

Market Perspectives

May 2026



Optimism surrounding a truce with Iran fuels another strong month for markets.

Index	MTD	QTD	YTD	2025	2024	2023
S&P 500	5.26	16.31	11.27	17.88	25.02	26.29
Dow Jones Industrial Average	2.94	10.38	6.86	14.92	14.99	16.18
Russell 2000	4.37	17.11	18.15	12.81	11.54	16.93
NASDAQ Composite	8.43	25.04	16.33	21.14	29.57	44.64
Europe, Australia, & Far East (EAFE)	3.18	10.98	9.74	31.89	4.35	18.85
MSCI Emerging Markets	9.71	25.87	25.74	34.36	8.05	10.27
Bloomberg Barclays U.S. Aggregate Bond	0.31	0.42	0.38	7.30	1.25	5.53
Bloomberg Barclays U.S. Corporate High Yield	0.49	2.19	1.68	8.62	8.19	13.45

As of 05.31.2026; Returns in percent

FINANCIAL MARKET PERFORMANCE

US equities were higher again in May, adding to April's extremely strong index gains. The Dow, S&P, and Nasdaq all ended May at fresh record closes. The S&P 500 gained 5.26%, while the Nasdaq Composite rose 8.43% as Technology stocks continued to push higher fueled by strong 1Q26 earnings growth. Semiconductor and memory stocks continued their yearlong rally, with Micron Technology rising 29.3% to become the latest \$1Trillion+ market-cap stock. The software space also continued its recovery from a 1Q AI-fear-induced selloff. In addition, the small cap Russell 2000 jumped 4.37% for the month driven by a cyclical/risk-on tailwind.

A very resilient stock market has shaken off higher oil prices, inflation fears, and concerns about consumer health given the rise in "affordability" issues. In fact, since the post Iran attack low in late March, the S&P 500 has gained 19.5%. Such a move has historically been a good indicator of future returns, as the market has averaged gains of 11% over the next 12 months since 1985 following 8-week-or-longer winning streaks.

End Week	Length of Streak (Weeks)	3-Months	6-Months	12-Months
12/20/1985	12	12.1%	17.4%	18.4%
9/1/1989	9	-0.9%	-5.9%	-8.8%
9/10/1993	8	0.5%	0.5%	1.4%
6/20/1997	8	5.8%	5.3%	22.5%
3/20/1998	8	0.1%	-7.2%	18.2%
1/23/2004	9	-0.1%	-4.8%	2.3%
11/29/2013	8	3.0%	6.3%	14.5%
11/3/2017	8	6.7%	1.6%	5.2%
12/29/2023	9	10.2%	14.5%	25.2%
5/22/2026	8	TBD	TBD	TBD
Average		4.2%	3.1%	11.0%

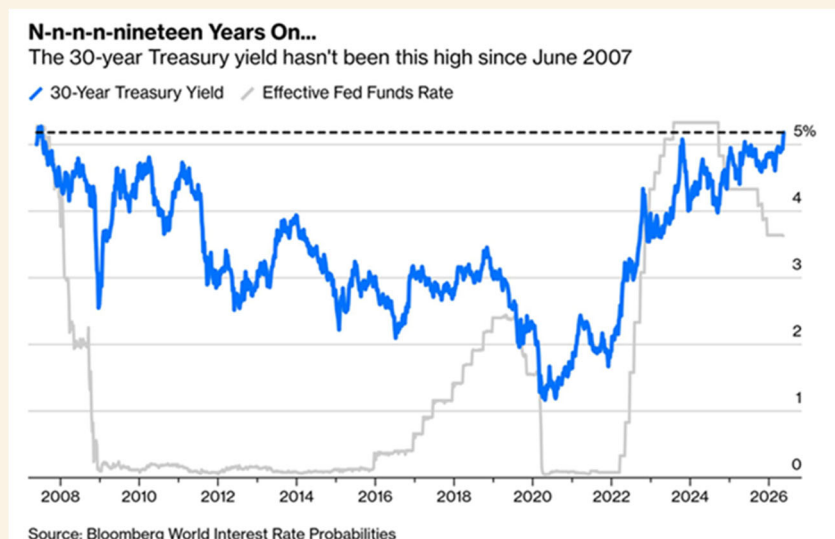
Source: Strategas As of 06.01.2026

Further, it's possible that the falling number of publicly traded stocks witnessed over the past several years is having a positive impact on market valuations (see chart below). The continued rise in investment products, including ETFs and other leveraged/specialized vehicles, means we are likely seeing a concentration of capital flowing into a limited number of equities. Such a trend could potentially well keep valuations higher than the levels justified by company fundamentals.

