A New Fed, An Easing Iran Situation, and Why Markets Keep Climbing

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THE TREMLETT BRIEF

Markets Continue to Look Through Uncertainty

Investors have spent much of this year worrying about **inflation, interest rates, geopolitical conflict, and slowing economic growth**. What's remarkable is that many of those concerns still exist, yet markets continue to push toward new highs. The reason is simple: **fundamentals remain strong**. **Corporate earnings continue to grow, consumers are still spending, businesses are still investing, and economic activity remains resilient**. Markets are increasingly rewarding investors who focus on long-term fundamentals rather than short-term headlines. ***The key theme remains unchanged: strong fundamentals continue to outweigh uncertainty.***

The Kevin Warsh Fed: A New Chapter Begins

Last week's Federal Reserve meeting wasn't notable because rates stayed unchanged. It was notable because of **how the Fed communicated**. **Chairman Kevin Warsh's first meeting introduced a more direct and hawkish tone,** with less forward guidance and a greater emphasis on inflation remaining above target. ***The message was clear: the economy remains solid, the labor market remains healthy, and the Fed is not in a hurry to cut rates***. For investors, the focus now shifts away from **Fed rhetoric** and back toward **economic data**. This week's **PCE inflation report, GDP revisions, and consumer spending figures** will help determine whether inflation continues to moderate or proves more persistent than expected.

AI Infrastructure Is Still the Investment Story

One of the biggest misconceptions in today's market is that **artificial intelligence is simply a technology story**. In reality, it has become **one of the largest capital investment cycles we've seen in decades**. Massive investments are flowing into **data centers, power generation, semiconductors, networking equipment, cooling systems, and industrial infrastructure** required to support AI adoption. More importantly, ***those investments are producing real earnings growth***. What started as a technology theme has expanded into **industrials, infrastructure, engineering, and power-related businesses**. I continue to see attractive opportunities among companies benefiting from this buildout, as the AI story evolves from **excitement and innovation into productivity gains and corporate profitability**.

Iran, Oil Prices & Why Markets Remained Calm

Markets also received encouraging news last week as progress was made toward a broader agreement involving **Iran and the reopening of key energy shipping routes**. While negotiations continue and geopolitical risks remain, investors became more confident that a **major disruption to global energy supplies is less likely than previously feared**. As tensions eased, **oil prices declined, inflation concerns moderated, and market volatility moved lower**. ***The important takeaway is not that the issue has been resolved, but rather that markets have shifted from pricing in worst-case outcomes to evaluating a more manageable set of possibilities.***

What I'm Watching

This week, my attention is focused on the **PCE inflation report**, the Federal Reserve's preferred measure of inflation, along with **GDP revisions, consumer spending data, and durable goods orders**. I'll also be watching **Micron's earnings report** for additional insight into the strength of the **AI infrastructure investment cycle**. Beyond economics and earnings, developments surrounding **Iran negotiations and energy markets** remain important as investors continue evaluating the geopolitical backdrop.

Final Thought

Markets remain resilient despite inflation concerns, geopolitical uncertainty, and a new Fed chairman. I continue to favor **quality companies, AI infrastructure beneficiaries, selective international opportunities, and income-producing investments** like infrastructure and private credit.

Headlines change. Sound investment principles don't. **-Scott Tremlett CEO / Chief Investment Officer**