ENR Market Outlook

August 2026

Global Markets

- **Rotation Favors Dividend and Value – and then Reverses -- Again**. After hitting fresh record highs, value stocks as measured by various ETFs managed by Vanguard and iShares declined on the day the market recovered following Kevin Warsh's hawkish views on inflation and rates that torpedoed the Dow more than 1,100 points. The equally weighted S&P 500 also hit new highs in late July before reversing as tech stocks came back to life following a dreadful month. The equal weight S&P 500 is outpacing the market-cap S&P 500 this year, mostly due to lagging tech shares over the past six weeks. The Nasdaq Composite was down more than 11% from its all-time high heading into July 30th;
- **Microsoft Saves the Day for Dismal Tech Sector in July**. Fending off criticism of its massive AI spending, Microsoft delivered strong results on July 30th vindicating management after a big stock slide. After recording a bad month, Wall Street staged a comeback as dip buyers emerged, lifting stocks as chipmakers rebounded while data signaled the economy remains in good shape, but isn't overheating. The high-flying semiconductor stocks are still down 21% in July after huge triple-digit gains earlier this spring and summer. Though Microsoft's cloud unit impressed investors in Q2, Meta Platforms did the opposite, as the market turned skeptical on its AI bets and capex. Most investors remain constructive on the AI growth story but believe it's prudent to manage concentration risk by broadening their exposure to defensive tech stocks;

- Investors seem to be experiencing AI Fatigue. They are questioning whether the hyperscalers' massive spending on AI infrastructure will ever pay off. They see token prices falling, suggesting there might already be excess compute capacity. They see that yet another Chinese company is offering cheaper, powerful, and open-source LLMs. They worry that new technologies will rapidly make current ones obsolete in a process known as "creative destruction."
- **MAG-7 Post Mixed Results**. Despite Microsoft's impressive 15% stock surge on July 30th, other MAG-7 stocks aren't reporting market-moving earnings. Alphabet, which reported Q2 earnings last week, saw free cash flow at a negative $5.9 billion – the first negative result since the company went public in 2004. Meta's stock tumbled about 10% after it reported weaker than expected earnings coupled with a weak Q3 forecast and escalating AI capex. Amazon.com reported strong AWS growth but Apple saw weaker than forecast services growth. The world's biggest tech companies, which came to be known for generating ample cash and stable balance sheets, are in the middle of a transformation. Companies are racking up unprecedented debt to fund their AI infrastructure plans;
- **China's DeepSeek Going Public**. China's AI powerhouse, Deep Seek, is getting ready to go public as early as Q2 2027 with a possible listing in Shanghai. Investors currently value the AI giant at $50 billion, according to The Wall Street Journal. In related news, memory chip maker, CXMT, surged on its first day of trading this

week, sporting a market-cap of $484 billion. Chip stock mania has spread from the U.S. to Taiwan, South Kore and now, China. CXMT skyrocketed 466% on their first day of trading in China. The global companies dominate the chip industry, including SK Hynix and Samsung Electronics of South Korea, Micron Technology in the United States and now China's CXMT;

- **China's Plunge Protection Team Spends $9 Billion in July.** According to The Financial Times, China's funds associated with the government bought $8.9 billion worth of stocks in July to help stabilize the market. The CSI 300 Index saw heavy selling tied to negative sentiment surrounding AI. The government statement aimed to reassure investors that it seeks market stability;
- **South Korean Regulator Draws a Line amid Big Plunge**. The hottest stock market in the world since the start of 2024 is the KOSPI in Seoul, up more than 116% with spectacular gains tied to tech stocks. About 50% of South Korea's benchmark index is tied directly to just two technology and memory chip giants – Samsung and SK Hynix. In July, the country's regulator unveiled measures to curb risks from single-stock leveraged ETFs and to limit daily market swings following a series of volatile trading sessions.

Global Equities

- **Buffett Not a Fan of the Markets**. "It's tough to find values when everybody is preferring gambling," Buffett told CNBC's Becky Quick in mid-July. The chairman of Berkshire Hathaway had sharp words on the stock market earlier this year. In May, he likened it to "a church with a casino attached," specifically calling out the surge in one-day options trading as "gambling." "There are times when opportunities are just thrown at you so fast you can't, you know, it's unbelievable," the Berkshire chairman said. "And then there's other times when you're very, very lucky if you find one thing in a couple of years. And it should always be that the latter is what prevails. But since humans love to gamble so much, there's more money in actually cultivating gamblers than there are cultivating investors," he said;

- **From $225 Million to $45 Billion and then Bust**. At the center of the technology space turmoil was Situational Awareness, the once high-flying hedge fund run by 24-year-old Leopold Aschenbrenner. Losses on leveraged AI bets triggered margin calls, forcing the firm to dump public equities into a falling market. The spiral finally broke after Ken Griffin's Citadel bought the bulk of its remaining public-equity portfolio in one swoop;
- **Europe still a Good Bargain**. The MSCI Europe Index trades at a forward P/E multiple of 14.9, with France's MSCI at a forward P/E 14.6, Germany's at 14.3, Spain's at 13.4, and Italy's the cheapest of the majors at 12.9.

