WEEKLY REPORT
Jul 20-26, 2026
wk 30
SUBSCRIBE

GLOBAL MARKET INTELLIGENCE

The World in 5 Minutes

"The Houthis close the second chokepoint: Brent touches $100 and the market stops pricing cuts"

The week of July 20-26 opened a second maritime front on top of the one already running through Hormuz. On Monday the 20th, at 12:00 UTC, the Houthis declared a **ban on access to Saudi Arabian ports** and announced a blockade of the route; over the week they struck two Saudi tankers in the Red Sea. The immediate consequence was logistical: empty supertankers began diverting to Sidi Kerir, on Egypt's Mediterranean coast, along a route that neither replaces Yanbu's capacity nor solves the draft limits VLCCs face at Suez.

The Strait of Hormuz continued to run at a trickle. Between July 13 and 21 there were 44 eastbound transits versus 101 the prior week, and 34 westbound versus 73. This is not a closure, it is a chokehold: traffic is down to little more than a third, and every additional week of tension pushes up insurance, freight rates and transit times.

Prices absorbed both threats at once. Brent traded above $100 on July 23, gave back nearly four dollars on Friday to $96.70, and closed the week up 9.7%, on top of the prior week's 26.7% jump. Rerouting around the Cape of Good Hope adds eight to twelve days of transit and lifts full-container rates by 30% to 60%.

U.S. equities took the hit through tech, not energy. The S&P 500 closed at 7,411.98, down 0.61% from the prior Friday and lower for a second straight week; the Nasdaq fell close to 2% and the technology sector 2.37%. Earnings did the rest: Alphabet dropped 7.1% on Thursday, its worst session since May 7, 2025, and Tesla 15%, its largest one-day decline since March 10, 2025. Europe held up better: the STOXX 600 rose 0.82% on Friday on the back of SAP, after printing 647.07 on Wednesday, its highest close since July 6.

The most telling move was in rates. The 10-year Treasury yield rose fourteen basis points to 4.69% and the 2-year fifteen, to 4.33%: the market has stopped pricing cuts and started pricing the opposite. The euro-area AAA curve moved less, from 3.15% to 3.21% at ten years, while the 10-year JGB climbed to 2,815%, a high for the recent series, with the yen at 163.7 per dollar.

Credit, by contrast, did not follow. High-yield spreads widened just six basis points to 279 and investment grade one, to 80: both remain near the low end of the past decade. That is the week's most important signal, and the reason this cannot be called systemic stress: the credit market is not pricing any prolonged supply disruption.

RESEARCH TEAM VIEW

What to watch in the days ahead

- July 28-30, FOMC meeting. No rate move is expected, but the language on imported inflation will set the tone into the fall; watch for the word "hike" appearing for the first time.
- July 30-31, Bank of Japan. With the 10-year JGB at 2.82% and the yen at 163.7, any further signal of normalization feeds straight into the global curve.
- July 31, euro-area flash CPI. The ECB held rates on July 23 and energy feeds into the European print with a lag: the Brent impact will show up mainly in August.
- Red Sea: if the Houthi ban on Saudi ports lasts beyond two weeks, higher freight and insurance costs stop being a logistics issue and become a price issue.
- Hormuz: transits normalizing above eighty per week would pull Brent back toward $85 and take two to three points off the KGRI.

QUANTITATIVE MODEL

Knightford Global Risk Index · as of 2026-07-24

Global risk in the upper neutral range

WEEK
+0.7

4 WEEKS
-0,2

INTERNAL DISPERSION
55%

CONFIDENCE SCORE
72/100

Why this reading this week?

The KGRI rises 0.7 points to 57,9. The impulse comes from liquidity, which weakens by 5.3 points on Fed balance sheet runoff, and from the geopolitical block, which the team scores at 81.7 with two chokepoints open. Credit contains it, at 26.9: as long as spreads do not widen, the model cannot classify this episode as systemic stress. Market reaction, at 31.9 out of 100 on the favorable scale, is the weakest component.

Technical note: weighted average of the eight sub-indexes with VSMRI inverted · confidence 72/100 reflecting indicators without a free data source.

What is the KGRI? A 0-100 index that summarizes global market risk by combining eight Visual Sigma® "thermometers" (liquidity, monetary policy, activity, inflation, credit, financial stability, geopolitics and markets), weighted by relative importance and compared with their own history.

