ZITAPLUS
WEEKLY BULLETIN

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ALPHABET Q2: AI STRATEGY STARTS PAYING OFF

ZITA PLUS

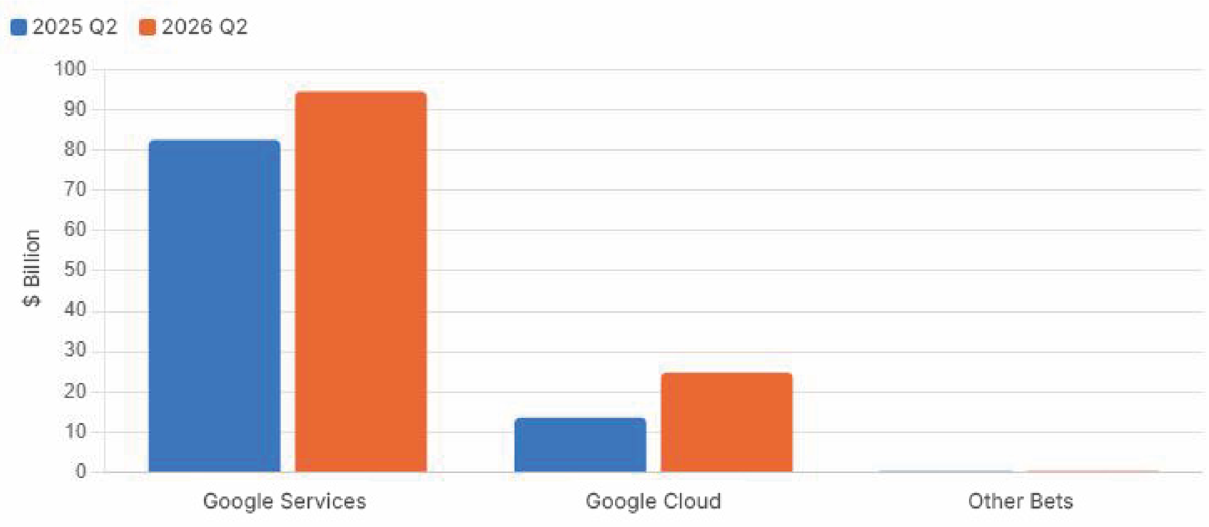
ECONOMIC CALENDAR • TECHNICAL ANALYSIS
ONE OF THE YEAR'S STRONGEST TRADES LOSES SPEED
ECB HOLDS RATES WITH ATTENTION ON ENERGY • AND MORE...

Contents

TIME	CUR.	EVENT	FORECAST	PREVIOUS
MONDAY, JUL 27				
16:30	US	Durable Goods Orders (MoM) (Jun)	1.6%	-4.5%
TUESDAY, JUL 28				
18:00	US	CB Consumer Confidence (Jul)	92.1	91.2
WEDNESDAY, JUL 29				
22:00	US	Fed Interest Rate Decision	3.75%	3.75%
22:00	US	FOMC Statement	-	-
22:00	US	FOMC Press Conference	-	-
THURSDAY, JUL 30				
12:00	DE	German GDP (QoQ) (Q2)	0.1%	0.3%
15:00	UK	BoE Interest Rate Decision (Jul)	3.75%	3.75%
16:00	DE	German CPI (MoM) (Jul)	0.7%	-0.3%
16:30	US	Core PCE Price Index (MoM) (Jun)	0.1%	0.3%
16:30	US	Core PCE Price Index (YoY) (Jun)	-	3.4%
16:30	US	GDP (QoQ) (Q2)	2.3%	2.1%
16:30	US	Initial Jobless Claims	206K	187K
FRIDAY, JUL 31				
05:30	CN	Manufacturing PMI (Jul)	49.4	50.3
07:00	JP	BoJ Interest Rate Decision	1.00%	1.00%
13:00	EU	CPI (YoY) (Jul)	2.9%	2.8%
17:45	US	Chicago PMI (Jul)	-	56.7%

GMT+4 DUBAI TIME

ALPHABET Q2: AI STRATEGY STARTS PAYING OFF



Alphabet's second-quarter 2026 results show that its AI strategy is moving beyond long-term ambition and delivering measurable financial results. Google Cloud's 82% growth and expanding operating margins indicate the company is successfully combining rapid growth with improving profitability. However, the headline figures tell only part of the story. Investors will need to look beyond reported earnings to assess the sustainability of Alphabet's performance.

