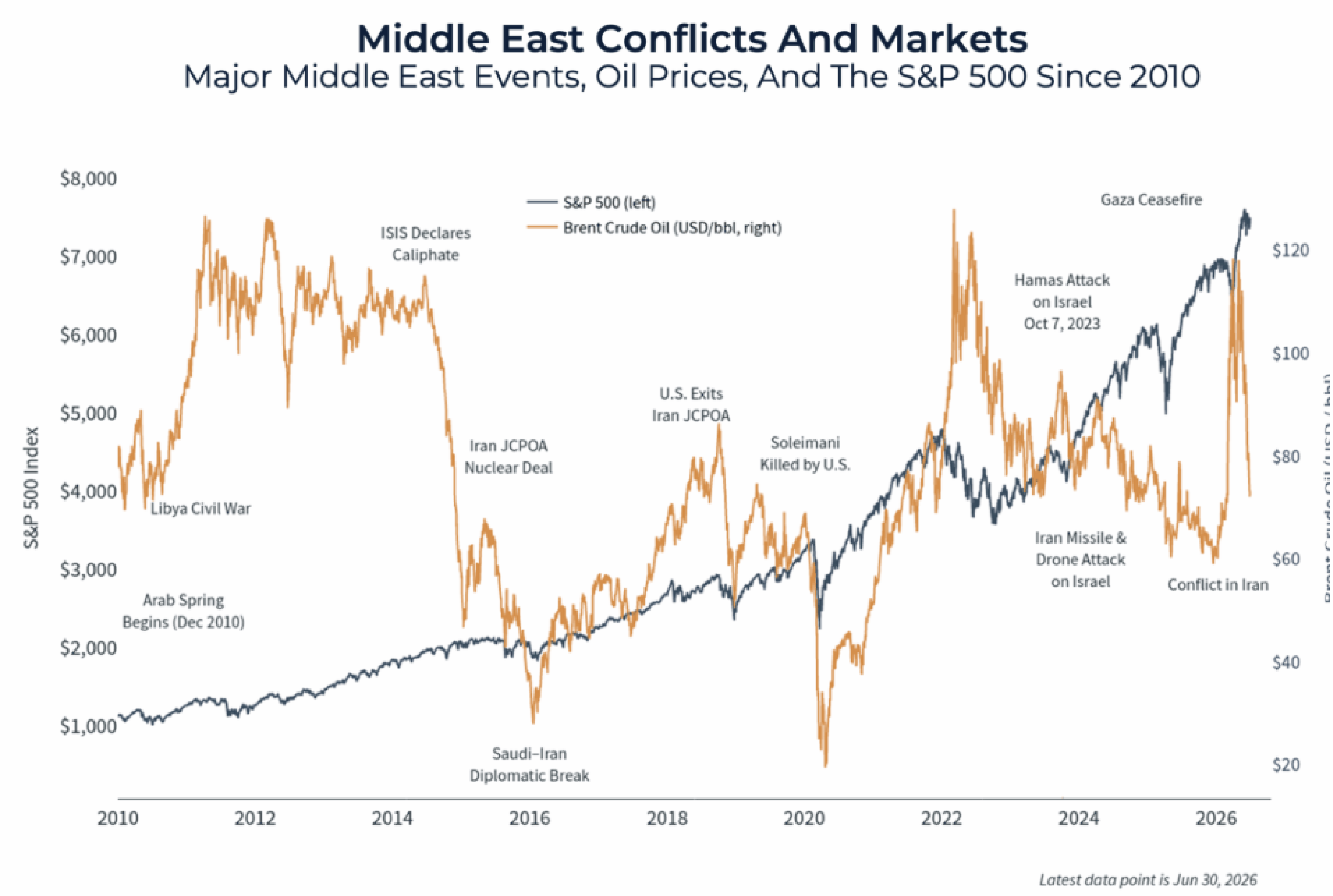
Data over Emotion – Strategy Asset Managers Mid-Year 2026 Investment Outlook

Posted on July 20, 2026

Strategy Asset Managers delivered strong performance in the 1st half of the year by being nimble, harvesting profits when appropriate, and finding opportunities outside of the mainstream. As stock markets roar to all-time highs, remember that they were significantly down at the end of March. Sentiment was extraordinarily negative at that time, but we disagreed and our confidence in the American economy was proven correct.

