

Week in Review

Equity Markets:

This past week saw the S&P 500 Index regain its footing, snapping the prior week's slide with a return to positive territory. The large cap index advanced 0.66% on the week and now stands up 9.12% for the year. The Dow Jones Industrial Average added a modest 0.70% while the Nasdaq marketplace climbed a similar 0.70%.¹ The gains came despite a midweek dip, as a rally on Thursday and Friday recovered the ground lost earlier in the week.

As the market looks ahead to the next earnings season, analysts are projecting another strong showing from the S&P 500 Index's companies. The estimated year/year earnings growth rate for the Second Quarter of 2026 now stands at 21.9%, which, if realized, would mark a second straight quarter of growth above 20%. That estimate has actually risen since March 31, when it sat at 18.7%, with five sectors now expected to post higher earnings on the back of upward revisions to EPS forecasts. On the valuation side, the Forward 12-month Price/Earnings Ratio has settled at 20.1, still running above both its 5-year [19.9] and 10-year [19.0] averages of 199x and 19x respectively².

Fixed Income Markets:

Fixed income markets faced headwinds last week as bond prices broadly slipped and yields pushed higher across the curve. The U.S. 10-year Treasury yield settled in the mid-4.4% range, with the 2-year note and 30-year bond also ticking modestly upward, while broader benchmarks like the Bloomberg Global Aggregate Index turned slightly negative and corporate bonds saw mild price pressure.

Economic:

Last week's economic data put inflation back in the spotlight, with both consumer and producer prices running hotter than expected. The Consumer Price Index rose to 4.2% on an annual basis in May, a three-year high, even as core prices excluding food and energy held steadier at 2.9% year-over-year and 0.2% for the month. The bigger surprise came from the Producer Price Index, where wholesale prices jumped 1.1% in May on a broad surge in energy and gasoline costs, leaving the prices businesses paid up 6.5% over the year. Together, the readings complicated the inflation picture and reinforced the Federal Reserve's decision to hold interest rates steady for now.

Elsewhere, the data painted a more mixed picture of the economy's footing. Initial jobless claims ticked higher and real average hourly earnings slipped 0.1% in May, a sign that paychecks gave back a little ground to rising prices. On the household side, disposable personal income edged down by \$19.9 billion (0.1%) even as personal consumption expenditures climbed \$111.1 billion (0.5%), suggesting consumers kept spending despite thinner income. The international trade deficit in goods and services also narrowed in April to \$55.9 billion as exports slightly outpaced imports.

Looking Ahead

Equity Markets:

The equity markets have continued to climb, largely due to outsized earnings and corporate strength. 1st Quarter earnings were stellar, coming in just below 30%³. Valuation concerns have lessened following recent results, and upward revisions have pushed the forward Price to Earnings down from the extreme levels of 23x at the beginning of the year to a more palatable 20x.

On the heels of the market's strength, it is timely to remind investors that markets do not move in straight lines and 2026 has yet to see a 10% pullback. The average intra-year decline in the S&P 500 is roughly 14%, so investors need to be prepared for potential bouts of volatility⁴. This is where a thoughtfully developed strategic allocation that aligns with your long-term financial goals is most important.

Fixed Income Market

The news of a potential peace deal in the Middle East may ease rate pressures driven by inflation concerns but we remain the camp that inflation will continue to be stubborn and could limit the flexibility policymakers have going forward. We believe a sideways move in the bond market is likely, with the 10-year Treasury yield fluctuating between 4.25% and 4.75% through year-end. Short-term noise could push that rate closer to 5%, but we see that as a temporary event.

The current interest rate structure remains favorable for fixed-income investors. Current yields continue to offer an attractive risk/reward profile, and investors can receive healthy yields over the long term.

Economic:

This week, attention turns squarely to the Federal Reserve, which concludes its two-day policy meeting on June 16-17, the first as chair for Kevin Warsh. Alongside the rate decision, the Fed will release an updated Summary of Economic Projections and Warsh will hold his first press conference, with markets broadly expecting policymakers to hold rates steady through the rest of the year. On the data front, the May retail sales report arrives Wednesday and should offer a read on whether consumers kept spending through the spring, while housing starts and building permits round out the picture on the housing sector. Weekly jobless claims follow on Thursday, and U.S. markets will be closed Friday for the Juneteenth holiday.

**** See Important Disclosures on following page

Sources:

1)Kriology Portfolio Solutions, Morningstar Direct

2)FactSet Research Inc

https://advantage.factset.com/hubs/Website/Resources%20Section/Research%20Desk/Earnings%20Insight/EarningsInsight_061226.pdf

3)LSEG I/B/E/S

https://lipperalpha.refinitiv.com/wp-content/uploads/2026/06/TRPR_82221_855.pdf

4)JP Morgan Wealth Management

<https://www.chase.com/personal/investments/learning-and-insights/article/market-volatility-investing-opportunities>

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