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ZITAPLUS
WEEKLY BULLETIN

FED HITS PAUSE, KEEPS THE DOOR OPEN

ZITA PLUS

ECONOMIC CALENDAR • TECHNICAL ANALYSIS
SOUTH KOREA'S CHIP RALLY LOSES MOMENTUM
MIDDLE EAST TENSIONS RISE AGAIN • AND MORE...

Contents

TIME	CUR.	EVENT	FORECAST	PREVIOUS
MONDAY, AUG 3				
ALL DAY	CAD	Civic Holiday	-	-
17:45	USD	S&P Global Manufacturing PMI (Jul)	53.8	53.9
18:00	USD	ISM Manufacturing PMI (Jul)	54.0	53.3
18:00	USD	ISM Manufacturing Prices (Jul)	70.0	73.0
TUESDAY, AUG 4				
18:00	USD	JOLTS Jon Openings (Jun)	7.420M	7.594M
WEDNESDAY, AUG 5				
16:15	USD	ADP Nonfarm Employment Change (Jul)	71K	98K
17:45	USD	S&P Global Services PMI (Jul)	53.6	51.2
18:00	USD	ISM Non-Manufacturing Prices (Jul)	-	67.7
18:00	USD	ISM Non-Manufacturing PMI (Jul)	54.2	54.0
18:30	USD	Crude Oil Inventories	-	-7.167M
THURSDAY, AUG 6				
16:30	USD	Initial Jobless Claims	205K	197K
FRIDAY, AUG 7				
16:30	USD	Average Hourly Earnings (MoM) (Jul)	0.3%	0.3%
16:30	USD	Nonfarm Payrolls (Jul)	88K	57K
16:30	USD	Unemployment Rate (Jul)	4.2%	4.2%

GMT+4 DUBAI TIME

FED HITS PAUSE, KEEPS THE DOOR OPEN

Image Credit: Getty Images

The Federal Reserve left its policy rate unchanged at 3.50%–3.75% in July, marking a fifth straight meeting without a change and matching broad expectations. However, the decision was far from unanimous, as markets had also assigned a meaningful probability to an immediate rate hike.

The biggest takeaway came from the vote itself. Three FOMC members supported a 25-basis-point increase, highlighting growing concern that inflation remains too persistent. The unusually divided decision has kept expectations for a September rate hike firmly in play.

SEPTEMBER IS THE NEXT TEST

The Fed stated that the US economy continues to expand at a solid pace despite uncertainty linked to the Middle East. Strong productivity, steady business investment, and resilient employment have supported growth, while the unemployment rate has remained broadly unchanged. Inflation, however, continues to run above the Fed's 2% target. Officials pointed to supply disruptions and higher energy prices as key risks, suggesting that rising oil costs could delay progress toward lower inflation.

The Fed also confirmed it will maintain ample reserves in the banking system. Attention now turns to upcoming inflation, employment, and growth data, which will play a key role in determining whether policymakers decide to resume rate hikes at the September meeting.The sector continues to benefit from strong demand, but upcoming earnings are expected to shift attention away from growth alone. Markets will be looking more closely at profitability, cash flow generation, and how efficiently companies are converting AI investments into long-term financial returns.

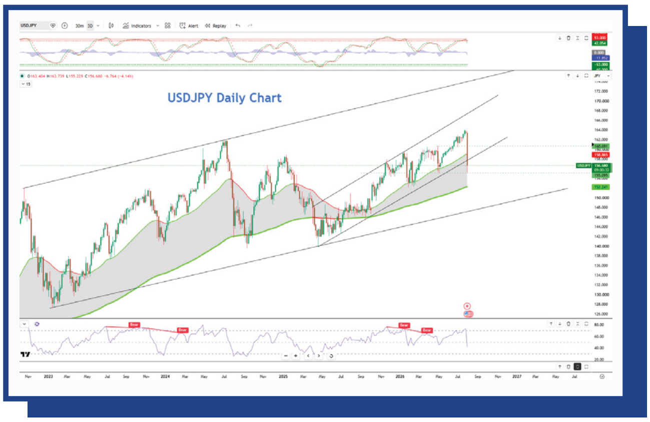

FEDEPAL RESERVE
BUILDING

USDJPY

YEN STRENGTHENS AFTER INTERVENTION

The Japanese yen strengthened sharply after an overnight currency intervention, pushing USD/JPY toward 156.40. The move renewed carry trade unwinding concerns and increased volatility across Asian markets.

