

July 30, 2026

The Market Is Asking Better Questions

The Federal Reserve holds steady, earnings validate AI investment, and the market continues shifting toward quality over speculation.

Federal Reserve: The Conversation Changed—The Investment Thesis Didn't

The Federal Reserve left interest rates unchanged, **but the real story was the messaging rather than the decision**. Chairman Kevin Warsh reiterated that inflation remains above target while acknowledging that **the economy is slowing without breaking**. Markets immediately debated whether the Fed had become more hawkish. *My interpretation is different: the Fed is allowing prior tightening to continue working through the economy.*

Financial conditions have already tightened through higher Treasury yields, elevated mortgage rates, increased borrowing costs and tighter credit conditions. *In many respects, the market has already done much of the Fed's work*, allowing policymakers to remain patient while they evaluate incoming data.

Energy remains the largest variable to watch. Outside of energy, **inflation has generally continued improving**. Oil prices affect transportation, manufacturing, airlines, shipping and ultimately consumer prices. **The Fed understands higher rates cannot produce more oil**, so the challenge is distinguishing temporary price pressure from persistent inflation.

For investors, *today's meeting did not change the long-term investment thesis*. It reinforced the importance of owning **high-quality businesses** with **durable earnings, strong balance sheets, pricing power and multiple catalysts for growth**. *Rather than trying to predict the next Fed meeting, I continue focusing on businesses that can thrive regardless of whether the next rate cut comes in September, December or later.*



FEDERAL RESERVE:
The Conversation Changed—
The Investment Thesis Didn't

- FED HELD RATES STEADY**
Inflation remains above target while the economy slows without breaking.
- FINANCIAL CONDITIONS TIGHTENED**
Higher yields and borrowing costs mean the market has done much of the Fed's work.
- ENERGY IS THE WILDCARD**
Outside of energy, inflation has improved. Oil impacts many areas of the economy.
- FOCUS FOR INVESTORS**
Own high-quality businesses with durable earnings and strong balance sheets.

FINANCIAL CONDITIONS ARE TIGHTENING

- HIGHER TREASURY YIELDS
- ELEVATED MORTGAGE RATES
- INCREASED BORROWING COSTS
- TIGHTER CREDIT CONDITIONS
- MORE RESTRICTIVE FINANCING

“The market has already done much of the Fed's work, which gives policymakers the flexibility to remain patient.”

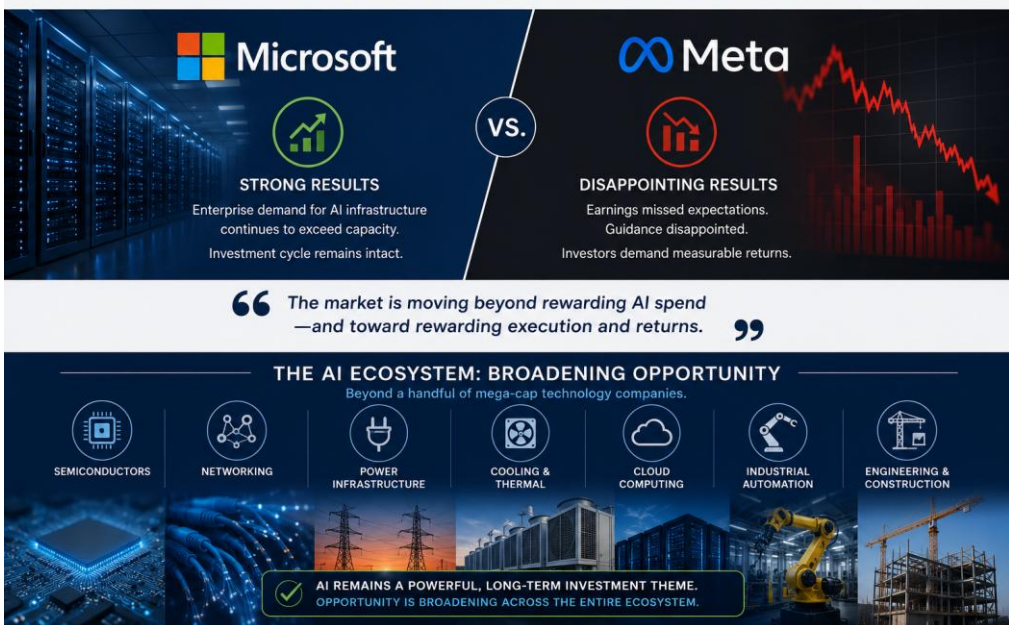
— Scott Tremlett
CEO & CIO | Paramount Associates Wealth Management, LLC

