

June 13, 2026

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## **CJ's Weekly Market Memo**

*Feeling like a trillion!*

### **The Economy**

SpaceX came public Friday and grabbed every headline in sight, popping 21% to a market value north of two trillion dollars and vaulting past Broadcom into the sixth largest company in the country. It was a spectacle, and a healthy one. But the spectacle was not the story. The story was the quiet back and forth between Washington and Tehran, and even more than that, it was inflation.

Take Iran first. The two sides spent the week trading drafts of a memorandum that would end hostilities, lift the naval blockade, and reopen the Strait of Hormuz. Iranian officials warn the strait will not return to its pre-war flows, and the White House puts its confidence in the low-to-mid eighties on signing. I would not bet the ranch on the timing. I would, however, note the calendar. The President has November in his sights, and nothing cools a kitchen-table mood like cheaper gasoline. A deal that reopens Hormuz is as much a political instrument as a diplomatic one.

Which brings us to the real news. Producer prices came in hot, up 6.5% year over year, and that PPI heat will feed into CPI and PCE over the next several months. Headline CPI is already running above target at 4.2%, with core at 2.9%. That is the uncomfortable part, and it explains why the market is now pricing rate hikes rather than cuts into year-end, with Kevin Warsh set to chair his first meeting next week.

Now the good news, and it is considerable. Oil has fallen roughly 20% from its May high, with WTI closing at its lowest level since April and Brent back around 87 dollars. Energy is the most pervasive input cost we have. It rides in every truck, every airplane, and every bag of fertilizer. A drop of that size does not show up at the grocery store tomorrow. It takes five to six months to feed all the way through the chain. But it is coming, and it lands right about the time the President wants it to. The inflation picture looks worse on paper today than it is going to feel by the fourth quarter.

One item to file away: the Fed's flow of funds data showed debt-to-GDP rising again, with corporations leveraging up to fund the AI build-out and the federal government stepping on the borrowing gas. That is a longer-term watch item, not a near-term one. In aggregate, corporate cash flow still covers capex, which is decidedly not what late-cycle excess looks like.

### **Current Market Technical Conditions**

This is where it gets interesting, and where the contrarian in me starts to smile. Sentiment has gone cold. The CNN Fear and Greed gauge sits at 34, and the AAI bulls have shrunk to 30.4%. Both are bordering on the kind of extremely low readings that, historically, have marked better entry points than exits. My father used to say a bull market is when greed overcomes fear. Right now fear has the upper hand, and that is usually a gift to patient money, not a warning.

The tape itself has gotten jumpy. Daily swings are wider and more hostage to the news cycle, with the market lurching on every Iran headline. Wide, news-driven swings are the signature of weaker hands, and weaker hands are the holders who get shaken out, usually closer to the bottom than the top.

Underneath the surface, the internal gauges are flashing caution, and that is alright. The Arms index has shown volume in declining stocks outpacing volume in the advancing issues, a sign of distribution.

More striking, institutions have been hedging at record levels in the VIX complex. The big players are buying insurance, and they buy insurance when they expect weather. I read that as professionals positioning for a substantial pullback, not as a reason to head for the exits.

The rotation story is the most constructive thing on the board. Month to date, the S&P 500 Value index is up 0.36% while S&P 500 Growth is down 3.82%. Defensives such as health care, real estate, and utilities are leading, and small caps and value are outpacing the mega caps. That is money broadening out, not money leaving the building.

A word on the semiconductors, because they are the center of gravity now. The SOX members are pushing toward 10% of total world market value, up from barely 2% in 2022. That is an extraordinary concentration, and AI demand for them shows no sign of letting up. The danger is not demand fading on its own. The danger is rates. Higher rates discount the value of future returns on invested capital, and if financing costs climb far enough, they can eventually crimp the very demand that has powered the run. That is the pressure point to watch in the group.

AI disruption is also showing up exactly where you would expect it. AI continues to eat into traditional software, and the IGV software ETF is selling off again after a spring rally, back down testing its 50-day. And in the clearest real-world illustration of the thesis in my upcoming book, "The Second Wave," India's outsourcing and IT consultancy complex has been gutted, with better than 225 billion dollars of market value erased as AI does the work those firms used to bill for. The Second Wave does not only lift the winners. It washes out the incumbents it replaces.

## **A Prognostication for 2026**

Put it all together and you get a market that is nervous in the short run and, to my eye, healthy underneath. We have a hot inflation print that is already in the rear-view mirror thanks to oil, a Fed leaning hawkish into a meeting that will set the tone, institutions hedged to the teeth, sentiment in the cellar, and a rotation that says participation is widening rather than narrowing. My near-term posture has not changed. I would not be surprised by a pullback over the next three to four months, and the record VIX hedging tells me the professionals would not be either.

But a pullback in this environment is an opportunity, not a verdict. The Second Wave, the AI capital cycle, is rhyming most closely with American electrification from 1915 to 1940, and the semiconductors are the new rails. You did not want to be the buggy-whip maker or the gaslight company in that earlier era, and you do not want to be the Indian outsourcing shop today. But you very much wanted to own the build-out, and you wanted to add to it on the dips, precisely when fear was running the show.

Here is the sequence I expect into the back half of the year. Oil keeps working its way through the system and softens the inflation numbers right as the political clock demands it. The Hormuz question gets resolved well enough for markets, because both sides have their reasons to want it resolved. Rates are the swing factor, and they are the one variable that could genuinely change the math on the AI trade by pressuring the value of future ROIC (return on invested capital), so watch them closely. But the long-term direction of this market is up, the broadening is real, and the current case of nerves may cause a dip that, a year from now, we will wish we had bought more of.

SpaceX and Elon Musk may be the ones feeling like a trillion this week. The contrarian setup tells me it is the patient investor who will also be feeling like a trillion by year-end.

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