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Capital Markets Commentary – July 2026

Before we talk markets, here's what caught our attention this month. The World Cup kicked off on June 11th, and for the first time in the tournament's history, three nations (United States, Canada, and Mexico) are sharing hosting duties across sixteen cities and a record forty-eight teams. As of June 28th, cumulative attendance for the group stage games hit 4.6 million, surpassing the all-time record set back in 1994, with the knockout rounds still under way.[i] If you have been lucky enough to wander near a fan zone or strike up a conversation with a visiting supporter, you may have noticed a few common remarks. International visitors keep marveling at the things we take for granted such as air conditioning, restaurant portions sized for two people, and refill policies on soda that, to much of the world, is borderline absurd. These are small things, but it is a nice reminder that a great deal of what divides us on any given day is mostly geography and habit, not anything more fundamental. We mention this because headlines this month, as most months, have offered no shortage of reasons to feel divided. None of that disappears because a soccer ball is kicked around a pitch. It is worth pausing though, to notice that fans from forty-eight nations can stand shoulder to shoulder in the same stands, root against each other for ninety minutes, and still share a beer afterward. We could all stand to remember that more often than we do. With that, let's get to the indexes' performance for the month.

In June, the S&P 500 slipped approximately 1.0%, a modest give back following strong returns in April and May, while the tech-heavy Nasdaq fell 2.7%. The Dow bucked the trend adding 2.7%, as capital rotated back into value-oriented sectors. Overseas, the picture was mixed. The Eurozone STOXX 50 added a respectable 2.4% and the Nikkei posted a solid 3.5% gain. The Hang Seng fell 8.6%, a reminder that not every market has shared in this year's optimism equally. On the fixed income side, the 10-year Treasury Yield closed the month at 4.47%, continuing its climb as the Fed's hawkish pivot and persistent inflation data kept pressure on bond prices. Despite June's modest pullback, the S&P 500 is up over 10% through the first six months of 2026. Next, we'll take a closer look at what is driving the market's caution, but first, let's start with the economic spectacle happening right outside our stadiums.[ii]

For a few weeks every four years the World Cup is not just a sporting event, it is a temporary economy. Morgan Stanley Research published a detailed analysis of the tournament's economic footprint and the numbers across several sectors are worth mentioning. On the media side, broadcast networks holding rights to the tournament are expected to generate more than $500 million in advertising revenue supported by strong viewership and premium live event pricing. According to a Morgan Stanley Alpha Wise survey, 44% of US consumers plan to engage with matches or related events, with 30% following primarily through TV and streaming. Roughly 70% of those followers expect to increase spending in categories including food and non-alcoholic beverages, food delivery, and streaming services. The beverage industry stands to benefit as well. Morgan Stanley Research found that global beer volumes tend to see a measurable boost during the tournament with the most significant uplift concentrated in countries whose teams advance deep in the knockout rounds, when national fervor and viewership tend to peak simultaneously. At the broader economic level, FIFA projects the tournament will generate $40.9 billion in global GDP with the United States capturing an estimated $17.2 billion of that total. Morgan Stanley's own US economist described the macro impact more modestly forecasting only a minor effect on overall growth, though noting that boost to consumption and payrolls in June could be more noticeable at the sector and city level, than in the aggregate numbers. That is probably the right way to think about it, as it's difficult to move the needle in a $30 trillion economy, but for the restaurant owner two blocks from a stadium it very much does.[iii] Beyond the excitement of the World Cup, the economic picture this month was considerably less festive.[iv]

The May CPI report, released June 10th, confirmed what many had feared. Inflation has now accelerated for four consecutive months. The Consumer Price Index rose 0.5% in May on a seasonally adjusted basis, putting the annual rate at 4.2%, which is the highest reading since April 2023. The trajectory we mentioned last month, continues to tell the story (2.4% in February, 3.3% in March, 3.8% in April, and now 4.2% in May). A trend is starting to appear with energy costs bearing the primary responsibility, rising more than 23.5% annually. The data points directly to the Iran War's disruption of global oil supply. However, there is a silver lining and it seems to be a meaningful one. Core CPI, which strips out food and energy, rose only 0.2% for the month. This suggests the shock has not broadly bled through to the rest of the economy. This is an important data point because if oil prices continue to moderate, which much of the market expects, the headline inflation number should fall with it in the second half of the year. We believe this is the most likely outcome, though we do hold this view with appropriate humility given how many times this year's events and data have brought surprises.[v]

The Federal Reserve had its first meeting under new leadership and looked at those same numbers and faced the same question the rest of us did. Is this a problem that requires action, or is it one that resolves itself? Last month, the FOMC voted unanimously to hold rates, but that wasn't the big news from the meeting. When looking at the dot plot, nine of the eighteen participants now project at least one rate hike before year-end, eight see rates unchanged, and one still sees a cut. It appears even the fed itself is unsure about whether policy action is needed. Even more notably, Warsh did not submit his own rate projection. Kevin Warsh has argued that the Fed has overcommunicated for years, and so Wall Street is left reading between the lines on where he personally stands. We'll see how this lack of transparency and signaling plays out, but the market is not one keen on surprises. With all this in mind, the market appears to be pricing in one rate hike before year end, but if the energy crisis can be moderated, we tend to think this may be unnecessary.[vi]