HEADLINE PROFIT MASKS UNDERLYING TRENDS

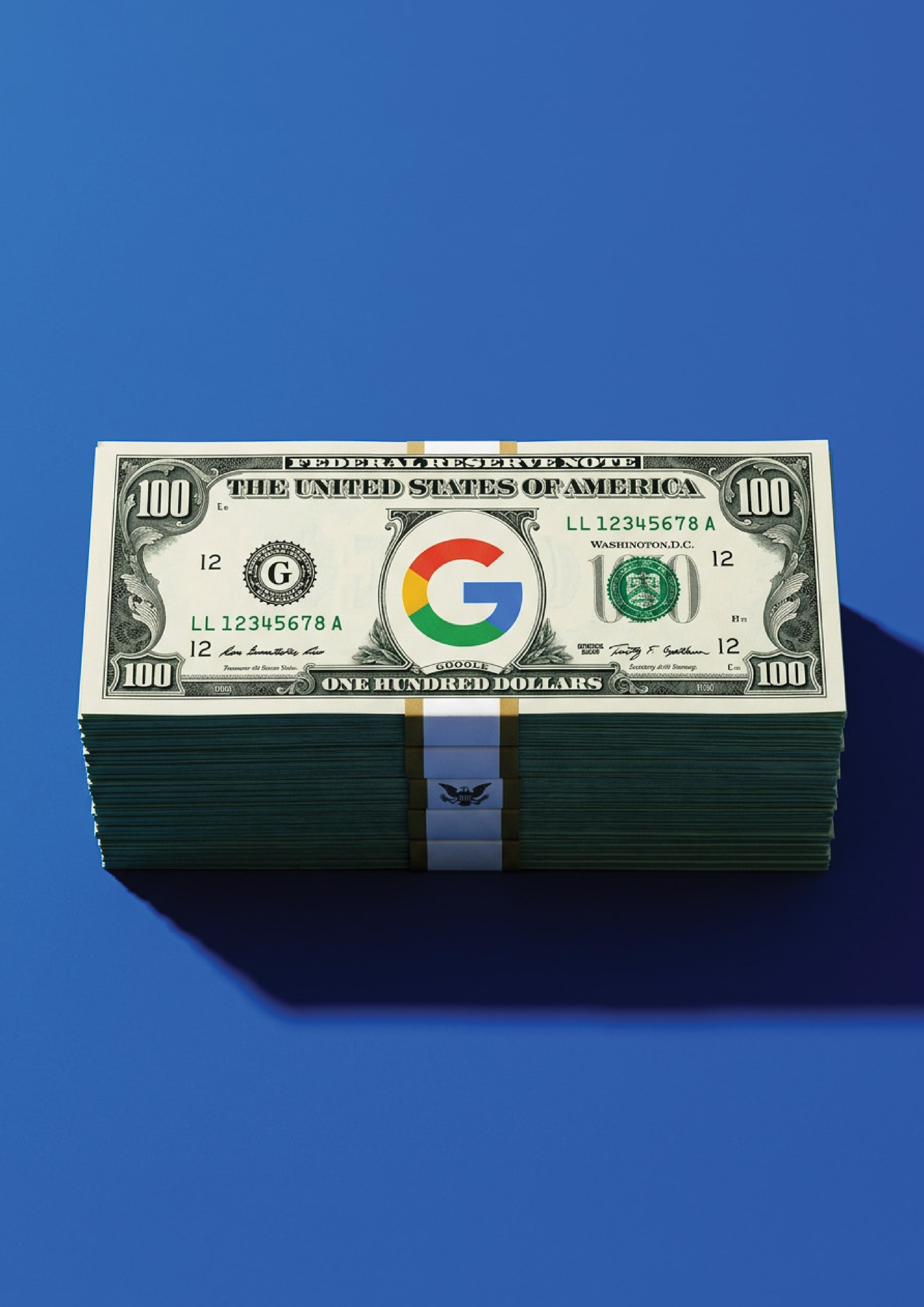
The 298% increase in net income may overstate the company's underlying strength. As outlined earlier, most of the gain came from a one-time, market-related accounting benefit rather than recurring operating performance. Since these gains are non-recurring, they could reverse in future quarters. Another area drawing attention is capital spending. Alphabet's free cash flow turned negative, highlighting the enormous cost of competing in the AI infrastructure race. With major technology companies maintaining similarly aggressive investment plans, the sector increasingly resembles an AI spending arms race.

