order book and $2.6bn of annualised AI revenue. The following session the stock rose 4% and took the sector 3.5% with it, which tells you more about positioning than about the quarter.

The results themselves were solid rather than spectacular. Tata Consultancy Services reported a total contract value of $9.5bn for the quarter and disclosed annualised AI revenue of $2.6bn, a figure that matters mainly because it is now large enough to report separately. The print landed after the close on 9 July; the sector fell about 1% that session and rallied 3.5% on the 10th. Infosys, LTIMindtree, Wipro and Oracle Financial Services followed, and the sector put together four consecutive up sessions in the second half of the month.

The reaction was disproportionate to the news, and that is the informative part. A sector trading at a fifty-two-week low on the first of the month had priced a structural de-rating, which is to say it had priced our June thesis. Confirmation that revenue was stable and that AI was showing up as a revenue line rather than only as a threat was sufficient to force a repricing of that assumption.

There is a real analytical question underneath, and the July numbers do not settle it. AI genuinely does compress the effort required to deliver a unit of software work, and in a business that has historically billed for effort that is a threat to pricing. What TCS's disclosure shows is that the same technology is currently generating enough new mandates, in migration, integration and model deployment, to more than offset the compression. Whether that holds once the migration wave is complete is unknown, and the current order book cannot tell you.

What can be said now is narrower and more useful: the compression argument is a multi-year thesis and the market was pricing it as a this-quarter fact. July corrected the timing error rather than the argument.

Q1 FY27, WHAT LANDED

TCS results	9 Jul	*season opener*
TCS total contract value	$9.5bn	*stable*
TCS annualised AI revenue	$2.6bn	*now disclosed*
TCS, next session (10 Jul)	+4%	*Nifty IT +3.5%*
Leaders	Infosys, TCS, OFSS	*4 straight up*

THE LOCAL CALL

Treat the AI revenue disclosure as the number to track quarterly from here. It is the only public series that lets you test compression against creation inside the same business. If it stalls while headcount falls, the de-rating case returns with evidence rather than assumption.

HONEST AMBIVALENCE

Indian IT wins the balance-sheet argument and loses the pricing-power argument, and we are not netting the two. Which dominates depends on your horizon: the balance-sheet advantage pays now, the billing-model erosion is a decade-long drag. A holder of three years and a holder of ten are not in the same trade.

Flows · The Currency

The Money Came Back and the Rupee Still Fell

Foreign investors turned net buyers for the first time since March, the dollar fell 1.31% against everything else, and the rupee weakened anyway. An oil bill up more than 20% will do that.

The rupee closed July at 95.35 to the dollar, having ended June near 94.6, and it gained 15 paise on the final session on the back of the inflows. Over the month it lost ground. That is a genuinely awkward combination, because the dollar index itself fell 1.31% in July: sterling, the euro and the yen all had a good month against the dollar, and the rupee did not.

Oil explains most of it. Brent rose from about $73 at the end of June to roughly $92 at the end of July, and WTI gained 20.6%. India imports the overwhelming majority of the crude it consumes, so a move of that size lands directly on the current account within weeks. June's issue argued that a falling oil bill was buying the Reserve Bank room to stay on hold while the rest of the world tightened. July took that room back.

The equity flow numbers, meanwhile, do not reconcile, and we are printing the disagreement rather than choosing. Several outlets reported foreign portfolio investors buying ₹20,200 crore of Indian equities in July; others reported ₹15,157 crore, from what appears to be the same depository data. The gap is most likely a treatment difference between primary-market and secondary-market purchases, but we cannot establish that from the public releases and we are not going to assert it. Total inflows including debt were ₹40,031 crore, the best month of the year. For the calendar year to date, foreign investors remain net sellers of roughly ₹2.54 lakh crore.

So July was a good month for Indian assets and a mediocre one for the Indian currency, and both facts trace to the same source. The capital came because the AI rotation favoured India. The currency lagged because the energy shock that drove the rotation is also India's largest import.

FLOWS & THE CURRENCY

USD/INR, 31 Jul	95.35	*from ~94.6*
DXY, July	99.82	*−1.31%*
Brent, June → July	$73 → ~$92	*the import bill*
FPI equity (reported A)	₹20,200cr	*1st buy in 4 mo.*
FPI equity (reported B)	₹15,157cr	*unreconciled*
FPI total incl. debt	₹40,031cr	*best of 2026*
FPI equity, YTD 2026	−₹2.54L cr	*still net sellers*

THE CURRENCY LEG

The rupee is now trading off crude rather than off the rate differential, and that is a change from the first half of the year. A dollar-based holder of Indian equity earned 2.2% in local terms and less than that after the currency in July. The rupee leg and the equity rotation are no longer pulling the same way, which argues for hedging the currency separately rather than treating the position as one trade.

STANDING UNRESOLVED

Two FPI equity figures, one month, one set of depositories, a ₹5,043 crore gap. We have not been able to adjudicate it and we carry both.

Rates · The Domestic Curve

India Paid for the Oil, the Liquidity and a Postponement

The ten-year government bond gave up 17 basis points to close July at 6.85%. Three separate causes pushed it there, and one of them was an index committee.

The benchmark ten-year rose to 6.85%, which by the standards of the month is a modest move. The American thirty-year added 36 basis points and the Bund 35; India's 17 was less than half of that, and it arrived without a policy meeting, since the Reserve Bank's committee did not sit in July.

Three things did the work. Crude was the largest: Brent moving from about $73 at the end of June to roughly $92 at the end of July feeds directly into India's inflation and current-account arithmetic, and the bond market prices that before the data confirms it. (Source [27] frames the same move from $77, an early-July level rather than the June close; we use the June close throughout for consistency with the Tape and the Scorecard.) Banking-system liquidity tightened, which is the mechanical constraint on how much paper the domestic bid can absorb. And on 31 July the index provider deferred India's entry into the Bloomberg Global Aggregate Index for a second time, removing an expected source of passive foreign demand. India's FAR bonds have been in Bloomberg's emerging-market local-currency index since 2025; the Global Aggregate applies a higher operational bar, and the stated reason was that the reforms need to be more firmly established in day-to-day market practice.

That last one deserves attention because it is a pure flow event with no economic content. India spent two years reforming its bond market to attract exactly this kind of index-tracking money, and the Fully Accessible Route has been delivering: on Bank of Baroda's estimates, net inflows of $2.3bn in June followed by $864mn in the first three weeks of July. Other series put the July run-rate differently, and we have not been able to reach the primary tables to adjudicate. A delayed inclusion does not undo those reforms, and it does postpone a large tranche of price-insensitive buying that the market had already discounted into the curve.

For this desk the page is uncomfortable, because Issue 02's third trade was long Fully Accessible Route government bonds at around 6.7% on a thesis that included a falling oil bill. The oil bill rose 20% instead and the yield went to 6.85%, which means the position lost money on the rate leg. We grade it on page 42.

THE DOMESTIC CURVE

India 10-yr, 31 Jul	6.85%	*+17bp*
US 30-yr, for contrast	5.27%	*+36bp*
RBI repo	5.25%	*no July meeting*
FAR net inflows, June	$2.3bn	*reform working*
FAR net inflows, 1–21 Jul	$864mn	*continued*
Bloomberg Global Agg	deferred again	*31 Jul · 2nd time*

THE LOCAL CALL

India outperformed the global long end by roughly half, on a month when its own import bill worsened. That relative resilience is the FAR reform doing its job, and the strongest argument that the divergence trade survives even though its June entry point was wrong. The level to watch is 7.00%, above which domestic banks reprice their held-to-maturity books.

THE LEVEL THAT MATTERS

7.00% on the ten-year. Above it, domestic banks reprice their held-to-maturity books and the RBI's room to stay on hold narrows sharply. That is the single domestic level worth an alert, and it sits 15 basis points away.

Testing Our Own Conclusion

Re-Rating or Squeeze? The Honest Answer Is Partly Both

A sector that bottoms on day one of the month and rises 21% off the low has the shape of a positioning event. We think there is a structural argument underneath it, and we can show you where the two separate.

THE CASE FOR A SQUEEZE

01 **The timing is too neat**

A fifty-two-week low on the first trading session, then four straight up sessions later in the month. Markets that bottom on a calendar boundary are usually clearing positions, not revaluing cash flows.

02 **The sector was heavily sold**

Indian IT had been one of 2026's worst domestic performers into July, which is exactly the set-up that produces a violent recovery on merely adequate news.

03 **A weaker rupee flatters the print**

These are dollar earners reporting in rupees. The currency fell over the month, which mechanically improves reported revenue and margin without any operating improvement.

04 **The results were merely stable**

A $9.5bn order book is a good number and it is not a 16.8% number. The gap between the news and the move is the positioning component.