Technically, 152.25 is the key support level, with a break below potentially extending losses. On the upside, 164.00 remains the main resistance and a major barrier to renewed dollar strength. Attention now turns to further intervention signals and comments from Japan's Ministry of Finance and the Bank of Japan.



BRENT OIL

BRENT OIL DROPS AS TENSIONS EASE

Brent crude fell nearly 5% to below $84 per barrel after President Donald Trump cancelled a planned military strike on Iran and backed diplomatic talks. Hopes for progress on reopening the Strait of Hormuz eased concerns over immediate supply disruptions.

Iran denied direct negotiations with the US but said talks with Oman were improving shipping conditions through the strategic waterway. Turkey and Iraq also extended a key pipeline agreement for another year, while Kazakhstan resumed crude intake through the Caspian Pipeline Consortium despite ongoing drone attack risks. Meanwhile, OPEC+ approved another modest production increase, adding further downward pressure.

XAUUSD

GOLD RECOVERS ON DIPLOMACY HOPES

Gold rebounded above $4,080. Attention now turns to US labor data and the possibility of a September Fed rate hike.

Technically, a break below $4,050 could increase selling pressure toward the $4,000–$4,010 support zone. On the upside, a move above $4,080 may open the way to the $4,120–$4,125 resistance area.

XAGUSD

SILVER RECOVERS, RESISTANCE HOLDS

Silver rebounded above $58.60 after President Trump announced renewed Iran peace talks. Lower oil prices eased inflation concerns, shifting attention to US labor data and the possibility of a September Fed rate hike.

Technically, $57.40 is the key support. A break below could expose $56.65, followed by the $54.90–$55.00 support zone. On the upside, a move above $59.90 could target $60.75–$60.80, though the recovery remains limited unless that resistance is broken.

SOUTH KOREA'S CHIP RALLY LOSES MOMENTUM

South Korea's semiconductor-driven market rally is showing signs of fatigue as investors grow more cautious about the long-term outlook for artificial intelligence spending. Despite posting strong earnings, SK Hynix saw its shares fall another 10%, extending losses from recent record highs and highlighting changing market expectations.

STRONG RESULTS FAIL TO IMPRESS

SK Hynix reported a sharp increase in operating profit compared with a year ago, while profit margins also improved significantly. However, the results were not enough to satisfy investors, who have become increasingly focused on whether companies can exceed already high expectations rather than simply deliver strong earnings.

The company remains optimistic about demand for high-bandwidth memory (HBM), a key component used in AI systems, and plans to continue expanding production. Still, investors are concerned that aggressive capacity growth could eventually lead to oversupply and weaker profit margins if AI investment begins to slow.

BROADER MARKET FEELS THE PRESSURE

The decline in SK Hynix has weighed on the wider South Korean stock market, with the KOSPI heading for one of its steepest weekly losses in years. Given the significant weight of semiconductor companies in the index, weakness in the sector has quickly spread across the broader market.

While the current selloff does not point to a financial crisis, it has highlighted several risks facing South Korea's economy:

- Elevated valuations across semiconductor stocks
- Heavy capital spending linked to AI expansion
- Strong dependence on the chip sector for market performance

If demand for AI infrastructure cools, investors may continue to reassess valuations, potentially creating further pressure on both the semiconductor industry and the broader South Korean market.

MIDDLE EAST TENSIONS RISE AGAIN

Image Credit: REUTERS/Jonathan Ernst

Growing differences between the United States and Israel have emerged following a meeting between US President Donald Trump and Israeli Prime Minister Benjamin Netanyahu. While both countries remain committed to countering Iran, reports suggest they disagree on how the conflict should develop and whether military operations should continue.