POSITIONING FRAMEWORK

Research team view: what to do at each KGRI range, reviewed weekly

0-20	Very low	Overweight risk, maximum exposure to equities and cyclicals, minimal hedging.	
20-40	Low	Maintain full exposure, favor quality, no additional hedging needed.	
40-60	Neutral	Neutral exposure with quality selectivity; partial tactical hedging against surprises.	◂ we are here (57.9)
60-80	Elevated	Reduce beta, add quality and duration, activate hedges (options, gold).	
80-100	Extreme	Defensive mode, maximum cash and hedging, minimize risk exposure.	

THE EIGHT VISUAL SIGMA® · KGRI COMPONENTS

Level 0-100 and weight in the KGRI. Color follows the direction of risk.

VSLI · 18%

Visual Sigma® Liquidity Index

46.2

Neutral

Fed net liquidity is drifting to the low end of its five-year range: the balance sheet keeps running off and the Treasury General Account is absorbing cash. SOFR-IORB stays positive but shows no funding strain; M2 is up 4.7% year over year.

Conf. 100 ▴ 5.3

VSMPI · 10%

Visual Sigma® Monetary Policy Index

72.8

High

Still the most restrictive block in the model. A 3.75% target rate and a real rate near 1% sit in the 70th percentile of the decade; the ECB holds its deposit rate at 2.25%. No central bank moved this week.

Conf. 100 = 0.0

VSEAI · 14%

Visual Sigma® Economic Activity Index

60.5

High

Activity is deteriorating at the margin: three-month average payroll gains sit in the low end of the decade and Michigan sentiment is at lows. Very low jobless claims (187.000) are the offset.

Conf. 72 ▾ 2.6

VSIPI · 6%

Visual Sigma® Inflation Pressure Index

60.9

High

Pressure is building through the energy channel. Five- and ten-year breakevens (2.18% and 2.21%) have yet to reflect the Brent move, but headline CPI in the 68th percentile leaves little room: crude feeds into the August print.

Conf. 80 = 0.0

VSCCI · 8%

Visual Sigma® Credit Conditions Index

26.9

Low

Credit is the missing piece of this episode. High-yield OAS at 279 basis points and investment grade at 80 remain near decade lows. Until credit confirms the geopolitical stress, there is no systemic stress to classify.

Conf. 54 ▴ 4.1

VSFSI · 12%

Visual Sigma® Financial Stability Index

35.9

Low

No deterioration: the NFCI, STLFSI4 and KCFSI remain accommodative and the 2s10s curve keeps a positive slope (36 basis points). The only stretched component is the VIX, in the 61st percentile.

Conf. 76 ▾ 0.3

VSGRI · 14%

Visual Sigma® Geopolitical Risk Index

81.7

Very high

Two chokepoints at once: Hormuz, with eastbound transits down from 101 to 44 a week, and Bab el-Mandeb, with the Houthi ban on Saudi ports since July 20. Block scored by the research team.

Conf. 30 ⚠ ▾ 3.3

VSMRI · 18%

Visual Sigma® Market Reaction Index

31.9

Fragile

▴ high = favorable (the only inverted index). The S&P 500 is down for a second straight week, tech volatility (VXN 28.7) sits in the 81st percentile and the dollar is firming. It is the weakest block in the model.

Conf. 66 ▾ 1.3

What do these numbers mean? Every indicator runs from 0 to 100 on actual data; in the seven risk blocks a high number is bad news, but in market reaction it is the reverse, so always read the color, not just the figure. Confidence shows how much of the block is covered by free official sources: paid indicators (CDX, MOVE, Citi, Conference Board, ISM) are not estimated, they are deducted from confidence.

RESEARCH TEAM VIEW · QUALITATIVE

Not model output; analyst judgment, reviewed weekly

BASE CASE 55%

The Houthi ban on Saudi ports holds without a strike on export facilities, and Hormuz transits stay depressed short of a formal closure. Brent trades between $92 and $100, the S&P 500 ranges between 7.300 and 7,500, and the Fed holds on July 30 without committing to the fall. The KGRI stays between 56 and 60 and credit continues not to confirm the stress.

BULL CASE 12%

Omani or Egyptian mediation lifts the ban on Saudi ports and returns Hormuz transits above eighty a week. Brent falls below $85, tech recovers part of the drawdown and the KGRI moves back below 55. The Fed would regain room to discuss a September cut.