THE CASE FOR A RE-RATING

01 **The buyer changed**

Foreign investors turned net buyers after four months of selling, and the rotation came out of Korean and Taiwanese hardware. That is allocation, not short-covering.

02 **AI is now a disclosed revenue line**

TCS reporting $2.6bn of annualised AI revenue moves the argument from theory to a number that can be tracked and falsified each quarter.

03 **The balance-sheet advantage is real and durable**

Negligible net debt and no capex requirement is a structural property, not a quarterly one. It keeps paying for as long as the long end stays elevated.

04 **The move was global, not local**

Chinese software rose about 9% on the same logic in the same weeks. Two independent markets pricing the same distinction is evidence of a thesis rather than a squeeze.

The two cases are separable by a test that runs over the next two quarters. A squeeze gives back most of its gain once the selling pressure that created it is exhausted, and it does so without any change in the fundamental series. A re-rating holds its multiple and shows up as sustained foreign buying and a growing disclosed AI revenue line. Watch those two series, not the price.

OUR WEIGHTING

We put the larger share of July's 16.8% on positioning and the durable part on funding structure, and we would not defend a precise split. What we will defend is that our June call was wrong on the axis rather than early on the timing.

Part Five

V

The Capital Corridor

Strategic buyers spent July acquiring turbines, grids and oilfields. India raised its money as equity. Private markets wrote fourteen billion-dollar cheques into the asset the public market was selling.

IN THIS PART

Deals of the Month · Global

The Month Strategic Capital Went Shopping for Cash Flow

Two deals of $14.8bn led the tape, and beneath them the pattern was consistent: warehouses, grids, oilfields and service contracts. Buyers wanted assets that already earn, at the exact moment assets that promise to earn were being repriced.

MARQUEE TRANSACTIONS

Uber → Delivery Hero — $14.8bn

PLATFORM CONSOLIDATION · JULY · LARGEST ANNOUNCED DEAL OF THE MONTH

A cash-generative operator absorbing a scaled competitor. The logic is route density and take-rate rather than growth optionality, which is what buyers pay for when the discount rate is 5.27% at thirty years.

WDP · Argan combination — ~$14.8bn

LOGISTICS REAL ESTATE · JULY · EUROPEAN SCALE-UP

Contracted, indexed rent rolls. American REITs rose 2.6% in the same month semis fell 21%, and this deal is that trade expressed in the private market.

Var Energi → BlueNord — $1.3bn

ENERGY · 21 JUL · CREATES EUROPE'S LARGEST INDEPENDENT OIL AND GAS GROUP

Structurally a merger, roughly 95% in stock, announced into a 20% monthly rise in crude. The parties describe the result as Europe's largest independent oil and gas company. Consolidation of producing reserves is the clearest possible statement that the buyer expects the energy repricing to persist.

Continental (ContiTech) → Lone Star — €4.0bn

CARVE-OUT · ANNOUNCED 4 JULY · INDUSTRIAL TO PRIVATE HANDS

The carve-out trade in a high-rate regime: a listed industrial sheds a division to a sponsor that can hold it without a quarterly multiple attached.

THE REST OF THE TAPE

ACQUIRER → TARGET	VALUE
Grant Thornton Advisors → CBIZ	$5.0bn
OCS Group → Mitie (20 Jul)	$4.17bn
Iberdrola → 80% of Caruna, from KKR and Ontario Teachers' (22 Jul)	€2.0bn
CVC → APM Monaco, from TPG (28 Jul)	>$2bn
Tempus AI → Personalis (19 Jul)	$1.5bn

WHAT THE DEALS ARGUE

Not one of July's large transactions was a bet on a technology that needs building. Every one bought an existing revenue stream: delivery routes, warehouse leases, regulated grid connections, producing wells, service contracts. Strategic capital sorted the world on the same axis the equity market did, and it did so with its own balance sheet.

THE SPONSOR SIGNAL

CVC buying from TPG is sponsor-to-sponsor, which remains private equity's least satisfying exit route. A month of record venture cheques and continuation-style trades is a market with plenty of entry capital and a persistent shortage of exits.

Deals of the Month · India

India Funded Its Build-Out With Equity, and Nobody Called It a Strategy

Five mainboard listings worth roughly ₹15,000 crore, a ₹15,000 crore recapitalisation at Adani Power, and a queue of filings. In the month the world learned what debt-funded capex costs, India raised ownership instead.

PRIMARY MARKET

Mainboard IPO slate — ~₹15,000cr

FIVE ISSUES · LATE JULY · MINING, HEALTHCARE, DAIRY, RENEWABLES, MACHINERY

Spread across five unrelated sectors rather than concentrated in one theme, which is what a broad primary market looks like. SBI Funds Management (14–16 Jul) and Laser Power & Infra (9–13 Jul) were among the month's listings.

Adani Power recapitalisation — ₹15,000cr

INSTITUTIONAL PLACEMENT AND EQUITY ROUTES · JULY

A power producer expanding into the same AI-driven electricity demand that is forcing American utilities to borrow, and funding it by selling shares rather than thirty-year paper.

Manipal Health · SEBI approval — 3 Jul

CLEARANCE FOR WHAT WOULD BE INDIA'S LARGEST HEALTHCARE LISTING

Approval rather than pricing, so the size is not yet set. It signals the depth the domestic bid now offers to a large, cash-generative asset.

STRATEGIC & GROWTH

TRANSACTION	VALUE
Inspira Global → 41.78% of Restaurant Brands Asia	₹2,235cr
Ather Energy preferential allotment	₹1,200cr
Veriqus Group, led by Norwest	₹387cr
Aurum PropTech → Locon (Housing.com), from REA	₹458cr
PhysicsWallah → 51% of Sarrthi IAS	₹71.8cr
Zaggle → 19.9% of Unobanc	₹7.97cr
Wipro Consumer Care → S Brands (Philippines)	16th deal

WHAT THE DEALS ARGUE

India's capital formation in July ran almost entirely through equity: public issues, preferential allotments, institutional placements, all-share acquisitions. That is partly a function of a domestic savings pool that keeps growing and partly of a corporate bond market that is still shallow. In a month when debt funding became the global constraint, the shallow bond market stopped looking like a weakness.

THE FILING QUEUE

InsuranceDekho is preparing a ₹2,500–3,000 crore issue for a September filing, Marri Retail holds approval for up to ₹522 crore, and Yogiji Digi filed for ₹270 crore. The pipeline is the read: nobody postpones a listing into a market they expect to close.

Private Capital · The Contradiction

Fourteen Billion-Dollar Cheques, Written Into the Selloff

Global venture funding doubled year on year to $65bn in July and set the record for billion-dollar rounds in a single month. It happened in the four weeks the listed version of the same trade lost $2.2trn, and the two facts have not been reconciled by anyone, including us.

Fourteen companies raised rounds of $1bn or more in July on Crunchbase's count, the highest in a single month on that tracker, and total global venture funding reached $65bn, double the level of a year earlier. Other trackers count materially fewer billion-dollar rounds; we use Crunchbase throughout and label it. Nvidia's investment in Safe Superintelligence led the table, reported by Bloomberg at about $5bn (Nvidia confirmed an investment but not the amount, and no round size, lead or valuation was disclosed), followed by roughly $2.8bn for the Chinese video-generation company Kling AI and $1.8bn for the European defence group Helsing.

Look at where the money went and the private market was buying the same things the public market was selling. Joulent took $1.75bn for energy infrastructure. SambaNova closed the first tranche of a $1bn Series F at an $11bn valuation, led by General Atlantic, which is an AI chip company raising a billion dollars in the month AI chip equities fell 21%. Together AI raised $800mn in a Series C led by Aramco Ventures, with Vista Equity Partners and Nvidia participating, putting sovereign energy money and a chip supplier on the same cap table.

Two readings are available and we cannot choose between them on July's evidence. The first is that private capital is slower and stickier than public capital, that these rounds were negotiated weeks or months before they were announced, and that the marks will follow the listed complex down with the usual lag. The second is that private investors are correct, that the public drawdown was a positioning event, and that the people closest to the technology kept funding it because the demand they can see has not changed.

What we will not do is pick the reading that flatters this issue's cover. A funding squeeze that coincides with the largest month of venture funding on record is a funding squeeze with a serious hole in it.

JULY'S LARGEST ROUNDS

Nvidia → Safe Superintelligence	~$5bn	*circular*
Kling AI	~$2.8bn	*China*
Helsing (Series E)	$1.8bn	*defence*
Joulent	$1.75bn	*energy infra*
Quantum Systems (D)	$1.2bn	*autonomy*
SambaNova (F, first close)	$1.0bn	*$11bn val.*
Together AI	$800mn	*Aramco, Vista, Nvidia*
Global total, July	$65bn	*+100% y/y*

THE READ

The circularity is the part to underwrite carefully. A chip supplier investing billions in its own customers, and an oil producer's venture arm funding compute, both inflate apparent demand without introducing an independent buyer. If you allocate to venture, the diligence question this month is how much of a portfolio company's revenue comes from its own investors.