US AND ISRAEL DIFFER ON STRATEGY

According to reports, the Trump administration is concerned that Israel may be prolonging the conflict at the expense of diplomatic efforts. Netanyahu, however, maintains that Iran continues to operate undisclosed nuclear facilities and has urged Washington to maintain its military support.

CONFLICT SPREADS ACROSS THE REGION

Regional tensions intensified after Iran was accused of launching missiles at US forces in Jordan, although local air defence systems reportedly intercepted the attack. In response, the United States and Saudi Arabia carried out joint airstrikes against Iran-backed armed groups in Iraq.

The Iraqi government condemned the strikes, calling them a violation of its sovereignty. Local reports also indicated that several Iranian military advisers were killed alongside members of allied militias.

BROADER RISKS EMERGE

The latest developments suggest the conflict is expanding beyond Iran and Israel, with Jordan, Iraq, and Saudi Arabia becoming increasingly involved. The widening regional involvement has renewed concerns about a broader Middle East conflict. Oil prices also moved higher after President Trump pledged a firm response to Iran, adding to market concerns over potential disruptions to global energy supplies.

MICROSOFT OUTSHINES META ON AI GROWTH

Selected Product and Service Information Constant Currency Reconciliation

Three Months Ended June 30, 2026

	Percentage Change Y/Y (GAAP)	Constant Currency Impact	Percentage Change Y/Y Constant Currency
Microsoft Cloud revenue	27%	0%	27%
Commercial remaining performance obligation	84%	0%	84%
Microsoft 365 Commercial cloud revenue	14%	0%	14%
Microsoft 365 Consumer cloud revenue	24%	(2)%	22%
LinkedIn revenue	12%	(2)%	10%
Dynamics 365 revenue	13%	(1)%	12%
Azure and other cloud services revenue	43%	0%	43%
Windows OEM and Devices revenue	(7)%	0%	(7)%
XBOX content and services revenue	(10)%	0%	(10)%
Search advertising revenue excluding traffic acquisition costs	10%	(1)%	9%

Source: FY26 Q4 - Press Releases - Investor Relations - Microsoft

Microsoft reported stronger quarterly results, driven by strong demand for cloud services and artificial intelligence. Azure recorded its fastest growth in four years, with annual revenue surpassing $100 billion, reinforcing confidence that AI investments are translating into business growth.