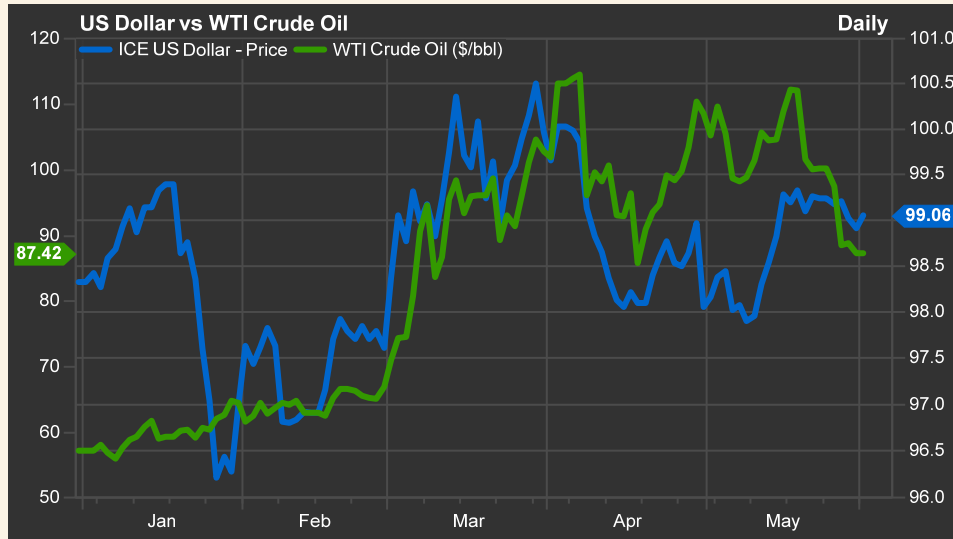


Foreign equities also rose in May, with the EAFE index gaining 3.18% and the Emerging Markets index rising 9.71%. On a year-to-date basis, foreign developed markets equities have underperformed US equities due to the greater impact of rising energy costs those economies face relative to the energy-independent US economy. Emerging Markets stocks have performed very well, however, given large exposure to Technology and semiconductor companies in Taiwan, China and South Korea.

Investment grade bonds were choppy as interest rates rose on fears of sticky inflation resulting from the prolonged conflict in Iran. Specifically, the 2-year Treasury yield jumped 12 bp while the 30-yr bond yield rose to as high as 5.22% intramonth, a level not seen since 2007 (see chart below). Despite the rise in yields, the Bloomberg Agg Bond index gained 0.31% while High Yield bonds rose by 0.49%.



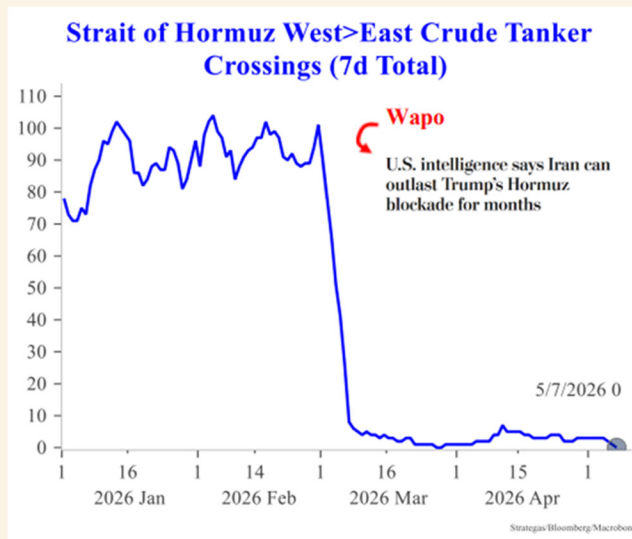
The US dollar rose 0.8%, while Gold continued to fall from the extreme heights reached in 2025, as it dropped 0.8%. Bitcoin futures were down 3.8%, and WTI crude oil ended much lower, down 6.9% and back below \$90/barrel, amid optimism surrounding a near term end to the conflict in Iran.