LEFT STANDING

Record private funding and a record public drawdown in the same asset, in the same four weeks. We report both and reconcile neither.

Part Six

VI

The Desk

Positioning for a world that sorts assets by who has to borrow, the eight events we will be graded on, and an honest account of the two trades we got wrong last month.

IN THIS PART

Positioning · The Organising Principle

Sort the Book by Funding Structure Before You Sort It by Sector

July's dispersion did not respect sector labels. Semiconductors and Indian software are both "technology" and they were 37.8 points apart. The variable that separated them was whether the business needs the capital market this year.

A conventional sector framework had a bad month. It put Korean memory, American semiconductor equipment, Chinese internet software and Indian IT services in the same bucket, and that bucket contained the month's worst performer at −17.9% and its best at +16.8%, nearly 35 points of spread inside one sector label. Any risk system built on sector exposure was blind to the largest single driver of July's returns.

The framework that worked sorts holdings by their relationship to the primary market. At one end sit businesses that fund growth entirely from operating cash flow and carry no material capital programme. At the other sit businesses whose stated plans require them to raise substantial new money within twelve months. In between sit the suppliers, who carry their customers' funding risk without holding their customers' contracts, which is the worst position to occupy and the one Korea occupied.

We are running the book on that axis. Overweight the self-funded application layer and contracted real assets, underweight the externally funded build-out and its supplier tier, and hold the energy exposure that the same rate environment is repricing upward. The hedge is credit, because credit has not yet moved and equity has.

One caution about the whole construction. It works while the long end stays elevated and the primary market stays selective. Should the thirty-year fall back toward 4.90%, where it started July, the sorting variable loses its power and the trade reverses quickly, because everything we are underweight is the highest-beta expression of falling rates.

THE AXIS, RANKED

Self-funded app layer	OW	*India IT, CN software*
Contracted real assets	OW	*REITs, grids*
Energy producers	OW	*reserves, not projects*
Quality carry / front end	OW	*positive real yield*
Hyperscaler equity	N	*demand fine, funding not*
Semi equipment & memory	UW	*supplier tier*
Long-duration unprofitable growth	UW	*needs the market*
Long-dated IG corporate	UW	*supply competition*

THE HEDGE

Credit is the cheap leg. High-yield spreads widened nine basis points in a month that took a fifth off the most levered equity complex in the world. Whether equity over-reacted or credit is late, protection at 284 basis points is priced for the first of those and pays for the second.

WHAT KILLS THIS BOOK

A growth scare. Weak payrolls and a 1.5% second quarter are already on the tape. If the market decides the Fed's next move is a cut, the long end falls, and every position above reverses at once. This is a single-factor book and we are saying so.

Investor Quick Read

Five Trades, Five Risks

The month distilled to what you can act on. Every trade carries its instrument, its level at publication, its horizon and the observable that kills it.

GLOBAL MACRO DESK · GRAVITYWELL RESEARCH

#	POSITION & INSTRUMENT	LEVEL AT PUBLICATION	HORIZON	INVALIDATION
T1	**Long the self-funded AI layer, short the supplier tier.** Indian IT services and Chinese internet/software against memory and semiconductor equipment.	Nifty IT +16.8% Jul; MSCI Korea -17.9%	6 months	US 30-yr closes below 4.90%, or the spread between the two legs narrows 20pts against us
T2	**Stay short duration; own positive real carry.** Front-end and quality cash flow against long-dated growth equity.	US 30-yr 5.27%; 10-yr 4.75%	3 months	30-yr below 4.90%, or a jumbo hyperscaler deal covered above 4×
T3	**Own contracted real assets.** US REITs and regulated grid/transmission equity with indexed revenue.	VNQ +2.6% Jul	6-12 months	US HY OAS through 350bp, which drags contracted assets down with everything else
T4	**Own producing energy reserves, funded short the rupee.** European and global independent E&P against a short INR leg.	Brent ~$92; USD/INR 95.35	3 months	Brent closes below $78, removing both the reserve bid and the rupee pressure
T5	**Buy credit protection on the funding-levered tier.** The AI-levered issuer complex, with Oracle five-year CDS the liquid proxy.	US HY OAS 284bp	6 months	HY OAS below 260bp with issuance coverage restored above 4×

FIVE MATERIAL RISKS

SEVERITY-RATED

▪ **Credit never confirms**

Spreads stay tight, coverage recovers, and July reads as a positioning unwind we mislabelled

HIGH · thesis-killer

▪ **The long end reverses**

A growth scare on 1.5% GDP and 57k payrolls pulls yields down and reverses every position

HIGH

▪ **A demand break**

Cloud backlog flattens while capex holds: July becomes 2000 rather than 1994

MEDIUM

▪ **Hormuz re-escalation**

Brent through $100 forces the inflation question back open and strains the rupee leg

MEDIUM

◦ **India IT gives it back**

The squeeze component of a 16.8% month unwinds on the first soft order book

WATCH

THE BOTTOM LINE

Own what earns and underweight what builds, for as long as the long end holds above 4.90%. Fund the book by underweighting the supplier tier rather than the hyperscalers themselves, whose demand is genuinely intact. Hedge the whole construction in credit, which has not yet priced what equity already has.

TRADE 2 · STOPPED OUT

T2's invalidation fired on **6 August**, after this issue closed and before it shipped: a jumbo hyperscaler deal covered above 4×. It is stopped out at publication. See the stop press on p.45 before acting on this page.

RESEARCH, NOT ADVICE

These are the desk's research positions with stated invalidation levels, published so they can be graded next month. They are not investment advice and take no account of your circumstances. See p.52.

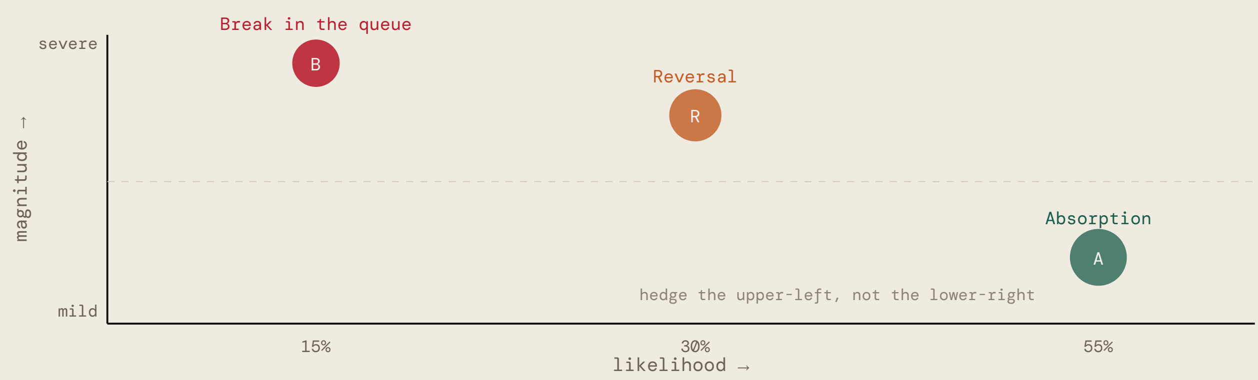
Three Paths · Six Months

Absorption, Reversal, or a Break in the Queue

The three ways the next two quarters resolve, with likelihood and magnitude kept deliberately apart. Likelihood is our probability that the path occurs. Magnitude is what it does to prices if it does.

PATH	LIKELIHOOD	WHAT HAPPENS	MAGNITUDE, IF IT OCCURS
Absorption the base case	50–60%	The long end holds between 5.10% and 5.45%. Issuance continues at wider concessions and smaller sizes. Capex plans are paced rather than cut. The sort by funding structure persists and dispersion stays historically wide.	Semis range-bound; self-funded layer holds its July gain; HY drifts to 300–320bp
Reversal the thesis-killer	25–35%	Weak payrolls and cooling inflation revive the cut debate. The thirty-year falls back through 4.90%. The funding premium collapses and the most-shorted, highest-duration assets lead a violent recovery.	Semis +20–30%; our book loses on every leg; value/energy give back July
A break in the queue the tail	10–20%	A jumbo deal is pulled or downsized, or a backlog flattens while capex holds. Credit finally moves, and the equity drawdown extends from the supplier tier to the hyperscalers themselves.	HY through 350bp; semis a further −15–25%; capex guidance cut

LIKELIHOOD AGAINST MAGNITUDE: WHERE THE HEDGING BUDGET BELONGS



Desk estimates ◙. Bubble position uses band midpoints; area is indicative only.