THE TREMLETT BRIEF

Microsoft Reinforces the AI Buildout While Meta Highlights the Importance of Execution

This week's earnings underscored an important shift in the AI investment cycle. Microsoft delivered another strong quarter, reinforcing that enterprise demand for AI infrastructure continues to exceed available capacity and validating continued investment in cloud computing, networking, semiconductors, power, cooling, and data center expansion.

AI INVESTMENT CYCLE: QUALITY & EXECUTION MATTER



Microsoft

STRONG RESULTS
Enterprise demand for AI infrastructure continues to exceed capacity.
Investment cycle remains intact.

Meta

DISAPPOINTING RESULTS
Earnings missed expectations.
Guidance disappointed.
Investors demand measurable returns.

“The market is moving beyond rewarding AI spend—and toward rewarding execution and returns.”

THE AI ECOSYSTEM: BROADENING OPPORTUNITY
Beyond a handful of mega-cap technology companies.

- SEMICONDUCTORS
- NETWORKING
- POWER INFRASTRUCTURE
- COOLING & THERMAL
- CLOUD COMPUTING
- INDUSTRIAL AUTOMATION
- ENGINEERING & CONSTRUCTION

AI REMAINS A POWERFUL, LONG-TERM INVESTMENT THEME. OPPORTUNITY IS BROADENING ACROSS THE ENTIRE ECOSYSTEM.

Meta, however, reminded investors that the market is becoming far more selective. While revenue remained strong, **earnings fell short of expectations, guidance disappointed**, and investors questioned whether accelerating AI spending will translate into attractive returns in the near term. *The result reinforces what I've been discussing for several weeks: this market is moving beyond simply rewarding companies that spend on AI and is increasingly rewarding those that demonstrate measurable execution, profitability, and disciplined capital allocation.*

My long-term outlook hasn't changed. Artificial intelligence remains one of the most powerful secular investment themes available, but leadership is broadening beyond a handful of mega-cap technology companies. *I continue to believe the greatest opportunities lie across the entire AI ecosystem—including semiconductors, networking, electrical equipment, power infrastructure, engineering, industrial automation, and other businesses enabling the next generation of AI—rather than concentrating solely on the largest technology platforms.*

Market Rotation Is Healthy

Leadership continues broadening beyond technology into industrials, financials, healthcare, defense, infrastructure, and transportation. *This rotation reflects a healthier and more sustainable bull market*—one that is increasingly rewarding **quality, free cash flow, durable earnings, and disciplined execution** rather than speculation alone.

I'm intentionally broadening portfolios by investing in the **highest-quality companies across multiple sectors—not just AI**. *My objective is to own best-in-class businesses* with **durable earnings, strong balance sheets, and multiple long-term growth catalysts**, creating a portfolio with **multiple independent sources of earnings growth**.

What I'm Watching

- Corporate earnings and management commentary
- Capital spending trends
- Inflation and energy prices
- Labor market strength
- Business confidence
- AI infrastructure spending

Final Thought

Markets don't reward investors who react the fastest—they reward those who remain disciplined the longest. Headlines change every day. Investment theses rarely should.

I continue seeing healthy corporate earnings, improving productivity, and sustained capital investment—long-term trends that remain far more important than short-term market noise.

Volatility is inevitable. Long-term wealth is built through discipline, patience, and a focus on enduring fundamentals.

— Scott Tremlett Founder, CEO & Chief Investment Officer