Warsh's first press conference was short compared to his predecessor's. He reaffirmed the 2% inflation target without hesitation and announced five new internal task forces covering communications, monetary policy operations, data, productivity, and the labor market.[vii] It seems he is gearing up to put his own stamp on the Fed well beyond a single rate decision. As we mentioned last month, the Warsh era has begun, and it began with a committee that is more divided, more hawkish, and more uncertain about the path ahead than at any point since the post COVID tightening cycle. We are monitoring this uncertainty as there are obviously many practical consequences. For example… unlike a rate cut, which can be characterized as an insurance measure or a precautionary adjustment, there is no such thing as an "insurance" hike. If the Fed raises rates, it is making a deliberate statement that inflation is a structural problem requiring a structural response. Once that statement is made, it is very difficult to unmake. A single rate hike rarely travels alone. The committee would be committing, implicitly if not explicitly, to a path of further tightening until the data tells them to stop. This is a consequential decision in almost every environment, but in this environment, where inflation is driven primarily by an oil shock that may very well resolve on its own, it needs to be done carefully and deliberately.

If we step back from the individual headlines, the first half of 2026 tells a story that few would have predicted on January 1st. The S&P 500 returned approximately 10.2% in the first six months of the year, almost exactly its long-term historical annual return, but delivered in half the time. It did this despite the situation in the Middle East that almost dragged the index into correction territory earlier in the year, resurgent inflation, concerns in the private credit space, a change in Fed leadership, and persistent questions about whether this AI spending cycle can sustain itself. The Nasdaq did even better, posting a 13.1% return in the first half of the year. These are not the results that headlines from any given month would have suggested was coming.[viii]

That said, the second half of the year arrives with the same, if not more, complicated backdrop than the first half did. Inflation is running at its highest level in three years, driven primarily by an energy shock we believe will moderate. The Federal Reserve has a new chair running his first meetings, a dot plot that has shifted from cuts to potential hikes, and a committee that is so divided the path forward is genuinely unclear. When looking at the strong performance of the market in the first half, there is less margin for error than when the year began.

Our message, as it has been since the year began, has not changed. Quality balance sheets, earnings resilience, and sound credit remain the organizing principles of how we think about positioning in this environment. If inflation moderates as anticipated, if the Fed can thread the needle between patience and credibility, and if earnings continue to hold up, the second half of 2026 could surprise to the upside. Those are not small feats, but they are not implausible ones either.

Before we close, we want to take a moment to share some exciting developments within our team. Graystone Charleston has been growing behind the scenes, and we are proud of what the future may hold. We recently welcomed a new Client Service Associate, Sam LeGrow, to our institutional practice, bringing analytical rigor to the work we do on that side of the business. We also have the pleasure of hosting an intern this season, Max Wilcox, and we're excited to have him thinking through markets with us this summer. On the wealth management side, we have additions coming that we are genuinely excited about and we look forward to introducing you to them in the near future. We share all of this because we believe you should know who is working on your behalf, and because the growth of our team reflects the confidence you have placed in us (which we do not take lightly), and our commitment to providing our clients with what we believe is some of the best service in the country.

As we close the books on the first half of 2026 and pause to celebrate 250 years of American independence, we leave you with one final thought. This country has survived a civil war, two world wars, a Great Depression, a global pandemic, and more than few moments that felt, in the thick of them, unsurvivable. An oil shock, a divided Fed, and four consecutive months of accelerating inflation are not going to be what breaks a 250-year winning streak.

As always, should you have any questions or concerns, please never hesitate to reach out. We look forward to hearing from you. God Bless the United States of America.

Graystone Consulting | Charleston, WV

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[i] Source: FIFA, "Records Tumble as FIFA World Cup 2026 Group Stage Sets New Benchmark for Football's Greatest Show," inside.fifa.com published 6/28/2026

[ii] Source: Morgan Stanley Wealth Management GIO, Bloomberg, FactSet.

[iii] Source: U.S. Bureau of Economic Analysis, "Gross Domestic Product" (Nominal GDP series, GDP), via FRED, Federal Reserve Bank of St. Louis.

[iv] Source: Morgan Stanley. "Media and Beverages Score at the World Cup." Morgan Stanley Research, June 11, 2026.

[v] Source: U.S. Bureau of Labor Statistics, "Consumer prices up 4.2 percent over the year ended May 2026," The Economics Daily, Published June 2026.

[vi] Source: Federal Reserve Board, "Federal Reserve issues FOMC Statement," press release, June 17, 2026.

[vii] Source: Federal Reserve Board, "Transcript of Chairman Warsh's Press Conference," June 17, 2026.

[viii] Source: Morgan Stanley Wealth Management GIO, Bloomberg, FactSet.

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