HOW TO TELL THEM APART EARLY

The three paths are separated by two observables that publish on different clocks. Order-book coverage on the next jumbo investment-grade technology deal arrives within days of it being marketed and distinguishes absorption from a break. The August and September payroll prints arrive on a fixed calendar and distinguish absorption from reversal.

Note what is absent from that list. Neither an inflation print nor a Federal Reserve decision separates these paths, because July demonstrated that the policy rate is no longer the binding variable. A committee that holds while the curve moves 36 basis points has already told you where to look.

READING THE TABLE

Likelihoods are the desk's subjective probabilities and sum to 100% across the three paths at their midpoints. Magnitudes are conditional estimates, not expected values. A 10–20% path with a severe magnitude may deserve more hedging budget than a 50–60% path with a mild one.

The Calibration Record · Graded as They Resolve

Eight Events, Eight Dates, One Public Record

Named, resolvable propositions with a probability band and a resolve-by date. Every row enters the issue's calls file and is graded in the Scorecard when it matures, whether it flatters us or not.

#	EVENT	DESK BAND	RESOLVE BY	WHAT MOVES IT
01	The FOMC raises the target range by ≥25bp at the September meeting	15–25%	30 Sep 2026	August payrolls and CPI; whether the three dissenters gain a fourth vote
02	US 30-year Treasury closes at or above 5.50% on any day	30–40%	30 Sep 2026	Corporate long-end supply calendar; Treasury refunding; JGB repatriation
03	A hyperscaler or AI-linked bond deal of ≥$10bn is downsized or pulled	20–30% → 10–15% revised 6 Aug, see p.45	30 Sep 2026	Order-book coverage on the next jumbo; the post-summer issuance window
04	US high-yield OAS reaches 350bp or wider on any day	20–30%	31 Oct 2026	Whether credit confirms the equity move; any AI-linked funding accident
05	The SOX index recovers ≥15% from its 31 July level	35–45%	30 Sep 2026	Positioning exhaustion; the long end; Nvidia's August results
06	Any of Alphabet, Amazon, Microsoft or Meta cuts 2026 capex guidance	10–15%	31 Oct 2026	Backlog growth; funding availability; a demand signal rather than a rate signal
07	The RBI holds the repo rate at 5.25% at its August meeting	75–85%	31 Aug 2026	The oil bill and the rupee at 95+; July CPI
08	Brent closes at or above $100 on any day	20–30%	30 Sep 2026	Durability of the US–Iran pause; Hormuz transit; OPEC+ spare capacity

HOW TO READ THESE

A band rather than a point estimate is deliberate: we are claiming a range we can be graded against, not a precision we do not have. Over enough issues the test is calibration rather than accuracy. Of the events we assign 20–30%, roughly a quarter should happen. If far more or far fewer do, the desk is miscalibrated and the December issue will say so in a single table.

Three of these are deliberately uncomfortable. 05 would hurt the book badly and we still put it at 35–45%, because positioning exhaustion is a real force and our Against the Grain column makes that case at full strength on page 26.

ON MARKET ANCHORS

House standard is to print a liquid market's price beside the desk's band wherever one exists, and to explain any divergence. For this issue we did not source live pricing for these specific propositions, so we are printing no anchor rather than an unverified one. Issue 04 carries futures-implied and prediction-market anchors where they exist.

RESOLUTION RULES

Closes are official exchange or benchmark closes. "Any day" means any trading session up to and including the resolve-by date. An event that has not resolved by its date is graded as not having occurred.

Accountability · Graded Monthly

Two Misses, Two Hits, and a Thesis That Held

Issue 02 published five trades and a cover thesis. Two of the trades lost money and one of them lost it badly. We start there, because the reason it failed produced this issue's cover story.

CAPITAL INTELLIGENCE DESK · ISSUE 02 → ISSUE 03

THE FIVE TRADES OF JUNE 2026, GRADED

#	IN JUNE WE SAID…	WHAT JULY DELIVERED	GRADE
T4	Long India power and packaging; **underweight IT services, where the AI de-rating may be structural**	Nifty IT rose **16.8%**, its best month since July 2020, off a 52-week low set on 1 July	MISS
T3	Long FAR-eligible Indian government bonds at ~6.7%, on a central bank on hold and **a falling oil bill**	The RBI did not meet and stayed on hold, but Brent rose from ~$73 to ~$92 and the 10-year sold off 17bp to 6.85%	MISS
T2	Short duration, long quality cash flow; the regime taxes long-duration growth	Russell 1000 Value +3.8% against Growth −4.8%; the 30-year added 36bp; long-duration equity was the month's worst asset	HIT
T5	Buy the gold washout: June's ~12% drop was a positioning unwind, not a thesis break	Gold rose 1.93% to $4,104 after June's fall	HIT · modest
T1	Own the watts that power AI: utilities with data-centre pipelines, gas turbines, transmission	The direction was right (commodities +12%, value +3.8%, and Iberdrola paid €2.0bn for 80% of a regulated grid). **We do not have a clean July return for the specific basket we named and will not assert one**	ON TRACK · unverified

THE COVER THESIS, AND THE RISK REGISTER

ISSUE 02 CLAIM	OUTCOME	GRADE
The regime break holds: central banks do not ease reflexively when a shock fades	The Fed held with three dissents to hike, the first three-in-one-direction split since September 2016; the ECB, BoE and BoJ all held; Korea and New Zealand raised	CONFIRMED
Call 1: the 29 July FOMC is a hawkish hold	Held 9–3 with all three dissents to raise. June's own decision tree scored a hint of a hike as "thesis ✓✓"	HIT
Risk (MEDIUM): Hormuz re-escalation, ceasefire fails, oil re-spikes	It fired. US strikes on 8 July, exchanges on 13–14 July, and crude up more than 20% on the month	FIRED
Risk (WATCH): equity air-pocket as concentration unwinds into thin credit	Half of it fired. The air-pocket came ($2.2trn in semis) and the credit was never thin (HY +9bp)	HALF-FIRED
Risk (HIGH): AI credit event, the $570bn debt engine cracks and HY spreads gap wider	Did not fire. HY widened roughly 9bp to 284 and no AI-linked issuer failed or was downgraded. This is the single risk whose non-firing most damages *this* issue's cover thesis, and it is argued against us on p.26	DID NOT FIRE
Risk (HIGH · thesis-killer): a dovish reversal pulls a cut forward	Did not fire. The Fed held with three dissents to raise, and the curve tightened rather than eased	DID NOT FIRE
Risk (MEDIUM): dollar overshoot strains EM FX and the RBI's hold	Did not fire, and inverted. The dollar index fell 1.31% on the month	DID NOT FIRE

WHAT THE MISSES TAUGHT US

Both failed trades share one error. T4 assumed the market would price AI as a technology verdict; T3 assumed June's oil collapse would persist. In each case we extrapolated the previous month's dominant variable instead of asking which variable the market had newly begun to price. The correction is this issue's organising idea, and it cost us to find it.

RUNNING TALLY, ISSUES 01–03

Graded outcomes to date: **4 hits**, **2 misses**, **1 partial**, **4 still running**. Of Issue 02's five stated risks, one fired, one half-fired and three did not. Issue 02's cover thesis is the first this publication has graded at thesis level, and it is confirmed; Issue 01's was never graded as a thesis, only as three separate calls. This is the third issue, so the sample is far too small to mean anything; we print it so it cannot be quietly abandoned when it turns.

NOT YET GRADEABLE

Issue 02's Call 2 (rupee holds 93–96 through Q3; RBI holds on 5 August) and Call 3 (AI power beats the Mag 7 over two quarters) both mature after this issue closes. The rupee at 95.35 is inside the band with one month to run.

Red Team · Against the Cover

The Case That the Long End Was the Blip, Not the Signal

Against the Grain argued on page 26 that July was a crowded trade unwinding. This is the other attack, the one that would hurt the portfolio faster: that the rate move itself does not last.

The whole of this issue rests on the long end staying where July left it. Take that away and every conclusion inverts, and the case for taking it away is stronger than the cover admits.

Start with the economy the yields are supposedly pricing. American second-quarter GDP came in at 1.5%, down from 2.1%. June payrolls added 57,000 against expectations near 110,000, roughly half. Headline CPI fell 0.4% on the month to 3.5% year on year, with core easing to 2.6%. Eurozone inflation cooled to 2.8% and British inflation to 2.6%. That is a picture of decelerating growth and decelerating prices, and it is a strange foundation for the sharpest inter-meeting rise in long-term yields in two decades.

