July 2026

We are officially halfway through the year! In addition to market news, headlines have been taken up by the World Cup including foreigners love of ranch dressing. In case you haven't been watching one of the fun facts that has emerged is that in Argentina's 3-0 win over Algeria on 6/16, Lionel Messi became the first player to appear in six different World Cups. The 38-year-old scored three goals in the match, making Messi the oldest player ever to score a hat trick in World Cup play (source: ESPN)

Onto the markets.

The first half of the year brought the Iran conflict which caused a run up in volatility and energy prices. The US labor Department reported that year over year inflation hit a three-year high of 4.2% in May, as the Iran war pushed energy prices higher. Beyond the gas pump, though, there were fewer signs of quickly rising prices. WSJ Economists said May's reading, which was in line with expectations, is likely to be the high-water mark in the recent run-up in inflation from the energy-price shock. That's assuming gasoline prices, which have ticked down in June, don't accelerate again on renewed conflict in the Strait of Hormuz. Prices excluding the food and energy categories, the so-called core measure economists watch in an effort to better capture inflation's underlying trend rose 2.9% on the year. That was in line with forecasts and slightly hotter than 2.8% the previous month.

This past month saw the first Federal Reserve Meeting under the new fed chair, Kevin Warsh. As expected, the Federal Open Markets Committee (FOMC) kept the federal funds rate at its current range of 3.5% to 3.75%. Unlike recent decisions, the vote was unanimous (source: Kiplinger). Warsh said that he would like to see the Fed offer less forward guidance and that the path of inflation will drive policy (Source: Morgan Stanley).

There are a couple of risks to keep an eye on. One is the big increase in margin and Leveraged ETFs. Margin is when someone borrows money against their current investment to invest in the market, this gives them added leverage but increases risks if the markets go down. Margin debt sits at an all-time high of $1.4T, although it only represents 2% of the market capitalization (Source: FINRA). The second is the growth of Leveraged ETFs, which uses debt, swaps, and derivatives to amply gains of an index by 2x to 3x multiple. As money flows into the ETF it puts upward pressure on the underlying stocks, but it can also have the opposite effect (Source: WSJ). Both are an indicators that speculation has been growing in the markets and bears watching.

Happy Birthday America! Enjoy family and friends and try to stay cool. As always, don't hesitate to call if you have questions or need assistance

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