THE WEEKLY BEACON **July 24th, 2026**

We will be giving some macro economic market updates on a weekly basis. No equity recommendations will be given in this commentary, and we encourage you to contact us if you have questions regarding any observations.

MacNicol & Associates Asset Management

Contact us today if you would like to meet about your investment future. info@macnicol.com

BEACONS OF THE WEEK

The two main purposes of a lighthouse are to serve as a navigational aid and to warn ships (Investors) of dangerous areas. It is like a traffic sign on the sea.

Cabo Prior Lighthouse, Galicia, Spain

This lighthouse was originally constructed in 1853. The lighthouse is 14 kilometers northwest of Ferrol. The structure sits at 8 meters tall and its focal height is 107 meters.

Cap d'Artrutx Lighthouse, Menorca, Spain

This lighthouse was constructed in 1859 and stands at 34 meters tall. The lighthouse tower was significantly increased in height in 1969 and was automated in 1980.

**Feel free to send us your photos of lighthouses to be featured in our weekly market observations. **

Jamie Dimon's warning

Jamie Dimon, one of Wall Street's most prominent and successful leaders, went on a podcast that was recently released where he talked with the host about the bond market, yields, and the impact of deficit spending. He claimed he would not be a buyer of U.S. Treasuries in today's market environment as he sees no upside right now. Dimon stated that today's spending levels and annual deficits historically come with a great depression or mass war, and in his view that is a big problem as we are still seeing economic growth, innovation, and no large wars.

Dimon stated that this issue will be handled in two ways: one, a bipartisan effort, or waiting for it to become a problem and unravel in our faces. Dimon pointed to the Simpson-Bowles Commission of 2010, which was proposed by President Barack Obama and led by Republican Paul Ryan. In today's political climate, that seems highly unlikely to happen.

Dimon shared our view on a bipartisan effort being unlikely and stated that the outcome is likely higher rates and a volatile market. Dimon stated that it could be worse but hopes it does not get to that point.

Currently, U.S. debt levels are on pace to hit $40 trillion by the end of the year and are growing at a rate of $1 trillion every six months (according to the Economic Policy Innovation Center). The U.S. federal government deficit is expected to surpass $2 trillion this fiscal year.

Dimon stated that debt levels are more of a long-term issue in his eyes and believes inflation remains his biggest short-term concern. He stated that if inflation was 2%, the 10-year interest rate should be 4.5% (which it almost is). However, inflation has been over 3% for the last 5 years. In our opinion, that 3% is much lower than the actual inflation rate, so in theory interest rates should be even higher using that line of thinking. Dimon stated that inflation could slow, but he followed that view in the 1970s, which was stoked in part by an OPEC oil embargo.

Dimon concluded his thoughts on inflation and interest rates by stating that current U.S. Treasuries are overvalued as interest rates and bond prices move inversely (interest rates up, bond prices down).

Currently, markets are betting on a hike from the FED in September. The FED is forecasted to hike rates due to inflation risks tied to rising crude oil prices. If crude oil prices remain high and the domestic economy remains resilient, the FED could make interest rates even higher. On top of inflation, additional pressure could be put on Treasuries from government borrowing, which continues to move higher.

We will also warn our readers that higher interest rates are negative for equity markets and numerous hikes could cause a significant correction to today's overvalued markets.

We continue to follow the data and digest the opinions of leaders across the world. We have been warning that inflation could pick up for the last 12-18 months after subsiding and continue to believe that. We also believe that the bond market is overvalued and presents more risk than reward, especially at the long end of the curve. This thinking has led us to sectors and asset classes that perform well in inflationary regimes and that have returns that are less correlated to traditional financial markets.

In terms of equity positioning, we have looked at energy, basic materials, utilities, and companies that can pass along price increases to consumers. Beyond equities, we also have exposure to precious metals, which are a hedge against inflation. In terms of fixed income exposure, we have looked at cash equivalents and low-duration fixed income products over the last two years and will look to our Alternative Debt Fund moving forward, which we are proudly launching this summer. Our Alternative Debt Fund will invest in a group of diversified income-producing strategies and securities that are mostly short duration. We will be talking about this new product more and more in the coming weeks of this publication.

SpaceX bust

Just over a month ago, SpaceX made its historic public market debut. The company instantly became one of the most valuable companies and raised nearly $100 billion through its IPO (a record amount). However, since its first day of trading, SpaceX has been a bust. Shares have lost 23% of their value since their first close. Barron's reported that the stock has performed worse than 90% of other U.S. IPOs with market capitalizations of $1 billion or more since July 2009. According to the dataset of 955 public offerings, the typical IPO returned 0.8% over the same period.

We will warn our readers that poor IPO performance does not determine a company's long-term trajectory. Famously, Meta Platforms came under serious pressure in the months after its IPO after shares were unblocked and insiders began to sell. In the long term, that original performance of Meta's shares did not determine Meta's long-term success. SpaceX may face the same pressures as beginning in August, billions of restricted shares are expected to become eligible for sale during a time when demand for shares is weak. Not all the shares hit the market at once; Elon Musk's shares are locked up until next June. Analysts at Renaissance Macro say the stock's staggered lockup is "investor-friendly relative to the standard 180-day cliff," but doesn't entirely mitigate selling pressure tied to the events.

Some argue that this selling could be offset by SpaceX's inclusion in major stock indexes, which will trigger mass demand from index-tracking investors. SpaceX has already joined the Russell 1000 and Nasdaq 100 and could join the S&P 500 next year. SpaceX's inclusion in the S&P 500 could result in tens of billions in demand for shares as trillions of dollars across the world track the S&P 500.