Which suggests the move was technical. A month with a war-driven oil spike, heavy summer sovereign supply, thin August-adjacent liquidity, and an unusually large corporate issuance calendar can produce a large term-premium move that has nothing to say about the next two years. Every one of those conditions is temporary. September brings the seasonal return of duration buyers, and if inflation keeps falling while growth keeps slowing, the front end starts pricing cuts and pulls the whole curve with it.

There is also a political economy point we take seriously. A Federal Reserve chairman who has removed forward guidance and welcomed dissent has, by design, less control over the curve than his predecessors. That cuts both directions. The same machinery that produced a top-decile tightening with no policy change can produce a top-decile easing with no policy change, and it can do it on a single soft payroll print. Our entire book is a bet on a variable that has just demonstrated it can move violently without anyone deciding it should.

Finally, the sequencing. If cuts arrive within two quarters, the assets most punished in July are the ones with the most to gain, and they are precisely the assets we are underweight. The semiconductor index would not need a fundamental change to rally 25%, only a discount rate that goes back where it came from.

THE DATA THAT ARGUES AGAINST US

US Q2 GDP	1.5%	*from 2.1%*
June payrolls	+57k	*vs ~110k*
US CPI, June	3.5% y/y	*−0.4% m/m*
US core CPI	2.6%	*easing*
Eurozone CPI	2.8%	*from 3.2%*
UK CPI	2.6%	*from 2.8%*
China Q2 GDP	4.3%	*target missed*

OUR ANSWER, SUCH AS IT IS

Real yields rose alongside nominal ones, which points at term premium rather than an inflation scare, and term premium responds to issuance rather than to growth. That is why we think the move persists. It is an argument about quantities, and we hold it with less confidence than the cover page implies.

LEFT STANDING, UNANSWERED

We cannot explain why long yields rose sharply in the United States, Germany and the United Kingdom in the same month that headline inflation fell in all three. "Term premium" is the name we have given a residual we have not decomposed, and a reader is entitled to treat that as a gap rather than an explanation.

The Allocator's View · A Desk Q&A

"You Have Built a Thesis on a Coverage Ratio"

A standing device, not an interview: the questions are the sharpest objections a sceptical allocator would put to this issue, and the answers are the desk's. No outside party is quoted or represented on this page.

Your entire funding argument rests on order-book coverage falling from five times to under two. That is a soft number nobody audits. Why should I underwrite anything on it?

You shouldn't underwrite on it alone, and we would not defend the precision of either endpoint. What we would defend is the direction and its corroboration. Three independent things moved the same way in July: coverage thinned, Oracle's five-year credit default swap went to a record 203bp in late July, and equity sold the companies with the largest external funding requirements while buying the ones with none. Any one of those is weak evidence. Together they describe a market repricing access to capital.

Credit spreads widened nine basis points. If funding were really the problem, credit would have moved. Isn't the simplest reading that you are wrong?

It is the strongest objection and we have given it a full page of its own on page 26 rather than burying it here. Our honest position is that we cannot resolve it. The reconciliation we find least implausible is that primary-market stress shows up in quantity before it shows up in price, because a thin book gets managed by cutting deal size rather than by paying up. That is a hypothesis, not a finding, and if credit is still calm in October with coverage restored, we were wrong.

You were short Indian IT a month ago and you are long it now, after a 16.8% move. Why is that not performance-chasing dressed as analysis?

Because the reason changed, not just the price. In June we were short on a claim about AI destroying the services billing model, which is a multi-year argument we still hold and which July did nothing to settle. We are long now on a different and narrower claim: that in a high-long-rate regime the market pays a premium for AI exposure that carries no funding requirement. Those two views can both be true, and page 29 says plainly that we are not netting them. If you have a ten-year horizon the compression argument still applies to you.

What single piece of evidence would make you abandon the cover thesis?

A jumbo technology bond deal covered four times or better in the September window, priced at a normal concession, while the thirty-year sits above 5.20%. That would show the funding channel is open at the current level of rates, and the entire mechanism we have described would be dead. We have written that into the trades as an invalidation on page 39 rather than leaving ourselves room to reinterpret it.

If you are right, is there anything to do that is not simply "own less of the thing that fell"?

Yes, and it is the more interesting half. The sort is available in credit and in private markets, where it has not happened yet. Public equity repriced funding structure inside four weeks. Private marks have not moved at all, and a record fourteen billion-dollar rounds were written into the drawdown. If the public market is right, private AI infrastructure valuations carry a stale mark, and the sensible action for an allocator is at the pacing and secondaries level rather than in listed equity.

Last one. Does any of this matter if the Fed cuts in September?

No. It matters much less, and we have put that at 15–25% for a hike and given the reversal path 25–35% on page 40. A cut would take the long end down, collapse the funding premium, and make this issue a description of a month rather than a guide to a regime. We would rather tell you that than pretend the thesis is robust to its own main risk.

ABOUT THIS PAGE

The Conversation is written by the desk in both voices. The questions are drawn from the objections our own analysts raised in review, and no quotation on this page is attributed to any real person.

The Month Ahead · August 2026

The August Decision Tree

What to watch, when, and what each outcome does to the Funding Verdict. Every item below is dated and checkable. One of them has already resolved against us: see the stop press.

THE CALENDAR THAT MATTERS

DATE	EVENT	WHAT IT DECIDES
3-5 Aug	RBI monetary policy committee	Issue 02 put itself on record for a hold and we carry that at 75–85% (O7). A hike would mean the oil bill has beaten the growth priority
7 Aug	US July employment report	The reversal path's first test. A second sub-80k print revives the cut debate and the long end falls
mid Aug	US July CPI	Whether the oil spike shows up in headline. Core is the number that matters to the three dissenters
late Aug	Post-summer investment-grade issuance window opens	The single most informative event of the month. Coverage on the first jumbo technology deal separates absorption from a break (O3)
late Aug	Nvidia results	The demand read. Backlog and guidance decide whether July was 1994 or 2000 (p.12)
late Aug	Jackson Hole symposium	Warsh's first as chairman. Watch for whether AI capex is framed as an inflation input
Sep	FOMC	O1, at 15–25% for a hike. Whether the three dissenters find a fourth vote

STOP PRESS · 6 AUGUST 2026 · AFTER OUR CUT-OFF

On 6 August, six days after this issue closed and two days before it shipped, **Alphabet sold $25bn of bonds across ten tranches and drew about $115bn of peak demand, more than four times the offering** — the third-largest AI order book of the year, behind only Oracle in February and Amazon in March.

The decision tree above says that a deal covered above four times at a normal concession means the thesis is dead and we would say so on this page. **We are saying so.** Our threshold did not specify whether it meant peak demand or a final book, and Alphabet's figure is peak. Two further outs are available to us and we are declining both. Page 44 framed the killer as a deal covered four times or better *in the September window*, and this was 6 August. The tree above says *at a normal concession*, and the book was built on generous yield payouts and a relatively large concession. A deal covered four times because the borrower paid up shows a channel that is open at a price rather than a cheap one, which is a weaker refutation than a clean four-times print would have been. We are still taking it as one. We wrote all three ambiguities, so we read all three against ourselves: **Trade 2's stated invalidation has fired, and it is stopped out at publication.**

What survives is the reporting. July happened as described, and the sort by funding structure produced the month's returns. What does not survive is the forward claim that the funding channel stays binding at these rates. It reopened, at size, within a week. We are marking O3 down from 20–30% to 10–15% and Issue 04 will grade the rest.

DECISION TREE · THE JUMBO DEAL

✓✓ **Covered below 2×, or downsized**

The funding channel is binding. Thesis confirmed, and the tail path on page 40 gets more weight.

✓ **Covered 2–3× at a wide concession**

Absorption. The base case, and the sort by funding structure keeps paying.

✗ **Covered above 4× at a normal concession**

The thesis is dead and we will say so on this page. The trades on page 39 carry it as an explicit invalidation.

WHAT WOULD CHANGE OUR MIND

A soft payroll print on 7 August followed by a cool core CPI, together pulling the thirty-year back through 4.90%. That single sequence retires the Funding Verdict, and it would take the whole book with it.

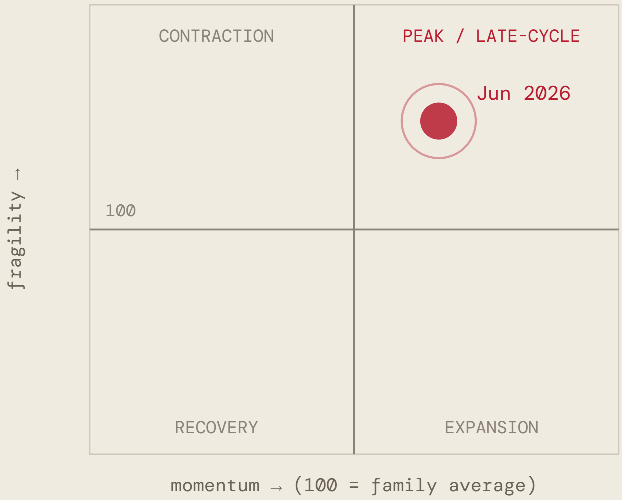
The House Instruments · Engine v3.2 (2026-07)

The Cycle Clock Said Bubble-Watch Before July Happened

The Gravitywell capital-index family and the Capital Cycle Clock, computed on the house engine. The family publishes with a one-month lag, so these are the June 2026 vintage, and they were pointing at late-cycle fragility before the semiconductor drawdown began.

