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The Dowden Report

TIMELY. RELEVANT. MEANINGFUL.

Thoughts on markets, life, and building what matters most.

From Joshua Dowden
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> **Skate where the puck is going to be. – The Great One – Wayne Gretzky**

MARKET OUTLOOK

WHAT'S GOING ON NOW

I hope that everyone had a safe a fun 4th of July as we celebrated our nations 250th birthday.

Baby Lia's 1st birthday is fast approaching so we are making plans to visit Reno in August. I will, of course, send pics when she blows out candle #1 and gets her first bite of birthday cake. As for now, my daughter, Madison, and her family are busy moving into their new home, which they are getting ready to host Lia's 1st birthday party next month. I am so happy and excited for them as first-time homeowners.

ON THE FINANCIAL FRONT

Anyone waiting for another stock market narrative may have to wait a while longer. Artificial intelligence (AI) will remain a key determinant of stock market direction in the second half, as discussed in our **Midyear Outlook 2026** publication, (attached).

As the numbers get bigger, scrutiny of these investments will increase. Still, the most likely outcome is not an end to the AI theme, but rather a transition to a more selective market where winners are those who can monetize AI successfully. It will take time to sort that out, but we'll certainly know more at year-end.

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>
> SOURCE: LPL FINANCIAL | DAILY MARKET UPDATE | 07/06/2026

AI & THE WORKFORCE
57% of American working hours could theoretically be performed by agents and robots. That is not a forecast of mass unemployment, but it does mean the next decade requires a level of reskilling that has no real precedent in recent history.

ENERGY DEMAND RISING
Energy is still not getting enough attention. Power demand is expected to grow 60% by 2040, driven by AI data centers and electrification. Federal permitting for clean energy currently averages 4.5 years, with hundreds of gigawatts already waiting in line. US power demand is expected to increase by 3.1% annually through 2040. (Source: VanEck)

A NEW KIND OF INFLATION
AI infrastructure is becoming its own inflationary force in the economy, and it's not something that interest rates can resolve.

A Closer Look: For a deeper dive into how AI will shape markets in the second half of 2026, see our attached **Midyear Outlook 2026 publication**.

THE GOOD, THE BAD & THE UGLY

THE GOOD

Crude Relief. Crude oil prices traded at $69/barrel last Thursday (6/25), down 42% from the post-Iran conflict high of $119.50 and just a couple of dollars higher than where they were before the war. Prices at the pump, on the other hand, as measured by AAA, were down just 14% from highs as of 6/25. (Sources: AAA, Bespoke)

👍 MORE GOOD

Still Shopping. May retail sales rose 6.9% year over year for the largest annual increase since January 2023. On an inflation-adjusted basis, retail sales increased 3.1%, the strongest since February 2022. Online sales increased 12.2% year over year and accounted for 18.3% of total sales — the second highest share on record. (Source: US Census)

👎 THE BAD

Nonfarm Payrolls Lagged the Consensus. Nonfarm payrolls disappointed in June, lagging the consensus expected gain of 113,000. Payroll gains for April and May were revised lower by a total of 74,000, resulting in a net decline, including revisions, of 17,000. That said, it's not all bad news — the US employment picture has clearly strengthened during the first half of 2026, adding on average 92,000 jobs a month versus an average of just 10,000 per month in 2025. (Source: First Trust | Data Watch | 07/02/2026)

👎 MORE BAD

Running on Empty. The US Strategic Petroleum Reserve (SPR) has seen a record two-month drawdown in crude oil inventories, falling 64.1 million barrels since early April. The current inventory of 349.2 million barrels is the SPR's lowest level since August 2023; if it falls by just 2.4 million more, it will hit a 40+ year low. Yikes! (Source: EIA)

☹ THE UGLY

Housing Starts Declined 15.4% in May. Starts fell to a 1.177 million annual rate, widely lagging the consensus expected 1.430 million, and are down 8.7% versus a year ago. May housing starts fell 15.4% month over month versus economist estimates for an increase of 2.7%. The 253,000 spread between the actual reading and expectations was tied with the March 2005 report for the biggest miss since at least 1999. (Source: First Trust | Data Watch | 06/16/2026)

☹ EVEN UGLIER

Gold Bear. After experiencing its second strongest (+228% gain) and third longest (1,221 days) bull market since 1975, gold entered bear market territory on 6/10 based on the traditional 20% rally/decline threshold. The 14 prior gold bear markets have seen a median drop of 30.5% over 380 days. (Source: Bespoke)

📝 IN SUMMARY

Oil prices are down. Consumers are shopping at a blistering pace. The job market has slowed, but is still in positive territory. US Strategic Petroleum Reserves are near 40-year lows. New houses and housing permits are down significantly. Gold has reached bear market correction territory.

💬 QUOTE TO THINK ABOUT

"The four most dangerous words in investing are, it's different this time."

— Sir John Templeton

✉ As always, if it's time for your review, or you just want to talk, please don't hesitate to reach out.

🔗 If you found this information useful, I'm sure your friends will too. **Please feel free to share.**

Thanks for being part of The Dowden Report.