DEBT AND AI COSTS KEEP RISING

Alphabet also reported a sharp increase in long-term borrowing, with long-term debt doubling. Higher borrowing costs are currently manageable, but they could become a larger financial burden if interest rates remain high. Losses within the Alphabet-level Activities segment widened considerably. AI research and development expenses that are not allocated to operating segments increased from $3.4 billion to $5.8 billion, reflecting the rapidly rising cost of developing the company's core AI models.

LOOKING AHEAD

The quarter can be viewed as both a success story and a reminder of the growing financial demands of the AI race. Strong Cloud growth and improving margins demonstrate that Alphabet's investments are producing tangible results, but negative free cash flow and earnings boosted by accounting gains highlight the importance of focusing on operational fundamentals rather than headline numbers alone. The key questions will be whether Alphabet can sustain its aggressive capital expenditure strategy and whether the strong growth momentum in Google Cloud proves durable over the coming quarters.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DXY

RISK SENTIMENT WEIGHS ON DOLLAR

The Dollar Index fell toward 101.10 as the U.S. and Iran suspended hostilities, causing crude prices to slide. De-escalating energy and inflation concerns reduced safe-haven demand for the dollar.

From a technical perspective, bullish momentum remains intact while holding above support at 100.35 to 100.50, with upside resistance anchored at 101.80.

EURUSD

EURO REBOUNDS AS OIL PRICES EASE

The euro climbed past $1.14 as easing U.S.–Iran conflict and falling crude prices lifted market sentiment. Lower energy prices helped reduce inflation concerns, although markets still expect further ECB tightening over the coming months.

ECB Chief Economist Philip Lane noted that while the inflation shock requires additional monetary tightening, an aggressive response is unnecessary.

Technically, EURUSD looks set to consolidate between 1.1325 and 1.1430 ahead of fresh economic data.

XAUUSD

GOLD REBOUNDS AFTER PAUSE

Gold advanced around 1% toward $4,115 as the U.S. and Iran paused military strikes, which caused crude prices to retreat. Easing geopolitical friction cooled immediate inflation fears, shifting market focus to Wednesday's upcoming Federal Reserve decision.

Technically, prices may pull back to test the $4,054 to $4,055 gap zone during the session.

BRENT OIL

BRENT DROPS AS TENSIONS EASE

Brent crude fell sharply toward $83 per barrel on Monday after the U.S. and Iran suspended military strikes following two weeks of conflict. Renewed diplomatic prospects eased immediate supply disruption fears, sparking the sell-off.

Technically, the sudden decline created a prominent price gap near $90.70 to $90.75, which may act as a target zone if prices stage a recovery.

TRUMP TARGETS CANADA AGAIN

Image Credit: Evelyn Hockstein/Pool/AFP

Donald Trump has opened a new chapter in his trade dispute with Canada, announcing tariffs of up to 50% on a range of Canadian imports. The administration argues the move is a response to what it describes as discriminatory treatment of American products, including cars, dairy, and alcohol. Officials have pointed to measures such as Ontario's restrictions on U.S. liquor sales as evidence for the action. Unlike previous tariff rounds, the administration is relying on Section 338 of the Tariff Act of 1930, a little-used provision that has rarely been invoked in modern trade disputes.

THE USMCA IS BACK ON THE TABLE

One of the most striking aspects of the new measures is that they do not exempt goods covered by the USMCA, the North American trade agreement Trump negotiated during his first term as a replacement for NAFTA. The administration has also signaled its intention to revisit the agreement, with U.S. and Mexican officials set to discuss longstanding USMCA disputes this week. The latest tariffs add further pressure to trade relations across North America.

