Week In Review

OLLI-GMU Investment Forum

July 1, 2026

Today: Economy and markets are fundamentally strong,
with pockets of excess, notably memory stocks

David Toms

Disclaimer: I am not a certified financial analyst.

Any trading decisions you make are your responsibility

Economic commentary

We have a strong economy and a casino-like market

- US – Iran cease-fire strained; Strait of Hormuz still in contention
- Fed policy remains unchanged at 3.5 – 3.75%, although one interest rate bump up from the Fed has been priced in for this year.
- Oil price has returned to normal; WTI down to $60+/bbl from $112 earlier
- US unemployment steady at 4.3%; wages not keeping up with inflation
- May inflation (PCE) running at 4.3% YoY   (BEA)
- GDP for Q2 estimated 2.5- 3% YoY
- Fiscal deficit running at 6% (BEA)
- US Dollar index rose to 101.6 (DXY: dollar vs. a basket of world currencies)
- RV shipments slowing (Winnebago)
- Manufacturing PMI rose to 54% (growing 5 months) (ISM)
- Services PMI rose to 54.5% (growing 23 months) (ISM)
- Polymarket odds for recession in 2026:   12%

Market Commentary

Looks like a casino to me

- "The S&P 500's net profit margin reached a record 14.8% in the first quarter, the highest since FactSet began tracking it in 2009." WSJ June 30
- S&P 493 is up 14% year to date while the Magnificent 7 are collectively down 11.5% last 30 days
- Two market fears: AI spending and inflation / interest rates
- "Travelers has been a case study on how implementing AI can expand the bottom line. Management linked a 21% jump in Q4 2025 underwriting income to AI-driven efficiency gains" downtownjoshbrown.com
- Message: When Q2 earnings start coming out, we look for companies who have invested in AI to increase productivity, and look for earnings gains as a direct result.
- Credit spreads are very tight – implies a strong market and economy
- Margin borrowing is near an all-time high - $1.4T
- Robinhood averaging 150K new accounts every month
- Dollar is rising, @ 13-month high, 101.5
- CNN fear gauge dropped: 29/ 100 – fearful
- VIX: dropped to 16.4: neutral
- Put/Call ratio: steady at 0.75 – fearful
- AAI Investor survey: 45% bullish; 36% bearish; neutral
- Analyst consensus: S&P500 has more room to run

Now what?

- Oil prices coming down provides economic relief worldwide
- Fed interest rate increases are likely in 2026 due to rising inflation
- US economy is strong but….with significant inflation uncertainty
- Stock market is expensive, but with room to run, driven by earnings
- Protect yourself through diversification, stop loss orders and put options

GLTA

"I'm proud to pay taxes in the United States; the only thing is, I could be just as proud for half the money." - Arthur Godfrey

If you would like to acquire these slides, email me at: David.Toms@comcast.net