MARKET REVIEW & OUTLOOK

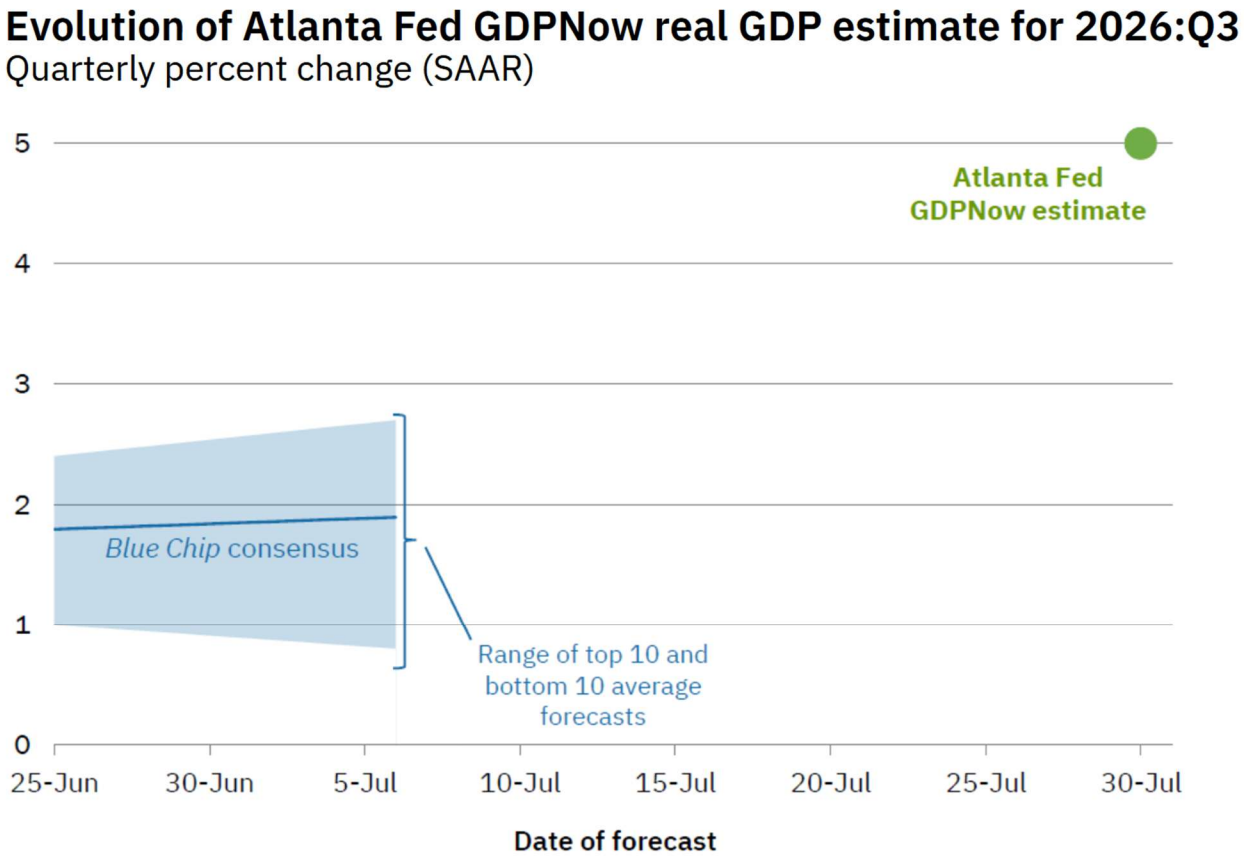
JULY 2026

KEY TAKEAWAYS

- **Equities:** The markets traded within June's range, ending the month about where they started, with a very modest loss as measured by the S&P 500.
- **Fixed Income:** The U.S. 10-year Treasury Yield had a choppy surge, lurching higher before backfilling for another lurch higher, ending at high yields for the month.
- **Crude oil** prices spiked when the 39th ceasefire failed in the Iran conflict/war, but after 13 days of bombing another round of potential "ceasefire" took the wind out of oils' sails.

The U.S. Economy

The initial read on 2nd quarter GDP came in weaker than expected at 1.5% vs. expectations of 2.0%. core PCE, the embedded GDP inflation, increased 3.4% compared to 4.4% last quarter. The 3rd quarter GDPNow estimate looks significantly better at +5.0% while the Blue-Chip consensus forecast is around 1.9%, as shown in the chart below. Not great, but consistent growth.



Source : https://www.frbatlanta.org/cqer/research/gdpnow

Stocks and Bonds

The U.S. 10-year Treasury yield jumped and backfilled several times over the month. The big driver was renewed bombing in Iran as inflation scares pushed yields higher. The Fed met late in the month, the futures market was pricing a 30% chance of a rate hike, the first time the market wasn't at least 80% sure of the decision in several years. The Fed left rates unchanged and said they would focus on the data but didn't spell out which data points they were watching the closest. The markets initially took this as hawkish but later seemed to realize this is part of Fed Head Warsh's plan to let the market drive decisions rather than the opposite. The large jump in yields was a strong headwind for High-Quality fixed income, which as measured by the iShares US Aggregate Bond ETF dropped -1.30% for the month. The U.S. 10-year Treasury bond yield ended the month at 4.75%, up meaningfully from June's close of 4.42%.

