BLBB Advisors
FINANCIAL GUIDANCE SINCE 1964™

ECONOMIC REVIEW

Quarterly Economic Review
2nd Quarter 2026

Easing into Summer

Following a spike in volatility at the onset of the Iran conflict and a first-quarter sell-off in risk assets, global stock markets rebounded in the second quarter. Oil prices have also declined in recent days as hopes for a reopening of the Strait of Hormuz have helped ease price pressure, while interest rates have stabilized near the upper end of their recent range. That said, as we cross the midpoint of 2026, uncertainty remains the order of the day with on-again, off-again geopolitical tensions driving a steady stream of disruptions.

Successfully navigating these challenges, however, isn't about predicting what will happen. It's about managing expectations and emotions through the turmoil with a focus on preserving your wealth, pursuing opportunities for tax-efficient growth, and thoughtfully meeting your short-term, long-term and generational goals.

So, let's take a closer look at what's recently transpired and what our outlook is for the balance of the year ahead:

Blockades, Benchmarks, and Bottlenecks

The Current Situation

Following the outbreak of the Iran war in late February, the global economy experienced its most severe energy supply disruption since the 1970s culminating in a near-total blockade of the Strait of Hormuz (a vital maritime chokepoint responsible for a quarter of the world's seaborne oil trade). More than 150 oil tankers found themselves trapped outside the gulf effectively slashing regional shipping volume by an estimated 70%.

The Global Oil Prices and the Iran Conflict Impact

A Rippling Wave

This sudden bottleneck unleashed a dramatic price shock that reverberated across global financial markets. Within days, crude benchmarks experienced their sharpest monthly spike in modern history:

- ✓ Brent crude, the major global benchmark for pricing crude oil, surged from a pre-war baseline of roughly $70 per barrel to $138 per barrel on April 7, 2026.
- ✓ This $50+ premium cascaded rapidly into refined petroleum products, triggering a wholesale price increase of 50% to 60% for diesel, gasoline, and jet fuel.
- ✓ The resulting energy crunch added to global inflationary pressures, forcing central banks like the Bank of Japan and the Federal Reserve to maintain hawkish stances and consider interest rate hikes to combat pervasive, supply-side cost increases.

1-Year Brent Crude Daily Price Chart[1]

Relief finally emerged in mid-June, when Washington and Tehran agreed to a multi-front ceasefire and a 60-day window for nuclear negotiations. The agreement led to an immediate 15% drop in oil prices.

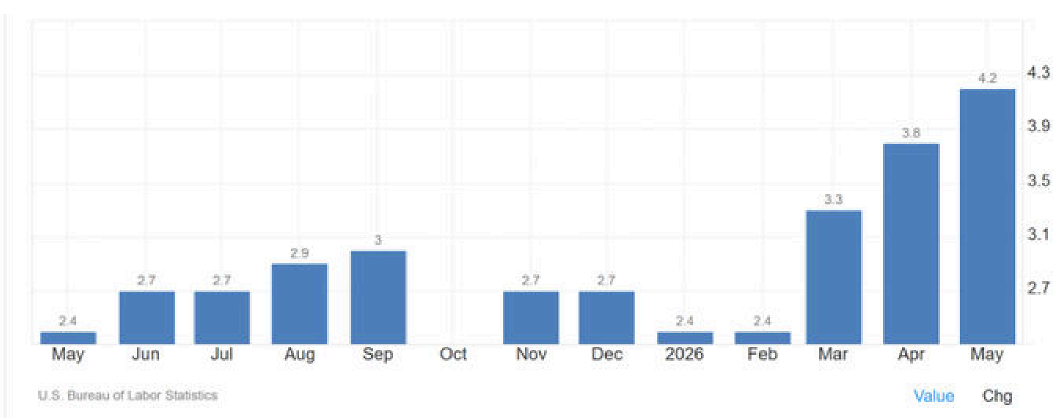
However, energy analysts warn that a full economic recovery will take time, with a full unwinding of the war's ‘risk premium’ expected to drag on well into the latter half of the year.

