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Crude Oil, New Fed, and World Cup; Summer 2026, Game On!

June 30, 2026

While the recent Federal Reserve meeting led by new Chair, Kevin Warsh, garnered significant media attention, some very impactful market developments over the last few months occurred beneath the surface in energy, monetary leadership, and productivity trends.

Below, we break down these key themes and what they mean for your portfolio.

The Energy Reversal and Inflation Outlook

The most important development of the past month was the sharp and unexpected decline in oil prices, which peaked at $110 per barrel in April. A few weeks ago, consensus expected crude to remain elevated due to ongoing geopolitical tensions. Instead, West Texas Intermediate (WTI) crude briefly traded with a $70 handle—only modestly above its pre-conflict levels and far below the $110+ range many feared.

While gasoline and refined products have not fallen as quickly due to global refining constraints and disruptions to Russian operations, the implications of cheaper crude are profound. If input costs remain near current levels and flow through to consumers, the inflation outlook could improve dramatically over the second half of the year.

Historically, declining energy costs act as an immediate tax cut for consumers. This boosts real purchasing power and improves business confidence without requiring economic pain.

A New Chapter at the Federal Reserve

This shifting energy backdrop has critical implications for monetary policy. Fed Chairman Warsh delivered a strong first press conference, and we were somewhat encouraged by his approach. He emphasized strict inflation discipline while signaling a welcome willingness to look beyond backward-looking indicators. His explicit references to Milton Friedman—and the monetarist principles often overlooked by past leadership—suggest a healthy focus on forward-looking data.

The Fed's recent projections and "dot plots" were formulated when energy prices were substantially higher. Today, the inflation environment is changing more rapidly than policymakers anticipated.

The Path of Rates: If oil remains near current levels, headline CPI readings could be exceptionally low over the next several months, even if core inflation declines more gradually. Under these circumstances, we find it very difficult to envision the Fed raising rates further this year.

The Reality of Cuts: This does not mean imminent rate cuts are guaranteed.

Core PCE inflation remains above the target, and policymakers will require definitive evidence that underlying pressures are easing. However, the conversation has fundamentally shifted. The risk of further tightening appears significantly lower than it did only a few weeks ago—a dynamic the long-term bond markets recognized as the yield curve flattened following the meeting.

Economic Resilience and the AI Productivity Story

Alongside falling energy prices, the labor market continues to display remarkable resilience, with jobless claims moving lower. Crucially, we are seeing this steady employment growth pair up with a powerful long-term theme: AI and structural productivity.

Massive capital investments in data centers, semiconductors, energy infrastructure, and manufacturing reshoring are creating significant demand for labor. Rather than causing a "labor apocalypse," artificial intelligence is adapting to augment workers and raise output per employee. History shows that major technological shifts change the nature of jobs rather than simply eliminating them.

For long-term investors, this productivity narrative is vital. Higher productivity allows the economy to achieve stronger growth without generating the inflationary pressures that traditionally stall expansions. This creates an ideal environment to support both rising corporate profits and a more favorable monetary policy backdrop.