CANADA PUSHES BACK

Canadian Prime Minister Mark Carney described the tariffs as another unilateral U.S. trade action and said Canada would continue defending its economic interests and sovereignty. Canada has consistently responded to U.S. tariffs with retaliatory measures, making it one of Washington's most active trade counterparts. That approach has contributed to increasingly heated exchanges between the two governments.

TRADE TENSIONS SPREAD BEYOND ECONOMICS

The dispute has expanded beyond tariffs alone. Last week, Trump accused Canada of allowing wildfire smoke to spread into the United States through what he called poor forest management, adding another point of friction to an already strained relationship. At the same time, a temporary 10% global tariff introduced after courts blocked broader levies is due to expire this Friday, increasing pressure on the administration to establish a longer-term trade strategy.

LEGAL QUESTIONS BEGIN TO SURFACE

The latest tariffs are expected to face legal challenges because they rely on an obscure statute that has seen little modern use. Some commentators have drawn parallels with the 1930 Smoot-Hawley Tariff Act, widely blamed for worsening the Great Depression, raising fresh questions about the policy's legal footing and economic impact. The political backdrop is equally notable. Mark Carney's rise to Canada's leadership was strengthened by public opposition to Trump's previous remarks about annexing Canada, adding another layer to a trade dispute that now extends well beyond economics.

ECB HOLDS RATES WITH ATTENTION ON ENERGY

Date (with effect from)		Deposit facility	Main refinancing operations		Marginal lending facility
			Fixed rate tenders Fixed rate	Variable rate tenders Minimum bid rate	
2026	17 Jun.	2.25	2.40	-	2.65
2025	11 Jun.	2.00	2.15	-	2.40
2025	23 Apr.	2.25	2.40	-	2.65
2025	12 Mar.	2.50	2.65	-	2.90
2025	5 Feb.	2.75	2.90	-	3.15
2024	18 Dec.	3.00	3.15	-	3.40
2024	23 Oct.	3.25	3.40	-	3.65
2024	18 Sep.[5]	3.50	3.65	-	3.90
2024	12 Jun.	3.75	4.25	-	4.50
2023	20 Sep.	4.00	4.50	-	4.75
2023	2 Aug.	3.75	4.25	-	4.50
2023	21 Jun.	3.50	4.00	-	4.25

The European Central Bank left its key interest rates unchanged at its July meeting after delivering a 25-basis-point hike in June, its first increase in three years. The decision reflects a more cautious stance as policymakers assess whether inflation pressures require further tightening.

June's rate hike was driven by rising energy costs and persistent inflation, but recent data on inflation, wage growth, economic activity, and inflation expectations have shown signs of easing, reducing the need for another immediate increase. The ECB reiterated that future decisions will remain data-dependent, with inflation, wages, economic growth, and energy prices guiding the policy outlook.

ENERGY REMAINS THE KEY RISK

Although the ECB said the energy outlook remains broadly consistent with its June projections, it warned that uncertainty remains elevated and the full inflationary impact of higher energy costs may not yet be reflected in the data.

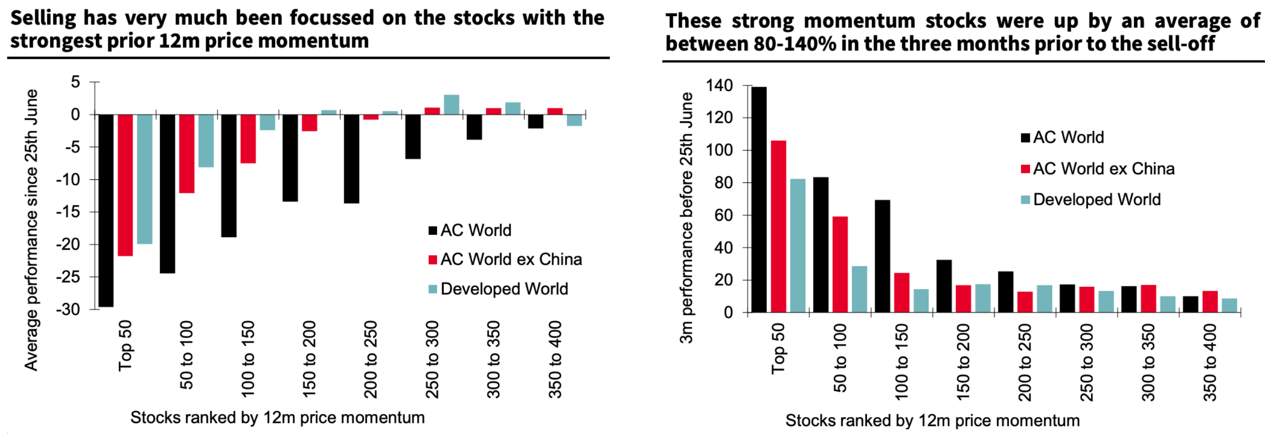
ECB President Christine Lagarde said persistently high energy prices could gradually spread beyond fuel costs to a broader range of goods and services, increasing the risk of second-round inflation effects. For now, the ECB is expected to monitor incoming data before deciding on its next move.