The stock market quickly found its footing in the 2nd quarter, rebounding to record-breaking highs.

While wars and inflation dominated the headlines, stocks advanced thanks to outstanding earnings growth, relatively accommodative central bank policies, the ongoing resilience of the U.S. economy, and a pro-business administration. With that said, volatility should be expected as midterm elections become a focus and policy and regulatory developments start to shape the back half of 2026.



American Hospitality

From roadside convenience stores to lonely landscapes, travelers are discovering little-known slices of Americana away from the host cities. These stories of human connection have made me and many other Americans emotional during this World Cup. They are examples of our country at its finest. We hope that foreign guests and Americans alike can continue to find joy in the quirkiness of our culture and the beauty of our wild landscapes. Open doors allow the peoples of other countries to see Americans as they truly are, beyond what they have seen or heard on the news in their home countries.

Corporate Earnings delivered the strongest growth in years

Hundreds of billions of A.I. investment has resulted in spectacular earnings growth, and aggregate corporate profitability for U.S. firms has never been better. Earnings growth in the 1st quarter was more than 27% higher than the prior year, and S&P 500 companies are on track to report the highest net profit margin since 2009.

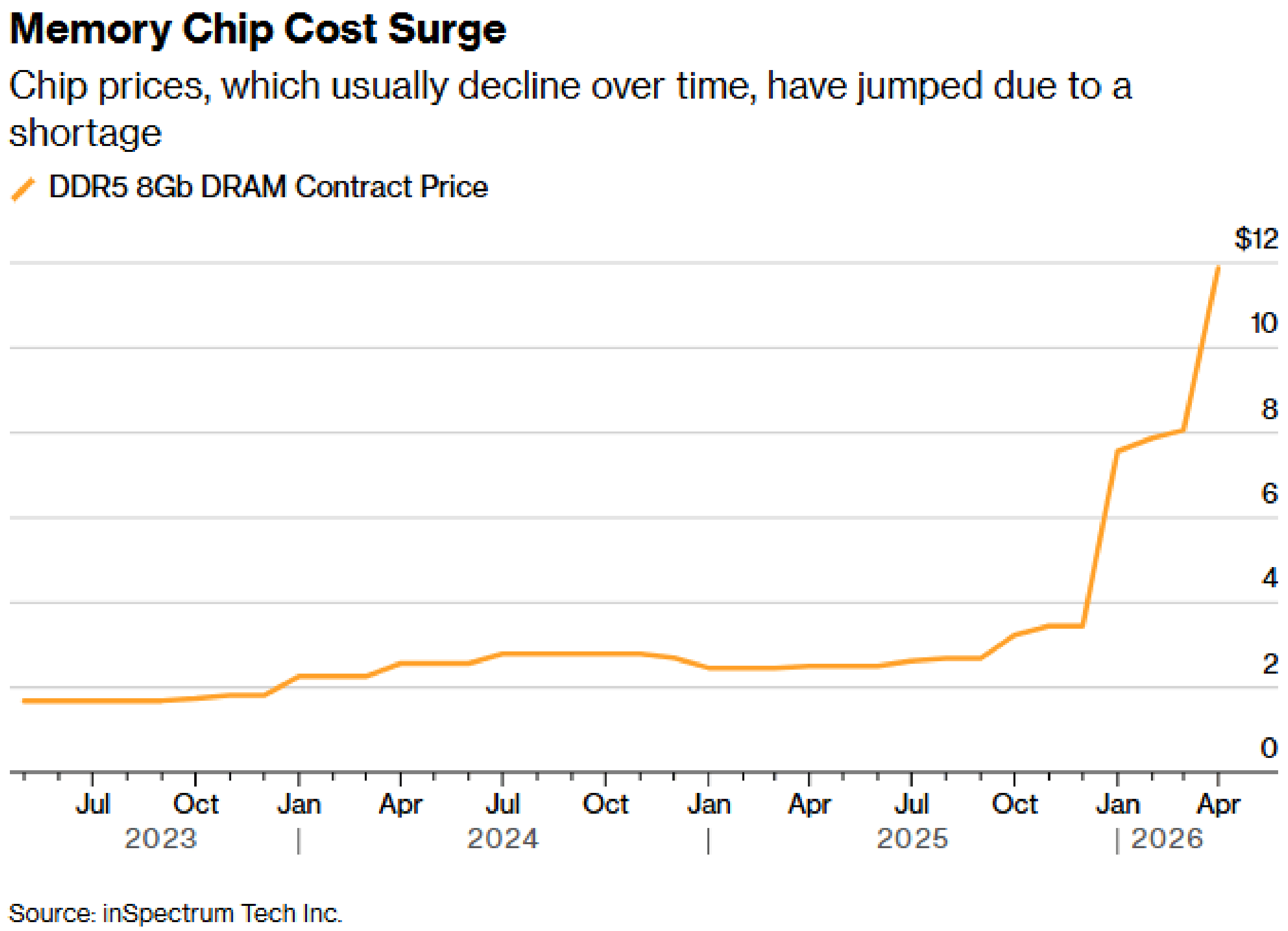
As one might expect, the information technology sector has been the biggest winner, with an astounding earnings growth rate exceeding 50%. Fears of capex overspending have receded, and fundamentals are back in focus. As seen below, earnings have been the primary driver of stock market returns over the long-term.