AI SPENDING REMAINS UNDER SCRUTINY

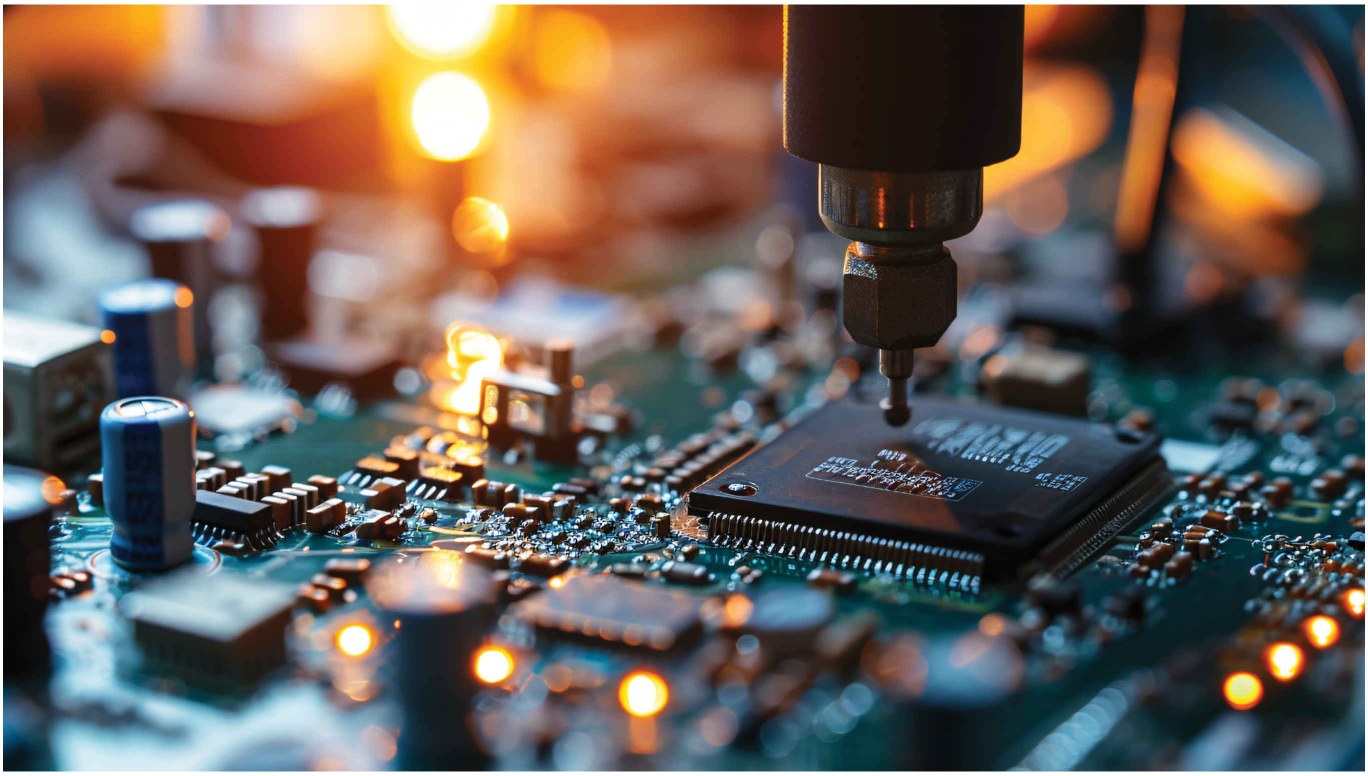
Despite the strong performance, investors continued to monitor rising infrastructure costs. Operating cash flow increased during the quarter, but heavy spending on AI and data centers weighed on free cash flow. Markets are increasingly focused on whether these large investments will deliver sustainable long-term returns rather than simply support revenue growth.

Meta also reported quarterly revenue that slightly exceeded expectations and continued to benefit from AI-driven improvements in its advertising business. The company said artificial intelligence is helping strengthen ad performance across its platforms and supporting overall growth.

However, investor sentiment weakened after Meta issued a softer sales outlook for the coming quarter. The midpoint of its revenue guidance fell below market forecasts, while higher capital expenditures, rising operating costs, and ongoing legal challenges added to concerns.

Although both companies continue to invest heavily in AI, Microsoft provided stronger evidence that its spending is producing measurable cloud revenue. Meta's latest results remained solid, but its cautious guidance suggests investors are seeking clearer signs that rising AI investments will translate into stronger financial performance in the quarters ahead.

SEMICONDUCTOR RALLY FACES FRESH QUESTIONS



Semiconductor stocks have led global equity markets during the artificial intelligence boom, but investor confidence is beginning to show signs of caution ahead of a new round of earnings reports from major technology companies.

INVESTORS SHIFT FOCUS TO AI RETURNS

One development drawing attention is the recent rise in Nvidia's credit default swap (CDS) levels. While this does not indicate concerns about an imminent default, it suggests investors are becoming more cautious about elevated valuations and the scale of spending required to support AI expansion.

Technology companies continue to invest billions of dollars in chips, data centres, and cloud infrastructure. The key question is whether these investments will generate enough revenue and free cash flow to justify current market expectations.

Investors are also paying closer attention to what some analysts describe as a circular investment cycle, where major technology firms, semiconductor manufacturers, and infrastructure providers are all benefiting from the same wave of AI-related spending. Although the model has supported strong growth so far, it could face pressure if corporate investment begins to slow.

