Cetera® Investment Management July 17, 2026

Commentary

What's Behind the Market Volatility and What It Means for You

- Technology stocks have had a painful week
- The broader market is holding up better as diversification is doing its job
- This is the volatility we've been expecting, so stay disciplined and diversified

It has been a turbulent week in financial markets, and today's activity is adding to that pressure. Technology and semiconductor stocks have led the weakness, dragging the broader market lower over several consecutive sessions. If you've checked your portfolio this week and felt uneasy, you are not alone, and you deserve a clear explanation of what's happening. Markets rarely fall for just one reason, and this week is no exception.

First, a Chinese artificial intelligence company released a powerful new AI model that, by many measures, rivals the best models built by U.S. technology companies. The release drew immediate comparisons to the DeepSeek moment of early 2025, when a Chinese lab demonstrated it could build a world-class AI model at a fraction of the cost U.S. companies were spending. For investors, this raises a straightforward but important question: if cutting-edge AI can be built more cheaply, do the largest U.S. technology companies really need to spend hundreds of billions of dollars on chips and infrastructure? That uncertainty has rattled the stocks that have led this year's market rally.

Second, earnings season is reminding us that expectations matter as much as results. Several high-profile technology and media companies have reported solid profits this week but offered cautious forward guidance that fell short of what Wall Street had anticipated. Guidance-driven selloffs tend to last longer than earnings-miss selloffs because they change the forward model analysts use to value stocks. When stocks are priced for perfection, even a modest disappointment gets punished. That dynamic is playing out in real time this week.

Third, geopolitical tensions remain an overhang. Renewed tensions over the Strait of Hormuz have kept oil prices elevated, raising concerns about a fresh round of energy-driven inflation that would complicate the Federal Reserve's already uncertain path on interest rates under new Fed Chair Kevin Warsh.

This week's moves are uncomfortable, but they are not surprising. Volatility like this is precisely what we have been preparing for. Despite this week's weakness, the S&P 500 remains meaningfully higher over the past twelve months and is less than 2% below its all-time high. A pullback of this nature would simply take the market back to where it was a few weeks ago, and that is not a crisis. It is the normal turbulence that comes with investing.

What this week reinforces is something we've been watching carefully: the stock market has been heavily concentrated in a small number of large technology companies. The ten largest stocks in the S&P 500 account for approximately 38% of the entire index. This means that when those names come under pressure, the headline index feels it more even when the rest of the market is holding up reasonably well. Notably, smaller and mid-sized U.S. companies, as well as defensive sectors like healthcare and consumer staples, have largely weathered this week far better than the technology-heavy indexes. That is diversification doing exactly what it is supposed to do.

We continue to view pullbacks as buying opportunities. The U.S. economy remains resilient, corporate earnings are broadly healthy, and the long-term case for owning quality investments is intact. Weeks like this are the price of admission for the returns that markets deliver over time.

What we remain focused on is ensuring portfolios are well-positioned for a world where volatility is higher, technology leadership is more uncertain, and interest rates stay elevated longer than many expected. That means broad diversification, disciplined rebalancing, and avoiding the temptation to chase whatever worked best in the recent past.

If this week's market action has raised questions about your specific situation, please reach out to your financial professional. That conversation is always worth having, especially in weeks like this one.

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