The Dow Jones Industrial Average increased +0.32%, the S&P 500 decreased -0.13%, and the small cap iShares Russell 2000 ETF lost -3.08%. The International markets traded similarly to the U.S. markets. The MSCI EAFE iShares Core International Developed Markets ETF Index gained +1.56%, and the MSCI Emerging Markets iShares Core ETF Index dropped -6.13%.

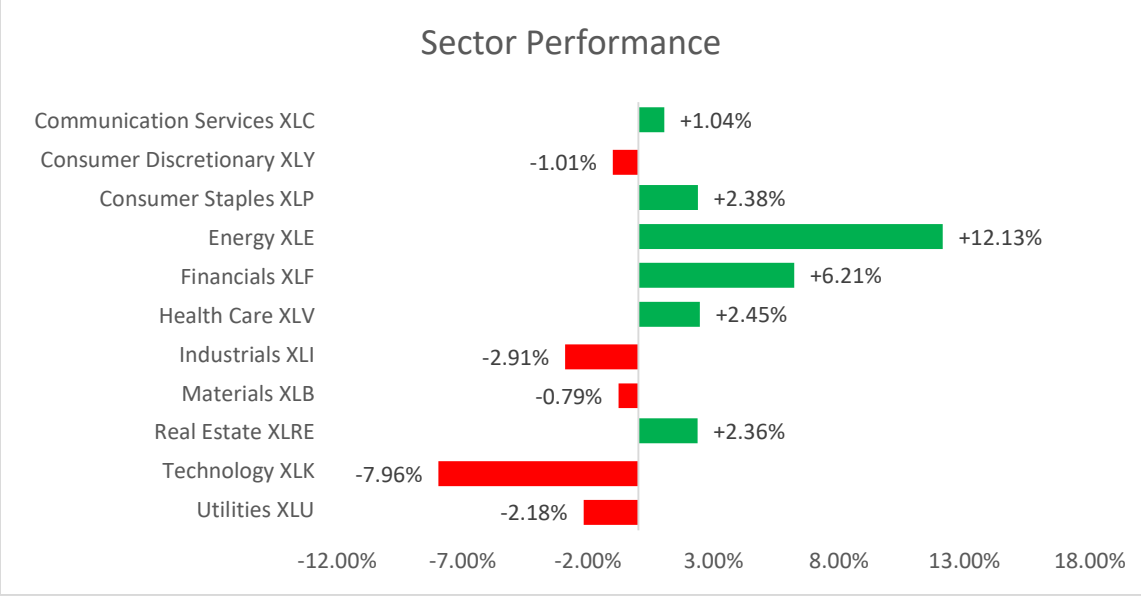
July's sector performance was mixed though still leaned green.