The sector continues to benefit from strong demand, but upcoming earnings are expected to shift attention away from growth alone. Markets will be looking more closely at profitability, cash flow generation, and how efficiently companies are converting AI investments into long-term financial returns.

Market Roundup

DEUTSCHE BANK'S STRONG TRADING QUARTER

Deutsche Bank reported a 16% year-over-year increase in fixed-income trading revenue to €2.6 billion in the second quarter, supported by stronger client activity in rates and credit markets. The bank also announced a €500 million share buyback, reflecting confidence in its capital position, while maintaining its full-year revenue guidance.

Image Source: Krisztian Bocsi/Bloomberg

RUSSIA TO EXTEND DIESEL RESTRICTIONS

Russia is reportedly preparing to extend its diesel export ban for another month after Ukrainian drone attacks disrupted refinery operations. The restrictions are intended to safeguard domestic fuel supplies and could tighten availability in international diesel markets if extended.

ECB SIGNALS PATIENCE ON TIGHTENING

ECB Governing Council member Christodoulos Patsalides said there is not enough evidence to justify another rate hike in July, suggesting policymakers remain cautious despite lingering inflation risks. He added that sustained increases in energy prices could still feed into inflation and become a more important consideration ahead of the September policy meeting.

Image Source: REUTERS/Yiannis Kourtoglou

Market Roundup

US INTERVAL OF YEN

The US isn't supporting Japan for free. Whenever the yen weakens, Japan intervenes by selling US Treasuries. Japan's holdings of US Treasuries fell from 1.143 trillion in May, a decline of about $96 billion in three months.

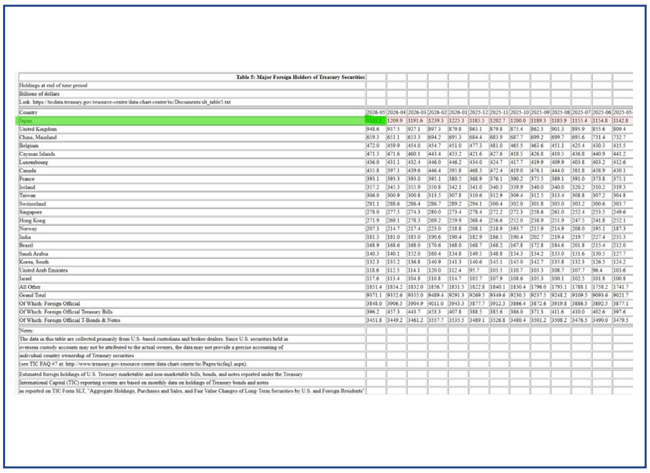


Table 5: Major Foreign Holders of Treasury Securities

Holdings at end of time period

Billions of dollars

Link: https://ticdata.treasury.gov/resource-center/data-chart-center/tic/Documents/slt_table5.txt