ONE OF THE YEAR'S STRONGEST TRADES LOSES SPEED

July has brought a sharp reversal for momentum stocks, unwinding one of the market's most crowded trades. Companies that had posted some of the strongest gains over the past year came under heavy selling pressure as investors rushed to reduce exposure at the same time. According to Société Générale, leading momentum stocks have fallen roughly 28% since the end of June, while the top 50 names in the strategy have dropped nearly 30%. The weakness has not been confined to the US, with similar declines spreading across developed markets and Asian equities outside China.

HAS THE RALLY GONE TOO FAR?

The sell-off followed an extraordinary run higher. Many of these stocks had surged by around 140% over the previous 90 days as enthusiasm surrounding artificial intelligence, technology, defence, and other high-growth themes drew investors into a relatively small group of companies. As valuations climbed and positioning became increasingly crowded, even modest disappointments left the sector vulnerable to a sharp reversal.



Source: SG Cross Asset Research/Equity Quant, Factset

WHEN MOMENTUM TURNS AGAINST ITSELF

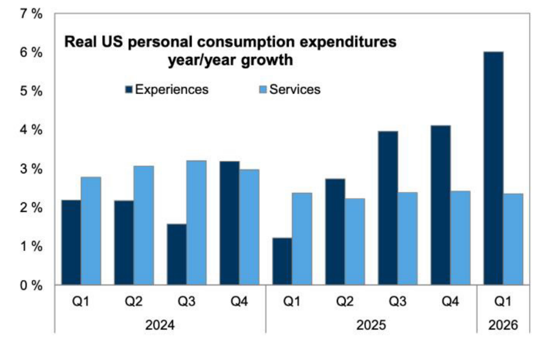
Momentum investing is built on the idea that stocks already outperforming the market can continue to gain. But once expectations become stretched, the same forces that drive prices higher can accelerate the decline. Systematic funds, leveraged investors, and short-term traders often reduce positions simultaneously, turning what begins as a routine pullback into a much larger sell-off.

A REMINDER THAT VALUATION STILL MATTERS

The recent market decline teaches an important lesson for investors: just because a company has a strong long-term story, it doesn't mean it will provide good returns at any price. Many of the companies caught in the sell-off may still have solid fundamentals, but correction risk increases when valuations move too far ahead of expectations. After months of exceptionally strong and concentrated gains, the latest pullback suggests that market momentum, no matter how powerful, eventually gives way to valuation.

CONSUMERS ARE CHOOSING MEMORIES OVER MATERIAL GOODS

Exhibit 7: Consumer spending growth on experiences has accelerated in recent quarters



"Experiences" includes membership clubs, sports centers, parks, theater and museums, gambling, accommodations.

Source: Bureau of Economic Analysis, Goldman Sachs Global Investment Research

US consumers are increasingly spending on experiences rather than physical goods. Outlays on concerts, sporting events, amusement parks, theatres, museums, travel, and accommodation have picked up in recent quarters. According to Goldman Sachs, real spending growth in experience-related categories is now outpacing the broader services sector.

The shift is especially visible among younger consumers, many of whom are prioritising memorable trips, live events, and shared experiences over buying additional products. While pent-up demand after the pandemic helped kick-start the trend, the latest data suggests it is evolving into a more lasting change in spending habits.