THE CAPITAL CYCLE CLOCK · JUNE 2026 VINTAGE

MOMENTUM 116.2 × FRAGILITY 114.4 → PEAK / LATE-CYCLE



Source: Gravitywell capital-index engine, METHODOLOGY_VERSION v3.2 (2026-07) [40]. Both axes are standardised to the family's own 24-month mean.

THE CLOCK'S READ, VERBATIM

"Capital running hot while fragility builds: bubble-watch, late in the cycle." That is the engine's own output string for the June vintage, published before July's drawdown. We record it here because a gauge is only worth anything if you print what it said in advance.

THE FAMILY, JUNE 2026

INDEX	LEVEL	MOM	YOY
Capital Formation	159.4	+1.04%	+26.8%
Capital Access	140.4	+0.44%	+14.6%
Cost of Capital	124.4	-0.15%	+7.7%
Domestic Capital	116.5	+0.20%	+15.8%
Financial Conditions	115.3	-3.14%	+29.6%
Capital Gravity	115.1	-0.18%	+5.6%
Capital Realisation	112.9	-3.72%	+15.3%
External Vulnerability	111.5	-1.92%	+11.7%
Capital Confidence	110.8	-0.08%	+4.8%
Capital Stress	108.0	-0.47%	+8.6%
Capital Efficiency	102.4	-0.16%	-0.8%

Three lines to read. Financial Conditions fell 3.14%, the family's clearest early warning and a tightening signal recorded before July's curve move. Capital Realisation fell 3.72%, the sharpest monthly drop, as exits got harder against a rising discount rate. Capital Formation kept climbing to 159.4, which is the build-out still committing while the cost of funding it rose.

DISCLOSURE, PER HOUSE STANDARD

VINTAGE: June 2026 (latest the engine returns; family publishes with a one-month lag).
BOUND CAPS: cost-of-capital (equity risk premium pillar), capital-access (private credit). Both understate the printed move.
COVERAGE: capital-stress 50%, capital-confidence 60%. Treat their flat prints as low-information.
GROWTH-AT-RISK: 5th percentile 3.41%, median 6.51%, 90th 6.84%. Markov expansion probability 100%. Bai-Ng factors: 6.

Standing Reference · The Data Room

The Indicators

July 2026 on one page, against June. The same set as Issue 02, with no additions and no retirements. Point-in-time reads at 31 July unless noted.

POLICY RATES & YIELDS

INSTRUMENT	JUL	JUN	NOTE
Fed funds (upper)	3.75%	3.75%	hold 9-3
ECB deposit	2.25%	2.25%	hold
BoJ policy	1.00%	1.00%	hold
BoE bank rate	3.75%	3.75%	hold 6-3
RBI repo	5.25%	5.25%	no meeting
US 2-yr	n/a	4.10%	not sourced
US 10-yr	4.75%	4.44%	+31bp
US 30-yr	5.27%	4.91%	high since 2007
India 10-yr	6.85%	6.68%	+17bp
US HY OAS	284bp	275bp	+9bp · 30 Jul

CURRENCIES (VS USD)

PAIR	JUL	JUN	MO.
DXY (index)	99.82	101.14	-1.31%
USD/JPY	n/a	162	not sourced
EUR/USD	n/a	1.139	not sourced
GBP/USD	n/a	1.326	not sourced
USD/INR	95.35	94.6	rupee softer

COMMODITIES & CRYPTO

ASSET	JUL	JUN	MO.
Brent crude	~$92	$73	+26%
WTI	$84.48	$70.05	+20.6%
Gold	$4,104	$4,027	+1.93%
Silver	n/a	$58.5	not sourced
Copper	n/a	$6.19	not sourced
EU TTF gas	n/a	€43.9	not sourced
Bitcoin	$63,080	$58,679	+7.5%
Ether	n/a	$1,559	not sourced

EQUITIES (31 JUL CLOSE)

INDEX	LEVEL	MO.	YTD
S&P 500	7,489.72	-0.13%	+9.41%
Nasdaq Comp.	25,373.85	-3.20%	+9.17%
Dow Jones	52,485.03	+0.32%	+9.20%
Russell 2000	2,931.34	-3.08%	+18.11%
Global Dow	6,956.10	+1.94%	+12.75%
Nifty 50	24,383.60	+2.2%	–
Sensex	78,094.64	+2.1%	–

INDIA FLOW DASHBOARD · JULY 2026

INDICATOR	JULY	INDICATOR	JULY
FPI equity (reported A)	+₹20,200cr	FPI equity (reported B)	+₹15,157cr
FPI total incl. debt	+₹40,031cr	FPI equity, CY2026 to date	-₹2.54L cr
FAR net inflows (1–21 Jul)	$864mn	FAR net inflows (June)	$2.3bn
Nifty IT	+16.8%	Mainboard IPO pipeline	~₹15,000cr

The two FPI equity figures are printed as reported and are not reconciled; see p.30 and p.52. The standing set is unchanged from Issue 02: no indicator added, none retired. Rows marked "not sourced" are part of the standing set but were not verified to a citable July close before this issue closed; they are shown blank rather than carried forward or estimated, and will be restored in Issue 04. ***The June column gives 30 June closes on the same source basis as the July figure, so every printed change ties.*** *Several differ slightly from the values printed in Issue 02, which used different point-in-time snapshots; where they differ we print the reconciling figure and say so rather than carry the prior issue forward. Point-in-time reads at or near 31 July 2026, not official settlements. Full attribution in the Source Register (p.50).*

Read This Month · For Practitioners

The Shelf

Two works published inside the coverage month, reviewed for whether a desk can use them. The argument, the flaw, and the takeaway.

The AI Investment Race BIS WP 1367

PHURICHAI RUNGCHAROENKITKUL · BANK FOR INTERNATIONAL SETTLEMENTS · 14 JULY 2026

Verdict: read the financing sections, treat the headline multiple as directional.

The argument. The AI build-out ranks among the largest technology-driven investment booms in American history, and a calibrated model of competitive racing puts investment at roughly 1.5 times the efficient level, rising toward three times where demand proves less elastic. The mechanism is that each well-capitalised firm rationally builds ahead of demand to secure a winner-takes-most position, and the sum exceeds what the market needs.

The flaw. The multiple is measured against an unobservable efficient level and is highly sensitive to the assumed demand elasticity, which is precisely the parameter in dispute. It is a modelling result, not a measurement, and the paper is more careful about this than its coverage was.

The takeaway a desk can use. The durable contribution is the observation that debt financing changes the character of the overshoot, because debt-funded racing does not self-correct the way equity-funded racing does. That reframes AI capex from a valuation question into a credit question, which is what July's tape then confirmed.

Financial Stability Report July 2026

FINANCIAL POLICY COMMITTEE · BANK OF ENGLAND · JULY 2026

Verdict: the official-sector baseline; read it for the concentration framing.

The argument. The committee's periodic assessment of vulnerabilities in the UK and global financial system, published inside the coverage month, with attention to concentration in equity markets and the valuations attached to AI-linked assets.

The flaw. Financial stability reports are written to avoid moving markets, so the language is necessarily hedged and the concrete thresholds a risk officer wants are largely absent. It tells you what the authorities are watching rather than what they would do.

The takeaway a desk can use. Read alongside the BIS paper it establishes that two separate official institutions independently flagged AI-linked concentration and leverage in the same month. When the official sector converges, the regulatory response follows within a year, and that is a positioning input rather than a headline.

THE SHELF'S STANDING RULE

We review only works published inside the coverage month and only works we can cite. Where we have read a paper and disagree with it, we say so here rather than quietly omitting it.

The Back Pages

Marginalia & Overheard

Short items from the month, and what people actually said on the public record.

MARGINALIA

Forty-two days

The Chairman counted them out loud. A central bank measuring its own irrelevance in days is a genuinely new register for the institution, and he seemed pleased about it.

The family that fights together

Warsh has used the phrase "family fight" publicly thirteen times since his April nomination hearing. In July he got three dissents and used it twice more in one press conference, including about his own advisory task forces.

The bottom, timed to the calendar

Nifty IT's fifty-two-week low arrived on 1 July, the first session of the month, and the index then rose 16.8%. We would like to claim this was analysable in advance. It was not.

