July 1, 2026

Dow Jones	S&P 500	NASDAQ	Russell 2000	10 yr Treas	Bitcoin	Gold	Crude Oil
52,355	7,489	26,040	3,013	4.48%	59,644	$4,053	$68.90

Investment Strategy Report

Stocks Hold Their Own In June To Close Out Stellar Second Quarter

Stocks didn't do too much in June, as they seemed to be digesting their gains from April and May. For the month, the S&P 500 declined 1.0% and the Nasdaq dropped 2.7%. The small cap Russell 2000 continued to outperform, rising 3.7%. However, the second quarter saw outsized gains for all the major indexes. The S&P, Nasdaq, and Russell 2000 rose 15.2%, 21.4%, and 21.5%, respectively for the quarter, while our growth funds were up about 20% on average. The Dow and the Russell 2000 ended the quarter at record highs while the S&P and Nasdaq were within a few percent of their all time highs.

The second quarter began with the fighting in Iran still ongoing and oil at $102 per barrel. But as is often the case, the markets looked ahead, and were anticipating an end to the fighting and a decline in the price of oil. Today we are in a somewhat tenuous cease-fire and the price of oil is now at $69 per barrel. These factors, together with strong corporate earnings have propelled the markets to strong first half gains.

As we cross over into the second quarter, investors will be interested to see whether the market uptrend continues and within the markets, which sectors will take a leadership role. Will tech and small caps lead the market higher, or will a rotation to value stocks take place? And with such strong gains in the first half, how much more momentum do stocks have?

Brett Eversole in his June 10th column (Stansberry Research) offered advice about buying stocks after a strong run-up. His conclusion: "When prices are rising, they tend to keep rising." Very simple but sound advice. After stocks were up over 10% in April, Brett's advice to stay long the market proved prescient as stocks rose another 5% in May. When you combine the strong April and May showing, with the S&P 500 up a total of 16%, Brett stated that such strong performance tends to lead to further gains. "You see, a 2 month rally this large is darn rare. We've only had 5 other 2 month rallies of 15%-plus since 1950. Similar extremes led to gains of 9.7% in 3 months, 15.4% in 6 months, and 21% over a year. That's more than double the typical 1 year return".

With such strong market performance, you would think that investors are getting overly optimistic and complacent, which would be a significant market warning sign. But as Brett wrote in his June 17th column entitled "Bearish Sentiment Means Tech Could Jump 24%, that is not the case. He stated that "futures traders haven't been this bearish on tech since 2020 … And according to history, that negativity is setting up for another big move higher". When futures traders were this bearish on the Nasdaq 100, the index was up on average 24% a year later. And the index was up a year later 100% of the time (11 of 11 times). "This market won't peak until everyone is "all in". We're not there yet … which means prices can still move much higher".

Another metric that analysts look at to assess the health of the market is the advance/decline (A/D) line. This statistic measures the number of stocks rising vs. those falling over a period of time. Ryan Detrick of the Carson Group was on CNBC (6/18) and stated that on June 16th, the A/D line hit an all time high. All time highs were registered for the New York Stock Exchange stocks, small caps, and mid caps. With all these A/D highs occurring, Ryan stated that there was no reason to be concerned about stocks.

Tom Lee, during his June 25th appearance on CNBC, stated that he had revised his S&P 500 year end target to 8,000 from 7,700. This would be an additional 6.8% increase from here. His justification for this was because the S&P 500 2027 earnings estimates have been raised to 400 from 350. Using a 20 multiple would get him to his 8,000 estimate. He also said that he expects in 2027 to see "one of the biggest stock market rallies of our lifetimes". His reasoning is that all of the current spending on AI will begin to bear fruit next year, resulting in an increase in prosperity for those who use AI. *Jeff Feldman*