Country	2026-05	2026-04	2026-03	2026-02	2026-01	2025-12	2025-11	2025-10	2025-09	2025-08	2025-07	2025-06	2025-05
Japan	1143.1	1209.9	1191.6	1239.3	1225.3	1185.5	1202.7	1200.0	1189.3	1183.9	1155.4	1154.8	1142.8
United Kingdom	948.6	937.5	927.1	897.3	879.8	863.1	879.8	875.4	862.5	901.3	895.9	855.6	809.4
China, Mainland	659.3	651.1	653.3	694.2	695.3	684.4	683.9	687.7	699.2	699.7	695.6	731.4	732.7
Belgium	472.0	459.9	454.0	454.7	451.0	477.3	481.0	465.5	463.6	451.1	425.4	430.3	415.5
Cayman Islands	471.3	471.6	460.1	443.4	433.2	421.6	427.6	418.5	426.8	410.5	436.8	440.9	441.2
Luxembourg	436.0	431.1	432.4	446.0	446.2	434.0	424.7	417.7	419.9	409.9	403.8	403.2	412.6
Canada	435.8	397.1	439.6	446.4	395.8	468.3	472.4	419.0	476.1	444.0	381.8	438.9	430.1
France	393.1	393.3	393.0	395.1	380.5	368.9	376.1	390.2	375.5	389.1	391.0	373.8	375.1
Ireland	357.2	345.3	355.9	350.8	342.1	341.0	340.3	339.9	340.0	340.0	320.2	310.2	319.3
Taiwan	306.0	300.9	300.8	313.5	307.8	310.6	312.9	309.4	312.5	313.4	308.8	307.2	304.8
Switzerland	281.1	288.6	286.4	286.7	289.2	294.1	300.4	302.0	301.8	303.0	303.2	300.6	303.7
Singapore	278.0	277.5	274.3	280.0	273.4	278.4	272.2	272.3	258.6	261.0	252.4	253.5	249.6
Hong Kong	271.9	269.1	278.3	269.2	259.9	268.4	256.6	252.0	238.9	251.9	247.5	241.8	252.1
Norway	207.3	214.7	217.4	223.0	218.8	208.1	218.9	193.7	215.9	214.9	208.0	195.1	187.3
India	181.3	181.0	183.0	190.6	190.4	182.9	186.5	190.4	202.7	219.4	219.7	227.4	235.3
Brazil	168.9	168.6	168.0	170.6	168.0	168.7	168.2	167.8	172.8	184.6	201.8	215.4	212.0
Saudi Arabia	140.3	140.1	152.0	160.4	134.8	149.5	148.8	134.3	134.2	133.0	131.6	130.5	127.7
Korea, South	132.3	135.2	136.8	140.9	141.3	140.6	145.1	145.0	142.7	135.8	132.3	126.5	124.2
United Arab Emirates	118.6	112.5	114.1	120.0	112.4	95.7	103.5	110.7	103.3	108.7	107.7	96.4	103.6
Israel	117.6	113.4	104.8	110.8	114.7	105.7	107.9	108.6	105.3	100.1	102.5	101.8	100.8
All Other	1851.4	1854.2	1832.0	1856.7	1831.5	1822.8	1840.1	1830.4	1796.0	1793.1	1788.1	1758.2	1741.7
Grand Total	9371.1	9352.6	9355.0	9489.4	9291.3	9269.5	9349.6	9230.5	9237.5	9248.2	9109.5	9093.6	9021.7
Of Which: Foreign Official	3848.0	3906.5	3904.9	4011.0	3943.3	3877.7	3912.3	3866.4	3872.6	3919.8	3886.5	3892.5	3877.1
Of Which: Foreign Official Treasury Bills	396.2	457.3	443.7	453.3	407.8	388.5	385.6	386.0	371.3	411.6	410.0	402.6	397.6
Of Which: Foreign Official T-Bonds & Notes	3451.8	3449.2	3461.2	3557.7	3535.5	3489.1	3526.8	3480.4	3501.2	3508.2	3476.5	3490.0	3479.5

Notes:

The data in this table are collected primarily from U.S.-based custodians and broker-dealers. Since U.S. securities held in overseas custody accounts may not be attributed to the actual owners, the data may not provide a precise accounting of individual country ownership of Treasury securities (see TIC FAQ #7 at: http://www.treasury.gov/resource-center/data-chart-center/tic/Pages/ticfaq1.aspx).

Estimated foreign holdings of U.S. Treasury marketable and non-marketable bills, bonds, and notes reported under the Treasury International Capital (TIC) reporting system are based on monthly data on holdings of Treasury bonds and notes as reported on TIC Form SLT, "Aggregate Holdings, Purchases and Sales, and Fair Value Changes of Long-Term Securities by U.S. and Foreign Residents"

CENTRAL BANKS ACCELERATE GOLD BUYING

Global gold purchases reached 289 tonnes in Q2 and 345 tonnes in the first half of the year. Poland led with 51 tonnes, lifting its gold reserves to a record 632 tonnes, with a target of 700 tonnes.

Around 89% of central banks expect gold reserves to keep growing, driven by reserve diversification, reduced reliance on the US dollar, and protection against sanctions.

