Eagle Strategies LLC

The Eagle Edge

Quarterly

MARKET & ECONOMIC OUTLOOK

Insights from Multi-Asset Solutions' Portfolio Managers

Quarter ending
JUNE | 2026

On the Radar Screen

1. **Oil is likely to prove a swing variable moving forward.** A fragile 60-day US/Iran truce has pulled crude pricing back from wartime highs and is opening the Strait of Hormuz to a freer flow of commercial traffic, but markets are priced for those conditions to hold. Any unraveling is apt to lift oil prices, inflation expectations and bond yields together.
2. **Earnings season opens in mid-July with a steep bar to clear.** Forward multiples are historically rich even as expectations for profit growth are quite elevated. That's a risky combination. The Fed offering no help, pricing will hinge of forecasts being met. Watch margins and guidance, too, not just the headline beat.
3. **The job market has caught a second wind.** Payroll growth has picked up a bit in recent months. While supportive of personal consumption, that strips the Fed of room to cut.
4. **Washington has just demonstrated its willingness to pull a frontier AI model.** June's export-control directive forced Anthropic to disable its most capable models for all users. The precedent signals heavier scrutiny ahead; frontier capability that can't be freely accessed could cool investor enthusiasm and strand much of the money pouring into model development.

"There are decades when nothing happens; and there are weeks when decades happen."
– Vladimir Lenin

A war, a spike, and an uneasy truce. When Israel and the US opened strikes on Iran in late February, the conflict did what Gulf conflicts do: it went straight to the price of oil. With the Strait of Hormuz - the artery for roughly a fifth of the world's crude and distillates - effectively closed, Brent ran up well more than 50% during the fighting, and that energy shock carried headline CPI to 4.2% in May, the fastest pace since April 2023. The quarter's second act was the reversal: a 60-day memorandum of understanding extending the ceasefire and reopening the Strait that pulled crude much of the way back, leaving prices only modestly above where they sat before the war began. We would not mistake that round trip for resolution. The understanding is a framework, not a settlement; follow-on talks have already slipped, and the nuclear question remains unaddressed. Nevertheless, markets have priced the benign path with considerable confidence. The lasting market consequence is less the oil price itself than the inflation impulse it left behind, which arrived at precisely the wrong moment for a Federal Reserve already disinclined to cut. We're left with short rates more likely to move higher than lower in the year ahead.

The compute is the economy now. What began as enthusiasm for chatbots has matured into something with a genuine claim on the real economy. The rise of autonomous agents has turned token consumption from a trickle into a flood, each agent spawning further calls on further models and the demand for the compute underneath it appears, for now, all but unbounded. There is a tidy bit of economics at work here: Jevons observed that making a resource more efficient to use tends to expand its consumption rather than curtail it, and so it has gone with synthetic intelligence. Falling cost per token has not slowed spending; it has multiplied the uses to which tokens are put. Set against genuinely extraordinary gains in model capability, this is the engine behind both the productivity story we find credible and the capital-spending boom we watch warily. Two cautions temper our enthusiasm. The first is arithmetic: the capital being committed to model development and the infrastructure beneath it is enormous, and the revenue to justify it remains, for the moment, largely prospective. The second is newer. In June the government compelled the abrupt shutdown of a leading developer's most capable models on national-security grounds, an escalation in the use of export controls against frontier AI with broad implications for the field. A precedent has been set. The allure of building toward superintelligence dims considerably if the result, once built, cannot be reliably accessed and a good deal of invested capital could prove stranded.

"Anyone can hold the helm when the sea is calm." – Publilius Syrus. We have a new hand on the tiller. Jerome Powell's successor, Kevin Warsh, has inherited the chair at an awkward juncture, with inflation at a three-year high and the easy decisions already made. His first meeting produced no change in rates, the benchmark being held at 3.50% to 3.75%, but a notable change in tenor. The post-meeting statement was dramatically shorter, the bias toward future cuts was removed, and the new chair declined to submit his own projection for rates, consistent with his long-held skepticism of forward guidance. The dot plot, meanwhile, erased the cut it had previously penciled in and moved its 2026 median up to 3.8%, with half the committee now contemplating a hike. We do not expect dramatic policy shifts in the months immediately ahead; the more meaningful change is one of communication. A Fed that volunteers less of a roadmap is a Fed that leaves markets to do more of their own navigating, which tends, at the margin, to widen the range of outcomes. He has launched a series of task forces to overhaul the Committee's communications, balance sheet, and inflation framework, so perhaps we'll have a bit more clarity some months down the road. In the interim, it's worth noting one of his stated convictions: that the AI productivity wave will ultimately prove disinflationary, a view that, if held, colors how this committee may read the data for some time.

"Be pragmatic about everything and dogmatic about nothing." – Chris Verrone, Strategas Research

---

How we are positioned. On balance we lean modestly toward equity risk, not based on valuation, which is unforgiving, but on fundamentals: top-line growth has been robust and productivity-driven margin gains are showing up where we'd hope to see them. We are more circumspect on duration. With heavy issuance from public and private borrowers alike competing for capital, the supply picture argues for caution on the long end. On credit we are essentially neutral: spreads are stingy and offer little compensation, but underlying fundamentals remain solid, and we see no present catalyst to force them wider. As ever, the posture is one of calibrated tilts rather than bold bets.

to change. There is no guarantee that any forecast made will come to pass. This material does not constitute investment advice and is not intended as an endorsement of any specific investment.

This material represents an assessment of the market environment as of a specific date, is subject to change, and is not intended to be a forecast of future events or a guarantee of future results. This information should not be relied upon by the reader as research or investment advice regarding the funds or any issuer or security in particular. The strategies discussed are strictly for illustrative and educational purposes and are not a recommendation, offer or solicitation to buy or sell any securities or to adopt any investment strategy. There is no guarantee that any strategies discussed will be effective.

This material contains general information only and does not take into account an individual's financial circumstances. This information should not be relied upon as a primary basis for an investment decision. Rather, an assessment should be made as to whether the information is appropriate in individual circumstances and consideration should be given to talking to a financial advisor before making an investment decision.

About Risk

All investments are subject to market risk, including possible loss of principal.
Stocks and bonds can decline due to adverse issuer, market, regulatory or economic developments. Bonds are also subject to credit risk, in which the bond issuer may fail to pay interest and principal in a timely manner, or that negative perception of the issuer's ability to make such payments may cause the price of that bond to decline. A bond's prices are inversely affected by interest rates. The price will go up when interest rates fall and go down as interest rates rise.

ES.EagleEdge
SMRU 9012123 (Exp. 07/31/2027)