BEAR CASE 33%

A successful strike on a Saudi export facility or an operational closure of Bab el-Mandeb. Brent tops $115, U.S. August CPI runs above 4.5% and the market entrenches the rate-hike expectation already visible this week. The S&P breaks 7,100, high yield clears 350 basis points and the KGRI moves into elevated territory above 65.

GLOBAL GEOPOLITICAL RISK MAP

Research team view. List curated manually each week; not VSGRI output (see next page).

● Very high ● High ● Medium

● Middle East · Strait of Hormuz VERY HIGH

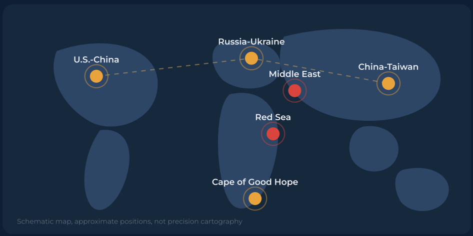
Missile exchanges between the U.S. and Iran during the week. Eastbound transits fell to 44 between July 13 and 21 from 101 the prior week, and westbound from 73 to 34. Not a closure, a chokehold.

● Red Sea · Bab el-Mandeb VERY HIGH

On July 20 at 12:00 UTC the Houthis banned access to Saudi ports and announced a blockade; they struck two Saudi tankers. Empty supertankers are diverting to Sidi Kerir, on Egypt's Mediterranean coast.

● Routing · Cape of Good Hope HIGH

Routing around the Cape adds 8 to 12 days of transit and full-container rates rise 30% to 60%. The Suez/SUMED alternative is costlier and only partially replaces direct loading at Yanbu.



Schematic map, approximate positions, not precision cartography

● China-Taiwan HIGH

No verified developments this week; the structural reading from the firm's geopolitical framework stands. Market focus remains entirely on the Middle East.

● Russia-Ukraine HIGH

No verified changes this week. The European energy front takes a back seat to crude repricing through the maritime channel.

● U.S.-China trade MEDIUM

No verified developments. The flow is what matters: China equity funds took in $21.3 billion, the third-largest weekly inflow on record.

Context for the week under review, updated manually by the team. Not VSGRI output (see the quantitative breakdown on the next page).

QUANTITATIVE MODEL

VSGRI, breakdown of its six components (as of 2026-07-24)

SCON 24%	Intensity of international geopolitical conflict	97 · Very high
SGEO 20%	Global geoeconomic fragmentation	88 · Very high
SENE 18%	Energy and strategic commodity risk	84 · Very high
SSUP 14%	Global supply chain risk	92 · Very high
SSOV 12%	Sovereign risk and international sanctions regime	35 · Low
SUNC 12%	Structural geopolitical uncertainty	72 · High

0-100 scale for each component; a higher value means greater risk pressure. The percentage shows its relative weight. Block scored by the team from verified events of the week: the methodological catalog has no freely available quantitative source for this component, which is why its confidence is 30/100.

OUR READ · RESEARCH TEAM VIEW

"What matters this week is not that Brent touched $100, but that it did so with credit unchanged and the 10-year yield up fourteen basis points. The market has stopped reading oil as a growth problem and started reading it as an inflation problem: that is why the front end is selling off, and why technology, the most discount-rate-sensitive asset, takes the hit while energy and defense hold up. The team keeps the energy hedge opened last week and raises the weight of cash versus long duration."

MARKET DATA · WEEKLY CLOSE

Live from FRED, the ECB Data Portal and Japan's Ministry of Finance, with no analyst intervention.

S&P 500
7,411.98
▾ -45,7
U.S. equity benchmark; lower for a second consecutive week.

STOXX EUROPE 600
652 (e)
▴ +0.8% on Friday
Verified at 647.07 on July 22; Friday close pending manual entry.

VIX
18.58
▾ -0,19
Expected 30-day implied volatility; the lower the reading, the calmer the market.

UST 10-YEAR
4.69%
▴ +0.14
The world's benchmark risk-free rate; the market has stopped pricing cuts.

EURO AAA CURVE, 10-YEAR
3.21%
▴ +0.05
Euro-area sovereign benchmark published by the ECB.

