Quarterly Booklet

Fall 2026

The Price of **Everything**



ONE DAY IN JULY

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Issue XXXVII

A Note from Our Founder

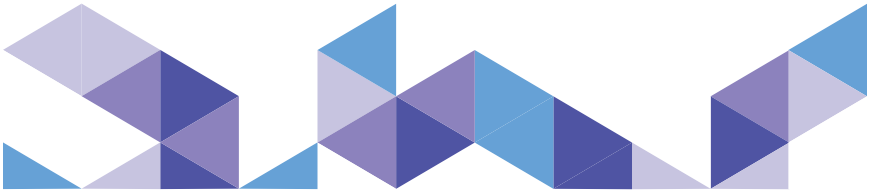
Even before money, pricing existed. Pricing forms the basis for economic transactions and drives financial markets.

Most businesses set prices by weighing demand against revenue potential. Interestingly, One Day In July itself operates differently in this regard. When setting our own fees, we do not base pricing on demand analysis. Instead, we determine what is required to run the business efficiently and set prices at the narrowest possible margin above that cost structure.

From time to time, businesses do price this way. It gives the management consultants heartburn, because they see cash flow and profits being "left on the table." But by transferring the value to the customer instead of worrying about current profit optimization, everyone, including the business, benefits in the long term.

Well, except the competitors. ☺

~ **Dan Cunningham**
Founder, One Day In July



Why Prices Change

Prices provide a signal. Whether they are set through a competitive market, controlled by a monopolist, or determined by a government, every price tells a story. In simple terms, prices within a competitive market tell us how much of something exists, which is largely a proxy of production cost and competitive barriers, relative to how badly people want it. When demand for a good or service outpaces supply, prices rise; when supply outpaces demand, they fall.

Prices controlled by a single producer provide a signal about what rates maximize total profit for the producer. And government-administered prices often reflect policy objectives and market conditions. The more a market deviates from competition, the less price reveals about underlying supply and demand.

While prices in a market-based system fluctuate regularly, recent history has put inflation at top of mind. Broad-based inflation occurs when a repricing takes place throughout the economy, rather than in a single market. The two origins of inflation are called demand-pull, which results when spending outpaces an economy's ability to produce, and cost-push, which results from increases in input costs like oil.

Pricing Power Across Industries

Not every company can pass rising costs on to its customers, and this ability, or lack thereof, is one of the most important determinants of long-term profitability. Economists describe a spectrum of market structures that determine how much pricing power a firm holds.

Market Structure	Description		Example(s)
Perfect Competition	A market in which firms sell an identical product or service. No single seller can charge more than the market rate.		**Commodity producers**
Monopolistic Competition	An industry with many sellers offering differentiated products. Differences in quality or brand recognition can allow a firm to charge a premium despite ample competition.		**Clothing brands, restaurants, hotels**
Oligopoly	Industries dominated by a handful of large players. Because there are few competitors, firms' decisions are often interdependent.		**Airlines, insurance providers, smartphone makers**
Monopoly	A single firm controls supply and faces little competitive constraint on prices.		**Regional utilities, internet search engines, social media networks**

Michael Porter, often regarded as the father of modern business strategy, created a model to determine how much pricing power exists within an industry, referred to as Porter's five forces.

The five forces are a framework for understanding the competitive pressures within an industry and how those pressures affect a company's ability to pass costs on to consumers and earn profits. The forces are competitive rivalry, threat of new entrants, bargaining power of suppliers, bargaining power of customers, and threat of substitutes. When these forces are weak, companies generally have greater pricing power. In other words, stronger competitive forces typically constrain pricing power, while weaker forces can support it.

Over time, market structures, and the five forces influencing the structures, evolve and change. This is why pricing power is so difficult to forecast, and why it varies as much within a sector as across the broad market. Rather than betting on which companies will retain pricing power, a broadly diversified, low-cost index approach owns increasing amounts of the winners and decreasing amounts of the losers. This effect then compounds without the need to guess correctly in advance.

