

The Bridge

From the Office of the CIO

Weekly Market Tides

Weekly Market Tides: Trends to Watch

July 14, 2026

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A packed week for markets, a record for investor leverage, and a Korean debut on U.S. exchanges

1. A packed week for global markets

This week brings one of the busiest calendars of the summer, with several catalysts landing in quick succession. Second-quarter earnings season kicks off with major U.S. bank results, including JPMorgan Chase, Goldman Sachs, Wells Fargo, Citigroup, and Bank of America. Netflix and Taiwan Semiconductor report on Thursday, with ASML on Wednesday. These reports will offer the first clear read on how corporate profits and, in the case of TSMC and ASML, the AI capital spending cycle are holding up. Alongside earnings, June inflation data released this morning came in cooler than expected across the board, with headline CPI falling 0.4% on the month — its largest monthly decline in more than six years. This prompted a modest rally in stocks and a pullback in Treasury yields. Federal Reserve Chair Kevin Warsh begins his first congressional testimony as Chair on Tuesday, giving markets an important read on how his tone from the June FOMC meeting is evolving. The Bank of Canada also delivers its next rate decision on Wednesday, with markets widely expecting no change at 2.25%. Layered over all of this, the U.S.–Iran ceasefire broke down over the weekend, with both sides exchanging strikes and oil prices moving higher on renewed concerns about the Strait of Hormuz. It is a lot of information for markets to digest in five trading days.

2. Investor borrowing has reached a record high

A useful barometer of investor sentiment reached a notable milestone in May. Margin debt — the amount investors have borrowed from brokers against their portfolios to buy more securities — rose to \$1.42 trillion, an all-time record and the second consecutive monthly increase. The figure is up more than 50% from a year ago, which is one of the fastest annual growth rates on record. Margin debt is not, on its own, a market-timing signal. It tends to rise with markets and fall when markets correct. But the size and speed of the recent increase is worth attention because leverage cuts both ways: it magnifies gains on the way up and losses on the way down. Historically, sharp acceleration in margin debt has coincided with periods of elevated risk-taking, and forced deleveraging when sentiment turns can add pressure to selling in the short term.

3. A milestone Korean listing highlights the global reach of the AI trade

Korean memory-chip maker SK Hynix made its U.S. stock market debut on Friday through an American Depositary Receipt offering that raised \$26.5 billion — the largest-ever U.S. first-time stock sale by a foreign company. SK Hynix is one of the world's leading producers of the high-bandwidth memory chips that power AI computing, and its decision to seek a U.S. listing points to two broader trends. First, the AI investment cycle continues to draw enormous pools of capital from outside the traditional U.S. mega-cap technology names, with international chipmakers, equipment suppliers, and infrastructure providers all becoming increasingly significant. Second, the pattern of large foreign listings coming to U.S. exchanges reflects the depth and liquidity of American capital markets, particularly for AI-related themes. The debut has not been without volatility — shares gave back roughly 8% in Monday trading as broader concerns about the pace of the AI rally weighed on memory names globally — but the offering itself is a reminder that the AI theme is genuinely global rather than concentrated in a handful of familiar U.S. names. For portfolios, this reinforces the value of broad international exposure as a way to participate in the theme without over-concentrating in the same small group of stocks.

Bottom line for investors

The week ahead is unusually dense. A run of major earnings, key inflation data, the new Fed Chair's first congressional testimony, and a Bank of Canada decision are all landing within a five-day stretch, and any one of them could shift the tone of the market. Beneath the headlines, two structural themes remain important context for portfolio conversations: investor leverage is at

record levels, and the AI theme continues to broaden geographically even as questions grow about the pace of spending.

The message for portfolios remains consistent. Diversification across sectors, regions, and asset classes helps portfolios absorb volatility when several themes are moving at once, and keeping an eye on how much leverage sits within a portfolio, whether direct or indirect, is a useful step when market-wide borrowing is running at record levels.

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