Richard Rose Wealth Management July 13, 2026

Good morning,

What's in this week's Report:

- Three Tests for the Rally This Week
- Weekly Market Preview: A Critical Week for Inflation, AI and the Fed
- Weekly Economic Cheat Sheet: Inflation in Focus (and the Numbers Need to be Good)
- Is More U.S./Iran Fighting a Material Negative for Markets?

Futures are modestly lower amid rising geopolitical tensions following the escalation of the U.S./Iran conflict over the weekend.

Iran attacked another commercial ship transiting the Strait of Hormuz, prompting some of the most intense attacks from the U.S. since the start of the conflict.

Despite the escalation, oil is up a modest 3%, and markets still believe both sides seek a ceasefire (which is why markets aren't down more on the news).

This is a busy week of data and earnings, but it starts slowly, with no notable economic reports today and just two Fed speakers (Bowman (5:25 a.m. ET) and Waller (12:30 p.m. ET)), who shouldn't move markets. Instead, focus will be on geopolitics, and any reports of ceasefire progress will help stocks bounce.

Market	Level	Change	% Change
S&P 500 Futures	7,593.00	-27.25	-0.36%
U.S. Dollar (DXY)	100.77	0.01	0.01%
Gold	4,068.82	-44.88	-1.09%
WTI	74.06	2.65	3.71%
10 Year	4.585%	0.016	0.35%

Stocks

Last Week (Needed Context as We Start a New Week)

Stocks wavered between early-week gains and midweek losses before the major indexes ended the week on the highs as traders digested an uptick in geopolitical uncertainty, mixed economic data, and more dip-buying in mega-cap tech. The S&P 500 rallied 1.26% on the week.

Stocks rallied to start last week thanks to a Goldilocks ISM Services PMI that showed a modest slowdown in service-sector inflation pressures amid healthy headline growth, sending the S&P 500 up 0.72%.

Volatility picked up Tuesday as strong overseas tech earnings (Samsung) failed to temper profit-taking and rotational money flows away from AI-related tech/semi names amid an Iranian attack on a Qatari LNG tanker attempting to navigate the Strait of Hormuz. Surging oil prices, rising yields, and a stronger dollar all acted as headwinds while a "warm" NY Fed Survey revealed rising consumer inflation expectations. The S&P 500 ended down 0.45%.

Stocks fell to their lows for the week on Wednesday as military actions between the U.S. and Iran continued to escalate and President Trump reportedly said the ceasefire deal has been a "waste of time." Trump later denied saying that, which saw oil and yields come off session highs. That ignited a dip-buyer rebound into the afternoon with the S&P 500 ending down just 0.28%.

The midweek rebound extended into Thursday's session as U.S. military strikes against Iran were no more intense than anticipated and President Trump downplayed risks of a renewed rise in geopolitical tensions with Iran, noting Iranian diplomats had already reached out to restart peace talks. The S&P 500 closed higher by 0.81%.

Stocks continued to drift higher in largely quiet Friday trade after the White House confirmed that "technical talks" between the U.S. and Iran would continue over the weekend after the latest flare-up in geopolitical tensions. AI stocks led the way after chipmaker (and notable NVDA supplier) SK Hynix launched a historic $26.5B share offering on the Nasdaq via ADRs. At the same time, META spiked on reported progress in advancing its AI technology programs. The S&P 500 closed at weekly highs, up 0.42%.

Why This Is a Very Important Week for the Rally

The bullish thesis that has underpinned the significant rally since the March lows will be tested in multiple ways this week by data, Fed speak, and earnings, and the outcome could easily charge the market for a run higher through the summer. Or it could negatively damage the bullish case that's powered stocks higher for more than three months.

The bullish "thesis" for stocks since April has largely held: AI data center spending mania is powering incredible earnings growth across the economy (especially in AI infrastructure sectors such as chips, memory, etc.) and it's showing no signs of abating. Neither the U.S. nor Iran wants a full-scale war, which removes the upside risk from oil. That, in turn, means we've likely seen the peak in inflation, and that means no rate hikes (and even the possibility of cuts). Meanwhile, economic data remains solid as the AI spending boom fuels a private-sector stimulus plan, keeping the economic tide rising. Each of those ideas will be challenged this week, starting with AI-driven earnings growth.

Test One: ASML and TSM earnings (Wednesday and Thursday). This week is the effective start of the Q2 earnings season, and as always, we're going to see the results dominated by the big banks, and their performance should be solid. Underscoring how the AI data center mania is spreading throughout the economy, even financials are benefiting through fees from debt offerings and IPOs from hyperscalers and AI companies, as they continue to have massive demand for capital. But it's not the financials that matter most this week; it's Taiwan Semiconductor and ASML, because they are the first AI infrastructure stocks to report, and the results need to continue pointing to mania-level component spending by the hyperscalers, given very high expectations. If the results are underwhelming relative to expectations (as with Samsung last week), we will see more tech weakness.