Source: Harvard Business School, "The Five Forces," Retrieved 9/2026

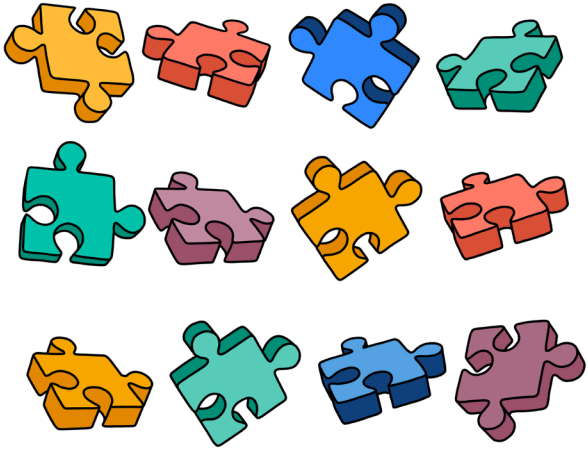
Impact on Stocks

Simply put, a share of stock is a claim on a company's future cash flows. A stock's price reflects the collective best guess of all investors at the value of those cash flows, discounted back to today. Two variables in that calculation are especially sensitive to pricing dynamics: the cash flows themselves and the discount rate used to value them.

When inflation rises, interest rates tend to rise in tandem, which increases the discount rate applied to future earnings. This makes a dollar of profit ten years from now worth even less today. It's a mechanical relationship, not necessarily a judgment on any one business, but it explains a great deal of why short-term volatility increases in an inflationary environment. It's also why companies with higher expected future cash flows are more sensitive to changes in underlying inflation.

On the other side of the coin, a company's ability to grow its cash flows during an inflationary period depends directly on its pricing power. Firms with genuine pricing power can raise prices in step with their costs, protecting margins. Firms without pricing power get squeezed from both sides, with input costs rising while their own prices stay pinned down by competition.

The trouble for investors is that pricing power, growth durability, and rate sensitivity all interact in ways that are hard to model and even harder to predict. This is a core reason we favor owning the broad market at a low cost, rather than concentrating on a handful of names presumed to have the right mix of specific qualities. A market-cap-weighted index captures those companies that the market ultimately rewards, without necessitating anyone to call it beforehand.



Impact on Bonds

A bond promises a fixed stream of future payments, so when inflation expectations rise, that fixed stream becomes worth less in terms of purchasing power. This creates a direct relationship between bond prices and inflation. As inflation or inflation expectations rise, investors demand a higher yield to compensate. Because yields and prices move inversely, existing bond prices fall.

How much a bond's price moves largely depends on its interest-rate sensitivity, which is derived from the timing of the bond's future distributions. A 2-year Treasury will barely flinch during a shift in inflation expectations, while a 30-year bond can move sharply on the same news.

This is why we think about fixed income in real (inflation-adjusted) terms. It's also why interest-rate sensitivity (called duration in finance-speak) deserves attention when building the fixed income portion of a portfolio. A low-cost, broadly diversified bond index fund spreads this interest-rate risk across many maturities, rather than concentrating it in a single bet on where rates go next.

Currency Impacts

Exchange rates are simply the price of one currency in terms of another, and they move in response to many of the same supply-and-demand dynamics that drive other prices, including relative interest rates, trade flows, and expectations about a country's growth and inflation.

A weaker U.S. dollar makes imported goods more expensive for American consumers, adding to domestic inflation, while U.S. exports become cheaper and more competitive abroad. A stronger dollar works in reverse: cheaper imports, but a headwind for U.S. exporters and for the reported earnings of multinational companies, since revenue earned overseas translates back into fewer dollars.

For a portfolio, currency exposure is an often overlooked layer of risk sitting underneath international holdings. Some investors hedge this exposure directly, while others accept it as a source of diversification. In the long run, changes in currency are largely a proxy for relative inflation, meaning the inflation in one currency versus another. While guessing which currency will depreciate may seem tempting, unknowable future events will always be waiting in the wings, ready to disrupt your best guess.



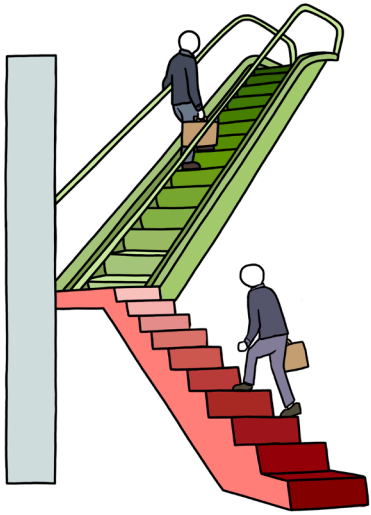
Impact on Consumers: A K-Shaped Reality

Inflation does not land on households evenly, and recent years have illustrated why economists increasingly describe the effect as "K-shaped." The 'K' represents two diverging paths from the same starting point, rather than a shared experience. Today the distinction lies mainly between asset holders and those without substantial savings.