HY CORPORATE SPREAD
279 bps
▴ +6 bps
The wider the spread, the greater the default fear; still near decade lows.

DOLLAR (FED BROAD INDEX)
120.71
▴ +0.18
A stronger dollar usually accompanies weaker global risk appetite.

EUR/USD
1.1385
▾ -0,0055
The most heavily traded currency pair in the world.

GOLD (SPOT)
$4,056
▴ +$2,000M in fund flows
Classic defensive hedge; largest weekly inflow into gold funds since April.

BRENT
$96.7
▴ +9.7% week over week
Traded above $100 on July 23 and gave back nearly $4 on Friday.

JGB 10-YEAR
2.815%
▴ +0.10
Japan at highs for the recent series; it pressures the entire global curve.

BALTIC DRY INDEX
2,944 (Jul 15)
highest since June 5
Latest official print; the week 30 reading is pending manual entry.

"Dollar" uses the Fed broad index (DTWEXBGS), the same proxy the Visual Sigma® engine uses in VSLI and VSMRI. The STOXX Europe 600 and the Baltic Dry Index have no free machine-readable source: they remain pending weekly manual entry and are flagged with (e).

MONETARY POLICY AND LIQUIDITY

FED	BCE	BOE	BOJ
3.75%	**2.25%**	**3.75%**	**1.00%**
target rate, upper bound	deposit facility	bank rate	policy rate
EFFR 3.63% · M2 ▴ 4.7%	unchanged on July 23	as of July 23	meeting on the 30th and 31st

Fed balance sheet: $6,747 trillion (July 22), with the Treasury General Account at $829.6 billion and the reverse repo facility virtually empty ($1.38 billion).

WHERE DID THE MONEY GO THIS WEEK?

Fund flows, week through July 22 (BofA Global Research).

INFLOWS

Global equities	**+$30,400M**
Emerging market equities	**+$29,600M**
Bonds	**+$14,900M**
Gold	**+$2,000M**
Digital assets	**+$900M**

OUTFLOWS

Money market funds / cash	**-$33.900M**
U.S. equities	**-$7.200M**
European equities	**-$1.600M**

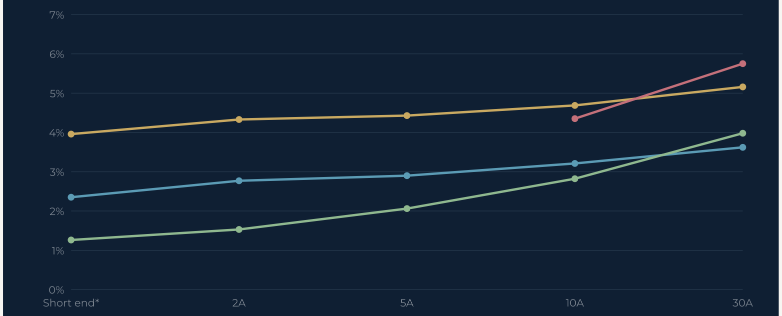
This week's rotation is geographic, not sectoral. The $33.9 billion that left money market funds did not stay in the United States, which saw $7.2 billion of outflows, nor in Europe, which lost $1.6 billion: it went to emerging markets, with $29.6 billion, the second-largest weekly inflow on record, of which China took $21.3 billion, the third-largest ever. Japan logged a seventh consecutive week of inflows. Emerging market equities are included within global equities, so the blocks are not additive.

YIELD CURVES, CROSS-COUNTRY COMPARISON

United States, euro area, United Kingdom and Japan; official data from each treasury or central bank.

Full curve · U.S., euro area, U.K. and Japan

Yield (%) by maturity



▬ United States (Treasury): 3.96 · 4.33 · 4.43 · 4.69 · 5.16%

▬ Euro area (ECB, AAA curve): 2.35 · 2.77 · 2.90 · 3.21 · 3.62%

▬ United Kingdom (gilts): 4.35 · 5.75%

▬ Japan (Ministry of Finance): 1.26 · 1.53 · 2.06 · 2.82 · 3.98%

*The short end is not the same maturity across the four regions; from two years onward the tenors are identical. For the United Kingdom only the two points verified this week are shown: the full gilt curve has no free machine-readable source.

