What's on Our Minds

July 27, 2026

MARKET HIGHLIGHTS

- **In a light week for economic data, geopolitics and earnings drove markets.** Escalating strikes on Iran pushed WTI crude oil above $90 per barrel and Brent near $100, and Houthi attacks on Saudi tankers and a new blockade at Bab el-Mandeb added to supply concerns. The odds of a rate hike at this week's Federal Open Market Committee meeting rose to 35% (from 25%), with a September hike now seen as more likely at 82%. Meanwhile, the 10-year Treasury yield pushed toward 4.70%.
- **President Donald Trump announced new tariffs:** 50% on select Canadian imports (seen either as leverage on the United States-Mexico-Canada Agreement or a test of broader tariff authority) and 10% to 12.5% on about 60 trade partners, replacing tariffs struck down by the US Supreme Court.
- **Second-quarter earnings remain strong across the top and bottom lines.** AI companies posted robust growth, but investors are increasingly focused on capital-expenditure levels and the resulting pressure on free cash flow.
- **The European Central Bank held rates steady at 2.25%** in a unanimous, expected decision, maintaining a data-dependent stance while it waits for the full impact of the energy shock.

MARKET PERFORMANCE

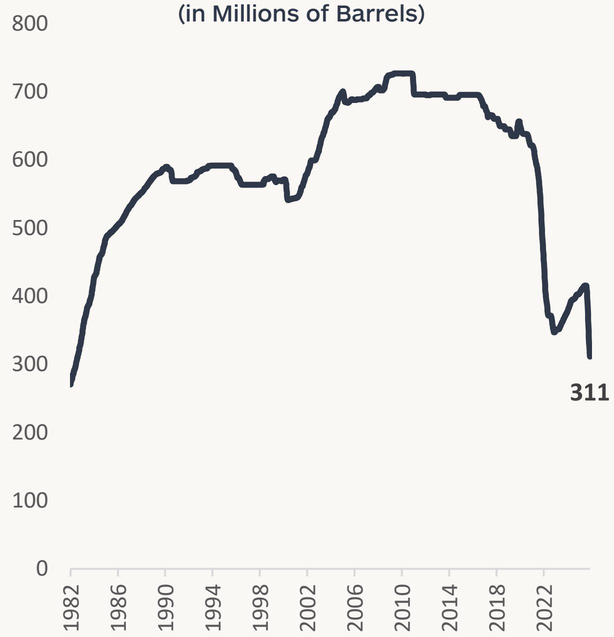
ASSET CLASS	1-WEEK	YTD
U.S. Aggregate Bond (Agg)	-0.74%	-0.57%
Municipal Bonds 1-10Y	-0.81%	-0.15%
U.S. High Yield	-0.57%	1.45%
S&P 500	-0.60%	8.98%
Russell 2500 (SMID cap)	-0.54%	19.47%
MSCI EAFE (International)	0.45%	9.38%
MSCI Emerging Markets	0.48%	17.27%
MSCI ACWI (Global)	-0.28%	9.83%
Crude Oil (NYMEX WTI)	5.88%	56.03%
Gold LBMA PM	1.59%	-6.88%
60/40 ACWI/Agg Portfolio	-0.46%	5.67%

WHAT CAUGHT OUR EYES THIS WEEK

How Much Is Left in the Strategic Petroleum Reserve?

One of the drivers of resilience in oil markets amid historic supply disruptions has been the drawdown of the US Strategic Petroleum Reserve (SPR). On the eve of the Iran war, the SPR held 415 million barrels of crude oil in its network of underground salt caverns. Five months later, over 100 million barrels have been drawn out as part of a coordinated global response. Withdrawal rates have slowed from their peak in May to just under one million barrels per day. If the next phase of Strait of Hormuz disruption calls for a ramp-up of withdrawals, a natural question would be, How much of the remaining 311 million barrels can we realistically pull from the ground? Unfortunately, that question doesn't have a simple answer; scientists can't agree on the effective operational minimum levels for the SPR. The US Department of Energy believes it can safely draw down to about 70 million barrels, but other observers put the floor higher, with some arguing that we are already approaching levels where further draws could threaten the structural integrity of the caverns. This uncertainty adds to the importance of finding a near-term path forward for disrupted flows in the Strait of Hormuz. The dynamic resiliency of energy markets has surprised us all so far, but further prolonging of the disruption adds to the risk that buffers like the SPR will reach the end of their ability to provide support.

US Strategic Petroleum Reserve Stocks (in Millions of Barrels)



Please see important disclosures and other key information on page 4.