The best performers were…

- Energy: +12.13%
- Financials: +6.21%
- Health Care: +2.45%

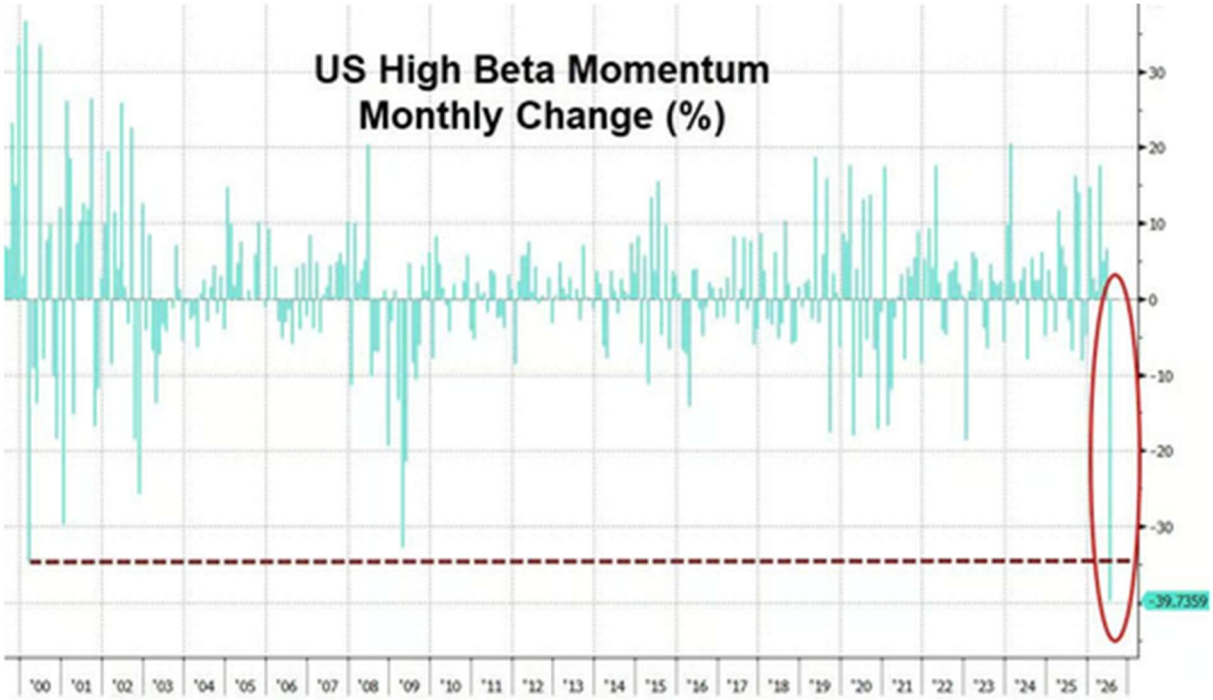
The worst performers were…

- Technology: -7.96%
- Industrials: -2.91%
- Utilities: -2.18%



Source: https://www.morningstar.com

As you can see above, Technology, as a whole, was down almost 8%. Though bad, under the hood, the High Beta Momentum stocks, mostly Tech stocks, got absolutely nuked as shown in the chart on the next page. The number is a little hard to see, but it is almost -40%!



Source: https://www.zerohedge.com/markets/goldman-most-capital-hungry-investment-cycle-human-history-has-arrived-and-fed-just

Oil Report

Crude Oil's hasty retreat stopped in its' tracks when Iran fired on Cargo Ships and then the U.S. bombed Iran for 13 straight nights. After a steady 3-week rally, hints of behind the scenes talk surfaced and traders sold first. There is still no definitive agreement for the next potential ceasefire, but price dropped over $15 quickly before bouncing some into month end as Trump was talking tough with the "biggest" round of bombings to date. Ukraine seems to not like being out of the headlines and continues to send drones after Russia's refining infrastructure which is adding to the strained global refined products deficit. The current NYMEX WTI Crude Oil futures settled at $86.47, spiking over 24% from the prior month's close of $69.50 a barrel and nearly a round trip from May's close of 87.36. RBOB gasoline was not as strong as Crude, though jumped almost 8% for the month, vs. June's close. The gyration of prices has been nauseating and hopefully will settle down soon. The glimmer of good news is that so far hurricane season has been calm and would be beneficial to us all if it continues.

The Rest of the Data

The June ISM Manufacturing Index decreased to 53.3, down from May's reading of 54.0, remaining above the 50 level. The ISM Services Index decreased to 54.0 in June, from May's print of 54.5, remaining above the 50 level. Any reading above 50 generally indicates improving conditions. The prices paid component for Manufacturing dropped to merely elevated levels, and Services' prices eased under elevated levels. Consumer confidence decreased to 90.8 in July, which compares to 91.2, as reported in June. The unemployment rate in June fell to 4.2% on a drop in the number of people in the civilian labor pool. The number of jobs increased by 57,000, though weaker than expectations of

+113,000 and downward revisions to April and May. The Consumer Price Index for All Urban Consumers (CPI-U) for June dropped -0.4% versus +0.5% for the month of May, on a seasonally adjusted basis. Over the last 12 months, the All-Items Index rate eased to +3.5% on a non-seasonally adjusted basis. The CPI ex Food and Energy softened to +2.6% over the last year. Economic growth reports continue to be decent, though inflation is holding higher from the supply shocks caused by the Iran conflict/war. We will continue to monitor economic activity, policy announcements, and inflation reports for potential shifts.

Summary

Again, hopefully the Iran conflict/war is nearing a conclusion. The equity and oil markets are both eager to price in that possible outcome, though bonds are growing more reluctant to buy in. The resumption of fighting shows how sensitive inflationary pressures are to the conflict. If a sustained resolution to the conflict becomes a reality, then the likely lower inflation and interest rates should be supportive of better economic growth. Equity markets like economic growth and are eager for a less volatile geopolitical environment. We will continue to take it one day at a time and stay focused on our process.

More than ever, the markets can be emotional, so we retain our focus on what we can control, which is the amount of equity risk that is taken in a clients' portfolio in concert with the clients' risk tolerance and long-term goals. The markets will always face different "worries", today it is inflation/war vs. growth and interest rates, tomorrow it will be something else. We have built our asset allocation models with dynamic features and quarterly rebalancing, both in fixed income and equities.

If you have specific questions about your portfolio or financial situation, we are here to help. Long-term financial planning is designed to deal with uncertainty like those we discussed above. Our portfolio management process is to design a prudent allocation across many asset classes. Equities are for long-term growth and several vehicles that we utilize offer defensive mechanisms to mitigate equity market declines.

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