Week In Review

OLLI-GMU Investment Forum

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Today: Strong economy powers ahead

Market defensiveness has evaporated

David Toms

Disclaimer: I am not a certified financial analyst.

Any trading decisions you make are your responsibility

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David.toms@comcast.net

Economic commentary

We have a strong economy and a casino-like market

- US – Iran cease-fire strained; Strait of Hormuz still in contention
- Oil price has returned to normal; oil supply – demand gap is out of balance
  - Oil production suddenly outrunning demand; prices will fall more
  - US is exporting a lot; China orders for oil have dropped
- US unemployment dropped slightly to 4.2%; slow hiring (BEA)
- Employment narrative around AI is changing to a more optimistic tone
  - More jobs, greater productivity
  - Sam Altman (OpenAI): "The companies that I know that have adopted AI the most are also the ones hiring the most,"
  - We will be looking for AI productivity gains during Q2 reporting season
- Consumer confidence rose to 91.2; steadily rising with gas prices going down
- May inflation (PCE) running at 4.3% YoY   (BEA)
- GDP for Q2 estimated 2.5- 3% YoY; White House predicting 4%
- US Dollar index dropped to 100: (DXY: dollar vs. a basket of world currencies)
- Rick Rieder (Blackrock CIO): "The demand for all types of bonds remains robust" (Bloomberg radio)

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,." WSJ June 30
- Michael Burry cites 'Beginning of the End' AI Short Bets (WSJ)
  - Shorting chips stocks, esp Micron, Tesla, Caterpillar
  - Samsung Q2 profits up 1900% YoY; stock slid 10%
  - SOXX down 10% in one week – cooling off period
- Credit spreads are very tight – implies a strong market and economy - risk off
  - The difference between junk bonds and Treasury bonds
- Money market funds have topped $8.5T and climbing
- Margin borrowing is near an all-time high - $1.4T
- 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; possible oil glut approaching
- Fed interest rate increase is 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

“If you wanted to design a terrible investor, you’d design a human.”
Warren Buffett

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