What’s on Our Minds

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OUR KEY THEMES FOR 2026 (updated as of July)

1) Monetary policy moves to neutral or slightly restrictive and fiscal policy moves to neutral or slightly positive while the AI infrastructure build-out remains a key structural tailwind.
2) One Big Beautiful Bill Act corporate tax changes are spurring a reacceleration in non-AI business investment.
3) Global growth on net remains positive as trend-or-better US growth offsets supply shocks overseas.
4) Broader economic activity lifts employment, while labor force growth remains sluggish.
5) Inflation remains above target, but progress should resume when the current supply shock fades.
6) The jury is still out on new Fed Chair Warsh's direction regarding interest rates, the Fed balance sheet, and the inflationary versus productivity-enhancing impacts of the AI build-out.
7) We see stability or slight upward pressure for long-term rates, based on strong economic activity.
8) It’s hard to fight strong fundamentals for equity markets, with double-digit profit growth balancing high earnings multiples.
9) Better earnings breadth was delayed, not canceled.
10) International stocks still offer diversification benefits and an impressive fundamental outlook considering geopolitical headwinds.

IN CASE YOU MISSED IT

INSIGHTS

Startups Should Not Wait to Hire CFOs

Tax Challenges Every Business Operating in Multiple States Must Navigate

The Tax Drag Hiding in Your Long-Term Financial Plan

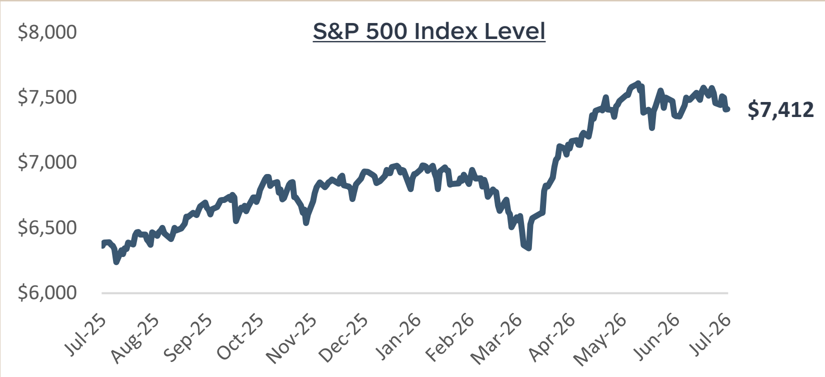
ARCHIVE

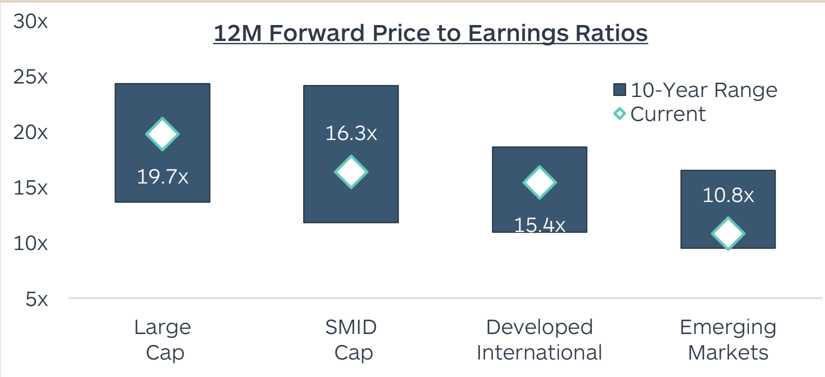
Historical Economic and Market Outlooks Insights

WEBINARS

Recording: Q3 2026 Market & Economic Outlook

EQUITIES





S&P 500 SECTOR	1-WEEK	YTD
Energy	3.8%	35.0%
Utilities	2.5%	9.9%
Industrials	1.8%	18.4%
Real Estate	1.4%	16.9%
Materials	1.2%	12.0%
Health Care	0.9%	6.0%
Information Technology	0.4%	15.8%
Financials	0.1%	3.8%
Consumer Staples	-1.2%	9.1%
Consumer Discretionary	-6.1%	-7.6%
Comm. Services	-6.1%	-3.8%

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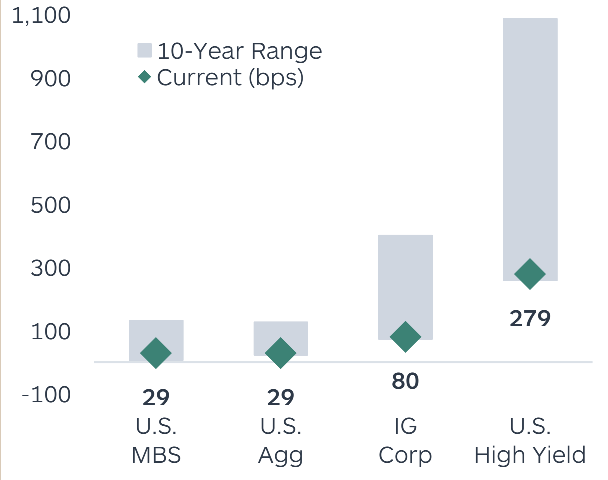
FIXED INCOME

