Glen Eagle

Faith Family Firm®

July 2026 Investment Commentary

Volatility has returned to the financial markets in a meaningful way. Over the past several months, investors have watched stocks move sharply higher and lower as enthusiasm, fear, and uncertainty have competed for attention.

Although it is impossible to address the countless variables driving this volatility on any given day, it can be helpful to look at a few to better understand the environment:

Economic and Political Uncertainty: We are now a mere four months away from the midterm elections. Historically, midterm years have brought larger-than-normal market declines. The S&P 500's median peak-to-trough decline has been approximately 18% during midterm years, and market drops of 10% or more have also occurred in approximately 70% of midterm years.[1]

A Shifting Artificial-Intelligence Trade: Technology companies now represent roughly 52% of the S&P 500 when Alphabet, Amazon, Meta, and Tesla, which are technically classified in non-technology sectors, are included.[3] The landscape, however, is shifting quickly as investors process what the AI revolution means today and in the future. For example, technology companies that have been the historic winners, such as the "magnificent seven" (i.e., Nvidia, Apple, Google, Microsoft, Amazon, Meta, and Tesla), have far underperformed the rest of the market as they race to reposition themselves for the new AI-driven world. In fact, through early July, the S&P 500 excluding these seven companies had risen 14.4% this year, compared with an increase of just 2.4% for the Magnificent Seven.[4] Additionally, new companies like Micron (a company many investors may have not even heard of two years ago) illustrate how quickly this new enthusiasm for AI can reshape markets. This one semiconductor company became the twelfth U.S. corporation to reach a $1 trillion market value, doubling from $500 billion in only 48 trading days![1]

International Conflicts & Inflation: The on-again, off-again nature of negotiations involving Iran has repeatedly affected oil prices and investor sentiment. The Strait of Hormuz remains one of the world's most important energy chokepoints, with roughly one-fifth of the world's oil supply passing through the region. At the same time, successful Ukrainian drone attacks on Russian refineries have forced Russia to import refined fuels such as gasoline and impose a nationwide ban on diesel exports. Where these conflicts ultimately lead remains uncertain. However, the longer the disruptions continue, the more likely investors are to fear a resurgence in inflation.

When reviewing the above factors, and investors' often extreme reactions to them, we are reminded of an ancient Chinese story:

> *An old farmer's horse runs away. His neighbors call it terrible luck. The farmer responds, "Perhaps."*
>
> *The horse later returns with several wild horses. The neighbors celebrate his wonderful luck. Again, the farmer says, "Perhaps."*
>
> *His son then breaks his leg while trying to tame one of the horses. Bad luck, the neighbors declare. "Perhaps," says the farmer.*
>
> *Soon afterward, soldiers arrive to conscript the village's young men for war, but the injured son is spared.*

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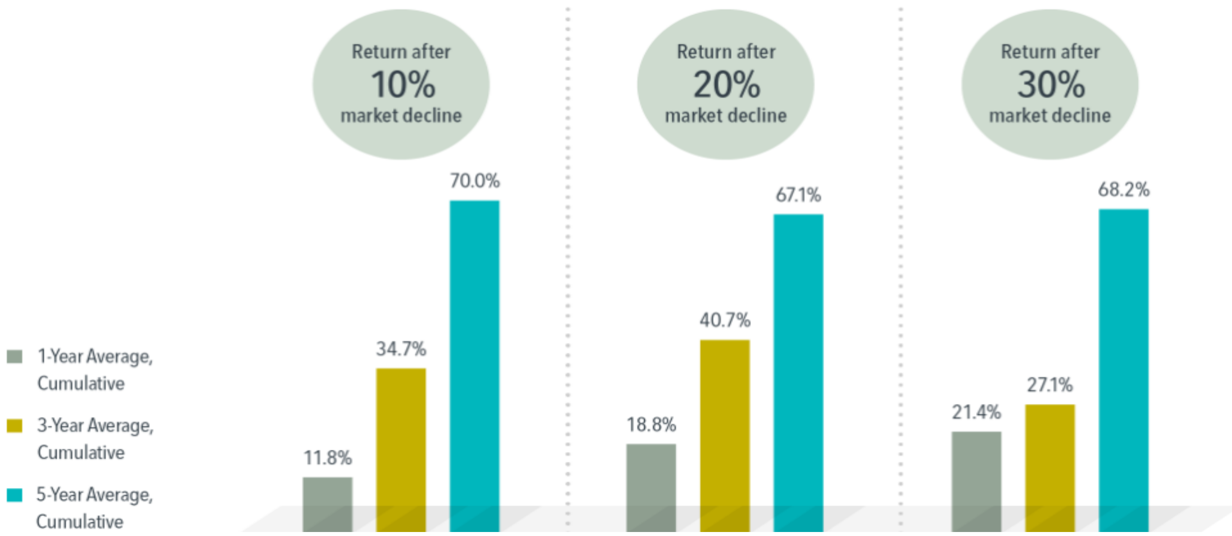
Investors often behave like the farmer's neighbors. A sharp market decline is immediately labeled bad. A rapidly rising stock is viewed as good. New technology is described as either revolutionary or dangerously overhyped. Geopolitical development is interpreted as either a disaster or a resolution.

In reality, the long-term consequences are rarely known at the moment an event occurs. The volatility created by headlines and shifting expectations should therefore be viewed as an inherent part of the investment process.

To put this in context, since 1926, the stock market has produced an average annual return of approximately 10%. Yet individual calendar-year results have ranged from gains of roughly +54% to losses of approximately -43%.[5] These wide variations in performance, and the volatility that causes them, are not a bug in the investment experience; they are a feature of it. Yet, as the chart below illustrates, investors who have the patience and discipline to weather the inevitable ups and downs have historically been amply rewarded.



We cannot control elections, geopolitical negotiations, oil prices, artificial intelligence, or the emotions of other investors. We can, however, control our own emotional response.

Wishing you a wonderful summer with your family and friends,

The Michel Team
Susan, Rob & Carol Ann

1. MFS – "Beyond the News" **2.** Gallup "More Americans Say Political Rhetoric Has Gone Too Far" **3.** Yahoo Finance – "If It Walks Like a Bubble and Quacks Like a Bubble, Then It's Probably a Bubble" **4.** A Wealth of Common Sense - "The Mag 7 is Losing?" **5.** Dimensional "How to See Your Way Through Volatile Markets" **6.** MFS – "Beyond the News" **7.** First Trust "Election Year Forecast: A divided Congress" **8.** BlackRock "Student of the Market April" **9.** A Wealth of Common Sense – "Geopolitics vs. Markets

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