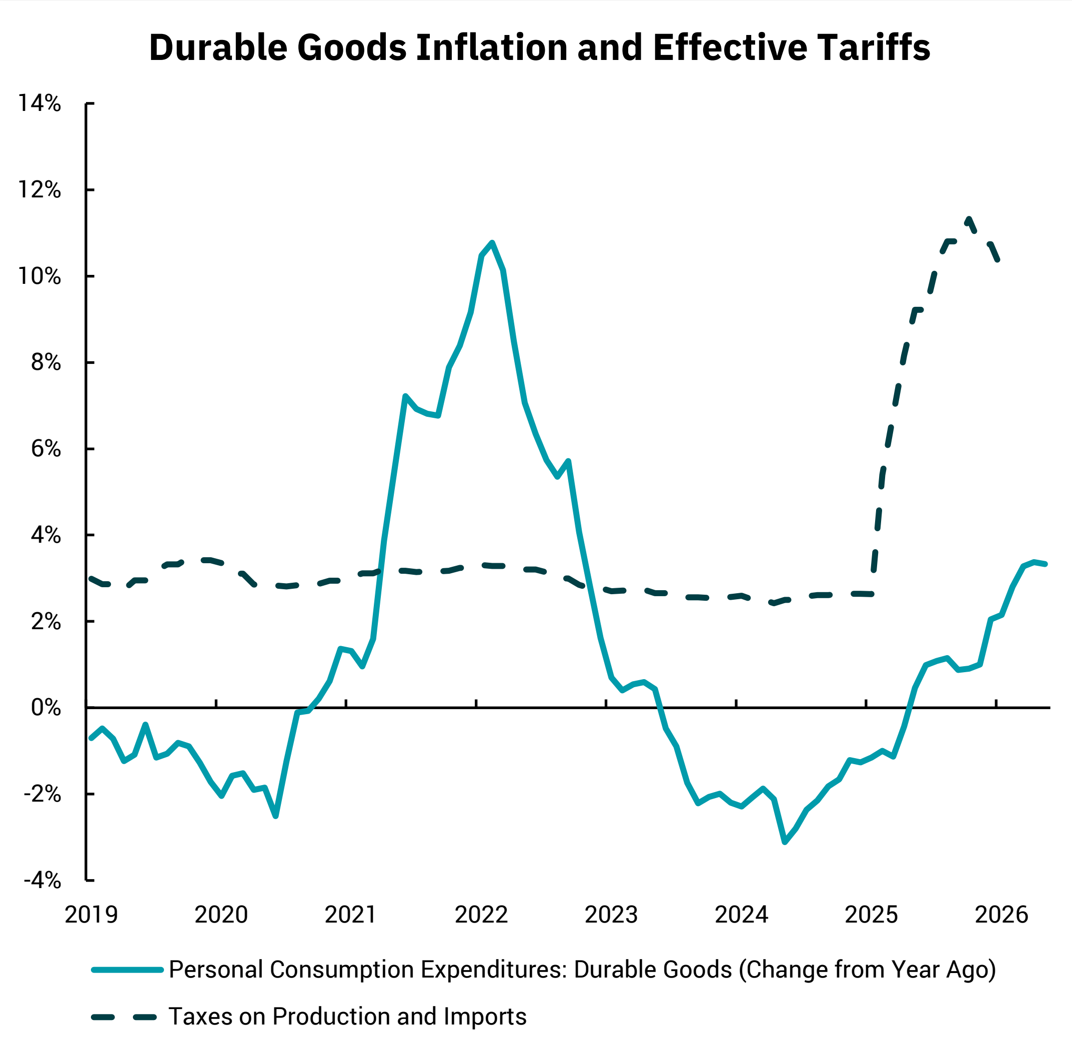
INVESTMENT MANAGEMENT

By the numbers

Chart of the week (Jul. 24, 2026)



While the oil markets are playing a role in the now-increasing odds of a rate move at the July Federal Open Market Committee (FOMC) meeting, there are additional reasons to be cautious as we think about inflation returning to the Fed's 2% target. It is also important to keep in mind that Fed Chair Kevin Warsh has clearly stated that this target is the top priority for monetary policy.

