MTC Market Insights

MEMBERS TRUST COMPANY

Investment perspectives on economic and market developments

July 1, 2026

Eye for an Eye

Key Takeaways

- The retaliatory nature of the Iran conflict continues to test investor confidence, despite the fragile ceasefire having been signed. Markets are likely to encounter episodic volatility, with ongoing military activity in the broader Middle East region.
- In a departure from previous market expectations for rate cuts, the new Fed under Chair Warsh has taken on a hawkish bias.
- Global stocks reached new highs despite declining investor sentiment, ongoing geopolitical unrest, and policy uncertainty.

Indicator	Impact	Insights
Economic Growth	Positive	Continued strength from expanding business activity, consumer spending, and a resilient job market bode well for growth outlook.
Inflation	Neutral	Declining energy prices should help ease some pressure, but inflation remains elevated across key service categories.
Fed Policy	Neutral	Prior expectations for rate cuts under new Fed Chair Kevin Warsh's leadership has waned with growing inflation concerns.
Stock Market	Positive	Broadening gains and earnings acceleration beyond concentrated leadership supports further upside in global equity markets.

= Positive = Neutral = Negative

Economic and Market Review

Despite the signing of the Memorandum of Understanding (MOU) with Iran, “eye for an eye” military responses continued. Investors had to navigate geopolitical risks and economic resilience. Earlier in the quarter oil prices moved higher, but prices have fallen back toward pre-conflict levels. Equity markets weathered volatility but appeared more driven by earnings growth. The economy remained resilient but with mixed results. Through May, U.S. retail sales ex-autos rose 7.5% y/y, while real average hourly earnings declined -0.8% y/y, highlighting pressure on purchasing power.[1,2] Payrolls exceeded expectations, PMI surveys indicated growth, and employment appeared to moderate.[2,3] Core PCE price index tracked near expectations at 3.4%, reinforcing a “steady but elevated” inflation backdrop.[1] The Fed held rates steady, but cast a more hawkish stance under the new leadership of Chair Kevin Warsh. Treasury yields ended flatter with the 2-year rising roughly 30 bps compared to the 10-year rising about 10 bps.[4] Central banks of Eurozone, Japan, and Australia, raised their policy rates, all citing inflation.[3] Equity markets returns were positive overall with breadth improving and leadership broadening beyond mega-cap technology into financials, industrials, and small caps. Earnings remained a key driver, with Q2 U.S. earnings expected to rise over 23% y/y. Fixed income markets experienced turbulence, with rising yields and a flattening curve.[3]

Outlook and Positioning

The outlook remains conditionally balanced. Economic growth is intact, with a stable near-term outlook for inflation amid a strong corporate earnings backdrop. However, interest rates remain elevated and geopolitical risks persist. We favor diversified global equity exposure with emphasis on quality and broadened market participation, alongside a more neutral duration posturing with fixed income.

Sources: Members Trust Company Research, 1 U.S. Bureau of Economic Analysis, 2 U.S. Bureau Labor of Statistics, 3 Financial data and analytics service provider FactSet, 4 U.S. Department of Treasury, ETF tickers SPY, IJH, IJR, IDEV, EEM, and AGG used as index proxies.

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