Financials look like the catch-up trade for the second half of 2026

Top portfolio managers and strategists are turning bullish on this unloved sector.

Phil Rosen

Jul 27, 2026

Good morning, investors. Four of the Magnificent 7 report earnings this week — Microsoft, Meta, Apple, and Amazon — while the Fed meets Tuesday and Wednesday for just the second time under Kevin Warsh.

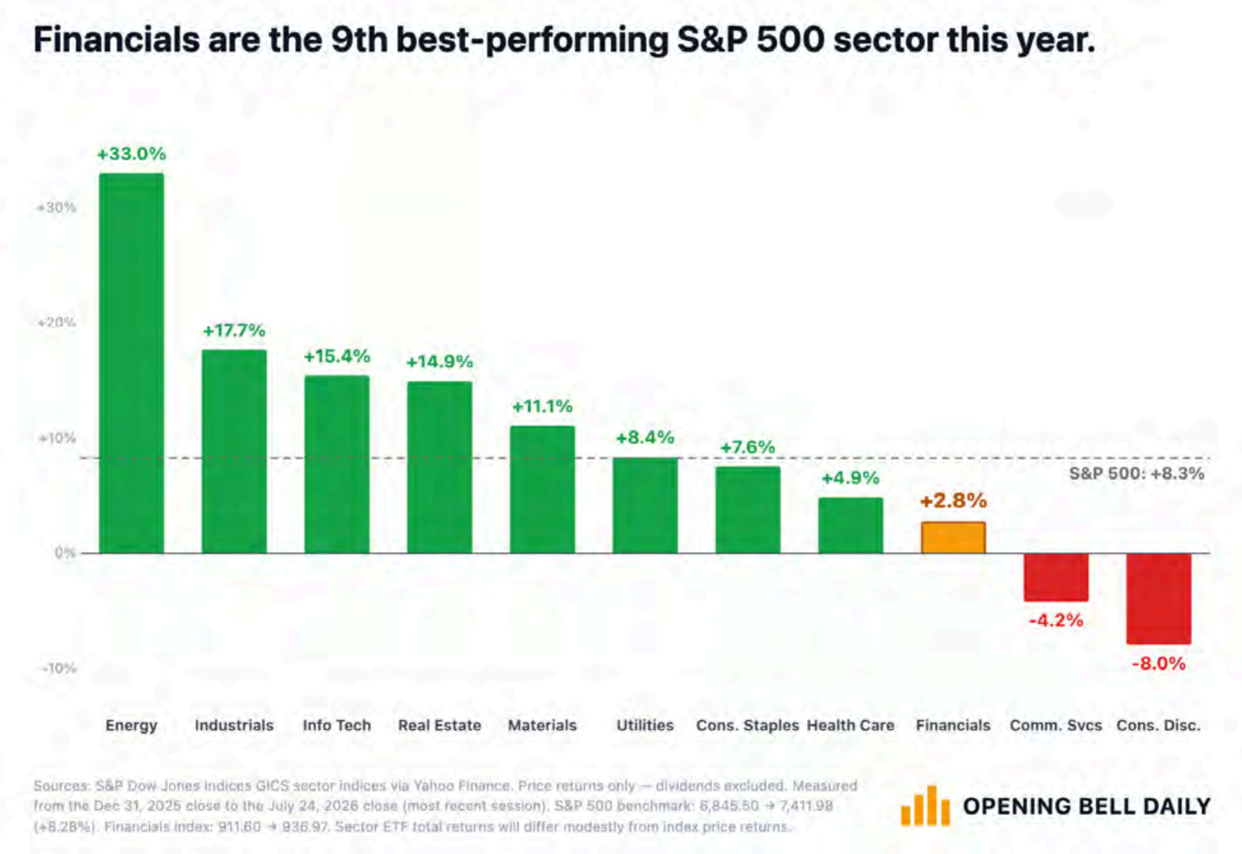
Markets sold off after Alphabet's relatively strong quarterly report last week, and it shouldn't surprise anyone to see that pattern repeat for the rest of Big Tech.

Today, though, we are looking beyond the AI trade.

