

# Week In Review

OLLI-GMU Investment Forum

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Today: US – Iran war hangover; oil prices dropping rapidly  
Stock market is very expensive – AI is back in focus  
Home ownership has gotten very expensive


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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 peace agreement signed?; Strait of Hormuz opens
  - 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.
    - New Fed Chair Warsh firmly advocates price stability
  - Persian Gulf oil exports will require several months to recover (WSJ)
  - Qatar: LNG exports back to normal by late July
  - Oil price has come down rapidly; WTI down to \$73/bbl from \$112 earlier
  - ECB and Japan raised interest rates
  - US unemployment steady at 4.3%; wages not keeping up with inflation
  - Inflation (PCE) running at 3.8% YoY
  - GDP for Q2 estimated near 3% YoY
  - Fiscal deficit running at 6%
  - Home ownership has gotten very expensive
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# Four Ways the Iran War Has Reshaped Global Economy (Barrons)

- Re-ordered alliances in the Persian Gulf
  - UAE pulls out of OPEC, weakens Saudi power
  - UAE moving to reduce dependence on Str of Hormuz – building more pipelines
- Commodity security becomes paramount
  - Oil, natural gas, helium, sulfur, urea, aluminum
  - Emerging markets rise in importance
- Alternative energy sources rise in importance
  - SE Asia countries leading with more solar, nuclear, wind, hydrogen
  - China dominates solar and wind power markets
- US reviewing NATO commitments
  - Military spending rises among EU and PG nations

# Market Commentary

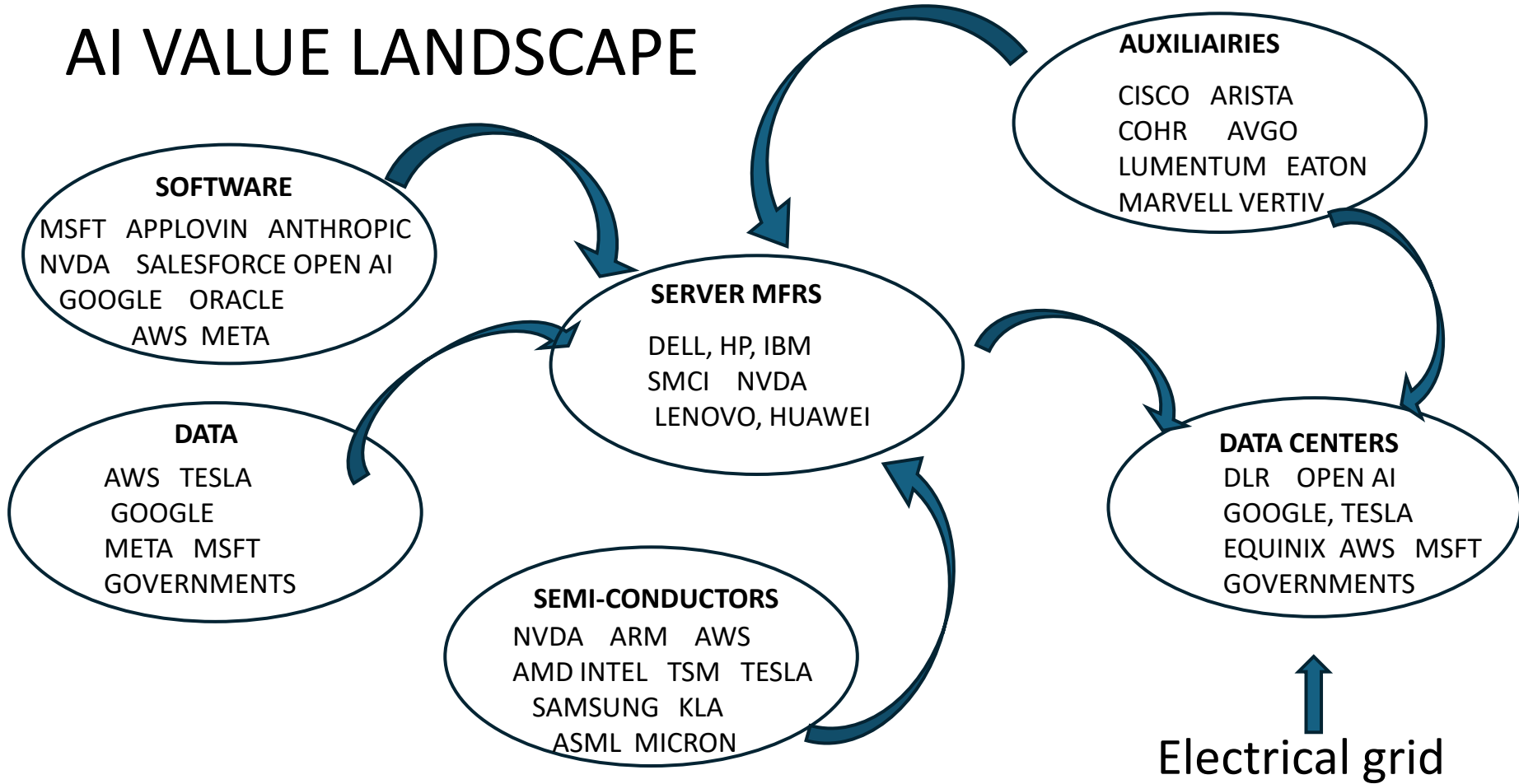
- Stock markets are near all-time highs
  - Q2 earnings were up 28% YoY
- Two greatest market fears: AI spending and higher interest rates
- Credit spreads are very tight – implies a strong market and economy
- CNN fear gauge dropped: 34/ 100 – fearful
- VIX: rising to 20: somewhat fearful
- Put/Call ratio: steady at 0.75 – fearful
- AAI Investor survey: 37% bullish; 39% bearish; neutral
- Analyst consensus: S&P500 has more room to run

S&P 500 price to forward earnings



Note: Monthly data  
Source: LSEG

# AI VALUE LANDSCAPE



By 2030, AI alone is projected to contribute more than \$15 trillion to the global economy. (SIA)

# Now what?

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- 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 on a roll, and expensive. More room to run, however
- Protect yourself through diversification, stop loss orders and put options

GLTA

*"Everybody in the world is a long-term investor. Until the market goes down."*

Peter Lynch

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