Week In Review

OLLI-GMU Investment Forum

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Today: Str of Hormuz remains unresolved, keeping oil prices high

Compare US and EU stock markets

Nvidia reports this afternoon

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Disclaimer: I am not a certified financial analyst.

Any trading decisions you make are your responsibility

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Economic commentary

We have a strong economy amid considerable uncertainty

- US – Iran war remains stalemated; Hormuz remains closed
  - Economic warfare begins: Operation Economic Outcast
- US imposes tariffs on Canada, initiating a trade war
- US economy is softening a bit
  - GDP in Q2 declined to 1.5% from 2.1% (BEA)
  - Retail sales decline 0.6% in July
- Oil price staying below $90 bbl
- Unemployment declined slightly to 4.1% in July
  - Labor participation declined; 23,000 jobs lost in July
- Productivity increasing due to AI; labor wages flat
- US Government budget deficit hit $40T in July
  - Interest on national debt now exceeds the defense budget
- Retailers reported mixed Q2 results

Major rivers experiencing low water levels

El Nino may aggravate conditions

- Danube, Rhine and Seine rivers
  - Shipping is significantly disrupted; rates rising fast
  - Hydro and nuclear power plants are closing
  - Viking cruise ran aground near Budapest and ran out of food
- Amazon river at near record low levels
  - Brazil, Bolivia, Colombia, Ecuador, Peru, and Venezuela all affected
- Mississippi and Ohio rivers have been near record lows 8 out of 10 years
- Columbia river is very low, but not dire yet
- Yangtze river is low but tolerable; record low reached in 2024
- Panama canal is restricting traffic due to low watershed levels

Source: Claude

Market Commentary

Stocks steady
Bonds wary

- Treasury Secretary Bessent attempts to strengthen bond markets by buying back long Treasury bonds have failed thus far
- Target, Home Depot. Lowe's, TJX, and Ross reported good to strong results
- Walmart, Dick's reported sluggish sales, weak guidance
- Software firms making a strong comeback; AI fears overblown
  - See Microsoft, Palantir, Oracle; approaching AI differently
  - Software costs approaching zero
- AI infrastructure shifting from copper to optical data movement
  - AI compute demand far outstripping supply for years to come
  - See Coherent, Lumentum
- Given inflation higher for longer, markets favoring real estate, hard assets: see GLD, XLRE, BTC
- CNN fear gauge: 59; greedy
- VIX: 15.6; neutral
- Put/call ratio falling to 0.7; greedy
- AAI Investor survey: 35% bullish; 40% bearish

Now what?

- US economy is strong amid significant uncertainty:
  - War with Iran, oil prices, inflation; retail sales slipping, consumer confidence slipping
- Fed interest rate increase is unlikely in 2026
- Bond market is concerned with yields rising
- Stock market is being driven by strong earnings
- Protect yourself through diversification, stop loss orders and put options

Good luck to all

Quote of the day:

“A credible fiscal package (meaning: entitlement cuts) would do more for the long end of the curve than a buyback program 1,000 times this size.” Stanley Druckenmiller, CEO of Duquesne Family Office

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