Shelter, the largest weighting in the Fed's "core" inflation measures, has been moderating as home prices nationally have slowed their ascent and some markets are seeing outright declines. However, core services, a segment where wages are the biggest cost component, have been moving higher and, as our chart this week shows, core goods inflation is moving higher as well.

In this week's chart, we show tariffs as one explanatory factor for the rise in goods inflation but there are other factors at work too. Pre-pandemic core goods were a consistent dis-inflationary part of the overall inflation picture. In fact, one of the key benefits of the globalization of the economy was the ability for companies to seek lower-cost production which led to steadily decreasing goods pricing. As the pandemic interrupted the flow of goods, supply chains became disrupted and the rate of inflation on core goods skyrocketed. Even as time allowed the flow of goods to improve, companies began making different decisions on where to locate production and to find ways to lessen the risk of similar events in the future.

Even with this shift is production caused by the pandemic, core goods returned to a dis-inflationary part of the picture until tariff policies came into focus. Since then, core goods inflation has turned positive and now exceeds the Fed's 2% target on its own. This can complicate the decision-making process for the FOMC going forward as a segment which had been additive to achieving an overall 2% inflation rate is now a headwind. To be sure, tariff policies have come under scrutiny, and some policies have been reversed by the Supreme Court, but the president recently announced additional tariffs which could reinforce some of the underlying trends in place.

Warsh and the rest of the FOMC have a difficult job. Forecasting what might happen geopolitically is nigh impossible, yet the implications this all could have on price levels and the ability to see inflation move back towards the 2% target are real. Our overall sense is that getting back to 2% in an environment of deglobalization, enhanced geopolitical stress, abundant liquidity and growing negativity around the U.S.'s fiscal position will make rate cuts very difficult. We don't think the Fed needs to aggressively raise rates, but the bias toward monetary policy from here has shifted towards tightening.

Chart data source: U.S. Bureau of Economic Analysis via FRED®.

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Commentary (Jul. 24, 2026)

Domestic equities

- U.S stocks fell again during the week driven by big-tech artificial intelligence (AI) spending anxieties and geopolitical escalations. The Nasdaq Composite index underperformed other parts of the market, falling over 2%.
- Earnings reports from some of the largest U.S. companies have increased concerns about spending. Alphabet and Tesla reported negative free cash flow and boosted its capital expenditure forecast. These massive infrastructure investments have stoked investor fears regarding the duration and near-term monetization of the AI boom.
- Attacks on tankers in the Middle East pushed oil prices briefly over $100 a barrel. Compounding the tension, President Trump stated that he is considering significant military strikes against Iranian infrastructure. The sharp rise in energy prices has reignited fears about inflation and the direction of Fed interest rate policy in the near-term.
- The Trump administration implemented sweeping new global tariffs which levy 10-12.5% import duties on top U.S. trading partners, also weighing on inflation fears.

Bonds

- U.S. Treasury yields briefly made new highs on Thursday as the threat of escalation in the Middle East sent the two-year up to 4.37% and the 10-year to 4.70%. Rate-hike expectations also surged with the market fully pricing in a 0.25% hike in September.
- The U.S. Treasury breakeven jumped off recent lows on rising oil prices and news that the Trump administration would be extending a set of base line tariffs impacting most the country's major trading partners.
- U.S. high-yield spreads jumped to their highest level since April 2026 but remain incredibly low by historical standards.
- The Japanese Yen weakened past 163 per USD for the first time since 1986. The yen's latest decline underscores how rising oil prices, Japan's fiscal concerns and wide interest-rate differentials continue to overwhelm policymakers' efforts to stabilize the currency. Short-term Japanese bond yields have also continued to make new highs with the two-year JGB breaching 1.50% on increased wagers that the Bank of Japan (BOJ) will increase rates in October, with markets pricing in an 80% probability of hike.

International equities

- Foreign investor sentiment remains fragile amid ongoing geopolitical conflicts and a new round of tariffs. The U.S. administration announced it would impose higher tariffs on goods from 60 trading partners, citing concerns over forced labor.
- Foreign developed-market stocks struggled to find much upward momentum, although positive returns from Japan helped offset some mixed results from European markets. The European Central Bank (ECB) decided to keep its policy rate unchanged at 2.25% but is prepared to increase them in September unless the eurozone inflation outlook significantly improves.
- Emerging markets continue to be volatile as stock prices for semiconductor and memory chip companies fluctuate dramatically. Investors remain concerned about a potential bubble in AI-related stocks. In central bank news, Turkey maintained its benchmark policy rate steady at 37%, South Africa kept its rate steady at 7% and Indonesia held its rate at 5.75%. Policymakers are worried about inflationary pressures caused by higher oil prices while being cautious about raising interest rates too quickly to support their economies.