Upcoming U.S. Midterm Elections: Volatility, Then Stocks Rally

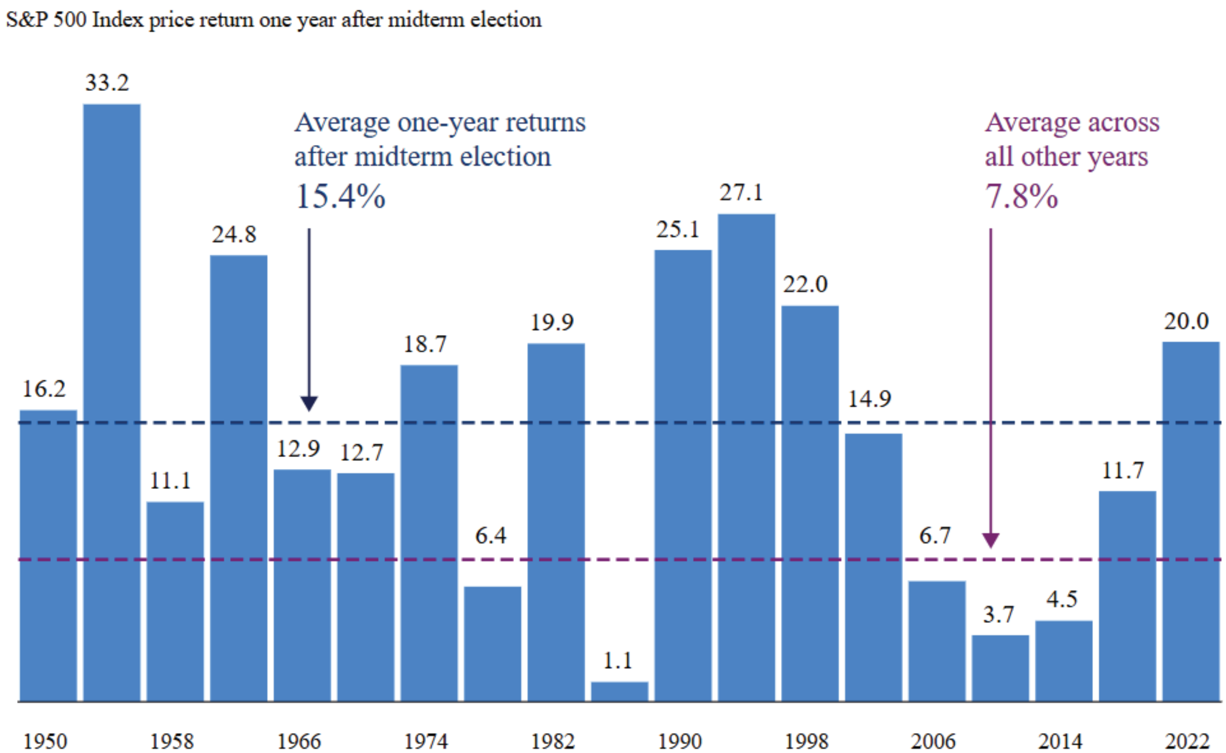
With everything else happening in the world, investors may not be focused on the U.S. midterm elections just yet. But this pivotal contest is only a few months away, and it could have a noticeable effect on the stock market, if history is any guide.

To gauge the impact, we found a study by the Capital Group which examined more than 90 years of S&P 500 Index data, and it turns out that stocks do exhibit some unique characteristics during midterm years. Market volatility tends to rise, returns tend to be muted and, once the outcome is known, stocks tend to rally.

So far, the competing forces of rising corporate earnings, the Iran war and a powerful rally in AI stocks are driving market activity, but that could change as investors turn their attention to what is likely to be a rancorous election season.

The silver lining is that returns have tended to be strong during the full year following midterms elections, averaging 15.4% since 1950. Still, for long-term investors, these short-term moves don't normally mean much. "There may be bumps in the road," says equity portfolio manager Chris Buchbinder, "and investors should brace for short-term volatility, but I don't expect election results to be a huge driver of investment outcomes one way or the other." Plus, at this point, it's just too close to call.

Chart: U.S. stocks have generally rallied after midterm election volatility



Sources: Capital Group, S&P Global, RIMES. Calculations use Election Day as the starting date in all election years, and November 5 as a proxy for the starting date in other years. Only midterm election years are shown in the chart. Price returns exclude the reinvestment of dividends and capital distributions. As of December 31, 2025.

"We all know that, historically speaking, the party in power tends to face setbacks in the midterms, and so history favors the Democrats," says Capital Group political economist Matt Miller. "But remember, we are still far from Election Day. Five months is a lifetime in politics. I think we will see an enormous amount of energy and well-funded advertising campaigns that I think could make this election closer than folks expect. It might just give Republicans a chance to eke out what today would be considered a surprise win."

Futbol on Our Mind: Thoughts on The World Cup and Long-Term Investing

A Broadening Market

For the past several quarters, the market felt like a team relying entirely on one or two superstar strikers—the mega-cap AI leaders—to carry the entire scorecard. While that strategy won a lot of games early on, a truly championship-caliber portfolio requires a full, balanced pitch.