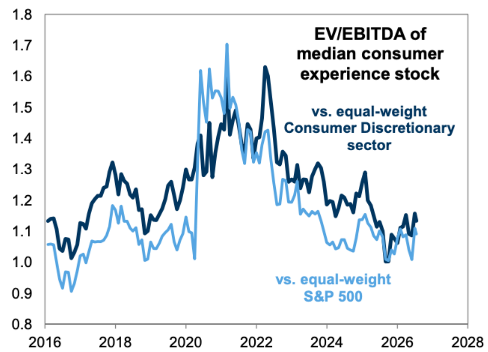
WHY THE TREND IS HOLDING UP

Much of this spending is being driven by higher-income households, which are better positioned to absorb rising costs for travel, entertainment, and leisure. That helps explain why experience-related businesses continue to perform well even as consumer confidence remains subdued.

The sector may also be less exposed to the rapid expansion of artificial intelligence. While automation is reshaping areas such as software, media, and professional services, industries built around in-person experiences still rely on physical attendance and human interaction. That gives hotels, theme parks, live entertainment, and sports businesses a demand base that is harder to replace.

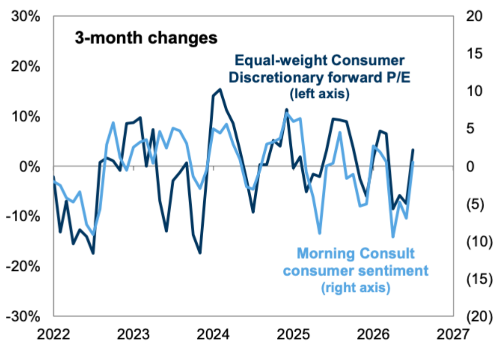
Higher ticket prices, rising travel costs, and a softer labour market could eventually weigh on discretionary spending. For now, however, consumers continue to put experiences ahead of possessions, a trend that could keep the travel, hospitality, entertainment, and live-event sectors firmly in focus.

Exhibit 8: Relative valuation of consumer experience stocks remains low versus history



Source: FactSet, Goldman Sachs Global Investment Research

Exhibit 9: Consumer stock valuations have recently moved with consumer sentiment



Source: Morning Consult, Goldman Sachs Global Investment Research

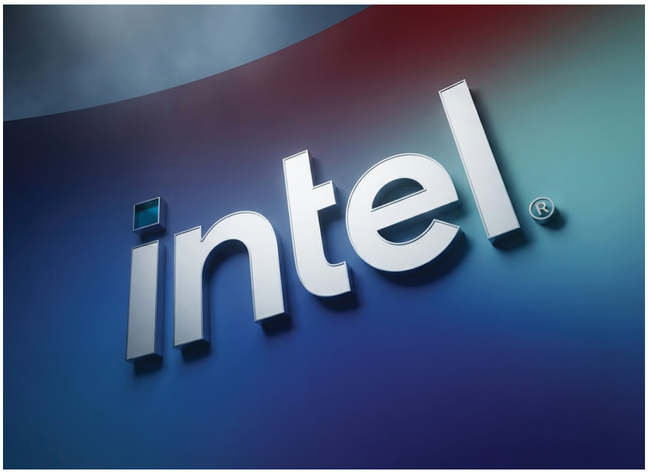
Market Roundup

BRAZIL CHALLENGES NEW US TARIFFS

Brazil strongly criticized the new US tariffs imposed over forced labor allegations, which will add a 12.5% duty on Brazilian exports. The government said it is preparing retaliatory measures and plans to challenge the tariffs at the World Trade Organization, raising the prospect of a broader trade dispute.

INTEL GROWS REVENUE, BUT LOSSES MOUNT

Intel reported second-quarter revenue of $16.1 billion, up 25% from a year earlier. Despite the strong top-line growth, the company posted a net loss of $11 billion, while adjusted earnings came in at 42 cents per share. Management said demand for AI-driven computing power remains strong, supporting its long-term outlook.



US AND SAUDI ARABIA ON NUCLEAR COOPERATION

The United States and Saudi Arabia signed a civilian nuclear cooperation agreement. President Trump said the deal remains tied to Saudi Arabia joining the Abraham Accords, while both sides emphasized that the technology will be used solely for peaceful purposes.