The U.S. MSCI's forward P/E is at 20.4. Europe's earnings are rising while its valuation discount compared to the U.S. stock market narrows. Europe's unfortunate position as a net importer of oil and gas means that oil price spikes hit harder, especially with Russia-Ukraine fallout still limiting gas flows. Energy costs are central to the ECB's inflation projections. If there's a lasting ceasefire and cessation of hostilities in the Persian Gulf, European stocks might outpace other regions, if oil prices fall again. My favorite country remains Germany, home to long-term structural economic changes, tax cuts and infrastructure spending. The economy is struggling, mainly due to plunging German auto sales in China and the adverse effect of U.S. tariffs. But the market is attractive and should be accumulated with lots of bad news already priced into stocks;

- **British Star Manager Says U.S. Software Dominance Coming to an End**. British tech investor, James Anderson, warned the curtain is falling on two decades of extraordinary growth among the top U.S. software and internet stocks, as massive AI investment implodes their cash flows to the lasting benefit of chipmakers such as Nvidia (see chart). Anderson, who ran a Baillie Gifford fund in London and generated returns north of 1,700% in growth stocks, now manages a part of the billionaire Agnelli family's wealth (Giovanni Agnelli founded FIAT in 1899). The spoils of the trillion-dollar AI spending frenzy by most of the MAG-7 will flow disproportionately to a small number of dominant hardware suppliers such as Nvidia, Taiwan Semiconductor and ASML. "The fundamentals of the platforms have imploded…there is no obvious path back to low capex and high cash flow."

Fixed Income & Credit

- **Kevin Warsh Throws Monkey Wrench at Markets, Fails Bond Market Test**. Fed Chair Kevin Warsh delivered a hawkish address on July 29th suggesting the Fed will hike interest rates at their next meeting as inflation remains above the central bank's 2% target. The bond market is still in the process of discounting rate cuts amid a strong economy, low unemployment and high energy prices because of the Iran war. Bonds are getting smashed this summer as the benchmark ten-year Treasury yield climbs from 3.95% in March to 4.69% now;
- The latest batch of economic data suggests that the US economy remains in remarkably good shape. Domestic demand is strong, and the labor market continues to show resilience. Inflation isn't looking great. Additional inflation shocks on our way include another round of tariffs, the AI building boom, high energy prices, and supply-chain disruptions. The 30-year Treasury bond now yields more than 5.25% -- its highest yield since 2007;

- **AI is One Big Trade – and not Just in Stocks**. The AI stock market trade has spread to the fixed-income sector where some of the largest issuers over the last several months are the hyperscalers. Technology companies are in the midst of an historic borrowing spree to fund AI infrastructure. According to *The Wall Street Journal*, over the past several weeks, the investment-grade corporate bond market has struggled to absorb a combined $75 billion bond issuance from Nvidia, SpaceX and Amazon.com. And interest rates are going up for some issuers, including AMZN, which is now paying a spread premium to finance its borrowing. Six companies that are coined hyperscalers – Alphabet, Amazon, Meta, Oracle, Nvidia and SpaceX – have already issued about $244 billion in bonds globally in 2026, according to Dealogic, up from $108 billion in 2025 and $17 billion in 2024.

Currencies

- The **ENR Global Currency Sandwich** has remained in a drawdown since March. In July, the currency basket declined again, down 0.56% and now off 6.47% in 2026. That's our worst year since 2022. Gold, silver, the Polish zloty and the Swedish krona are responsible for most of the losses this year as the USD Index recently hit its highest levels in 15 months before declining sharply after Kevin Warsh's speech on July 29th. Silver has been crushed, down almost 20% and gold prices have slid 7%. Both the zloty and the krona are down 5%;

- **Cheap Asian Currencies**. In foreign exchange markets, global currency undervaluation is extremely concentrated, according to Mallika Sachdeva of FX Thematics at Deutsche Bank Research in London. Six of the ten cheapest currencies on Deutsche Bank models are in Asia – in some of the biggest industrial and demographic powers such as Japan, South Korea, China and India, where tolerance for further weakness may have been reached;
- **The ENR Global Currency Sandwich** includes gold (or IAU/GLD), silver (or SLV/PSLV), the Swedish krona, the Swiss franc, the Polish zloty and the Singapore dollar equally weighted.

