Post Oak Private Wealth Advisors

ADVISORY, CONSULTING & INVESTMENT MANAGEMENT

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Quarterly Market Commentary

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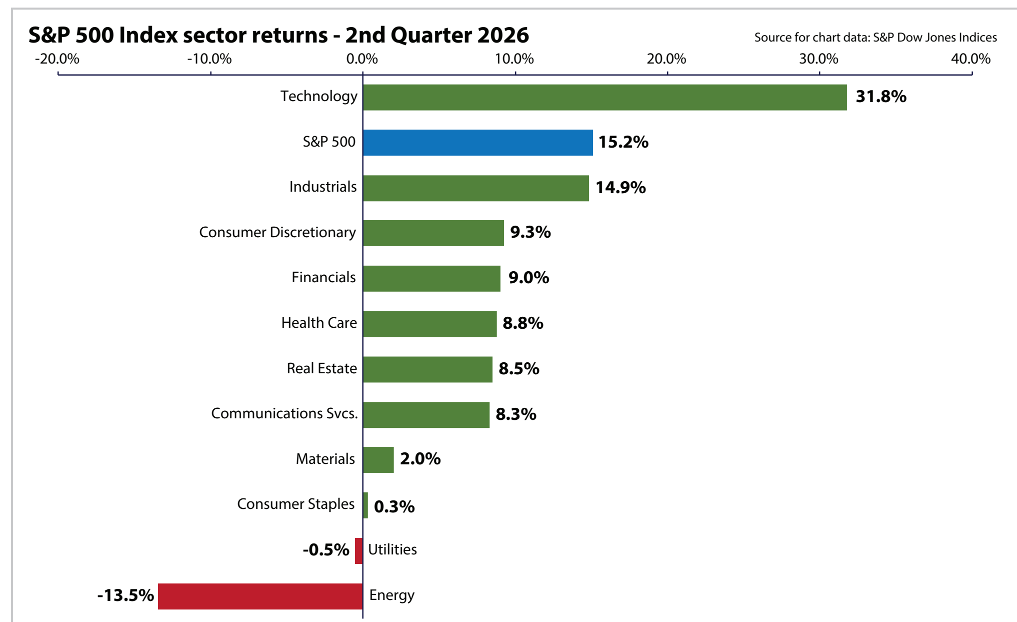
This quarter's commentary will cover a lot of ground, but I think each topic is worth your attention. To begin, I'll walk through what the stock market did Q2 and why. Then, we'll turn to the most talked-about initial public offering (IPO) in years—SpaceX—and share an honest assessment of its valuation. We'll also spend time covering the Federal Reserve's new chair, Kevin Warsh, who held his first official meeting in June and had quite a bit to say about the central bank's role in the economy. I believe that understanding these stories—not just the headlines, but the substance beneath them—puts you in a stronger position as an investor. So, let's get into it.

Stocks pulled back in June but managed to recover some losses by month-end. The S&P 500 finished with a 1.0% decline while the Nasdaq Composite Index dropped over 2.0%, a modest breather after the strong run of the prior two months. Overall, the 2nd Quarter was one of the best three-month periods for stocks in years; the S&P 500 rose 15.2% while the Nasdaq soared over 21%. Some may see the small decline in June as cause for alarm, but it is in fact evidence of a healthy market environment in which investors pause to digest their recent gains.

The story of the 2nd Quarter belonged to technology; the AI-fueled rally continued at pace, overcoming the familiar investor jitters about excessive spending and borrowing by the big tech firms. Technology was once again the primary contributor to the S&P 500's strong returns for the quarter and industrials also performed as well as these firms reaped profits from the AI datacenter buildout. Beneath the surface, however, performance was uneven; all sectors except energy were positive, but returns varied widely across the market. (See chart below.)



