

Commerce Trust Market Brief with Scott Colbert

Stock Market Rebounds with Recent Ceasefire in the Middle East

Recorded June 23, 2026

Scott Colbert: Good morning. It's Tuesday, June 23rd, and the markets are just opening. With the recent ceasefire in the Gulf and the peace negotiations underway, the stock market's returned to its positive trend. The S&P 500 (Index) up about 10%, just about the same for the average stock in the S&P 500 (as measured by the S&P 500 Equal Weight Index). And as we've gone down in capitalization here in the United States, particularly the small-cap (capitalization) stocks have done exceptionally well.

Mid-cap stocks up about 15% (as measured by the S&P 400 Midcap Index). Small-cap stocks up about 20%. Internationally has been much of the same story where the larger-cap developed markets like Japan, Germany, France are up about 10% year-to-date (as measured by the MSCI EAFE Index), almost identical to the United States S&P 500 returns. But where the big move has been made is in the emerging markets, particularly the Morgan Stanley Emerging Market Index (MSCI Emerging Market Index) that includes both South Korea and Taiwan with all those tech-related companies over there up nearly 29% year-to-date.

The laggard, of course, is fixed income, with interest rates having been pushed higher because of higher energy prices. The broadest measure of the bond market, the Bloomberg Aggregate (Index) only up 24 basis points so far year-to-date. Munis (municipal bonds), though, have done better as investors always push towards tax-free income up about 2% so far this year (as measured by the Bloomberg Municipal Index).

And while it doesn't feel much like the markets have been held back much from this Iranian conflict, we can see that we've had to suffer through higher energy prices. The average cost of a barrel of oil so far this year, about \$83, compared to \$64 last year. And you can see the average price of a gallon of gas, \$3.69, up from \$3.12, basically a 20% increase in the average cost of transportation fuels.

And while a 20% increase in the cost of gas is concerning, it's not the kind of thing that was ever going to push us into a recession. Note that the average household only spends about 6% to 7% of its monies on energy, including transportation fuels, and only about half of that on gasoline. And with the ceasefire, current prices of oil have collapsed. The current price of a barrel of oil down in Oklahoma, \$73 a barrel, having peaked closer to \$120 earlier in the conflict.

Not only has the price of a barrel of oil come down, so too have natural gas prices. Natural gas prices here in the United States are down 14% year-to-date.



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And overseas, they nearly doubled because they were so dependent upon the Gulf and its liquefied natural gas facilities, but even that doubling in price now has been halved. Overseas, natural gas prices are up about 50%. Still troubling, but trending, of course, in the right direction.

And these higher energy prices have pushed up inflation. The average of the CPI (Consumer Price Index) and the PCE (Personal Consumption Expenditures), the Fed's (Federal Reserve's) favorite measure of inflation, is now 4.15% year-over-year. And even core inflation, which wasn't supposed to be impacted nearly as much by the higher energy prices, has been pushed up to something over 3%.

And with this rather sticky, persistent inflation well above the Fed's target, the bias of the Federal Reserve has moved from easing towards possibly tightening or raising interest rates. Note that at the beginning of the year, the Federal Reserve average FOMC (Federal Open Market Committee) participant thought that they might lower rates at least 25 basis points, but probably something closer to 3/8 of a percent. Now, the average FOMC participant doesn't see rates coming down at all, and basically half the committee suggests that they ought to be raising rates as the year progresses.

So what were those key takeaways from the recent June Fed meeting? Well, number one, there's clearly a new chairman in town. It was a unanimous consent to hold rates steady. Recall that the previous meeting we had several members wanting to raise rates and one member wanting to lower them.

It's quite possible, now that the Fed has moved to this rather hawkish bias, with over half of the committee expecting to raise rates. It's clear that the Federal Reserve believes that inflation is becoming a bigger concern, having missed the inflation target now for five years. And the chairman has also started five sweeping task forces to evaluate the process and procedures of the Fed going forward.

And we'll see you in a couple of weeks to keep you up to speed on all the market news and how it's impacting the financial markets.

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