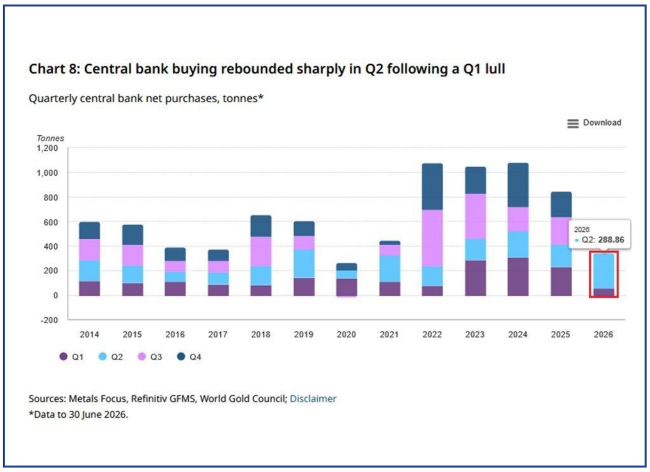


Image Source: AFP-Yonhap

MIDDLE EAST RISKS KEEP ENERGY IN FOCUS

The Houthis are considering new fees on commercial vessels in the southern Red Sea, while recent attacks have increased risks to Saudi energy infrastructure and regional shipping. The United States imposed new sanctions on companies and vessels involved in Iranian oil and petrochemical exports. Tensions also rose after reports that Iran considered a limited missile strike on a Ukrainian port, although diplomatic efforts have so far prevented further escalation.

The Week Ahead

Markets enter August focused on the US-Iran conflict, which continues to influence oil prices and inflation expectations, while AI-related volatility remains elevated ahead of earnings from SpaceX and AMD. Key US releases include the July jobs report, JOLTS, ADP employment, ISM PMIs, factory orders, and trade data. Europe will publish industrial production and Germany's trade figures, while China releases PMIs and trade data. Japan reports wages, Australia publishes key activity data, Brazil and India announce rate decisions, and OPEC+ meets to discuss oil output.

AMERICAS

Earnings remain the main focus, with SpaceX, AMD, Berkshire Hathaway, Eli Lilly, Palantir, Caterpillar, McDonald's, Merck, Disney, Booking, Uber, Pfizer, Shopify, and others reporting. Friday's US jobs report is expected to show 91,000 new payrolls, up from 57,000 in June, with unemployment rising to 4.3% and wage growth steady at 0.3%. Strong data could reinforce September Fed hike expectations. Markets will also watch ISM PMIs, JOLTS job openings, expected at 7.25 million versus 7.59 million, ADP employment, trade balance, factory orders, and productivity. Canada releases employment, trade, and PMIs, while Mexico announces inflation and its rate decision. Brazil publishes industrial production and PMIs, with the Selic rate expected to remain unchanged.

EUROPE

Germany's trade surplus is expected to narrow, industrial production to stall, and factory orders to continue growing more slowly. Retail sales may decline after May's rebound. July PMIs are expected to show improving manufacturing in Spain, Italy, and Switzerland, while Eurozone retail sales are seen rising for a second month. France and Italy are expected to report stronger industrial production. Turkey's annual inflation is forecast to ease to 31.8%, with trade data also due. Other releases include Swiss inflation, unemployment, consumer confidence, French and Spanish labor data, and the UK's Lloyds House Price Index, expected to rise 0.2%. Earnings include HSBC, BP, Novo Nordisk, Siemens Energy, Deutsche Telekom, and Allianz.

ASIA-PACIFIC

China releases RatingDog PMIs, trade, and inflation data, with the trade surplus expected to narrow to $112.5 billion. Japan reports wage growth, household spending, and BOJ meeting minutes. India's RBI is expected to keep rates at 5.25%. Australia publishes job ads, household spending, building permits, trade, and the Ai Group Industry Index. Inflation data is due across the region, while Indonesia and the Philippines release Q2 GDP. Markets will also watch New Zealand's labor report, regional PMIs, and earnings from Mitsubishi, Toyota, and Nintendo.

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