S&P 500 Index (White) and S&P 500 Index Forward Earnings (Blue)

Rising Prices

Apple and Microsoft recently raised prices, citing a doubling in memory and storage chip costs. Even after this doubling, the costs of memory and storage chips are expected to continue rising rapidly through 2027 due to demand from AI data centers.

Apple will be raising prices in the 15-20% range for most products, and buyers can expect a double-digit price increase when the new iPhone rolls out in September.



Elevated productivity measures over the past few quarters also suggest companies continue to do more with less and that A.I. technology is positively impacting early adopters. While inflation has risen recently due to the war with Iran, higher productivity can enable disinflationary growth, giving the Federal Reserve justification to forgo interest rate hikes and potentially resume the cutting cycle later this year.

Energy Commitment

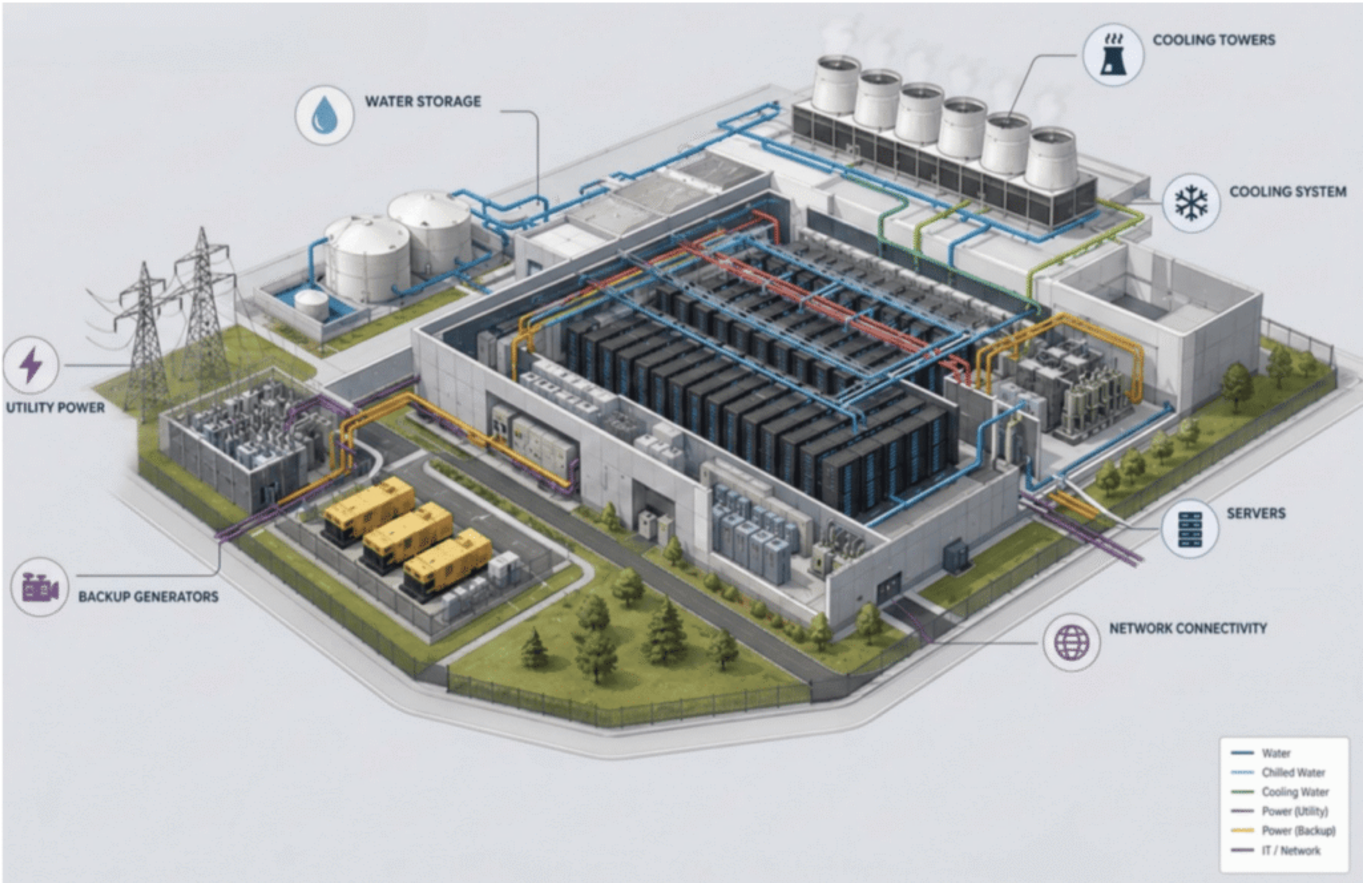
America’s nuclear energy revival has continued to progress, with the Department of Energy recently confirming a conditional loan commitment to finance the purchase of long-lead time items required to rebuild America’s commercial nuclear supply chain. The $17.5 billion will help finance the deployment of 10 large-scale commercial nuclear reactors, with the hope that these funds can accelerate the construction timeline by up to three years.

AI boom sparks a new global capex supercycle