Commodities

- **Stockpiling Over: China will Need to Buy more Oil.** The largest single consumer of oil and other distillate fuels, China cushioned its economy from soaring energy prices since the commencement of the Iran conflict. China's crude oil imports fell over 40% in June for a year earlier, according to the International Energy Agency

(IEA). Chinese refiners stepped back from the oil market since March, leaving more barrels available for Europe and other Asian buyers; Goldman Sachs believes it doesn't have to rush back into the oil market because it has about 1.9 billion barrels or enough to cover roughly 117 days of demand. China imported just 5.7 million barrels a day in June, down from around 11 million barrels per day prior to the Iran war, according to the IEA. At some point, China will need to replenish;

- **U.S. also Needs to Rebuild Strategic Reserves**. The U.S. Strategic Petroleum Reserve of crude oil stocks now sits at its lowest level since 1983 to 307.65 million barrels following the release of about 172 million barrels from the reserve since the onset of the Iran war, according to the IEA;

- **BUY SLB as Middle East Fields Reconstruct**. Unlike its oil services peers, Liberty Energy, (LBRT), and Halliburton, (HAL), SLB NV or Schlumberger (SLB) delivered its quarterly results to resounding applause from the market, beating analysts' expectations on EPS and revenue. One of my favorite oil-related investments now is SLB NV. This $72.6 billion market-cap oil services behemoth is primed to benefit from a lasting cessation of regional hostilities when it arrives. That's because SLB is the larger oil services contractor and will benefit enormously from servicing and installing new rigs and platforms. Strategic partnerships with Nvidia and Meta solidify SLB's leadership in modular data center construction, aiming for $2B Data Center revenue in 2026;

- In its recent call with investors, SLB cited the structural growth that will come from countries seeking to replenish commercial and strategic inventories, as well as nationalizing their domestic energy production as being the drivers of this optimism. SLB expects growth in their upstream oriented business across regions led by Africa, Latin America, the Mediterranean, with North American activity tied to the short-cycle market dynamics of prices and inventory fluctuations. In the event of a flare up of hostilities in the Middle East, SLB sees only a minor hit of about $150 mm in revenue and $75 mm of EBITDA. SLB pays a modest 2.25% yielding dividend and plans to return $4 billion plus in dividends and stock buybacks to investors in 2026. Thus far the company has repurchased 21 million shares for a total of $1.1 billion this year.

Model Portfolio

- For the third or fourth time since the start of this bull market in October 2022, investors are aggressively rotating into non-technology stocks since mid-June. Value stocks and dividend payers are outpacing growth stocks. This rotation plays out until earnings from the largest tech companies vindicate the AI naysayers and the cycle repeats itself again. Despite the hundreds of billions of dollars already poured into AI since 2023, investors are growing impatient and want to see results;

- The MAG-7 now accounts for about 35% of the S&P 500, up from 12% ten years ago. In stark contrast, the undervalued energy sector is just 3.3% of the broader market compared to an all-time high of 25% in 1980 when inflation was heading to a secular peak and oil prices soared during the 1970s;
- As Gillian Tett so astutely reminds us in her *Financial Times* column, investors should be looking at the picks and shovels as it pertains to AI hype and peripheral investments. We like natural resources. The market shows scant signs of recession any time soon. According to Tett, *"*What investors sometimes overlook is that the eye-wateringly large capital investment plans being rolled out to support AI require not just hundreds of billions of dollars, but also molecules in the form of materials such as copper, water, gallium, lithium and concrete."
- In July, the **ENR Market Outlook Portfolio** of 29 open positions gained an equally weighted 1.55% against a gain of 0.5% for the MSCI World Index and -0.10% for the S&P 500;
- Top gainers in July were Microsoft Corp. (+15.5%), ConocoPhillips (+13.5%), iShares MSCI Hong Kong ETF (+11.3%), Energy Select Sector SPDRs (+10.8%) and HSBC Holdings (+10.5%). Losers on the month included iShares Global Clean Energy ETF (-10.2%), Hochtief AG (-7.8%), and Alphabet (-7.3%);
- This month, we are buying **SLB NV** as part of our bullish energy theme. Other Best Buys are **Northrop Grumman**, **Cameco Corporation**, **Newmont Corporation**, **Wheaton Precious Metals,** the **iShares MSCI China A ETF** and **Wisdom Tree India Earnings Fund**. Among global stock markets, Chinese and Indian equities have the lowest historical correlation to the S&P 500 Index, offering good diversification when the U.S. market declines.