Economics

- On Wednesday, the Energy Information Administration (EIA) released its Weekly Petroleum Status Report, showing that crude oil inventories grew by 2.0 million barrels week-over-week. This build reflects weakening consumer demand following the recent spike in oil prices. Additionally, refineries are operating at over 96% capacity to compensate for ongoing global energy disruptions.
- On Thursday, initial jobless claims fell to 187,000, coming in well below the consensus estimate of 214,000 and the prior week's revised reading of 209,000. This represents one of the lowest levels since 1969, signaling a tight and stable labor market.
- On Friday, new home sales rose to a seasonally adjusted annual rate of 628,000 units, beating the consensus estimate of 610,000 and the prior month's 618,000 reading. While this broke a two-month losing streak, housing still reflects the weight of elevated mortgage rates. This headwind was seen in a 2.7% decline in the median home price.

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Weekly Market Update

For Week Ending July 24, 2026

Markets

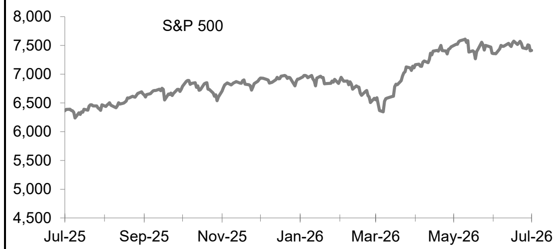
	Last Price	Change From Prior Week	Change From Year End	Change From Year Ago
Capital Markets				
Dow Jones Industrial Avg	51,947.25	-0.4%	9.0%	18.2%
S&P 500 Index	7,411.98	-0.6%	9.0%	17.9%
NASDAQ Composite	24,975.82	-2.1%	7.8%	19.3%
S&P 400 Midcap Index	3,783.86	0.2%	15.3%	20.3%
S&P 600 Smallcap Index	1,761.47	-0.8%	21.0%	30.7%
MSCI EAFE	11,599.04	0.4%	9.4%	17.5%
MSCI Emerging Markets	898.90	0.5%	17.3%	30.8%
Bloomberg US Agg	2,335.40	-0.7%	-0.6%	3.2%
Bloomberg Municipal 5 Yr	519.94	-0.7%	0.1%	2.1%
Bloomberg US Corporate	3,517.77	-0.9%	-0.8%	3.0%
Bloomberg Glb Agg ex US Hdg	613.34	-0.3%	0.6%	1.9%
Bloomberg High Yield	2,958.86	-0.6%	1.5%	4.9%
MSCI US REIT Index	2,895.50	1.6%	23.3%	23.9%
Bloomberg Commodity Index	346.90	2.8%	25.6%	34.5%

	Last Price/Yield	Prior Week	Year End	Year Ago
Key Rates				
Fed Funds Target	3.75%	3.75%	3.75%	4.50%
3-Month Treasury	3.90%	3.79%	3.63%	4.35%
1-Year Treasury	4.11%	3.99%	3.47%	4.09%
2-Year Treasury	4.33%	4.18%	3.47%	3.92%
5-Year Treasury	4.43%	4.28%	3.73%	3.96%
7-Year Treasury	4.55%	4.40%	3.94%	4.16%
10-Year Treasury	4.68%	4.55%	4.17%	4.40%
30-Year Treasury	5.16%	5.07%	4.84%	4.93%
Consumer Rates				
30-Year Mortgage	6.66%	6.61%	6.25%	5.83%
BOKF National Prime Rate	7.50%	7.50%	7.50%	8.25%
SOFR	3.64%	3.59%	3.71%	4.30%
Commodities				
Gold (spot)	4,052.79	4,017.39	4,319.37	3,368.68
Crude Oil WTI	89.31	82.49	57.42	66.03
Gasoline	4.11	3.99	2.83	3.16
Natural Gas	2.87	2.91	3.69	3.09
Copper	6.32	6.22	5.68	5.78