Two numbers, one depository

India's July foreign equity inflow was reported at ₹20,200 crore and at ₹15,157 crore in the same week, by outlets reading the same data. Nobody appears to have noticed, and we still cannot reconcile it.

June’s radar, answered

Issue 02 put three items on the watch list and none made this issue’s argument. The Bank of Canada held at 2.25% on 15 July for a sixth straight decision. NATO’s Ankara summit closed on 8 July with more than $50bn of new procurement and, by most accounts, a deliberate absence of headlines. And US Section 122 tariffs expired at 12:01am on 24 July, replaced in the same minute by Section 301 duties of 10 to 12.5% across 80 countries, which is a tariff regime changing hands without a gap and a live inflation input for the committee described on page 15.

A supplier, funding its customers

Nvidia appeared on both sides of July's venture table: a reported $5bn into Safe Superintelligence and a seat in Together AI's $800mn round. The BIS has a word for this and it is "circular."

ON QUOTATION

Every quotation in this issue is verbatim from the Federal Reserve's published transcript of 29 July 2026 [4]. Where a quotation is shortened, the omission is marked. This magazine does not paraphrase into quotation marks and does not use unnamed sources.

OVERHEARD

> *"Market participants are learning to play the ball, not the referee."*
>
> KEVIN WARSH · FED CHAIR · FOMC PRESS CONFERENCE, 29 JULY 2026

> *"So you're right, I asked for a good family fight, and I got one. That's the purpose, that's the design feature."*
>
> KEVIN WARSH · ANSWERING CLAIRE JONES OF THE FINANCIAL TIMES · 29 JULY 2026

> *"We have begun a new chapter, and we understand that the five-plus years of inflation above target cannot be cured in nine weeks—or by a single month of modest price decreases."*
>
> KEVIN WARSH · FOMC PRESS CONFERENCE · 29 JULY 2026

> *"The business capex boom, for example, is driving up prices of memory and logic chips and associated A.I. infrastructure."*
>
> KEVIN WARSH · FOMC PRESS CONFERENCE · 29 JULY 2026

Verification · Every Number in This Issue

Source Register

Sixty-three numbered sources behind every figure, quotation and deal printed above. Tier marks: ● primary or filed · ◙ Gravitywell-modeled · ○ estimate or forecast.

1 ◙ Janus Henderson, "Market moves & themes that mattered: July 2026." Index returns, yields, central-bank grid, macro prints.

2 ◙ First Financial Trust, "Market Month: July 2026." US index closes, WTI, gold, DXY, US macro releases.

3 ◙ The Capital Spectator, "Major Asset Classes | July 2026 Performance Review." GSG, VNQ, VTI, BND returns.

4 ● Federal Reserve, "Transcript of Chairman Warsh's Press Conference, July 29, 2026" (preliminary). All Warsh quotations.

5 ● Federal Reserve, FOMC statement, 29 July 2026. Target range and vote.

6 ◙ CNBC, "Fed rate decision July 2026: Divided Fed holds interest rates steady."

7 ◙ US News/Bloomberg, "Early Dissents Versus Fed Chief Warsh Are the Most Since 1970." Named dissenters.

8 ◙ Fortune/Bloomberg, "Wall Street's favorite bet comes undone as chips whipsaw market." SOX −21%, $2.2trn, session volatility.

9 ◙ Benzinga, "SOXX ETF Drew Record $6.9 Billion During Chip Selloff."

10 ○ Forbes, "Bond Investors Push Back As AI Debt Heads Toward $570 Billion." Morgan Stanley issuance estimates.

11 ◙ CNBC, "Bond market anxiety is growing over AI capex budgets," 24 July 2026.

12 ◙ Fortune, "The AI boom is increasingly built on debt... investor demand is plunging." Coverage 5× → below 2×.

13 ◙ Sage Advisory, "Hyperscaler Debt Deluge: The New Driver of IG Spread Pressure."

14 ◙ Value Add VC, "Alphabet's $205B AI Capex Guidance 2026." Cloud +82%, backlog $514bn.

15 ◙ Digital Applied, "AI Capex Scorecard: What Earnings Week Actually Showed." Big-four capex guidance.

16 ◙ Al Jazeera, "Oil surges as US strikes Iran," 8 July 2026.

17 ◙ Al Jazeera, "Oil prices jump as US and Iran trade attacks over Strait of Hormuz," 13 July 2026.

18 ◙ Al Jazeera, "Oil hits 1-month high as US-Iran fighting clouds Strait of Hormuz outlook," 14 July 2026.

19 ◙ CNBC, "Oil prices slide, Brent crude below $90," 27 July 2026. Brent $88.36, −8.7%.

20 ◙ CNBC, "Oil prices rise after U.S. blocks surprise attack from Iran," 28 July 2026.

21 ◙ Fortune, "Current price of oil as of July 31, 2026." Brent ~$92.27.

22 ◙ Business Standard, "FPIs reverse 4-month selling trend with ₹20,200 crore inflow in July."

23 ◙ The Hans India, "Foreign investors return to Indian equities in July, infuse over ₹15,000 crore." The competing figure.

24 ◙ Business Standard, "July lifts Indian markets again as FPI inflows, IT stocks fuel rally." Nifty, Sensex, Nifty IT.

25 ◙ India Infoline, "Nifty IT Jumps for Fourth Straight Session, Gains Nearly 16% in July." 52-week low 25,699.10.

26 ◙ HDFC Sky, "Rupee Ends at 95.35, Gains 15 Paise on FPI Inflows," 31 July 2026.

27 ◙ Business Today, "10-year G-Sec yield climbs to 6.85% in July." Drivers and Brent $77→$92.

28 ● Rungcharoenkitkul, P., "The AI investment race," BIS Working Papers No 1367, 14 July 2026.

29 ● Bank of England, Financial Stability Report, July 2026.

30 ◙ Crunchbase News, "A Record 14 Billion-Dollar Rounds In July." $65bn, +100% y/y.

31 ◙ Intellizence, "Top 10 Largest M&A Deals of July 2026." Global Dealbook transactions.

32 ◙ Intellizence, "Startup Funding Trends in July 2026." SambaNova, Together AI, Quantum Systems, Joulent.

33 ◙ ETF Trends, "China's July Surprise: 1-Month Fluke?" KWEB +16.4%, FXI +15.5%, Hang Seng ~+13%.

34 ◙ WealthManagement.com, "China AI ETFs Rally as Kimi 3 Model Boosts Cloud Demand."

35 ◙ Tech Times, "KOSPI Triggers Historic Back-to-Back Circuit Breakers," 29 July 2026. DUV and SK Hynix triggers.

36 ◙ CNN Business, "China Q2 GDP: Growth target missed for first time since Covid," 14 July 2026.

37 ● ICE BofA US High Yield Index OAS (BAMLH0A0HYM2), via Convex. 275bp → 284bp.

38 ● CBOE Volatility Index (VIXCLS), via Convex. 15.99 at 31 July.

39 ◙ CoinDesk, "Bitcoin holds onto July gain," 31 July 2026. ~$63,080, +7.5%.

40 ◙ Gravitywell Research capital-index engine (`lib/index-math.ts`), METHODOLOGY_VERSION v3.2 (2026-07). All Gauges values, June 2026 vintage.

41 ◙ Yahoo Finance, "Fed meeting live: Warsh gets the good family fight he asked for."

42 ◙ Atrani Capital, "What Happened to Semiconductors in July?"

43 ◙ FactSet Insight, "Hyperscalers Tap External Financing as AI Capex Outruns Cash Flow." Oracle raise detail.

44 ● Capital Axis, Issue 02, June 2026, Gravitywell Research. All Scorecard inputs and prior Indicators.

45 ◙ PrimeInvestor, "Indian IT Sector Rally: What Q1 FY27 Results Actually Tell Us." TCS order book and AI revenue.

46 ◙ Whalesbook, "Nifty and Sensex Post First Back-to-Back Gains of 2026."

47 ◙ Bank of Baroda via NewKerala, India 10-year range and FAR inflows ($2.3bn June, $864mn to 21 July).

48 ◙ Entrepreneur India, "Weekly Wrap: Major Deals, Strategic Acquisitions, and IPO Movements." India Dealbook.

49 ◙ IPOJI, "5 Mainboard IPOs Worth ₹15,000 Crore Lined Up for July 2026."

50 ◙ India IPO daily reporter, July 2026 editions. Listing calendar (Kusumgar, Laser Power & Infra, SBI Funds Management).

51 ● Bank of Canada, "Bank of Canada maintains the policy rate at 2¼%," 15 July 2026.

52 ● NATO, "The Ankara Summit Declaration," 8 July 2026; Atlantic Council and Al Jazeera summit takeaways.

