

Week in Review

Equity Markets:

This past week saw the end of the S&P 500 Index's nine consecutive weeks of gains with a tenth week down. The large cap index came down by -2.55% last week while still up 8.43% for the year. The Dow Jones Industrial Average fell by a slight -0.21% while the Nasdaq marketplace gave up -4.65%.¹ This negativity brought the Forward 12-month Price/Earnings Ratio down to 21.1, now closer to both its 5-year [19.9] and 10-year [19.0] averages.²

The stock markets have largely concluded the most recent earnings season, which delivered stellar growth to the S&P 500 Index's companies. On a year/year basis, earnings for the First Quarter of 2026 grew by 28.6%, the highest growth rate since the Fourth Quarter of 2021 and its sixth consecutive quarter of double-digit growth.

Fixed Income Markets:

Yield spreads on US Treasuries expanded last week, reacting to the rising price of crude oil amidst the Iran War's continuation – as well as sound employment and payrolls data. The 10-Year Treasury recognized 9 basis points worth of growth, taking its yield to 4.54%. The Bloomberg Aggregate Bond Index fell by -0.54% while their Municipal Bond Index rose +0.39%. Investment-Grade Corporates gave up -0.59% while High-Yield Bonds surrendered -0.42%.³

Economic Updates:

US employment markets recognized robust results in last week's reports. The Nonfarm Payrolls report recognized job growth of 172,000 in May, alongside an April upside NFP revision. The Unemployment Rate held at 4.3%. Concurrently, ADP Private Payrolls recognized May growth of 122,000 positions, and the Job Openings and Labor Turnover Survey [JOLTS] rose to 7.618 million in April, its highest reading in two years. These results present the jobs markets as rather sound.

The ISM Manufacturing Purchasing Managers' Index grew by 1.3 points in May, reflecting continued resilience. Its current reading of 54.0 beat Wall Street's expectations, in the process delivering its highest total in four years. The ISM Services PMI grew to 54.5 in May, up from April's 53.6 and beating the Street's forecasts in the process. Concurrently, the Federal Reserve's Summary of Commentary on Current Economic Conditions – often referred to as the 'Beige Book' – recognized increased economic activity in 10 of the Fed's 12 districts.⁴

Looking Ahead

Equity Markets:

Forward market momentum is potentially set to be more fully determined. Despite beginning last week with fresh all-time highs, the broader stock markets robustly retracted last Friday. This selloff coincided with last week's announcements for new mega-cap startups' initial public offerings planned for the immediate near future, alongside new equity offerings by established mega-cap technology companies. These variables helped give pause to investors following the strong earnings deliveries recognized in the First Quarter, and many sought to recognize profits and perhaps to reallocate into other positions.

While recognizing the relative strength of growth so far this year, investors should be mindful of current conditions and anticipate such volatilities as inevitable occurrences.

Fixed Income Market

Federal Reserve policy objectives could impact bond pricing with the potential for higher interest rates close to the end of the year. Indeed, the CME Group's FedWatch tool indicates a greater likelihood that the Key Rate (Fed Funds rate) will be higher in December than its current 3.50-3.75%.⁵

Last week's Nonfarm Payrolls report indicated relative strength in the employment market. This stability puts the Fed's emphasis more stringently upon inflation, the other end of its dual mandate. The popular consideration is that long-term inflation is more firmly anchored than near-term inflation. Should this hold, we can more readily consider the Fed to be current with its monetary policy applications.⁶

Economic Updates:

This week's Consumer Price Index & Producer Price Index reports will give sound consideration towards the state of inflation in the US economy; specifically, whether a recent trend of rising monthly inflation indications will carry over into June.⁷

We also will hear from the European Central Bank and their decision on interest rates for the Euro. The May Existing Home Sales figures will be announced, and the University of Michigan's Surveys of Consumers will provide preliminary context towards consumer sentiment.⁸

**** See Important Disclosures on following page

Sources:

- 1) JP Morgan Asset Management
<https://am.jpmorgan.com/us/en/asset-management/adv/insights/market-insights/market-updates/weekly-market-recap/>
- 2) FactSet Earnings Insight
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- 3) Nuveen, LLC
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- 4) T. Rowe Price
<https://www.troweprice.com/personal-investing/resources/insights/global-markets-weekly-update.html>
- 5) CME Group FedWatch
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- 6) LPL Research
<https://www.lpl.com/research/blog/weekly-market-performance-june-5-2026.html>
- 7) John Hancock Investment Management, LLC
<https://www.jhinvestments.com/weekly-market-recap#market-moving-news>
- 8) Charles Schwab
<https://www.schwab.com/learn/story/stock-market-update-open>

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