Test Two: Inflation via CPI, PPI, and U-Mich. CPI and PPI come tomorrow and Wednesday, respectively. Almost as importantly, the University of Michigan inflation expectations will be released on Friday, and markets are expecting declines across the board, solid drops in headline and core CPI, as well as a continued fall in one– and five-year inflation expectations. But while that's reasonable given the plunge in oil prices since May, the reality is that the bond market isn't signaling a positive inflation outlook, with yields still near 4.50%. We're either going to see more proof that inflation pressures have peaked and are receding (and the 10-year yield will drop), or we're not, and the 10-year yield will have been "right" at 4.50%.

Test Three: Fed rate hikes via Warsh's testimony. Markets have priced in one rate hike by the end of the year. Still, Fed funds futures out beyond a month are as much of a guess as anything (too much data is looming for the opinion to be valid), and the reality is the market doesn't "believe" the Fed's serious about hiking rates. Instead, the market views the Fed as reacting to the spike in inflation metrics and, as soon as those metrics start showing signs of decline (hopefully this week), the Fed will quickly abandon the rate-hike chatter and the possibility of rate cuts will return. This week, Fed Chair Warsh gives his semiannual testimony to Congress on Tuesday and Wednesday, and he has the opportunity, while not sounding too dovish, to reinforce that belief, especially if inflation data is encouraging.

Bottom Line

The positive outcome (markets "passing" the test) will look like this: 1) ASML and TSM earnings best expectations and reinforce the AI data center mania is going as strong as ever, 2) CPI and U-Mich inflation expectations drop as expected (or ideally more) and reinforce the idea that inflation has peaked, and 3) Warsh is not hawkish and highlights some progress on inflation, confirming that rate hike possibility will fall, quickly, as inflation metrics fall. This outcome should result in new highs for stocks, as long as fighting doesn't dramatically re-escalate between the U.S. and Iran.

The negative outcome (markets "failing" the test) will look like this: 1) ASML and TSM post incredible numbers (there's no doubt of that) but they aren't good enough and they boost fears the AI data center mania is running out of steam, 2) CPI or U-Mich do not fall as expected (or worse, don't fall at all), reinforcing fears that inflation isn't just about oil prices and it may be sticker than expected (meaning a real chance of rate hikes), and 3) Warsh talks about inflation risks and the return of "price stability" or about reducing the balance sheet, hawkish topics that will boost rate hike fears. If this happens, expect a drop in stocks (and the start of a 3%-5% pullback).

So, this week is an important test for the rally, and we'll be watching to avoid being blindsided by any sudden volatility (and neither will you).

Economic Data (What You Need to Know in Plain English)

Last Week

Economic data was sparse, but the few reports we got last week continued the Goldilocks trend, while Fed commentary provided a slight dovish surprise. The data and Fed news did help support stocks amid the headwinds from renewed U.S./Iran fighting.

As for data, there were only two notable economic reports last week, and both were Goldilocks. The ISM Services PMI for June slightly missed expectations and declined from May, to 54.0 vs. (E) 54.1, but the headline reading is still very solid and comfortably above 50, signaling expansion. Additionally, details in the report were also encouraging as New Orders, the leading indicator in the report, remained solid at 55.1 (down from 57.3, but still a good number above 50) while the prices index declined modestly to 67.7 from 71.3

The last of the "big three" monthly economic reports repeated the message of the other two: a slight moderation in activity from May. However, it was still in expansion territory, and the message from the big three reports for June is that economic growth remained solid (which is important support for stocks).

Turning to the Fed, the FOMC minutes were of particular interest last week given the new Warsh Fed, as markets wanted insight into just how hawkish the Fed was becoming, and the answer, at least according to the minutes, was a surprising "not that much." I say that because the minutes revealed that nearly all FOMC members believed that if inflation metrics can start to trend back towards 2.0% (which should happen now that oil has dropped), then rate cuts will again be put on the table.

This matters for two reasons: First, it reveals that the Fed isn't as hawkish as feared, and that rate hikes aren't a foregone conclusion this year. Second, if the war-driven spike in inflation reverses, rate cuts will again be a possibility, which could be a late tailwind for markets later this year.

Important Economic Data This Week

This week is busy and important from both a growth and inflation standpoint. It's not an exaggeration to say that by the end of this week, investors will feel more confident that inflation has peaked and growth is solid (bullish) or that inflation is still a problem and rate hikes are likely (bearish).

