

FROM THE DESK OF THE CHIEF INVESTMENT STRATEGIST

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The Waiting Is the Hardest Part

The market spent the past couple of weeks doing what it sometimes does not do very well, which is hurry up and wait. The Iran conflict sits in a back-and-forth mode, and the read from here is that this administration still wants a deal. So we regularly reach maximum urgency, and then we sit and wait. The trouble is that almost everything on the near-term radar, including oil, inflation, the Fed, and interest rates (and ultimately equity markets), runs back through the single unresolved negotiation between the US and Iran.

Oil

We are possibly about to see more tangible results of the major drawdown in oil inventories. Our base case is that the effect proves short-lived if a deal arrives soon. But cash prices, the spot price for physical barrels rather than futures, are at risk of spiking as the supply shock builds, which raises headline risk in the near term. If there is a near-term resolution to the conflict, then investors should be able to look through much of it.

Employment

Employment remains strong, and that matters more than it might first appear. This month's gain of 172,000 jobs¹ marked the third straight month of growth, and wage growth of 3.4%¹ is near the lows of the past few years. This somewhat lowers the risk of a stagflationary backdrop, the uncomfortable mix of slow growth and stubborn inflation that has worried the interest rates market. Strong hiring also eases the near-term concern that AI is already displacing workers.

The Goldilocks environment of steady job growth without an aggressive rate-hiking cycle has historically been positive for the economy and for markets.

The FOMC Announcement on June 17

Strong employment makes the actions of Kevin Warsh even more important, as it makes cutting rates in the near term much harder. Markets are currently pricing two 25 basis point hikes over the next year². That is not extreme, and it will continue to move with oil as the Iran conflict plays out. Next week's FOMC meeting is Warsh's first, which makes it worth watching closely.

Forward guidance, the Fed's signaling about its likely path, will start to shift under him. The makeup of the voting members will draw plenty of attention as well. We will not try to predict exactly his first move, but we expect the tone to change.

CPI on June 10

CPI lands Wednesday, and the only thing we can promise is the likelihood of volatility. If the Iran conflict resolves reasonably soon, the market will likely look through a hot number. If it does not, a high print could push rates higher, all else equal.

Consumer Sentiment on June 12

Friday brings the University of Michigan consumer sentiment reading. Last month's was the lowest on record³, attributed mostly to higher gasoline and other increased prices. Consumption in the economy has held up reasonably well so far, which matters more than the survey itself. Still, confidence is a risk worth respecting, and inflation expectations are worth watching from here.

The SpaceX IPO

A quick word on the SpaceX IPO this week, because the size alone demands one. The deal is unorthodox: the company set a price and size without the usual back-and-forth from market participants. Then again, most everything about Elon Musk is unorthodox. It may end up the largest IPO ever.

Interestingly, SpaceX will have to wait a year like everyone else before inclusion into the S&P 500. If it were included at the offering price, today it would be the seventh biggest constituent at about 2.5% of the index.

Some additional numbers deserve context. Even at the rumored \$300 billion in equity offerings for SpaceX, OpenAI, Anthropic, and other AI players, the raise would equal only about 0.4% of the current Wilshire 5000, the broadest measure of the US stock market. For comparison, companies raised \$203 billion⁴ across 983 deals⁴ in 1999 and 2000, roughly 1.4% of the index at its 2000 peak⁴. This time could be different, but the scale argues for perspective rather than alarm.

A One-Off Note on Bitcoin

We do not usually write about cryptocurrencies, but the recent moves are worth noting. Crypto has retested its early-2026 lows, and Bitcoin now sits more than 50% below its 2025 high¹. We claim minimal expertise here and will say so plainly. One long-standing argument for Bitcoin was as an inflation hedge, and that has not worked, since inflation expectations have risen since the Iran conflict began while Bitcoin has fallen.

Cryptocurrencies have obviously behaved more like speculative vehicles, and have lost some luster as AI beneficiaries pull investor attention elsewhere. Our concern is that crypto trades more like collectibles, art, or diamonds, worth whatever the next buyer will pay, with no obvious use case or real asset underneath. What we do believe is that blockchain and tokenization will become common across finance. On the currencies themselves, which we do not claim to understand, we remain guarded.

Equities

Equities have come off their highs after quite a run from the 2026 lows, a roughly 20% move off the March bottom¹. Valuations sit at the high end of their range, but so do multi-year growth expectations, with S&P 500 consensus estimates reflecting almost 25% earnings growth this year and 15% growth expected next¹. AI remains the tailwind, supporting both current revenue and the longer productivity story.

We are not surprised to see some near-term weakness around news flow and positioning as the market digests that run. Some rotation into the index names that have not yet participated would be healthy. For now, the fundamentals remain solid. If the Iran conflict resolves in the near term, the outlook for the economy and earnings stays positive, which will likely ultimately drive equity prices. If the timetable for resolution extends to the medium or long-term, then there could be a more severe drawdown in equities.

The Bottom Line

So we wait. The data, the Fed, and the markets are all leaning on the same catalyst, which is rare and a little uncomfortable. We would rather position for a range of outcomes than bet on the timing of a deal. As for when the waiting ends, time will tell.

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