▸ Research team read

All four curves shifted higher, but for different reasons. In the United States the move was about expectations: the 2-year added fifteen basis points and the 10-year fourteen, leaving the 2s10s slope essentially unchanged at 36 basis points. This is not a market pricing recession, it is a market that has taken cuts off the calendar. In the euro area the long end moved six basis points, consistent with an ECB that held on July 23 and with energy inflation that arrives with a lag. Japan is the most striking case: the 10-year at 2,815% and the 30-year at 3.98% describe a curve that no longer belongs to a zero-rate economy, and with the yen at 163.7 the risk of Japanese capital repatriation is once again a global factor. The team sees the long end of the U.S. curve as the most vulnerable leg if August CPI confirms the pass-through from crude.

What is the yield curve? The interest government debt pays by maturity. Normally the long end pays more than the short end (a positive slope); when it inverts, the market is usually pricing a slowdown.

RESEARCH TEAM VIEW · QUALITATIVE

Recommendation, idea selection and scenario probability; analyst judgment

Current KGRI range. Neutral (40-60), at 57,9. The recommendations below develop the page 1 positioning framework for this range, for equities and fixed income.

Equities

Constructive with caution

We keep the modest underweight opened last week. With the KGRI at 57.9 and the geopolitical block at 81,7, integrated energy remains the natural hedge, and it was the only sector to capitalize on the conflict this week. Avoid high-multiple technology while the front end keeps selling off: it carries the longest implied duration and has already shown its sensitivity through Alphabet and Tesla. European defense and aerospace, which led the STOXX this week, remains a position consistent with the base case.

Fixed income and credit

Tactical duration, quality first

A fourteen basis point move in the 10-year is not yet an invitation to extend duration: if August CPI picks up crude, the long end has further to run. Keep average duration at four to five years, concentrated in the 2-to-5-year bucket. In credit, high yield at 279 basis points does not pay enough for the risk taken: overweight investment grade and avoid energy-intensive issuers on the cost side. Senior secured private credit still offers a better risk-return trade-off than listed high yield.

TRADE OF THE WEEK

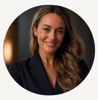
Crude tanker shipping · the long route as the structural beneficiary of the blockade

Rerouting around the Cape of Good Hope adds eight to twelve days of transit and lifts full-container rates by 30% to 60%: every barrel that stops moving through Bab el-Mandeb multiplies the ton-miles needed to carry the same volume. It is the only segment where the conflict directly improves earnings, and it does not depend on Brent rising further, only on the route staying long. Maximum tactical position of 4% of the portfolio, four-to-six-week horizon. We also keep the integrated energy hedge opened in week 29, raising the stop to Brent at $88. Exit if Hormuz transits exceed eighty a week for two consecutive weeks or if the ban on Saudi ports is lifted.

Note on data revisions. Market data comes directly from official sources, and that verification shows differences against three figures published in the week 29 report: the 10-year Treasury closed July 17 at 4.55% rather than 4.38%, the high-yield spread at 273 basis points rather than 320, and the VIX at 18.77 rather than 18.3. The weekly changes in this report are computed on revised official data, so the series is consistent from this edition forward. The week 29 KGRI recalculated with the current engine is 57,2.

Sources. Federal Reserve Bank of St. Louis (FRED): policy rates, Treasury curve, VIX, ICE BofA spreads, financial conditions indexes, monetary aggregates, S&P 500 and the broad dollar index. European Central Bank Data Portal: euro-area AAA sovereign curve. Japan Ministry of Finance: JGB curve. BofA Global Research: weekly fund flows. Baltic Exchange: freight index. USNI News and Lloyd's List Intelligence: Hormuz and Red Sea transits. Bloomberg, Reuters and Invezz: crude and equity closes. Knightford AM Visual Sigma® engine (KGRI and the eight sub-indexes), computed under the methodological catalog (Volume II) using ten-year historical percentiles. Catalog indicators without a free public source (CDX IG and HY, MOVE index, Citi Economic Surprise, Conference Board LEI, ISM) are neither estimated nor interpolated: they reduce the confidence level of the corresponding block, as the methodology requires. Figures flagged with (e) are estimates pending manual entry.

The views expressed herein are based on data collected from sources believed to be reliable; neither the analyst nor the firm is responsible for their accuracy. This report is for informational purposes only and does not constitute investment advice or a personalized investment recommendation.



Iciar Temprano

Head of Research and Quantitative Management