53 ◙ Skadden; Statt; Tariffs Tool, on the expiry of Section 122 duties at 12:01am EDT on 24 July 2026 and their same-minute replacement by Section 301 duties of 10–12.5% across 80 countries.

54 ● Apollo, "Cover Ratios for Hyperscaler Bonds Declining," The Daily Spark. Independent corroboration of the February-to-July coverage path and the broad investment-grade control.

55 ◙ "Hyperscaler debt binge pushes yields up as investor demand cools." Amazon's $25bn July deal peaked at $62bn and closed at a $41bn final book (2.5× peak, 1.6× final); its March deal was $37bn and drew a reported ~$126bn peak. Big-four issuance ~$194bn to 7 July, +79% on ~$108bn in all of 2025; median 2–4yr spread 40bp against 30bp (Reuters, LSEG data); big-four issuance ~$194bn to 7 July, +79% on 2025; median 2–4yr spread 40bp against 30bp.

56 ● Bloomberg, "Alphabet Draws $115 Billion Demand for Jumbo Bond Sale Linked to AI Boom," 6 August 2026. The stop press, p.45.

57 ● S&P Global Ratings, Oracle Corp. downgraded to BBB−/A-3, 9 July 2026. OpenAI concentration named a key credit risk; FY2027 free operating cash flow deficit forecast at about $42bn.

58 ◙ Reuters, on Chinese mass production of immersion DUV lithography tools, 27 July 2026; volumes per the manufacturer's stated targets.

59 ◙ The Korea Times, on the KOSPI circuit breakers of 28 and 29 July 2026.

60 ● Bloomberg, "Prime Data Centers Delays Planned $500 Million Nordic Bond Sale," 13 July 2026. The month's one deal that did not clear.

61 ● Bloomberg, "Amazon Attracts About $126 Billion of Orders for US Bond Sale," 10 March 2026. The March peak book, on a $37bn deal.

62 ◙ Reuters, "Hyperscaler debt binge pushes yields up as investor demand cools," 29 July 2026, on an analysis of LSEG data. Issuance and median spreads.

63 ● Bloomberg, "BlackRock Dodges AI Bond Flop as $12.3 Billion Debt Deal Rallies," 27 July 2026. The counter-example on p.22.

Historical references on p.12 (1994 Federal Reserve tightening and bond losses; the March 2000 Nasdaq peak of 5,048.62 and subsequent decline) are matters of public record and are not separately numbered.

Gravitywell Research · Monthly Standard

The Lexicon of the Funding Verdict

The frameworks this publication coins and maintains. Definitions are fixed across issues so readings stay comparable; two terms are added this month and the prior set carries forward unchanged.

NEW THIS ISSUE

01 The Funding Verdict · Capital Axis Framework

The cover thesis of Issue 03: a market repricing that sorts assets by whether they must raise external capital within twelve months, delivered through the long end of the sovereign curve without any policy action. Distinct from a duration shock, which hits all long-dated cash flows equally; the Funding Verdict spares contracted real assets and punishes the externally funded build-out.

02 The Coverage Tell

Primary-market order-book coverage as a leading indicator of funding stress, ahead of credit spreads. In a market dominated by a few very large issuers, stress is absorbed by cutting deal size rather than by paying a wider spread, so quantity moves before price. Measured as orders divided by bonds offered.

CARRIED FORWARD

The Regime Break (Issue 02) · the June 2026 shift in which anchor central banks retired the disinflation-era reaction function, moving hawkish in concert and refusing to ease when the triggering oil shock collapsed. July's 9–3 hold with three dissents to raise is the first out-of-sample confirmation.

Higher-and-Energy-Scarce (Issue 02) · the successor regime in which rates settle high and energy is a recurring source of inflation shocks, so central banks ease only on realised disinflation. July's oil round-trip tested it and it held.

The Reaction-Function Reset (Issue 02) · the market re-pricing the response rule rather than the forecast. July extends it: with forward guidance withdrawn, the market now prices the path itself, which is how a top-decile tightening occurred with no policy change.

The Power Bill (Issue 02) · the thesis that the binding constraint on the AI supercycle is firm electricity rather than silicon. Issue 03 amends it: in July the binding constraint was neither, it was the availability of long-dated capital. The Power Bill is the medium-term constraint, the Funding Verdict the immediate one.

The Bifurcation (Issue 02) · India's split of portfolio (fast) against strategic (patient) capital. July added an axis: domestic equity funding against foreign debt funding.

Capital Formation Index (CFI) · the India two-axis gauge, part of the eleven-index family reported on p.46. June 2026 vintage: 159.4, up 1.04% on the month.

The Divergence Trade (Issue 02) · long the outlier that holds against the field that tightens. Its June expression through Indian government bonds lost money in July and is graded on p.42; the framework stands, the entry point did not.

ON CITATION

These terms are maintained by Gravitywell Research and their definitions are fixed across issues so readings stay comparable. Where an issue amends a prior definition, as Issue 03 amends The Power Bill above, the amendment is stated rather than made silently. Cite as: Gravitywell Research, Capital Axis, July 2026.

UNDER REVIEW

The Power Bill is the only term this issue has amended. Its claim that firm electricity is *the* binding constraint survived July only as a medium-term proposition; the immediate constraint proved to be capital. We have narrowed the definition above rather than retire the term, and we will retire it outright if a second month shows funding rather than power pacing the build-out.

The Lexicon is a living standard, and its value is that definitions do not drift between issues. Where an amendment is made it is stated in the issue that makes it, dated, and carried forward in that form. Generic market terminology is not defined here.

How This Issue Was Made

Methodology & Caveats

What we measured, what we modelled, what we could not verify, and the disclosures that govern everything above.

COVERAGE & POINT-IN-TIME

The coverage window is 1–31 July 2026. Every datapoint, quotation and transaction printed above is dated inside that window or explicitly labelled as of 31 July, with two declared exceptions. The Gauges (p.46) run on the capital-index family's June 2026 vintage, because the family publishes with a one-month lag and that is the latest the engine returns; the vintage is stamped on the page. Looking Ahead (p.45) is forward-dated by construction.

Market levels are point-in-time reads at or near the close of 31 July 2026 and are not official month-end settlements. Where two sources gave different levels for the same instrument, the Source Register names the one printed and the discrepancy is noted on the page. The US 10-year is printed at 4.75% per source 1; source 2 prints 4.74%, a difference of snapshot timing rather than of fact.

TIERING

● denotes a filed, official or primary-source figure. ◉ denotes a figure constructed by Gravitywell Research from sourced inputs, including the repricing decomposition on p.11 and the rate sensitivity on p.25. ○ denotes an estimate or forecast, including the $570bn 2026 AI issuance run-rate and the Brent intraday peak derived from the 27 July close.

WHAT WE COULD NOT VERIFY

Four items are carried as unresolved rather than smoothed over. India's July foreign equity inflow is reported as both ₹20,200 crore and ₹15,157 crore and we print both. The Kospi's local July decline is reported between 23% and 33% and we print only MSCI Korea's –17.9% in dollars. Several standing Indicators (US 2-year, USD/JPY, EUR/USD, GBP/USD, silver, copper, EU TTF, ether) were not verified to a citable July close before this issue closed and are shown blank rather than estimated. And we have no mechanism that reconciles record inflows into a record drawdown, which is argued against us on p.26.

BYLINES & ATTRIBUTION

Capital Axis carries desk bylines only. No article in this publication is attributed to a named individual, and the masthead on p.03 lists desks rather than people. The Conversation (p.44) is a desk device written in both voices and says so on the page; no quotation on it is attributed to any real person.

Every quotation elsewhere in this issue is verbatim from the Federal Reserve's published transcript of the 29 July 2026 press conference. This publication does not use unnamed sources, composite quotations, or paraphrase rendered as quotation.

The cover illustration was generated by an image model against a brief written by this desk, then processed to the house palette and stock. It is credited as AI-generated on the cover itself. No photograph, and no depiction of a real person, appears anywhere in this issue.

THE HOUSE INDEX FAMILY

The eleven indices and the Capital Cycle Clock on p.46 are computed by the Gravitywell engine at METHODOLOGY_VERSION v3.2 (2026-07), built to the OECD/JRC composite-indicator handbook and IOSCO benchmark principles. Every print carries a drop-one-pillar uncertainty band, a data-coverage ratio and a list of pillars whose contribution cap bound. Two caps bound in this vintage and are disclosed on the page. The printed values match the engine output exactly.

NEXT ISSUE · AUGUST 2026

Our own invalidation fired on 6 August. Issue 04 opens with what that costs.

Issue 04 grades the eight odds on page 41, answers every catalyst on page 45, and reports Jackson Hole, where a Federal Reserve chairman who has already called AI capex a price problem speaks for the first time in that chair.

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