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Market Commentary

Weekly perspective on current market sentiment **July 29, 2026**

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Last week's S&P 500 Index: -0.6%

Oil, headlines, and the Fed's not-so-relaxing summer

Key takeaways

- **Oil-price volatility has become a key driver of market sentiment,** influencing inflation expectations and creating additional uncertainty around future Federal Reserve (Fed) policy, even as the U.S. economy remains resilient.
- **Investors may benefit from staying focused on longer-term opportunities rather than reacting to headlines**, with commodities offering potential inflation protection and diversification, while short-term fixed income continues to provide attractive income and flexibility.

Summer is usually a season for vacations, backyard barbecues, and taking things a little slower. Financial markets, however, seem to have missed the memo.

Instead, investors have spent much of the summer watching oil prices swing up and down as headlines from the Middle East continue to drive uncertainty. One week, concerns about supply disruptions push oil prices higher. The next, signs of easing tensions help bring prices back down. The result has been a market that is constantly adjusting to the latest developments.

While these moves may seem like an energy-market story, their impact reaches much further.

Oil prices play an important role in inflation because energy costs affect everything from transportation to manufacturing. When oil prices rise, inflation concerns can quickly return. That creates a challenge for the Fed, which is still working to keep inflation under control.

At the same time, the U.S. economy has remained surprisingly resilient. Consumers are still spending, businesses continue to invest, and the labor market has held up well. That strength has helped keep growth on track, even as inflation remains a key focus for policymakers. When oil prices become more volatile, concerns about future inflation can quickly return, adding another layer of uncertainty to the market outlook and future Fed actions.

So what does all of this mean for investors?

One area that could benefit from continued uncertainty is commodities. Energy prices are often the first to react to supply concerns, but broader inflationary pressures can also drive prices higher for other commodity markets. In addition, commodities can provide diversification and may perform differently than stocks and bonds during periods of rising prices. We continue to view this area favorably as a way to help navigate today's environment.

Another opportunity remains in short-term fixed income. With interest rates still relatively high, cash alternatives and short-term bonds continue to offer attractive yields. Investors can earn meaningful income while limiting their exposure to the price swings that longer-term bonds may experience if interest-rate expectations change. Just as important, short-term investments help preserve flexibility, allowing investors to take advantage of future opportunities as they emerge.

The bigger takeaway is that oil volatility is no longer just about energy. It has become an important factor shaping inflation expectations and influencing Fed policy. Fortunately, investors do not need to react to every headline or market move.

Instead, focus on the bigger picture. A world of ongoing energy uncertainty and higher-for-longer interest rates may continue to favor commodities and short-term fixed income. It may not be the simplest market backdrop, but it does provide a useful roadmap for investors looking to stay disciplined while others get distracted by the latest headline.

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