Financials catch up

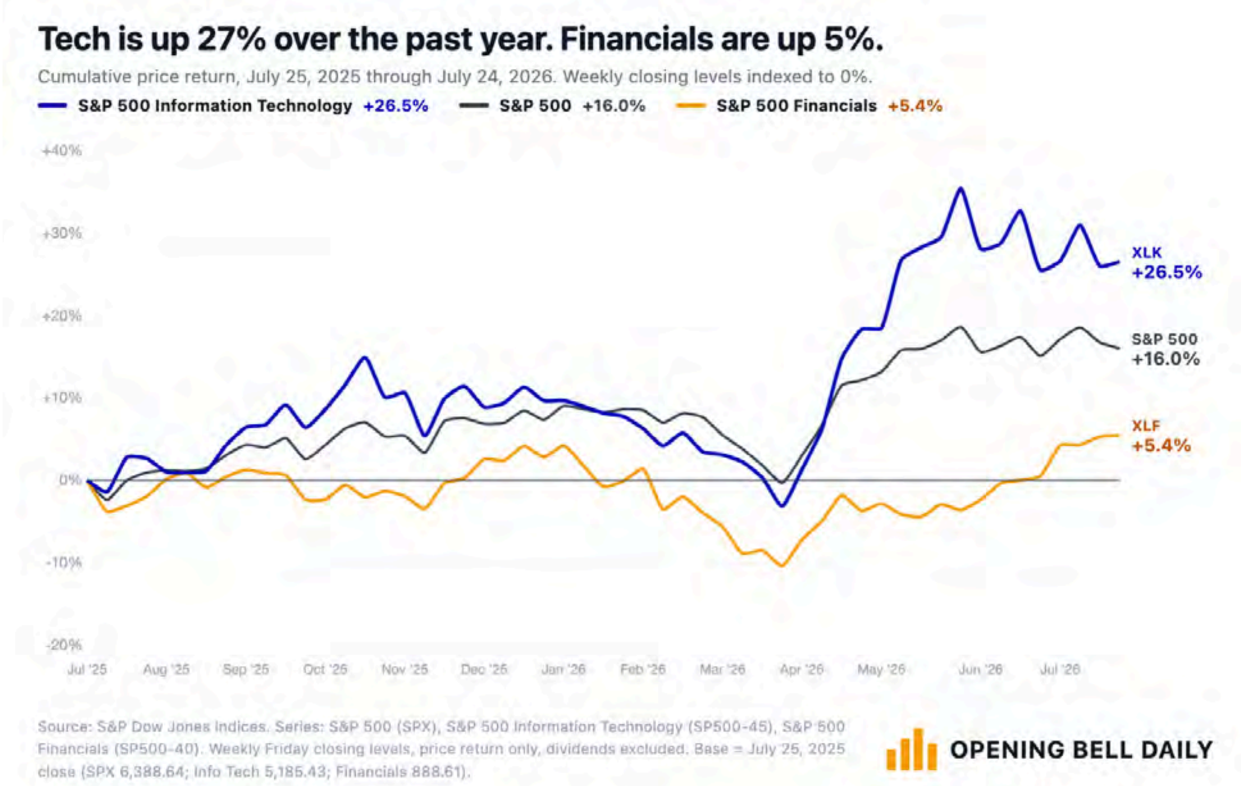
Financials have been one of the weakest corners of the market in 2026 but that's exactly why the sector could end up the best bet for the second half of the year.

Record profitability, higher-for-longer interest rates and de-regulatory tailwinds are hitting all at once yet investors have largely ignored these stocks to chase the AI trade.



That’s why financials, as tracked by XLF, are up just 2.5% year-to-date and 6% over the last 12 months.

The S&P 500, meanwhile, has roughly tripled those returns and tech has outperformed so much it barely fits on the same chart.



The Fed funds rate sits in the 3.5% to 3.75% range, and traders assign one-in-three odds of a hike at the next meeting.

But whether rates go up or down by 25 basis points is irrelevant given that rates will remain high relative to recent history either way.

JPMorgan, for one, reported $25.6 billion in net interest income last quarter, a 10% jump from the prior year.

Goldman Sachs saw an even larger 27% increase to $3.95 billion.

It's no accident that last quarter JPMorgan posted a 23% return on tangible common equity and Goldman posted a 23.5% return on equity.

Deregulation is the second leg. Financials have been hamstrung since the 2008 financial crisis and some bank stocks still have not returned to prior highs.

But under President Trump, much of the red tape has been trimmed, according to veteran portfolio manager Michael Gayed.

"If you have deregulation, you have bigger profit margins," Gayed told me on [Full Signal](). He manages the Free Markets ETF (FMKT), which is designed to capitalize on deregulatory tailwinds. “Less compliance costs, faster products to market.”

Separately, the industry-wide push for tokenization should allow smoother, faster and cheaper transacting for every financial firm.

The Depository Trust and Clearing Corporation, which custodies more than $114 trillion in securities, is already testing live trades of tokenized equities and Treasuries.

In the coming months, BlackRock, JPMorgan, Goldman Sachs, Vanguard and the New York Stock Exchange are all set to participate in tokenization.

