Hamilton-Bates
Market Update

July 14, 2026

America 250 Years!

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Its not a long time in the scheme of things, but 250 years is a pretty amazing feat for a new democracy. Especially one that would go on to become the greatest superpower since Rome. Its not perfect, but the US represents the largest most culturally diverse society in the world, and most of us get along. Lets hope the U.S. makes it another 250!

As for the stock market, the bulls took advantage of the lull in the fighting with Iran to run stocks to new highs, as oil backed down to pre-war lows. Now with hostilities ramping again and a difficult earnings season looming, a pullback could be in order. Seasonally, the period from mid-July to early October is a weak one.

Earnings, Economy, Energy and Interest Rates
Earnings remain strong, but expectations are pretty highs, we could be set up for a pullback as sky high earnings expectations are not met. We could also see a hiccup in AI as perhaps AI capital expenditures do not continue to jump with almost limitless abandon. Cash flow among the hyper-scalers is now negative net cap-ex. Something has to give.

The Fed is not likely to move one way or another this year, and chairman Warsh has recently come out with a fairly hawkish tone. This is fine, we do not need a meddlesome Fed. They should just step back and let the market dictate rates and follow along. Oil had come down but is now back around 80, this will keep energy prices higher than desired. In the past, oil price shocks led to economic slowdowns, almost without fail. We need to see if that happens again this year. Yet another reason to be cautious right now.

Managed Portfolio Note: Evolution
We just completed the quarterly rebalancing in our managed portfolios, in the process finishing up a process of evolving the portfolios from mutual funds to low-cost ETF's. Now that there are no longer trading costs, ETF's offer a way to get rock bottom expenses and better returns. For example: we swapped Fidelity International Value Fund for Fidelity International High Dividend ETF. They are nearly identical but the ETF expenses are less than 1/3 of the fund while the dividend yield is nearly double. We found the same options available across our portfolios and made the changes. As a result, we cut internal investment expenses by half or more, and doubled portfolio dividend yield. Currently, the model portfolios now have a yield of around 4%; plus capital appreciation from market movement. As the markets change, we continue to evolve and change, and our portfolios will as well. We still use some funds for fixed income and specialty investments, but we will seek alternatives there as well to keep expenses low and yields high.

Stock Market Outlook and Portfolio Strategy
The SpaceX IPO did do well, opening at 135 and quickly running above 200. But like most IPO's it has since pulled back now trading around 139. Historically the period after the IPO pop has led to a drop giving investors a chance to get in. Meta, Uber—both made similar moves after a pop. SpaceX has an interesting story and a great CEO, so we are watching to see how it trades around that 135 IPO price.

We do not think the market will have a deep correction here, it could even just chop sideways to mark time and clear some excesses from the recent chip stock surge. It seems possible that with high earnings expectations the market is set-up for a set-back. After moving with a lot of conviction for much of the year–down hard on Iran conflict fears and then up hard on peace hopes—we think we could be in a period of no conviction. Where conflicting stories and views leave the market choppy vulnerable to swings in both directions. **This period will pass, and the historical trends after October are overwhelmingly bullish.**

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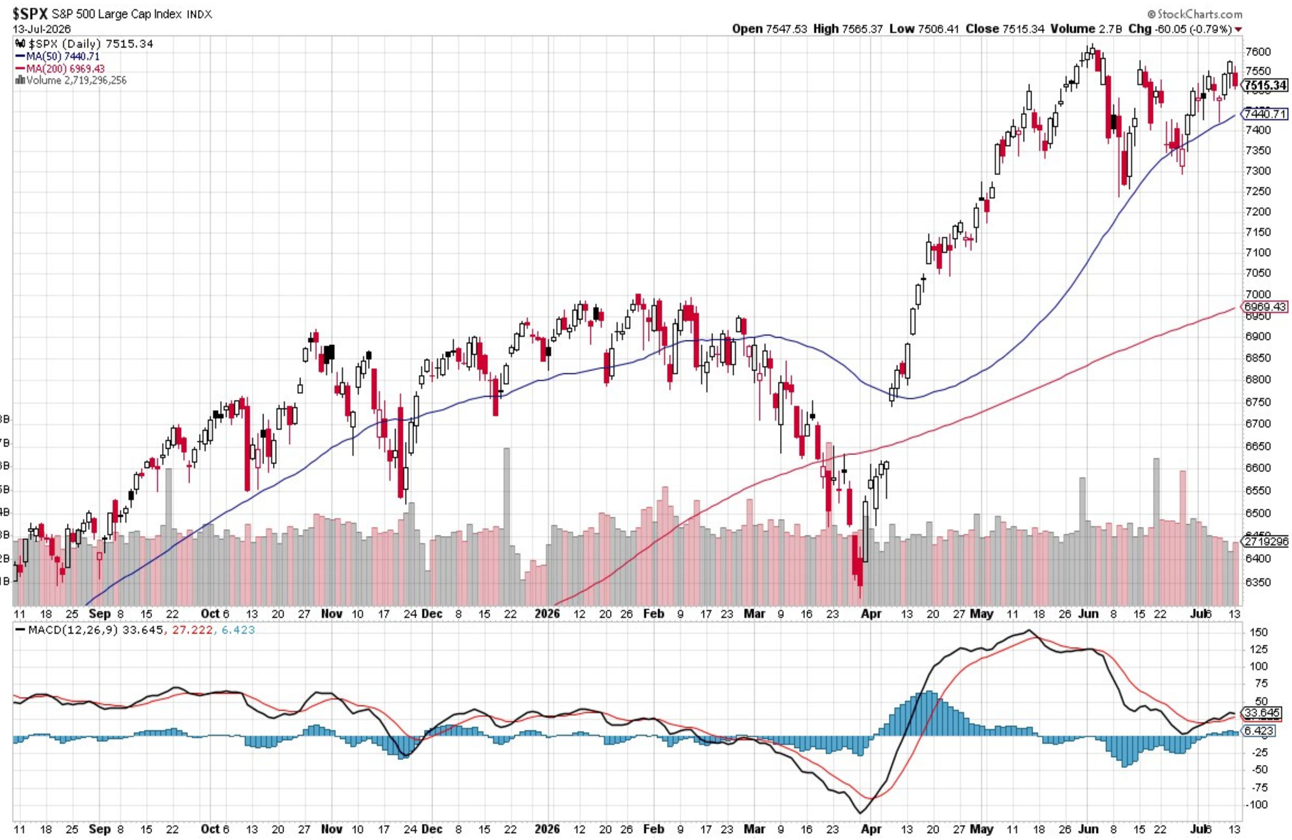
A Pullback Would Not Be a Bad Thing

S&P 500 Market Chart



S&P 500 Chart—Bullish But Looking Tired

The rebound from the war pause is over, and the market looks tired here with the recent push from the June lows looking pretty ragged and choppy. A rest would be fine and would be in line with seasonal tendencies. The market did hold up into the SpaceX IPO, but now looks ready for a breather. Our portfolios are full of dividend payers which have done well, but we did take some profits as these stocks made a new high in July unlike the S&P. Its not time to head for the hills, but a better opportunity to buy may be coming in the weeks ahead.

Seasonally the market is favorable into July, and it was, but the August to early October period is historically weak. The plan is to hold positions, and add on a correction—we want to participate but not chase right here.