THE FINANCE COUPLE™

TWO PERSPECTIVES WITH ONE FOCUS... YOU

A Juxtaposition of Future Events

August 2026

"It was the best of times, it was the worst of times…"
- Charles Dickens

In honor of the current political environment, whereby no one will agree on anything, I thought we would review some pertinent current market issues with different, or juxtaposed, perspectives.

Let's start with housing as affordability seems to be on everyone's mind these days. On one side, many fortunate homeowners are watching their home's value increase, in part due to a stagnant supply of residential sellers. Many of these lucky people bought or refinanced when the government forced rates down (too low and for too long, in our opinion) due to covid. For current owners with 30-year mortgage rates of 3-4%, they are not only saving a substantial amount of income on their mortgage payment, and paying down principal relatively quickly, but they are also incentivized not to sell anytime soon and lose that rate – which diminishes supply. So, although some insist that the younger generations may have been brought up with too gentle an upbringing that can lead to grievance politics, they may indeed be losing an affordability battle here and be unable to accumulate wealth via a home purchase.

Switching gears, how about the last quarter's earnings that ended at the end of June?! According to FactSet, almost 90% of companies beat their earnings estimates (the average is 78%), and S&P 500 companies grew their earnings by over 50% from a year ago. This is not just good, but great – and bolsters the argument that stocks may actually be underpriced since prices have not kept up with earnings; i.e., future earnings are not being valued enough by the market and thus there is more upside to the price of stocks. On the other hand, we always try not to judge a book by its cover, and believe earnings are most assuredly being bolstered by tariff refunds (after the Supreme Court declared Trump's tariffs unconstitutional). Further, earnings of many companies may have been increased by their own investment portfolio; these companies "mark to market" their own investment gains which can flow into their earnings.

According to S&P Global Market Intelligence, S&P 500 companies generated approximately $2.64 trillion in combined net income over the most recent four quarters; a good deal of that income may have come from gains in their investment portfolio. To us, this is a self-perpetuating form of track record investing whereby companies (just like people) say that since their stocks went up recently, then *all* aspects of their finances (not just bread-and-butter business) were successful – and thus the company deserves to be valued (with a higher stock price) for anticipated future success! See how this circular argument can seem a bit tenuous? But at the end of the day, it is really just another juxtaposition based on perspective.

Speaking of juxtaposed perspectives, an article by Barron's last week posited there may be trouble ahead due to the historically high disparity within stock index and individual stock evaluations. In other words, there is extreme disagreement over whether stocks' fair value is overvalued or undervalued. In fact, the "S&P 500 index is seeing its highest level of price target dispersion – a measure of disagreement among analysts on a stock's value - in a decade". So, if the smartest people in the business (I say that very much tongue-in-cheek) are at the highest level of disagreement as to what the future holds based on current fair market value, then everyone else's perception of current and future value may be untenable as well.

A lot of attention is also being paid to the amount of money sitting in cash and/or equivalents these days, seemingly ready to be deployed to propel the stock market to further highs. We don't disagree this could happen, but again, there are two sides to every story. In this case, the large amount of cash on the sidelines could certainly help propel the stock market higher in the near term; on the flip side, this cash may simply be money that has not been deployed into fixed income due to the flattish and low yield curve - investors may simply feel they're not being compensated enough to buy even very short term bonds and thus prefer to stay in cash and/or equivalents for now. Additionally, many of these otherwise fixed income investors may still feel burned by rates rising dramatically in 2022 (which in turn hurt fixed income values) even though it was probably just a return to normalcy after forced disinflation by the Federal Reserve during the covid days.

As for our current stock market outlook, it is our belief that the equity markets here in the United States are not only fundamentally overvalued, but technically as well. We also believe companies are spending, or throwing, a lot of money at artificial intelligence ("AI") without decent clarity as to which companies, or segments of the economy, will actually benefit from AI. And though we absolutely agree that artificial intelligence will be transformative, and allow companies to cut costs among other things, we worry the cost cutting could be more painful and less recoverable for employees who lose their jobs.

Last but not least, we will leave you with three of our other beliefs. One, we believe, if nothing else, momentum will continue to push stock prices up in the short term, but the mid to long term will be much less enjoyable - and we would not be surprised at all to see a 20% or more drop in the stock market sooner rather than later. Two, having said that, please remember that absolutely *no one* knows what is going to happen in the future; the future is at all times unknown and unknowable, and thus it only makes sense to expect the unexpected – in life, business, markets, etc, etc. And three, we will never abandon our philosophy, based on research and common sense, that good financial planning entails planning for good times and bad, in good times and bad, to accommodate any juxtaposition of future events.

As always, thanks so much for your friendship, your trust, and your referrals.

R. Timothy Curran, JD, CFP®

Tim@FinanceCouple.com Direct 704.499-9703