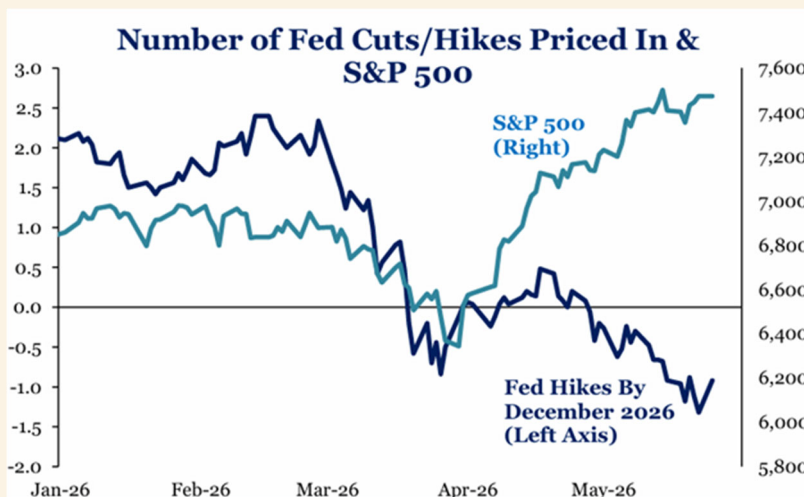
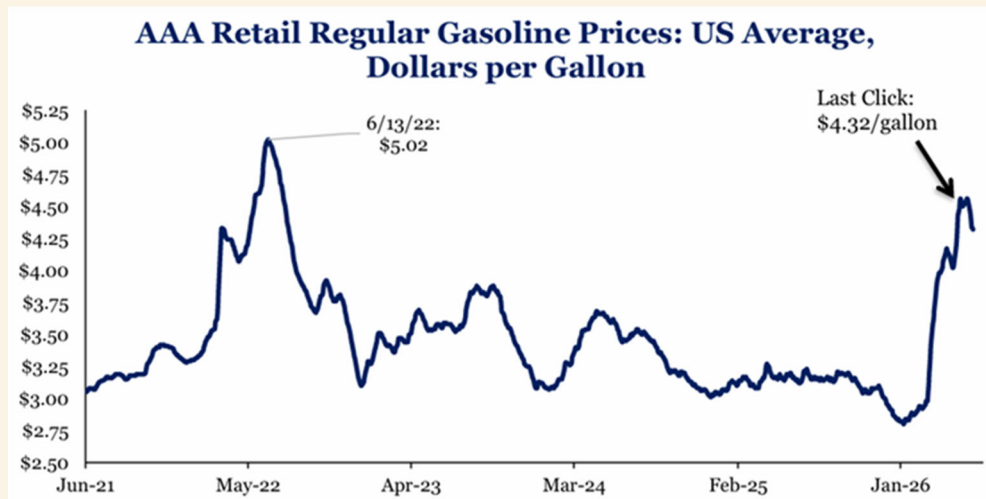
Source: FactSet As of 06.01.26

PERFORMANCE DRIVERS

- Possible US-Iran memorandum of understanding (MOU) on the horizon:** The US-Iran conflict remained in an uneasy status quo for much of the month, with several flare-ups failing to disrupt expectations for an eventual negotiated settlement. Developments near month-end suggested the sides could be close to a memorandum of understanding leading to a 60-day ceasefire extension and more detailed negotiations, including whether Iran is allowed to continue to process uranium. The key for the economy remains the timing of when the Strait of Hormuz will be fully open for ship transit, and that timing remains unclear at this point.