We think the early trading performance of SpaceX is not a surprise, as the valuation was rich, demand was moderate, risks across the market are worrying investors, and early investors have looked for liquidity. This IPO is a classic "buy the rumor, sell the news" ('Buy the rumour, sell the news' describes a market dynamic where prices move ahead of a future event, then reverse or stabilize once the news is confirmed (CMC markets)) where space stocks and ETFs soared in the weeks and months leading up to this IPO based on hype and the future of space and have since pulled back as investors rotate capital, and de risk their portfolios.

We think that the space industry has a strong future where investors will find opportunities to profit in both public and private markets. However, it may take some time for that to come to fruition. It also could take a few quarters for SpaceX shares to stabilize, which could present a strong entry point for investors at a much lower valuation. We are not doubting Elon Musk, we are simply questioning this valuation and set up in today's market. We think today's buyers could have a volatile few quarters where insider selling, weak financials, and weak demand could push shares lower.

A winner in energy

A long-term holding of ours in the energy industry continues to be a real winner despite overall market volatility and energy price fluctuations. The Williams Companies Inc (WMB) is a Fortune 500, investment-grade midstream energy producer based in Tulsa, Oklahoma. Its core business is natural gas processing and transportation with additional electricity generation and petroleum assets. WMB owns and operates more than 30,000 miles of pipeline infrastructure. The company's pipelines handle approximately one-third of all the natural gas in the U.S. every day.

We highlight the company due to its recent performance and in anticipation of its earnings, which are due to be reported in two weeks. Shares are up 23% year-to-date as of July 22nd and 30% over the last year. Shares have soared this year as the AI boom accelerates. WMB has helped provide the increasingly electricity-hungry data centers require with energy. Beyond AI demand, WMB has also benefited from the broader growth in electricity needs in the U.S. Both of these factors will provide WMB with potentially robust profits for years to come. WMB has articulated an expectation for potentially 10% earnings growth through the end of the decade and beyond, according to numerous industry experts. The sell-side analysts are on board, as they expect earnings per share to increase 12.5% to a record $2.36. The analysts also expect gross margins to jump to over 80% this year and remain in the high 70% range moving forward. The company has sector-leading growth expectations with minimal exposure to natural gas pricing.

WMB has created a durable competitive moat in a highly regulated and permitted industry which is tough to replicate. Many of the company's assets provide fixed-fee contracts with investment-grade counterparties providing cash flow predictability. This blend of contracts allows WMB to fund both shareholder returns through dividends and share repurchases and growth capital expenditures. Fixed fee contracts allow pipeline owners to be paid whether or not natural gas is flowing through them. That also means WMB is less susceptible to commodity price swings, and it knows it has enough money to cover investments. Some of those investments are in AI and are considered on-site energy generation solutions for data centers. This technology allows companies to bypass the grid and avoid blackouts. Technology companies like Meta Platforms work with WMB under these agreements, and the data center contracts can be a decade or longer in length.

This week, WMB also announced some great news: a group agreed to invest $5.34 billion in WMB to fund five major infrastructure projects in exchange for a 49% noncontrolling equity interest in the projects. The investment group was led by Blackstone. Currently, WMB has a multibillion-dollar backlog spanning more than a dozen projects.

Investors continue to be willing to pay up for WMB shares due to the company's moat, its consistent and growing cash flows, investment-grade credit rating, and minimal exposure to commodity risk. The company has an irreplaceable asset in the U.S., strong management, and a strong balance sheet. We continue to like shares at current price levels and believe there is more upside moving forward. We will comment on its earnings in the coming weeks. These reasons we highlighted above are why shares of WMB trade at elevated levels relative to competitors.

Disclaimer: MacNicol & Associates Asset Management holds shares of Williams Companies (WMB: NYSE) across various client accounts.

Silver producers miss on production

As silver demand increases due to industrial growth and new technologies, the market continues to get tighter. Mine supply has failed to meet demand, which has led to a persistent physical deficit. Market participants continue to see a supply-demand imbalance moving forward as the deficit has stretched across several years, inventories remain low, and refining capacity is concentrated.

We brought this up this week because one of the world's largest silver producers, Fresnillo, announced that silver production was 13% lower YoY and declined 2% compared to the previous quarter. The company stated that this occurred due to a combination of lower grades and a decrease in processed volumes. Despite this production miss, Fresnillo maintained its production guidance.

Numerous analysts in the space pointed to the highest-quality silver mines being depleted, which will lead to more and more of these production decreases.

We mention this week due to our exposure to physical silver and silver miners. We continue to see higher silver prices due to the macro environment, which will lead to further supply-demand imbalances.

Disclaimer: MacNicol & Associates Asset Management holds shares of ETFs, Mutual Funds, and trusts that invest in physical silver and shares in silver mining companies.

What we are looking at next week:

Markets enter the week of July 27th with investors preparing for one of the busiest and likely most consequential weeks of the summer. The Federal Reserve has its next meeting on Wednesday; second quarter GDP numbers will come out Thursday along with June PCE (the Fed's favoured inflation gauge) numbers. These three releases will provide important insight into the strength of the U.S. economy and the direction of monetary policy. With inflation data having recently surprised to the downside, investors will be watching to see whether the Fed acknowledges the improving trend while maintaining its previously established cautious stance.

Earnings season will remain front and center, with several of the market's largest tech companies reporting results during the week. Given the market's continued reliance on AI-related leadership, investors will be looking for confirmation that robust capital spending and earnings growth remain intact. While markets remain near all-time highs, next week will prove pivotal in determining whether strong earnings and supportive macroeconomic data are sufficient to extend the rally, or whether the current run's consolidation is signs of a slowdown as we move to the back half of the year.

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