The key report this week is tomorrow's CPI report, and with oil dropping sharply on the ceasefire agreement in June, investors will be hoping for some relief from the June CPI print. Headline CPI for June rose 4.2%, while Core CPI gained 2.9%. Of the two, investors will want to see Core CPI not go above 3.0%, because with oil prices dropping, we should see some initial relief from higher prices. If the opposite happens and CPI/Core CPI are much stronger than expected, look for yields to spike, weighing on stocks as people begin to worry that inflation is seeping further into the economy (and may require rate hikes to root it out).

Turning to growth metrics, the key report will be Thursday's retail sales, for a simple reason: Consumer spending powers economic growth in the U.S., and as long as that's strong and advancing, the chances of an economic slowdown that could hurt the market will remain low. So, an in-line or better-than-expected number, especially in the "control" group that shows us true discretionary spending, will be welcomed by markets and reinforce the current narrative supporting stocks.

Finally, we also get the first looks at July economic activity via the Empire manufacturing survey (Wednesday) and Philly Fed survey (Friday). These metrics are always volatile, and they've been especially so lately, but they still give us the first look at each month's economic activity. This week, the focus will be on the price indices in both. If oil's decline is easing inflation pressures, we should see some declines in the price indices for both metrics, and if that happens, it'll be an incremental positive for stocks.

Special Reports and Editorial

Is More U.S./Iran Fighting a Material Negative for Markets?

Stocks dropped on Tuesday following a resumption of reciprocal attacks between the U.S. and Iran, which caused oil prices to rally more than 5% and stocks to drop modestly (especially non-tech-related sectors).

Since the expectation and realization of a ceasefire between the U.S. and Iran were among the reasons for the rally off the March lows, it's reasonable for clients and investors to wonder whether a resumption of fighting would reverse those gains. Despite the logic behind that expectation, based on the facts as we know them right now, the resumption of attacks is unlikely to disrupt this market significantly, and I explain why below.

As with all geopolitical situations, the market only "cares" about it because of how it impacts resource prices, namely oil, and the escalation of hostilities this week is unlikely to create a sustained rise in oil—which means it should not be a material negative for stocks.

Yes, we could see oil rally back towards $90/bbl on a continuation and escalation of fighting. Still, it is unlikely to move sustainably higher primarily because, last night's attacks aside, it does not appear the U.S. is interested in a dramatic escalation of hostilities a la Iraq-style invasion of the country. That's always been the worst-case scenario, and despite President Trump's "finish the job" comment, that likely means just more direct strikes on strategic targets in Iran. So, even if hostilities resumed, we're likely looking at a realistic "worst case" of disrupted transit through the Strait of Hormuz, but not a total cessation that lasts months (which would be needed to drive oil back into the mid-$100s).

More technically, since the onset of the war in March, global oil producers have taken steps to mitigate the reduction in oil supplies due to transit issues in the Strait of Hormuz. Earlier this week, OPEC+ raised global production quotas. In contrast, since the start of the war, Gulf states have increased pipeline usage (especially Saudi Arabia and the UAE), now carrying 8 million more bpd out of the Gulf, while production in Venezuela is also rising. To be clear, these measures aren't enough to offset any substantial Hormuz blockage, but the longer-term trend in oil supplies is higher and barring a major disruption of Hormuz transit (like the start of the war, only with no end in sight), then any rise in oil prices should stay mostly contained (meaning not materially above $90/bbl).

However, don't confuse this commentary with the implication that the resumption of fighting will have no impact on markets. If oil prices rebound and settle in the $70-$90/bbl range, there are three ways it could add to market headwinds (but not be enough to cause a sustained decline by itself).

First, higher oil prices will heighten inflation concerns because this outcome would effectively undermine the view that falling oil prices will ease them. Second, those rising inflation concerns will boost expectations for multiple rate hikes, which would be at least a partial negative for stocks. Third, those factors would combine to push Treasury yields higher, creating a headwind for stocks.

Bottom line, a resumption of reciprocal strikes, if it lasts for more than a few days, will likely not be a bearish influence by itself (meaning this isn't a reason to get more worried about the rally). However, if that does happen, it will add to headwinds in the market via higher inflation, heightened rate-hike fears, and rising bond yields. So, the sooner a "ceasefire" is agreed to once again, the better for markets.

From a levels standpoint, the two key indicators to watch are Brent crude and the 10-year Treasury yield. For Brent crude, keep an eye on $83.86, which is the high from the gap lower in oil following the June 14 ceasefire agreement. A close above that level would imply more upside.

Looking at the 10-year Treasury yield, the YTD high of 4.69% remains a key level to watch, as a break above it would open the door to a run toward 5.00%, which would produce an increasingly strong headwind for stocks.

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