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The Markets

Rethinking expectations for inflation and artificial intelligence (AI).

It was a rough week for Wall Street. The Standard & Poor's 500 Index (S&P 500) fell about 1.5 percent, the Nasdaq Composite dropped 2.8 percent, and the Dow posted its weakest weekly performance since late March, reported Naomi Buchanan of Barron's. Here's what happened:

- **Price increases slowed**. The week started with encouraging news. Price pressures eased in June, in part because of lower energy costs, according to the Consumer Price Index report released by the Bureau of Labor Statistics. Inflation was up just 3.5 percent year over year in June, which was significantly lower than May's 4.2 percent. Investors welcomed the news because lower inflation made it less likely the Federal Reserve will raise rates to bring prices lower, reported Jeff Cox of CNBC.
- **The U.S.-Iran conflict resumed**. Inflation relief was short-lived as hostilities between the United States and Iran ramped up, causing oil prices to rise significantly last week. "The average price of diesel fuel in the U.S. has increased again to more than $5 a gallon, according to the AAA, and the average price of gas is almost $4, returning to their highs before the June memorandum of understanding between the U.S. and Iran," reported Aram Roston of The Guardian.
- **Investors reassessed AI**. Last week, a Chinese start-up company introduced a new AI open-weight model that was said to outperform even the most advanced models offered by American companies and do the work at a lower cost. That led investors to re-evaluate the outlook for AI. Nate Wolf of Barron's explained, "Enterprises have increasingly used cheap open-weight models for simple tasks to save on token prices. But if [the Chinese AI model] can mimic advanced U.S. models at a fraction of the cost per token, it begs questions about the sustainability of the entire AI investment boom..."

While many investors have been laser-focused on all things related to AI, other sectors of the market have been performing well. You don't see it in the performance of the capitalization-weighted S&P 500 Index because technology stocks are very large and have an outsized impact on the Index. However, you can see it in the performance of the equal-weighted S&P 500 Index, which assigns an equal weight to every company. Joel Leon of Bloomberg reported:

"Even as chip stocks dragged the S&P 500 lower on Thursday, a majority of stocks in the benchmark rose, signaling healthy market breadth. The S&P 500 Equal Weighted Index finished at an all-time high on Thursday." It's a reminder of the value of diversification.

Last week, major U.S. stock indexes finished lower, and U.S. Treasuries gained value as yields declined. The yield on the 30-year Treasury bond moved lower to end the week at 5.06 percent.

Data as of 7/17/26	1-Week	YTD	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 Index	-1.6%	8.9%	18.4%	18.1%	11.9%	13.2%
Dow Jones Global ex-U.S. Index	-1.8	9.3	21.2	13.9	5.9	6.7
10-year Treasury Note (yield only)	4.5	N/A	4.5	3.8	1.2	1.6
S&P GSCI Gold Index	-1.8	-6.1	19.8	26.9	17.6	11.8
Bloomberg Commodity Index	3.6	19.8	25.8	8.2	7.4	4.3

S&P 500, Dow Jones Global ex-US, S&P GSCI Gold Index, Bloomberg Commodity Index returns exclude reinvested dividends. The three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.
Sources: Yahoo! Finance; MarketWatch; djindexes.com; U.S. Treasury.
Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable

BLUE RIBBONS, BUTTER SCULPTURES, AND BIG MONEY. State fairs are famous for giant pumpkins, prize-winning livestock, and all kinds of deep-fried food on a stick. They're also big business, drawing millions of visitors, supporting local economies, and celebrating American agriculture. See what you know about state fairs by taking this brief quiz.

1. In 2025, the Texas State Fair said "howdy" to about 2 million visitors, but that was about 20 percent fewer than had attended in 2024. What reason did Fair officials say was responsible for the change?
   a. The Texas-Oklahoma football game was on one of the Fair's busiest days.
   b. The popular greased pig contest wasn't scheduled for 2025.
   c. Fair officials no longer allowed food to be served on skewers.
   d. Corn dogs were limited to one per customer.

2. Since 1911, the Iowa State Fair has featured the famous Butter Cow statue. "The Butter Cow starts with a wood, metal, wire and steel mesh frame and about 600 lbs. of low moisture, pure cream Iowa butter," according to the Fair's website. The cow could butter more than 19,000 slices of toast. How much is all that butter worth?
   a. About $10,000
   b. About $20,000
   c. About $30,000
   d. About $40,000

3. One state fair sold more than 330,000 cream puffs during its 2025 run. Which state has turned this dessert into a signature fair attraction?
   a. Minnesota
   b. California
   c. Pennsylvania
   d. Wisconsin

4. One of America's oldest state fairs traces its roots to 1841. "There an assembled 10,000-15,000 people heard speeches by notables and viewed animal exhibits, a plowing contest, and samples of manufactured goods for the farm and home," according to the history of the Fair. Which state held the fair?
   a. New York
   b. Massachusetts
   c. Wyoming
   d. Nebraska

State fairs may be known for funnel cakes and Ferris wheels, but they also showcase people, products, and traditions that shape local communities. What's your favorite part of your state's fair?

WEEKLY FOCUS – THINK ABOUT IT
"Farming looks mighty easy when your plow is a pencil, and you're a thousand miles from the corn field."
– Dwight D. Eisenhower, Former U.S. President

Answers: 1) a; 2) c; 3) d; 4) a

Best regards,

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