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Strong earnings reports for Q1 powered tech's outperformance, but with the latest earnings season concluded the conversation turns to what comes next. Wall Street analysts have raised the bar high, lifting their earnings estimates for Q2 and the full year in response to the spectacular results turned in by S&P 500 firms. When Q2 earnings reports begin arriving in mid-July, companies will be measured not against last year's numbers, but against elevated expectations following of a near-record quarter. We have already seen this dynamic play out in individual stocks; a company reports solid results, falls short on one metric, and its stock price drops significantly the next trading day. That kind of volatility is not a sign the bull market is broken. It's simply what happens when valuations and expectations run ahead of the field. We would encourage clients not to overreact to these single-day swings when they happen.

Let's talk about SpaceX

Few events in recent memory have generated as much market excitement—and, in our view, as much uncritical enthusiasm—as the SpaceX IPO. The company went public in June at a valuation of approximately $1.75 trillion, instantly placing SpaceX in the same rarefied air as the "Magnificent 7"—some of the most valuable companies on Earth. The stock's debut was met with enormous demand, and the press coverage was almost uniformly breathless. We want to offer a more grounded perspective of the stock, because many investors have asked about SpaceX and we think the valuation deserves a great deal more scrutiny than it has received.

SpaceX was essentially handed a market capitalization in the same range as the most profitable technology companies in today's market (Amazon and Microsoft) while earning a tiny fraction of what either of them generates. Let that sink in for a moment. SpaceX reported approximately $19 billion in revenue for 2025. At a $1.75 trillion valuation, investors are paying somewhere between 600 and 900-times earnings for the company. To understand how extraordinary that number is, let's compare with Amazon—not at its IPO from 30 years ago, but Amazon today as the fully mature global technology giant.

Amazon's current market capitalization is $2.5 trillion (as of June 30, 2026). It generated around $717 billion in annual revenue and more than $77 billion in net income last year. Its price-to-earnings ratio is currently around 31-times forward earnings—a number that reflects the premium investors assign to one of the most dominant and diversified businesses in history. SpaceX, at its IPO valuation, is priced at 13-to-20-times Amazon's earnings multiple, while generating less than 3% of Amazon's revenue and a negative net income.

	Amazon (AMZN)	SpaceX (SPCX)
Market capitalization	$2.56T*	$1.75T**
Annual revenue***	$716.9B	$18.7B
Net income***	$77.6B	-$4.9B
Price-to-earnings (next 12 months)*	31.1	N/A
Price-to-sales*	3.53	111.23

Source for Amazon market and financial data: Yahoo! Finance, S&P CapitalIQ via Fidelity Investments.
Source for SpaceX market and financial data: Yahoo! Finance, CNBC
* As of June 30, 2026
** As of SpaceX IPO date June 12, 2026
*** As of year-end 2025

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Amazon earned its place among the biggest S&P 500 companies over nearly three decades by building a global retail and logistics empire, a major advertising business, and Amazon Web Services, the world's dominant cloud computing platform. SpaceX is asking investors to assign a comparable valuation on day one, based largely on promise.

That doesn't mean SpaceX cannot grow into its valuation over time. Elon Musk has confounded skeptics before, and Starlink's satellite internet business has genuine scale potential. But investors buying SpaceX shares today are paying premium prices for a future that has yet to be built, while Amazon—which has already built its future—trades at a more reasonable valuation (at least relative to SpaceX.) Owning shares of SpaceX right now is a remarkable act of faith.

This critique is not meant to dissuade investors from wanting to own a piece of SpaceX, but there are some unique considerations investors should make before buying any shares. For instance, pay attention to the lock-up period for SpaceX shares owned by early investors, employees and insiders. When these lock-up periods expire—and the first one will after the company's Q2 earnings release, expected in August—a significant number of shares that were previously unable to trade will become available in the open market. History shows that lock-up expirations frequently create selling pressure on a stock, particularly when the IPO has been as richly priced as this one. We are not predicting a collapse in SpaceX's stock price, but investors who are tempted to buy shares in the near term should be aware of this potential headwind to come.