A.I. adoption has proceeded apace, and more than 50% of all American businesses have implemented the technology. The speed of adoption has been incredible, far exceeding other transformative technologies like the internet. While some companies are still in the early learning phase, others are pushing ahead at full speed, spending thousands of dollars per employee. Efforts are being made to reduce the cost of the technology, and there have been extremely promising advancements in open-source A.I. to this effect.

At the same time, A.I. providers are contending with rapidly rising data center construction costs. The industry is still in its early stages, and it remains to be seen how the economics will evolve.

Visualizing a Hyperscale Data Center



Second Half Outlook

We have had a tremendous 2026 thus far, with the U.S. economy exhibiting extreme resilience in the face of spiking commodity prices. “Animal spirits” abound as investors look to add exposure to the companies enabling the A.I. revolution.

We expect the World Cup and the celebrations marking the 250th anniversary of America’s signing of the Declaration of Independence to boost the economy and showcase America at its best. Some of the most anticipated IPOs in market history are ahead, and each of these have the potential to unlock substantial shareholder wealth. This can create a positive “wealth effect” that can support consumer spending, business investment, and overall economic confidence. With that said, respectable gains across international, small- and mid-cap stocks suggest that the recent improvement in market participation remains intact. This has allowed markets to reclaim all-time highs without a meaningful deterioration in underlying breadth.

There is much to be grateful for, and we truly appreciate your trust.