With energy prices cooling and inflation pressures easing, we are seeing the game broaden out. The midfield and defense—healthcare, staples, and financial equities and cyclical sectors that provide structural stability—are controlling the ball again. Economic resilience means we don't have to rely on just a few explosive plays; the entire roster is beginning to contribute to steady, long-term gains.

The Fed and Chairman Warsh – Looking Beyond the Ball

In soccer, the amateur player chases the ball wherever it happens to be at that exact second. The world-class player, however, runs to where the ball is going to be.

For a long time, the Federal Reserve under past leadership seemed hyper-focused on backward-looking data—chasing the ball. Chairman Warsh's debut press conference signaled a welcome tactical shift. By looking at forward-looking indicators and structural disinflation rather than just past CPI headlines, the Fed is finally playing the space on the pitch, anticipating the economy's next move rather than constantly reacting to the last one.

AI and Productivity as a "Force Multiplier"

There has been plenty of handwringing over whether artificial intelligence will completely eliminate traditional jobs. But the history of technology suggests a different outcome—one less like replacing the team, and more like upgrading the manager's tactical playbook.

Think of AI as advanced sports analytics and better training sports science. It doesn't eliminate the players on the pitch; it augments them, optimizing their positioning and drastically increasing their output per minute played. In the corporate world, this structural productivity boost means companies can achieve stronger earnings growth without running their labor force into exhaustion or triggering inflationary spikes.

Patience and the Long Game

Ultimately, successful investing is a 90-minute match, not a penalty shootout. There will be bad referee calls, unexpected deflections, and shifts in momentum that cause short-term volatility. Our focus remains entirely on the company fundamentals—the income statement and balance sheet—it's structural components. By anchoring the portfolio in high-quality businesses with strong management teams, we ensure the team is positioned to win the long game, regardless of the temporary noise on or off the pitch.

To Wrap it Up – The Action Bias. Be Wary!

When markets experience sudden shifts—like this past month's rapid drop in energy prices, the SpaceX IPO, or a transition in Fed leadership—the natural human impulse is to react immediately. In behavioral finance, this is known as "action bias."

It is beautifully illustrated by data from professional soccer. Research shows that during penalty kicks, the ball is kicked directly down the center of the goal roughly 33% of the time. Statistically, a goalkeeper has a high probability of saving the shot simply by staying rooted to the center of the line. Yet, goalies dive left or right 94% of the time.

Why do elite athletes choose a potentially statistically inferior strategy? Because of the psychological pressure to look active. If a goalie dives and misses, they are seen as having made an effort. If they stand still and the ball goes to the corner, it looks like they gave up.

Wall Street suffers from the exact same bias. When macro headlines create noise, the financial media pressures investors to constantly "dive"—to trade, to shift capital rapidly, to completely overhaul portfolios based on the news of the week.

Our job as stewards of your capital is to resist that psychological trap. When our core thesis is sound and the businesses we own are resilient, the most successful strategy is often to hold our ground. Remaining steady while the noise flies past isn't inaction; it is a calculated, data-driven decision to let long-term compounding do its work.

Portfolio Positioning and Outlook

For the markets, the combination of lower energy costs, easing inflation pressures, resilient employment, and accelerating productivity remains highly constructive.

The decline in oil prices may also revive the broadening market trade that favored dividend-oriented businesses and cyclical sectors before recent geopolitical concerns temporarily redirected investor attention back toward mega-cap technology leaders.

We expect the market to increasingly focus on economic resilience rather than recession risks. While the path ahead will undoubtedly see bouts of volatility, the fundamental economic backdrop remains far more supportive than consensus expected just a few weeks ago.

We continue to monitor these trends closely, focusing our research on high-quality companies positioned to thrive in this evolving environment. As always, we appreciate the trust you place in us to manage your capital.

Please do not hesitate to reach out if you would like to discuss these developments in greater detail.

Sincerely,

The Team at CORDA Investment Management