Also, think about other pathways to owning shares of SpaceX stock, such as index funds and ETFs that track the Nasdaq or the Nasdaq 100 indices (e.g., QQQ). When SpaceX joins the Nasdaq Composite, as expected in July, it will rank among the biggest companies in the index, potentially in the range of 1-2% of the Nasdaq as a whole. While potentially providing some price support for the stock in the near term, joining the Nasdaq also presents opportunities for investors who want to own a piece of SpaceX to do so through a Nasdaq-tracking ETF—and also get the benefit of diversification with other companies in the index. Actively managed funds like Ark Venture offer another avenue for individual investors. Fund manager Cathie Wood was an early-stage investor in SpaceX and similar private companies at low prices, providing opportunities for profit for fund shareholders when the IPOs go public that stock investors in the open market cannot access.

Changing of the guard at the Fed

Kevin Warsh chaired his first Federal Open Market Committee meeting in June, and it was closely watched by everyone in the financial markets. As expected, the Fed held the federal funds rate steady. What was more noteworthy were Warsh's post-meeting remarks, which signaled something of a reinvention in how the Fed intends to operate under his leadership.

Warsh announced the formation of several internal working committees designed to take a fresh look at the data the Fed uses to make its decisions. His comments suggested a belief that the central bank's analytical frameworks—built largely in an era before the pandemic, before the AI transformation of the economy, before the supply chain disruptions of recent years—may not fully capture what is actually happening in the economy in real time. He spoke about the need for the Fed to equip itself with better, more timely data rather than relying as heavily on lagging indicators. In other words, Warsh thinks the Fed has sometimes been looking in the rearview mirror when it needed to be looking out the windshield, and he intends to change that. The markets received this message reasonably well.

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What Warsh could not change, however, is the underlying inflation picture, which remains stubbornly challenging. The Consumer Price Index and the Personal Consumption Expenditures index are both running well above the Fed's 2% target, with energy costs remaining a primary driver. Warsh finds himself in a position that is genuinely difficult, between a president who has been explicit about his desire for lower interest rates and an economy that is telling him to do the opposite. Cutting rates in an inflationary environment would risk re-igniting the very pressures that took years of painful rate tightening to bring under control. The bond market knows this, and it would react swiftly and negatively to any sign that the Fed was prioritizing political convenience over its core mission of price stability.

There is now a credible and growing case for actually raising interest rates, not cutting them. The most recent Fed meeting minutes reflected this tension internally, and Fed funds futures show the market believes a rate hike is in the offing. If energy prices remain elevated—which they may, given the unresolved geopolitical situation with Iran—and if inflation does not continue to move toward 2%, the question of a rate increase will move from the theoretical to the very real. A rate cut under current conditions, in our view, seems essentially impossible in the near term. We believe Warsh understands this, and we believe he will hold the line. But the path forward is narrow, and the risks in either direction are not trivial.

At the midpoint of the year

So far, it's been an eventful year for investors—geopolitical uncertainty, a new Fed chair, a landmark IPO, and an AI-driven transformation of the economy that continues to unfold in real time. Through it all, the stock market has demonstrated remarkable resilience, though valuations and elevated expectations mean that risk management is essential for the months ahead.

Despite percolating inflation pressures, the U.S. economy remains on solid ground; growth and business activity is robust, the labor market is firming up and consumers continue to spend (at least among higher-income consumers and primarily on services.) Consumer spending is always important for economic growth, but added to that are the capital expenditures being made by the big tech firms on data centers and chips. We don't anticipate that dynamic to change in the months ahead, but will monitor the factors to help us gauge where opportunities for investment return and areas of risk are developing.

We hope this commentary gives you a clearer picture of what is happening in the markets and economy and why. As always, do not hesitate to reach out if you would like to discuss your portfolio, our investment strategies, or anything we've covered in this quarterly review. We wish you and your families a wonderful summer and look forward to speaking with you soon.

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