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Security	Listed	Symbol	Entry Price	Date	Current Yield	Current Price	Gain/ Loss	Advice
SLB N.V.	NYSE	SLB	$49.59	Aug 3/26	2.34%	$49.59	NEW	BUY
Northrop Grumman Corporation	NYSE	NOC	$548.67	Jun 9/26	1.73%	$534.85	-2.52%	BUY
iShares MSCI China A ETF	CBOE	CNYA	$34.42	Dec 29/25	1.84%	$35.14	2.38%	BUY
Cameco Corporation	NYSE	CCJ	$38.55	Sep 5/24	0.20%	$88.23	129.60%	BUY
Wheaton Precious Metals	NYSE	WPM	$22.78	Jun 5/19	0.66%	$113.38	412.66%	BUY
Newmont Corporation*	NYSE	NEM	$17.99	Dec 31/15	1.09%	$95.76	497.25%	BUY
Dr. Ing. h.c. F. Porsche AG	XETRA	P911	€ 42.81	Sep 29/25	5.27%	€ 43.81	2.68%	SELL
Apple Inc*	NASDAQ	AAPL	$23.20	May 9/16	0.34%	$333.43	1372.94%	HOLD
HSBC Holdings plc	LSE	HSBA	£4.74	Nov 9/22	3.05%	£15.76	349.20%	HOLD
Alphabet Inc.	NASDAQ	GOOGL	$104.65	May 5/23	0.24%	$333.66	220.42%	HOLD
Hochtief AG	XETRA	HOT	€ 154.30	Apr 1/25	1.18%	€ 443.20	215.03%	HOLD
Berkshire Hathaway*	NYSE	BRK.B	$197.73	Aug 5/19	0.00%	$509.68	157.77%	HOLD
iShares Russell Top 200 Value Index	NYSE	IWX	$52.46	Jan 2/18	1.39%	$109.42	131.89%	HOLD
Zurich Insurance Group	VTX	ZURN	CHF 411.20	Oct 4/22	4.22%	CHF 615.80	113.22%	HOLD
AbbVie Inc	NYSE	ABBV	$140.24	Nov 30/23	2.72%	$257.41	96.35%	HOLD
ConocoPhillips*	NYSE	COP	$67.56	Sep 29/21	2.74%	$119.03	95.74%	HOLD
Nestlé SA*	VTX	NESN	CHF 65.15	Dec 7/16	3.70%	CHF 81.01	88.70%	HOLD
Microsoft Corporation*	NYSE	MSFT	$256.72	Jul 5/22	0.77%	$451.10	79.87%	HOLD
Vanguard Small Cap Value Index Fund	NYSE	VBR	$157.50	Oct 2/23	1.77%	$245.11	62.17%	HOLD
The Southern Company	NYSE	SO	$66.47	Dec 7/21	3.15%	$94.34	60.07%	HOLD
Rio Tinto Group	NYSE	RIO	$64.71	Apr 2/24	4.15%	$97.18	59.13%	HOLD
iShares Global Clean Energy ETF	NASDAQ	ICLN	$11.37	Apr 1/25	1.05%	$17.67	58.26%	HOLD
Lazard Global Listed Infrastructure Portfolio	NASDAQ	GLIFX	$14.04	Aug 4/20	3.94%	$19.16	56.79%	HOLD
Energy Select Sector SPDR	NYSE	XLE	$43.37	Feb 7/23	2.55%	$58.96	56.26%	HOLD
iShares MSCI Hong Kong ETF	NYSE	EWH	$18.35	Nov 5/24	4.49%	$23.30	36.81%	HOLD
WisdomTree India Earnings Fund	NYSE	EPI	$32.42	Mar 3/23	0.00%	$42.96	33.07%	HOLD
Invesco DB Commodity Index Tracking Fund	AMEX	DBC	$23.00	Dec 9/25	2.53%	$29.32	30.71%	HOLD
The Health Care Select Sector SPDR Fund	AMEX	XLV	$131.65	Jun 2/25	1.56%	$163.52	26.61%	HOLD
Mondelez International, Inc.*	NASDAQ	MDLZ	$58.69	Feb 2/26	3.21%	$63.08	9.18%	HOLD
Salesforce, Inc.	NYSE	CRM	$192.95	Mar 2/26	0.93%	$180.71	-5.89%	HOLD

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