Julia Hermann, global market strategist for New York Life Investment Management, believes that financials are positioned for a catch-up trade in the second half of the year.

“This represents a relatively high-quality segment of the market,” she told me on another episode of Full Signal.

“Strong profitability, lower earnings variability, and a sector where the price action and investor interest hasn't necessarily followed."

It’s true that an unexpected credit event could severely undermine the bull case for financials.

Short of a black swan, investors can take solace in record bank earnings, a favorable rates backdrop, and a sector that’s actively rebuilding its own infrastructure for higher margins.

Market snapshot

	1-day change	YTD	Value
DJIA	-0.97%	6.88%	51,711.65
S&P 500	-1.21%	8.02%	7,408.3
NASDAQ*	-2.15%	8.19%	25,137.69
Russell 2K	-0.67%	17.22%	2,940.16
Magnificent 7 ETF**	-4.63%	-3.24%	$63.23
MSCI All World	-1.18%	8.32%	$154.34
Bitcoin	0.57%	-27.11%	$64,677.01
Gold	0.60%	-5.65%	$4,070.8 per ounce
Silver	1.92%	-16.51%	$58.91 per ounce
Brent Crude	-3.88%	59.31%	$96.78 a barrel
10-Year	0.99%	12.32%	4.70%

*Market data as of Sunday 3:37 PM ET, *Nasdaq Composite, **Roundhill MAGS ETF*

Table: Phil Rosen, Opening Bell Daily • Source: Yahoo Finance

OPENING BELL DAILY

Elsewhere

📈 **Intel posted its best revenue growth in more than 15 years.** Data center sales rose 59% to $6.26 billion yet shares still fell 8%, with investors focused on the chipmaker's rising capex plans. (Yahoo Finance)

🎯 **Trump ordered a US probe into the European Union's antitrust fine against Google.** This opens a new front in the transatlantic tech-and-tariff battle as EU regulators finalize Digital Markets Act enforcement. (Reuters)

🤖 **Samsung and SK Hynix secured $950 billion in US chip supply deals with Nvidia and Broadcom.** SK Hynix confirmed $750 billion and Samsung will provide the rest, according to news following President Lee Jae Myung's visit with Sam Altman and Jensen Huang in San Francisco. (Reuters)

📊 **America's biggest retailer is getting into banking.** After previous misfires in financial services, Walmart is back at it with OnePay. CEO Omer Ismail believes the company can succeed where other fintechs have floundered and ultimately compete with big banks. Watch now.

Rapid-fire

- Qualcomm told customers to expect double-digit chip price increases next quarter (Bloomberg)
- Waymo is exploring an end to its Uber ride-hailing partnership (Financial Times)
- This asset management stock could surge 45% as the market catches up to its technology stack (Best ideas Club)
- Paramount paused its Warner Bros Discovery merger while the antitrust case plays out (Reuters)
- The CFTC issued new guidance on prediction market contract certifications Friday (Investing.com)
- Wall Street is watching the wrong bubble signal (ProCap Insights)
- These investment themes will win the next leg of the AI trade (Full Signal)

On this day

🗓️ **July 27, 2018:** Twitter shares plunged 20% after its quarterly earnings showed monthly active users had dropped by one million.

Last thing

Beth Kindig
@Beth_Kindig · **Follow**

Nvidia supplier Wistron opened its $700 million factory in Texas, producing Nvidia's GB300 systems as well as its upcoming Vera Rubin racks.

Nvidia says the plant is scaling to produce "tens of thousands of boards per month."

$NVDA $AMD $AVGO

9:39 AM · Jul 26, 2026

328 Reply Copy link

Read 34 replies

**Partner disclosures:*

SKHL is non-diversified and concentrated in a single company. Investing in the Fund is not equivalent to investing directly in SK hynix. An investor should carefully consider a Fund's investment objective, risks, charges, and expenses before investing. A Fund's prospectus and summary prospectus contain this and other information about Direxion ETFs.

To obtain a Fund's prospectus and summary prospectus call 866-476-7523 or visit direxion.com. Significant risk involved. ALPS Distributors, Inc.

Keep Reading

Apple is the new king of the AI trade even though it barely spends on AI

It just surpassed Nvidia as the most valuable company in the world.

Jul 20, 2026 • 4 min read

Big banks are getting rich off the gambling mood in markets

Investors have every reason to pile into markets right now.

Jul 16, 2026 • 3 min read

Semiconductor companies are betting that their hyperscaler customers never economize

Hyperscalers' free cash flow has collapsed while that of chip names are soaring.

Jul 22, 2026 • 3 min read

Read all →