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Calm Before the Storm... or Storm Before the Calm?

Dear Friends,

I hope you're having a great summer so far. Mine started off busy with a trip to Boston, and will continue with an upcoming trip to Philadelphia, then finally wrap up with a trip to the Midwest to visit Gretchen's family. I keep reminding Gretchen these are trips, not vacations, and that we need a vacation, so hopefully that will translate into something tropical in the fall.

This past weekend, the US became involved in the war between Israel and Iran with the bombing of Iran's nuclear facilities. It's Monday evening as I write, and some sort of ceasefire has just been announced. Things move quickly and this may be stale by the time you read it. The market appears to be taking this significant event in stride and seems to think that oil will continue to flow freely out of the Persian Gulf. That could change. Indeed, when speaking to the big mutual fund companies, their concerns lie with the price of oil. One person with whom I spoke indicated that their research department believes oil could go to \$130 per barrel on disruptions. We both agreed that such an occurrence would be problematic. On the other hand, there are those who say that, if the Iranian threat to the Strait of Hormuz is negated, such a shift in the balance of power could reduce the ever-present risk premium in the price of oil and lower the average future price.

For now, news surrounding the war in the Middle East has moved tariff/trade concerns to the back burner. There seems to be less concern on Wall St as well. Market analysts have taken the Liberation Day tariff levels as a worst-case scenario and believe that most of those levels will be negotiated down. Their research departments come up with a list of likely trade scenarios and build a model of what to do in each case. A good article covering this topic can be found [here](#). So far, the surprise is that tariffs have not caused an increase in inflation. In fact, by many measures, inflation has continued to come down. Perhaps it's because producers don't want to risk losing customers to competitors if tariffs are likely to come down soon. However, if there are no material changes to tariff levels in the coming months, producers will likely feel the pressure to raise prices.

That's all for now. I hope the storm has passed. I look forward to staying in touch and keeping you posted on events as they play out. Stay cool and enjoy summer!

Best Regards

Antone Mercurio CFP