MH & ASSOCIATES • SECURITIES MANAGEMENT CORPORATION

INVESTMENT VIEWS

JULY 31, 2026

NOTES FROM THE TRENCHES

As with most of 2026, markets have displayed heightened volatility over the past month. Investors continue to be challenged with navigating multiple positive and negative situations. Below, we will share some of our thoughts in regards to them.

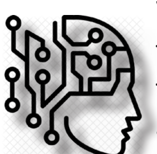
ENERGY

After spiking over $100 at the beginning of the Iran War, oil prices have come down as governments unleashed reserves and took other measures to contain the higher prices. Yet, at this stage reserves have been drawn down and war activity in the Middle East does not look like it is winding down. We are acutely aware of the risk of higher prices if the war with Iran escalates. Even if the war ends, reserves have been depleted and will need to be refilled, keeping pressure on scarce supplies. Our positions in energy stocks have helped cushion the portfolios and we plan on continuing to hold them for this reason.

IRAN WAR

Beyond the obvious humanitarian consequences and the impact of oil prices, the Iran War has dragged on longer than most officials thought it would. While there have been several false hopes for peace and an end to the war, it does appear that the US continues to build a larger presence in the region. This acute uncertainty is wearing thin on investors. The war not only threatens well known commodity supply chains, but it is also seems to be pushing US Treasury interest rates higher as concerns about the cost of the war grow. In turn, higher rates have certain implications for growth stock valuations.

AI INVESTMENT VOLATILITY



What was the “must own” trade earlier this year has completely reversed over the past several weeks. Semiconductors and AI hyperscalers found themselves in a untenable situation where investors would not be happy to see either continued spending or a cut in spending – a no win situation. For now, the heightened anxiety over “bubbles” has investors alternating between the euphoria and despair. However, underneath it all there has been little change to the outlook of the companies involved. Perhaps it is a case of it all going too far, too fast. This shake out is actually healthy as investors need an occasional “gut check” to clean out excessive margin speculation and recalibrate relative valuations.

MID-TERM ELECTIONS

Investors will start to discount Mid-term election results (if they have not started already) and the implications for trade and fiscal policy. Circling back to the Iran War, this conflict has become an important political factor for the elections.

Depending on how investors view odds, sectors that were favored by current policy may weaken, while those that were hurt by administration policies over the past 18 months may rebound. For example, some of the administrations high priority initiatives such as domestic rare earth production and nuclear energy may face pressure, while industries challenged by tariffs may also rebound if investors believe there will be big changes in Congress.

A DIFFERENT KIND OF FED

Our observation on Kevin Warsh is simple but profound – he is creating a different Federal Reserve. Key comments he made repeatedly reference “good old fashioned family fights” and that he has a good working relationship with colleagues - comments never heard before from any prior Chairman. As more times passes, we expect further clarification on distinct policies his Fed may undertake.

THE MIXED ECONOMY - EMPLOYMENT MATTERS

While there are certainly many things to worry about the economy, at present we continue to see impressive resilience in data such as employment, consumer spending and capital spending by corporations. We have heard the relentless drumbeat that AI will take many jobs, and longer term the technology probably will. However, for the time being there are some signs that companies who were hesitating to hire due to AI are now realizing that they will need more people after all – AI will make them more productive.

IN SUMMARY

Investors have plenty to be concerned about. The overarching concern is the ongoing dynamic with the war with Iran. The path forward on this war will determine several important outcomes for investors in the months ahead. Investors need to get used to living in the trenches for now.

NOW THE HARD CLIMB BEGINS

As we mentioned in our Ai volatility article, what goes up very fast tends to come down even faster. The positive side of this in terms of our holdings is that we made sure to take profits along the way as to not overexpose accounts to such episodes. Parabolic moves tend to be amplified by over-leveraged traders and this becomes exemplified on the downside as these trades are unwound. We have talked numerous times over the years about forced selling and this is an environment where you need to keep emotions in check. The selling is irrational and has no basis in the actual value of an individual stock. This is why we believe it is crucial to know the stocks you own and why you own them. The easy part of a trade is when stocks are breaking out to new highs and there is no price history to act as resistance. That period is now over and the hard climb begins as these stocks face headwinds from traders who got in late and are just happy to breakeven. The fundamentals on these stocks are still fantastic and should be rewarded, but it just got a little more difficult to climb the mountain again.

MORE TOUGH SLEDDING BUT HISTORY LEANS POSITIVE

Historically the period between July and October tend to be very difficult for the market, particularly in years of mid term elections. We don't expect this period to be any different, especially as we approach the next Fed meeting in September with rate hike expectations at 50%. On the bright side, in years where the S&P 500 was up at least 7% year-to-date by the end July (as we still are this year), the rest of the year tends to be positive as well. This has occurred 35 times since 1950 and in 32 of those years the S&P had a median gain of 6.5% in those final five months. As we said though, the path to those positive returns can be ugly through October. Corrections tend to start in May through August and bottom in September and October.

INVESTOR EDUCATION

Check Fraud Epidemic

Check fraud is growing into an epidemic, even as it becomes less common for people to use checks. Fraudsters are becoming bolder in stealing envelopes and using more sophisticated techniques, including “check washing” where names and amounts are changed using chemicals. We urge our clients and friends to stop using checks and switch to secure electronic payments when possible. One additional tip – fraudsters will often leave the dollar amount unchanged so that the victim will not be suspicious when the check is cashed for the correct amount, not realizing the money went to the fraudster. Stay vigilant!

Recommendation List: A list of all previous specific investment discussions published over the past 12 months will be provided upon request. Please email lara@mhandassociates.com or call our office for this list.

& Associates
1981 - 2026
45 Years

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