BULL & BEAR *Bulletin*

June 2026

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Halftime 2026

There is no shortage of important and meaningful geopolitical and market-related events occurring this year. On average, regular gas prices have risen over 45% since the start of the conflict with Iran. Recently, they have fallen by about 7% from the peak in May. Potentially, we are entering a final phase to this disruption which can end via a settlement or final kinetic action and perhaps months of stability operations in the Strait of Hormuz. If the outcome does not fit into either of those binary paths, as we move through the summer, speculation will likely pick up about where the ultimate floors are for the world's commercial and strategic oil reserve inventories. Should energy markets roil further at that point, more economic tradeoffs would likely have to occur. Depending on oil importer/exporter status and geographic location, countries would be affected differently.

For now, given that the price shock has been short (just over 3 months), there has been willingness on the part of market participants to look through this price instability to see how events play out. The S&P 500 Index has delivered a total return of 8.6% as of mid-June. Given that interest rates have recently moved modestly higher, the Bloomberg U.S. Aggregate Bond Index has returned near zero year-to-date. Therefore, there is a small, positive, mid-single digit return feel to the generic 60/40 blended portfolio. This is a reasonable consolation given the significant nature of the events that surround us.

THERE IS NO SHORTAGE OF IMPORTANT AND MEANINGFUL GEOPOLITICAL AND MARKET-RELATED EVENTS OCCURRING THIS YEAR.

Government spending directed at energy and industrial policies is at work alongside a strong business investment cycle in the technology arena which is building the compute capacity and infrastructure of the future. The promises of that future may be driving a nascent demand in focused areas of the industrial sector. That the investment scale is so large, markets have responded aggressively, pushing outsized market gains towards perceived beneficiary companies. This type of investment-led cycle always has a boom-and-bust concern present in the background, but the ball is rolling along for now.

With multiple variables at play this year that might change risk and return dynamics in the marketplace, and with overall returns mildly positive to date, investors must find ways to prudently take part in the key themes of the moment while managing the rapidly changing circumstances. Fading equity strength at times and taking advantage of sound, shorter duration fixed income returns may be a prescription.

Expectations for earnings in the Information Tech, Energy and Materials sectors for Q3 have recently moved higher. In fact, S&P 500 earnings growth expectations for Q3 and the full year are +25% and +23% respectively, according to FactSet. Median economic forecasts for real growth for the full year are at a respectable 2.1%. In such a charged macro environment of late, these absolute levels for earnings and real growth in the economy point toward a foundation from which to wade through the rest of the year.

~ Our Clients Come First ~