Gas, Groceries, and Grounded Dreams

The Return of Sticky Inflation

The U.S. economy continues to wrestle with major affordability challenges as inflation has proven frustratingly sticky through the first half of 2026. After showing signs of stabilizing late last year, consumer prices re-accelerated this spring, with Consumer Price Index (CPI) hitting 4.2% year-over-year in May (its highest mark in nearly three years) and well above the Fed’s target. Of course, this stubborn uptick was impacted by the energy shock but not entirely driven by gasoline and utility costs:

1-Year Monthly CPI Data[2]



- ✓ Even though core inflation (which strips out volatile food and energy costs) is a more moderate 2.9%, the impact of several years of elevated prices has left many household budgets severely strained.
- ✓ Real average weekly earnings have contracted slightly in recent months, meaning wage growth isn't keeping pace with this latest wave of cost increases.
- ✓ First-time home buyers now find themselves squeezed between high home prices and climbing borrowing costs. The median price for an existing home hovers near historic highs at roughly $429,300, requiring an annual household income of well over $100,000 to qualify for a conventional loan.[3]
- ✓ The latest flare-up of inflation derailed an early-year downward trend in mortgage rates. The average 30-year fixed rate quickly rebounded from its winter low near 6.1% back up to 6.52% by mid-June, driving down existing home sales to near multi-decade lows and sustaining high rental market prices.[4]

Defying the Downturn

How is the Market Weathering This Storm?

Given these combined headwinds, it begs the question: just how has the stock market been able to steadily 'climb this wall of worry'? The contrast between a troubling macroeconomic environment and a booming stock market is one of the classic paradoxes of modern finance. But several structural factors have helped:

1. The Tech/AI Shield

The S&P 500 index is heavily driven by mega-cap technology, semiconductor, and AI infrastructure stocks; companies that tend to be cash rich, with little to no debt, and insulated from domestic consumer weakness thanks to massive global corporate spending on AI (tech spending is projected to be in the hundreds of billions for 2026).

2. Energy Sector Hedge

While a $138/barrel oil spike damages consumer disposable income, it also serves as a massive windfall for the Energy sector. Energy companies within the S&P 500 index saw their profit forecasts revised upward (in some cases) by nearly 70% during the peak of the Hormuz blockade; providing a major fundamental floor for the broader index.[5]

3. Robust Corporate Earnings

Despite supply-side inflation, large corporations have demonstrated an extraordinary ability to sustain strong earnings. Overall, first-quarter corporate earnings far outpaced expectations, with the outsized profitability in the technology and energy sectors offsetting shrinking profit margins in consumer and goods-related sectors.

4. The Ceasefire Catalyst

The moment Washington and Tehran agreed to a mid-June ceasefire, institutional investors began pricing in the normalization of global supply chains and the deflation of the war's risk premium. The 15% drop in Brent crude prices sent a clear signal to the market that the worst of the energy-driven inflation spike may well be behind us.

Looking Ahead

Uncertainty remains a prevalent theme of both the U.S. and global economies and markets, and much continues to be in flux. At the time of writing this update:

- Iran has temporarily reclosed the Strait of Hormuz in response to Israel's continued bombing of Lebanon.
- The midterm elections (and the future composition of both The U.S. House and Senate) are just four months away.
- Q2 earnings reporting season is right around the corner (peaking in late July).
- At the June Federal Open Markets Committee (FOMC) meeting, new Fed Chair Kevin Warsh adopted a more hawkish tone noting that the Fed had not only removed its bias towards easing rates but signaled a potential rate hike by the end of the year in an effort to combat persistent inflation risk.[6]

We're Here for You

Your Partners in Uncertain Times

Mixed economic signals can be unsettling, but that's exactly when having a trusted advisor matters most. We're actively monitoring the job market, inflation trends, Federal Reserve policy, trade developments, and global markets to ensure your portfolio is diversified and managed to reduce risk, whenever possible.

If you're feeling concerned about any of these developments, or if your personal circumstances have changed, we encourage you to reach out. We are here to review your financial plan, stress-test it against current conditions, and discuss any adjustments that might make sense to your situation

Contact your BLBB wealth advisor
215-643-9100

We are here to help you navigate these uncertain times with confidence.

Sources:

[1] https://www.macrotrends.net/2480/brent-crude-oil-prices-10-year-daily-chart
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[3] https://www.ibtimes.com/us-existing-home-sales-hit-2026-high-despite-elevated-mortgage-rates-3803894
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[6] https://www.nytimes.com/2026/06/18/business/dealbook/warsh-fed-rates.html

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