	P/E Forward	P/E Trailing	Price to Book	Current Div Yield
Index Characteristics				
Dow Jones Industrial Avg	20.39	22.27	6.02	1.47
S&P 500	19.55	25.20	5.63	1.16
S&P 500 Value	18.25	20.75	3.85	1.82
S&P 500 Growth	20.79	30.87	9.31	0.58
NASDAQ	23.43	33.55	7.47	0.62
S&P Midcap 400	16.79	18.86	2.96	1.52
S&P Smallcap 600	15.57	17.86	2.21	2.15
MSCI EAFE	15.69	17.83	2.30	2.88
MSCI Emerging Markets	10.47	17.68	2.46	2.46

Source: Bloomberg

Equity Style



1 Month*

	Value	Core	Growth
Large	2.23	0.81	-0.39
Mid	1.64	-0.03	-1.56
Small	1.38	0.34	-0.73

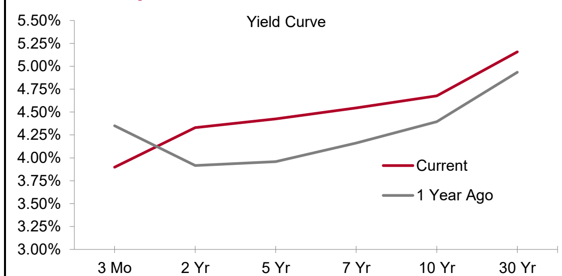
\> 10% · 0% - 10% · <0%

*S&P Indices

Year to Date*

	Value	Core	Growth
Large	10.03	8.97	8.07
Mid	13.47	15.29	17.06
Small	20.20	21.04	21.92

Fixed Income Style



1 Month*

	Short (1-3 Yrs)	Interm. (1-10 Yrs)	Long (+10 Yrs)
Govt	0.01	-0.47	-3.93
Corp	0.00	-0.77	-4.20
HY	0.01	-0.23	-0.96

\> 10% · 0% - 10% · <0%

Year to Date*

	Short (1-3 Yrs)	Interm. (1-10 Yrs)	Long (+10 Yrs)
Govt	0.60	-0.23	-2.58
Corp	1.09	0.00	-2.43
HY	1.93	1.52	1.26

Economic Data

	Last Release	Year Ago
Inflation		
CPI Headline Inflation	3.5%	2.7%
CPI Core Inflation	2.6%	2.9%
Personal Consumption Exp (PCE) Core	3.4%	2.8%
Jobs		
Unemployment Rate (U3)	4.2%	4.1%
Broader Unemployment Rate (U6)	7.9%	7.7%
JOLT Survey (in millions)	7.59	7.31
Jobless Claims (000's)	187	218
Change in Non-Farm Payroll (000's)	57	-20
Average Hourly Earnings (Y/Y % Change)	3.5%	3.9%
Consumer & Spending		
Consumer Confidence (Conf Board)	91.2	95.2
Consumer Spending ($ Bil)	22,060	20,755
Consumer Credit ($ Bil)	5,155	5,048
Retail Sales ($ Bil)	769	720
Housing		
Housing Starts (000's)	1,427	1,379
Case-Shiller Home Price Index	332.68	329.89
U.S. Productivity		
Real Gross Domestic Product ($ Bil)	24,180	23,548
Quarter over Quarter Change	2.1%	-0.6%
Year Over Year Change	2.7%	2.0%
ISM Manufacturing	53.30	49.00
Capacity Utilization	76.09	76.18
Markit US Composite PMI	53.60	55.10
U.S. General		
Leading Economic Indicators	99.1	100.5
Trade Weighted Dollar Index	120.5	120.6
EUR / USD	1.14	1.17
JPY / USD	163.83	147.01
CAD / USD	0.71	0.73
AUD / USD	0.70	0.66

S&P 500 Sector Returns

	1 Month	YTD
Energy	12.00%	34.95%
Industrials	1.33%	18.41%
Real Estate	3.52%	16.90%
Information Technology	-0.32%	15.79%
Materials	-0.15%	12.04%
Utilities	1.59%	9.91%
Consumer Staples	-1.01%	9.05%
Health Care	6.03%	5.96%
Financials	4.91%	3.79%
Communication Services	-3.10%	-3.78%
Consumer Discretionary	-4.59%	-7.63%

Disclosures

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