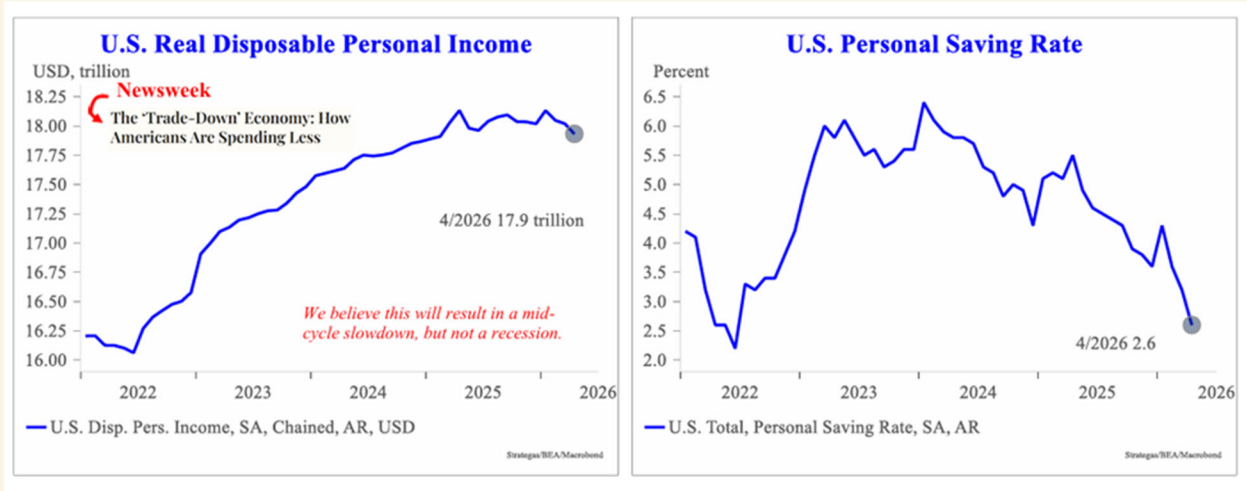


- Inflation worries persist:** Price pressures remained evident in May amid elevated energy prices and some hotter data readings (including higher April core CPI). Affordability remained a key element in depressed consumer sentiment, (notably the national average for regular gasoline remains above \$4.30/gallon), while several Fed policymakers cited untamed inflation and uncertain war/energy impacts as keeping the door open to tighter policy. In fact, at month's end, futures were pricing in 12 bp of Fed rate hikes by year end. Despite the change in tune from the beginning of the year, when markets expected as much as 50 bp of cuts this year, stocks continued to move higher.