Households with meaningful financial assets, including homes, brokerages, and retirement accounts, have generally seen their assets rise in value faster than prices of goods and services. Stocks have outpaced inflation and because most homeowners' mortgage payments are fixed, inflation quietly erodes the real burden of that debt. Households without those assets experience the same rising grocery and rent bills with none of the offsetting benefit.

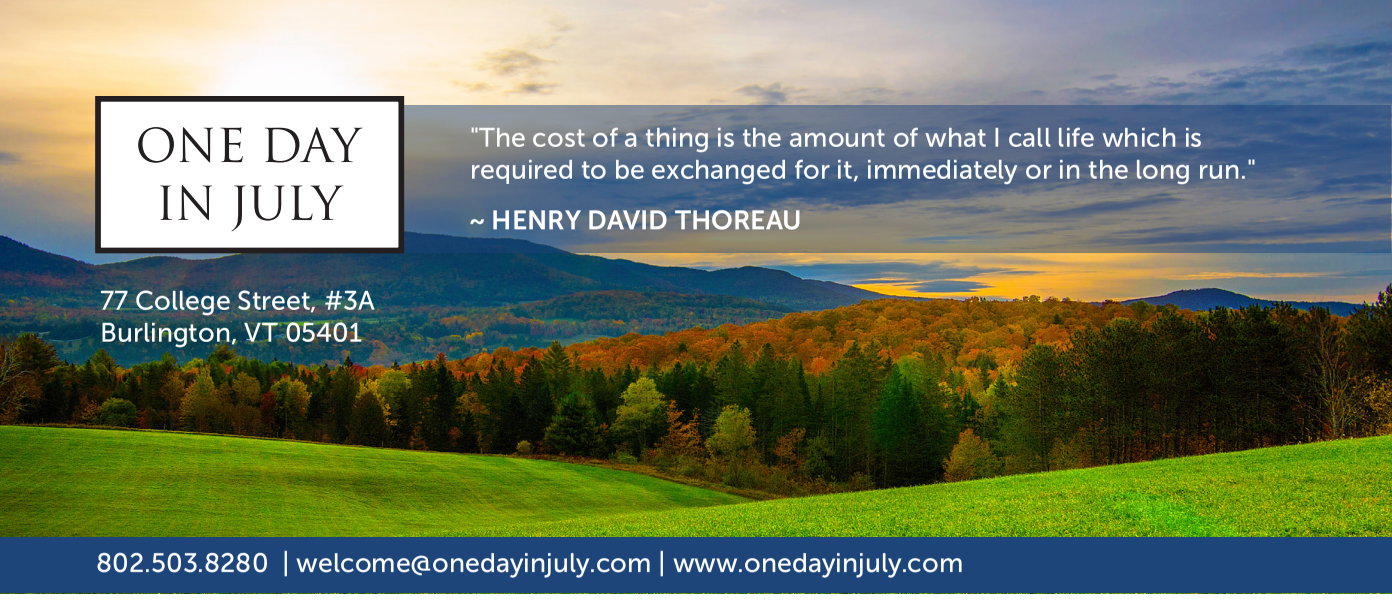
The gap this creates compounds over time, because the ability to save and invest is itself easier for those already ahead. Someone with savings can pay off an unforeseen one-time expense, while those without often go into debt. Investing small amounts consistently can lessen the K-shaped gap, one contribution at a time.

For savers, the practical lesson is not about predicting inflation, stock prices, or bond yields. It's about remaining on the asset-owning side of the "K" and continuing to build your portfolio. Putting your capital into a diversified, low-cost portfolio is one of the most reliable long-term wealth accumulation tools ever created. This is what One Day In July recommends and will continue to recommend.



Source: britannica.com, "K-Shaped Economy: When Growth Moves in Two Different Directions," 9/2026

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ONE DAY
IN JULY
"The cost of a thing is the amount of what I call life which is required to be exchanged for it, immediately or in the long run."
~ HENRY DAVID THOREAU
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