CJ's Weekly Market Memo

July 4, 2026

Correction In Time

I have been carrying a number around on a scrap of paper for a few weeks now, and this seems like the week to share it. One dollar invested in American stocks in 1802, the earliest date for which we have a usable record, with every dividend reinvested along the way, would be worth roughly 75 million dollars today. Adjust that for two centuries of inflation and you still have something on the order of 2.5 to 3 million dollars in constant purchasing power. That works out to about 8.3 percent a year nominal, and 6.7 percent after inflation, a real rate of return so durable that Jeremy Siegel has watched it hold within a fraction of a point across depressions, world wars, and a pandemic.

I bring it up because today is the Fourth of July, 2026, the 250th birthday of the country. There is no better moment to step back from the weekly noise and remember what long term investing actually is. It is not a trade. It is a two century wager on American enterprise, and it has paid, spectacularly, through every crisis anyone was ever certain would be the one that was different this time. This is why Warren Buffett has spent a lifetime repeating a single instruction: never bet against America. The record could not be plainer.

The Economy

Friday's jobs report gave the bears something to chew on. Nonfarm payrolls rose just 57,000 in June, well short of the 113,000 consensus, and the prior two months were revised down by a combined 74,000. Read in isolation that looks soft. Read in context it is a labor market that is cooling, not cracking. Jobless claims remain very low by any historical yardstick, layoffs are running at modest levels, and job openings are actually near their highest since early 2024. What we are watching is a slower pace of hiring rather than a wave of firing, and a fair share of the payroll softness traces to reduced immigration flows, not to collapsing demand.

That distinction matters, because a gently cooling labor market is precisely the backdrop that lets inflation keep drifting toward target while giving the Fed room to ease. Wage growth has slowed, price pressures are receding, and the yield curve has been steepening as the market prices in a friendlier central bank. Growth, meanwhile, is holding up: the Atlanta Fed's tracker has second quarter GDP running near 2 percent even after a wider trade deficit trimmed the headline. This is not a boom, and it does not need to be. It is the kind of durable, unspectacular expansion that bull markets are built on.

Current Market Technical and Fundamental Conditions

The long term technical picture is, in a word, healthy. The 200 day moving average of the S&P 500 continues to rise smoothly, and price has now spent nearly a year above it. A rising 200 day line beneath a market that keeps carving higher lows is about the most reliable signature there is of a primary uptrend that remains firmly intact.

Now the contrarian's favorite part. For all the new highs, investors remain remarkably skeptical. The latest AAII survey shows bears outnumbering bulls, with the bull bear spread sitting deep in negative territory, and the broader fear gauges echo that caution rather than any hint of euphoria. Money market fund assets climbed again this week, up almost 48 billion dollars to a record 7.95 trillion, which tells you how much cash is still parked on the sidelines waiting for a reason to come in.

Skepticism and dry powder on that scale are fuel, not a warning. Market tops are built on greed, and there is precious little of it on display here.

Two items belong on the watch list. The St. Louis Fed Financial Stress Index has begun to tick up off very low readings, an early hint of slightly tighter money conditions that is worth monitoring even though it sits well below anything alarming. And the head and shoulders pattern Bespoke flagged last week is not yet resolved. That formation would be nullified so long as the S&P holds above its 50 day moving average, but it takes a fresh high to actually signal that the advance has resumed. Encouragingly, the cumulative advance decline line has already pushed to a new high, and breadth leading price is often the market's way of presaging exactly that kind of breakout.

On the fundamentals, my colleague Andrew makes the point that tends to get lost in the technical chatter: earnings are still growing. As profits climb against a roughly flat to higher price, forward price earnings ratios are actually coming down rather than stretching higher. A market whose valuation improves while it rises is a market resting on solid ground, and to Andrew's reading that argues for the advance to carry into the second half.

A Prognostication for the Rest of 2026 and Early 2027

Put the pieces together and the path of least resistance is higher. A labor market that cools without breaking, inflation that keeps easing, a Fed with room to trim, earnings that keep compounding, valuations that are quietly getting more reasonable, and a mountain of skeptical cash still on the sidelines. That is a constructive setup, not a dangerous one.

I expect the rest of 2026 to bring a fresh round of highs once the S&P clears its recent range, with the usual bouts of volatility along the way. Do not be surprised by a summer air pocket. Seasonality and that unresolved head and shoulders leave room for one, and a pullback that holds the 50 day line would be a gift rather than a threat. Into early 2027 I remain constructive, powered by the same second wave capital cycle in artificial intelligence infrastructure that we have written about all year, a build comparable in scope to the electrification of America a century ago.

None of which changes the lesson of the 250 year chart. The next quarter will do what quarters always do. The next 250 years, if history is any guide at all, will reward the patient owner of American enterprise. Buffett had it right. Do not bet against this country.

CJ Brott
Chairman Emeritus, Capital Ideas

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