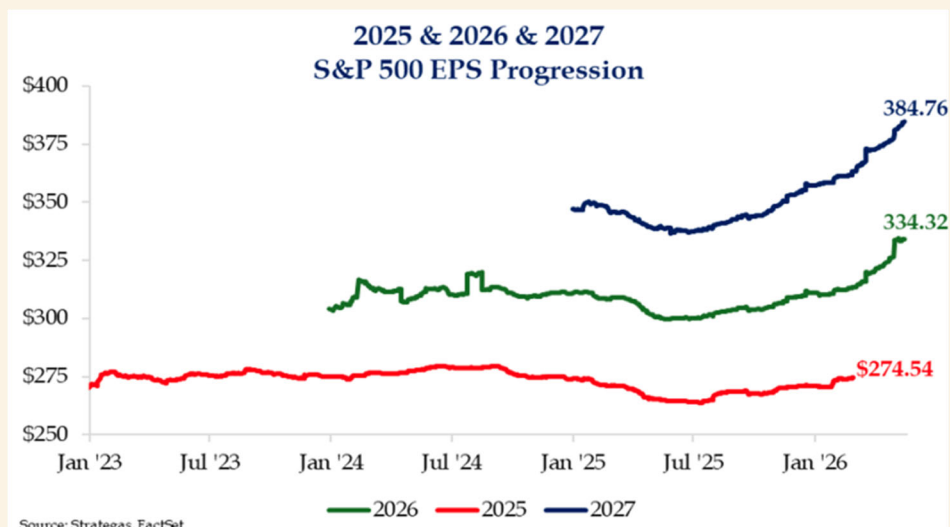


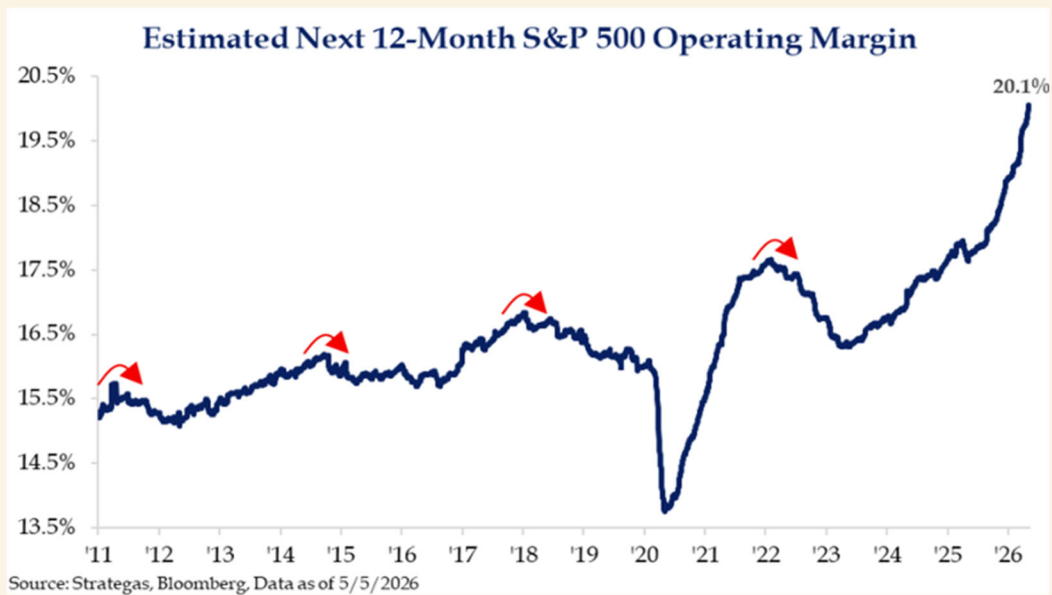
Sources: FactSet As of 06.01.2026

- Concerns about consumer stress:** Consumer resilience has been a big bullish talking point this year, but there was increased focus recently on pressures from rising prices and a widening K-shaped gap (with lower-income households bearing a greater burden from energy costs.) Corporate commentary continued to show resilient spending overall but also increased buyer caution. In addition, the decline in real disposable income and the fall in the personal savings rate bear watching.