Market Roundup

TRUMP ANNOUNCES XI VISIT

President Trump said Chinese President Xi Jinping will visit the United States on September 24. The meeting is expected to focus on artificial intelligence, trade, and the broader strategic relationship between the world's two largest economies.

Image Source: foxnews.com

US TRADE DISPUTES ESCALATING

US President Donald Trump denounced EU fines on American tech firms as illegal and discriminatory, signaling a Section 301 probe that could trigger new tariffs. Meanwhile, a class-action suit at the US Court of International Trade is contesting 10% to 12.5% duties across 60 trade partners, alleging the executive branch exceeded its authority under the 1974 Trade Act.

Image Source: AFP-Yonhap

GEOPOLITICAL FRICTION MOUNTING

Trump repeated that Iran must not obtain nuclear weapons, asserting Tehran remains unready for a deal while maintaining maximum pressure. He also noted Chinese President Xi Jinping is scheduled to visit Washington on September 24, with AI anticipated as a key focus. Also, regional tensions rose after Ukraine struck an Iranian commercial ship in the Caspian Sea, a move Tehran labeled hostile and criminal, adding fresh

The Week Ahead

The US-Iran conflict will remain in focus as ceasefire efforts compete with ongoing strikes and naval blockades at key shipping routes, keeping energy prices and inflation concerns high. Markets will also navigate a busy week of earnings from Apple, Microsoft, Amazon, Meta, and Samsung, alongside the Fed's July policy decision, Q2 GDP, and PCE inflation. Other highlights include US consumer confidence, trade balance, employment costs, the BOE and BOJ rate decisions, Eurozone GDP and inflation, China's Politburo meeting, and PMI releases across major economies.

AMERICAS

The busiest week of the Q2 earnings season features Microsoft and Meta on Wednesday, followed by Amazon and Apple on Thursday, with Visa, Mastercard, Boeing, Exxon Mobil, Chevron, Qualcomm, Starbucks, Ford, and PayPal also reporting. The Fed is widely expected to leave rates unchanged, with markets focused on Chair Kevin Warsh's guidance. Key data include the advance Q2 GDP estimate, forecast to rise to 2.3% annualized from 2.1%, June personal income and spending, PCE inflation, and durable goods orders, expected to rebound 1.6% after May's 4.5% decline. Other releases include consumer confidence, the Employment Cost Index, trade balance, wholesale inventories, the Case-Shiller home price index, the Dallas Fed Manufacturing Index, the Chicago PMI, and the final Michigan Consumer Sentiment reading. Elsewhere, markets will monitor Bank of Canada minutes, Canada's monthly GDP, Mexico's Q2 GDP and trade balance, and Brazil's unemployment rate.

EUROPE

European markets will focus on central banks, economic data, and earnings. The BOE is expected to keep rates unchanged at 3.75%, with attention on the voting split and guidance for future policy. In the Eurozone, Q2 GDP is projected to grow 0.2%, led by Spain (0.6%), France (0.2%), Germany (0.1%), and Italy (0.1%). Flash inflation and unemployment figures are also due, with Eurozone inflation expected to edge up to 2.9% while unemployment holds at 6.2%. Germany's Ifo Business Climate Index is expected to improve for a third consecutive month, while Switzerland releases retail sales and its economic barometer. Corporate earnings from AstraZeneca, LVMH, Unilever, L'Oréal, Hermès, Intesa Sanpaolo, and Linde will also be closely watched.

ASIA-PACIFIC

In China, attention centers on the Politburo meeting, where policymakers are expected to outline economic priorities for the second half of the year, with targeted support measures favored over broad stimulus. Official PMIs and industrial profits will provide fresh insight into economic momentum. In Japan, the BOJ is expected to leave rates unchanged after June's 25-basis-point hike, while markets look for signals on future tightening. The week also brings Tokyo CPI, unemployment, industrial production, retail sales, housing starts, and consumer confidence. In Australia, CPI is expected to edge up to 4.1% from 4.0%, while building permits and producer prices are also due. Elsewhere, Singapore's central bank is expected to keep policy unchanged, while Hong Kong, South Korea, the Philippines, Pakistan, and India release key economic data. On the corporate side, Samsung, Mahindra & Mahindra, and Mizuho Financial headline the regional earnings calendar.

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