KEY INTEREST RATES	7/24/2026	Δ YTD
Municipal Bonds 1-10Y	3.43%	0.46%
Effective Federal Funds Rate	3.63%	-0.01%
3M T-Bill	3.90%	0.27%
10Y Treasury Yield	4.68%	0.51%
U.S. Aggregate	4.97%	0.65%
30Y Mortgage Rate	6.66%	0.41%
Prime Rate	6.75%	0.00%
U.S. High Yield	7.59%	0.52%

Option-Adjusted Spreads



COMMODITIES, CURRENCIES, CRYPTO

Asset Class	7/24/2026
Crude Oil	$89.34
Gold	$4,067.30
U.S. Dollar Index	$101.47
Bitcoin	$64,215.00

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THE WEEK AHEAD

Jul. 27 (Mon.)
- Jun. Durable Goods Orders

Jul. 28 (Tue.)
- Jul. Consumer Confidence
- May S&P/Case-Shiller Home Price Index
- Jun. Wholesale Inventories

Jul. 29 (Wed.)
- FOMC Meeting

Jul. 30 (Thu.)
- Weekly Jobless Claims
- Q2 GDP
- Jun. Personal Income and Spending

Jul. 31 (Fri.)
- Q2 Employment Cost Index

Coming Up
- Jul. ISM Manufacturing PMI (8/3)
- Jul. ISM Services PMI (8/4)
- Jul. Employment Report (8/7)

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ABBREVIATIONS: Agg: Aggregate. EM: Emerging Markets. SOFR: Secured Overnight Financing Rate. MBS: Mortgage-backed securities. IG: Investment Grade.

CHART OF THE WEEK: Cerity Partners, Energy Information Administration, as of 7/20/2026

MARKET PERFORMANCE: All returns represent total return for the stated period. 1-Week and Year-to-Date (YTD) returns are as of 7/20/26. Underlying indices are in descending order: Bloomberg US Aggregate provided by Bloomberg Capital; Bloomberg Municipal Bond 10 Yr provided by Bloomberg Capital; ICE BofA US High Yield Index provided by Bloomberg Capital; S&P 500; provided by: Standard & Poor's. Index; Russell 2500; provided by: Russell Investments; MSCI Europe, Australasia, and the Far East (EAFE) provided by MSCI net official pricing; MSCI EM provided by MSCI net official pricing; MSCI All Country World Index (ACWI) provided by MSCI net official pricing; Crude Oil (WTI) provided by CME; LBMA Gold Price PM provided by FactSet. The 60/40 ACWI/Agg Portfolio (60% ACWI / 40% AGG) is not a recommendation and is provided for reference purposes only.

EQUITIES: Top Left-hand Chart. S&P 500 Index Level as of 7/20/26 and provided by Standard & Poor's. Bottom Left-hand Chart. Forward Price to Earnings Ratios refers to the price-to-earnings ratio for the forward 12 months, which is a valuation measure applied to respective broad equity indices as of 7/20/26. Large Cap data is proxied with the S&P 500 and provided by FactSet. SMID data is proxied by the Russell 2500 and provided by FactSet. Developed International data is proxied with the MSCI EAFE and provided by FactSet. Emerging Markets data is proxied by the MSCI EM and provided by FactSet. S&P 500 Sector performance table. Sectors are based on the GICS methodology. Return data are calculated by FactSet using constituents and weights as provided by Standard & Poor's. Returns are cumulative total return for stated period, including reinvestment of dividends. 1-Week and Year-to-Date (YTD) returns are as of 7/20/26.

FIXED INCOME: Top Table. Effective Federal Funds Rate provided by FactSet. Composite Municipal Bond Yield provided by FactSet. Bloomberg US Aggregate provided by FactSet. 3-Month Treasury Bill rate provided by FactSet. 10-Year Treasury Yield provided by FactSet. 30-Year Mortgage Rate provided by FactSet. ICE BofA US High Yield Index provided by FactSet. Prime Rate provided by FactSet. Bottom Table. Option Adjusted Spreads as of 7/20/26. Bloomberg US Aggregate Securitized – MBS, Bloomberg US Aggregate, ICE BofA US Corporate, ICE BofA US High Yield data provided by Bloomberg Capital.

COMMODITIES, CURRENCIES, CRYPTO: WTI NYMEX Crude Oil provided by FactSet. Gold is proxied with the LBMA Gold PM and provided by FactSet. Bitcoin is proxied by the Bitcoin (CME) Continuous index and provided by FactSet. U.S Dollar prices are proxied with the U.S. Dollar Index and provided by FactSet.

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