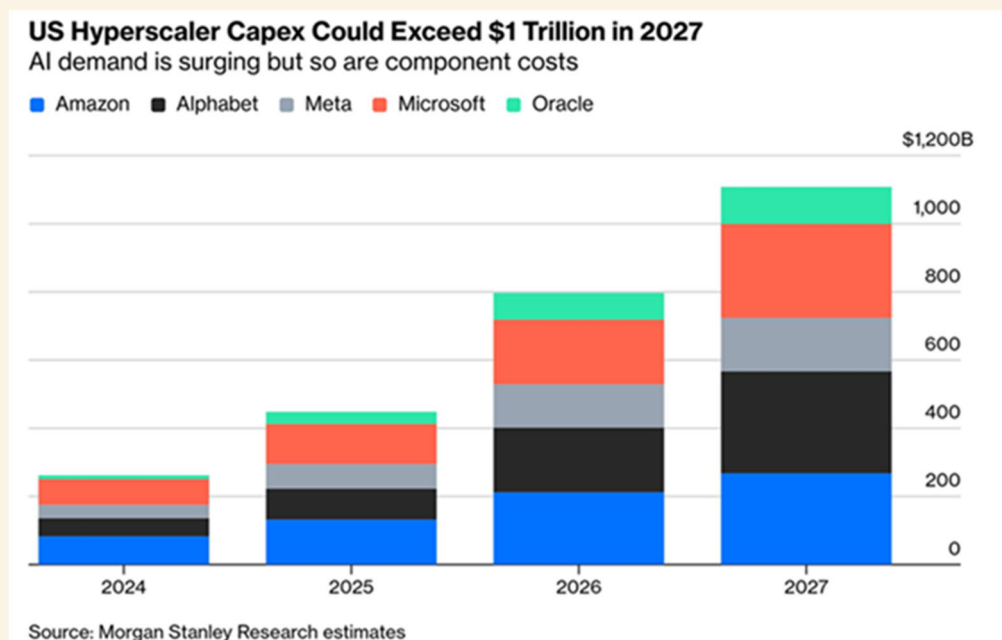


- Strong corporate earnings growth:** Fueled by capital spending from Tech/Mag 7 companies, 1Q26 corporate earnings growth was reported at 28% year-over-year, a rate that was double the expectation when reporting season began. Earnings growth expectations for the full year of 2026 now sit at almost 22%, while operating margins are expected to climb to a record high of 20% in the next 12 months.



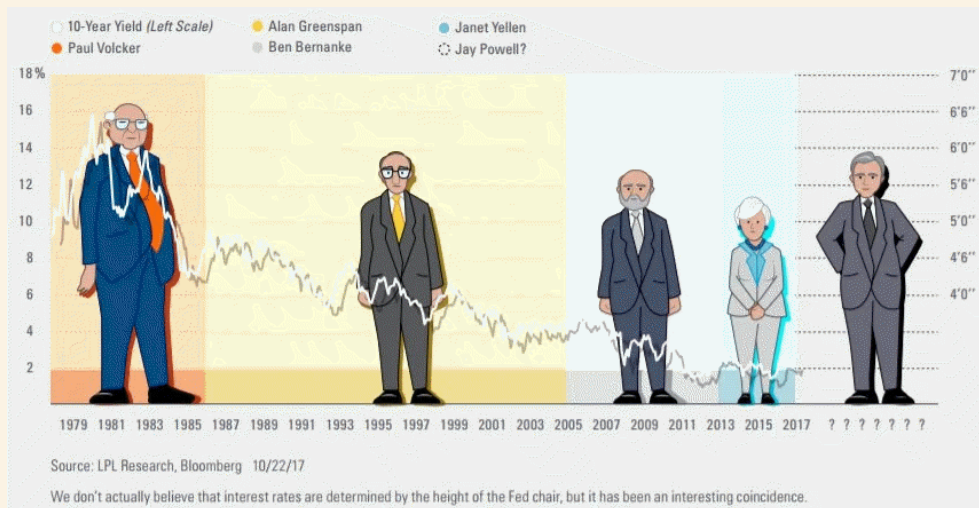


Companies in the Technology and Communications sectors are expected to produce almost 65% of the earnings growth in 2026, and a big component of that is capital spending from US Hyperscalers (e.g. Amazon, Microsoft, Meta). In fact, such spending is expected to exceed \$1 trillion in 2027. This will further expand the need for Data Centers and power generation. Some experts estimate that the US will need to build up to 5000 miles of high voltage transmission per year to keep up with rising electricity demand.



THE BEARISH NARRATIVE

Sticky inflation, higher interest rates, consumer stress and the potential for a prolonged engagement in Iran dominate the bearish narrative today. As far as interest rates are concerned, it should be noted that Kevin Warsh was confirmed as the new chairman of the Federal Reserve in May. Although many believe that this new chairman, who was hand-picked by President Trump, will be motivated to lower the Fed Funds rate; however, he will be forced to consider all data before convincing the other 11 members of the FOMC to drop rates. In addition, and as a quirky side note, the chart below shows an uncanny relationship between the height of past Fed chairpersons and the direction of the Fed Funds rate. Note that new chair Kevin Walsh at 6'1" is taller than his predecessor Jay Powell.



WHAT TO EXPECT & INVESTMENT PORTFOLIO IMPLICATIONS

The variance in performance among asset classes this year again demonstrates the need for diversification and a patient long-term approach. In addition, we still believe alternative strategies such as private equity and private credit offer excellent diversification and return enhancement to an investor's portfolio. Also, note that investors with Energy exposure could potentially benefit from any sustained rise in oil prices resulting from the ongoing conflict in Iran.

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